



City of Westminster

# Committee Report

<b>Decision Maker:</b>	<b>PENSION FUND COMMITTEE</b>
<b>Date:</b>	<b>20 June 2024</b>
<b>Classification:</b>	<b>Public (Appendices 2, 4 and 5 Exempt)</b>
<b>Title:</b>	<b>Performance of the Council's Pension Fund</b>
<b>Wards Affected:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective control over council activities</b>
<b>Financial Summary:</b>	<b>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.</b>
<b>Report of:</b>	<b>Phil Triggs Tri-Borough Director of Treasury and Pensions</b>  <a href="mailto:ptriggs@westminster.gov.uk">ptriggs@westminster.gov.uk</a> <b>020 7641 4136</b>

## 1. EXECUTIVE SUMMARY

- 1.1 This report presents the performance of the Pension Fund's investments to 31 March 2024, together with an update on the London CIV and funding level.
- 1.2 The Fund returned 5.4% net of fees over the quarter to 31 March 2024, underperforming the benchmark by 0.2%.

## 2. RECOMMENDATION

- 2.1 The Committee is asked to:
  - Note the performance of the investments and the updated funding level as at 31 March 2024.

- Approve that Appendices 2, 4 and 5 to this report are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that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).

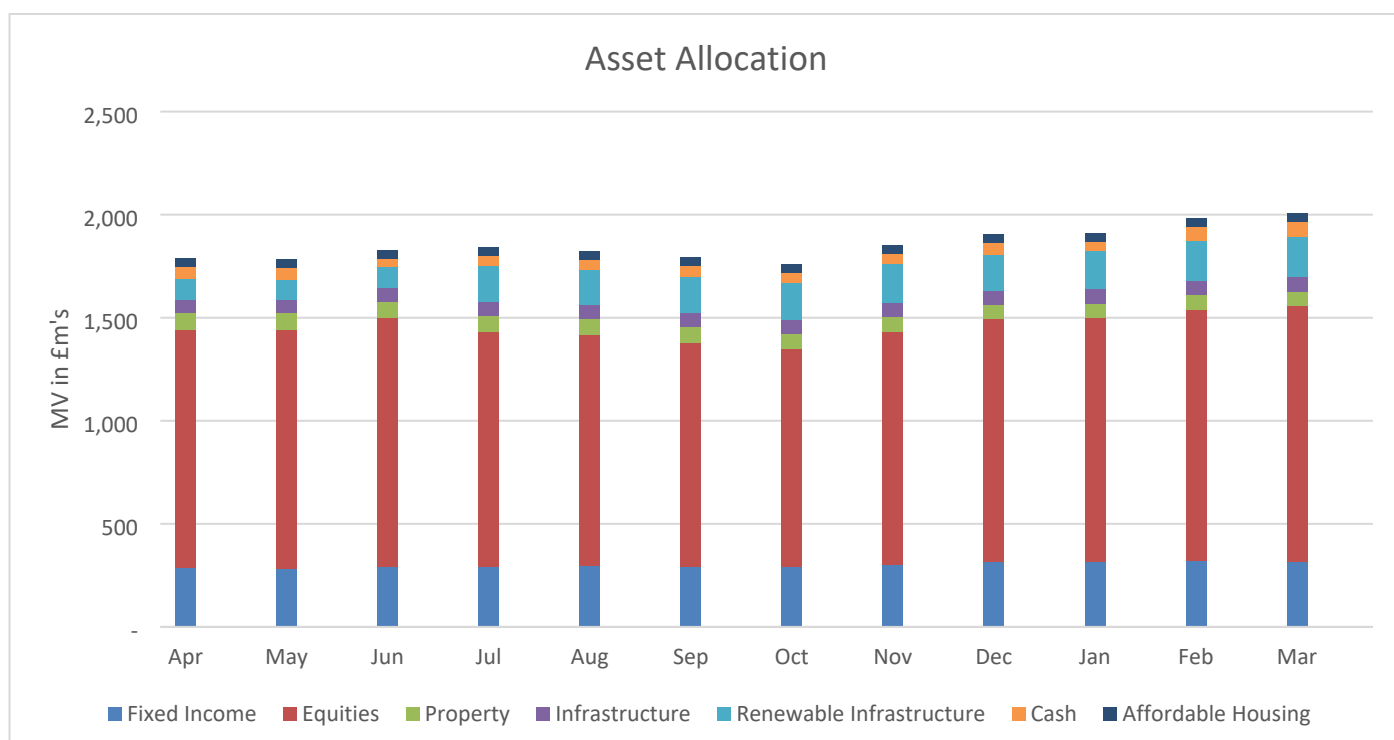
### **3. BACKGROUND**

- 3.1 This report presents a summary of the Pension Fund's performance to 31 March 2024. The investment performance report (Appendix 1) has been prepared by Isio, the Fund's investment advisor.
- 3.2 The market value of investments increased by £101m to £2.008bn over the quarter to 31 March 2024, with the Fund returning 5.4% net of fees. The Fund underperformed the benchmark by 0.2% net of fees, this can be primarily attributed to the LCIV Global Equity Fund, underperforming the wider global market amid a growth-driven market environment. The renewable infrastructure and property mandates also underperformed their benchmarks during the period.
- 3.3 Over the 12-month period to 31 March 2024, the Fund underperformed its benchmark net of fees by 1.6% returning 13.3%. This underperformance can be largely attributed to the Abridged Long Lease Property, which underperformed its benchmark by 10.7%, owing to the detraction in long-dated property over the year. Alongside this, the active equity mandates also underperformed their benchmarks as a result of their underlying style biases, despite delivering positive absolute returns during the period.
- 3.4 Over the longer three-year period to 31 March 2024, the Westminster Fund underperformed the benchmark net of fees by 2.0%, returning 4.3% net of fees. The main driver of this underperformance was the Baillie Gifford equity mandate, which returned 1.0% net of fees, in comparison to the MSCI World which generated returns of 10.2%. During the three-year period, the infrastructure funds performed well, with all outperforming their respective benchmarks.
- 3.5 It should be noted that Isio continues to rate the fund managers favourably.
- 3.6 During the quarter, officers engaged with asset managers regarding water company exposure within the Fund. As at 31 March 2024, the Fund had circa £6.6m exposure to water companies within the Insight Buy and Maintain Bond Fund, LGIM Passive equities and Pantheon Infrastructure fund, accounting for 0.3% of the total Fund value. The Fund has a circa £1.1m allocation to bonds with Thames Water Utilities, however these are not impacted by the recent Kemble Water Group default news.

3.7 The estimated funding level for the Westminster Pension Fund has increased to 163% at 31 March 2024 (156% at 31 December 2023). Please see Appendix 3 for the actuary funding level report.

#### 4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The following chart shows the changes in asset allocation of the Fund from 1 April 2023 to 31 March 2024. 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 31 March 2024, capital calls relating to the Macquarie Renewable Infrastructure and Quinbrook Renewables funds took place. As well as this, there was an equalisation within the London CIV UK Housing fund.

4.4 The Fund placed a £30m redemption with the Legal and General Future World fund during February 2024, with proceeds to be used to fund capital calls within the illiquid mandates. Please note, cash is held at the custodian, Northern Trust, within Short-Term Low Volatility Money Market Fund's (LVNAV's) at a current interest rate of circa 5%.

#### 5. LONDON CIV UPDATE

5.1 The value of Westminster Pension Fund investments directly managed by the London CIV as at 31 March 2024 was £886m, representing 44% of

Westminster's investment assets. A further £477m 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 2024, the London CIV had £31.6bn of assets under management of which £17.1bn are directly managed by the London CIV. All London CIV funds, that Westminster are invested in, were on normal monitoring at quarter end.
- 5.3 During the quarter, the London CIV reviewed the Morgan Stanley Equity Quality and Baillie Gifford PA Alpha Growth equity funds, following concerns surrounding performance. The London CIV remain content with the asset manager strategies and both funds remain on normal monitoring.
- 5.4 Please see the London CIV quarterly investment reports as at 31 March 2024, attached at Appendices 4 and 5.

**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 March 2024

Appendix 2: Isio Investment Report, Fee Benchmarking (exempt)

Appendix 3: Hymans Robertson Funding update report at 31 March 2024

Appendix 4: London CIV Quarterly ACS Investment Report at 31 March 2024 (exempt)

Appendix 5: London CIV Quarterly Private Markets Investment Report at 31 March 2024 (exempt)