



Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	14 March 2019
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.
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 2018, together with an update of the funding position as at 31 December 2018.
- 1.2 The fund underperformed the benchmark net of fees by 1.1% over the quarter to December 2018 and the estimated funding level as at 31 December 2018 was 94.5%. Therefore, the funding position remains stable subject to market volatility.

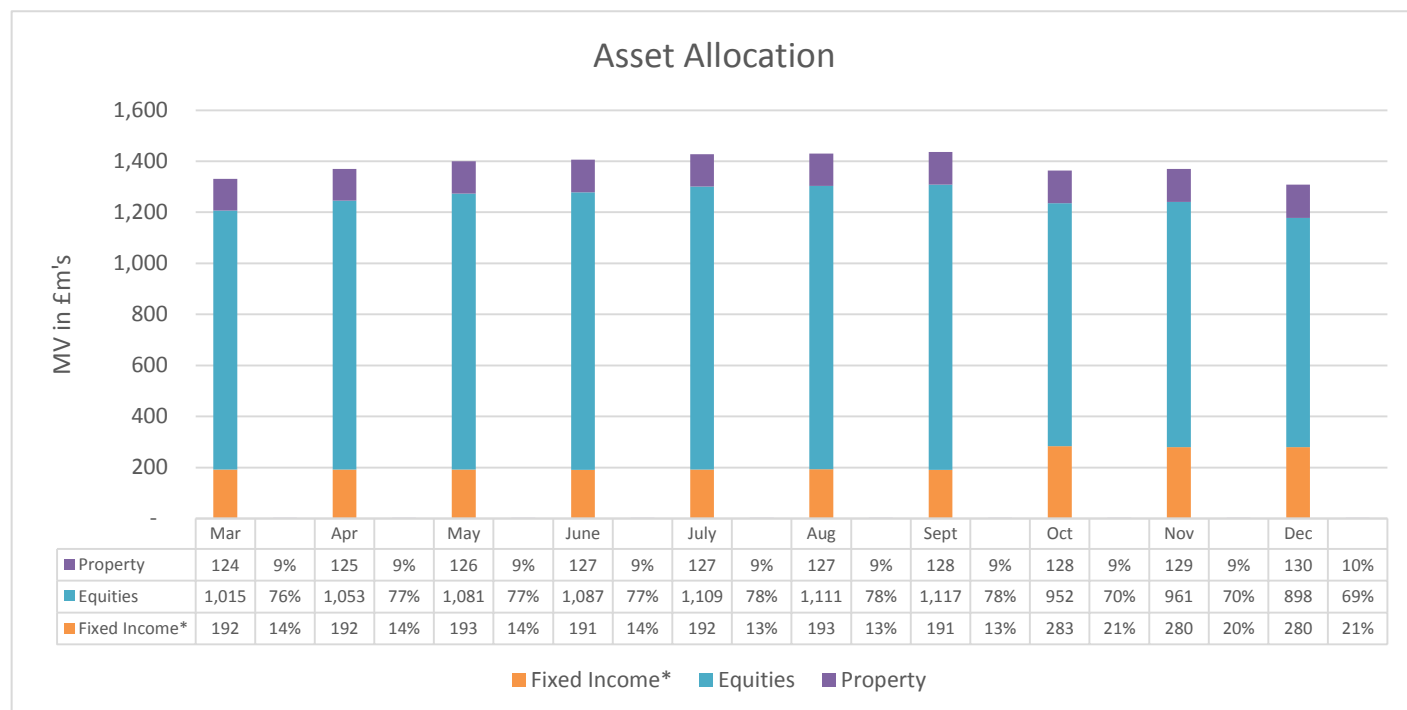
2. Recommendation

- 2.1 The Committee is asked to note the performance of the investments, and funding position.

3. Background

- 3.1 The terms of reference of the Pension Fund Committee require the committee to monitor the performance of the Pension Fund, individual fund managers, and other service providers to ensure that they remain suitable.
- 3.2 This report presents a summary of the Pension Fund's performance and estimated funding level to 31 December 2018. The investment performance report (Appendix 1) has been prepared by Deloitte, the Fund's investment adviser.
- 3.3 The Investment Performance Report shows that over the quarter to 31 December 2018, the market value of the assets decreased by £125m to a value of £1,311m (£1,436m at 30 September 2018). The fund underperformed the benchmark net of fees by 0.2%. This is mainly attributable to the negative relative returns from the Fund's equity investments. The market value of Baillie Gifford fell by £36m to £256m in the quarter to 31 December 2018 and the LGIM passive portfolio fell to £288m at 31 December 2018 (£321m at 30 September).
- 3.4 The Investment Performance Report shows that over the year to 31 December 2018, the fund marginally underperformed the benchmark net of fees by 0.1%, with Aberdeen Standard and Longview being the major contributors, offsetting underperformance from Majedie and Baillie Gifford.
- 3.5 The advisors continue to rate the fund managers favourably, with the exception of Longview and the retirement of the Chief Executive, Ramzi Rishani in December 2018 still a major concern. In January 2019, Marina Lund was appointed as the sole CEO following her role as Co-CEO since 2014. Advisors have also expressed ongoing concern about resignations and vacancies at senior management level within the London Collective Investment Vehicle (LCIV) and continue to monitor developments. Following the end of the quarter, Mike O'Donnell was appointed as the LCIV's Chief Executive Officer, and this allows the LCIV to move forward with the recruitment of a CIO.
- 3.6 The funding update (Appendix 2) has been prepared by the fund actuary, Barnett Waddingham. The estimated funding level for the Westminster City Council Fund as assessed by the actuary at 31 December 2018 was 94.5% (95.8% at 30 September 2018), a decrease of 1.3%. This was mainly due to a fall in equity markets up to 31 December. However, the position is an improvement on the March 2018 of funding level of 92.2% and is also up 15.8% on the funding level of 80% that was calculated at the triennial valuation of 31 March 2016.

3.7 The chart below shows the changes in asset allocation of the fund from 1 March 2018 to 31 December 2018. Asset allocations may vary due to changes in market value.



*Fixed Income includes bonds and Multi Asset Credit

4. Update on the London CIV

- 4.1 The value of pension fund investments transferred to the LCIV at the end of September 2018 was £547 million. This represents 43% of Westminster's investment assets. A further £290 million continues to benefit from reduced management fees, Legal and General having reduced their fees to match those available through the LCIV.
- 4.2 A transfer out of £91m of assets managed by Longview to the LCIV took place 1 November 2018. With a total of 70% of the Westminster fund value under the LCIV's jurisdiction at 31 December 2018, this takes the City of Westminster Pension Fund to the highest proportion of funds invested with the LCIV.
- 4.3 Mike O'Donnell has now been appointed as the London CIV's new Chief Executive Officer with his employment having commenced on 4 March 2019. Mike is an experienced local authority Finance Director with a sound background in local government finance, so understands the needs of LCIV's client shareholders very well. The LCIV intends to recruit to the CIO position now that the CEO appointment process has been completed.

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 or 0207 641 7062

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: Deloitte Investment Report, Quarter Ending 31 December 2018

Appendix 2: Barnett Waddingham Funding Update as at 31 December 2018