



City of Westminster

# Committee Report

<b>Decision Maker:</b>	<b>PENSION FUND COMMITTEE</b>
<b>Date:</b>	<b>10 December 2018</b>
<b>Classification:</b>	<b>General Release, Appendix Not for Publication</b>
<b>Title:</b>	<b>Infrastructure Investment Strategy</b>
<b>Wards Affected:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective control over council activities</b>
<b>Financial Summary:</b>	<b>There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.</b>
<b>Report of:</b>	<b>Phil Triggs</b> <i>Tri-Borough Director of Treasury and Pensions</i> <a href="mailto:ptrigs@westminster.gov.uk">ptrigs@westminster.gov.uk</a> <b>020 7641 4136</b>

## 1. EXECUTIVE SUMMARY

### 1.1 This paper summarises:

- The approach taken for shortlisting appropriate infrastructure managers for the Fund.

## 2. RECOMMENDATIONS

### 2.1 That the Pension Fund Committee decides and approves:

- The selection of one or more managers to invest the Fund's 5% / £70m infrastructure allocation.
- The composition and weightings should more than one manager be selected.

### **3. INFRASTRUCTURE BACKGROUND**

- 3.1 Pension Fund Committee members received infrastructure training on 16 October 2018, with a view to selecting a manager by the end of the year. At the 18 October 2018 Pension Fund Committee meeting, it was decided to proceed with the selection of an infrastructure investment manager at the next meeting in December 2018.
- 3.2 Further to this, shortlisted managers were invited to present to the Pension Fund Committee on 10 December 2018.
- 3.3 Infrastructure provides the following benefits to the fund:
- Diversification from mainstream asset classes.
  - High CPI inflation protected income yield.
  - Illiquidity premium that benefits longer term investors.
- 3.4 The Fund's investment consultant, Deloitte, has assisted in preparing the investment manager shortlist.

### **4. WESTMINSTER INFRASTRUCTURE STRATEGY**

- 4.1 The infrastructure investment universe is very large, with many different types. The shortlisting process aimed to bring three high quality managers to the Pension Fund Committee's attention, each differentiated enough to provide a clear distinction in choice.
- 4.2 To meet the Pension Fund's investment objectives, highly rated managers were further differentiated by the following three criteria:
- High income yield: The Fund is at a mature stage where it is in negative cash flow. Investment income yield is required to help bridge this gap.
  - Avoidance of "mega-cap projects": High valuations and intense competition for these assets make them a less attractive proposition.
  - Focus given to expected drawdown and speed of deployment: Avoidance of holding over fees and access to the market earlier is highly desired.
- 4.3 Appendix 1 to this report sets out more detail around the shortlisting, the suggested selection process and the investment managers considered.

**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:**

**Appendix 1: Infrastructure shortlisting paper (EXEMPT)**