



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	21 October 2021
Classification:	Public
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> ptringgs@westminster.gov.uk 020 7641 4136

1. EXECUTIVE SUMMARY

- 1.1 This report presents the performance of the Pension Fund's investments to 30 June 2021, together with an update of the funding position.
- 1.2 The Fund outperformed the benchmark net of fees by 0.4% over the quarter to 30 June 2021 and the estimated funding level was 101.8% as at 30 June 2021.

2. RECOMMENDATION

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

3. BACKGROUND

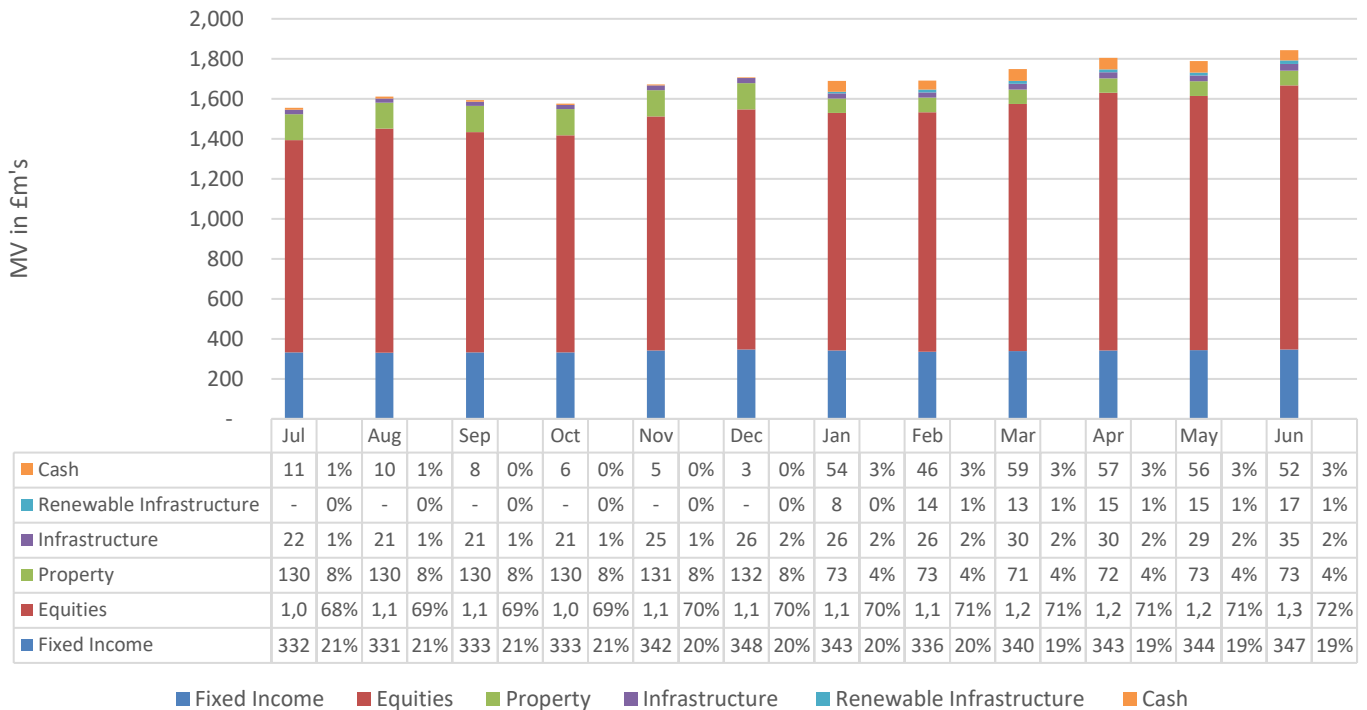
- 3.1 This report presents a summary of the Pension Fund's performance to 30 June 2021 and estimated funding level. The investment performance report (Appendix 1) has been prepared by Deloitte, the Fund's investment advisor.
- 3.2 The investment performance report shows that, over the quarter to 30 June 2021, the market value of the assets increased by £95m to £1,844m. The Fund outperformed the benchmark net of fees by 0.4% over the quarter, with all managers delivering positive performance. The active equity managers all fell short of their respective benchmarks. However, all other managers outperformed their benchmarks during this period.
- 3.3 Over the twelve-month period to 30 June 2021, the Fund outperformed its benchmark net of fees by 1.9% returning 21.1%. This was achieved largely as a result of excellent performance within Baillie Gifford, Longview and the CQS MAC mandate, which returned 30.7%, 25.3% and 13.2% net of fees respectively. Over the longer three-year period to 30 June 2021, the Fund outperformed the benchmark net of fees by 0.3%, again with Baillie Gifford being the major contributor. Longview underperformed its benchmark net of fees by -3.4% 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. After stepping down as CIO on 31 December 2020. Alistair Graham also left the company on 30 June 2021.
- 3.5 During the quarter, LCIV announced the appointment of Mike Craston as Chair of the firm. Mike commenced the role in September 2021 following FCA approval and is Chair and Non-Executive Director for a number of organisations, including Aviva Investor Holdings. Rob Hall, Head of Public Markets, left the London CIV during June 2021.
- 3.6 As reported during the last quarter, the LCIV launched a Paris Aligned version of the Baillie Gifford Global Alpha Equity fund in April 2021. The Paris Aligned fund is an exclusions-based version of the traditional Global Alpha fund, which Westminster currently holds, and both funds are managed by the same investment team with the same fees and investment objectives. There is a stock overlap of circa 94% between both funds, and the Paris Aligned version is expected to track the Global Alpha performance over time. The Paris Aligned version has two carbon screens applied to the fund, which currently excludes nine stocks of the Alpha core portfolio.

- 3.7 The Paris Aligned fund aims to have a weighted average greenhouse gas intensity lower than the MSCI ACWI Climate Paris Aligned Index, which is consistent with the reduction in emissions needed to meet the Paris Agreement targets. The fund has a carbon intensity 50% lower than the MSIC ACWI and targets a year-on-year decarbonisation rate of 10%, to meet the 1.5C warming target limit. As at 30 June 2021, the fund has invested capital of £508m from two London boroughs, with more investments anticipated.
- 3.8 Over the quarter, the London CIV appointed Hermes EOS, as the firm's stewardship partnership, and is collaborating with the LCIV to review the risk management system and develop the voting and engagement reports.
- 3.9 During the quarter, LGIM announced Sacha Sadan, Director of Stewardship, had left the company. Michael Marks, Head of ESG Integration, is currently stepping in as interim whilst a recruitment process for a replacement is launched.
- 3.10 The estimated funding level (Appendix 3) for the Westminster Pension Fund has decreased by 0.5% to 101.8% as at 30 June 2021 (102.3% at 31 March 2021). The funding level for Westminster City Council as an employer has remained stable, with a funding level of 91.0% as at 30 June 2021 (91.0% at 31 March 2021). The Council plans to pay off its deficit by 2022, with final payments 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 July 2020 to 30 June 2021. Asset allocations may vary due to changes in market value.

Asset Allocation



*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 A capital call for the Pantheon Global Infrastructure Fund took place during June 2021, with the fund 48% drawn as at 30 June 2021. A capital call took place for Quinbrook during April 2021. Following this, an equalisation payment was made to the City of Westminster during June 2021. The Quinbrook Renewables Impact Fund was 12% drawn as at 30 June 2021.
- 4.4 The value of Pension Fund investments managed by the LCIV as at 30 June 2021 was £918m. This represents 50% of Westminster’s investment assets. A further £429m 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:

Billie Emery pensionfund@westminster.gov.uk

Background Papers: None

Appendices:

Appendix 1: Deloitte Investment Report, Quarter Ending 30 June 2021

Appendix 2: Deloitte Investment Report, Fee Benchmarking (Exempt)

Appendix 3: Barnett Waddingham Funding Level Update at 30 June 2021