



City of Westminster

Pension Board

Date: 30 November 2023

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 30 September 2023, together with an update on the London Collective Investment Vehicle (LCIV) and funding level.
- 1.2 The Fund returned -1.5% net of fees over the quarter to 30 September 2023, underperforming the benchmark by 1.9%.

2. RECOMMENDATION

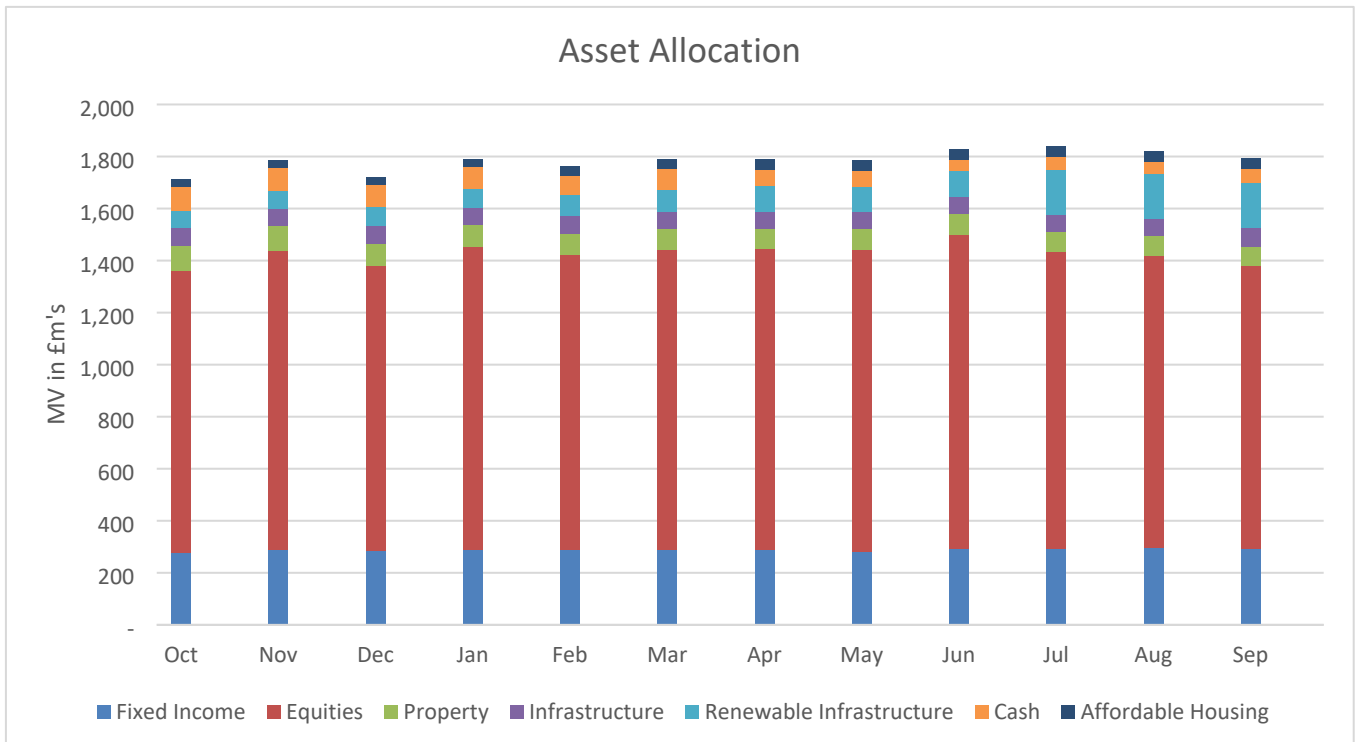
- 2.1 The Board is asked to:
 - Note the performance of the investments and the updated funding level as at 30 September 2023.

3. BACKGROUND

- 3.1 This report presents a summary of the Pension Fund's performance to 30 September 2023.
- 3.2 The market value of investments decreased by £34.0m to £1.795bn over the quarter to 30 September 2023, with the Fund returning -1.5% net of fees. The Fund underperformed the benchmark by 1.9% net of fees, with the Baillie Gifford Global Alpha Growth Paris Aligned Fund's growth orientated portfolio proving detrimental against a backdrop of macroeconomic uncertainty. The Fund's underperformance was partially offset by outperformance within the Macquarie Renewable Infrastructure and Pantheon Global Infrastructure mandates, which outperformed their benchmarks by 2.7% and 1.9% net of fees respectively.
- 3.3 Over the 12-month period to 30 September 2023, the Fund underperformed its benchmark net of fees by 2.7% returning 7.5%. This underperformance can be largely attributed to the Abrdn Long Lease Property, which underperformed its benchmark by 23.5%, owing to the detraction in long-dated property over the year. Over the longer three-year period to 30 September 2023, the Westminster Fund underperformed the benchmark net of fees by 2.0%, returning 3.5% net of fees.
- 3.4 It should be noted that Isio continues to rate the fund managers favourably.
- 3.5 During the quarter, the London CIV transitioned the underlying sub fund of the London CIV Absolute Return Fund from the Ruffer Absolute Return Fund into the LF Ruffer Thames Absolute Return Fund. Isio is satisfied that this transition does not impact the investment objectives of the sub fund or the team managing the product. However, they will monitor as to whether the changes to the environmental, social and governance (ESG) and responsible investment parameters impact the underlying investment portfolio over the long term.
- 3.6 In addition to this, a decision was taken by the Committee during October 2023 to top-up the CVC Credit Private debt mandate, to ensure the allocation remains in line with the 6% strategic asset allocation. Private debt strategies provide loans direct to businesses requiring capital, typically mid-market companies who are unable to raise debt through bond markets. Investing within a Private Debt mandate provides diversification from mainstream asset classes, access to higher yields and stable performance throughout market cycles.
- 3.7 The estimated funding level for the Westminster Pension Fund has remained stable at 160% at 30 September 2023 (161% at 30 June 2023).

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The following chart shows the changes in asset allocation of the Fund from 1 October 2023 to 30 September 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 55% of assets within equities, 19% in fixed income, 11% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and socially supported housing.

4.3 Over the quarter to 30 September 2023, capital calls relating to the Quinbrook Renewables Impact mandate, Macquarie Renewable Infrastructure and Pantheon Global Infrastructure. At the Committee meeting on 29 June 2023, the Committee elected to transition 5% from equities into renewable infrastructure. This transition took place during July 2023.

5. LONDON CIV UPDATE

5.1 The value of Westminster Pension Fund investments directly managed by the London CIV as at 30 September 2023 was £786m, representing 44% of Westminster's investment assets. A further £423m 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 30 September 2023, the London CIV had £27.4bn of assets under management of which £14.8bn are directly managed by the London CIV. All London CIV funds, that Westminster are invested in, were on normal monitoring at quarter end.

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.

ACRONYMS:

LCIV/ London CIV: London Collective Investment Vehicle

ESG: Environmental, Social and Governance