



City of Westminster

Pension Board

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| Date: | 21 July 2021 |
| 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 to 31 March 2021, together with an update of the funding position.
- 1.2 The Fund outperformed the benchmark net of fees by 0.2% over the quarter to 31 March 2021 and the estimated funding level was 102.3% as at 31 March 2021.

2. Recommendation

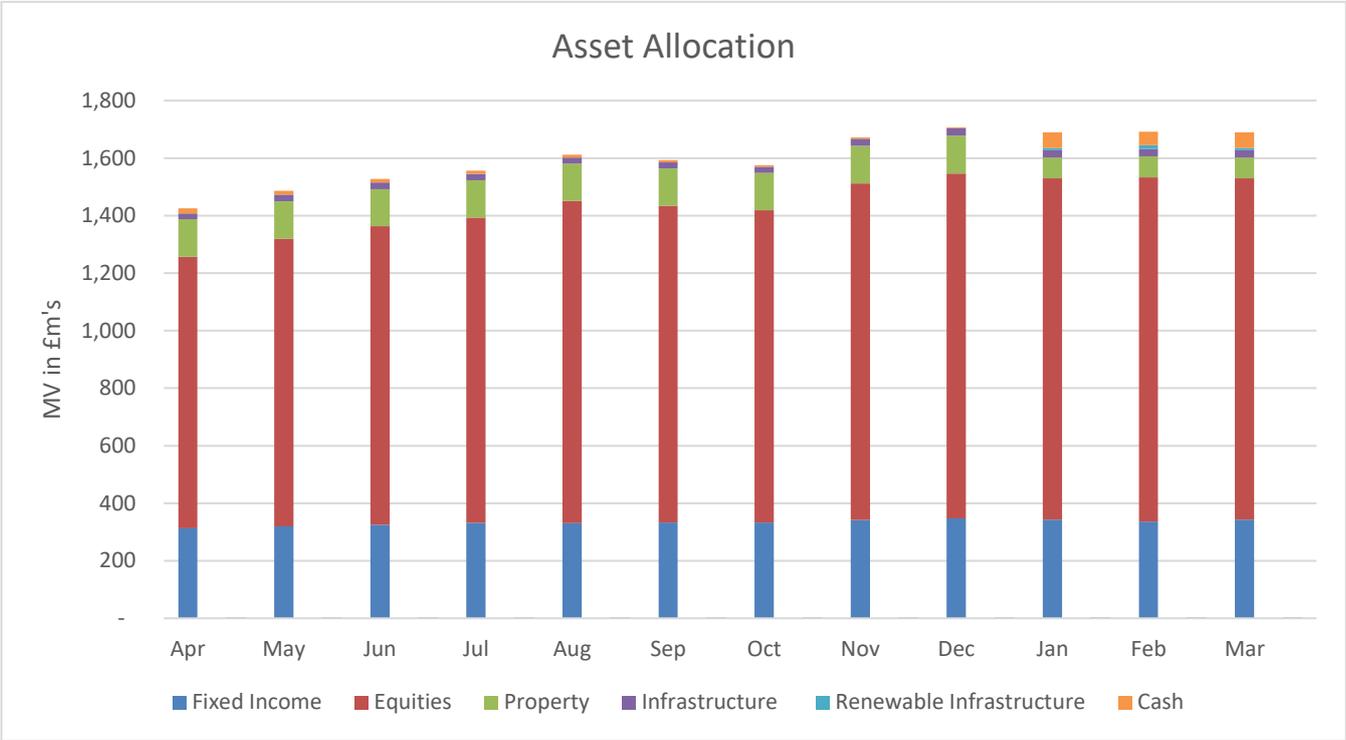
- 2.1 The Pension Board is asked to:
 - Note the performance of the investments and the funding position.

3. Background

- 3.1 This report presents a summary of the Pension Fund's performance to 31 March 2021 and estimated funding level following the actuarial valuation. The investment performance report (Appendix 1) has been prepared by Deloitte, the Fund's investment advisor.
- 3.2 The investment performance report shows that, over the quarter to 31 March 2021, the market value of the assets increased by £42m to £1,749m. The Fund outperformed the benchmark net of fees by 0.2% over the quarter, with all managers delivering positive performance with the exception of Insight. Longview, CQS, Aberdeen Standard and Pantheon all outperformed their benchmarks during this period.
- 3.3 Over the 12-month period to 31 March 2021, the Fund outperformed its benchmark net of fees by 4.6% returning 32.7%. This was achieved largely as a result of excellent performance within the Baillie Gifford Global Equity portfolio and the CQS MAC mandate, which outperformed their benchmarks by 17.3% and 20.8% net of fees respectively. Over the longer three-year period to 31 March 2021, the Fund outperformed the benchmark net of fees by 0.5%, again with Baillie Gifford being the major contributor. Longview underperformed their benchmark net of fees by -2.5% during this period.
- 3.4 The advisors continue to rate the fund managers favourably, with the exception of Longview. Deloitte removed Longview's Global Equity strategy from its rated manager list, following the departure of the co-founder and CIO Ramzi Rishani. During January 2021, Jamie Carter joined as Chief Operating Officer and Matt Tunna joined the Investment team as a Research Analyst.
- 3.5 During the quarter, LCIV announced Mike Craston as the new Chair designate of London CIV in succession to Lord Kerslake. Mike Craston is chair and a non-executive director of Aviva Investors Holdings Limited, a £300bn asset manager that provides investment services. During April 2021, Alison Lee joined the team as Responsible Investment manager and will work on development of the LCIV's sustainable investment strategies. Rob Hall, Head of Public Markets, will be leaving the LCIV in June 2021 and the recruitment process for his replacement has commenced.
- 3.6 The estimated funding level (Appendix 2) for the Westminster Pension Fund has increased by 2.9% to 102.3% as at 31 March 2021 (99.4% at 31 December 2020). The funding level for Westminster City Council as an employer has also increased, with a funding level of 91.0% as at 31 March 2021 (90.0% at 31 December 2020). The Council plans to pay off its deficit by 2022, with a final payment of £80.0m due during 2021/22.

4. Asset Allocation and Summary of Changes

4.1 The chart below shows the changes in asset allocation of the Fund from 1 April 2020 to 31 March 2021. Asset allocations may vary due to changes in market value.



*Fixed Income includes bonds and Multi Asset Credit

4.2 The current Westminster Pension Fund target asset allocation is 65% of assets within equities, 19% in fixed income, 5% within infrastructure, 5% within property and 6% in renewable infrastructure.

4.3 Following the appointment of two new renewables infrastructure managers in December 2020, the sale of the Hermes property fund took place during mid-January 2021. Subsequent to this, the first Quinbrook drawdown took place during January 2021 and in February 2021 for Macquarie. It is expected that these funds will be circa 50% drawn by March 2022.

4.4 A capital call for the Pantheon Global Infrastructure Fund took place during March 2021, with the fund 45% drawn as at 31 March 2021.

4.5 The value of Pension Fund investments managed by the LCIV as at 31 March 2021 was £866m. This represents 50% of Westminster’s investment assets. A further £398m continues to benefit from reduced management fees, Legal and General having reduced its fees to match those available through 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 31 March 2021

Appendix 2: Barnett Waddingham Funding Level Update at 31 March 2021