



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	29 June 2023
Classification:	Public (Appendices 1, 2 & 4: exempt)
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 Tri-Borough Director of Treasury and Pensions 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 March 2023, together with an update on the London CIV and funding level.
- 1.2 The Fund returned 4.10% net of fees over the quarter to 31 March 2023, performing broadly in line with the benchmark.

2. RECOMMENDATION

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

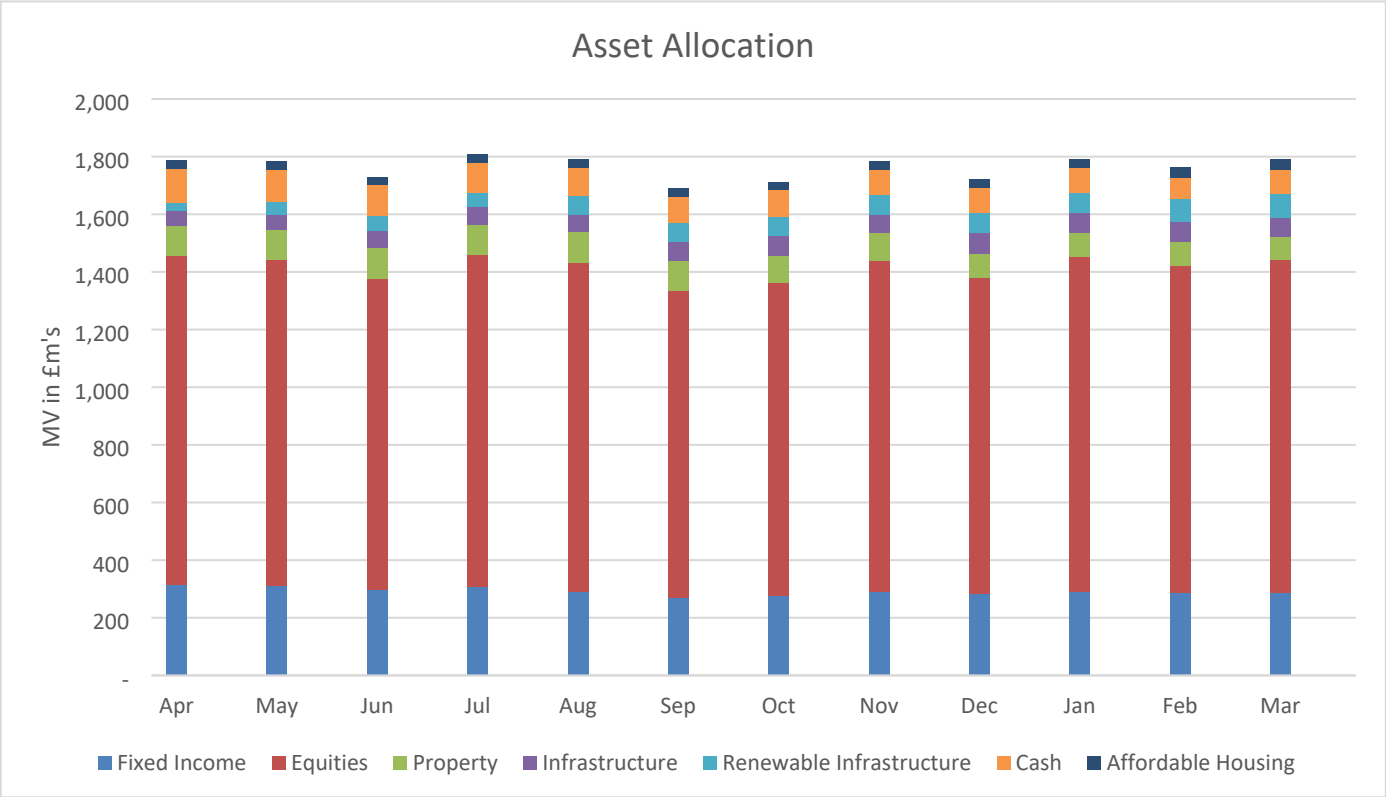
- Approve all appendices 1, 2 and 4 to this report are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

3. BACKGROUND

- 3.1 This report presents a summary of the Pension Fund's performance to 31 March 2023. The investment performance report (Appendix 1) has been prepared by Isio, the Fund's investment advisor. Please note Isio Group acquired Deloitte Total Reward and Benefits during May 2023.
- 3.2 The market value of investments increased by £68m to £1.791bn over the quarter to 31 March 2023, with the Fund returning 4.10% net of fees. The Fund outperformed the benchmark by 0.2% net of fees, with the CVC Credit Private Debt mandate and Quinbrook Renewable Infrastructure portfolios being the main contributors to outperformance. The Fund's performance was partially offset by poor performance within the Ayr Long Lease Property fund, which underperformed its benchmark by -8.3% net of fees.
- 3.3 Over the 12-month period to 31 March 2023, the Fund underperformed its benchmark net of fees by -0.90% returning -3.4%. This underperformance can be largely attributed to the LCIV Multi Asset Credit mandate, Insight Buy and Maintain Bonds, Baillie Gifford (LCIV) Global Equity mandate and Ayr Long Lease Property. The Pantheon Infrastructure fund, Quinbrook Renewables and Macquarie Renewable Infrastructure mandates outperformed their benchmarks by 11.8%, 27.9% and 18.5% net of fees, respectively.
- 3.4 Over the longer three-year period to 31 March 2023, the Fund underperformed the benchmark net of fees by -0.3%.
- 3.5 It should be noted that Isio continues to rate the fund managers favourably.
- 3.6 The estimated funding level for the Westminster Pension Fund has increased to 149% at 31 March 2023 (144% at 31 December 2023). This is largely as a result of an increase in the expected discount rate, which is linked to Gilts. Please see appendix 3 for the actuary funding level report.

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The chart shows the changes in asset allocation of the Fund from 1 April 2023 to 31 March 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 60% of assets within equities, 19% in fixed income, 6% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and socially supported housing.

4.3 Over the quarter to 31 March 2023, capital calls relating to the Quinbrook Renewables Impact mandate, Man Group Community Housing fund and CVC Credit Private Debt fund took place.

4.4 During the quarter, sales took place within the NT Ultra Short Bond fund and LCIV Absolute Return mandate, to fund these capital calls.

5. LONDON CIV UPDATE

5.1 The value of Westminster Pension Fund investments directly managed by the London CIV as at 31 March 2023 was £872m, representing 49% of Westminster’s investment assets. A further £408m 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 31 March 2023, the London CIV had £26.8bn of assets under management of which £14.3bn 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 76 meetings/engagements with Client Funds, including CEO introductions, meet the manager sessions and monthly business updates.
- 5.4 Please see the London CIV quarterly investment report as at 31 March 2023, attached at Appendix 4.

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: Isio Investment Report, Quarter Ending 31 December 2022 (exempt)
Appendix 2: Isio Investment Report, Fee Benchmarking (exempt)
Appendix 3: Hymans Robertson Funding update report at 31 March 2023
Appendix 4: London CIV Quarterly ACS Investment Report at 31 March 2023 (exempt)