



City of Westminster

Pension Board

Date:	18 November 2021
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 30 September 2021, together with an update of the funding position as at 30 June 2021.
- 1.2 The Fund outperformed the benchmark net of fees by 0.68% over the quarter to 30 September 2021 and the estimated funding level was 101.8% as at 30 June 2021.

2. RECOMMENDATION

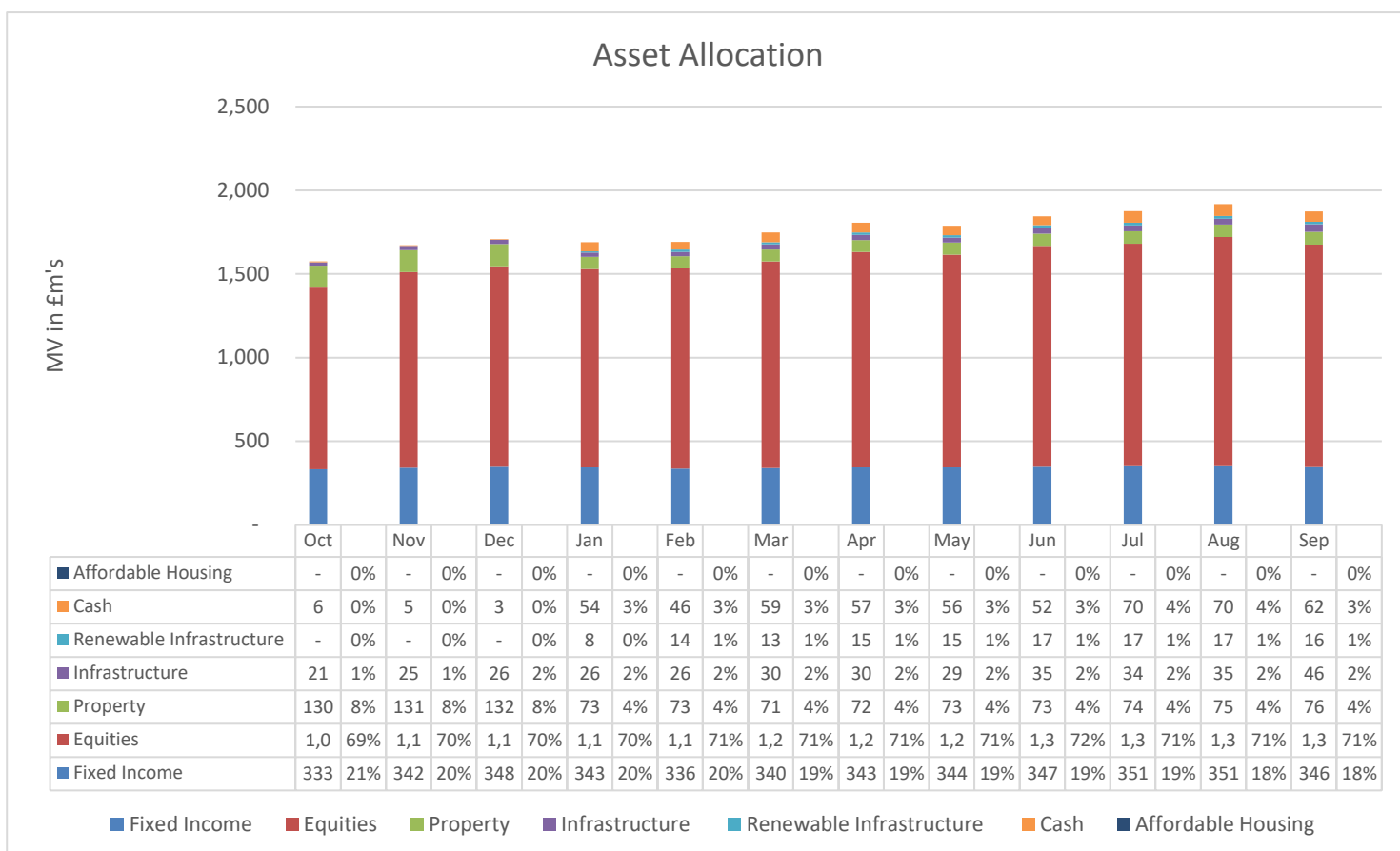
- 2.1 The Board is asked to:
 - Note the performance of the investments and the funding position.

3. BACKGROUND

- 3.1 This report presents a summary of the Pension Fund's performance to 30 September 2021 and estimated funding level at 30 June 2021.
- 3.2 The market value of investments increased by £30m to £1.874bn over the quarter to 30 September 2021, with the Fund returning 0.67%. The Fund outperformed the benchmark net of fees by 0.68% over the quarter, with Longview global equities, Morgan Stanley global equities, London CIV multi asset credit (MAC), Aberdeen Standard long lease property and Pantheon global infrastructure all outperforming their respective benchmarks. Following exceptional performance during 2020/21, Baillie Gifford global equities fell short of their benchmark by 2.37% net of fees over the quarter to 30 September 2021.
- 3.3 Over the twelve-month period to 30 September 2021, the Fund outperformed its benchmark net of fees by 0.99% returning 16.54%. This was achieved largely as a result of excellent performance within the equity mandates and the London CIV MAC fund, which returned 21.55% and 10.77% net of fees respectively. Over the longer three-year period to 30 September 2021, the Fund outperformed the benchmark net of fees by 0.40%, with Baillie Gifford being the major contributor. Longview underperformed its benchmark net of fees by -5.75% during this period.
- 3.4 The estimated funding level for the Westminster Pension Fund has decreased by 0.5% to 101.8% as at 30 June 2021 (102.3% at 31 March 2021). The funding level for Westminster City Council as an employer has remained stable, with a funding level of 91.0% as at 30 June 2021 (91.0% at 31 March 2021). The Council plans to pay off its deficit by 2022, with final payments of £80.0m due during 2021/22.
- 3.5 Following a joint procurement exercise with Hammersmith and Fulham and Kensington and Chelsea, the City of Westminster Pension Fund appointed Hyman Robertson as the Fund's new actuary. Officers received tender responses from two suppliers, current provider, Barnett Waddingham, and Hymans Robertson. Three officers independently scored the providers with Hyman Robertson scoring highest on a combination of criteria including quality, service fit and value for money. The Pension Fund Committee approved the appointment of Hymans as the Fund's new actuary on 24 June 2021.

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

- 4.1 The chart below shows the changes in asset allocation of the Fund from 1 October 2020 to 30 September 2021. Please note asset allocations may vary due to changes in market value.



*Fixed Income includes bonds, multi asset credit (MAC) and private debt

- 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/social housing.
- 4.3 Capital calls for the Pantheon Global Infrastructure Fund took place during June and September 2021, with the fund circa 62% drawn as at 30 September 2021. A capital call took place for Quinbrook during April 2021 and following this, an equalisation payment was made to the City of Westminster during June 2021. At the 30 September 2021, the Quinbrook Renewables Impact Fund was circa 13% drawn and the Macquarie Renewable Energy Fund was circa 11% drawn.
- 4.4 At the Pension Fund Committee on 21 October 2021, the Committee elected to transition 5% of the equity holdings into an affordable/social housing mandate. Manager interviews and appointments are expected to take place on 24 November 2021. Alongside this, the Committee elected to add private debt to the fixed income allocation and to split the portfolio equally between buy and maintain bonds (Insight), MAC (London CIV) and private debt. The London CIV holds a private debt mandate on its platform, with this strategy to be explored by the Committee.

- 4.5 The value of Pension Fund investments managed by the LCIV as at 30 September 2021 was £925m, representing 49% of Westminster's investment assets. A further £430m continues to benefit from reduced management fees, 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:

Billie Emery pensionfund@westminster.gov.uk

Background Papers: None

Appendices: None