



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	10 March 2022
Classification:	Public (Appendices 2 and 5 are exempt)
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 December 2021, together with an update of the funding position.
- 1.2 The Fund underperformed the benchmark net of fees by 0.8% over the quarter to 31 December 2021 and the estimated funding level was 103.0% as at 31 December 2021.

2. RECOMMENDATION

2.1 The Committee is asked to:

- Note the performance of the investments and the funding position.
- Note the Baillie Gifford Paris Aligned fund transition costs, with a view to deciding whether to transition the Global Alpha mandate into the Paris Aligned version.

- Approve that Appendices 2 and 5 to this report are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

3. BACKGROUND

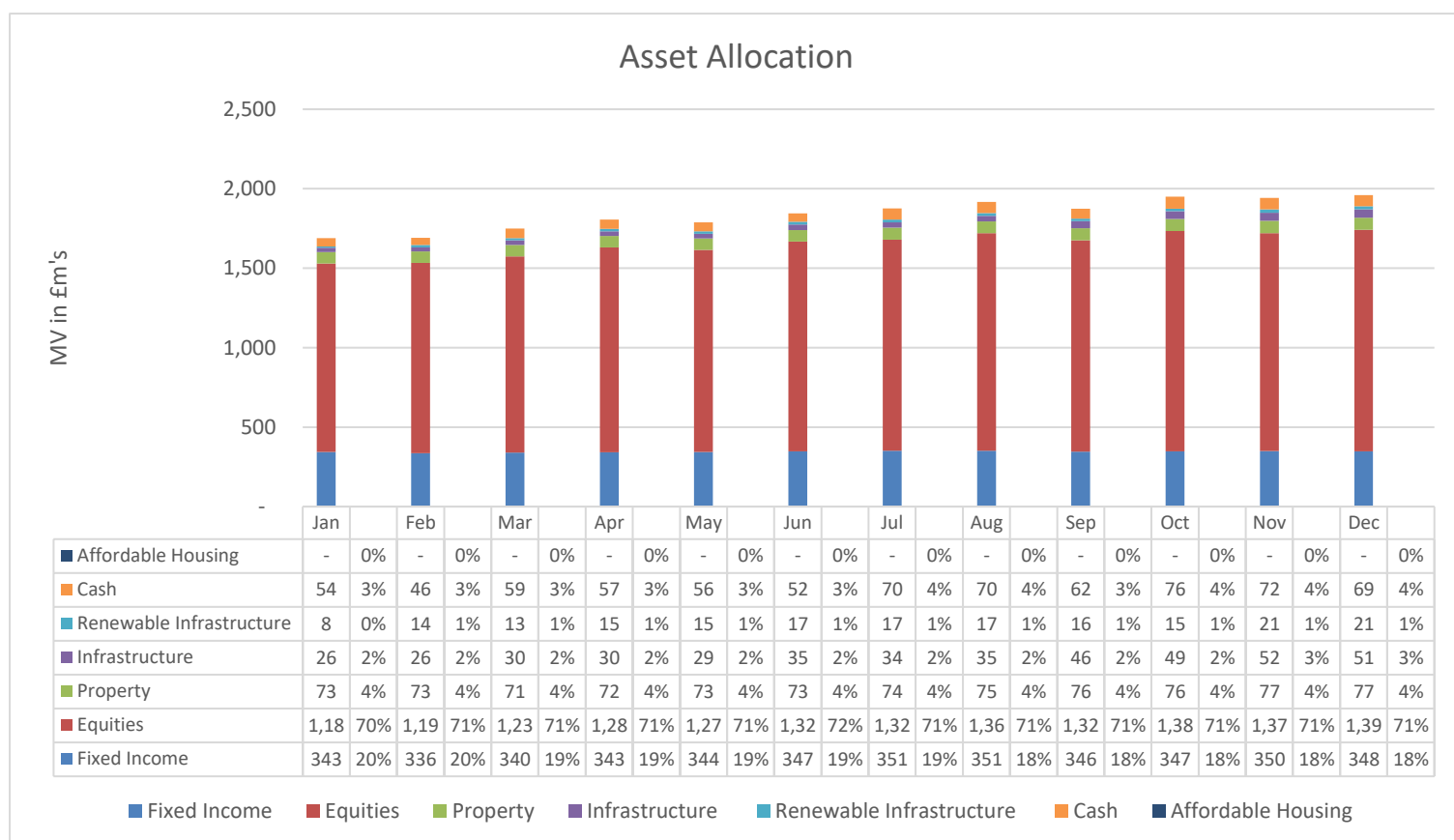
- 3.1 This report presents a summary of the Pension Fund's performance to 31 December 2021 and estimated funding level (Appendix 3). The investment performance report (Appendix 1) has been prepared by Deloitte, the Fund's investment advisor.
- 3.2 The market value of investments increased by £84m to £1.959bn over the quarter to 31 December 2021, with the Fund returning 3.7% net of fees. The Fund underperformed the benchmark net of fees by 0.8% over the quarter, with the Baillie Gifford (LCIV) Global Alpha mandate being the main detractor to performance, returning 0.1% net of fees. This can be largely attributed to stock selection, with the manager being heavily weighted to healthcare, technology and consumer discretionary. The Fund's relative underperformance was partially offset by positive performance within the Morgan Stanley (LCIV) Global Equity Core, which outperformed the benchmark by 2.8% net of fees.
- 3.3 Over the 12-month period to 31 December 2021, the Fund underperformed its benchmark net of fees by 0.7% returning 12.3%. Again underperformance can be largely attributed to the Baillie Gifford (LCIV) Global Alpha Growth mandate, with the fund delivering its lowest relative return over a 12-month period since its addition to the London CIV platform. The Abrdn Long Lease Property fund has performed strongly over the one-year period, outperforming its benchmark by 15.7% net of fees. Over the longer three-year period to 31 December 2021, the Fund outperformed the benchmark net of fees by 0.5%, with Baillie Gifford being the major contributor. Longview underperformed its benchmark net of fees by -7.1% during this period.
- 3.4 The advisors continue to rate the fund managers favourably. The Westminster Pension Fund issued notice to fully disinvest from the Longview Global Equity fund during December 2021, with the proceeds settling in the Fund's cash account following quarter end in January 2022.
- 3.5 During the quarter, the London CIV appointed Chris Osbourne as a Senior Portfolio Manager. Chris has previous experience at Partners Group, where he was Assistant Vice President in Real Estate. In addition to this, two investment analysts are expected to join the London CIV during February 2022.
- 3.6 Following the previous Committee meeting on 16 December 2021, the expected transition costs for transferring into the Baillie Gifford Global Alpha Paris Aligned (PA) fund are attached at Appendix 5. The Committee

is asked to note these costs with a view to deciding whether to transition the Global Alpha mandate into the Paris Aligned version.

- 3.7 It should be noted that, as has been the case with the main Global Alpha fund, the Paris Aligned version has underperformed the benchmark over the quarter to 31 December 2021 and also since inception less than a year ago. The Paris Aligned Fund returned -0.19% net of fees over the quarter to 31 December 2021, with the PA version having greater weightings to healthcare, technology and consumer discretionary than the traditional fund offering. Attached at Appendix 4 is the Baillie Gifford Paris Aligned fund fact sheet as at 31 December 2021.
- 3.8 The estimated funding level for the Westminster Pension Fund has remained stable at 103.0% as at 31 December 2021 (103.0% at 30 September 2021). The Fund is estimated to be £59m in surplus, with assets of £1.959bn at 31 December 2021 and projected liabilities of £1.900bn. It should be noted that at the next valuation, 31 March 2022, future expected returns are anticipated to fall with inflation expectations to rise.
- 3.9 The Council plans to pay off its deficit by 2022, with a final payment of circa £13m due before 31 March 2022.

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The chart shows the changes in asset allocation of the Fund from 1 January 2021 to 31 December 2021. Please note asset allocations may vary due to changes in market value.



*Fixed Income includes bonds, multi asset credit (MAC) and private debt

**Cash includes the NT ESG Ultra Short Bond Fund and Ruffer (LCIV) Absolute Return Fund

4.2 The current Westminster Pension Fund target asset allocation is 60% of assets within equities, 19% in fixed income, 6% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and social supported housing.

4.3 Capital calls for the Pantheon Global Infrastructure Fund took place during October and November 2021, with the fund circa 72% drawn as at 31 December 2021. A capital call also took place for Quinbrook during November 2021 and as at 31 December 2021, the Renewables Impact Fund was circa 29% drawn. The Macquarie Renewable Energy Fund was circa 13% drawn at 31 December 2021.

4.4 The sale of the Longview Global Equity fund took place during December 2021, with £50m transitioned into the London CIV (Ruffer) Absolute Return Fund in January 2022.

- 4.5 The value of Pension Fund investments managed by the LCIV as at 31 December 2021 was £958m, representing 49% of Westminster's investment assets. A further £460m continues to benefit from reduced management fees, through 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 31 December 2021
- Appendix 2: Deloitte Investment Report, Fee Benchmarking (exempt)
- Appendix 3: Hymans Robertson Funding Level Update at 31 December 2021
- Appendix 4: Baillie Gifford Paris Aligned Fact Sheet at 31 December 2021
- Appendix 5: Baillie Gifford Paris Aligned Transition Costs (exempt)