



City of Westminster

Pension Board

Date:	3 March 2020
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> pdriggs@westminster.gov.uk 020 7641 4136

1. Executive Summary

- 1.1 This report presents the performance of the Pension Fund's investments to 31 January 2020, together with an update of the funding position.
- 1.2 The Fund outperformed the benchmark gross of fees by 0.63% over the 3 months to 31 January 2020 and the estimated funding level following the triennial actuarial valuation has risen to 100% from the 80% level in 2016.

2. Recommendation

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

3. Background

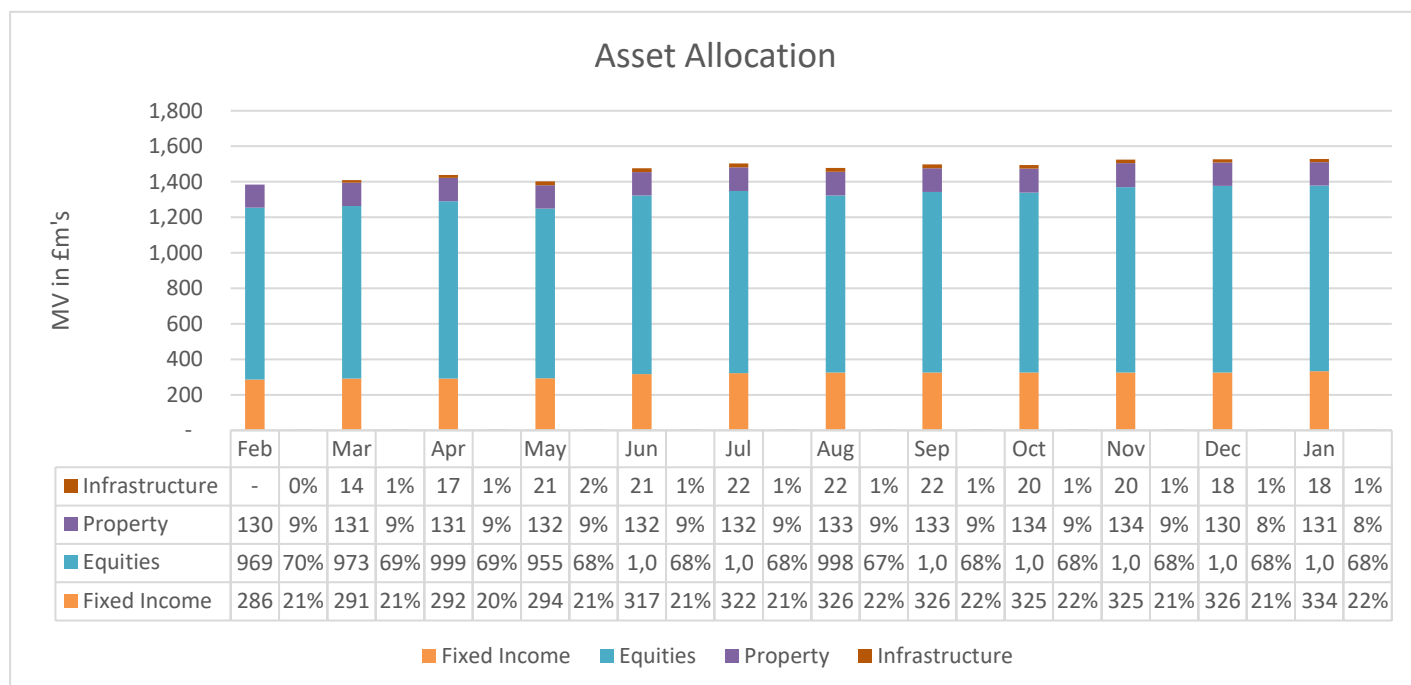
- 3.1 This report presents a summary of the Pension Fund's performance to 31 January 2020 and estimated funding level following the actuarial valuation. The

investment performance report (Appendix 1) has been prepared by Northern Trust, the Fund's custodian.

- 3.1 The investment performance report shows that over the 3 months to 31 January 2020, the Fund outperformed the benchmark gross of fees by 0.63%. During this period the market value of the assets increased by £51m to £1.546bn. All mandates provided a positive return during the quarter, with the exception of Pantheon which returned -1.88% which was as a result of a cash transfer from the Pantheon custody account. It should be noted that the Pantheon fund is not fully drawn down and performance data will only be available once fully drawn down. Baillie Gifford performed particularly well during the 3-month period outperforming their benchmark gross of fees by 2.99%.
- 3.2 Over the year the Fund underperformed its benchmark gross of fees by 0.39%, largely as a result of underperformance within the Longview and Standard Aberdeen mandates. It should be noted that the Aberdeen Standard Long Lease Property Fund is benchmarked against FTSE Gilts All Stocks +2.0% and over the year provided a positive contribution of 5.85% gross of fees. Over the longer three-year period to 31 January 2020, the Fund outperformed the benchmark gross of fees by 0.06%, with Aberdeen Standard and Baillie Gifford being the major contributors.
- 3.3 Over the 3-month period, Larissa Benbow, Head of Fixed Income at the London CIV, announced her resignation from the LCIV with effect from 28 February. Azim Meghji, formerly Head of Credit at Santander Asset Management who joined the team in December, will take responsibility for the relationships with fixed income managers. In addition to this, Kevin Cullen (Client Relations Director) has announced his decision to retire. He will be helping the London CIV with succession arrangements between now and his intended retirement date of the end of March 2020.
- 3.4 Following the 2019 triennial actuarial valuation, the estimated funding level for the City of Westminster Pension Fund has risen to 100% (80% in 2016). This can be attributed to excellent investment returns during this period with global equities performing particularly well. The funding level for Westminster City Council as an employer has risen by 16% to 86% in 2019 from 70% in 2016, this is in part due to the Council's deficit recovery payments made to the Pension Fund during this period.

4. Asset Allocation and Summary of Changes

4.1 The chart below shows the changes in asset allocation of the Fund from 1 February 2019 to 31 January 2020. Asset allocations may vary due to changes in market value.



*Fixed Income includes bonds and Multi Asset Credit

4.2 The Westminster Pension Fund target asset allocation is 65% of assets within equities, 20% in fixed income, 5% within infrastructure and 10% within property.

4.3 In December 2018, following a manager selection process, the Pension Fund Committee selected Pantheon Asset Management as the Fund's Infrastructure Manager. The remainder of the portfolio held with Longview will be sold and £70m transitioned in to the Pantheon Global Infrastructure Fund III. The first drawdown took place on 20 March 2019, with £14m in cash held within the global custodian transferred to Pantheon.

4.4 On 16 April 2019 a further Pantheon drawdown took place, with £2.2m transitioned from the Longview equity fund in to the Pantheon Global Infrastructure fund. During May 2019, an additional £3.4m was transferred from the Longview portfolio to Pantheon following another capital call notice.

4.5 During June 2019 £22m in deficit recovery receipts was received, £20m of this was invested within the Insight Buy and Maintain bond fund.

4.6 On 24 July 2019 a negative capital call totalling £4.1m took place within the Pantheon Global Infrastructure Fund, this was as a result of an equalisation following new partners entering the strategy. Following this capital calls of £0.9m and £1m took place on 20 August 2019 and 18 September 2019, using the cash received from the capital equalisation.

- 4.7 At the 23 October 2019 meeting, the Pension Fund Committee committed to transfer its existing UK equity allocation with Majedie to Legal and General's global passive equity portfolio on a temporary basis, pending an asset allocation review. The legacy assets were transferred into the transition account on 20 November 2019 and trading into the LGIM global passive mandate was completed on 13 December 2019.
- 4.8 The value of pension fund investments transferred to the LCIV as at 31 January 2020 was £414m. This represents 27% of Westminster's investment assets. A further £657m continues to benefit from reduced management fees, Legal and General having reduced their 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: Northern Trust Investment Report, Quarter Ending 31 January 2020