



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	10 December 2018
Classification:	General Release
Title:	Performance of the Council's Pension Fund
Wards Affected:	All
Policy Context:	Effective control over council activities
Financial Summary:	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.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> ptriggs@westminster.gov.uk 020 7641 4136

1. Executive Summary

- 1.1 This report presents the performance of the Pension Fund's investments, together with an update on the funding position to 30 September 2018.

2. Recommendation

- 2.1 The Committee is asked to note the performance of the investments, and funding position.

3. Background

- 3.1 The terms of reference of the Pension Fund Committee require the committee to monitor the performance of the Pension Fund, individual fund managers, and other service providers to ensure that they remain suitable.
- 3.2 This report presents a summary of the Pension Fund's performance and estimated funding level to 30 September 2018. The investment

performance report (Appendix 1) has been prepared by Deloitte, the Fund's investment adviser, who will be attending the meeting to present the key points and answer questions.

- 3.3 The Investment Performance Report shows that over the quarter to 30 September 2018, the market value of the assets increased by £30m to a value of £1,436m (£1,406m at 30 June 2018). The fund underperformed the benchmark net of fees by 0.2%. This is mainly attributable to the negative relative returns from Majedie whose fund market value fell to £321m in September 2018 (£330m in June 2018).
- 3.4 The Investment Performance Report shows that over the year to 30 September 2018, the fund outperformed the benchmark net of fees by 0.7% with Baillie Gifford and Longview being the major contributors, offsetting underperformance from Majedie.
- 3.5 The advisors continue to rate the fund managers favourably, with the exception of Longview, with the retirement of the Chief Executive, Ramzi Rishani still a major concern. They have also expressed ongoing concern about resignations and vacancies at senior management level within the London Collective Investment Vehicle and continue to monitor developments.
- 3.6 The Pension Fund Committee elected to rebalance its equity exposure by selling down from its Longview portfolio and transferring circa £90m to the LCIV's Multi Asset Credit Fund. This transfer took place on 1 November 2018, a timeline of events attached at Appendix 3. The remaining portfolio held with Longview will be transferred to an Infrastructure portfolio once a suitable investment manager has been selected.
- 3.7 The funding update (Appendix 2) has been prepared by the fund actuary, Barnett Waddingham. This indicates that the estimated funding level as at 30 September 2018 was 95.8%, an increase of 3.0% on the last quarter's 92.8% as at 30 June 2018. This is due mainly to a greater return on assets than that anticipated at the time of the triennial valuation at 31 March 2016. This position is also up 15.8% on the funding level of 80% that was calculated at the triennial valuation of 31 March 2016.

4. Update on the London CIV

- 4.1 The value of pension fund investments transferred to the LCIV at the end of September was £547 million. This represents 43% of Westminster's investment assets. A further £290 million continues to benefit from reduced management fees, Legal and General having reduced their fees to match those available through the LCIV.
- 4.2 A transfer out of £91m of assets managed by Longview to the LCIV took place 1 November 2018.

- 4.3 With a total of 76% of the Westminster fund value under the LCIV's jurisdiction, this takes the City of Westminster Pension Fund to the highest proportion of funds invested with the LCIV.

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: Deloitte Investment Report, Quarter Ending 30 September 2018.

Appendix 2: Barnett Waddingham Funding Update as at 30 September 2018.

Appendix 3: LCIV MAC Fund Timeline.