City of Westminster

Pension Board Report

Date:	**30 March 2022**
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.**
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1. EXECUTIVE SUMMARY

1.1 This report presents the performance of the Pension Fund's investments to 28 February 2022, together with an update of the funding position at 31 December 2021.

1.2 The Fund underperformed the benchmark net of fees by -2.71% over the quarter to 28 February 2022 and the estimated funding level was 103.0% as at 31 December 2021.

2. RECOMMENDATION

2.1 The Board is asked to note:

- The performance of the investments and the funding position.
- The summary of changes to the Fund's asset allocation.

3. BACKGROUND

3.1 This report presents a summary of the Pension Fund's performance to 28 February 2022 and estimated funding level at 31 December 2021.

3.2 The market value of investments decreased by £115m to £1.827bn over the quarter to 28 February 2022, with the Fund returning -6.61% net of fees. The Fund underperformed the benchmark net of fees by -2.71% over the quarter, however, it should be noted that there was a high level of volatility and uncertainty in markets following the Russian invasion of Ukraine during late February.

3.3 With the exception of Abrdn Long Lease, all assets underperformed their respective benchmarks with the Baillie Gifford (LCIV) Global Alpha mandate being the main detractor to performance, returning -16.35% net of fees. This can be largely attributed to stock selection, with the manager being heavily weighted to healthcare, technology and consumer discretionary amidst the subsequent fallout of the Ukraine crisis.

3.4 Over the 12-month period to 28 February 2022, the Fund underperformed its benchmark net of fees by -3.49% returning 4.17%. Again, underperformance can be largely attributed to the Baillie Gifford (LCIV) Global Alpha Growth mandate, with the fund delivering its lowest relative return (-9.35% net of fees) over a 12-month period since it came on board to the addition to the London CIV platform. Baillie Gifford has been invited to the next Pension Fund Committee meeting on 23 June 2022 to discuss its performance.

3.5 The Abrdn Long Lease Property fund has performed strongly over the one-year period, outperforming its benchmark by 12.96% net of fees. Alongside this, both the Morgan Stanley (LCIV) Global Equity Sustain portfolio and the CQS (LCIV) Multi Asset Credit mandate outperformed their respective benchmarks by 2% net of fees.

3.6 Over the longer three-year period to 28 February 2022, the Fund slightly underperformed the benchmark net of fees by -0.51%, returning 8.55%.

3.7 On 24 February 2022, Russia invaded Ukraine marking an escalation in the conflict which has been ongoing since 2014. Since this time, officers have liaised with asset managers to assess the Westminster Pension Fund's exposure to investments within Russian companies. The Fund can report that as at 17 March 2022, there is no exposure to Russia within the Pension Fund's asset classes. Officers will continue to monitor the situation and engage with asset managers as appropriate on any residual holdings within the equity mandates.

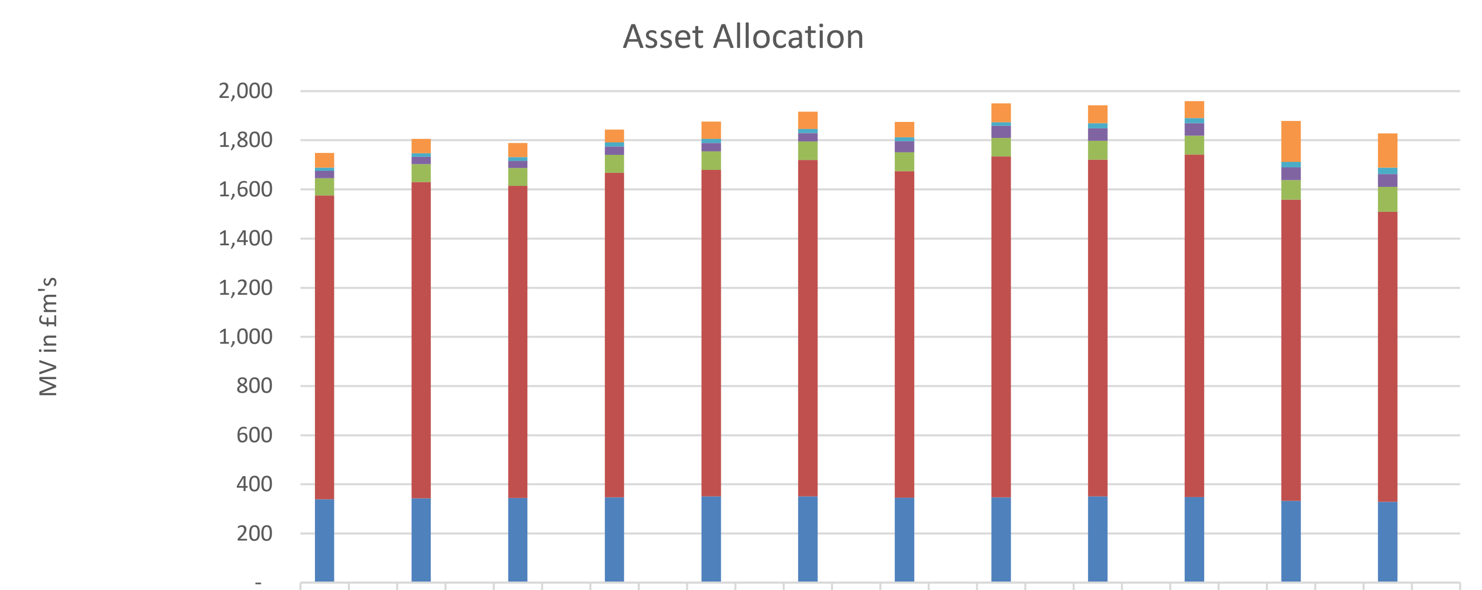
3.8 The estimated funding level for the Westminster Pension Fund has remained stable at 103.0% as at 31 December 2021 (103.0% at 30 September 2021). The Fund was estimated to be £59m in surplus, with assets of £1.959bn at 31 December 2021 and projected liabilities of £1.900bn.

3.9 It should be noted that at the next valuation, 31 March 2022, future expected returns are anticipated to fall with inflation expectations to rise.

3.10 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 following chart shows the changes in asset allocation of the Fund from 1 March 2021 to 28 February 2022. Please note asset allocations may vary due to changes in market value.



	Mar		Apr		May		Jun		Jul		Aug		Sep		Oct		Nov		Dec		Jan		Feb	
Affordable Housing	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Cash	59	3%	57	3%	56	3%	52	3%	70	4%	70	4%	62	3%	76	4%	72	4%	69	4%	166	9%	138	8%
Renewable Infrastructure	13	1%	15	1%	15	1%	17	1%	17	1%	17	1%	16	1%	15	1%	21	1%	21	1%	23	1%	27	1%
Infrastructure	30	2%	30	2%	29	2%	35	2%	34	2%	35	2%	46	2%	49	2%	52	3%	51	3%	52	3%	51	3%
Property	71	4%	72	4%	73	4%	73	4%	74	4%	75	4%	76	4%	76	4%	77	4%	77	4%	79	4%	102	6%
Equities	1,23	71%	1,28	71%	1,27	71%	1,32	72%	1,32	71%	1,36	71%	1,32	71%	1,38	71%	1,37	71%	1,39	71%	1,22	65%	1,18	65%
Fixed Income	340	19%	343	19%	344	19%	347	19%	351	19%	351	18%	346	18%	347	18%	350	18%	348	18%	333	18%	329	18%

Fixed Income Equities Property Infrastructure Renewable Infrastructure Cash Affordable Housing

*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 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 February 2022. In addition to this, during January 2022, a capital call totalling £2.1m took place for the Quinbrook Renewables Impact Fund.

4.4 During February 2022, there were capital calls within the Macquarie Renewable Infrastructure mandate and the Man Group Affordable Housing fund totalling £26m.

4.5 The value of Pension Fund investments managed by the LCIV as at 28 February 2022 was £905m, representing 50% of Westminster's investment assets. A further £424m 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:

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Background Papers: None

Appendices: None