

London Borough of Hammersmith & Fulham

Report to: Pensions Sub Committee

Date: 29/09/2020

Subject: Global Equity Investment Transition Report

Report of: Phil Triggs, Director of Treasury and Pensions
Matt Hopson, Strategic Investment Manager

Summary

- 1.1 At the Pensions Sub Committee held on 23 June 2020, Members agreed to transfer one third of its Pension Fund equity investment allocation with Legal and General to the Morgan Stanley Investment Management (MSIM) Global Sustain fund. The value of the transfer was £169m.
- 1.2 The Legal and General Investment Management (LGIM) acted on behalf of the fund as transition manager and successfully completed the transition on 21 August 2020.
- 1.3 The total cost of the transaction including opportunity costs was £0.553m.

Recommendations

1. The Sub Committee is requested to note the report.

Wards Affected: None

LBHF Priorities

Please state how the outcome will contribute to our priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
<ul style="list-style-type: none">• Building shared prosperity	By Investing in the Morgan Stanley Global Sustain Fund, its investments should be able to assist in making a positive contribution to the long-term sustainability of the global environment, enabling the Pension Fund to enhance its investment return.

Financial Impact

The total cost to the Pension Fund of the transition was £0.553m.

Legal Implications

None

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Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

1. Transition Process

- 1.1. The committee ratified the decision to invest in the MSIM Global Sustain Fund at the 23 June 2020 meeting.
- 1.2. The decision was taken to use the Fund's existing transition manager, LGIM. As LGIM were also the incumbent manager this was expected to be the most efficient way of carrying out the transaction.
- 1.3. The London CIV (LCIV) worked with the Fund, LGIM and MSIM to coordinate the transition. As part of the process, LCIV hired an independent consultant to assess LGIM's performance and efficiency during the transition process. This is attached at appendix 2. Their view is that LGIM have delivered overall a satisfactory outcome for the Pension Fund.
- 1.4. The headline figures show the total cost to the Fund was £0.553m, with the largest individual cost being trade impact, which is the impact of the trades moving prices in the market as order books are filled. The major contributors to the costs are shown below:
 - Trade impact £0.181m
 - Taxes £0.114m
 - Spread £0.106m
- 1.5. A detailed report from LGIM is attached as appendix 1 to this report.

2. Reasons for Decision

- 2.1. The report is for noting.

3. Equality Implications

- 3.1. None

4. Risk Management Implications

- 4.1. None

5. Other Implications

- 5.1. None

6. Consultation

- 6.1. None

List of Appendices:

Appendix 1: Legal and General Transition Report
Appendix 2: MJ Hudson Transition Report