



City of Westminster

# Committee Report

<b>Decision Maker:</b>	<b>PENSION FUND COMMITTEE</b>
<b>Date:</b>	<b>9 March 2023</b>
<b>Classification:</b>	<b>Public (all appendices are exempt)</b>
<b>Title:</b>	<b>Performance of the Council's Pension Fund</b>
<b>Wards Affected:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective control over council activities</b>
<b>Financial Summary:</b>	<b>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.</b>
<b>Report of:</b>	<b>Phil Triggs</b> <b>Tri-Borough Director of Treasury and Pensions</b>  <a href="mailto:ptriggs@westminster.gov.uk">ptriggs@westminster.gov.uk</a> <b>020 7641 4136</b>

## 1. EXECUTIVE SUMMARY

- 1.1 This report presents the performance of the Pension Fund's investments to 31 December 2022, together with an update on the London CIV.
- 1.2 The Fund returned 2.3% net of fees over the quarter to 31 December 2022, performing broadly in line with the benchmark.

## 2. RECOMMENDATION

2.1 The Committee is asked to:

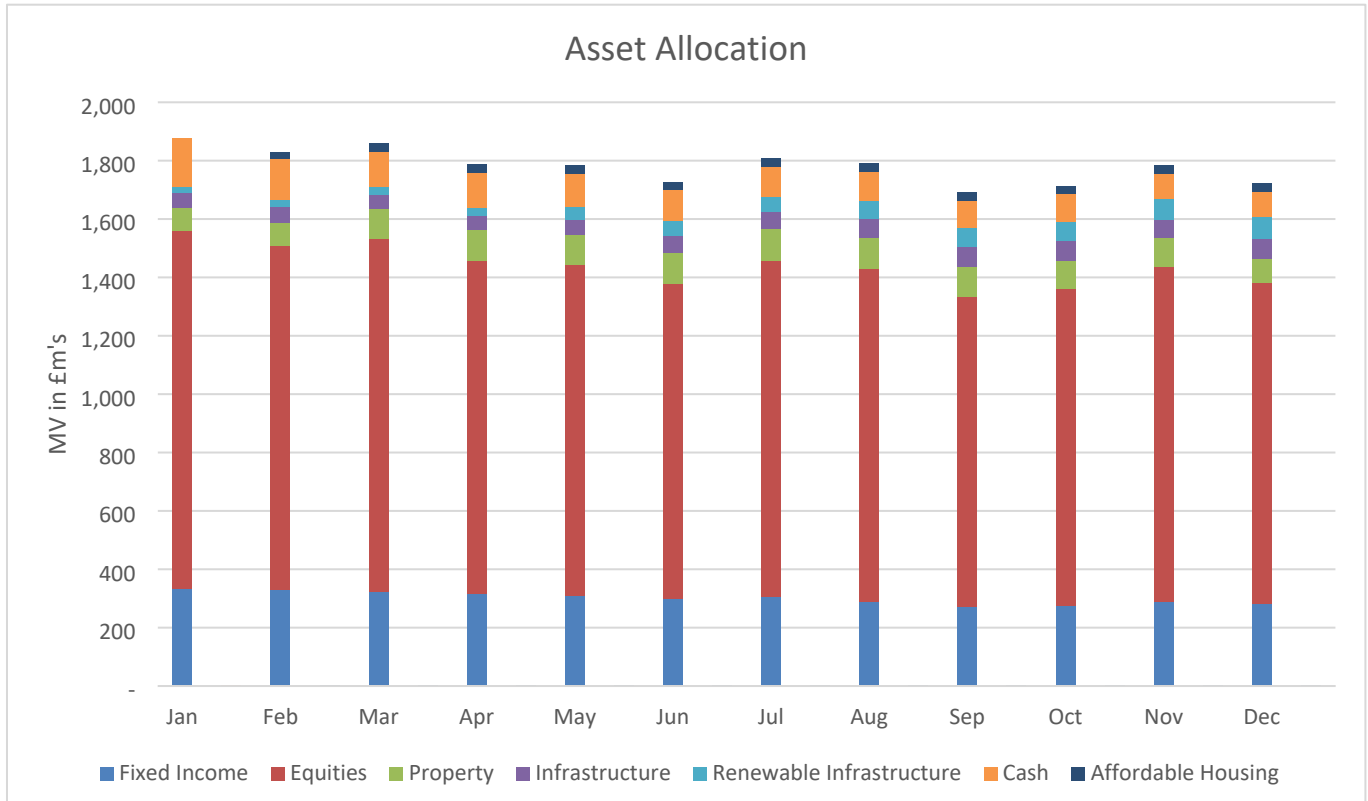
- Note the performance of the investments.
- Approve that all appendices to this report are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 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 2022. 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 £32m to £1.723bn over the quarter to 31 December 2022, with the Fund returning 2.3% net of fees. The Fund underperformed the benchmark by -0.7% net of fees, with the Abrdn long lease and Pantheon global infrastructure portfolios being the main detractors to performance. The Fund's underperformance was partially offset by outperformance of benchmarks within the London CIV Absolute Return fund, London CIV Multi Asset Credit and Macquarie Renewables, which outperformed by 3.4%, 2.4% and 2.8% net of fees respectively.
- 3.3 Over the 12-month period to 31 December 2022, the Fund underperformed its benchmark net of fees by -3.6% returning -12.8%. This underperformance can be largely attributed to the Baillie Gifford (LCIV) Global Equity mandate, with the strategy's large-cap growth stock bias proving detrimental as investors sought safety in value-oriented parts of the market.
- 3.4 The Abrdn long lease property fund outperformed its benchmark by 10.1% net of fees over the one year period, due to a rise in gilt yields over the year with the fund benchmarked against Gilts +2%. Alongside this, the Pantheon Infrastructure fund, Quinbrook Renewables and Macquarie Renewable Infrastructure mandate have returned 27.4%, 26.4% and 20.9% net of fees, respectively. Over the longer three-year period to 31 December 2022, the Fund underperformed the benchmark net of fees by 0.9%.
- 3.5 It should be noted that Deloitte continues to rate the fund managers favourably. During the quarter, Deloitte held a meeting with Baillie Gifford senior managers and remain satisfied that the manager has maintained the same investment philosophy and conviction within stock selection.
- 3.6 The transition of the Fund's holdings within the London CIV (Baillie Gifford) Global Alpha Equity mandate into the BG Paris-Aligned version, took place on 5 December 2022. The London CIV post transition report is attached at appendix 3, with a comparison of actual costs compared to estimated shown within appendix 4. Officers are pleased to report that the transition progressed as planned, without any delays, and with minimal deviation from the expected transition costs.
- 3.7 In the period from 2019 to 2022, the Pension Fund has increased its overall funding level from 99% to 128%. The main drivers for this improvement are the significant investment returns and additional deficit recovery payments received from the Council.

#### 4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The chart shows the changes in asset allocation of the Fund from 1 January 2022 to 31 December 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 socially supported housing.

4.3 Over the quarter to 31 December 2022, capital calls relating to the Pantheon Global Infrastructure fund, Quinbrook Renewables Impact mandate and CVC Credit Private Debt fund took place.

4.4 During the quarter, sales took place within the Insight Buy and Maintain Bond fund, London CIV Absolute Return fund and NT Ultra Short Bond fund, to fund these capital calls.

#### 5. LONDON CIV UPDATE

5.1 The value of Westminster Pension Fund investments directly managed by the London CIV as at 31 December 2022 was £847m, representing 49% of Westminster's investment assets. A further £381m continues to benefit from reduced management fees, through Legal and General having reduced its fees to match those available through the LCIV.

- 5.2 As at 31 December 2022, the London CIV had £25.8bn of assets under management of which £13.9bn are directly managed by the London CIV. All London CIV funds, that Westminster are invested, were on normal monitoring at quarter end.
- 5.3 During the quarter, the London CIV undertook 54 meetings/engagements with Client Funds, including manager monitoring updates, seed investor group discussions and monthly business updates.
- 5.4 The LCIV UK Community Housing Fund is now operationally ready, with first close expected on 31 March 2023. Initial seeding of this fund is expected to be finalised following Pension Fund Committee decisions over the current quarter.
- 5.5 During the quarter to December, the London CIV signed up to the Taskforce on Nature-Related Financial Disclosure Forum, a developing framework for disclosing nature related risks and opportunities. The technical working group set out the four pillars for monitoring and reporting, as well as the need to ensure an understanding of the impacts, dependencies and financial risks and opportunities arising from nature across these pillars.
- 5.6 Please see the London CIV quarterly investment report as at 31 December 2022, attached at Appendix 5.

**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 December 2022 (exempt)  
Appendix 2: Deloitte Investment Report, Fee Benchmarking (exempt)  
Appendix 3: London CIV Baillie Gifford PA Post-transition report (exempt)  
Appendix 4: London CIV Global Alpha Paris Aligned (PA) Transition Costs (exempt)  
Appendix 5: London CIV Quarterly ACS Investment Report at 31 December 2022 (exempt)