



City of Westminster

Pension Board

Date:	21 September 2023
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 31 July 2023, together with an update on the London CIV and funding level.
- 1.2 The Fund returned 4.10% net of fees to 31 July 2023, performing broadly in line with the benchmark.

2. RECOMMENDATION

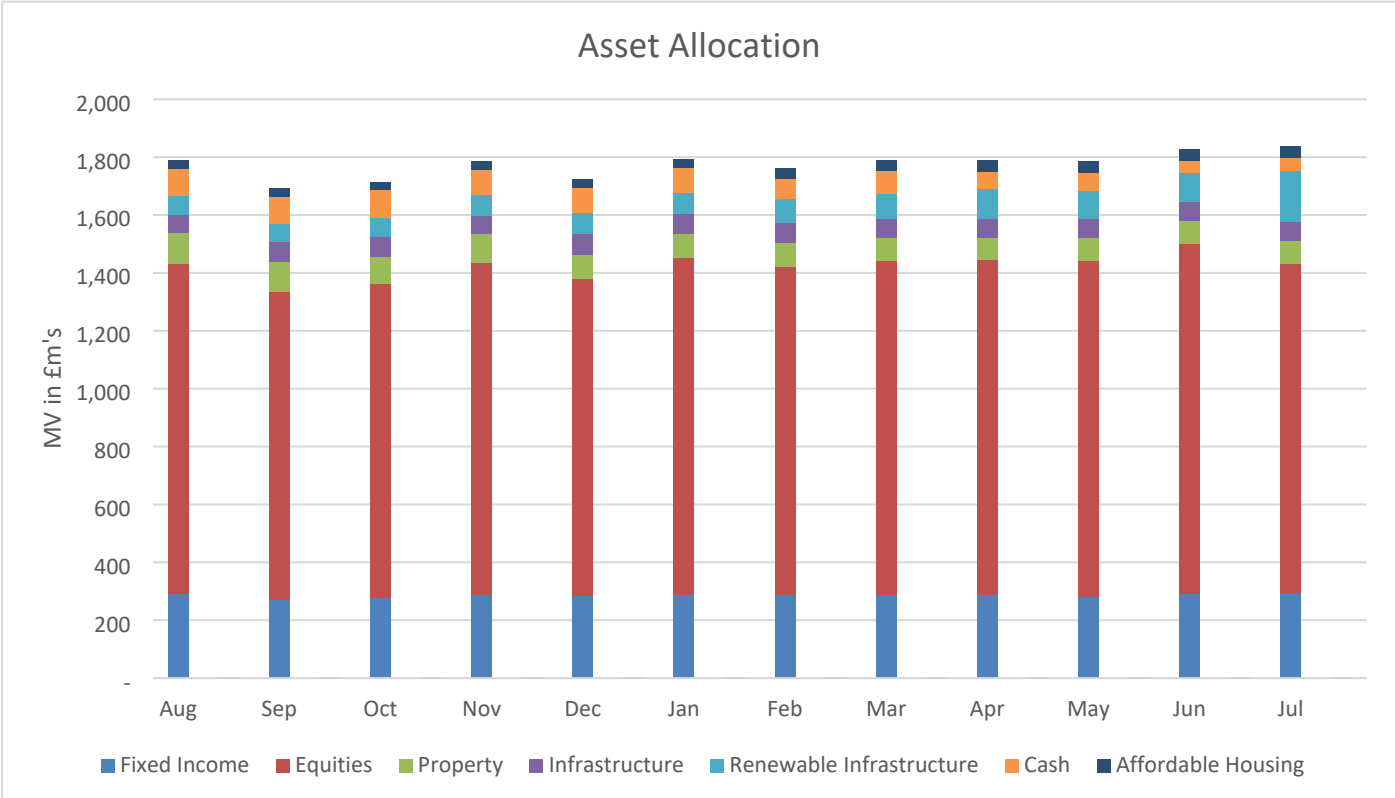
- 2.1 The Board is asked to:
 - Note the performance of the investments and the updated funding level as at 31 July 2023.

3. BACKGROUND

- 3.1 This report presents a summary of the Pension Fund's performance to 31 July 2023.
- 3.2 The market value of investments increased by £50m to £1.839bn over the period to 31 July 2023, with the Fund returning 3.34% net of fees. The Fund underperformed the benchmark by -0.95% net of fees, with underperformance across the fixed income and infrastructure mandates. The Fund's underperformance was partially offset by positive performance within the CVC Credit Direct Lending fund and the Baillie Gifford Paris Aligned Equity mandate.
- 3.3 Over the 12-month period to 31 July 2023, the Fund underperformed its benchmark net of fees by -2.41% returning 3.17%. This underperformance can be largely attributed to the LCIV Multi Asset Credit mandate, Morgan Stanley (LCIV) Global Equity mandate and Abrdn Long Lease Property. The CVC Credit Private Debt fund, Quinbrook Renewables and Macquarie Renewable Infrastructure mandates outperformed their benchmarks by 6.68%, 9.44% and 4.86% net of fees, respectively.
- 3.4 Over the longer three-year period to 31 July 2023, the Fund returned 5.15%.
- 3.5 It should be noted that the investment advisor, Isio, continues to rate the fund managers favourably.
- 3.6 The estimated funding level for the Westminster Pension Fund has increased to 161% at 31 July 2023 (149% at 31 March 2023). This is largely as a result of an increase in the expected discount rate, which is linked to Gilts.

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The chart shows the changes in asset allocation of the Fund from 1 August 2022 to 31 July 2023. 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 55% of assets within equities, 19% in fixed income, 11% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and socially supported housing.

4.3 Over the quarter to 31 July 2023, capital calls relating to the 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 and LCIV Absolute Return mandate, to fund these capital calls.

4.5 In addition to this, at the Committee meeting on 29 June 2023, the Committee elected to transition 5% from equities into renewable infrastructure. This transition took place during July 2023.

5. LONDON CIV UPDATE

5.1 The value of Westminster Pension Fund investments directly managed by the London CIV as at 31 July 2023 was £813m, representing 44% of

Westminster's investment assets. A further £447m 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 30 June 2023, the London CIV had £27.8bn of assets under management of which £15.1bn 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 CEO introductions, meet the manager sessions and monthly business updates.

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.