



City of Westminster

Pension Board

Date:	28 July 2022
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 May 2022, together with an update of the funding position as at 31 March 2022.
- 1.2 The Fund underperformed the benchmark net of fees by -1.17% over the quarter to 31 May 2022 and the estimated funding level was 103.0% as at 31 March 2022.

2. RECOMMENDATION

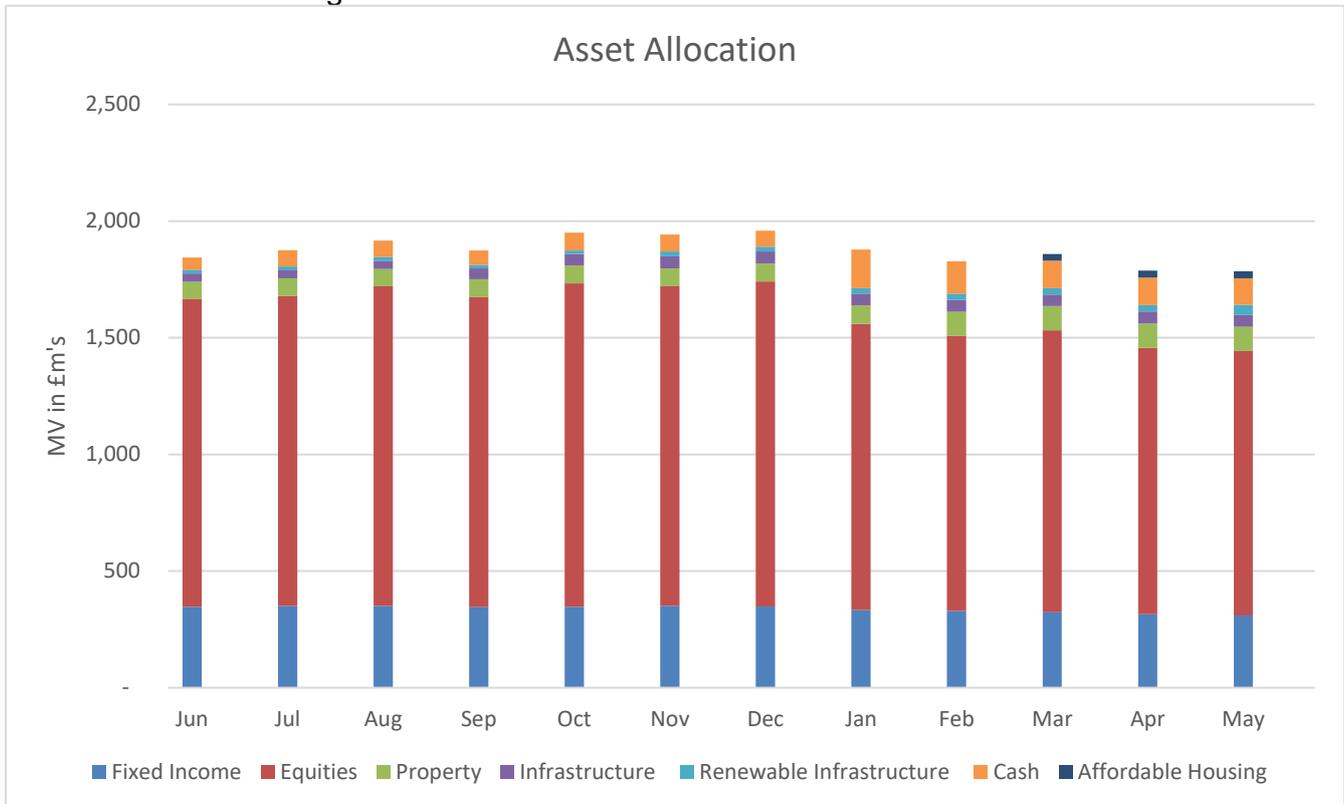
- 2.1 The Board is asked to:
 - Note the performance of the investments and the funding position.

3. BACKGROUND

- 3.1 This report presents a summary of the Pension Fund's performance to 31 May 2022 and estimated funding level.
- 3.2 The market value of investments decreased by £42m to £1.785bn over the quarter to 31 May 2022, with the Fund returning -2.88% net of fees. The Fund underperformed the benchmark net of fees by -1.17% over the quarter, with the equity mandates and fixed income portfolios being the main detractor to performance. Much of this underperformance can be attributed to inflationary concerns and the ongoing conflict within Ukraine.
- 3.3 The Fund's underperformance was partially offset by positive performance within the Abrdn long lease property fund, Macquarie renewables and Quinbrook renewable infrastructure mandate, which outperformed their benchmarks by 10.30%, 13.58% and 7.92% net of fees, respectively.
- 3.4 Over the 12-month period to 31 May 2022, the Fund underperformed its benchmark net of fees by -3.86% returning -3.33%. This underperformance can be largely attributed to the Baillie Gifford (LCIV) Global Alpha Growth mandate, with the strategy's large-cap growth stock bias proving detrimental as investors sought safety in value-oriented parts of the market. Baillie Gifford were invited to present at the Pension Fund Committee meeting on 23 June 2022, the manager acknowledged the poor performance over the last twelve months, however reaffirmed their commitment to growth-oriented companies.
- 3.5 The Abrdn long lease property fund has again performed strongly over the one-year period, outperforming its benchmark by 22.59% net of fees. Alongside this, the Pantheon infrastructure fund, Macquarie renewables and Quinbrook renewable infrastructure mandate have returned 29.13%, 9.07% and 16.80% net of fees, respectively. Since inception, the Fund has outperformed the benchmark net of fees by 0.37%.
- 3.6 The estimated funding level for the Westminster Pension Fund has remained stable at 103.0% as at 31 March 2022 (103.0% at 31 December 2021). It should be noted that at the next valuation, 31 March 2022, future expected returns are anticipated to fall with inflation expectations expected to rise. The Council paid off its deficit during 2022, with final payments of £80m made during 2021/22.

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The chart shows the changes in asset allocation of the Fund from 1 June 2021 to 31 May 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 social supported housing.

4.3 During the quarter, capital calls for Pantheon Global Infrastructure fund, Quinbrook Renewables Impact mandate and Macquarie Renewable Infrastructure fund took place.

4.4 As per the Pension Fund Committee meeting on 16 December 2021, during the quarter £22m was paid over to the Abrdn long lease fund and £7.5m was invested in the Man Group Affordable Housing fund. However following further commitments to the fund, an equalisation payment of £4.5m within the Man Group fund was received during May 2022.

4.5 The value of Pension Fund investments directly managed by the LCIV as at 31 May 2022 was £871m, representing 49% of Westminster's investment assets. A further £404m continues to benefit from reduced management fees, through 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:

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Background Papers: None

Appendices: None