



City of Westminster

Committee Report

Decision Maker:	Pension Fund Committee
Date:	27 June 2017
Classification:	General Release
Title:	Investment Strategy and Pooling Update
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	Savings of approximately £xxk per annum are expected from the transfer of the Majedie and Longview assets to the CIV. The tender for a new Fixed Income Contract, in liaison with the CIV, could also deliver additional savings.
Report of:	Steven Mair <i>City Treasurer</i> smair@westminster.gov.uk 020 7641 2904

1. EXECUTIVE SUMMARY

- 1.1 The paper discusses progress towards meeting the Governments targets for pooling investments, in particular the transfer for assets to the London CIV. In addition, it updates the Committee on work being undertaken to replace the Fixed Income contract which expires at the end of 2017.
- 1.2 The paper also compares the present Investment Strategy to the agreed Asset Allocation Strategy and picks up points for agreement raised by the Pension Board in their Scrutiny of the Investment Strategy Statement.

2. RECOMMENDATIONS

- 2.1 That the Committee note:
 - a. The progress on the transfer of assets to the London CIV and associated fee savings this brings;
 - b. The progress being made, in liaison with the London CIV, in the replacement process and timescales for the fixed Income mandate

- c. The present asset allocations compared to the agreed Asset Allocation Strategy.
- d. That the Committee note the comments made to the Investment Strategy Statement by the Pensions Board and approve the minor changes recommended.

3. REASONS FOR DECISION

- 3.1 The Department for Communities and Local Government (DCLG) set out in 2014 to reduce the costs of the Local Government Pension Scheme by examining fees for active management within the funds. It has requested Council Pension Funds to join Collective Investment Vehicles (CIVs) in order to obtain economies of scale with fund managers and reduce fees.
- 3.2 This report sets out those funds available for use at the present time and the London Borough of Hammersmith and Fulham Pension Fund's movement into these instruments

4. PROPOSALS AND ISSUES

Asset Pooling Present Position

- 4.1 As at the 30th April, the City Council had the following assets either with the London CIV or about to be moved to the London CIV:

Fund	Date of Transition	Amount £m	Percentage of Assets
Baillie Gifford – Global Equities	May 2016	235.6	18.6
Majedie – UK Equities	May 2017	301.1	23.8
Longview – Global Equities	June 2017	137.7	10.9
Legal & General Passive – Global Equities	n/a	286.1	22.6

- 4.2 This amounts to approximately 75.9% of the total portfolio of £1,264.1m of assets. Fixed Income is a further 190.7m, which is a further 15.1% of the portfolio. The other assets held are in Property at £112.8m
- 4.3 This percentage puts Westminster at the top end of London Boroughs with assets on the London CIV.
- 4.4 Appendix A sets out all funds presently managed through the London CIV.

Fixed Income Mandate

- 4.5 In December 2016, the City Council extended its fixed Income Mandate for a year to December 2017 in order to allow the London CIV to on-board appropriate products. It is clear now, that due to different priorities, that an appropriate product will not be ready by December 2017.

- 4.6 To help the London CIV, the City Council will run a “Buy and Maintain” tendering process on behalf of London Councils which can then be on-boarded onto the London CIV at a later time.
- 4.7 Advice is being taken from Procurement and the London CIV to ensure the correct process is followed.

Review of the Present Asset Allocation Strategy

- 4.8 The Councils present investments and its existing asset allocation policy are set out in the following table:

	Target Allocation	Benchmark	Actual Allocation
UK equities	20%	FTSE All Share	23.8
Global equities (passive)	45%	FTSE World (GBP hedged)	22.6
Global equities (active)		MSCI AC World	29.5
Fixed Income	20%	iBoxx £ Non-Gilt 1-15 Yrs Index	15.1
Property	15%	FT All Gilt index plus 2%	9.0
	100.0		100.0

- 4.9 Committee members are requested to review the present model and confirm if it is appropriate following the latest valuation of the Fund’s assets and liabilities and if present allocations require rebalancing back to the Target Allocation percentages. Presently the fund is overweight 10.9% to Equities.
- 4.10 If an updated allocation model/strategy is required, a series of meetings will be put in place to take this forward

Investment Strategy Statement Feedback from Pension Board Scrutiny

- 4.11 At its last meeting, the Pensions Board scrutinised the Investment Strategy Statement (ISS). The Board were satisfied that the ISS complied with legislation but had comments on some points in the Statement. These changes are included in the revised ISS in Appendix B for approval

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: None
APPENDICES:

Present Funds Available on the London CIV

Fund	Type	Available from
Allianz Global Investors GMBH	Global Equity Alpha Fund	2 December 2015
Baillie Gifford & Co	Diversified Growth Fund	15 February 2016
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
Longview	Global Equity	June 2017

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