



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	23 June 2022
Classification:	Public (Appendix 2 is 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 March 2022, together with an update of the funding position.
- 1.2 The Fund underperformed the benchmark net of fees by -2.8% over the quarter to 31 March 2022 and the estimated funding level was 103.0% as at 31 March 2022.

2. RECOMMENDATION

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

- Approve that Appendix 2 to this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that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

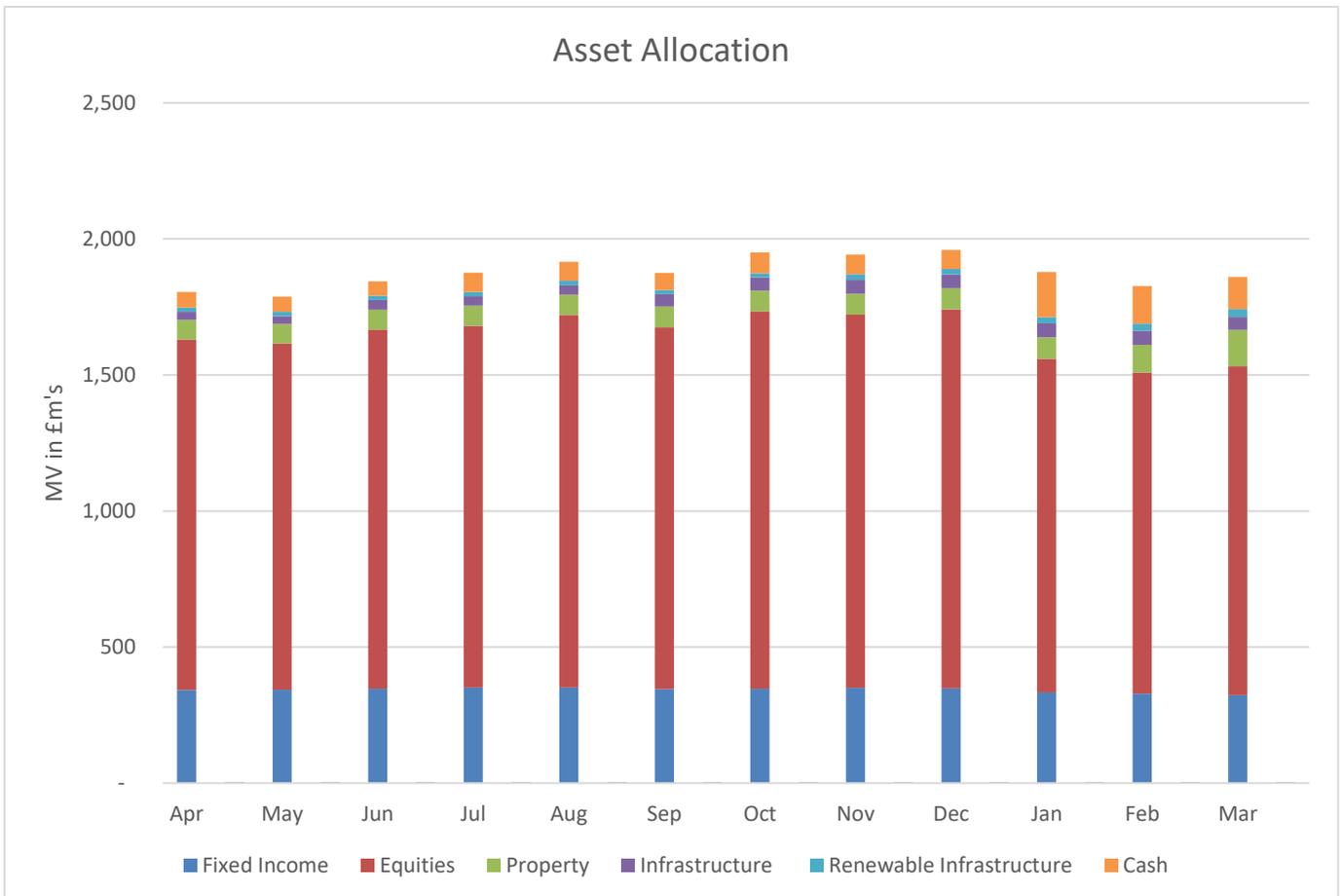
- 3.1 This report presents a summary of the Pension Fund's performance to 31 March 2022 and estimated funding level (Appendix 3). The investment performance report (Appendix 1) has been prepared by Deloitte, the Fund's investment advisor.
- 3.2 The market value of investments decreased by £100m to £1.859bn over the quarter to 31 March 2022, with the Fund returning -6.0% net of fees. The Fund underperformed the benchmark net of fees by -2.8% over the quarter, with the equity mandates and fixed income portfolios being the main detractor to performance. Much of this underperformance can be attributed to inflationary concerns and the ongoing conflict within Ukraine.
- 3.3 The Fund's underperformance was partially offset by positive performance within the Abrdn long lease property fund and Quinbrook renewable infrastructure mandate, which outperformed their benchmarks by 12.9% and 6.7% net of fees, respectively.
- 3.4 Over the 12-month period to 31 March 2022, the Fund underperformed its benchmark net of fees by -3.5% returning 3.6%. This underperformance can be largely attributed to the Baillie Gifford (LCIV) Global Alpha Growth mandate, with the strategy's large-cap growth stock bias proving detrimental as investors sought safety in value-oriented parts of the market.
- 3.5 The Abrdn long lease property fund has again performed strongly over the one-year period, outperforming its benchmark by 17.5% net of fees. Alongside this, the Pantheon infrastructure fund and Quinbrook renewable infrastructure mandate have returned 20.0% and 16.8% net of fees, respectively. Over the longer three-year period to 31 March 2022, the Fund slightly underperformed the benchmark net of fees by 0.5%.
- 3.6 The advisors continue to rate the fund managers favourably, following the exit of the Longview equity mandate.
- 3.7 During the quarter, the London CIV CEO, Mike O'Donnell, announced his intention to retire from the role in March 2023. Mike will step back from a full time role to pursue alternative opportunities and will support the London CIV during the transition period.

3.8 The estimated funding level for the Westminster Pension Fund has remained stable at 103.0% as at 31 March 2022 (103.0% at 31 December 2021). The Fund is estimated to be £57m in surplus, with assets of £1.858bn at 31 March 2022 and projected liabilities of £1.801bn. It should be noted that at the next valuation, 31 March 2022, future expected returns are anticipated to fall with inflation expectations expected to rise.

3.9 The Council paid off its deficit during 2022, with final payments of £80m made during 2021/22.

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The chart shows the changes in asset allocation of the Fund from 1 April 2021 to 31 March 2022. 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 During the quarter, capital calls for Pantheon Global Infrastructure fund, Quinbrook Renewables Impact mandate and Macquarie Renewable Infrastructure fund took place.
- 4.4 As per the Pension Fund Committee meeting on 16 December 2021, during the quarter £22m was paid over to the Abrdn long lease fund and £29.5m was invested in the Man Group Affordable Housing fund. The Fund sold its circa £80m holding in Longview Global Equities, with £50m transitioned into the London CIV (Ruffer) Absolute Return Fund in January 2022.
- 4.5 The value of Pension Fund investments directly managed by the LCIV as at 31 March 2022 was £919m, representing 49% of Westminster's investment assets. A further £435m 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:

Appendix 1: Deloitte Investment Report, Quarter Ending 31 March 2022

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

Appendix 3: Hymans Robertson Funding Level Update at 31 March 2022