



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	21 March 2017
Classification:	Public
Title:	Asset Pooling and London Collective Investment Vehicle Update
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	The Pension Fund plans to transfer the Majedie and Longview Investment Manager mandates to the London Collective Investment Vehicle (CIV) in 2017 realising significant fee savings. A view also needs taking on the Fixed Income Mandate
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1. EXECUTIVE SUMMARY

- 1.1 At the previous meeting of this Committee on the 15th November, the Committee agreed the transfer of the Majedie Investment manager Mandate to the London CIV. This will happen on Thursday 18th May 2017.
- 1.2 Since that time, another of the Council's Investment Manager Mandates, Longview, has also become available on the London CIV platform. This report updates the Committee on progress with that transfer.
- 1.3 The Fund's Fixed Income Mandate with Insight expires at the end of 2017. This Report sets out the present CIV position in terms of Fixed Income Mandates and route for the Pension Fund to move this Mandate forward.
- 1.4 The Report also sets out the present timetable of Investment Products going live on the London CIV platform.

2. RECOMMENDATIONS

- 2.1 That the Committee note the process being undertaken to transfer the Majedie mandate to the London CIV.
- 2.2 That the Committee agree to transfer the Longview mandate to the London CIV in principle, in order for the more detailed work to be undertaken.
- 2.3 That the Committee form a view on the best approach to its fixed Income mandate from the alternatives suggested.
- 2.4 That the Committee note the CIV pipeline for new Investment Vehicles.

3. Transfer of Assets to London CIV

Majedie

- 3.1 At its meeting on the 15th November, the Committee agreed to the transfer of the Majedie Mandate to the London CIV on a Flat Management Fee basis.
- 3.2 Since that time, the appropriate fund launch paperwork required by the London CIV has been completed and returned.
- 3.3 The London CIV has confirmed that the Majedie UK Equity fund will launch on Thursday, May 18th. As the City of Westminster Pension Fund are already investors of LCIV there is no need for further tax documentation. The CIV will have Eversheds provide the tax transaction review on the Fund's behalf.
- 3.4 At the appropriate time the London CIV will need the Pension Fund to complete one simple subscription form. The Fund will also need to inform their Custodians Northern Trust of the transition date.
- 3.5 The London CIV are developing a secure client portal which will contain all of the fund documents and this is to be launched by the end of April.

Longview

- 3.6 Discussions between the London CIV and Longview have been on-going. It is expected now that this Mandate will be available on the CIV in June 2017.
- 3.7 Final details are still being worked on by the London CIV, but to aid the process, the Pension Fund have forwarded its current IMA with

Longview. The London CIV want to check all the participating borough's IMA to ensure that there are no major differences to the one they are drafting with the legal advisers.

- 3.8 The Pension Fund are expecting more detailed documentation from the London CIV imminently but require the approval of the Committee formally to move the process forward. As soon as detail becomes available, it will be communicated to Members of the Committee.

4. Future Developments

The Insight Fixed Income Contract

- 4.1 The Insight Investment contract has been approved to be extended until the end of 2017 following a discussion at previous Committee Meetings in September and November 2016.
- 4.2 It is intended to transfer the Fixed Income Mandate to the London CIV as soon as a Fixed Income Mandate becomes available. However, it is unlikely that a Fixed Income Mandate will become available on the London CIV until the spring of 2018, which is after the present WCC Insight Mandate expires.
- 4.3 The London CIV did hold a seminar on Fixed Income and Cashflow considerations for London Local Authorities in on the 19th January. In addition, it has distributed questionnaires to members to establish common requirements. However significant work is still required to take a mandate in this area forward.
- 4.4 As such, The Committee need to assess how they bridge the expected gap between the existing mandate ceasing and a mandate becoming available on the London CIV. Any way forward will be undertaken in close liaison with the London CIV to insure costs are minimised.
- 4.5 Prospective Fixed Income alternatives will be presented to the Committee in a session to be organised in the next 6 weeks in order to inform the direction the Tender process needs to follow.

The future CIV Pipeline

- 4.6 The table in Appendix A sets out the present position in regards to Fund Managers presently available through the London CIV and those who will become available over the upcoming year.
- 4.7 The table in Appendix A also includes those WCC Funds which have already been transferred into the CIV or are about to be transferred to the CIV

5. Conclusion

- 5.1 Westminster will continue to transition Pension Fund assets to the London CIV where the Fund has a pre-existing relationship with the investment manager and where the transfer of such assets is financially advantageous, as per the delegation approved by the Committee at the March 2016 meeting.
- 5.2 A preferred route for the replacement of the Fixed Income mandate is required to move the process forward.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS:

CIV Paper at November 2016 Pension Committee

APPENDICES:

Appendix 1 – CIV Investment Pipeline

Appendix A - London CIV Investment Managers Pipe-line

Fund	Type	Available from	WCC Transfer
Allianz Global Investors GMBH	Global Equity Alpha Fund	2 December 2015	
Baillie Gifford & Co	Diversified Growth Fund	15 February 2016	Has Transferred
Baillie Gifford & Co	Global Alpha Growth Fund	11 April 2016	
Pyrford International Limited	Global Total Return Fund	17 June 2016	

Ruffer LLP	Absolute Return Fund	21 June 2016	
Newton Investment Management	Real Return Fund	16 December 2016	
Newton	Global Equity	May 2017	
Majedie	UK Equity	May 2017	UK portion of Fund will transfer in May.
Longview	Global Equity	June 2017	UK portion of Fund will transfer in June.
Transitional Management Framework (National Frameworks – LCIV Founder Member)		Summer 2017	
Proposed Global Equity Sub-Funds: <ul style="list-style-type: none"> • Income • Emerging Markets • Sustainable Equities • Value 	Global Equity	September 2017	
Additional Global Equity Funds <ul style="list-style-type: none"> • 4 Sub-Funds TBC – depending on Investor Demand 	Global Equity	Winter 2017/2018	
Fixed Income / Cashflow Delivery Funds <ul style="list-style-type: none"> • 2x sub-funds – currently under consideration 	Fixed Income / Cashflow Multi-asset income	Winter/Spring 2017/2018	

Note, Legal and General Global Equities Fund is taking advantage of the London CIV's renegotiation of rates although it cannot yet transfer