



City of Westminster

Pension Board

Date: 11 November 2024

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 June 2024, together with an update on the London CIV and funding level.
- 1.2 The Fund returned 1.4% net of fees over the quarter to 30 June 2024, underperforming the benchmark by 1.0%.

2. RECOMMENDATION

- 2.1 The Board is asked to:
 - Note the performance of the investments and the updated funding level as at 30 June 2024.

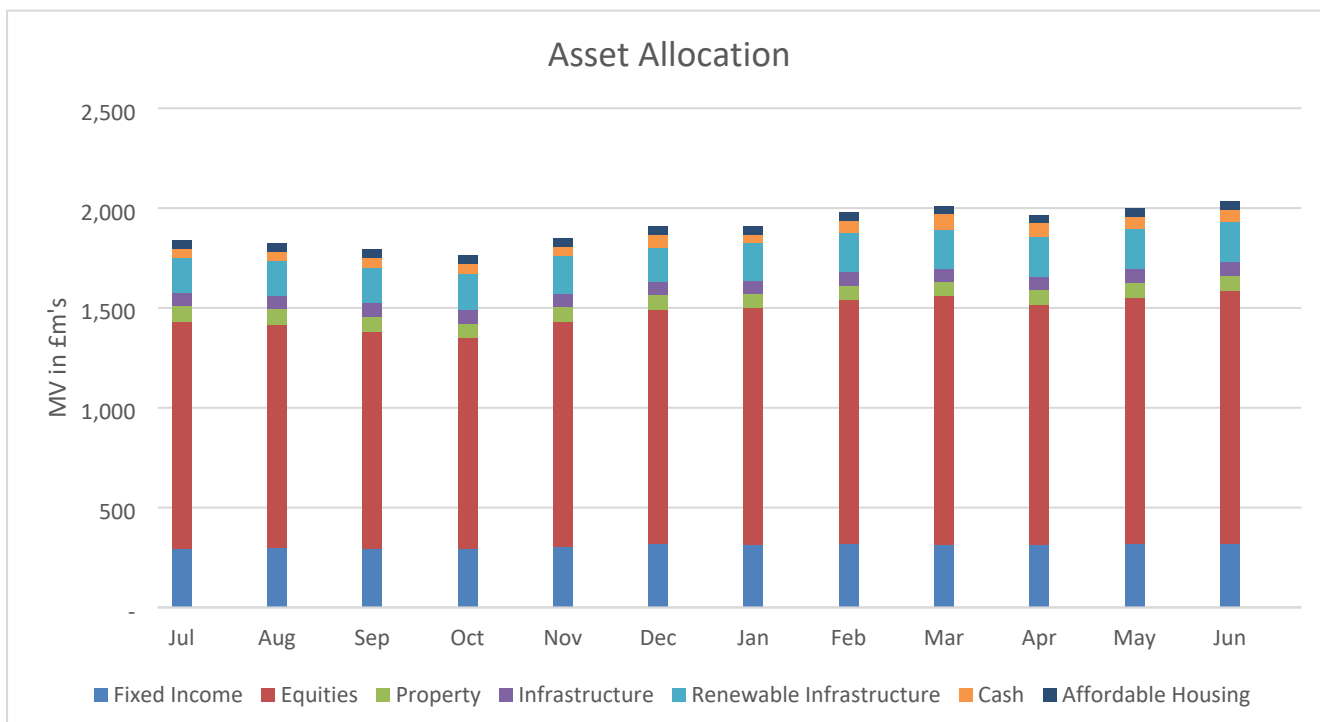
3. BACKGROUND

- 3.1 This report presents a summary of the Pension Fund's performance to 30 June 2024.
- 3.2 The market value of investments increased by £24m to £2.032bn over the quarter to 30 June 2024, with the Fund returning 1.4% net of fees. The Fund underperformed the benchmark by 1.0% net of fees, this can be primarily attributed to the LCIV Global Equity Quality Fund and the LCIV Global Alpha Paris Aligned Growth Fund, with both portfolios delivering positive returns on an absolute basis but underperforming the wider global equity market due to a relative under-exposure to technology stocks.
- 3.3 The infrastructure mandates also underperformed their respective targets, being that they are benchmarked against cash-plus targets, which have been positively impacted by high interest rates.
- 3.4 Over the 12-month period to 30 June 2024, the Fund underperformed its benchmark net of fees by 2.6% returning 12.1%. This underperformance can be largely attributed to the Abrdn Long Lease Property portfolio, which underperformed its benchmark by 14.6%, due to the detraction in long-dated property valuations over the year. Alongside this, the LCIV Global Equity Quality Fund also underperformed its benchmark as a result of the underlying value-oriented style bias, despite delivering positive absolute returns during the period.
- 3.5 Over the longer three-year period to 30 June 2024, the Westminster Fund underperformed the benchmark net of fees by 2.4%, returning 2.9% net of fees. The main driver of this underperformance was the Baillie Gifford equity mandate, which returned -0.8% net of fees, in comparison to the MSCI World which generated returns of 8.6%. During the three-year period, the infrastructure funds performed well, all outperforming their respective cash-plus benchmarks.
- 3.6 It should be noted that Isio continues to rate the fund managers favourably.
- 3.7 At the Pension Fund Committee meeting on 17 October 2024, the Committee elected to rebalance the portfolio to bring the holdings closer in line with the strategic asset allocation. This included:
 - Liquidating 3.0% (circa £60m) of the overweight global equities holdings from the LGIM Future World Passive Fund.
 - Topping up the London CIV Multi Asset Credit underweight balance using cash held at custody.
 - Topping up the Pantheon and Quinbrook infrastructure mandates by committing to the latest vintages of the two funds.

3.8 The estimated funding level for the Westminster Pension Fund has increased to 169% at 30 June 2024 (163% at 31 March 2024).

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The following chart shows the changes in asset allocation of the Fund from 1 July 2023 to 30 June 2024. Note that 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 in equities, 19% in fixed income, 11% in renewable infrastructure, 5% in infrastructure, 5% in property and 5% to affordable and socially supported housing.

4.3 Over the quarter to 30 June 2024, capital calls relating to the CVC Credit Private Debt, London CIV UK Housing, Man Group Community Housing and Quinbrook Renewables funds took place. As well as this, there were capital calls in the London CIV UK Housing fund and CVC Credit Private Debt fund.

5. LONDON CIV UPDATE

5.1 The value of Westminster Pension Fund investments directly managed by the London CIV as at 30 June 2024 was £906m, representing 45% of Westminster's investment assets. A further £495m 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 June 2024, the London CIV had £32.0bn of assets under management of which £17.4bn are directly managed by the London CIV. All London CIV funds in which Westminster is invested were on normal monitoring at quarter end.
- 5.3 The London CIV announced that its Chief Investment Officer (CIO), Aoifinn Devitt, had decided to vacate her role at LCIV to pursue new opportunities and will be leaving during Q4 2024. The head of London CIV's Public Markets, Rob Treich will support overseeing the investment process during the transition period until the new CIO is recruited.
- 5.4 During September 2023, Brian Lee announced that he was stepping down from his role as Chief Financial Officer (CFO), having worked with London CIV for over nine years. The London CIV has commenced the recruitment process for Brian's successor, with Darren Gray appointed as Finance Director in the interim.

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

MAC: Multi Asset Credit

NT: Northern Trust

MSCI: Morgan Stanley Capital International

CIO: Chief Investment Officer

CFO: Chief Financial Officer