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City of Westminster

Committee Agenda

Title:	**Pension Fund Committee (Formerly Superannuation Committee)**
Meeting Date:	**Monday 16th November, 2015**
Time:	**7.00 pm**
Venue:	**Rooms 3 and 4, 17th Floor, City Hall, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:** Suhail Rahuja (Chairman) Antonia Cox Ian Rowley Patricia McAllister

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.00pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.

An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Toby Howes, Senior Committee and Governance Services Officer.

Tel: 020 7641 8470; Email: thowes@westminster.gov.uk
Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

To report any changes to the Membership of the Committee.

2. DECLARATIONS OF INTEREST

To receive declarations of interest by Members and Officers of any personal or prejudicial interest.

3. MINUTES **(Pages 1 - 8)**

To approve the Minutes of the meeting of the Pension Fund Committee held on 8 September 2015.

4. MINUTES OF PENSION BOARD

To note the minutes of the last Pension Board meeting held on 19 October 2015.

Minutes to follow.

5. UPDATE ON LONDON COLLECTIVE INVESTMENT VEHICLE

Hugh Grover of London Councils will provide an update on the London Collective Investment Vehicle and discuss the mechanics and the timetable for the launch.

6. PENSIONS ADMINISTRATION UPDATE **(Pages 9 - 16)**

Report of the Director of Human Resources.

7. ADMISSION AGREEMENT FOR JPL CATERING **(Pages 17 - 52)**

Report of the Director of Human Resources.

8. KEY PERFORMANCE INDICATORS **(Pages 53 - 64)**

Report of the City Treasurer.

Charlie Parker
Chief Executive
9 November 2015

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City of Westminster

Minutes

Meeting:	**Pension Fund Committee (Public)**
Date of meeting:	**Tuesday 8th September at 7.00pm**
Attendees:	**Councillors:** **Suhail Rahuja (Chairman)** **Ian Rowley** **Patricia McAllister** **Officers:** **Steven Mair (City Treasurer)** **Carolyn Beech (Director of HR)** **David Hodgkinson (Assistant City Treasurer)** **Nikki Parsons (Pension Fund Officer)** **Neil Sellstrom (Tri-Borough Pensions Team)** **Sarah Hay (Human Resources)** **Joseph McBride (Committee & Governance Officer)** **Also Present:** **Alistair Sutherland (Deloitte)** **Kevin Humpherson (Deloitte)** **Jason Bailey (Surrey County Council)** **Chris Smith (Pension Board Representative)** **Dr Norman Perry (Pension Board Representative)** **Marie Holmes (Pension Board Representative)** **Susan Manning (Pension Board Representative)**
Apologies:	**Councillor Antonia Cox**
Contact:	**Joe McBride** **Committee & Governance Officer**
Details:	**Tel: 020 7641 2341** **Email: jmcbride@westminster.gov.uk**

1. MEMBERSHIP OF THE COMMITTEE

1.1 Councillor Antonia Cox passed her apologies to the Committee.

2. DECLARATIONS OF INTEREST

2.1 The Chairman made the following declaration:
'I am employed by Fund Managers who have amongst their clients Hermes. I am not involved in any element of the work which relates to the Westminster Fund and accordingly do not regard this as a prejudicial interest'.

3. MINUTES

3.1 The Minutes of the Pension Fund Committee meetings held on 21 May 2015 were agreed as a correct record and signed by the Chairman.

4. Pension Administration

4.1 Jason Bailey provided an overview of the administration service provided by Surrey County Council to Westminster City Council and invited Members to ask any questions. Mr Bailey emphasised that the arrangement was not for profit but that Surrey would seek to recharge only their overheads to Westminster to reflect the costs of providing the service. Surrey administer the service for approximately 200,000 people including, as of this month, Hammersmith and Fulham and Kensington and Chelsea.

4.2 Councillor Suhail Rahuja asked what the timeline was for approval of the Hammersmith and Fulham and Kensington and Chelsea contracts. Mr Bailey responded that the process took approximately 12 months due to complications arising from use of different software systems. Significant data quality issues were identified and were given the highest priority by all parties before moving forward with the new system.

4.3 Councillor Rahuja asked what the contract length is for all three boroughs. Mr Bailey replied that the contracts are for five years but clauses have been inserted after three years to provide an opportunity to realign those contracts.
ACTION: Councillor Rahuja to discuss this further with Steven Mair (City Treasurer) at a later date.

4.4 Councillor Rahuja asked what the number of Tri-borough pensioners were in relation to the total number administered by Surrey. Mr Bailey replied that Tri-borough members are approximately 42,000 of a total of 200,000 members.
ACTION: Jason Bailey to present at the AGM.

4.5 **RESOLVED:** The Committee noted the contents of the report.

5. ADMISSION AGREEMENT FOR SANCTUARY HOUSING

5.1 Mr Steven Mair explained that the Adult Social Care team started a procurement exercise in 2012 under the Specialist Housing Strategy for Older People (SHSOP) programme to find a supplier to provide care home management services at a number of care homes including the Westminster City Council homes of Westmead and Carlton Dean.

5.2 Mr Mair noted that while the award of contract to Sanctuary has already been approved following a decision by the Cabinet Member for Adults and Public Health and the Cabinet Member for Finance and Customer Services on 15th September 2014, approval is needed to enter into an admission agreement in order to allow 64 Westminster City Council members of staff to transfer into the employ of Sanctuary.

5.3 This in turn will allow for Sanctuary to make the necessary pension contributions for staff that will transfer into their employ into the Local Government Pension Scheme (LGPS).

5.4 Mr Neil Sellstrom (Tri-Borough Pensions Team) confirmed that no bond is in place because Sanctuary are deemed to be AAA rated. Councillor Ian Rowley noted that AAA rating can change and raised the example of Age Concern where the Council were left to underwrite the liability. Steven Mair agreed that AAA rating can change but stated that the decision was taken by the relevant Cabinet Members in lieu of the £500k savings offered annually as a result of the contract.

5.5 Councillor Rowley asked if the Council was budgeting for this as part of its reserves. Steven Mair replied that the Council had not made reserves against such specific risks previously but that the risk would now be factored into the Council’s overall reserve consideration

5.6 Councillor Rowley suggested that an annual review of the admitted bodies would be good practice going forward. This was supported by Councillor Patricia McAllister and Councillor Rahuja.

5.7 **RESOLVED:** The Committee noted the contents of the report and agreed that an annual review of admitted bodies would be welcome in future.

6. REVISED COMMUNICATIONS POLICY APPROVAL

6.1 Carolyn Beech (Director of Human Resources) noted that the previous strategy has been updated to take into account the arrangement with Surrey County Council and to reflect the communication and engagement activity being undertaken as a result.

6.2 Councillor Rahuja asked what meetings are planned with the admitted and scheduled bodies. Ms Beech replied that Ms Sarah Hay (Pensions Liaison Officer) meets regularly with partners to update them on relevant changes to legislation or the administration of the Pension Fund

6.3 Councillor Rahuja asked if the bodies understand their obligations. Ms Sarah Hay responded that they are aware because of the employer's rate that they are paying. Councillor McAllister asked if we are in regular communication with Surrey. Ms Sarah Hay confirmed that officers are in constant communication via email and telephone as well as regular meetings between officers and directors. Ms Sarah Hay noted that an employer's forum is scheduled for the end of October

6.4 Councillor McAllister asked if there was an agenda for the AGM meeting scheduled for 21st September. Ms Carolyn Beech replied that there was a draft agenda prepared which she would circulate to the Committee. **ACTION:** Councillor Rahuja felt that it would be worthwhile for Councillor McAllister to speak at the AGM.

6.5 **RESOLVED**: The Committee approved the updated 2015/16 version of the Westminster Pensions Communications Policy.

7. PENSION BOARD UPDATE

7.1 Mr Steven Mair confirmed that the Pension Board has been established, membership confirmed and the first meeting held on 27th July 2015 ahead of the statutory deadline of 31st July 2015.

7.2 Mr Steven Mair also confirmed that a training session for the Board has taken place which Committee members were invited to attend. This incorporated training on legal background and relative roles, as well as a discussion about future work plans and training.

7.3 Councillor McAllister expressed her disappointment that the Chair and other member of the Board were chosen from majority party Members without consultation with the minority party.

7.4 **ACTION**: Councillor Rahuja suggested that it may be worthwhile for a member of the Pension Board to address the AGM on September 21st to explain their role.

7.5 **RESOLVED:** The Committee noted the contents of the report.

8. GOVERNANCE ARRANGEMENTS

8.1 Mr Steven Mair noted that this report presents the draft Knowledge and Skills policy, the updated Governance Compliance Statement and summarises the equity fund manager responses to the Stewardship Policy. A self-assessment form is included in Appendix 1 of the report and Mr Mair suggested that it would be useful for Members to complete the form in order to identify knowledge gaps. **ACTION**: Completed forms to be returned to Pensions Team by October 2nd.

8.2 Ms Nikki Parsons noted that the Governance Compliance Statement has been update to take into account the Pensions Board and that this needs to go to consultation. **ACTION:** Nikki Parsons to consult with employers and to delegate authority to the Chair and the City Treasurer.

8.3 **RESOLVED:** The Committee approved the Knowledge and Skills Policy and the Governance Compliance Statement and noted the information contained in the report.

9. FUND FINANCIAL MANAGEMENT

9.1 Mr Steven Mair introduced the report which presents a variety of information that will assist the Pension Fund Committee in monitoring key areas to ensure effective control of the Fund's operation and help inform strategic decisions.

9.2 Councillor Rahuja asked how the Council pays its deficit. Mr Mair responded that traditionally it has been paid as part of the monthly contributions but this year it was paid early. Mr Mair noted that trends can emerge but that the Council are aware when the lump sum is scheduled within the next five years.

9.3 Mr Mair noted that the Council's budget savings may impact the pension fund in the next few years as a large proportion of the Council's costs are currently expended on staffing and thus reductions could follow in that area. **ACTION:** Councillor Rahuja asked for officers to prepare some sense of the volatility of the numbers at the November meeting.

9.4 Mr Mair explained that the risk register has been reviewed by officers and the rationale for the changes is set out on the first page of the appendix 2. He highlighted a new risk as a result of the Freedom of Choice legislation that permits individuals to access their pensions withdraw lump sums should they wish to do so. This can lead to sudden large payments and the risk is acknowledged in the updated risk register.

9.5 Councillor Rahuja supported Westminster's engagement in the London Collective Investment Vehicle (CIV) and felt that better coordination between authorities would result in an overall net benefit. This item will be discussed later in the meeting.

9.6 **RESOLVED:** The Committee noted the contents of the report.

10. PERFORMANCE OF THE COUNCIL'S PENSION FUND

10.1 Mr Kevin Humpherson explained that markets were volatile of the second quarter of the year to 30 June 2015 with pre-election concerns over the outcome of the UK General Election and increased uncertainty over Greece's position within the Eurozone highlighted as the main contributory factors.

10.2 Over this quarter the Fund outperformed its benchmark, mostly due to strong performance from the Standard Life Long Lease Property Fund and the active equity managers Baillie Gifford, Majedie and Longview.

10.3 Mr Humpherson noted that the fund outperformed its composite benchmark by 57bps over the second quarter of 2015, largely as a result of strong performance from the active equity managers, Majedie and Longview, and from the Stand Life Long Lease Property Fund.

10.4 Over the quarter the market value of assets fell by c. £17.7m as a result of the fall in both equity and markets over the quarter.

10.5 Councillor McAllister asked for an explanation on how the situation with Tescos could affect Westminster. Mr Alistair Sutherland (Deloitte) responded that it has been discussed regularly with Standard Life and that they are content with the current status quo. Standard Life are comfortable that the covenant underlying the investment is good.

10.6 **RESOLVED:** The Committee noted the contents of the report.

11. INVESTMENT MANGEMENT CONSIDERATIONS

11.1 The representatives from Deloitte left the room.

11.2 Mr Steven Mair noted that at the July 2014 meeting, the Committee agreed to extend the existing contract until 31 March 2016 to align with the RBKC investment advisory contract. This enabled WCC to retender at the same time as RBKC.

11.3 Officers intend to carry out a bi borough procurement with RBKC of the investment advisory contract using the National LGPS Framework, as used by LBHF in their retender for the same service in December 2013. It is not proposed that the funds would have to appoint the same advisor.

11.4 Mr Mair requested that the Committee delegates the decision to draw down £5 million from LGIM for the investment to Hermes, to the City Treasurer, in consultation with the Chair of the Pension Fund Committee.

11.5 **RESOLVED:** The Committee noted the contents of the report and delegated authority to the City Treasurer and the Chair to draw down £5 million from LGIM for investment to Hermes.

12. CLOSE OF MEETING

7.1 The meeting closed at 8.15 pm.

CHAIRMAN: ………………………………...   DATE: ……………………….

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City of Westminster

Pension Fund Committee Report

Date:	**16th November 2015**
Classification:	**General Release**
Title:	**Communications and Engagement strategy – update**
Report of:	**Director or Human Resources**
Financial Summary:	**The report has no financial implications.**
Report Author and Contact Details:	**Trevor Webster 0207 641 2803**

1. Executive Summary

1.1 On the 8th September 2015 the Pension Fund Committee approved the WCC LGPS Communications and Engagement Strategy 2015/16.

1.2 This report provides the committee with an update on progress against the strategy. Highlighted are the actions which have been completed and shown in Appendix 1 are the target dates for actions to be delivered in 2015/16 and beyond.

2. Recommendation

2.1 That the progress made against the WCC LGPS Communications and Engagement Strategy 2015/16 be noted.

3. Background

3.1 The Local Government Pension Scheme (Administration) Regulations 2013, regulation 61 requires administering authorities to prepare, publish and maintain a policy statement setting out its communication strategy for communicating with:

- Scheme Members,
- Members' Representatives
- Prospective members
- Employers participating in the Fund.

3.2 The overarching aim of the supporting WCC LGPS Communications and Engagement Strategy 2015/16 is to maximise membership of the scheme through incrementally improving information and support to all members of the scheme and prospective joiners.

3.3 The context of restricted salary increases since 2009, the unfavourable economic situation during that period and the changes in the pension regulations is recognised as a challenge to increasing membership to the scheme.

4. Specific progress made against the Communications and Engagement Strategy

4.1 **Pensions AGM**

4.1.1 The AGM was successfully held on the 21st September 2015 with attendance from current members of the scheme, prospective and retired members.

4.1.2 The event was chaired by the Pensions Fund Committee with presentations from Human Resources, the Actuaries, the AVC Provider and Surrey County Council.

4.1.3 Specific actions and suggested improvements to processes discussed at the AGM are currently being worked through.

4.2 **Admitted Body Forum**

4.2.1 The date has been set for the 4th November 2015; the agenda has been set to include teacher's pensions, LGPS legal update, and a review of processes between other providers and BT.

4.2.2 As at 2nd November twenty-one delegates have confirmed attendance.

4.3 **Pension Surgeries (run by Surrey County Council)**

4.3.1 A day of one to one surgery sessions is to be held in City Hall on the 6th November 2015. All slots were booked by staff within 48 hours of them being advertised and a waiting list for the next day of surgeries is being maintained.

4.3.2 This event remains very popular with staff and next dates are being planned.

4.4 **Pension Board Training**

4.8 An initial training day was held on the 27th August 2015, this is being followed up with individual training assessments and plans for specific training on the fund valuation and legal updates when required

4.5 **Remaining Actions**

4.5.1 All the other actions featured on the Communications and Engagement Strategy are on track and a copy of the detail is provided in Appendix 1

5 **Financial Implications**

5.1 The Engagement Plan continues to be funded from within existing HR budgets

6. Legal Implications

6.1 None

If you have any questions about this report, or wish to inspect one of the background papers, please contact: Trevor Webster Tel: 0207 641 2803

APPENDIX 1

Pensions communication and engagement plan for the period 1st October 2015 to 31st March 2017

Task	Target dates	Required outcome	Owner	Support	Update
Admitted Body Forum	To be delivered by 31/03/2016 and again by 31/03/2017	Communication to Admitted Body Members regarding scheme changes and potential on line forms	WCC	SCC	Date Set: 4th November - 19 confirmed nominations to date
AGM	21/09/2015 & Sept 2016	Communications event with all members of the scheme regarding year end performance and looking forward to the following year.	WCC	SCC, Finance, AVC provider	Completed on 21st September. Presentations from HR, Actuaries, AVC Provider, Surrey County Council - Chaired by Chair of the Pensions Committee
AVC awareness	31/12/2015	Engagement and communication with current members regarding the benefits and process relating to AVCs	WCC	AVC Provider	On track - need to confirm the products to offer in the future.
Increase letter to pensioners	To be delivered by 31/03/2016 and again by 31/03/2017	Letter to all pensioners communicating the 15/16 and 16/17 increases	SCC	WCC	15/16 letters sent
Life Time Allowance	To be delivered by 31/03/2016 and again by 31/03/2017	Personal letters to be sent to all members who are close to the lift time allowance limit	SCC		On track - more detailed conversation to follow the sending of the annual benefit statements
Self service improvements on pensions website	Ongoing	Communicate improvements including regulation changes and the introduction of on line forms.	SCC	WCC	Included in the Surrey County Council development plan - other priorities preventing progress at present

Newsletter	To be delivered by 31/03/2016 and again by 31/03/2017	Newsletter to all members regarding scheme changes, news and the overview of process	SCC	WCC	Needs progressing in early 2016
Open House Sessions	To be delivered by 31/03/2016 and again by 31/03/2017	Two session one at City Hall , and one at Lisson Grove per year	WCC		Needs progressing in early 2016
Pensions Board Training	On going	Initial training, followed by a personal assessment and on-going support	WCC		One day training delivered - personal development assessment to be delivered next
Pensioners Member panel	To be delivered by 31/03/2016 and again by 31/03/2017	Three meetings in the year	WCC		Future of the panel being reviewed
Surgery Sessions for employees	To be delivered by 31/03/2016 and again by 31/03/2017	Three events in the year. Two at City Hall, One at Lisson Grove per year.	WCC		First event booked for 6th November 2015 - City Hall

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City of Westminster

Pension Fund Committee Report

Date:	**16th November 2015**
Classification:	**General Release**
Title:	**Withdrawal of the Abatement Policy**
Report of:	**Director or Human Resources**
Financial Summary:	**The report has no financial implications**
Report Author and Contact Details:	**Trevor Webster 0207 641 2803**

1. Executive Summary

1.1 Under current policy the pension benefits of an employee leaving WCC and taking up further employment with an employer who is subject to the LGPS could be liable to abatement of their WCC pension.

1.2 Abatement has in the past been implemented when the pension of the employee leaving WCC plus the salary they were now earning with another employer (subject to the LGPS) is greater than the salary they were previously earning at WCC.

2. Recommendation

2.1 That the WCC abatement policy be withdrawn.

3. Rationale

3.1 Abatement was relevant when WCC had an added years' policy. It could be successfully argued that when granted added years was a direct cost on the employer and it was inappropriate that the employee was then able to earn more as a result of WCC paying additional funds into the WCC pension fund.

3.2 The abatement policy is difficult to apply and monitor and primarily relies upon the ex-employee notifying WCC if they are appointed to a job within another local authority that has membership of the LGPS.

3.3 The abatement policy is inconsistent in its application in that abatement does not apply to an ex-employee working in the private sector or to an ex-employee working in another local authority in a consultancy capacity.

3.4 Revised LGPS pension regulations also allow employees to retire after the age of 55 with actuarial reduced benefits again in these circumstances there is no cost to the employer and therefore abatement is not appropriate.

4 Financial Implications

4.1 None

5. Legal Implications

5.1 None

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If you have any questions about this report, or wish to inspect one of the background papers, please contact: Trevor Webster Tel: 0207 641 2803

City of Westminster

Pension Fund Committee Report

Date:	**16th November 2015**
Classification:	**Public**
Title:	**Admissions Agreement with JPL Catering Limited**
Report of:	**Director or Human Resources**
Financial Summary:	**There are no financial implications related to the transfer of staff**
Report Author and Contact Details:	**Sarah Hay 0207 641 6015**

1. Executive Summary

1.1 On the 1st of August 2015 one of the Pension Fund's Scheduled bodies Ark Academy Trust, as proprietor of King Solomon Academy, outsourced the catering function to JPL Catering Limited for 5 years. Eight staff were transferred under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) to JPL Catering Limited.

2. Recommendation

2.1 That the committee ratifies the closed Admission Agreement for JPL Catering Limited.

3. Background

3.1 ARK as a group were formed in 2002 and have educational interests around the world. It is a large academy trust with 31 separate academies registered up to 2014 in the United Kingdom. King Solomon was formed in September 2007.

3.2 ARK trading as King Solomon has awarded the catering contract to JPL Catering Limited from 1st of August 2015. The legal entity for the Admission Agreement however is ARK Academy Trust as the proprietor of an academy as covered under paragraph 20, Part 1 of Schedule 2 of the LGPS Regulations 2013.

3.3 ARK Academy Trust is a Scheduled body within the WCC Pension Fund, Employees of Scheduled bodies are automatically entitled to membership of the LGPS in the geographical area, in which they are based, if they are not entitled to membership of another public sector fund such as the Teacher's Pension Scheme.

3.4 Eight staff were transferred under TUPE from ARK's employment to JPL Catering Limited. At the time of transfer 4 were members of the LGPS and 4 were not active members.

3.5 Staff outsourced by public sector bodies to private companies carrying out the function will retain the entitlement to their former pension provision or a broadly comparable alternative.

3.6 Under the New Fair Deal 2013 Guidance Academies should include provisions in their outsourcing contracts to the effect that that transferring staff retain entitlement to remain an active member of (or remain eligible to join if they have not yet joined) the public sector pension scheme for which they had eligibility before they transferred under TUPE.

3.7 JPL Catering Limited (company number 06842623) was incorporated on the 10th of March 2009. They have a number of school clients in addition to King Solomon Academy. They include The Reach Academy Feltham and Hampton Court House. In addition they have undertaken work for companies including Barclays and Walt Disney. The City Treasurers Department has ascertained that JPL Catering Limited has a strong credit rating.

3.8 Officers have sought legal advice on the circumstances in which a refusal to allow a new Admitted body would have legal substance. Paragraph 13, Part 3 of schedule 2 of the LGPS Regulations 2013 detailed above states that where an Admission body undertakes to meet the requirements of the Regulations, the appropriate Administering Authority must admit the Admission body to the Fund.

3.9 The Pension Fund's legal advisors Eversheds have prepared a draft Admission Agreement (Appendix 1) between the Fund, ARK Academy Trust and JPL Catering Limited. It is proposed that the Admission Agreement is closed in line with standard practice, so that only those staff transferred under TUPE from King Solomon to JPL Catering Limited will retain access to the fund whilst they are employed directly on this contract. If an employee leaves employment with JPL Catering Limited or moves onto another contract with JPL Catering Limited they will lose their entitlement at that time to further accrual.

4. Financial Implications

4.1 Once the Admissions Agreement is in place, the service provider, JPL Catering Limited, will make pension contributions in respect of the staff transferred to them.

4.2 The Employer Contribution rate will be calculated by the Fund Actuary based upon the assumption that the liabilities related to the transferring staff are transferred to JPL Catering Limited on a fully funded basis.

4.3 Ark Academy Trust accepts the pension risk associated with this agreement.

4.4 The fund has an entitlement under the regulation 64 paragraph 8 to recover any liability not recoverable from JPL Catering Limited as ARK academy Trust would be a related employer by virtue of entering into the Admission Agreement. The responsibility is again covered within the Admission Agreement in paragraph clause 9.2.

5. Legal Implications

5.1 If the committee were to refuse admitted body status then the administering authority would be in breach of regulation 6.1 above.

If you have any questions about this report, or wish to inspect one of the background papers, please contact: Sarah Hay Tel: 0207 641 6015

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Dated 2015

(1) THE LORD MAYOR AND CITIZENS OF THE CITY OF WESTMINSTER

(2) ARK SCHOOLS

(3) JPL CATERING LIMITED

Admission Agreement
To participate in the Local Government Pension Scheme
In respect of King Solomon Academy
DRAFT

Westminster City Council
Westminster City Hall
64 Victoria Street
London
SW1E 6QP

CONTENTS

This Agreement is made on the day of **2015**

Between:

(1) **THE LORD MAYOR AND CITIZENS OF THE CITY OF WESTMINSTER** of Westminster City Hall, 64 Victoria Street, London SW1E 6QP (the "**Administering Authority**"); and

(2) **ARK SCHOOLS** (company number: 05112090)[, trading as King Solomon Academy,] whose registered office is at 65 Kingsway, London WC2B 6TD (the "**Scheme Employer**"); and

(3) **JPL CATERING LIMITED** (company number: 06842623) whose registered office is at 108 Cleeve Road, Leatherhead, Surrey KT22 7NF (the "**Admission Body**").

Background

(A) The Administering Authority is an administering authority within the meaning of the Regulations. It administers and maintains the Fund in accordance with the Regulations.

(B) The Scheme Employer is a Scheme employer within the meaning of the Regulations.

(C) The Scheme Employer is a multi-academy trust and proprietor of the Academy.

(D) The Scheme Employer and the Admission Body entered into the Contract.

(E) In accordance with paragraph 1(d)(i) of Part 3 of Schedule 2 to the 2013 Regulations and as a result of the Contract, the Admission Body will provide services or assets in connection with the exercise of a function of the Scheme Employer.

(F) The Administering Authority, the Scheme Employer and the Admission Body have agreed to enter into this Agreement to allow the Admission Body to be admitted to the Scheme and to participate in the Fund so that the Eligible Employees can be members of the Scheme.

(G) The terms and conditions of such admission have been agreed by the parties to this Agreement as follows.

NOW IT IS AGREED as follows:

1. INTERPRETATION

This Clause sets out the definitions and rules of interpretation which apply to the Agreement.

1.1 The following expressions have the following meanings:

"2013 Regulations"	The Local Government Pension Scheme Regulations 2013.
"Academy"	means King Solomon Academy of Penfold Street, London NW1 6RX.
"Actuary"	an actuary appointed by the Administering Authority.
"Business Day"	any day other than a Saturday or a Sunday or a Public or Bank Holiday in England.
"Commencement Date"	1 August 2015.
"Contract"	a contract dated [insert date contract was completed] between the Scheme Employer and the Admission Body to provide the Services.
"Eligible Employee"	an employee of the Admission Body who is listed in the Schedule.
"Fund"	the Westminster Pension Fund administered within the Scheme.
"Member"	an Eligible Employee who joins the Scheme as an active member and who remains an active member or subsequently becomes a deferred member or a pensioner member. Where applicable, this term shall also include a Member's spouse, civil partner, nominated partner, eligible child or dependant whether actual or prospective.
"Registered Pension Scheme"	a pension scheme registered under Chapter 2 of Part 4 of the Finance Act 2004.
"Regulations"	the 2013 Regulations and the Transitional Regulations.

“Scheme” the Local Government Pension Scheme established and governed by the Regulations.

“Scheme Year” a year beginning on a 1 April and ending on the next 31 March.

“Services” the school catering services which are to be provided by the Admission Body at the Academy under the Contract.

“Transitional Regulations” the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

1.2 Unless the Administering Authority agrees otherwise, the expression “employed in connection with the provision of the Services” shall mean that an Eligible Employee spends on average in a Scheme Year at least 75% of his time working on the Services.

1.3 Expressions have the same meaning as in the Regulations except where the context otherwise requires.

1.4 This Agreement includes a heading and a box at the start of each Clause which outlines its provisions. These are included for information only.

1.5 Any reference in this Agreement to any statute or statutory provision will include any subordinate legislation made under it and will be construed as a reference to such statute, statutory provision and/or subordinate legislation as modified, amended, extended, consolidated, re-enacted and/or replaced and in force from time to time.

1.6 Words such as “in particular”, “includes” or “including” shall not limit the generality of the words preceding them.

2. THE REGULATIONS

This Clause sets out the relationship between the Agreement and the Regulations.

2.1 The rights, obligations and actions of each party to this Agreement shall be determined by the Regulations.

2.2 The Admission Body undertakes to:

2.2.1 adopt the practices and procedures relating to the operation of the Scheme set out in the Regulations and in any employer's guide and service level agreement published by the Administering Authority and provided to the Admission Body;

2.2.2 inform the Administering Authority promptly in writing of all decisions made by the Admission Body concerning Members under Regulation 72 of the 2013 Regulations; and

2.2.3 provide (or procure to be provided) promptly all information that the Administering Authority reasonably requests in order to discharge its Scheme functions in accordance with the Regulations and to comply with any other legal or regulatory requirements applicable to the Scheme.

2.3 The Admission Body undertakes to meet the relevant requirements of the Regulations.

2.4 The Regulations will apply to the Admission Body and to employment with the Admission Body in which an Eligible Employee is an active member of the Scheme in the same way as if the Admission Body were a Scheme employer listed in Part 2 of Schedule 2 to the 2013 Regulations.

3. COMMENCEMENT DATE

This Clause sets out the date the Agreement commences.

This Agreement shall have effect on and from the Commencement Date.

4. **MEMBERSHIP OF ELIGIBLE EMPLOYEES**

This Clause sets out the terms on which the Eligible Employees are admitted to membership of the Scheme.

4.1 Subject to the terms of this Agreement, the Administering Authority admits the Admission Body to the Scheme with effect on and from the Commencement Date.

4.2 Subject to the following provisions of this **Clause 4** (Membership of Eligible Employees), the Admission Body designates:

4.2.1 an Eligible Employee listed in Part 1 of the Schedule as being eligible to remain an active member of the Scheme. The designation is effective on and from the Commencement Date; and

4.2.2 an Eligible Employee listed in Part 2 of the Schedule as being eligible to become an active member of the Scheme if he or she applies in writing to the Admission Body. The designation shall be effective on and from the first day of the payment period following receipt by the Admission Body of the application.

4.3 Notwithstanding the provisions of **Clause 4.2** (Membership of Eligible Employees), an Eligible Employee will cease to be an active member in the circumstances set out in Regulation 5 of the 2013 Regulations.

4.4 An Eligible Employee may not be an active member of the Scheme if he is an active member of another occupational pension scheme (within the meaning of section 1 of the Pension Schemes Act 1993) in relation to the employment in respect of which he would otherwise be eligible to be designated for Scheme membership, or if he otherwise fails to satisfy the eligibility requirements of the 2013 Regulations.

4.5 Within three months of:

4.5.1 a Member joining the Scheme; or

4.5.2 any change in respect of a Member's employment which is material for the Scheme;

the Admission Body must ask the Member in writing for a written statement listing all of the Member's previous periods of employment and copies of all notifications previously given to him under the 2013 Regulations and the Earlier Regulations (as defined in the Transitional Regulations) unless the Admission Body is satisfied that it or the Administering Authority already has all material information. The request must include a conspicuous statement that it is important that the Member gives full and accurate information especially for ascertaining his rights under the Scheme.

4.6 An Eligible Employee may only be an active member of the Scheme by virtue of this Agreement if and for so long as he is employed in connection with the provision of the Services.

4.7 In respect of each Member, the Admission Body will promptly notify the Administering Authority and the Scheme Employer in writing of:

4.7.1 any change in employment which results in an Eligible Employee who is an active member ceasing to be employed in connection with the provision of the Services;

4.7.2 any Eligible Employee who joins or re-joins the Scheme;

4.7.3 any material change in terms and conditions of employment which affect a Member's entitlement to benefits under the Scheme; and

4.7.4 any termination of employment, including termination by virtue of redundancy, business efficiency, ill-health or other early retirement.

5. ADMISSION BODY UNDERTAKINGS

This Clause sets out the undertakings to be given by the Admission Body to the Administering Authority.

5.1 Payments

Without prejudice to **Clause 6** (Contributions and Payments), the Admission Body shall pay to the Administering Authority all contributions and payments due under the Regulations and this Agreement.

5.2 Discretions

5.2.1 Within three months of the date of this Agreement, the Admission Body shall provide the Administering Authority with a statement of the Admission Body's policies concerning the exercise of its functions under Regulations 16(2)(e), 16(4)(d), 30(6), 30(8) and 31 of the 2013 Regulations. The statement must follow the form of statement prescribed by the Administering Authority as from time to time in place. The Admission Body must keep these policies under review. Where the Admission Body determines to revise any of its policies, the Admission Body must publish the revised statement and send a copy of it to the Administering Authority within one month of the determination.

5.2.2 The Admission Body will notify the Administering Authority and the Scheme Employer promptly in writing of each occasion on which it exercises a discretion under the Regulations and the manner in which it exercises that discretion.

5.3 Additional Pension

5.3.1 The Admission Body will not resolve to award a Member additional pension under Regulation 31 of the 2013 Regulations unless either:

5.3.1.1 the Administering Authority and the Admission Body agree that the Admission Body will pay increased contributions to meet the cost of the additional pension; or

5.3.1.2 the Admission Body pays the sum required under Regulation 68(3) of the 2013 Regulations to the Administering Authority for credit to the Fund.

5.3.2 The Admission Body must pay to the Fund the amount of any extra charge on the Fund arising as a result of the resolution which has not been discharged by payments made in accordance with **Clauses 5.3.1.1** or **5.3.1.2** (Additional Pension).

5.4 **Matters Affecting Participation**

5.4.1 The Admission Body will notify the Administering Authority and the Scheme Employer promptly in writing of any matter which may affect or is likely to affect its participation in the Scheme.

5.4.2 The Admission Body will notify the Administering Authority and the Scheme Employer immediately in writing of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution. In the event of any such actual or proposed change in its status, the Admission Body will not make any representations to any Member or body regarding continued membership of the Scheme without the prior written consent of the Administering Authority.

5.4.3 The Admission Body will not do anything (or omit to do anything) where such act or omission would or might prejudice the status of the Scheme as a Registered Pension Scheme.

6. CONTRIBUTIONS AND PAYMENTS

This Clause sets out the contributions and payments to the Fund to be made by the Admission Body.

6.1 Contributions to the Fund

The Admission Body shall pay to the Fund in relation to the Members:

6.1.1 the amount calculated in accordance with its rates and adjustments certificate issued by the Actuary. This will be payable monthly in arrears no later than the date specified by the Administering Authority or in accordance with any other terms of the rates and adjustments certificate;

6.1.2 all amounts from time to time deducted from the pay of the Members under the Regulations. These will be payable monthly in arrears no later than the date specified by the Administering Authority and in any event no later than the time required under section 49(8) of the Pensions Act 1995;

6.1.3 any amount received by the Admission Body by deduction or otherwise under Regulations 12, 13, 14, 16 and 17 of the 2013 Regulations;

6.1.4 any sum or any extra charge payable under **Clauses 5.3.1.2** and **5.3.2** (Additional Pension) respectively;

6.1.5 any extra charge required by the Administering Authority to cover the actuarial strain on the Fund (as notified by the Actuary in writing) as a result of the immediate payment of benefits when:

6.1.5.1 a Member who is an active member of the Scheme has his employment with the Admission Body terminated on grounds of ill-health or infirmity of mind or body which renders him both permanently incapable of discharging efficiently the duties of his current employment and not immediately capable of undertaking any gainful employment; or

6.1.5.2 a Member who became a deferred member of the Scheme on leaving his employment with the Admission Body receives payment of his benefits immediately on grounds of ill-health or infirmity of mind or body which renders him both permanently incapable of discharging efficiently the duties of that employment and unlikely to be capable of undertaking gainful employment before normal pension age, or for at least three years, whichever is the sooner;

6.1.6 any extra charge required by the Administering Authority to cover the actuarial strain on the Fund (as notified by the Actuary in writing) as a result of:

6.1.6.1 the immediate payment of benefits when the Admission Body dismisses a Member who is an active member of the Scheme by reason of redundancy or business efficiency or where such a Member's employment is terminated by mutual consent on the grounds of business efficiency; or

6.1.6.2 the immediate payment of benefits under Regulation 30(5) of the 2013 Regulations or (with the Admission Body's consent) under Regulation 30(6) of the 2013 Regulations, including in either case the costs of the Admission Body waiving any reduction of benefits under Regulation 30(8) of the 2013 Regulations;

6.1.7 any exit payment and/or revised contribution(s) due under **Clause 6.5** (Adjustment of Contribution Rate);

6.1.8 any termination contribution(s) due under **Clause 7.4.2** (Termination Valuation);

6.1.9 any contribution (not being one required under **Clause 6.1.1** (Contributions to the Fund)) required by the Administering Authority towards the cost of the Fund's administration relating to the Admission Body, including an amount specified in a notice given by the Administering Authority under Regulation 70 of the 2013 Regulations and the costs of any reports and advice requested by the Admission Body from the Actuary or required in respect of the Admission Body's application to became an Admission Body;

6.1.10 any interest payable under the Regulations; and

6.1.11 any other payments or contributions required by the Regulations or by any other legislation.

6.2 **Due Date for Payment**

Save where this Agreement, the Regulations or any other relevant legislation expressly requires otherwise, any amount which the Admission Body is required to pay by virtue of **Clauses 5.1** (Payments) and **6.1** (Contributions to the Fund) must be paid to the Fund within 20 Business Days of receipt by the Admission

Body from the Administering Authority of written notification of the sum or (where relevant) of any revised rates and adjustments certificate, or within such other period and on such terms as the Administering Authority and the Admission Body may agree.

6.3 **Information About Pay and Contributions**

6.3.1 Any payments made by the Admission Body under **Clause 6.1.2** (Contributions to the Fund) must be accompanied by a statement (given in such form and at such intervals as the Administering Authority shall specify) showing the following information for each Member who was an active member of the Scheme during all or part of the period covered by the statement:

6.3.1.1 name and contribution band;

6.3.1.2 details of any period(s) falling within the period to which the statement relates in relation to which an election was in force in respect of the active Member under Regulation 10 of the 2013 Regulations (temporary reduction in contributions);

6.3.1.3 total pensionable pay received by the Member (including any assumed pensionable pay the Member is treated as having received);

6.3.1.4 total employee contributions deducted from that pensionable pay;

6.3.1.5 total employer contributions in respect of that pensionable pay;

6.3.1.6 total additional contributions paid by the Member (distinguishing additional pension contributions paid under Regulation 16 of the 2013 Regulations and additional voluntary contributions paid under Regulation 17 of the 2013 Regulations);

6.3.1.7 total additional contributions paid by the Admission Body (distinguishing additional pension contributions paid under Regulation 16 of the 2013 Regulations and additional voluntary contributions paid under Regulation 17 of the 2013 Regulations); and

6.3.1.8 such other information as the Administering Authority may require (including any information from time to time required to calculate benefits for the Member in accordance with the provisions of the Transitional Regulations).

6.3.2 Where an election was in force in respect of the active Member under Regulation 10 of the 2013 Regulations during any part of the period to which the statement required under **Clause 6.3.1** relates, the information provided under **Clauses 6.3.1.3**, **6.3.1.4**, and **6.3.1.5** must be provided separately in respect of:

6.3.2.1 the period (or, if more than one, the aggregate of such periods) during which the election was in force; and

6.3.2.2 any period (or, if more than one, the aggregate of such periods) during which no election was in force.

6.3.3 Any question concerning what rate of contribution a Member is liable to pay to the Fund must be decided by the Admission Body.

6.4 **Interest on Late Payment**

If any sum payable by the Admission Body under the Regulations or this Agreement remains unpaid, the Administering Authority may require the Admission Body to pay interest on the unpaid sum in accordance with Regulation 71 of the 2013 Regulations.

6.5 **Adjustment of Contribution Rate**

6.5.1 Without prejudice to its powers under Regulation 64(4) of the 2013 Regulations, where the Administering Authority considers there are circumstances which make it likely that the Admission Body will become an exiting employer, the Administering Authority may obtain from the Actuary a certificate specifying the percentage or amount by which:

6.5.1.1 the Admission Body's contribution rate at the primary rate should be adjusted; or

6.5.1.2 any prior secondary adjustment should be increased or reduced;

with a view to ensuring that assets equivalent to the anticipated exit payment that will be due from the Admission Body are provided to the Fund by the likely exit date or, where the Admission Body is unable to meet that liability by that date, over such period of time thereafter as the Administering Authority considers reasonable.

6.5.2 In accordance with Regulations 64(6) and (7) of the 2013 Regulations, where:

6.5.2.1 the Admission Body agrees under **Clause 5.3.1.1** (Additional Pension) to pay increased contributions to meet the cost of an award of additional pension under Regulation 31 of the 2013 Regulations; or

6.5.2.2 it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise in respect of Members in employment with the Admission Body exceeds the amount specified, or likely as a result of the assumptions stated, for the Admission Body, in the current rates and adjustments certificate applying to the Admission Body;

the Administering Authority must obtain a revision of the rates and adjustments certificate concerned, showing the resulting changes required.

6.5.3 In accordance with Regulation 64(1) of the 2013 Regulations, where this Agreement terminates in accordance with **Clause 7** (Termination) or the Admission Body no longer has an active Member contributing to the Fund:

6.5.3.1 the Administering Authority shall obtain an actuarial valuation as at the exit date of the Fund's liabilities in respect of the Members (calculated on such basis as the Actuary shall recommend) and a revision of the Admission Body's rates and adjustments certificate showing the exit payment due and payable by the Admission Body; and

6.5.3.2 where for any reason it is not possible to obtain all or part of the exit payment from the Admission Body or from any person providing a bond, indemnity or guarantee in accordance with **Clause 8** (Risk Assessment) then the Administering Authority may obtain a further revision of the rates and adjustments certificate for the Fund showing the revised contributions due from the body which is the related employer (as defined in Regulation 64(8) of the 2013 Regulations) in relation to the Admission Body.

6.5.4 The Admission Body shall meet the costs of obtaining any certificate under **Clauses 6.5.1**, **6.5.2** or **6.5.3** (Adjustment of Contribution Rate). The Admission Body will co-operate with the Administering Authority and the Actuary to provide the certificate or review.

6.6 **Right of Set Off**

Notwithstanding any terms to the contrary contained in the Contract, if any sum payable by the Admission Body under the Regulations or this Agreement has not been paid by the date on which it becomes due then the Administering Authority may require the Scheme Employer to set off against any payments due to the Admission Body an amount equal to the sum due (including any interest payable) and pay the sum to the Fund by a date specified by the Administering Authority.

6.7 **Funding**

Any payment due from the Admission Body under **Clause 6.1.1** (Contributions to the Fund) shall be calculated on the assumption that, as at the Commencement Date, any liabilities relating to the Scheme membership prior to the Commencement Date of the Eligible Employees listed in the Schedule are 100% funded (as determined by the Actuary in accordance with the actuarial assumptions consistent with the most recent actuarial valuation of the Fund before the Commencement Date (updated to the Commencement Date as necessary)). Where any additional funding (as certified by the Actuary) is necessary, this shall be deducted from the Scheme Employer's notional allocation of assets within the Fund. For the avoidance of doubt, 100% funded shall mean that the Admission Body shall be notionally allocated at the Commencement Date an amount of assets within the Fund equal to the value placed on the liabilities as at the Commencement Date as determined by the Actuary.

7. TERMINATION

This Clause sets out the ways in which the Admission Body and the Administering Authority may terminate the Agreement.

7.1 Termination by Notice

Subject to **Clauses 7.2** (Automatic Termination) and **7.3** (Immediate Termination by the Administering Authority), the Administering Authority may terminate this Agreement by giving at least three months' notice of termination in writing to the Admission Body.

7.2 Automatic Termination

This Agreement shall automatically terminate on the earlier of:

7.2.1 the date of expiry or earlier termination of the Contract; or

7.2.2 the date the Admission Body otherwise ceases to be an admission body for the purposes of the Regulations.

7.3 Immediate Termination by the Administering Authority

The Administering Authority may terminate this Agreement with immediate effect by notice in writing to the Admission Body:

7.3.1 where the Admission Body breaches any of its obligations under this Agreement (including, for the avoidance of doubt, where the Admission Body fails to pay any sums due to the Fund or where the Admission Body fails to renew or adjust the level of the bond, indemnity or guarantee (if required) in accordance with **Clause 8** (Risk Assessment)). If the breach is capable of remedy, the Administering Authority shall first give the Admission Body the opportunity of remedying the breach within such reasonable period as the Administering Authority may specify;

7.3.2 on the insolvency, winding up or liquidation of the Admission Body;

7.3.3 where the continued participation of the Admission Body in the Scheme would or might prejudice the status of the Scheme as a Registered Pension Scheme; or

7.3.4 if the Admission Body no longer employs an active member contributing to the Fund.

7.4 Termination Valuation

7.4.1 Where the Administering Authority is unable for any reason to obtain an actuarial valuation or issue a revision of the Admission Body's rates and adjustments certificate in accordance with **Clause 6.5.3** (Adjustment of Contribution Rate) then (without prejudice to any powers set out in the Regulations), the Administering Authority shall have the right to obtain from the Actuary an actuarial valuation of the assets and liabilities of the Fund in respect of the Members as at the date this Agreement terminates, calculated on such basis as the Actuary shall recommend.

7.4.2 The Admission Body will pay to the Fund an exit payment (as certified by the Actuary) equal to any deficit in the Fund shown by the valuation under **Clause 7.4.1** (Termination Valuation).

7.4.3 Where the Admission Body does not pay the exit payment required in accordance with **Clause 7.4.2** (Termination Valuation) and the sum is not paid in full by any person providing a bond, indemnity or guarantee in accordance with **Clause 8** (Risk Assessment), then the Administering Authority may recharge any unpaid balance within the Fund to the Scheme Employer.

7.5 Other Outstanding Payments on Termination

Where any contributions, payments or other sums due under this Agreement or the Regulations (including any payments by instalments agreed under **Clause 6** (Contributions and Payments) remain outstanding on the termination of this Agreement the Admission Body shall pay them in full within 20 Business Days of the date of termination.

7.6 Rights on Termination

The termination of this Agreement shall be without prejudice to the rights, duties and liabilities of any party accrued prior to such termination. The Clauses of this Agreement which expressly or impliedly have effect after termination shall continue to be enforceable notwithstanding termination.

7.7 Costs

The Admission Body shall pay to the Administering Authority any costs (including professional costs and the costs of obtaining any actuarial valuation under **Clause 7.4.1** (Termination Valuation) which the Fund or the Administering Authority may incur as a result of the Agreement's termination.

8. RISK ASSESSMENT

This Clause sets out the terms which apply to assess whether a bond, indemnity and/or guarantee is required to mitigate the risk of exposure for the Fund on premature termination of the Agreement.

8.1 Initial Level of Risk Exposure

The Admission Body has assessed (taking account of actuarial advice) the level of risk exposure arising on the premature termination of the provision of the Services by reason of the insolvency, winding up or liquidation of the Admission Body. This assessment has been carried out to the satisfaction of the Administering Authority and the Scheme Employer.

8.2 Provision of Bond, Indemnity or Guarantee

The Administering Authority and the Scheme Employer have agreed that the initial level of risk exposure is not such as to require a bond, indemnity or guarantee.

8.3 Ongoing Assessment of Risk

During the term of this Agreement, the Admission Body shall keep the level of risk exposure arising on the premature termination of the provision of the Services by reason of the insolvency, winding up or liquidation of the Admission Body under assessment at regular intervals as required by the Administering Authority and the Scheme Employer.

8.4 New or Extended Bond, Indemnity or Guarantee

8.4.1 This **Clause 8.4** (New or Extended Bond, Indemnity or Guarantee) applies where:

8.4.1.1 any bond, indemnity or guarantee provided under this **Clause 8** (Risk Assessment) is for a period shorter than the full term of this Agreement, so that such bond, indemnity or guarantee will expire during the term of this Agreement; or

8.4.1.2 the Administering Authority or the Scheme Employer so requires, following an assessment of risk exposure carried out under **Clause 8.3** (Ongoing Assessment of Risk).

8.4.2 Where this **Clause 8.4** (New or Extended Bond, Indemnity or Guarantee) applies, the Admission Body shall as directed by the Administering Authority or the Scheme Employer:

8.4.2.1 arrange for any existing bond, indemnity or guarantee to be extended in duration and/or amount as appropriate (provided that, in the case of a guarantee, the Administering Authority and the Scheme Employer have agreed that it is not desirable for the Admission Body instead to provide a bond or indemnity);

8.4.2.2 arrange for provision of a new bond or indemnity (in a form approved by the Administering Authority and the Scheme Employer) from a person or firm meeting the requirements of paragraph 7 of Part 3 of Schedule 2 to the 2013 Regulations; or

8.4.2.3 secure a new guarantee (in a form approved by the Administering Authority and the Scheme Employer) from a person listed in paragraph 8 of Part 3 of Schedule 2 to the 2013 Regulations, provided that the Administering Authority and the Scheme Employer have agreed that it is not desirable for the Admission Body instead to provide a bond or indemnity.

8.4.3 In any such case the level of risk exposure covered by the extended or new bond, indemnity or guarantee must have been assessed by the Admission Body (taking account of actuarial advice) to the satisfaction of the Administering Authority and the Scheme Employer.

8.4.4 Where this **Clause 8.4** (New or Extended Bond, Indemnity or Guarantee) applies by virtue of **Clause 8.4.1.1**, the Admission Body shall comply with the requirements of **Clause 8.4.2** at least one month before the date of expiry of the existing bond, indemnity or guarantee.

9. INDEMNITY FROM ADMISSION BODY

This Clause sets out the terms of the indemnity to be provided by the Admission Body in favour of the Administering Authority.

9.1 The Admission Body undertakes to indemnify and keep indemnified the Administering Authority against any costs and liabilities which it or the Fund may incur (whether directly or as a result of a loss or cost to the Members) arising out of or in connection with:

9.1.1 the non-payment by the Admission Body of any contributions or payments due to the Fund under this Agreement or the Regulations; or

9.1.2 any breach by the Admission Body of this Agreement, the Regulations or any other legal or regulatory requirements applicable to the Scheme.

9.2 Any demand under **Clause 9.1** (Indemnity from Admission Body) must be paid by the Admission Body to the Administering Authority or to the Fund (as applicable) within 10 Business Days of receipt by the Admission Body of such demand. In the event of non-payment by the Admission Body, the Scheme Employer shall indemnify and keep indemnified the Administering Authority against such costs and liabilities.

10. **NOTICES**

This Clause sets out how any written notices are to be served.

All notices under this Agreement shall be in writing and shall be served by sending the same by first class post, facsimile or by hand or leaving the same at the registered office of the Admission Body or the Scheme Employer or the headquarter address of the Administering Authority.

11. **WAIVER**

This Clause sets out what happens if there is a failure to enforce the Agreement.

Failure or neglect by the Administering Authority or the Scheme Employer to enforce at any time any of the provisions of this Agreement shall not be construed nor shall be deemed to be a waiver of the Administering Authority's or the Scheme Employer’s rights (as the case may be) nor in any way affect the validity of the whole or any part of this Agreement nor prejudice the Administering Authority's or the Scheme Employer’s rights (as the case may be) to take subsequent action.

12. SEVERANCE

This Clause sets out what happens if any part of the Agreement is found to be invalid.

12.1 If any provision of or period of Scheme membership following purported admission to the Scheme under this Agreement shall be found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of or any other periods of Scheme membership under this Agreement which shall remain in full force and effect.

12.2 If any provision of this Agreement is so found to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted the provision in question shall apply with such modification(s) as may be necessary to make it valid and enforceable.

13. **ENTIRE AGREEMENT**

This Clause provides that the Agreement sets out the only terms relating to the admission of the Admission Body.

Except where expressly provided, this Agreement constitutes the entire agreement between the parties in connection with its subject matter and supersedes all prior representations, communications, negotiations and understandings concerning the subject matter of this Agreement.

14. AMENDMENT

This Clause sets out the terms that apply in relation to amending the Agreement.

The parties to this Agreement may, with the agreement of all of them in writing, amend this Agreement by deed provided that:

14.1 the amendment is not such that it would breach the Regulations or any other legal or regulatory requirements applicable to the Scheme; and

14.2 the amendment would not prejudice the status of the Scheme as a Registered Pension Scheme.

15. **PUBLIC INSPECTION**

This Clause sets out the circumstances in which the Agreement can be inspected by the public.

Subject to the Schedule being removed to protect personal data for the purposes of the Data Protection Act 1998, this Agreement shall be made available for public inspection by the Administering Authority and the Scheme Employer at their appropriate offices.

16. MORE THAN ONE COUNTERPART

This Clause sets out how the Agreement can be executed in counterparts.

This Agreement may be executed in more than one counterpart, which together constitute one agreement. When each signatory to this Agreement has executed at least one part of it, it will be as effective as if all the signatories to it had executed all of the counterparts. Each counterpart Agreement will be treated as an original.

17. **LAWS**

This Clause sets out the legal framework which governs the Agreement.

17.1 This Agreement will be governed by and interpreted in accordance with the laws of England and Wales.

17.2 Any rights that a third party may have under the Contracts (Rights of Third Parties) Act 1999 are excluded.

EXECUTED as a deed and delivered on the date stated at the beginning of this Agreement.

THE COMMON SEAL of:
THE LORD MAYOR AND CITIZENS
OF THE CITY OF WESTMINSTER
was affixed in the presence of:

Authorised Officer

EXECUTED AS A DEED by:
ARK SCHOOLS
acting by a Director and its Secretary or two Directors

Director/Company Secretary

Director

EXECUTED AS A DEED by:
JPL CATERING LIMITED
acting by a Director and its Secretary or two Directors

Director/Company Secretary

Director

SCHEDULE

Eligible Employees

Part 1 – Active members transferring at Commencement Date

Surname	Forename	Sex (M/F)	National Insurance Number
OTI	LOUISA	F	JE869349B
ST CHRISTOPHER GRAHAM	LEO	M	SP078149B
MCKAY	CAROLINE	F	NA484768B
OKWUADI	FAITH	F	PW590064A

Part 2 – Non-active members transferring at Commencement Date

Surname	Forename	Sex (M/F)	National Insurance Number
BURT	DEBORAH	F	WK660150A
KEOHANE	KIMBERLEY	F	NB903900D
BARNFATHER	NICOLA	F	NH294419B
RAHMAN	SHALINA	[F]	PW731282C

City of Westminster

Committee Report

Decision Maker:	**Pension Fund Committee**
Date:	**16 November 2015**
Classification:	**Public**
Title:	**National LGPS Key performance Indicators**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no immediate financial implications arising from this report.**
Report of:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2904**

1. Executive Summary

1.1 This report brings to the attention of the Committee the National LGPS Benchmarking exercise led by the Scheme Advisory Board and the specific response from Westminster.

2. Recommendations

2.1 That the Committee note the Westminster response to the KPI exercise and note that the national results will be available in the New Year.

3. Scheme Advisory Board KPI's

1.2 As part of its work over the last two years the LGPS Scheme Advisory Board (in shadow for prior to April 2015) has sought to improve the quality and comparability of data associated with the LGPS following criticism from the Hutton Commission Final Report in 2012.

1.3 This has involved work to consolidate the 89 separate Annual Reports into a single scheme document and this can be found on the Scheme

Advisory Board website:
http://www.lgpsboard.org/index.php/schemedata/scheme-annual-report

1.4 There has also been considerable discussion around the ability to identify and compare the financial health of individual LGPS Funds. This led to the establishment of a working party which was tasked with creating a range of meaningful performance indicators to show those funds who were in a stronger or weaker position. This assessment is not necessarily a reflection of the current governance and administration arrangements but will highlight where improvements are required following decisions made over a number of years.

1.5 Attached at Appendix 1 is the Guidance issued by Scheme Advisory Board which sets out the rationale for the exercise and explains the range of KPI's to be completed by each Fund. These are split into 4 core KPI's and 14 supplementary KPI's where the core KPI's are classed as "alarm bells" to identify under-performing funds.

1.6 Officers have completed the KPI Proforma attached at Appendix 2 based upon data as at 31st March 2015 and a review of the current position of the Fund in respect of these indicators.

1.7 As explained in the Guidance this is a voluntary exercise and should be viewed as a self-assessment tool to identify areas for improvement. The exercise itself is considered to be a pilot and feedback has been requested which officers of the Fund will provide to enhance the relevance of some of the indicators.

1.8 A summary of all responses is expected in early 2016 and those funds identified with significant issues are likely to be contacted directly regarding establishing an action plan to make the necessary improvements.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Neil Sellstrom nsellstrom@westminster.gov.uk or 020 7641 1152

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Guidance on completing KPI return
Appendix 2 – Westminster KPI Submission

Guidance for LGPS funds on the 2015 benchmarking exercise

Strategic context

The Secretariat to the LGPS Scheme Advisory Board (SAB) would like your help to undertake a national exercise of a suite of LGPS pension fund key performance indicators (KPIs).

By taking part in this exercise it is an opportunity for your fund to:

1) Assess your fund against the examples of best practice and concern
2) Inform us how much effort/time/cost doing the exercise consumed
3) Provide feedback to the SAB on the KPIs before their implementation in 2016

The SAB have agreed that individual LGPS fund performance should be assessed in aggregate using the following 5 key themes:

4) Fund governance, management, administration, accountability and transparency
5) Funding level, contributions, deficit reduction, and ability to meet pension liabilities
6) Asset management strategy, stewardship, and investment returns
7) Pension benefits, administration, member service, and communications
8) Independent external review and assurance.

The SAB considers that maintaining and improving the overall performance of the LGPS is best done by focusing on improving key financial and governance metrics of “under-performing” funds, and concurrently seeking to raise the level of performance of “average” funds to that of the “highest performing” funds.

The SAB has agreed it is not seeking to develop an LGPS fund league table or multi-tier categorisation system to rank or group all LGPS funds relative performance, because such rankings might be misinterpreted by scheme members and other parties.

The SAB have identified 4 core KPIs (“alarm bells or trip wires”) to identify under-performing funds, and 14 supplementary (“health”) KPIs that can be used to identify where potential management problems lie and improvements could be made.

The 4 core KPIs are in relation to risk management, funding levels and contributions, deficit recovery, and required investment returns. **Table 1** presents the suite of 18 KPIs and **Proforma 1** for the examples of best practice for high performing funds and examples of concern.

The suite of KPIs were developed during 2014 by the SAB Scheme Reporting Working Group that comprises of LGPS fund staff and bodies including some LGPS funds, the NAPF, CIPFA, and the ACA LGPS Sub-Group.

The Working Group has devised KPIs that:

1) can be considered in aggregate as well as individually, and the examples of high performance which are set high to encourage funds to aspire to best practice and excellence,

2) use existing information that each LGPS fund should already have access to, for example in your 31st March 2015 Annual Report and audited financial statements, fund website, from your fund administrator, actuary, 31st March 2013 triennial valuation, asset custodian, investment performance measurer, and internal or external auditors,

3) can be used to assess and benchmark funds and the whole scheme and over time via repeating the national exercise in future.

The SAB have agreed that they plan to use these KPIs (as improved, clarified or amended by the exercise) to formally assess and benchmark the health of LGPS pension funds as part of the 2016 triennial valuation of the LGPS.

By undertaking such analyses it will enable the SAB to be proactive in encouraging best practice, continuous improvement, and raising standards within the LGPS.

Administering authorities are strongly encouraged to share the KPIs and their assessment and scoring with their Local Pension Board.

Following such a local and national performance review process it might be appropriate for any “outliers” and/or any “under-performing” fund(s) to be either:

1) supported with technical advice and help from adjacent/higher performing LGPS funds or external advisors/consultants; and/or in extremis

2) be placed on watch and possible recommendation to the Secretary of State for intervention and/or remedial action.

However, well before this, the SAB considers the KPIs should be used by individual LGPS funds to develop balanced “score-cards” to undertake an assessment of a fund’s current level of performance (and thus sustainability) against the level of high performing funds. Local Pension Boards may use the indicators as a ‘sense check’ or ‘self-audit’ tool.

Please note your response to this exercise will be seen by the SAB Secretariat and the SAB. The individual fund results from the 2015 exercise are not intended to be made public. However, in future years, individual fund results may be.

<u>LGPS fund actions</u>

The Secretariat would like you to self-assess your fund’s performance relative to the examples proposed for high performing funds and the examples of concern (see Table 1 attached).

The intention is that the key sources of information for assessing your funds achievement of the KPIs should come from:

1) your fund annual report and audited financial accounts for financial year ending 31st March 2015 and other supporting information published on your fund website or hard copy documents relating to the FY 2014/15,
2) fund membership/administrative data and any benchmarking data from your internal/external pension benefits administrator for FY 2014/15,
3) fund investment performance information and benchmarking data provided by asset custodian and performance measurer for FY 2014/15,
4) actuarial data from your 31st March 2013 statutory valuation and any benchmarking reports produced by LGPS actuaries (e.g. Hymans Robertson) (and if available your updated actuarial position to 31st March 2015),
5) your internal audit or external audit reports for FY 2014/15,
6) your DCLG LGPS SF3 return for FY 2014/2015.

The Secretariat has communicated with the actuarial firms in the LGPS ACA Sub-Group to help facilitate your actuaries' help to provide you with your 2013 triennial valuation figures for KPI's 2, 3, and 4.

For each KPI, please assess, provide the main source of your evidence (e.g. see page 21 of our 2015 Annual Report or see the Governance section of our fund website) with an e-link and indicate your fund's status in terms of a score for **each** of the examples of best practice or examples of concern on the attached **Proforma 1**.

Please provide explanatory notes you feel would clarify your assessment and scoring for this exercise.

The Secretariat would welcome your feedback on how much effort and time and any costs were consumed to respond to this exercise. We would also welcome general feedback on the KPIs and the examples of best practice and examples of concern, and any suggestions for their clarification, refinement, and improvement, or any better or alternative KPIs.

Please use and return Proforma 1 and your feedback on the KPI exercise by 31st October 2015.

The SAB Secretariat will consider the results of the exercise during December 2015. The SAB will review the outcome of the exercise in early 2016 and will recommend to DCLG the KPIs are considered to be included in LGPS regulations/scheme guidance and/or as part of 31st March 2016 valuation process. They will then be issued in April 2016 and from December 2016 used as tool to assess and support funds accordingly.

Your help and support is most appreciated. If you have any queries about this exercise or the Indicators (Table 1 or Proforma 1) please contact Liam Robson (liam.robson@local.gov.uk). If any national clarifications are needed they will be issued as soon as possible to all LGPS funds.

Issued by the SAB Secretariat, 4th September 2015.

Table 1

No	Theme	G/P	Key Indicator	Technical owner of the KPI
1	**Gov**	**G**	**Risk management (covering all pension fund activities)**	**CIPFA as the KPIs is based on the CIPFA LGPS risk management guidelines.**
2	**Fund**	**P**	**Funding level and contributions**	**SSAB and ACA LGPS Sub-Group**
3	**Fund**	**P**	**Deficit recovery**	**SSAB and ACA LGPS Sub-Group**
4	**Asset**	**P**	**Required investment returns**	**SSAB and ACA LGPS Sub-Group in consultation with WM as required**
5	Gov	G	Pensions Committee and Pensions Board members competence	CIPFA because the KPI is based on adoption of the CIPFA LGPS training, knowledge, understanding, and disclosure framework
6	Gov	G	Administering authority staff accountability, leadership, experience, and training	CIPFA because the KPIs is based on the adoption of the CIPFA LGPS training, knowledge, understanding, and disclosure framework.
7	Gov	G	Statutory governance standards and principles (as per DCLG, SSAB guidance, and TPR codes)	DCLG, SSAB and tPR as the creators of the statutory or best practice governance standards, principles and guidance
8	Gov	G	Quality and accessibility of information and statutory statements/strategies/policies (Governance, FSS, SIP, comms, admin authority and employer discretions policies)	DCLG as the authors of the guidance on the production of LGPS statutory strategy and policy statements
9	Asset	G	a) Compliance with Investment Governance Principles (ie Myners principles) and b) voluntary adoption of UK Stewardship Code and UNPRI	SSAB Secretariat in consultation with IGC, FRC, and PRI
10	Asset	P	a) Historic investment returns (last 1, 3, 5, and 10 years) and b) total investment costs compared to other LGPS funds.	WM (State Street) or other investment performance measurer
11	Asset	G	Annual report(s) and audited financial statements	DCLG in terms of legal requirements plus CIPFA in terms of LGPS financial reporting and accounting guidance
12	Pens	G	Scheme membership data	tPR Code of Practice 14 and standards and guidance for common and conditional data
13	Pens	G	Pension queries, pension payments, and annual benefit statements	DCLG in terms of legal requirements and tPR code 14 and best practice guidance.
14	Pens	P	Cost efficient administration and overall VFM fund management	CIPFA in terms of defining LGPS administrative costs.
15	Pens	P	Handling of formal complaints and IDRPs	DCLG as the KPI is based on their LGPS IDRP guidance (it needs updating)
16	Ind	G	Fraud prevention	National Fraud Initiative standards
17	Ind	P	Internal and external audit	Auditing Practices Board standards
18	Ind	P	Quality assurance	ISO/BSI quality standards, and or Crystal Mark or Plain English recognition or other recognised e-publishing standards or external awards

Table 1 cont.

Theme	Abbreviation
Fund **governance**, management, administration, transparency, and accountability	Gov
Funding level, contributions, deficit reduction and ability to meet pension liabilities	Fund
Asset management strategy, stewardship, and investment returns	Asset
Pension benefits, member services, and communications	Pens
Independent external review and assurance	Ind

Key indicator type	Abbreviation
Governance (some degree of subjectivity in assessment)	G
Performance (more objective assessment)	P

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Explanatory notes

The majority of the KPIs are intended to be self-explanatory and have been piloted as such. However, below are some explanatory notes for some of them. Please contact Liam Robson (liam.robson@local.gov.uk) if you have any questions.

No.	Key Indicator	Explanatory definitions and notes
2	Funding level and contributions	Funding level calculated at last triennial valuation (on consistent HMT SCAPE financial assumptions) compared to the actual proportion of the fund's deficit (calculated on the above consistent HMT assumptions) being paid off annually. Actual contributions paid (sourced from annual accounts) as compared with expected total contributions (sourced from last 2 triennial valuations). Net inward cashflows (excluding investment income) as a proportion % pa of fund assets. Use to monitor if negative cash flow is close to or above say 3% of total assets. Above this should be sufficient income from assets to supplement contributions to meet benefit payments without having to sell assets. Not sign of poor performance but risk should be carefully managed.
3	Implied deficit recovery period	Implied deficit recovery period (derived using figures under indicator 2) reducing each triennial valuation. This metric is not the deficit spreading period used to set contributions. It is the estimated number of years required to repay each fund's deficit assuming a) current levels of contributions continue and b) the liabilities targeted for full funding are measured on like for like HMT assumptions (not each funds valuation assumptions). Also the contributions assumed in the calculation (and other metrics like required future investment return) should be the actual total contribution income expected into a fund based on actual payroll information from each employer at the valuation date and the rates of contribution certified at the valuation. The estimate of aggregate contributions for a fund is not the same as the "common rate" in the valuation report.
4	Investment returns compared to the funds required future investment return	The fund's required future investment return (calculated as the return needed to repay its deficit over a specified standard period (say 20 years) using common financial assumptions (HMT SCAPE) for the value of the fund liabilities to be met

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		over that period and assuming the rates of contributions certified at the last valuation). All returns post 1 April 2014 must be quoted net of fees. The required future investment return should also be compared with the estimated future return being targeted by a fund's investment strategy calculated on a consistent agreed basis.
10	Investment returns and costs compared to other LGPS funds	Historic investment returns (over 1, 3 and 5 year) (and 10 years and longer periods if available) as compared with other LGPS funds from external service provider. Going forward all figures post 1 April 2014 should be net of fees and preferably all investment returns on an agreed and consistent risk adjusted basis. Care will be needed to compare the absolute level of returns between funds because each fund has different asset allocations. Need to use a metric that takes account of performance and/or risk and/or sub-divide funds into high, medium, low growth asset allocation and make comparisons within these categories (not across categories). The required future investment return should also be compared with the estimated future return being targeted by a fund's investment strategy calculated on a consistent agreed basis. Total investment costs should be as per the financial accounts as % of total assets under management. This may need a specialist external service input to do analysis and reporting on a consistent and transparent basis and to enable benchmarking.

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No.	Key Indicator	Examples of level for concern	Examples of good practice for high performing fund	Fund score	Evidence and comments	Links
1	Risk management	No or only a partial and/or an unclear risk register with no or poorly specified or un-implemented mitigation actions over time leading to increased fund risk.	Comprehensive risk register covering the key risks (in accordance with current CIPFA guidelines) with prioritisation, robust mitigation actions, defined deadlines, with action tracking to completion.			
		No evidence of a risk register being	Evidence and e-links to demonstrate			
		a) prioritised	a) risks prioritised on a RAG red, amber, green or by a scoring methodology	1	Risk Register in place - implemented May 2015	http://committees.westminster.gov.uk/documents/s13403/Pension%20Risk%20Register%20WCC%20draft%20150416.pdf
		b) annually reviewed by Pensions Committee	b) completed actions signed off by Pensions Committee after at least annual update,	0	Reviewed quarterly by Committee, not yet been in place for a year.	
		c) annually reviewed by internal audit or external audit	c) annual review by internal audit and external audit	-1	Not yet been reviewed by Internal Audit	
		d) used to reduce high risks	d) <3 priority/“red” risks	1	No red risks to date	
		e) available for public scrutiny.	e) public disclosure of a summary version published on fund website or in fund annual report.	0	As per links above, register is available as part of public Committee papers on Council's website. Most recent version published for September Meeting. Not included in 2014/15 Annual Report.	http://committees.westminster.gov.uk/documents/s15237/Fund%20Financial%20Management%20Apx%202.pdf
		Self score -1 point for each one	Self score +1 point for each one			
2	Funding level and contributions	a) Decreasing funding level (calculated on a standardised and consistent basis) and/or in bottom decile of LGPS, over the last three triennial valuations on a standardised like for like basis.	Evidence and e-links to demonstrate			
	(see explanatory notes)	b) No or minimal employer funding risk assessment and monitoring and not reported to Pensions Committee	a) Funding level rising and getting closer to 100% funded (or above) over last three triennial valuations on a standardised like for like basis. Funding %		Funding level 78% on standardised basis at 2013. 74% as reported to Fund in TV, 74% in 2010 and 79% in 2007	http://transact.westminster.gov.uk/Newdocstores/publications_store/Pensions/westminster-valuation-report-2013.pdf
		c) Total actual contributions and actual received in last 6 years less than that assumed and certified in last 2 triennial valuations.	91 to >100 =score +5			
		d) Net inward cash flow less than benefit outgoings so need for any unplanned or forced sale of assets.	80-90 =+4			
		Self score -1 for each one	70-79 =+3 60-69 = +2 <59 = +1	3		
			b) Employer funding risk assessment and monitoring reports to Pension Committee. Net inward cashflow forecasts meeting planned income or significantly exceeding benefot outgoings.	-1		
			c) Total actual contributions received in last 6 years equate to (or exceed) that assumed and certified in the last 2 triennial valuations.	1	two lump sum deficit payments received totalling £97m over the period	
			d) Net inward cash flow significantly exceeds benefit out-goings	-1	Cash flow monitored by officers and reported quarterly to Committee	http://committees.westminster.gov.uk/documents/s15236/Fund%20Financial%20Management%20Apx%201.pdf
			Self score a) as above and rest +1 for each one			
3	Deficit recovery	a) No or opaque deficit recovery plan.	Evidence and e-links to demonstrate :			
	(see explanatory notes)	b) Lengthening implied deficit recovery period (for contributions)	a)Transparent deficit recovery plan for tax raising and non-tax raising bodies.	1	See Funding Strategy Statement	http://transact.westminster.gov.uk/Newdocstores/publications_store/Finance/pension_funding_strategy.pdf
		c) Implied deficit recovery periods >25 years for last 3 valuations.	b) Implied deficit recovery reducing each triennial valuation.	1	30 years at 2010 reduced to 25 years in 2013	http://transact.westminster.gov.uk/Newdocstores/publications_store/Pensions/westminster-valuation-report-2013.pdf
		Self score -1 point for each	c) Implied deficit recovery period in line <15 years for last 3 valuations Self score +1 point for each one	-1	30 years at 2007	
4	Investment returns	a) Required future investment return (calculated on standardised and prudently consistent basis) not aligned to the investment strategy target return, so lower likelihood of the fund achieving its funding strategy.	Evidence and e-links to demonstrate :			
	(see explanatory notes)	b) Actual investment returns consistently undershoot actuarially required returns	a) Required future fund investment return (calc by actuary) are consistent with and aligned to investment strategy (asset mix expected target returns) so higher likelihood of the fund meeting its funding strategy.	1	Rate of return expected from Investment Strategy in line with Actuarial assumptions - see Statement of Investment Principles	http://transact.westminster.gov.uk/docstores/publications_store/pensions/westminster_sip_2015.pdf
		Self score -1 point for each one	b) Actual investment returns consistently exceed actuarially required returns	1	Returns at 2013 Valaution of 7.9% exceeded expected figure of 7.5%. Three year annualsied returns to March 2015 of 13.3% in excess of actuarial required rate of return of 7.1%	http://committees.westminster.gov.uk/documents/s13398/2015%20Q1%20Performance%20Rpt%20-%20Deloittes%20vf.pdf
			Self score +1 point for each one			

No.	Key Indicator	Examples of level for concern	Examples of good practice for high performing funds	Fund score	Evidence and comments	Links
5	Pensions Committee and Pensions Board members competence	Appointees unclear of statutory role and unable to clearly articulate the funds funding and investment objectives. No evidence of a) different scheme employer types and no or minimal scheme member representation. b) No training needs analysis, or training strategy, or training log or use of CIPFA LGPS training framework. c) No training record disclosures d) Self assessment Self score core -1 point for each	Appointees understand their statutory role and are able to clearly articulate the funds funding and investment objectives Evidence and e-links to demonstrate a) representation from different scheme employer types (scheduled and admitted) and member types (actives, deferred and pensioners). b) annual training plan recorded against the CIPFA knowledge and understanding framework. c) annual training records disclosed in Annual Report d) annual self-assessment of training undertaken and identification of future needs. Self score +1 point for each one	0 0 -1 -1	Only one scheduled body on Board and two active/one pensioner representative. No other employer representation on Committee Knowledge & Skills Policy agreed in September 2015 None in place by 31 March 2015 None in place by 31 March 2015	http://committees.westminster.gov.uk/documents/s15232/Governance%20Arrangements%20Apx%201.pdf
6	Administering authority staff accountability, leadership, experience, and training	a) No or only part time Head of Fund and or only part time officers b) No or little induction or on- going training provision or experience recorded on the adoption of CIPFA LGPS knowledge and understanding framework. Self score -1 for each one	Evidence and e-links to demonstrate a) Experienced Head of Fund with full time dedicated officers with at least 3+ years' experience. b) staff undertake regular CIPFA LGPS TKU or other CPD training recorded across all LGPS skills (governance, benefits administration, funding, investments, and comms) Self score +1 point for each one	0 0	Shared Head of Fund across three tri-borough funds Training undertaken through attendance at various seminars - no formal records due to lack of formal appraisal process	
7	Statutory governance standards and principles (as per DCLG guidance and TPR codes)	Several key areas of non- compliance with a) DCLG LGPS statutory guidance b) TPR guidance and codes and reasons why not explained. c) No, little or poor key decision taking records and no or poor self, or scheme employers, or scheme members assessment of overall fund effectiveness. Self core -1 for each one	Evidence and e-links to demonstrate a) Full compliance with DCLG LGPS statutory guidance b) Full compliance with TPR guidance and codes for public sector pension schemes c) Meet or exceed other LGPS best practice on recording all key decision taking and annual self, scheme employers, scheme member assessment of overall effectiveness. Self score +1 for each one	0 0 0	Representation only area of non-compliance. Link: Partially compliant - Board papers show conflict of interest, training and code of conduct policies in place Link: Committee Decisions clearly recorded - no assessments of effectiveness Link to Committee minutes:	http://committees.westminster.gov.uk/documents/s15233/Governance%20Arrangements%20Apx%202.pdf https://www.westminster.gov.uk/council-pension-fund http://committees.westminster.gov.uk/mgCommitteeDetails.aspx?ID=321
8	Quality and accessibility of information and statutory statements, strategies, policies (governance, FSS, SIP, comms, admin authority and employer discretions policies)	a) Statutory publications not all in place or published on fund website or updated in accordance with regulatory requirements and due timelines. b) Fund and employers discretions not published c) Do not seek to meet any recognised 'Plain English' or e-publishing standards Self score -1 for each one	Evidence and e-links to demonstrate a) Statutory publications all in place and published on fund website and updated in accordance with regulatory requirements and due timelines. b) Fund and employer discretions pubished c) Meet 'Plain English' and or other recognised e-publishing standards. Self score +1 for each one	1 1 -1	Statutory publications published. Link to website: Contained within the WCC pensions poilcies found on the internal WCC knowledge base Do not seek to meet plain english standards	https://www.westminster.gov.uk/council-pension-fund https://btlg.service-now.com/LFSharedServices/pft_wcc.do
9	a) Adoption and report compliance with Investment Governance Principles (IGP) (was Myners Principles) and voluntary adoption/signatory to FRC Stewardship Code and UNPRI	No or un-explained non- compliance and/or non-support of a) IGP b) UK Stewardship Code c) UN PRI Self score -1 for each	Evidence and e-links to demonstrate a) 100% compliance with IGP b) adoption and public reporting of compliance against the FRC UK Stewardship Code c) external managers or fund are PRI signatories Self score +1 for each	0 0 0	Compliant with all except assessment of own effectiveness Stewardship Policy approved in September 2015 and included in 2014/15 Annual Report All except one fund managers are signatories	http://transact.westminster.gov.uk/docstores/publications_store/pensions/westminster_sip_2015.pdf https://www.westminster.gov.uk/council-pension-fund http://www.unpri.org/signatories/signatories/#investment_managers
10	a) Historic investment returns (last 1, 3, 5, and 10 years) and b) total investment costs compared to other LGPS funds. (See explanatory notes)	a) overall fund investment returns (net of fees) for last 1, 3, 5 years bottom two quintiles Score -3 and -5 points b) Retain fund managers under- performing their mandates for 2 triennial valuation cycles. Score -1 point c) Fund does not benchmark its fund manager and total investment costs relative to other LGPS funds. Score -1 point	Evidence and e-links to a) overall fund investment return (net of fees) for last 1, 3, 5 years a) Top quintile score +5 points b) Next two quintiles score +3 and 0 points respectively b) >75% of fund mandates deliver over rolling 3 year performance periods. Score +1 point c) Fund benchmarks its fund manager and total investment costs Score +1	-3 0 -1	only 1 year data available. Position 66 All managers with 3 year record ahead of targets but only covers 40% of assets. Other managers replaced in 2015 Do not benchmark against other LGPS funds	http://committees.westminster.gov.uk/documents/s13398/2015%20Q1%20Performance%20Rpt%20-%20Deloittes%20vf.pdf
11	Annual report and audited financial statements	a) Do not fully meet some regulatory requirements or CIPFA LGPS guidance b) Not published in Admin Authority Accounts by 1st October. c) Published on SAB website after 1st November Self score -1 for each one	Evidence and e-links to demonstrate a) Meet all regulatory and CIPFA best practice guidance b) Publish in Administering Authority accounts by 1st October c) Publish fund report and accounts of SAB website before 1st November. Self score +1 for each one	1 1 1	Meet all regulatory requirements and CIPFA best practice Pension Fund Accounts published in Administering Authority accounts within timescale On website	http://transact.westminster.gov.uk/docstores/publications_store/accounts/6.51_wcc_pensions_fund_report_2014_interactive_v2.pdf
12	Scheme membership data	a) Common data does not meet TPR standards b) Conditional data do not meet the TPR standards. No plans in place to rectify this. Self score -1 for each	Evidence and e-links to demonstrate a) >99% common data meets TPR quality and due date standards b) >95% of conditional data meets TPR quality and due date standards. Plans in place to improve this. Self score +1 for each one	0 0	Awaiting for the data to be updated via the new payroll/pensions interface Awaiting for the data to be updated via the new payroll/pensions interface	
13	Pension queries, pension payments, and Annual Benefit Statements	a) No or poor website with no scheme member or employer access. b) ABS do not meet regulatory requirements or due timelines for issuance. Self score -1 for each	Evidence and e-links to demonstrate a) Good website with interactive scheme member and employer access. b) ABS meet or exceed regulatory standards and due timelines for issuance. Self score +1 for each	1 1	Website in place ABS meet standards	http://www.wccpensionfund.co.uk/
14	Cost efficient administration and overall VFM fund management	a) In bottom quartile with high total admin cost pa per member (based CIPFA or other benchmark tool). b) Not in any national or regional frameworks for any externally procured services or collective investments. Self score -1 for each	Evidence and e-links to demonstrate a) In top quartile with low total admin cost pa per fund member (based CIPFA or other benchmark tool calculated on a consistent and transparent basis). b) Lead and/or actively participates in collaborative working and collective LGPS procurement, shared services or CIVs Self score +1 for each	0 1	Needs to be remeasured in 15/16 Council is a CIV shareholder. Actuarial national LGPS framework used in 2015, custody in 2014.	
15	Handling of formal complaints and IDRPs	a) Any Pensions Ombudsman determinations (and any appeals) fines were against the actions of the fund (ie not employer). Score -1	Evidence and e-links to demonstrate a) No Stage 2 IDRPs and no Pensions Ombudsman findings against the fund actions in last 3 years. Score +1	1	Clear IDRP process in place and strong evidence of application	http://www.wccpensionfund.co.uk/
16	Fraud prevention	No or minimal systems/programme or plan or mechanisms in place to a) Prevent fraud b) Detect fraud c) detect pension over-payments due to unreported deaths Self score -1 for each one	Evidence and e-links to demonstrate a) Fraud prevention programme in place. b) Use external monthly, quarterly/annual mortality screening services, and c) participate in bi-annual National Fraud Initiative. Self score +1 for each one	0 0 1	Currently obtaining costings and reviewing options Currently obtaining costings and reviewing options Participation confirmed	
17	Internal and external audit	a) No annual internal audit or qualified internal and external audit opinions b) Urgent management action recommended on high/serious risks. c) Only moderate or low level of assurance and a number of high priority action recommended Self score -1 for each	Evidence and e-links to demonstrate a) Unqualified annual internal reports with no or only low priority management actions b) Unqualified and annual external audit with no or only low priority management recommendations. c) Full or substantial assurance against all key audit areas with no high risk recommendations. Self score +1 for each	0 1 1	One medium priority action in last internal audit report Unqualified external audit report with no recommendations. Page 40 of Annual Report Unqualified external audit report with no recommendations.	http://transact.westminster.gov.uk/docstores/publications_store/accounts/6.51_wcc_pensions_fund_report_2014_interactive_v2.pdf
18	Quality assurance	No evidence of a) quality management system b) external reviewed publications c) externally approved website accessibility d) any awards. Self score -1 for each one	Evidence and e-links to demonstrate a) Fund has formal quality management external certification b) Crystal Mark for plain English for publications/forms c) externally approved website accessibility d) pensions & investment recognition award(s) Self score +1 for each one	0 -1 -1 -1	Surrey County Council have internal QA system in place No crystal mark for plain english No external approval for website No awards received	

City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**16 November 2015**
Classification:	**Public**
Title:	**2015/16 Business Plan**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no immediate financial implications arising from this report.**
Report of:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2904**

1. Executive Summary

1.1 This report brings to the attention of the Committee the 2015/16 Business Plan of the Tri-Borough Pensions Team and highlights the current approach and improvement actions underway.

1.2 This report identifies the future work plan including which issues and reports will be brought to meetings over the year ahead.

2. Recommendations

2.1 That the Committee note the 2015/16 Business Plan and the 2016 Forward Work Plan and comment where appropriate.

3. Business Plan

3.1 As part of the Pensions Teams efforts to become a national example of good practice and to deliver a high quality service to the three pension Funds, the Business Plan sets out the aims and objectives for 2015/16. The Business Plan is attached at Appendix 1.

3.2 The Business Plan sets out the role, objectives and the resources of the Tri-borough Pension Team along with some key metrics to give a sense of the scale of services required across all three Pension Funds.

3.3 The plan includes a description of the internal resources and external organisations involved in ensuring the three Pension Funds are operated as efficiently as possible. It also outlines the objectives of the Team split between operational, financial and assurance headings.

3.4 There is also a summary of the action plan agreed to deliver improvements to the services across a range of activities. These actions are well underway and have been completed in some instances.

4. Pension Fund Committee Forward Work Plan 2016

4.1 In order to assist officer and Committee Members prepare for future meetings a forward work plan has been developed to identify which issues and reports will be brought to future meetings.

4.2 The forward work plan for 2016 is attached at Appendix 2 and highlights the key themes and issues to be addressed at each meeting. This will obviously be supplemented with topical items as required during the year and will be updated as part of future committee papers.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Neil Sellstrom nsellstrom@westminster.gov.uk or 020 7641 1152

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – 2015/16 Tri-Borough Pension Team Business Plan
Appendix 2 – Pension Fund Committee Forward Work Plan 2016

PENSION FUND BUSINESS PLAN

2015/16

Introduction

The purpose of this 2015/16 Business Plan is to outline the Funds' aims and objectives, as well as providing an Action Plan of the key priorities of the year ahead to achieve these objectives.

The Local Government Pension Scheme (LGPS) has experienced significant change over the past few years with the approval of the 2014 Regulations which introduce the new Career Average Benefits package along with a range of other cost management and governance measures. Further change is expected during 2015 with the Government plans to consult upon more efficient investment approaches and the establishment of Local Pension Boards.

The Funds are also experiencing a number of other challenges including changes to Record keeping, auto-enrolment, changes to tax allowances and Freedom & Choice implementation. In addition, a new custodian contract has been implemented and for two of the Funds the Pension Administration provider is changing in 2015/16 to Surrey County Council. All of these changes have increased the challenges placed upon the Funds internal resources and highlighted the need to be flexible and responsive to adapt and maintain high standards of service.

Purpose & Scope of the Fund

The Tri-Borough Pension Service supports the Pension Funds of Westminster City Council, London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea. These Funds are part of 100 funds making up the Local Government Pension Scheme (LGPS). The LGPS is a career Average scheme, funded principally by its constituent employers and members, with assistance from investment returns. Unlike other public sector pension schemes, the LGPS is fully invested in financial markets and aims to be fully funded over the long-term.

The combined Tri-Borough Pension Funds serve 40,700 members from 110 constituent employer bodies. The combined value of assets under management at 31 March 2015 was £2.79bn and the total cost of administration in 2014/15 was £18.0M (0.64% of total assets) including £15.9M (0.57%) investment management costs.

Governance & Management of the Funds

The City of Westminster, London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea councils have combined certain parts of their operational areas to provide a more efficient service and greater resilience and this includes the Pensions Finance teams.

The combined team was formed in February 2012 and is responsible for the management of the pension fund investments across the three boroughs. The team is based at Westminster's offices. The Pension Funds continue to be managed separately in accordance with each borough's strategy and so each continues to have sovereignty over decision making. However, officers are continually seeking to improve efficiency and resilience and to minimise the cost of running the Pension Funds, in line with the tri-borough working aims.

Stakeholders of the Funds'

The Funds' customers fall into three categories:

a) Scheme members:
    - Actives (c11,500)
    - Deferred (c16,800)
    - Pensioners (c12,400)

b) Employers of Scheme members
    - Scheduled (44)
    - Admitted (35)
    - Ceased (31)

c) Regulatory Bodies & Stakeholders
    - LGPS Scheme Advisory Board
    - Department of Communities & Local Government (DCLG)
    - HM Revenues & Customs
    - The Department for Work & Pensions
    - Investment Managers, Actuaries & Advisers

Aims and Purpose of the Funds

The specific aims of the Funds as set out in the Funding Strategy Statements are:

- Ensure that sufficient resources are available to meet the liabilities as they fall due;
- Maximise the returns from investments within reasonable risk parameters;
- Enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled and admitted bodies;
- Manage employers' liabilities effectively and in particular minimise the level of irrecoverable debt when an employer ceases to participate.

Summary of the Funds

The market value of Funds' assets, the most recent actuarial valuation assessment of the funding levels and the latest membership numbers are summarised in the table below based upon information available as at 31st March 2015:

	Value of assets	Funding Level	Total membership
Hammersmith and Fulham	£864.8m	87%	14,269
Kensington and Chelsea	£825.9m	101%	10,385
Westminster	£1,099.0m	80%	16,060

Key Policy Documents

Key policy documents which may be helpful in terms of providing additional information can be found on the Fund's individual websites:

- Annual Report & Accounts
- Triennial Valuation Report
- Funding Strategy Statement
- Statement of Investment Principles
- Communications Strategy
- Governance Compliance Statement
- Risk Register

LONDON BOROUGH OF HAMMERSMITH & FULHAM PENSION FUND
http://www.lbhf.gov.uk/Directory/Council_and_Democracy/Plans_performance_and_statistics/Statement_of_accounts/68526_Statement_of_accounts.asp#0

ROYAL BOROUGH OF KENSINGTON & CHELSEA PENSION FUND
https://www.rbkc.gov.uk/council/how-council-manages-money/council-spending-and-finances/council-spending-and-finances#pension

WESTMINSTER PENSION FUND
http://www.wccpensionfund.co.uk/about-us/forms-and-publications.aspx

Resources

This section summarises the resources available to the three Funds to undertake the planned activities.

The tri-borough funds are supported by an officer team and various other advisers detailed in the table below:

	Hammersmith and Fulham	**Kensington and Chelsea**	**Westminster**
Officers	Neil Sellstrom: Interim Head Tri-borough Pensions Pension Fund Officers: Alex Robertson, Nicola Webb and Nikki Parsons		
Investment adviser	Alistair Sutherland: Deloitte	Andrew Elliott: Hymans Robertson	Alistair Sutherland: Deloitte
Actuary	Graeme Muir: Barnett Waddingham		
Legal advisers	Eversheds LLP		
Custodian	Northern Trust		
Fund Managers:			
Equities		Baillie Gifford	
	Majedie		Majedie
	MFS	Longview	
		Legal & General	
Absolute Return	Ruffer	Pyrford	
Fixed Income	Goldman Sachs		Insight
Private Equity	Invesco	Adams Street	
	Partners		
	Unigestion		
Property		CBRE	Hermes
	Standard Life	Kames	Standard Life
Secure Income	Partners Group		
	Oak Hill Advisers		
	M & G		

Pensions Action Plan

Since the Pensions shared service was established, there have been several important developments to improve the effectiveness of the team and deliver some of the synergies expected from a shared service offering.

These include increased collaboration and more efficient use of resources, improved levels of skills and competencies and greater resilience in delivering the services.

This plan seeks to build further on the work done to date and identified actions to be taken to put the Tri-Borough Pensions Service as a leader amongst its peers.

The actions in this plan are split into 3 key areas;

Operational improvements which will streamline existing working practices and work towards a consistent set of outputs to be delivered by the team,

Assurance improvements which highlight ways of demonstrating the Funds are being managed effectively and within the regulatory framework, and

Financial proposals which will ensure the costs of delivering the scheme administration are understood and minimised.

The objectives of the improvements were identified as follows:

1. Operational (*doing things better*):
    a. To ensure Pension Committees and Local Pension Boards are fully supported
    b. To better understand, manage and monitor the risks of the Funds
    c. To support an improvement in the quality of communications with Employers and scheme members

2. Assurance (*doing things right*):
    a. To ensure the most effective governance arrangements are in place
    b. To improve the level of controls assurance and reporting frameworks
    c. To ensure the Scheme is efficiently managed and complies with relevant regulations

3. Financial (*being cost efficient*):
    a. To fully understand the Funds’ current and expected financial position
    b. To optimise the procurement of services utilised by the Funds
    c. To minimise the cost of administering the Funds locally
    d. To improve the quality and transparency of financial reporting

Governance

Action	Link to Objectives	Purpose	Completion Date
Establish Local Pension Boards	1c 2a 2c	To ensure the Regulatory requirements of the Public Service Pensions Act 2013 are met in terms of creating and maintaining a Local Pension Board to assist in reviewing governance and administration arrangements in line with prescribed guidance.	July 2015
Establish Risk Registers	1a 1b	Identification, monitoring and reporting of key risks in the Pension Fund operation to ensure decision makers are regularly aware of the risks involved and can establish mitigation as necessary.	September 2015
Knowledge & Skills Training programme	1a 2a 2c	To ensure Local Pension Boards/Pension Committees meet regulatory requirements to have the necessary knowledge and skills and to support individuals to achieve this requirements through training needs analysis and a bespoke training programme.	October 2015
Agree 'Pensions Administration' SLA between HR and Finance	1a 2a 2b	To clarify the internal roles and responsibilities involved in operating the Pension Fund in terms of regulatory requirements and key functions to ensure the quality and continuity of service is provided to employees, employers and other stakeholders.	September 2015
Update Contracts Register	2a 2c	Ensure all contractual arrangements are documented in one place and on-going procurement requirements are known and planned for.	August 2015

Scheme Administration

Action	Link to Objectives	Purpose	Completion Date
Long Term Cash Flow forecast	1a 3a 3d	1. Identify monthly cash flows for each fund for next 3 years 2. Highlight key drivers of cash flows and major risk areas 3. Establish monitoring and updating procedures 4. Provide regular updates to Pension Committees 5. Agree policy of actions to address shortfalls	October 2015

Produce 3 year Budget forecasts	1a 3a 3d	1. Establish budgets/forecasts for key administrative and investment related costs. 2. Agree monitoring and review process 3. Provide regular updates to Pension Committees	October 2015
Admission Agreement Process	1a 1b 1c 2c	1. Prepare standardised approach to the process of instigating an Admission Agreement 2. Agree the approach with HR and Pension Committees 3. Communicate approach internally and to all Employing Bodies 4. Provide regular updates to Pension Committees	December 2015
Employer Risk Monitoring	1b 1c	1. Determine criteria for monitoring employer risks 2. Establish existing position in terms of Agreements, Bonds etc. 3. Agree process of evaluating criteria and reporting	November 2015
Improve Fund Websites	1c 3c	1. Evaluate feasibility of Fund specific websites 2. Produce template webpage with key areas 3. Work with IT to deliver subject to VFM including link to employee portal at Surrey 4. Ensure awareness of website to employers and employees	December 2015
Establish Contributions Monitoring procedure	1a 2b 3c	1. Establish contributions monitoring procedure for each Fund 2. Identify ‘late payments’ by Employer and issue reminder 3. Report periodically on situation to Local Pension Board and Pension Committee	October 2015
Create Key Controls Matrix	2b	1. Establish matrix of all financial controls 2. Agree monitoring and reporting procedures	August 2015

Funding & Investments

Action	Link to Objectives	Purpose	Completion Date
Investment Strategy Reviews	1a 1b 2c	To ensure each Fund's investment strategy is optimal. The Funds are currently considering the appropriateness of their strategies in light of the cash flow forecasts and rebalancing policies and further work may be required depending on the expected consultation on asset pooling. Existing Manager's underperformance or new developments in the markets may trigger a further review.	September 2015 As required
Improve Fund Manager Monitoring Arrangements	1a 2a	To maximise the benefits from engagement with Fund Managers by establishing a structured meeting schedule and standard format involving Officers and Members.	September 2015
Investment Adviser Contract	1a 3b	To ensure each Fund secures the best possible advice and value for money in relation to its investment adviser arrangements.	2016
Actuarial Services Contract	2c 3b	To ensure each Fund secures the best value for money in relation to its actuarial arrangements.	September 2015
Review Fund Manager Fees	3a 3c 3d	Given the national focus on Investment Management Costs ensure fee data is accurate and comparable using appropriate benchmarking services and demonstrates good value to the Funds.	November 2015

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Pension Fund Committee Forward Plan 2016

16th March 2016	• Quarterly Update Pack for 31st December 2015 • Briefing on Triennial Actuarial Valuation
June 2016	• Quarterly Update Pack for 31st March 2016 • Pension Fund Annual Report and Accounts • Annual Report on Pension Board Activities • Knowledge and Skills Policy Review • Annual review of Admitted Bodies
September 2016	• Quarterly Update Pack for 30th June 2016 • Appoint Investment Adviser
November 2016	• Quarterly Update Pack for 30th September 2016 • Results of Triennial Actuarial Valuation • Funding Strategy Statement review

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City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**16 November 2015**
Classification:	**Public**
Title:	**Fund Financial Management**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no immediate financial implications arising from this report.**
Report of:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2904**

1. Executive Summary

1.1 This report presents a variety of information that will assist the Pension Fund Committee in monitoring key areas to ensure effective control of the Fund's operations and help inform strategic decisions.

2. Recommendation

2.1 The Committee is asked approve the updated risk register for the Pension Fund.

2.2 The Committee is asked to note the Fund's position against the Investment Regulations.

2.3 The Committee is asked to note the Class Actions update.

2.4 The Committee is asked to note the information regarding the pooling of investments in the LGPS.

2.5 The Committee is asked to note the information regarding the Markets in Financial Instruments Directive II

2.6 The Committee approve the extension of the current Investment Adviser Contract with Deloitte to 31 October 2016

3. Risk Register Monitoring

3.1 The risk register has been reviewed by officers and is attached as Appendix 1 for information. The rationale for the changes is set out on the first page of the appendix.

4. Investment Regulations Limits Review

4.1 As at 30 September 2015, the Fund complied with the LGPS Management & Investment Funds Regulations 2009 as documented in the Statement of Investment Principles.

4.2 In particular, the fund had no self-investments (regulatory maximum of 5%), it had no single segregated holding great than 10% and its largest investment in a single vehicle was 23.3% with Majedie against the limit of 35%. The LGIM holding is split between two vehicles.

5. Class Actions Update

5.1 The report from SRKW provided by IPS on recent class action matters is attached as Appendix 2. This report highlights all new and on-going investor class actions and specifically identifies those relevant to the City of Westminster Pension Fund. There are no new actions recommended for consideration.

6. Consultations / Legislation Changes

Pooling of Investments

6.1 In the Budget of 7th July, the government announced that it would work with LGPS administering authorities to ensure that investments are pooled to reduce investment management costs and that a consultation would be issued in the autumn.

6.2 The government's criteria are expected to include a target size for investment pools (£30bn has been mooted), along with governance and cost factors. It is expected that a further criterion on infrastructure will also be included, following the Chancellor's conference speech.

6.3 The existing investment regulations are likely to be revised to allow authorities to participate in pools more easily. It is anticipated that there will be legislation to compel authorities to pool investments if they do not do so voluntarily.

6.4 Allocation decisions are expected to remain with local investment committees and there may be an exceptional allowance for some assets to be managed locally.

6.5 The Fund's anticipated participation in the London Collective Investment Vehicle (see item elsewhere on the agenda) should help it to satisfy some of the expected requirements for pooling

6.6 The Local Government Association's letter and briefing note are attached for the Committee's information (appendices 3 and 4). The Committee will be kept informed of further developments.

Markets in Financial Instruments Directive II

6.7 Under the Markets in Financial Instruments Directive II (MiFID II)– a set of rules governing investment managers set to come into force in January 2017 – councils will be defaulted to retail client status.

6.8 In order to retain their current professional client status, they will need to assure investment managers of their expertise and knowledge to reassure managers they understand risks.

6.9 Remaining as retail clients could, according to a briefing by the Local Government Association, mean managers could eject LGPS schemes from particular products, resulting in a 'fire sale' of assets. The briefing paper is attached as Appendix 5.

6.10 The LGA is discussing the process with the Financial Conduct Authority to see if any changes could make the process smoother for local authorities in relation to their pensions functions.

6.11 In the meantime, the LGA is advising funds to make their committee aware of the issue. The Committee will be kept informed of further developments.

7. Investment Adviser Contract

7.1 At the previous meeting in September, the Committee were advised that the extension of the existing investment adviser contract with Deloitte will expire at the end of March 2016. The intention was for officers to carry out a bi-borough procurement with RBKC of the investment advisory contract using the National LGPS Framework.

7.2 The Pension Fund Committee at RBKC are still yet to reach a decision on their future investment adviser requirements therefore a joint procurement exercise at this time will not be possible.

7.3 In the event that RBKC do not wish to procure a new investment advisory contract, officers will carry out a retender using the National LGPS Framework on a stand alone basis.

7.4 It is therefore recommended the Committee agree to extend the current contract with Deloitte to 31 October 2016.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Nikki Parsons nparsons@westminster.gov.uk or 020 7641 6925

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Pension Fund Risk Register
Appendix 2 – SRKW Report 1 July to 30 September 2015
Appendix 3 – LGA letter on Pooling of Investments in the LGPS
Appendix 4 – LGA briefing on Pooled Investments
Appendix 5 – LGA paper on MiFID II and its impact on LGPS investments

Appendix 1: Pension Fund Risk Register, November 2015

Changes to the risk register since previous quarter

Type	Ref	Risk	Rationale
New	9	**STRATEGIC: REGULATION** Introduction of European Directive MiFID II results is a restriction of Fund's investment options and an increase in costs	A new European Directive comes into force in January 2017. Councils will need to demonstrate their `professional status' in order to access investment products currently available to them.
Update mitigating actions and Increase Impact Score	19	**OPERATIONAL: ADMINISTRATION** Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	Distinction has been made between the two different payment types and the mitigating actions which is in place by the relevant third parties. Increased impact score reflects reduced timescales before the year end for finalising the Pension Fund Accounts and attaining an unqualified audit opinion. Mitigating actions are in place by officers to resolve the transitional issues including site visits to BT offices and test scripts.
Correction to Impact Score	21	**OPERATIONAL: ADMINISTRATION** Failure to pay pension benefits accurately leading to under or over payments.	The impact score previously reported was incorrectly typed as 2 instead of 3. The overall risk rating has not changed but now reflects the correct total.

Pension Fund risk register, September 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
1	**STRATEGIC: INVESTMENT** That the combination of assets in the investment portfolio fails to fund the liabilities in the long term.	• Investment strategy in place and reviewed periodically. • Performance is measured against a liability based benchmark. • Fund performance is reviewed quarterly.	2	3	Low 6	City Treasurer	Nov 2015
2	**STRATEGIC: INVESTMENT** Fund managers fail to achieve the returns agreed in their management agreements.	• Independent monitoring of fund manager performance by custodian against targets. • Investment adviser retained to keep watching brief. • Fund manager performance is reviewed quarterly.	3	3	Low 9	City Treasurer	Nov 2015
3	**STRATEGIC: INVESTMENT** Failure of custodian or counterparty.	• At time of appointment, ensure assets are separately registered and segregated by owner. • Review of internal control reports on an annual basis. • Credit rating kept under review.	2	5	Low 10	City Treasurer	Nov 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
4	**STRATEGIC: FUNDING** The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	• Review at each triennial valuation and challenge actuary as required. • Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	4	3	Medium 12	City Treasurer	Nov 2015
5	**STRATEGIC: FUNDING** There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	• Cashflow forecast maintained and monitored. • Cashflow position reported to sub-committee quarterly. • Cashflow requirement is a factor in current investment strategy review.	2	1	Very Low 2	City Treasurer	Nov 2015
6	**STRATEGIC: FUNDING** Scheme members live longer than expected leading to higher than expected liabilities.	• Review at each triennial valuation and challenge actuary as required.	4	2	Low 8	City Treasurer	Nov 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
7	**STRATEGIC: FUNDING** Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	• Review maturity of scheme at each triennial valuation. • Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. • Cashflow position monitored monthly.	2	3	Low 6	City Treasurer	Nov 2015
8	**STRATEGIC: REGULATION** Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	• Maintain links with central government and national bodies to keep abreast of national issues. • Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	3	4	Medium 12	City Treasurer and Acting Director of HR	Nov 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
9	**STRATEGIC: REGULATION** Introduction of European Directive MiFID II results is a restriction of Fund's investment options and an increase in costs	• Officers are engaging with Fund Managers to understand the position better • Knowledge and Skills Policy in place for Officers and Members of the Committee • Maintain links with central government and national bodies to keep abreast of national issues.	4	3	Medium 12	City Treasurer	Nov 2015
10	**OPERATIONAL: GOVERNANCE** Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	• Officers maintain knowledge of legal framework for routine decisions. • Eversheds retained for consultation on non-routine matters.	2	2	Very Low 4	City Treasurer	Nov 2015
11	**OPERATIONAL: GOVERNANCE** Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	• External professional advice is sought where required • Knowledge and skills policy in place (subject to Committee Approval)	3	3	Low 9	City Treasurer	Nov 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
12	**OPERATIONAL: GOVERNANCE** Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	• Person specifications are used at recruitment to appoint officers with relevant skills and experience. • Training plans are in place for all officers as part of the performance appraisal arrangements. • Shared service nature of the pensions team provides resilience and sharing of knowledge.	3	3	Low 9	City Treasurer and Acting Director of HR	Nov 2015
13	**OPERATIONAL: GOVERNANCE** Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	• At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. • Committee and officers scrutinise and challenge advice provided.	2	2	Very Low 4	City Treasurer	Nov 2015
14	**OPERATIONAL: FUNDING** Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	• Transferee admission bodies required to have bonds in place at time of signing the admission agreement. • Regular monitoring of employers and follow up of expiring bonds.	3	2	Low 6	City Treasurer and Acting Director of HR	Nov 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
15	**OPERATIONAL: FUNDING** Ill health costs may exceed “budget” allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	• Review “budgets” at each triennial valuation and challenge actuary as required. • Charge capital cost of ill health retirements to admitted bodies at the time of occurring. • Occupational health services provided by the Council and other large employers to address potential ill health issues early.	3	2	Low 6	City Treasurer and Acting Director of HR	Nov 2015
16	**OPERATIONAL: FUNDING** Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	• Monitor numbers and values of transfers out being processed. • If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values.	2	3	Low 6	City Treasurer and Acting Director of HR	Nov 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
17	**OPERATIONAL: ADMINISTRATION** Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	• Third parties regulated by the FCA and separation of duties and independent reconciliation procedures in place. • Review of third party internal control reports. • Regular reconciliations of pension payments undertaken by Pensions Finance Team. • Periodic internal audits of Pensions Finance and HR teams.	4	2	Low 8	City Treasurer and Acting Director of HR	Nov 2015
18	**OPERATIONAL: ADMINISTRATION** Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	• Contract monitoring in place with all providers. • Procurement team send alerts whenever credit scoring for any provider changes for follow up action.	3	1	Very Low 3	City Treasurer and Acting Director of HR	Nov 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
19	**OPERATIONAL: ADMINISTRATION** Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	• Contract in place with BT to provide service enabling smooth processing of supplier payments • Process in place for Surrey CC to generate lump sum payments to members as they are due. • Officers undertaking additional testing and reconciliation work to verify accounting transactions	4	4	High 16	City Treasurer	Nov 2015
20	**OPERATIONAL: ADMINISTRATION** Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	• In the event of a pension payroll failure we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	1	5	Very Low 5	Acting Director of HR	Nov 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
21	**OPERATIONAL: ADMINISTRATION** Failure to pay pension benefits accurately leading to under or over payments.	• There are occasional circumstances where under or over payments are identified. Where under payments occur arrears are paid as soon as possible usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted and the pension corrected in the next month. Repayment is requested and sometimes we collect this over a number of months.	2	3	Low 6	Acting Director of HR	Nov 2015
22	**OPERATIONAL: ADMINISTRATION** Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	• Pension administration records are stored on the surrey servers they have a disaster recovery system in place and records should be restored within 24 hours of any issue, files are backed up daily.	1	5	Very Low 5	Acting Director of HR	Sept 2015

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
23	**OPERATIONAL: ADMINISTRATION** Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	• Surrey CC administers pensions for Surrey, East Sussex and is taking on our Triborough partners. They have a number of very experienced administrators two of whom tuped to them from LPFA with our contract. Where issues arise the Pensions Liaison Officer reviews directly with the Pensions Manager at Surrey. More detailed performance reports are being developed. •	2	3	Low 6	Acting Director of HR	Nov 2015

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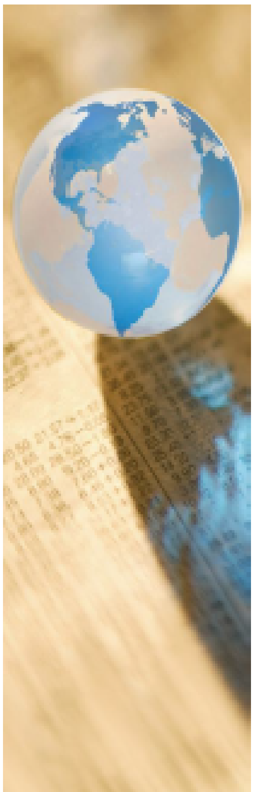
SRKW
SPECTOR ROSEMAN
KODROFF & WILLIS PC

MONITORING REPORT

Third Quarter 2015

Prepared For:
CITY OF WESTMINSTER

Contents



New Investor Actions

New Investor Actions

Third Quarter 2015

ELIGIBLE

Case Name[1]	Security Identifiers Symbol	Security Identifiers ID	Why You Are Eligible	We Recommend[2]	Filing Deadline
July 2015					
The City of Westminster was not eligible to play an active role in any actions during this period.					
August 2015					
The City of Westminster was not eligible to play an active role in any actions during this period.					
September 2015					
Petróleo Brasileiro S.A. (Securities Arbitration) *(Non-U.S. Action – Brazil)*	PETR3 PETR4	P78331132 P78331140 BRPETRACNOR9 BRPETRACNPR6	Loss: To Be Determined	Recommendation Pending	Pending

NOT ELIGIBLE

Case Name[1]	Security Identifiers Symbol	Security Identifiers ID	Why You Are Not Eligible[3]	We Recomm.	Filing Deadline
July 2015					
Deutsche Postbank AG *(Non-U.S. Action – Germany)*	DPB	DE0008001009	No Relevant Purchases	N/A	Pending
OW Bunker A/S *(Non-U.S. Action – Denmark)*	OW OW.CO	K76820107 DK0060548386	No Relevant Purchases	N/A	Pending
QRxPharma Limited *(Non-U.S. Action – Australia)*	QRX	AU000000QRX5	No Relevant Purchases	N/A	Pending
Quindell Plc *(Non-U.S. Action – United Kingdom)*	QPP	GB00BMT59H80	No Relevant Purchases	N/A	Pending
Takata Corporation *(Non-U.S. Action – Japan)*	7312-JP	JP3457000002	No Relevant Purchases	N/A	Pending
Mylan Inc. *(Transaction Action)*	MYL	N59465109	No Relevant Purchases	N/A	N/A
Trade Street Residential, Inc.	TSRE	89255N203	No Relevant Purchases	N/A	N/A
3D Systems Corporation	DDD	88554D205	No Relevant Purchases	N/A	Aug. 14, 2015
The Providence Service Corporation *(Transaction Action)*	PRSC	743815102	No Relevant Purchases	N/A	N/A
HCC Insurance Holdings, Inc. *(Transaction Action)*	HCC	404132102	No Relevant Purchases	N/A	N/A
Quality Distribution, Inc. *(Transaction Action)*	QLTY	74756M102	No Relevant Purchases	N/A	N/A
Metalico, Inc. *(Transaction Action)*	MEA	591176102	No Relevant Purchases	N/A	N/A
Keurig Green Mountain, Inc.	GMCR	49271M100	No Relevant Purchases	N/A	Aug. 18, 2015
Northwest Biotherapeutics Inc. *(Transaction Action)*	NWBO	66737P600	No Relevant Purchases	N/A	N/A
DARA Biosciences, Inc. *(Transaction Action)*	DARA	23703P304	No Relevant Purchases	N/A	N/A
QRxPharma Limited	QRXPY	74733C102	No Relevant Purchases	N/A	Aug. 21, 2015
Iconix Brand Group, Inc.	ICON	451055107	No Relevant Purchases	N/A	Aug. 22, 2015
Airmedia Group Inc.	AMCN	009411109	No Relevant Purchases	N/A	Aug. 24, 2015
Associated Estates Realty Corporation	AEC	045604105	No Relevant Purchases	N/A	Aug. 24, 2015
Root9b Technologies, Inc.	PIMO RTNB	776650103	No Relevant Purchases	N/A	Aug. 24, 2015
Solazyme, Inc	SZYM	83415T101	No Relevant Purchases	N/A	Aug. 24, 2015
Martha Stewart Living Omnimedia, Inc. *(Transaction Action)*	MSO	573083102	No Relevant Purchases	N/A	N/A
Niska Gas Storage Partners LLC *(Transaction Action)*	NKA	654678101	No Relevant Purchases	N/A	N/A
Payment Data Systems, Inc.	PYDS	70438S103	No Relevant Purchases	N/A	N/A
KYTHERA Biopharmaceuticals, Inc. *(Transaction Action)*	KYTH	501570105	No Relevant Purchases	N/A	N/A
Perfect World Co., Ltd. *(Transaction Action)*	PWRD	71372U104	No Relevant Purchases	N/A	N/A
Uranium Energy Corp.	UEC	916896103	No Relevant Purchases	N/A	Aug. 28, 2015
PMFG, Inc. *(Transaction Action)*	PMFG	69345P103	No Relevant Purchases	N/A	N/A

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New Investor Actions

Case Name[1]	Security Identifiers: Symbol	Security Identifiers: ID	Why You Are Not Eligible[3]	We Recomm.	Filing Deadline
The Williams Companies, Inc. *(Transaction Action)*	WMB	969457100	No Relevant Purchases	N/A	N/A
Braskem S.A.	BAK	105532105	No Relevant Purchases	N/A	Aug. 31, 2015
Celladon Corporation	CLDN	15117E107	No Relevant Purchases	N/A	Aug. 31, 2015
CorMedix Inc.	CRMD	21900C100	No Relevant Purchases	N/A	Sep. 4, 2015
Dealertrack Technologies, Inc. *(Transaction Action)*	TRAK	242309102	No Relevant Purchases	N/A	N/A
Edison International	EIX	281020107	No Relevant Purchases	N/A	Sep. 4, 2015
Silver Wheaton Corp.	SLW	828336107	No Relevant Purchases	N/A	Sep. 8, 2015
Xoom Corporation *(Transaction Action)*	XOOM	98419Q101	No Relevant Purchases	N/A	N/A
Avalanche Biotechnologies, Inc.	AAVL	05337G107	No Relevant Purchases	N/A	Sep. 8, 2015
ServiceSource International, Inc.	SREV	81763U100	No Relevant Purchases	N/A	Sep. 8, 2015
Towers Watson & Co. *(Transaction Action)*	TW	891894107	No Relevant Purchases	N/A	N/A
August 2015					
Ashley Services Group Limited *(Non-U.S. Action – Australia)*	ASH	AU000000ASH0	No Relevant Purchases	N/A	Pending
Pan Jit International Inc. *(Non-U.S. Action – Taiwan)*	2481.TW	Y6700F109 TW0002481009	No Relevant Purchases	N/A	Pending
Taiwan Ostor Corp. *(Non-U.S. Action – Taiwan)*	8080.TWO	Y8431M106 TW0008080003	No Relevant Purchases	N/A	Pending
The Chubb Corporation *(Transaction Action)*	CB	171232101	No Relevant Purchases	N/A	N/A
LRR Energy, L.P.	LRE	50214A104	No Relevant Purchases	N/A	N/A
Louisiana Bancorp, Inc. *(Transaction Action)*	LABC	54619P104	No Relevant Purchases	N/A	N/A
Enbridge Energy Partners, L.P. *(Transaction Action)*	EEP	29250R106	No Relevant Purchases	N/A	N/A
EZCORP, Inc.	EZPW	302301106	No Relevant Purchases	N/A	Sep. 18, 2015
Receptos, Inc. *(Transaction Action)*	RCPT	756207106	No Relevant Purchases	N/A	N/A
North Dakota Developments, LLC	No Ticker	No Symbol	No Relevant Purchases	N/A	N/A
Centrais Eletricas Brasileiras S.A. - Eletrobras	CAIGY EBR	15234Q108 15234Q207	No Relevant Purchases	N/A	Sep. 21, 2015
Gramercy Property Trust Inc. *(Transaction Action)*	GPT	38489R605	No Relevant Purchases	N/A	N/A
Humana, Inc. *(Transaction Action)*	HUM	444859102	No Relevant Purchases	N/A	N/A
IDI, Inc.	IDI	44938L108	No Relevant Purchases	N/A	Sep. 21, 2015
LifeLock, Inc.	LOCK	53224V100	No Relevant Purchases	N/A	Sep. 21, 2015
Thoratec Corporation *(Transaction Action)*	THOR	885175307	No Relevant Purchases	N/A	N/A
Ventas, Inc. *(Transaction Action)*	VTR	92276F100	No Relevant Purchases	N/A	N/A
XOMA Corporation	XOMA	98419J107	No Relevant Purchases	N/A	Sep. 22, 2015
MarkWest Energy Partners, L.P. *(Transaction Action)*	MWE	570759100	No Relevant Purchases	N/A	N/A
Advaxis, Inc. *(Transaction Action)*	ADXS	007624208	No Relevant Purchases	N/A	N/A
Books-A-Million, Inc. *(Transaction Action)*	BAMM	098570104	No Relevant Purchases	N/A	N/A
VASCO Data Security International, Inc.	VDSI	92230Y104	No Relevant Purchases	N/A	Sep. 28, 2015
Health Net, Inc. *(Transaction Action)*	HNT	42222G108	No Relevant Purchases	N/A	N/A
Advanced Drainage Systems, Inc.	WMS	00790R104	No Relevant Purchases	N/A	Sep. 28, 2015
American Express Co.	AXP	025816109	No Relevant Purchases	N/A	Sep. 28, 2015
Curtiss-Wright Corporation *(Transaction Action)*	CW	231561101	No Relevant Purchases	N/A	N/A
Cigna Corporation *(Transaction Action)*	CI	125509109	No Relevant Purchases	N/A	N/A
Helix Energy Solutions Group, Inc.	HLX	42330P107	No Relevant Purchases	N/A	Sep. 29, 2015
MDC Partners Inc.	MDCA	552697104	No Relevant Purchases	N/A	Sep. 29, 2015
Vivint Solar, Inc. *(Transaction Action)*	VSLR	92854Q106	No Relevant Purchases	N/A	N/A

NOT ELIGIBLE

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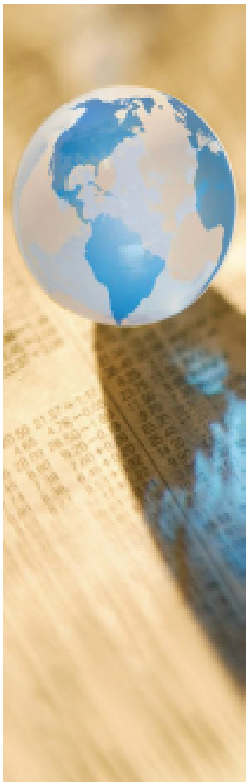

New Investor Actions

Case Name[1]	Security Identifiers		Why You Are Not Eligible[3]	We Recomm.	Filing Deadline
	Symbol	ID			
SolarWinds, Inc.	SWI	83416B109	No Relevant Purchases	N/A	Sep. 29, 2015
StanCorp Financial Group, Inc. *(Transaction Action)*	SFG	852891100	No Relevant Purchases	N/A	N/A
On Deck Capital, Inc.	ONDK	682163100	No Relevant Purchases	N/A	Oct. 5, 2015
MobileIron, Inc.	MOBL	60739U204	No Relevant Purchases	N/A	N/A
Investment Technology Group, Inc.	ITG	46145F105	No Relevant Purchases	N/A	Oct. 5, 2015
Whole Foods Market, Inc.	WFM	966837106	No Relevant Purchases	N/A	Oct. 5, 2015
Constant Contact, Inc.	CTCT	210313102	No Relevant Purchases	N/A	Oct. 6, 2015
MDC Partners Inc. *(Non-U.S. Action – Canada)*	MDCA	552697104	No Relevant Purchases	N/A	N/A
TriNet Group, Inc.	TNET	896288107	No Relevant Purchases	N/A	Oct. 6, 2015
Abengoa, S.A.	ABGB	00289R201	No Relevant Purchases	N/A	Oct. 9, 2015
September 2015					
Banca Monte Dei Paschi Di Siena SpA (TILP) *(Non-U.S. Action – Italy)*	BMPS	IT0001334587	No Relevant Purchases	N/A	Pending
Innovation & Infinity Global Corp. *(Non-U.S. Action – Taiwan)*	4906.TW	Y40882105 TW0004906004	No Relevant Purchases	N/A	Pending
BH Global Corp LTD./Technics Oil & Gas Ltd. (Taiwan)	911606 911613	TW0009116087	No Relevant Purchases	N/A	Pending
Volkswagen AG (Bentham) *(Non-U.S. Action – Germany)*	VOW	Various	No Relevant Purchases	N/A	Pending
Volkswagen AG (DRRT) *(Non-U.S. Action – Germany)*	VOW	Various	No Relevant Purchases	N/A	Pending
Volkswagen AG (TILP) *(Non-U.S. Action – Germany)*	VOW	Various	No Relevant Purchases	N/A	Pending
Volkswagen AG (Deminor) *(Non-U.S. Action – Germany)*	VOW	Various	No Relevant Purchases	N/A	Pending
Tecumseh Products Company *(Transaction Action)*	TECU	878895309	No Relevant Purchases	N/A	N/A
Merge Healthcare Incorporated *(Transaction Action)*	MRGE	589499102	No Relevant Purchases	N/A	N/A
Precision Castparts Corp. *(Transaction Action)*	PCP	740189105	No Relevant Purchases	N/A	N/A
Broadcom Corporation	BRCM	111320107	No Relevant Purchases	N/A	Oct. 13, 2015
IPC Healthcare, Inc. *(Transaction Action)*	IPCM	44984A105	No Relevant Purchases	N/A	N/A
Plains All American Pipeline, L.P./Plains GP Holdings, L.P.	PAA PAGP	726503105 72651A108	No Relevant Purchases	N/A	Oct. 16, 2015
Illumina, Inc. *(Derivative Action)*	No Symbol	No Securities	No Relevant Purchases	N/A	N/A
Biogen Inc.	BIIB	09062X103	No Relevant Purchases	N/A	Oct. 19, 2015
Symetra Financial Corporation *(Transaction Action)*	SYA	87151Q106	No Relevant Purchases	N/A	N/A
Charter Communications, Inc. *(Transaction Action)*	CHTR	16117M305	No Relevant Purchases	N/A	N/A
HCC Insurance Holdings, Inc.	HCC	404132102	No Relevant Purchases	N/A	Oct. 20, 2015
Liberty Broadband Corporation *(Transaction Action)*	LBRDA	530307107	No Relevant Purchases	N/A	N/A
Terex Corporation *(Transaction Action)*	TEX	880779103	No Relevant Purchases	N/A	N/A
Abercrombie & Fitch Co. *(Transaction Action)*	ANF	002896207	No Relevant Purchases	N/A	N/A
AAC Holdings, Inc.	AAC	000307108	No Relevant Purchases	N/A	Oct. 23, 2015
El Pollo Loco Holdings, Inc.	LOCO	268603107	No Relevant Purchases	N/A	Oct. 23, 2015
NTELOS Holdings Corp. *(Transaction Action)*	NTLS	67020Q305	No Relevant Purchases	N/A	N/A
CaesarStone Sdot-Yam, Ltd.	CSTE	M20598104	No Relevant Purchases	N/A	Oct. 26, 2015
Dot Hill Systems Corp. *(Transaction Action)*	HILL	25848T109	No Relevant Purchases	N/A	N/A
Global Energy Acquisitions, LLC/Demir Energy, LLC	No Symbol	No Securities	No Relevant Purchases	N/A	Oct. 26, 2015
GFI Group Inc. *(Transaction Action)*	GFIG	361652209	No Relevant Purchases	N/A	N/A
Ikanos Communications, Inc. *(Transaction Action)*	IKAN	45173E204	No Relevant Purchases	N/A	N/A
Remy International, Inc.	REMY	75971M108	No Relevant Purchases	N/A	Oct. 26, 2015

NOT ELIGIBLE

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New Investor Actions

Case Name[1]	Security Identifiers		Why You Are Not Eligible[3]	We Recomm.	Filing Deadline
	Symbol	ID			
Northwest Biotherapeutics Inc.	NWBO	66737P600	No Relevant Purchases	N/A	Oct. 26, 2015
Pier 1 Imports, Inc.	PIR	720279108	No Relevant Purchases	N/A	Oct. 26, 2015
The Spectranetics Corp.	SPNC	84760C107	No Relevant Purchases	N/A	Oct. 26, 2015
AXA Equitable Life Insurance Company	No Symbol	No Securities	No Relevant Purchases	N/A	N/A
Rentech Nitrogen Partners, L.P. *(Transaction Action)*	RNF	760113100	No Relevant Purchases	N/A	N/A
MaxPoint Interactive, Inc.	MXPT	57777M102	No Relevant Purchases	N/A	Oct. 30, 2015
Ryland Group, Inc. *(Transaction Action)*	RYL	783764103	No Relevant Purchases	N/A	N/A
Blyth, Inc. *(Transaction Action)*	BTH	09643P207	No Relevant Purchases	N/A	N/A
Wayfair Inc.	W	94419L101	No Relevant Purchases	N/A	Nov. 2, 2015
Yodlee, Inc. *(Transaction Action)*	YDLE	98600P201	No Relevant Purchases	N/A	N/A
Aetna Inc. *(Transaction Action)*	AET	00817Y108	No Relevant Purchases	N/A	N/A
ConforMIS, Inc.	CFMS	20717E101	No Relevant Purchases	N/A	Nov. 2, 2015
zulily, inc.	ZU	989774104	No Relevant Purchases	N/A	Nov. 2, 2015
Super Micro Computer, Inc.	SMCI	86800U104	No Relevant Purchases	N/A	Nov. 3, 2015
BioScrip, Inc. *(Transaction Action)*	BIOS	09069N108	No Relevant Purchases	N/A	N/A
Swisher Hygiene Inc. *(Transaction Action)*	SWSH	870808300	No Relevant Purchases	N/A	N/A
Millennial Media, Inc. *(Transaction Action)*	MM	60040N105	No Relevant Purchases	N/A	N/A
National Penn Bancshares, Inc. *(Transaction Action)*	NPBC	637138108	No Relevant Purchases	N/A	N/A
Resource Capital Corp.	RSO	76120W302 76120W708	No Relevant Purchases	N/A	Nov. 9, 2015
Coca-Cola Enterprises Inc. *(Transaction Action)*	CCE	19122T109	No Relevant Purchases	N/A	N/A
Fuel Systems Solutions, Inc. *(Transaction Action)*	FSYS	35952W103	No Relevant Purchases	N/A	N/A
Cellceutix Corporation	CTIX	15115V101	No Relevant Purchases	N/A	Nov. 10, 2015
Fiat Chrysler Automobiles N.V.	FCAU	N31738102	No Relevant Purchases	N/A	Nov. 10, 2015
Marvell Technology Group, Ltd.	MRVL	G5876H105	No Relevant Purchases	N/A	Nov. 10, 2015
SFX Entertainment Inc.	SFXE	784178303	No Relevant Purchases	N/A	Nov. 10, 2015

NOT ELIGIBLE

Notes		
1	Case Name	All actions listed in the "Case Name" column are U.S. securities class actions, unless otherwise noted.
2	Recommended	We recommend your fund play an active role, either as a lead plaintiff in the class action, opting out of the class, or otherwise. This recommendation is based on our view that the action is meritorious, your fund's losses are sufficiently large to justify playing an active role (for class and opt out actions), the action meets our other relevant criteria, and yours. For actions in this category, we include a detailed Investor Alert, explaining the basis of our recommendation.
	Take No Action	Although your fund is eligible to play an active role, we recommend that it does not. In the "Eligible - But Not Recommended" section, we explain why your fund should not play an active role (*e.g.*, the case at present may not be sufficiently meritorious; your fund's losses are not likely large enough; or your stated criteria for activism are not met).
3	No Relevant Purchases	Your fund is ineligible to participate as it did not purchase the relevant securities during the stated class or time period (or its losses are below our $20,000 threshold). If, because the relevant time period is later expanded, your fund becomes eligible to participate at the settlement stage, we will alert you to help ensure it shares in these proceeds.
	Gain	If your fund experienced a gain in a particular security during the relevant period, it is ineligible to participate.
4	*Limited Data*	We have insufficient data from your custodian. Without complete data covering the relevant period we cannot perform a proper damage analysis to determine your fund's eligibility to participate.
5	*New Non-U.S. Action*	We've identified this non-U.S. action as part of our global portfolio monitoring service. The action is currently being organized and we are in the process of obtaining the relevant documents and information in order to recommend a course of action to you. When we have sufficient information to make such a recommendation, we will advise you.

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To Chairs of Pension Committees

Wednesday, 3 November 2015

Dear Colleague

Local Government Pension Scheme - Pooling of investments

I know that you will be aware that in the summer budget the government announced that it would seek to work with local government to pool the investments of the LGPS in order to implement fee savings without any detriment to returns.

The Secretary of State wrote to me on 10th July outlining the background to the announcement and setting a challenge to the sector to come forward with proposals to meet the objectives of government.

Since then the LGA both directly and through its representation on the LGPS Advisory Board has sought to provide a voice for and support to its members in this task. In particular we have been clear to government that issues around cost, timing, transition, effective asset allocation and political accountability back to local funds must be very carefully considered. We have also arranged a number of opportunities for representatives of the sector to meet with and question government those officials tasked with implementing the policy.

The latest of these, a session for chairs of LGPS pension committees, took place on Friday 16th October. Over a third of LGPS funds attended as well as officials from both DCLG and HM Treasury and the meeting provided the opportunity to both hear about the timeline and objectives as well as participate in a lively debate.

A briefing note is attached to this letter giving the latest position and how the LGA continue to provide your fund with an input to and support for this process.

Cllr Roger Phillips is the LGA lead on this matter and would be happy to discuss any issues, ideas or views you may have.

Yours sincerely

Porter of Spalding

Lord Porter of Spalding CBE
Chairman

Local Government House, Smith Square, London SW1P 3HZ **T** 020 7664 3000 **F** 020 7664 3030 **E** info@local.gov.uk www.local.gov.uk

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LGA Briefing: Pooled investments

This briefing sets out the policy clarification emerging since the Summer Budget announcement on pooling investments in the LGPS.

Background

1. On 7th July the chancellor made two announcements (one via the red book, the other in the speech) that will have an impact on the LGPS.

2. The first, and of more immediate concern, was the announcement of a consultation on legislation for delivering savings via the use of pooled investment vehicles for LGPS fund assets.

3. The document which accompanies the budget and is published immediately the chancellor sits down (the red book) contains the detail of the major announcements made in the chancellor's speech to the House together with those announcements which for whatever reason were not included in the speech.

4. The red book contains at page 78 the following section

   2.19 Local Government Pension Scheme pooled investments *– The government will work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments.*

5. This briefing sets out the clarification on policy which has emerged since the Summer Budget announcement on pooled investments. It includes the key messages which are now becoming clear; a brief note of the meetings held on the subject; and a description of the options for pooling currently under discussion.

Key messages

6. Since the budget announcement the following key messages have emerged in discussion with DCLG/HMT officials:

a) Proposals for pooling will need to be assessed against criteria to be set by government. The budget statement is potentially misleading in that the consultation on the criteria is happening now not in the autumn.

b) Criteria are likely to be around size (£30b has been used as an illustrative example), cost and governance. However there will be no specific savings target in the cost criterion. A forth criterion on infrastructure is expected to be added following the chancellor's speech to the Conservative party conference on 5th October.

c) This additional criterion is not expected to be prescriptive but will aim to provide an environment in which cost effective infrastructure investment opportunities may be better accessed by the LGPS.

d) We expect the criteria will likely be published in November alongside a consultation on:

- new investment regulations (with the removal of any limits or restrictions which would prevent pooling); and
- ‘back stop’ legislation which will apply if any fund is not invested via a vehicle/s which meet the criteria;

e) Thoughts about pooling models and options should be underway now with a view to proposals on a direction of travel (likely pools and which funds will be in them) going to ministers early next year. Further and more, detailed proposals would then be expected later in 2016.

f) Announcement by government on the way forward likely in Spring 2016.

g) Asset allocation is to be left at the local level, but as yet there is no guidance on the exact nature of this allocation (e.g. at the class or sub class level?).

h) Government has no fixed ideas on the structure of pools (CIV, CIF, joint procurement etc.) that decision is being left to the sector.

i) Government has no fixed ideas on type of pools (regional, multi asset or single asset) again, that decision is with the sector. However it has expressed a preference for a 'simple' solution.

j) Government is alive to the transitional issues for example illiquid vehicles that cannot be unwound in the short term without significant financial penalties. It is also aware of the time that structures such as the London CIV have taken to set up. However it will probably expect pooled vehicles to be in place in this parliament even if all assets will not be ready to be moved within that timeframe.

k) There may be a place for a proportion of the assets to remain under direct local control in certain circumstances. However any such exemptions would probably be for prescribed investments and will be small.

Meetings

7. A number of recent meetings have taken place on this subject organised both by the LGA, in response to a request from DCLG to facilitate discussions with stakeholders, and the Scheme Advisory Board (SAB).

8. LGA organised a fund officers/DCLG/HMT meeting on the 17th August, followed up with a further meeting on the 7th September, to encourage thinking around the criteria and possible models. The key outputs of these meetings were that funds:

- Remain unconvinced that there are any intrinsic benefits of scale especially for in house teams with already low costs.
- Do not see CIVs as the only method of pooling.
- Interpret 'asset allocation' in a number of different ways.
- Can see some benefits to pooling in some asset classes but would want to retain some local discretion.
- Anticipate reduced fees especially for alternatives, provided pools are well governed.

9. The LGA also organised an investment managers DCLG/HMT meeting on 24th August to solicit the views of the industry. The key outputs of this meeting were that managers:

- Were less concerned about the background structure of any pool and more concerned on the need for it to present itself as one client.
- Would encourage as much decision making as possible be placed within the pools in order to achieve the greatest savings.
- That pools if structured correctly could provide the 'sticky mandates' necessary to remove unnecessary churn.

10. The SAB held an open invitation session on 21st August for all funds. There were over 60 attendees (the vast majority officers) representing 45 funds. A copy of the Q&A from this session is attached as **ANNEX 1**.

11. LGA held a meeting for chairs of pension committees on 16th October. A number of issues were raised mainly around timing of proposals, the need to obtain political agreement, the potential exemptions and the potential for competing pools. The issue of co-ordination in order to ensure that all funds are involved in the proposals was also raised.

Potential models

12. Making an assumption that around £30b is the target for multi asset pools, with perhaps a smaller number for single asset pools which could be

evidenced to operate better at the national level; then a number of potential options for pooling emerge:- PLEASE NOT LGA are not supporting, proposing or seeking to achieve any of these options and the following are listed for information only

- Six or seven[1] regional multi asset pools
- Six or seven national multi asset pools - funds could join pools with similar investment strategies or methodologies (e.g. in-house)
- Four or five multi asset pools (regional or national) with a single national framework for passive
- Four or five multi asset pools with a national pool for a single asset class (e.g. infrastructure)
- Four or five multi asset pools with a single national framework for passive and a national pool for a single asset class
- Three or four multi asset pools with single national framework for passive, a national pool for a single asset class (e.g. infrastructure) and a single pool for fixed liabilities (e.g. a pensioner pool)

13. For pools themselves there are a number of different potential structures which are under consideration these being:

    - Joint procurement (e.g. the passive framework)
    - Joint vehicles (e.g. the LPFA/GMPF infrastructure pool)
    - Combined vehicles (e.g. the London CIV and Lancs/LPFA models)
    - Delegated functions (e.g. section 101(5) committee with lead authority)

14. For the latter two a degree of in-house management is being considered either to replicate what is already there or to build extra capacity.

15. In order for funds to be able to compare a number of the options a group of LGPS funds are working with Hymans Robertson to undertake an analysis of

[1] Depending on the participation of Welsh funds in cross border pools or one Welsh pool.

options with a view to assessing how each performs against the following criteria:

- Size - are the multi asset pools sufficient to meet the assumed government criteria of £30b, are the other vehicles optimally sized for their class or method?
- Costs - what are the estimated gross savings for each option?
- Governance - how do each of the models provide political structures and behaviours that encourage best practice outcomes (e.g. long term investment)?
- Local political direction - who is working with who already, where are the obvious fits?
- Central political direction - are there other policy drivers which the options best fit with (e.g. combined authorities)?
- Impact on competition - both in the manager market and between pools.
- Legislative requirements - what is needed and what would be the time frame needed?

16. The data from the above analysis will be made available to the stakeholders and in this respect the LGA's Head of Pensions will liaise with the steering group managing this work.

How LGA can help

17. The LGA pensions team can provide cross scheme data from the Scheme Annual Report to enable funds to assess the potential assets pools across England and Wales.

18. LGA can co-ordinate the process by making funds aware of the pooling projects underway and providing a central contact point for funds who are exploring their options and may wish to talk to more than one project.

19. The LGA Head of Pensions is able to attend joint or single meetings of officers and/or elected members in order to set out the background and current understanding of the process.

20. The LGA can make representation on behalf of LGPS funds back to government and/or facilitate contact with DCLG and HM Treasury officials who are leading on the process.

21. If you would like further information on how the LGA can provide support please contact:

Cllr Roger Phillips LGA lead member on pensions:
rjphillips@herefordshire.gov.uk

Jeff Houston Head of Pensions:

jeff.houston@local.gov.uk

October 2015

ANNEX 1

Questions received for 21st August Pooled Investment Event.

Q1. The current regulatory framework within which the LGPS operates makes it difficult for funds to collaborate on investments without a requirement to achieve FCA registration which entails additional cost and complexity. It should be possible to revise the Investment Regulations to allow funds to work together, within guidelines, without unnecessary regulation.

Are ministers receptive to a revision of the regulatory framework to enable funds to work together more easily? If so, will this be undertaken at the same time as the pooling consultation?

A1. Yes, as part of the package, government will consult on revising the investment regulations. It has been noted that the initiatives to be implemented in the near term, i.e. the London CIV, have needed to work through barriers in order to get the current stage. Amended investment regulations would be required to facilitate ease of implementation of investment pooling without having to establish third party companies and FCA regulation.

Q2. How do low cost internally managed LGPS schemes fit into their view for the LGPS?

A2. The intention is for all LGPS assets to be pooled, there will not be exemptions for any fund. However, the package for the LGPS is deliberately not over-prescriptive. The criteria for investment pools will include some detail on governance, size, and cost, but it will be up to LGPS funds to work together to uphold proposed investment pools against the criteria.

There is an issue of scale to address, and a need to collaborate with others with the same goals. Government can help proposals through regulatory change.

Q3. Funds are required to demonstrate cost savings, however as investment arrangements are income contracts as returns improve you pay higher fees, arguably you want to be paying more as it demonstrates you are earning more? Is "cost savings" the right question or should it be "Value for Money"?

A3. Both costs and the return on investments are important. It is recognised that i) there are industry-wide issues with investment expenses transparency, and ii) each fund will be starting from a different point. There is evidence to suggest larger pools may be more cost effective, benefitting from economies of scale. The government is *looking at a timescale longer than term of office for any cost savings to fully materialise. Without having set the criteria, questions around demonstrating cost savings against them are difficult to answer.*

Q4. There has not been any work to achieve a consistent fee base or fee budget for the wider LGPS to measure against, so how is the integrity of fee saving submissions established.

A4. LGPS policy has moved on from 2013 when the call for evidence brought investment costs into focus and ignited the passive versus active debate. Since then it has been shown that LGPS Funds had managed to negotiate competitive fee bases. Fee savings are one of the reasons, but not the primary reason, for pooling investments. As above, the criteria have not been set, nor the nature of the pools; therefore submissions would need to be backed up with evidence.

Q5. How are CIV structures more likely to generate savings over shared procurement initiatives, especially as CIV's have an operating cost, governance and access challenges to overcome?

A5. The policy intention would not be met by frameworks and/or procurement initiatives alone. If the end result is that the investments of the LGPS are to be held in four or five robust CIVs, similar to the London CIV, the government would not be disappointed. CIVs, however, were not prescribed in the budget, and there are other, just as acceptable, means for investment pooling.

One of the long term detractors in performance is investment manager turnover; its extent would be reduced as a result of pooling investments. The eventual solutions would need to be considered, backed up by research and require a lead in time to implementation.

Q6. How do we ensure that our proposals are not a patchwork quilt many of which may not meet the size criteria and/or overlap with each other? Do we need a moratorium on any new initiatives while we develop proposals and will be Board be looking to compile responses into a number of cohesive options?

A6. The criteria consultation is a continuum, with the 21st August Q&A/forum forming part of the process. Grouping for pools have yet to be defined, but regional, asset, liability and philosophy bases have been discussed. The Board will have a central role in coordinating responses and analysis to support the proposals and the development of suitable proposals is a challenge for the room.

Q7. I would like to know if there are any particular plans for funds with low cost, outperforming internal investment teams.

A7. As above, the intention is for all LGPS assets to be pooled, there will not be exemptions for any fund. However, outperforming internal investment teams are well placed to work together to lead and influence the pooling proposals.

Q8. Has the option of negotiating an LGPS fee with external managers been considered without the need to pool funds? I understand that some managers are offering this already.

A8. As above, the policy intention would not be met by frameworks and/or procurement initiatives alone. A "keep doing what you're doing", "business as usual" option would not be acceptable to government.

Q9. Can it be confirmed if this issue/consultation includes Scotland or is it purely England & Wales.

A9. The consultation is for England and Wales, and the criteria setting will be carried out by DCLG. The regulations for the LGPS in Scotland are devolved, therefore Scotland is not included.

Q10. Some asset class mandates are restricted by capacity, for example, private equity. Are these sorts of asset class exempt from pooling?

A10. It is the intention that all asset classes would be included in pooling, including alternatives asset classes, property, private equity etc.

Q11. What are the timescales?

A11. Criteria should be available in the autumn, and government will expect a report on how work has moved forward by next March. A 'clear direction of travel' would be useful within the next six months. Proposals are expected to be realised within the lifetime of this parliament. It is recognised that this is a challenge – but Secretary of State has a preference for collaboration over prescription.

Q12. Will financial support be provided to help establish investment pooling infrastructure (i.e. setting up systems, processes and staff etc, not infrastructure as an asset class)?

A12. Funds will be expected to meet the costs of restructuring investments from their own budgets. As mentioned earlier, and in the knowledge that expenses will be considerable, the government is looking at a timescale longer than term of office for any cost savings to fully materialise.

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The Markets in Financial Instruments Directive (MiFID II) and its impact on LGPS investments

Why be concerned?

1. It is our understanding that under MiFID II local authorities will be defaulted to retail client status - currently they are professional clients. There will be the opportunity to elect for professional client status.

What does that mean for me as an LGPS administering authority?

2. As a retail client your authority could be faced with a much reduced pool of asset managers and consultants willing to provide services, many may not deal with retail clients at all.

3. Those managers who are willing to deal with you will offer a restricted range of products and due to the extra compliance checks and reporting required for retail clients those products could cost more. First estimates are that up to 50% of LGPS assets may be affected.

4. If when the directive comes into force (January 2017) you hold assets in products outside of the scope of those available to retail clients you may find that the manager will eject you from that product resulting in a 'fire sale' of assets. This could be mitigated if FCA were to provide some form of transition period or 'grandparenting' - allowing you to retain products purchased as a professional investor for a period of time.

How can I elect for professional status?

5. The process will be similar to that in MiFID I (see ANNEX 1) although there may be some changes to the criteria. Effectively you will have to demonstrate to <u>each</u> manager you use that you meet the qualitative and quantitative criteria as set out below

6. The qualitative criteria - an 'adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the

transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved'

This assessment 'should be performed in relation to the person authorised to carry out transactions on its behalf.'

7. The quantitative criteria - (2 of the following 3 must be satisfied)

- the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
- the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000;
- the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged

How long will it take for an election to be completed?

8. Depending on how the actual criteria look when published in 2016 it could be a matter of weeks. However as each manager will have to assess each of its LGPS clients this cannot be able to be done all at once. Therefore it may be that some form of managed election process across the whole of the LGPS will be needed. For example if a significant number of authorities wait until very late 2016 to elect then don’t be surprised if the process is not completed by the January 2017 implementation date.

9. There is a duty on elected professional clients to keep firms informed about any change that could affect that status. Such changes could result in the process having be repeated and depending on the nature of the change the danger that the authority could be reverted back to retail client status.

What's the timeline?

February 2015: Feedback Statement on dealing commission regime and potential changes under MiFID II

March 2015: FCA Discussion Paper and ongoing dialogue in areas where we have policy choices to make

Summer 2015: EU legislation on MiFID II implementing measures is adopted and formal approval process begins

December 2015: Consultation on implementing MiFID II requirements

Early 2016: EU legislation on MiFID II implementing measures is finalised and published

June 2016: FCA Policy Statement (rules) on implementation of MiFID II

3 January 2017: MiFID II rules come into effect for all investment firms

What should I do?

10. Make your committee aware of the issue as soon as possible.

11. Discuss the implications with your asset managers, find out if they will they still deal with you as a retail client and what assets will be affected.

12. Prepare for an assessment against the qualitative and quantitative criteria - what evidence would you put forward to back up your election for professional status? In particular assess who will be judged against the qualitative criteria and if necessary be prepared to amend your delegations appropriately.

What are LGA doing?

13. We are in discussions with the FCA, DCLG and the Investment Association (IA) to find ways to lessen the impact on LGPS authorities, in particular we are:

- Investigating with DCLG and HMT the potential impact on pooling arrangements and in particular any impact on the potential for infrastructure investment via pools
- Discussing the election process under MiFID II with FCA to see if there are changes that could make the process smoother for local authorities in relation to their pensions functions
- Attempting to achieve a period of transition to avoid a forced sale of assets for those authorities who have not completed the election to professional status by January 2017

- Discussing with IA the possibility of standard documentation and process for election to professional status

LGA Pensions Team

16th October 2015

ANNEX 1

Extract from FCA New Conduct of Business Sourcebook Chapter 3 Client categorisation

ELECTIVE PROFESSIONAL CLIENTS

3.5.3

A firm may treat a client as an elective professional client if it complies with (1) and (3) and, where applicable, (2):

(1) the firm undertakes an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved (the "qualitative test");

(2) in relation to MiFID or equivalent third country business in the course of that assessment, at least two of the following criteria are satisfied:

(a) the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
(b) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000;
(c) the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged;
(the "quantitative test"); and

(3) the following procedure is followed:

(a) the client must state in writing to the firm that it wishes to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product;
(b) the firm must give the client a clear written warning of the protections and investor compensation rights the client may lose;
and

(c) the client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protections.

[Note: first, second, third and fifth paragraphs of section II.1 and first paragraph of section II.2 of annex II to MiFID]

3.5.4

If the client is an entity, the qualitative test should be performed in relation to the person authorised to carry out transactions on its behalf.

[Note: fourth paragraph of section II.1 of annex II to MiFID]

3.5.5

The fitness test applied to managers and directors of entities licensed under directives in the financial field is an example of the assessment of expertise and knowledge involved in the qualitative test.

[Note: fourth paragraph of section II.1 of annex II to MiFID]

3.5.6

Before deciding to accept a request for re-categorisation as an elective professional client a firm must take all reasonable steps to ensure that the client requesting to be treated as an elective professional client satisfies the qualitative test and, where applicable, the quantitative test.

[Note: second paragraph of section II.2 of annex II to MiFID]

3.5.7

An elective professional client should not be presumed to possess market knowledge and experience comparable to a per se professional client

[Note: second paragraph of section II.1 of annex II to MiFID]

3.5.8

Professional client are responsible for keeping the firm informed about any change that could affect their current categorisation.

[Note: fourth paragraph of section II.2 of annex II to MiFID]

3.5.9

(1) If a firm becomes aware that a client no longer fulfils the initial conditions that made it eligible for categorisation as an elective professional client , the firm must take the appropriate action.

(2) Where the appropriate action involves re-categorising that client as a retail client, the firm must notify that client of its new categorisation.

[Note: fourth paragraph of section II.2 of annex II to MiFID and article 28(1)
of the MiFID implementing Directive]

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City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**16 November 2015**
Classification:	**Public**
Title:	**Cash Flow Monitoring and Strategy**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no immediate financial implications arising from this report.**
Report of:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2904**

1. Executive Summary

1.1 This report presents an updated cash flow forecast for the fund which highlights the timescales for cash shortfalls and proposes a policy to address this position.

2. Recommendation

2.1 The Committee is asked to the note the cashflow position of the Fund.

2.2 The Committee is asked to approve the strategy for managing the cash flow position using investment income and structured disinvestment.

2.3 The Committee is asked to approve the disinvestment of £20 million from Legal & General in December 2015.

3. Cashflow Monitoring

3.1 At the September 2015 meeting, Committee members were presented with the Fund's cashflow position for the financial year, to demonstrate the draw on the Fund's asset's required to pay liabilities as they become due.

3.2 The revised actual cash-flow for the period April to October 2015 and the forecast up to March 2020 is shown in Appendix 1.

3.3 The forecast shows that it is expected the Fund will be overdrawn in January 2015 without additional monies.

3.4 The forecast includes the repayment of early employer contributions from City of Westminster of £13.45 million in December 2015.

3.5 In order to address the immediate cash flow requirements a one-off disinvestment of £20 million from Legal and General has been planned.

4. Cash Flow Strategy

4.1 The cash flow forecast at Appendix 1 indicates that there is a monthly cash deficit of between £1.5 and £2.0 million each month on average.

4.2 In order to minimise the market risk around large one-off disinvestments it is proposed to establish a more structured approach to disinvestment which will also incorporate any income generated to increase tax efficiency and improve transaction costs.

4.3 From April 2016 a monthly programme of cash transfers from the Fund Managers to the Fund bank account of around £2.0 million (£24 million per annum) will be introduced. This will be comprised of the following elements:

i. £1.0 million from Legal & General (£12 million per annum)
ii. £0.5 million from Majedie (£6 million per annum)
iii. £0.4 million from Insight (£4.8 million per annum)
iv. £0.3 million per quarter from Hermes (£1.2 million per annum)

4.4 Given the size of the portfolio and the scale of the organisation, Legal & General have confirmed that they would have no problem delivering £1.0 million cash around the beginning of each month when they can minimise costs from the significant cash flows they will be managing. This will be delivered via a standing order which will run from April 2016 until further notice.

4.5 Similarly as the holder of one of the large equity portfolios Majedie have agreed to the establishment of a monthly standing order of £0.5 million per month.

4.6 Due to the nature of the portfolio of assets held by Insight Investments, there is a monthly source of income from fixed interest bonds and government gilts and this has been estimated at around £0.4 million per month. This amount will be variable between months but should achieve the expected amount on average over the year. This will be monitored by officers.

4.7 Finally the Funds Property Manager, Hermes, provides quarterly cash dispersals of £0.3 million which previously has been reinvested in the Fund. This cash will now be brought directly into the Funds bank account to reduce the amounts required from other sources and avoid unnecessary administration around reinvestment.

4.8 The approach outlined above has been developed to draw cash from across the investment strategy i.e. equity, bonds and property to reduce the impact on the overall asset allocation. However, this will require further monitoring and if the cash amounts are insufficient or additional rebalancing is required this will be brought to the Committee's attention at the earliest opportunity. The cash-flow forecast will remain part of the regular agenda papers to allow the Committee to review this position.

5. Managing Deficit payments

5.1 The officers of the Fund are reviewing the approach to deficit repayments and the City of Westminster Council will be considering the affordability of pension contributions as part of the Council's 2016/17 Budget consultation.

5.2 As part of the 2016 Triennial Valuation the Fund Actuary will be assessing the liability profile and investment strategy to determine the required employer contribution rates for three years from 2017/18. The degree to which the rates changes from its current amount will impact upon the Fund cash flows. In addition, reductions in the workforce and hence payroll value mean that the total amount of contributions received each month has declined significantly in recent years and this is expected to continue given the expected Local Government Finance Settlement.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Neil Sellstrom nsellstrom@westminster.gov.uk or 020 7641 1152

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Cashflow Monitoring

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Appendix 1: CASHFLOW MONITORING

Cashflow actuals and forecast for period April 2015 to March 2016

	Apr-15	May-15	Jun-15	Jul-15	Aug-15			Sep-15			Oct-15			Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Actual	Actual	Actual	Actual	F'cast	Actual	Var	F'cast	Actual	Var	F'cast	Partial	Var	F'cast	F'cast	F'cast	F'cast	F'cast
Balance b/f	**1,995**	**3,583**	**1,520**	**9,045**	**7,615**	**7,615**	**0**	**6,025**	**6,008**	**17**	**8,225**	**9,337**	**-1,112**	**8,481**	**5,463**	**23,873**	**8,833**	**6,743**
Contributions	1,066	2,178	[4] 10,927	2,621	2,600	2,385	215	[5] 9,800	10,127	-327	1,400	2,709	-1,309	2,600	2,600	-10,850	2,600	2,600
Misc. Receipts[1]	73	41	112	611	100	8	92	100	79	21	100	215	-115	100	100	100	100	100
Pensions	-2,852	-2,883	-2,877	-2,874	-2,900	-2,922	22	-2,900	-2,901	1	-2,900	-2,900	0	-2,900	-2,900	-2,900	-2,900	-2,900
HMRC Tax	-506	-526	0	-537	-540	-511	-29	-540	0	-540	-540	0	-540	-2,128	-540	-540	-540	-540
Misc. Payments[2]	-1,193	-873	-621	-713	-800	-411	-389	-800	-440	-360	-800	-832	32	-800	-800	-800	-800	-800
Expenses[3]	0	0	-16	-538	-50	-156	106	-3,460	-3,536	76	-50	-48	-2	110	-50	-50	-550	-50
Net cash in/(out) in month	-3,412	-2,063	7,525	-1,430	-1,590	-1,607	17	2,200	3,329	-1,129	-2,790	-856	-1,934	-3,018	-1,590	-15,040	-2,090	-1,590
Withdrawals from Fund Managers	5,000	0	0	0	0	0		0	0		0	0		0	20,000	0	0	0
Balance c/f	**3,583**	**1,520**	**9,045**	**7,615**	**6,025**	**6,008**	**17**	**8,225**	**9,337**	**-1,112**	**5,435**	**8,481**	**-3,046**	**5,463**	**23,873**	**8,833**	**6,743**	**5,153**

Notes

[1] Includes Transfers in, Overpayments, Bank Interest, VAT reclaim, Recharges

[2] Includes Transfers out, Lump Sums, Death Grants, Refunds

[3] Payment of invoices impacted by the transition to the Council's new financial system on 1st April 2015

[4] Includes £6.25 million deficit payment from Westminster City Council

[5] Includes WCC upfront employer contributions of £7.2 million (equivalent of £1.2m per month)

Cashflow actuals and forecast for period April 2016 to March 2017 and the following 3 financial years

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast
Balance b/f	**5,153**	**5,563**	**5,773**	**6,183**	**6,593**	**6,803**	**4,213**	**4,623**	**4,833**	**5,243**	**5,653**	**5,863**
Contributions	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Misc. Receipts[1]	100	100	100	100	100	100	100	100	100	100	100	100
Pensions	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000	-3,000
HMRC Tax	-540	-540	-540	-540	-540	-540	-540	-540	-540	-540	-540	-540
Misc. Payments[2]	-800	-800	-800	-800	-800	-800	-800	-800	-800	-800	-800	-800
Expenses[3]	-50	-550	-50	-50	-550	-3050	-50	-550	-50	-50	-550	-50
Net cash in/(out) in month	-1,490	-1,990	-1,490	-1,490	-1,990	-4,490	-1,490	-1,990	-1,490	-1,490	-1,990	-1,490
Withdrawals from Fund Managers	1,900	2,200	1,900	1,900	2,200	1,900	1,900	2,200	1,900	1,900	2,200	1,900
Balance c/f	**5,563**	**5,773**	**6,183**	**6,593**	**6,803**	**4,213**	**4,623**	**4,833**	**5,243**	**5,653**	**5,863**	**6,273**

	2017/18	2018/19	2019/20
	£000	£000	£000
	F'cast	F'cast	F'cast
Balance b/f	**6,273**	**5,473**	**4,173**
Contributions	35000	37000	39000
Misc. Receipts[1]	1200	1300	1400
Pensions	-38000	-40000	-42000
HMRC Tax	-7000	-7500	-8000
Misc. Payments[2]	-10000	-12000	-14000
Expenses[3]	-6000	-6500	-7000
Net cash in/(out) in month	-24,800	-27,700	-30,600
Withdrawals from Fund Managers	24,000	26,400	28,800
Balance c/f	**5,473**	**4,173**	**2,373**

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City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**16 November 2015**
Classification:	**Public**
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:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2904**

1. Executive Summary

1.1 This report presents a summary of the Pension Fund's performance to 30 September 2015, together with an estimated valuation position.

2. Recommendation

2.1 The Committee note the contents of this paper, the performance report from Deloitte and the current actuarial assumptions and valuation.

3. Background

<u>Performance of the Fund</u>

3.1 This report presents a summary of the Pension Fund's performance and estimated funding level to 30 September 2015. The investment report (Appendix 1) has been prepared by Deloitte, the Fund's investment adviser, who will be attending the meeting to present the key points and answer questions.

3.2 The Investment Performance Report shows that over the quarter to 30th September 2015, the market value of the assets fell by approximately £48.1million as a result of the fall in equity markets. Over the quarter the Fund underperformed its benchmark, mostly due to the underperformance of the active equity manager Majedie.

3.3 The Funding update (Appendix 2) has been provided by the Fund Actuary, Barnett Waddingham. This indicates that the funding level has fallen from 78% to 74% over the quarter to 30th September 2015. The current funding level matches that reported at the last triennial valuation at 31 March 2013.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Nikki Parsons nparsons@westminster.gov.uk or 020 7641 6925

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 - Deloitte Investment Report, Quarter End to 30 September 2015
Appendix 2 - Barnett Waddingham Funding Update Report as at 30 September 2015

Deloitte.

City of Westminster Pension Fund
Investment Performance Report
to 30 September 2015 – Executive Summary

Deloitte Total Reward and Benefits Limited
November 2015

Contents

1 Market Background

Three and twelve months to 30 September 2015

UK equities delivered a negative return over the 3 months to 30 September 2015 (FTSE All Share Index: -5.7%). Markets were volatile over the third quarter amid concerns about a slowdown in Chinese economic growth and corresponding extreme bouts of volatility in Chinese stocks markets, with uncertainty over US interest rate rises adding to investors' concerns.

Mid and small cap companies outperformed the largest UK firms over the third quarter, with the FTSE 250 and FTSE Small Cap indices returning -4.2% and -3.4% respectively. At the sector level, Consumer Goods was the strongest performing sector (4.2%), in stark contrast to the poorest performing sector over the quarter, Basic Materials (-27.9%), which was particularly impacted by the fears over an economic slowdown in China and the corresponding effect on commodity prices

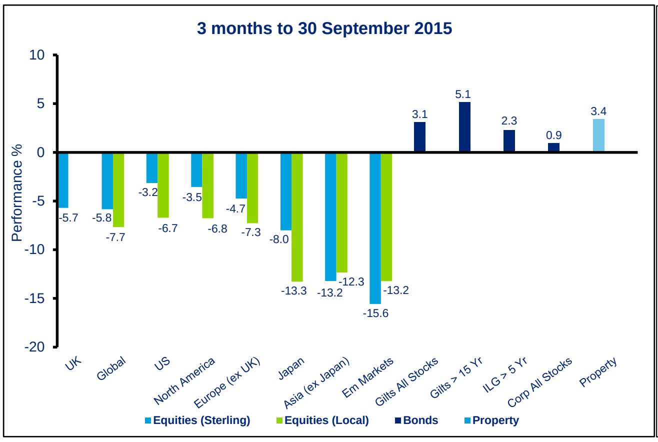
Global equity markets underperformed the UK in both local currency terms (-7.7%) and marginally underperformed the UK in sterling terms (-5.8%) as sterling depreciated against the dollar, euro and yen. As such, currency hedging was detrimental to sterling investors over the quarter. At the regional level, the US offered the highest return of -3.2% in sterling terms and -6.7% in local currency terms. Emerging markets was the poorest performing region over the quarter, returning -15.6% in sterling terms and -13.2% in local currency terms.

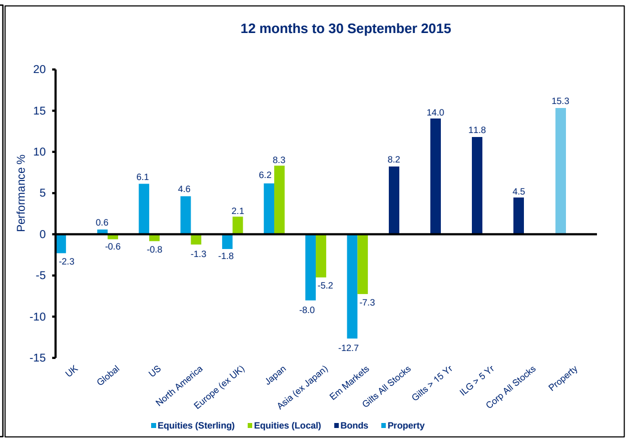
UK nominal gilts delivered positive returns over the third quarter as yields fell across all maturities, with the All Stocks Gilt Index returning 3.1%. Real yields on UK index-linked gilts also fell over the period, with the Over 5 Year Index-linked Gilt Index returning 2.3%. Corporate bonds also delivered positive returns over the quarter, with the iBoxx All Stocks Non Gilt Index returning 0.9%. Returns lagged gilts as credit spreads widened.

Over the 12 months to 30 September 2015, the FTSE All Share Index returned -2.3%. At the sector level, in a continuing trend, Technology delivered the highest return (14.9%) whilst Basic Materials was the poorest performing sector (-31.5%). Global equity markets outperformed the UK in both sterling and local currency terms respectively, with the FTSE All World Index returning 0.6% and -0.6% respectively.

UK nominal gilts delivered positive returns over the year to 30 September 2015 as gilt yields fell across all but the shortest maturities. The All Stocks Gilt Index returned 8.2% over the 12 month period and the Over 15 Year Gilt Index returned 14.0%. Real yields also fell over the year, with Over 5 year Index-linked Gilt Index returning 11.8%. Corporate bond returns were positive, with the iBoxx All Stocks Non Gilt Index returning 4.5% over the 12 months to 30 September 2015, again lagging gilts as credit spreads widened.

The UK property market performed strongly over both periods, returning 3.4% over the quarter and 15.3% over the year to 30 September 2015.





2 Total Fund

2.1 Investment Performance to 30 September 2015

The following table summarises the performance of the Fund's managers.

Manager	Asset Class	Last Quarter (%)			Last Year (%)			Last 3 Years (% p.a.)[1]			Since inception (% p.a.)[1]		
		Fund		B'mark	Fund		B'mark	Fund		B'mark	Fund		B'mark
		Gross	Net[1]		Gross	Net[1]		Gross	Net[1]		Gross	Net[1]	
Majedie	UK Equity	-6.7	-6.8	-5.7	0.4	0.0	-2.3	12.5	12.1	7.2	9.7	9.3	5.1
LGIM	Global Equity	-8.1	-8.1	-8.1	-1.4	-1.5	-1.4	n/a	n/a	n/a	11.0	10.8	10.9
Baillie Gifford	Global Equity	-5.7	-5.8	-5.9	4.6	4.2	0.4	n/a	n/a	n/a	4.9	4.5	4.4
Longview	Global Equity	-3.2	-3.4	-4.9	n/a	n/a	n/a	n/a	n/a	n/a	2.2	1.7	-3.3
Insight	Gilts	1.8	1.7	1.8	4.7	4.6	4.8	1.7	1.6	1.7	5.3	5.2	5.4
	Non Gilts	0.9	0.9	0.9	4.2	3.9	4.3	5.2	4.9	4.7	5.7	5.5	5.3
Hermes	Property	3.9	3.8	3.2	17.2	16.8	14.8	14.6	14.2	11.8	9.9	9.5	9.2
Standard Life	Property	2.0	1.9	3.6	8.9	8.4	10.4	n/a	n/a	n/a	10.8	10.3	8.5
Total		-4.5	-4.5	-4.0	2.6	2.2	1.3	10.0	9.7	9.0	6.1	5.8	5.7

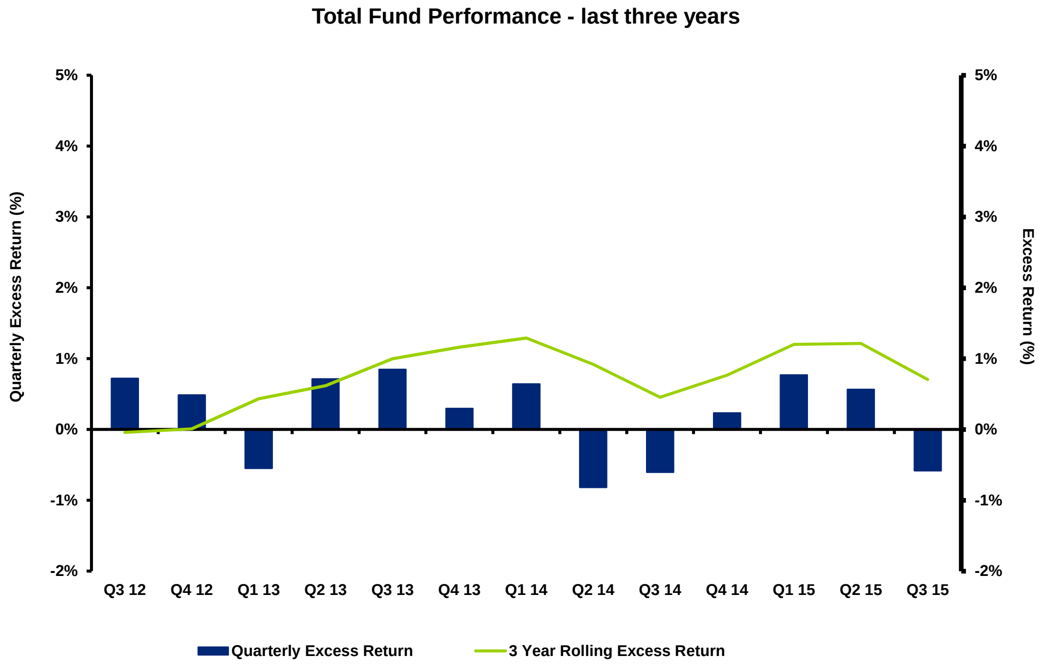
Source: Investment Managers

(1) Estimated by Deloitte when manager data is not available.

See appendix 1 for more detail on manager fees and since inception dates

Over the quarter the Fund underperformed its benchmark, mostly due to the underperformance of the active equity manager Majedie.

The chart below shows the performance of the Fund over the last three years, highlighting that the rolling three-year performance has been positive since 2013, with Majedie, Baillie Gifford and Hermes contributing positively. Please note that performance is shown net of fees versus the benchmark.



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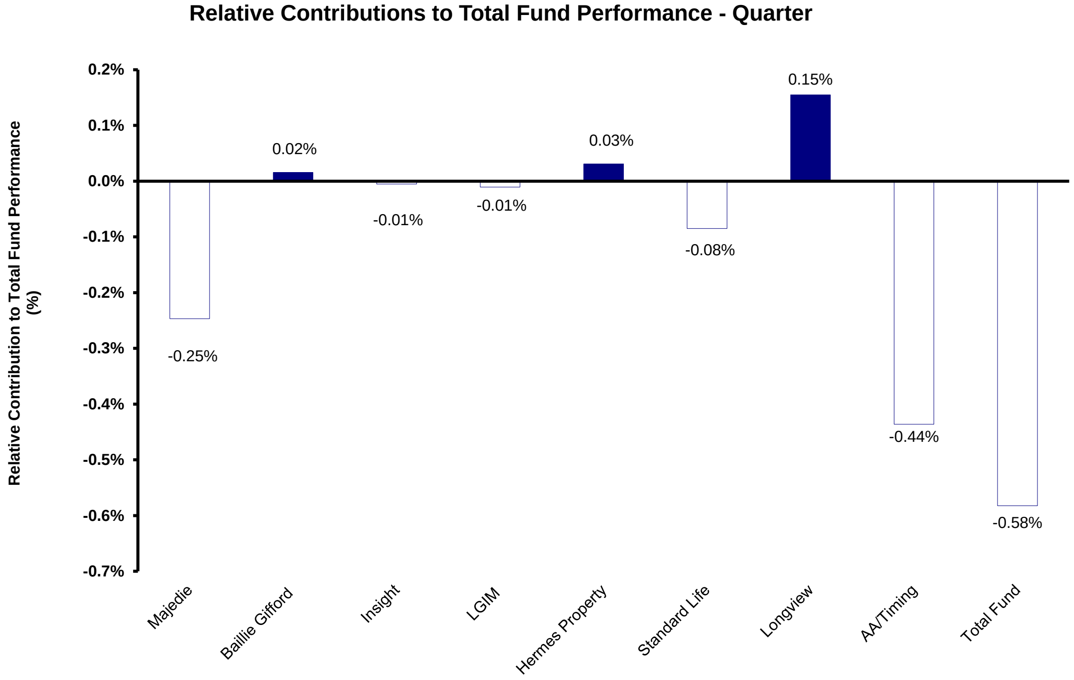
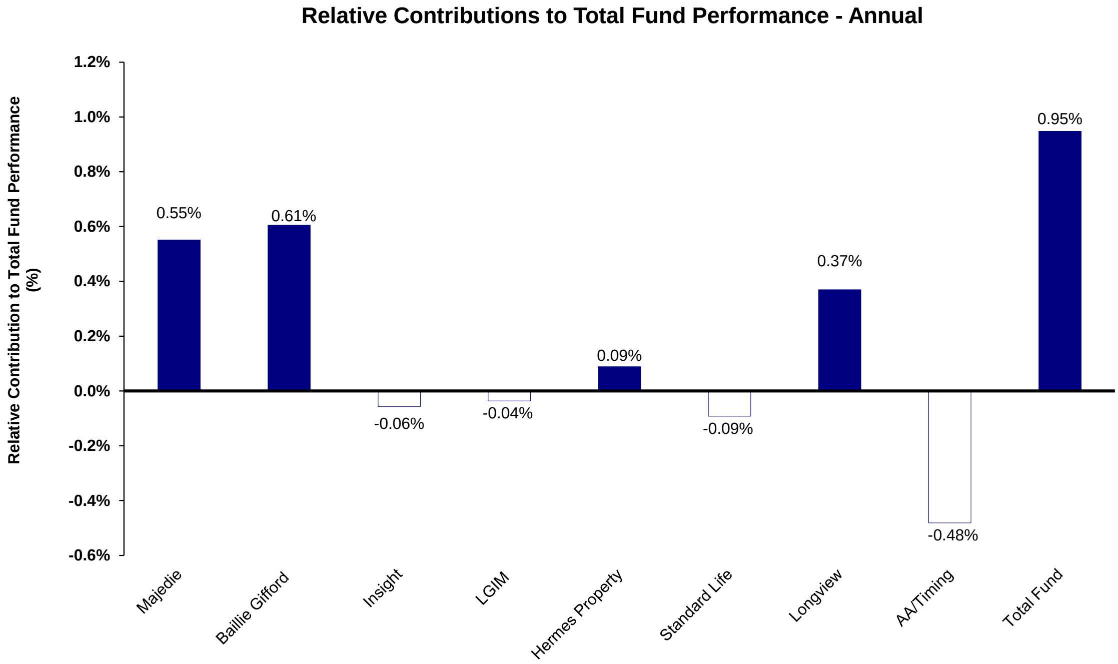
2.2 Attribution of Performance to 30 September 2015



The Fund underperformed its composite benchmark by 58bps over the third quarter of 2015, largely as a result of weak performance from the active equity manager Majedie and being overweight in equities in general, which performed poorly over the quarter.



The Fund outperformed over the year, largely due to strong performance from Majedie, Baillie Gifford and Longview. The AA/Timing bar largely reflects the fact that the actual allocation has differed from the benchmark. The average underweight allocation to Hermes and Longview over the year have contributed to the negative contribution from AA/Timing above.

Asset Allocation as at 30 September 2015

The table below shows the assets held by manager and asset class as at 30 September 2015.

Manager	Asset Class	End Jun 2015 (£m)	End Sep 2015 (£m)	End Jun 2015 (%)	End Sep 2015 (%)	Benchmark Allocation* (%)
Majedie	UK Equity	255.6	238.5	23.8	23.3	22.5
LGIM	Global Equity (Passive)	275.5	253.2	25.7	24.7	22.5
Baillie Gifford	Global Equity	170.6	161.0	15.9	15.7	25
Longview	Global Equity	105.2	101.7	9.8	9.9	
	Total Equity	**806.9**	**754.4**	**75.2**	**73.6**	**70**
Insight	Fixed Interest Gilts (Passive)	17.6	17.9	1.6	1.7	20
Insight	Sterling Non-Gilts	152.5	153.9	14.2	15.0	
	Total Bonds	**170.1**	**171.8**	**15.9**	**16.8**	**20**
Hermes	Property	47.1	48.9	4.4	4.8	5
Standard Life	Property	48.9	49.8	4.6	4.9	5
To be Determined	Property / Infrastructure	-	-	-	-	-
	Total Property	**96.0**	**98.7**	**8.9**	**9.6**	**10**
	Total	**1,073.0**	**1,024.9**	**100**	**100**	**100**

Source: Investment Managers

Figures may not sum to total due to rounding

* The benchmark allocation has been set to 70% equity, 20% bonds and 10% property to better align the benchmark performance calculation with the allocation and performance of the Fund. The Fund's long term strategic benchmark includes a 5% allocation to Property / Infrastructure, which will be funded from the equity portfolio.

Over the quarter the market value of the assets fell by c. £48.1m as a result of the fall in equity markets.

As at 30 September 2015, the Fund is overweight to equity by c. 3.6% when compared with the amended benchmark allocation, with overweight allocations to UK equities and both passive and active global equities. As a result of this overweight position, the Fund is underweight bonds and property by c. 3.2% and c. 0.4% respectively.

3 Summary of Manager Ratings

The table below summarises Deloitte's ratings of the managers employed by the Fund and triggers against which managers should be reviewed.

Manager	Mandate	Triggers for Review	Rating*
Majedie	UK Equity	Further turnover within the core investment team Re-opening the UK equity products with no clear limits on the value of assets that they would take on	1
Baillie Gifford	Global Equity	Loss of key personnel Change in investment approach Lack of control of asset growth	1
Longview	Global Equity	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
LGIM	Global Equity (passive)	Major deviation from benchmark returns Significant loss of assets under management	1
Insight	Sterling Non-Gilts	Departure of any of the senior members of the investment team Steps to broaden their product offering beyond the current UK and European focus without first bringing in the additional expertise	1
Insight	Fixed Interest Gilts (Passive)		n/a
Hermes	Property	Significant growth in the value of assets invested in the fund Changes to the team managing the mandate	2
Standard Life	Property	Further significant growth in the value of the Long Lease Property Fund resulting in an erosion in the quality and yield of the underlying assets Departure of the fund manager	1

* The Provisional rating is applied where we have concerns over changes to an investment manager

Majedie UK Equity

Business

While the UK Equity Fund remains closed, Majedie looks to recycle any capacity that becomes available, with continued interest coming from the high net worth market. Majedie continues to see steady growth in the Global Equity and Focus Funds.

Majedie is having discussions with the London CIV regarding its products, specifically the UK Equity Strategy, which 3 of the London Boroughs invest in. Majedie is open to making the Fund available through this platform, assuming it can agree terms which will benefit the current London LGPS investors, however are not any further forward with negotiations at this stage.

Personnel

There were 4 new joiners over the quarter although the team managing the UK Equity Fund remains unchanged.

Deloitte view – We continue to rate Majedie positively for its UK equity capabilities.

Baillie Gifford

Business

Total assets under management decreased over the third quarter of 2015 from c. £121.0bn as at 30 June 2015 to c. £110.6bn as at 30 September 2015 largely due to negative market returns rather than outflows.

Baillie Gifford closed the Global Alpha Fund to new investors at the start of the 2015 and will only accept inflows from existing clients subject to capacity remaining available.

Personnel

Tom Coutts, Head of European equities will become the Chair of the EAFE Alpha Portfolio Construction Group in addition to his current role.

Scott Lothian joined the Multi Asset team in September as an experienced hire. In addition, 6 new graduates joined the investment team in September.

There has been some internal re-arranging of teams, replacing the Diversified Growth Review Group with a new Multi Asset and Fixed Income Review Group that will be responsible for reviewing the portfolios managed by the Multi Asset, Credit, and Rates & Currency teams. Gerald Smith will chair this new Review Group as well as the newly created Multi Asset and Fixed Income Business Group, who aim to guide the strategy for client service and marketing.

Deloitte view – We continue to rate Baillie Gifford positively for its global equity capabilities.

LGIM

Business

As at 30 June 2015, Legal & General Investment Management ("Legal & General") had total assets under management of c. £507bn.

Personnel

Chad Rakvin has been appointed Global Head of Index Funds. Chad joined LGIM in 2013, from Northern Trust Global Investments, where he was Global Equity Index Director. Since joining LGIM, Chad has led the US index fund management business. Chad will report to Aaron Meder, Head of Investments, in his new role and will be based in London. In conjunction with this appointment, Shaun Murphy, Director of Index Funds at LGIM, has been appointed as Chad's successor as Head of US Index Funds and will continue to work closely with Chad as part of the global team.

Earlier this year, Ali Toutounchi, Global Head of Index Funds, signalled his plans to retire at the end of 2015, and has been working closely with Aaron to appoint his successor. Over the coming months, Ali will work with Chad to transition his responsibilities and will continue to be involved with LGIM after his retirement in a strategic and advisory capacity, enabling LGIM and its clients to benefit from his significant expertise and experience as well as providing guidance to Chad as he takes our Index business forward.

Julian Harding left LGIM over the quarter. As a result, Colm O'Brien will take responsibility for the UK-based Equity Index Fund team as Head of Index Equities and International Index Developments. Colm joined LGIM in 2012 from Irish Life Investment Managers, where he was Head of Indexation.

Eve Finn has been appointed Head of Portfolio Solutions. In Eve's new role within the Solutions Group, she will expand her responsibility from engaging with LGIM's major LDI clients on de-risking solutions.

Deloitte View: We continue to rate Legal & General positively for its passive capabilities.

Longview

Business

There have been no changes to the team over the quarter.

As at 30 September 2015, Longview had AUM of c. £13.0bn. Longview lost one client and gained another of a similar size over the quarter, with the fall in AUM due primarily to market movements.

Deloitte view – We continue to rate Longview for its global equity capabilities.

Insight

Business

Insight continued to see a strong inflow of assets over the quarter. Assets under management was £383bn as at the end of June 2015, with £90bn invested in Fixed Income products (non-LDI). Insight noted that its Bonds Plus Fund continues to see interest from investors, with the strategy re-opened for selective new business on the grounds of additional capacity becoming available following the integration of the former Cutwater credit team in the UK. Insight has also seen new business flow into its Buy and Maintain products with assets coming from active corporate bond and passive index portfolios.

There were no changes to the Fixed Income Group over the third quarter.

Insight notes the need for London LGPS to save fees and governance through asset pooling and is hoping to work with the London CIV in the near future. Insight is meeting the London CIV in Q4 2015 to discuss products which it hopes will be available through this platform.

Deloitte view – We continue to rate Insight positively for its bond and LDI capabilities.

Hermes

Business

The total value of the Trust increased over the quarter to c. £1.22bn at the end of September 2015 with interest from prospective unit holders continuing to be strong with Hermes operating a waiting list for new investment of c. £200m.

Personnel

There were no changes to the team over the quarter.

Deloitte view – We continue to rate the team managing HPUT.

Standard Life

Business

The Long Lease Property fund's assets under management increased slightly to £1.59bn over the third quarter following positive performance. There were no investor in/out flows over the period and there is currently no investment queue.

Richard Marshall, the Head of Secure Real Estate, is relocating from Edinburgh to London for personal reasons. There have been no other significant joiners or leavers over the quarter.

Deloitte View: We continue to rate SLI positively for its long lease property capabilities.

4 Baillie Gifford – Global Equity

Baillie Gifford was appointed to manage an active Global Equity mandate from 18 March 2014. The manager is remunerated on an asset based fee, reflecting the total value of assets invested in the strategy across the Tri-borough. The target is to outperform the benchmark of 2% p.a.

4.1 Global equity – Investment performance to 30 September 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford - Gross of fees	-5.7	4.6	n/a	4.9
Net of fees[1]	-5.8	4.2	n/a	4.5
MSCI AC World Index	-5.9	0.4	n/a	4.4
Relative (net of fees)	0.1	3.8	n/a	0.1

Source: Baillie Gifford

(1) Estimated by Deloitte

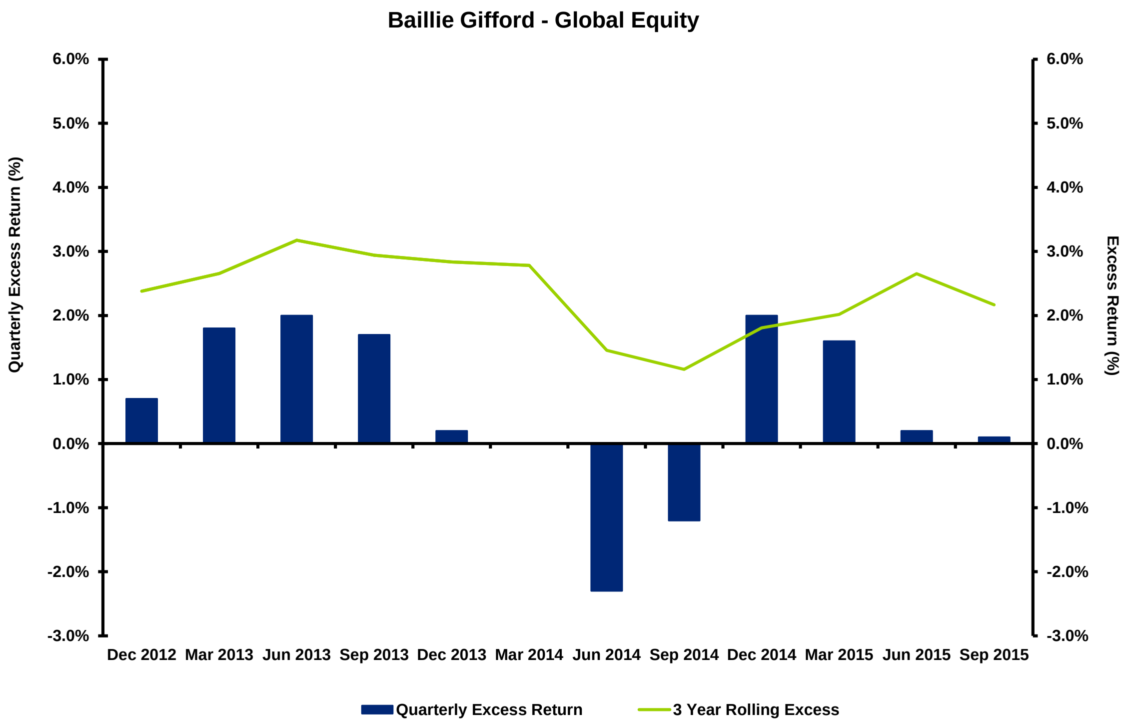
See appendix 1 for more detail on manager fees

Inception date taken as 18 March 2014

The Baillie Gifford Global Equity fund has outperformed its benchmark over the quarter, the year and period since inception. The main contributors to the marginal outperformance over the quarter were the Fund's holdings in Royal Caribbean Cruises, Amazon.com and Ryanair.

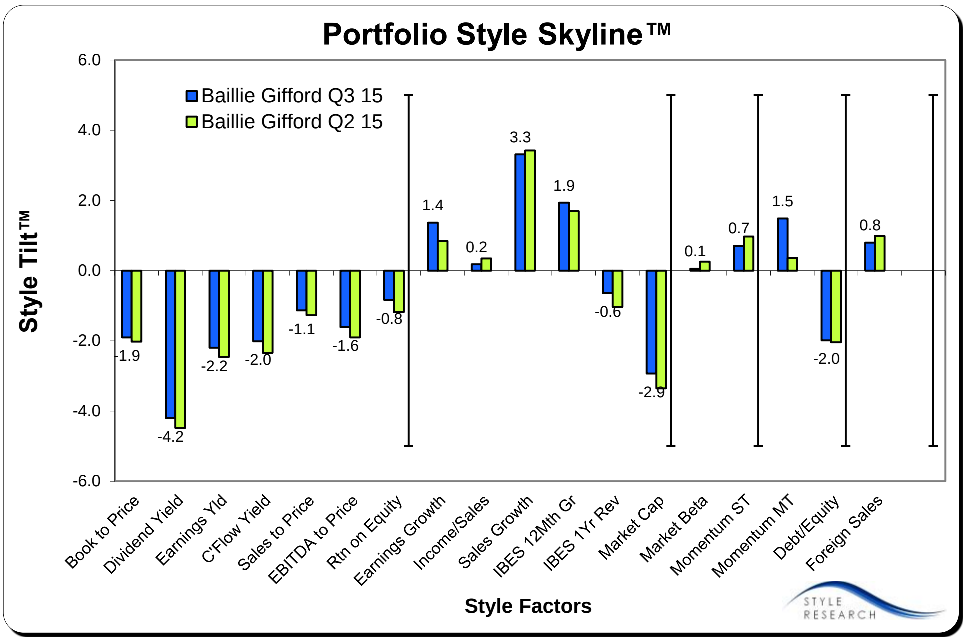
The main detractors over the quarter were the overweight positions in Naspers (the media company), and Chinese companies Baidu.com and Alibaba, who all delivered negative returns over the period.

The graph below shows the net quarterly returns and the rolling 3 year excess returns relative to the benchmark. Note that the Fund only invested in this fund from 18th March 2014 and previous periods are shown for information only.



4.2 Style analysis

We have analysed the Style of Baillie Gifford's Global Alpha portfolio as at 30 September 2015, the results can be seen in the below graph. When considering the analysis it should be borne in mind that any figures in excess of +/-1 are considered to be meaningful.



As can be seen, Baillie Gifford has a marked negative bias to value related factors and a positive bias to growth factors which is consistent with the stated investment approach. This is a similar position to last quarter.

The top 10 holdings in the Baillie Gifford fund account for c. 27.6% of the fund and are detailed below.

Top 10 holdings as at 30 September 2015	Proportion of Baillie Gifford fund
Royal Caribbean	4.42%
Prudential	3.59%
Amazon.com	3.19%
Naspers	2.91%
Ryanair Holdings	2.80%
Anthem	2.30%
Taiwan Semi	2.24%
Alphabet	2.16%
Markel	2.04%
First Republic Bank	1.98%
Total	**27.63%**

Baillie Gifford	30 June 2015	30 September 2015
Total Number of holdings	98	97
Active risk	3.8%	4.0%
Coverage	6.9%	7.2%
Top 10 holdings	25.12%	27.63%

As at 30 September 2015, Baillie Gifford held 97 stocks, with an overlap with the FTSE All World index of 7.2%. The active risk, as at 30 September 2015, was 4.0% - a marginal increase from the previous quarter although most of this can be attributed to a general pick-up in market volatility.

5 LGIM – Global Equity (Passive)

LGIM was appointed to manage a passive global equity mandate from the 31 October 2012.The manager is remunerated on a fixed fee based on the value of assets. The target is to deliver performance in line with the stated benchmarks.

5.1 Passive Global Equity – Investment Performance to 30 September 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	-8.1	-1.4	n/a	11.0
Net of fees[1]	-8.1	-1.5	n/a	10.8
FTSE World GBP Hedged	-8.1	-1.4	n/a	10.9
Relative (net of fees)	0.0	-0.1	n/a	-0.1

Source: LGIM

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 1 November 2012 (prior to that the mandate was an active equity mandate). The portfolio aims to track the benchmark.

The investment objective of the Fund is to track the performance of the FTSE AW-World Index (less withholding tax if applicable) - GBP Hedged (with the exception of advanced emerging markets) to within +/-0.5% p.a. for two years out of three.

The LGIM Fund has performed broadly in line with the benchmark over the quarter, one year and since the inception of the mandate.

Deloitte is currently working with LGIM with regards to the Fund's mandate, looking at the options for how this should be moved on to the London CIV platform, as and when this is launched, in the most cost effective way. Analysis is being carried out to consider the restructure and rebalancing costs, particularly relating to the Fund's emerging markets exposure, and a formal proposal will be discussed once this has been finalised.

6 Majedie – UK Equity

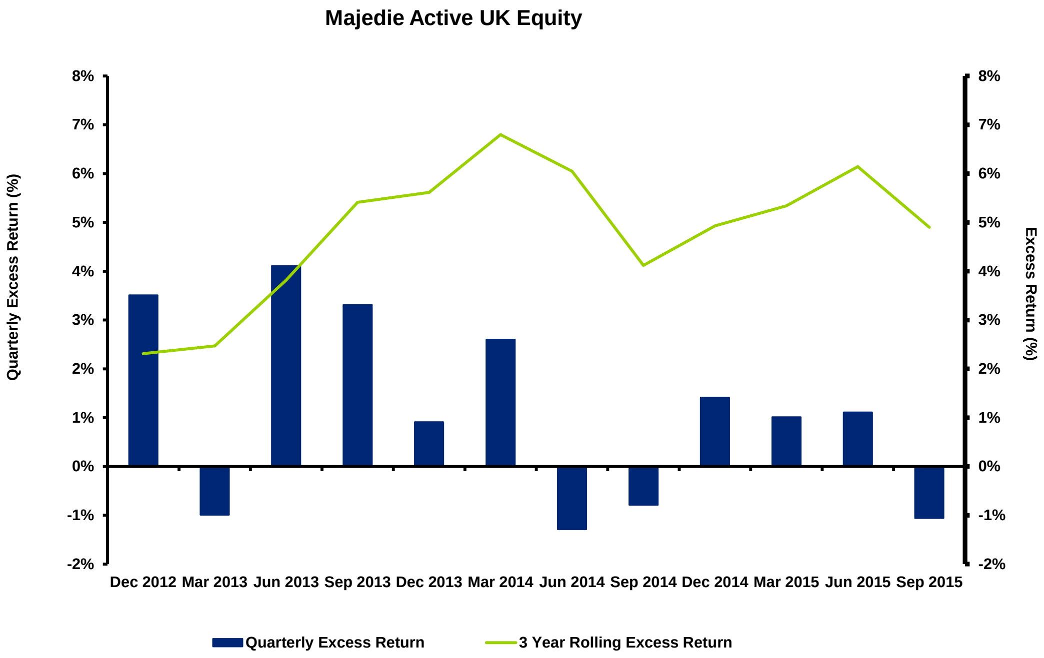
Majedie was appointed to manage an active UK equity mandate. The manager's remuneration is a combination of a fixed fee based on the value of assets and a performance related fee which is payable when the excess return of the portfolio over a rolling 3 year period is more than 1% p.a. The target is to outperform the benchmark by 2% p.a.

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie - Gross of base fees	-6.7	0.4	12.5	9.7
Net of base fees[1]	-6.8	0.0	12.1	9.3
FTSE All-Share Index	-5.7	-2.3	7.2	5.1
Relative (net of fees)	-1.1	2.3	4.9	4.2

Source: Majedie

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



Majedie underperformed its benchmark over the quarter by 1.1% on a net of fees basis. However, over the longer timeframes of one year, three years and since inception the manager has comfortably outperformed its benchmark on a net basis by 2.3%, 4.9% p.a. and 4.2% p.a. respectively.

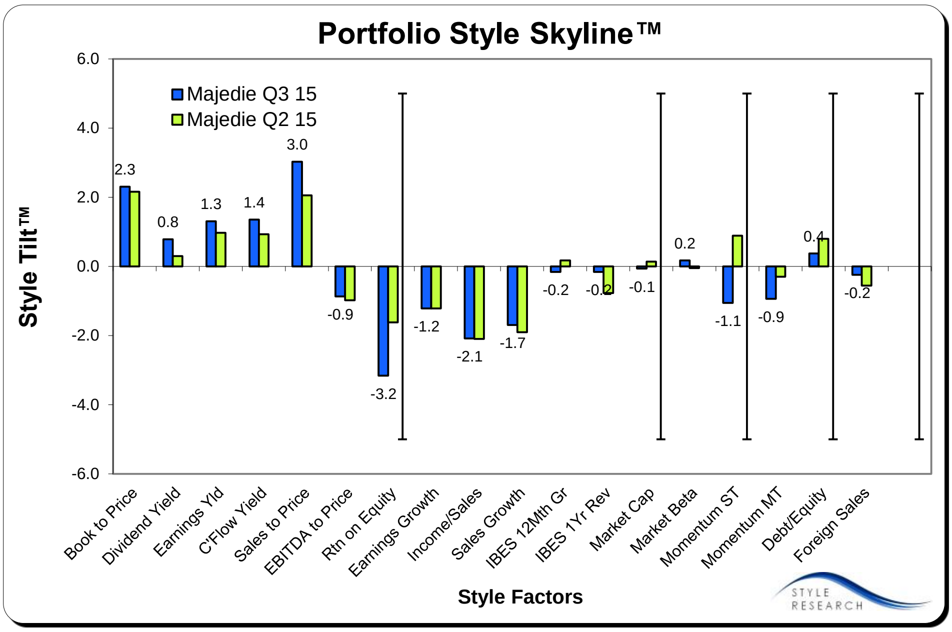
One of the main detractors from performance was Majedie's nil holding in Imperial Tobacco, SABMiller and British American Tobacco, believing that they were overpriced. These shares performed well over the quarter.

Majedie has started to increase the portfolio's allocation to mining and oil companies. These stocks also detracted from performance over the quarter, although Majedie still has a high conviction in these stocks and sectors, albeit it believes it may have called the position too early.

On a more positive note, holding European telecom companies such as Orange and Telecom Italia contributed positively to performance, with European infrastructure for 4G getting more investment over the quarter.

6.1 Style analysis

We have analysed the Style of Majedie as at 30 September 2015. When considering the analysis it should be borne in mind that any figures in excess of +/- 1 are considered to be meaningful.



While the portfolio is currently showing a modest positive bias to value factors, it is not particularly strong and we would not be surprised to see this change over time depending on where Majedie finds appropriate opportunities.

The top 10 holdings in the Majedie fund account for c. 40% of the fund and are detailed below.

Top 10 holdings as at 30 September 2015	Proportion of Majedie fund
HSBC	6.50%
Royal Dutch Shell	4.94%
Vodafone	4.87%
BP	4.85%
Barclays	3.86%
Orange	3.12%
Tesco	3.03%
RBS	2.92%
GlaxoSmithKline	2.84%
BT Group	2.73%
Total	**39.66%**

Majedie	30 June 2015	30 September 2015
Total Number of holdings	208	196*
Active risk	2.4%	2.7%
Coverage	41.5%	40.7%
Top 10 holdings	39.71%	39.66%

*includes 120 stocks in the Majedie UK Smaller Companies Fund, which the fund invests in.

As at 30 September 2015, Majedie held 196 stocks in total, with an overlap with the FTSE All Share index of 40.7%. This coverage is significantly higher than both Baillie Gifford and Longview, reflecting to an extent the multi manager approach. Majedie's active risk, as at 30 September 2015, was 2.7%.

7 Longview – Global Equity

Longview was appointed on 15 January 2015 to manage an active global equity mandate. The manager's remuneration is based on the value of assets invested across the Tri-borough. The expectation is that the fund will outperform the benchmark by 3% p.a.

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Gross of base fees	-3.2	n/a	n/a	2.2
Net of base fees[1]	-3.4	n/a	n/a	1.7
MSCI World Index	-4.9	n/a	n/a	-3.3
Relative (net of fees)	1.5	n/a	n/a	5.0

Source: Longview

(1) Estimated by Deloitte

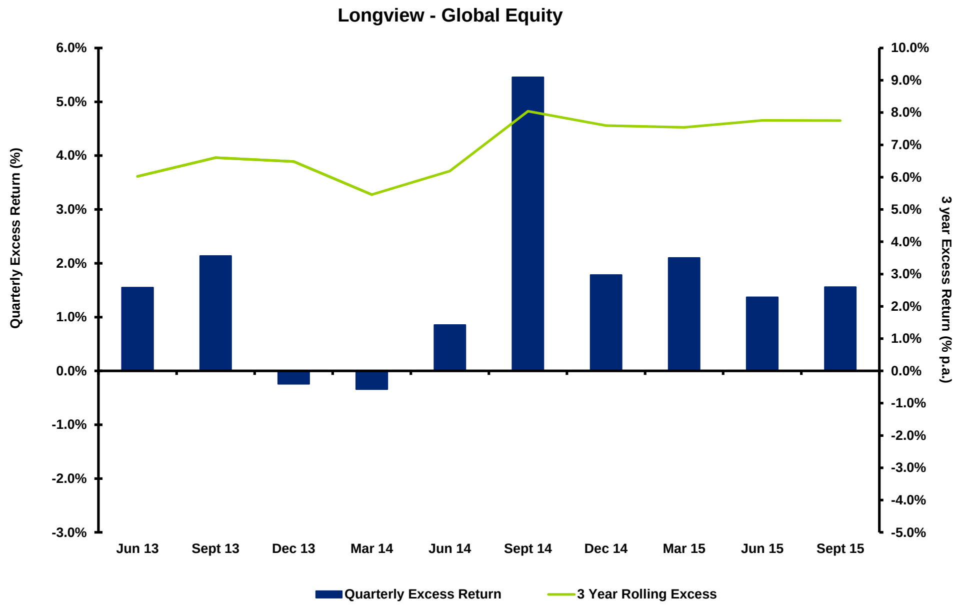
See appendix 1 for more detail on manager fees

Longview outperformed the benchmark by 1.5% on a net basis, over the third quarter of 2015.

Top contributor this quarter came from the Fund's holding in Fidelity National Information Services, who sell software and outsourcing solutions for the banking sector, which posted good results, benefitting from banks reducing their cost base. Imperial Tobacco performed well over the quarter with Longview believing this stock is nearing fair value. Imperial Tobacco is a defensive company and the recent acquisition of Reynolds was viewed positively by the market.

The top detractors from performance came from the entertainment sector with Viacom and Time Warner performing poorly. Falling cable and satellite subscribers meant that Disney posted slightly lower than expected profits which knocked the whole sector, including Time Warner despite the business posting good results this quarter. Viacom's ratings for children's channels such as Nickelodeon fell, resulting in lower revenue from advertising in the US.

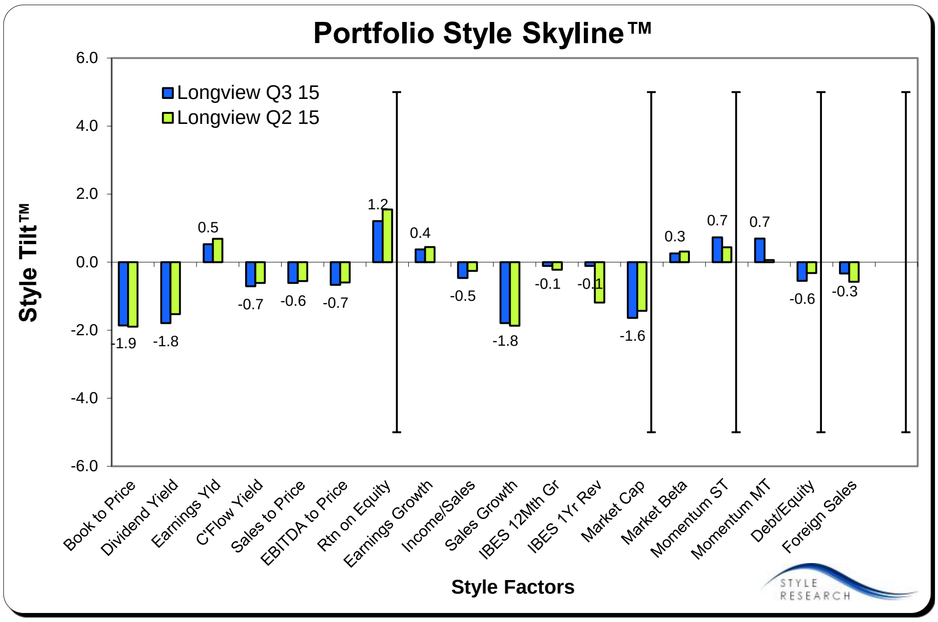
HCA Holdings (largest owner of private US hospitals) suffered as pharmaceuticals were hit by bad press over the quarter. Some companies were in the limelight for acquiring the rights to certain drugs before multiplying the price. Speeches made by US presidential candidates hit out at the pharmaceutical sector, promising this type of business would be "clamped down".



For information purposes we have included the longer run performance history for the strategy.

7.1 Style analysis

The Style “skyline” for Longview’s global equity portfolio as at 30 September 2015 is shown below graph. When considering the analysis it should be borne in mind that any figures in excess of +/- 1 are considered to be meaningful.



As can be seen from the above, Longview does not currently have a strong bias to either value or growth factors, showing little change from the previous quarter’s “skyline”.

The top 10 holdings in the Longview fund account for c. 35.5% of the fund and are detailed below.

Top 10 holdings as at 30 September 2015	Proportion of Longview fund
Delphi Automotive	4.08%
AON	4.06%
Bank of New York Mellon	3.56%
Accenture	3.52%
WPP	3.47%
Yum! Brands	3.45%
Oracle	3.42%
Fidelity National Info Services	3.41%
Lloyds	3.29%
Wells Fargo	3.28%
Total	**35.54%**

Longview	30 June 2015	30 September 2015
Total Number of holdings	34	36
Active risk	4.4%	4.2%
Coverage	4.4%	4.7%
Top 10 holdings	38.57%	35.54%

As at 30 September 2015, Longview held 36 stocks in total, with an overlap with the FTSE All World index of only 4.7%. This coverage is low due to the high conviction investing that Longview undertakes; which also leads to a an active risk of 4.2% as at 30 September 2015.

8 Insight – Bonds

Insight was appointed to manage two bond portfolios – an actively managed corporate bond (non – Gilt) portfolio and a passively managed gilt portfolio. The manager's fee is based on the value of assets. The target of the Non-Gilt portfolio is to outperform the benchmark by 0.9% p.a.

8.1 Insight – Active Non Gilts

8.1.1 Investment Performance to 30 September 2015

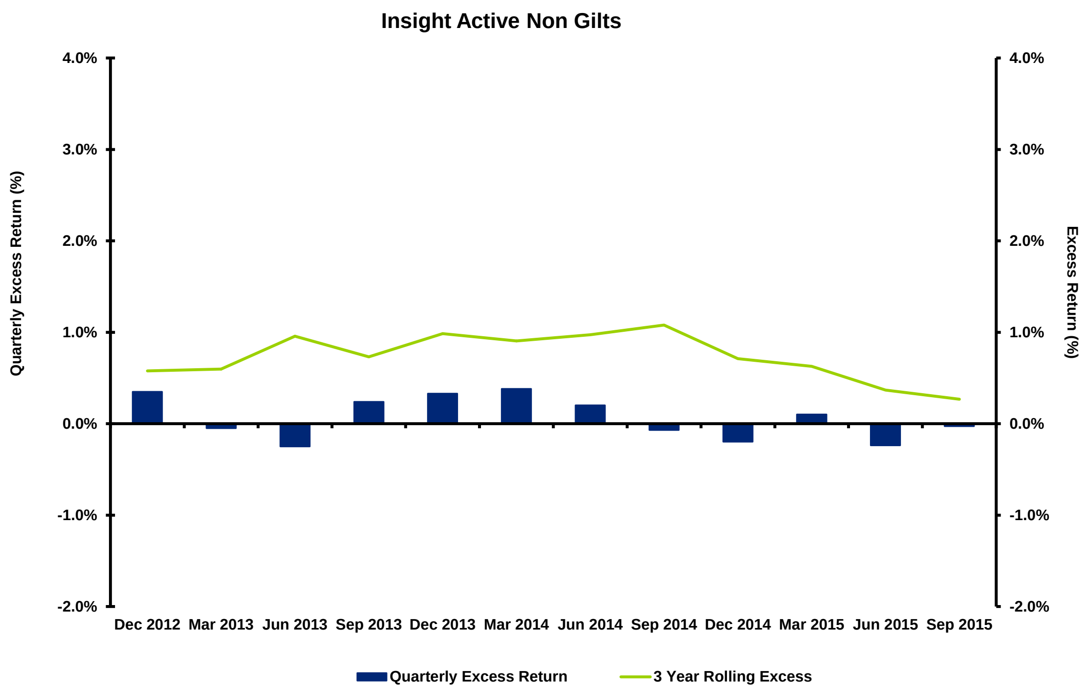
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Non-Gilts) - Gross of fees	0.9	4.2	5.2	5.7
Net of fees[1]	0.9	3.9	4.9	5.5
iBoxx £ Non-Gilt 1-15 Yrs Index	0.9	4.3	4.7	5.3
Relative (net of fees)	0.0	-0.4	0.2	0.2

Source: Insight

(1) Estimated by Deloitte

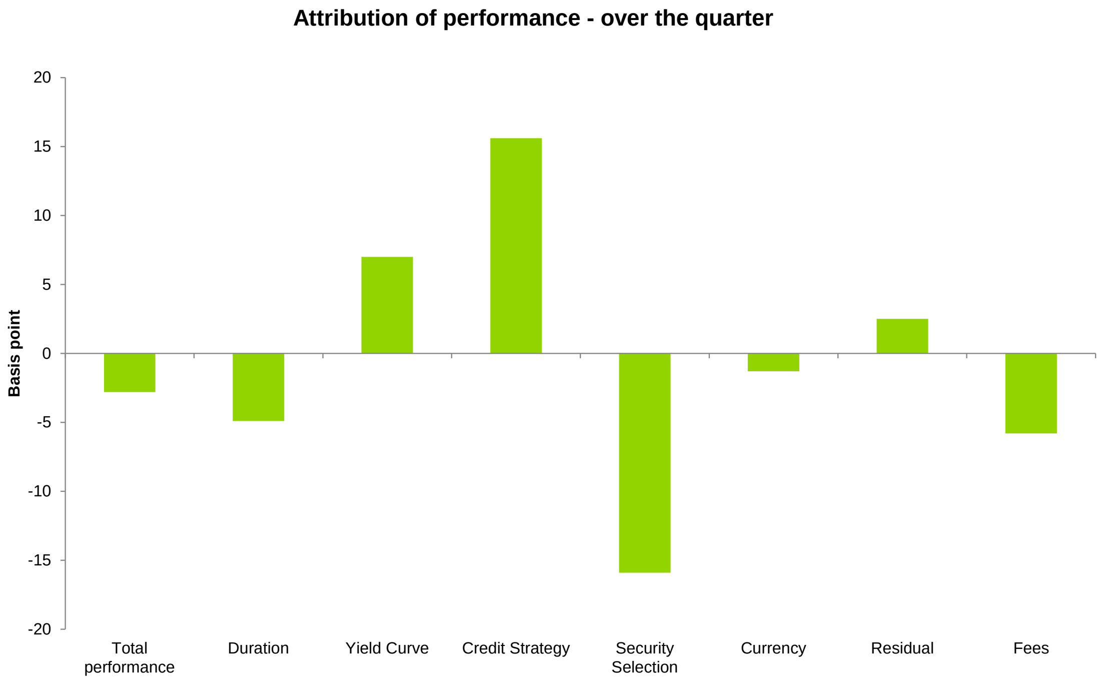
See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



Over the quarter the portfolio performed in line with the benchmark returning 0.9% on a net of fees basis. Over the year to 30 September 2015, the fund has underperformed the benchmark by 0.4% net of fees. Over the longer time periods of 3 years and since inception, Insight has outperformed the benchmark, net of fees, both by 0.2% p.a..

8.1.2 Attribution of Performance



Source: Estimated by Insight

Insight's underperformance this quarter has been driven by security selection and the duration positioning offsetting gains on the gains from the positioning on the yield curve and the credit strategy.

8.2 Insight – Government Bonds

8.2.1 Investment Performance to 30 September 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Passive Bonds) - Gross	1.8	4.7	1.7	5.3
Net of fees[1]	1.7	4.6	1.6	5.2
FTSE A Gilts up to 15 Yrs Index	1.8	4.8	1.7	5.4
Relative (net of fees)	-0.1	-0.2	-0.1	-0.2

Source: Insight

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 30 June 2008.

The gilt portfolio has marginally underperformed its benchmark over the quarter, one and three year period to 30 September 2015.

8.3 Duration of portfolios

	End Jun 2015		End Sep 2015	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.5	5.5	5.5	5.3
Government Bonds (Passive)	4.5	4.5	4.3	4.7

Source: Insight

9 Hermes – Property

Hermes was appointed to manage a core UK property portfolio. The manager is remunerated on a fixed fee based on the value of assets. The target is to outperform the benchmark by 0.5% p.a.

9.1 Portfolio Monitoring Summary

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)[1]
Hermes - Gross of fees	3.9	17.2	14.6	9.9
Net of fees[1]	3.8	16.8	14.2	9.5
Benchmark	3.2	14.8	11.8	9.2
Relative (net of fees)	0.6	2.0	2.4	0.3

Source: Hermes

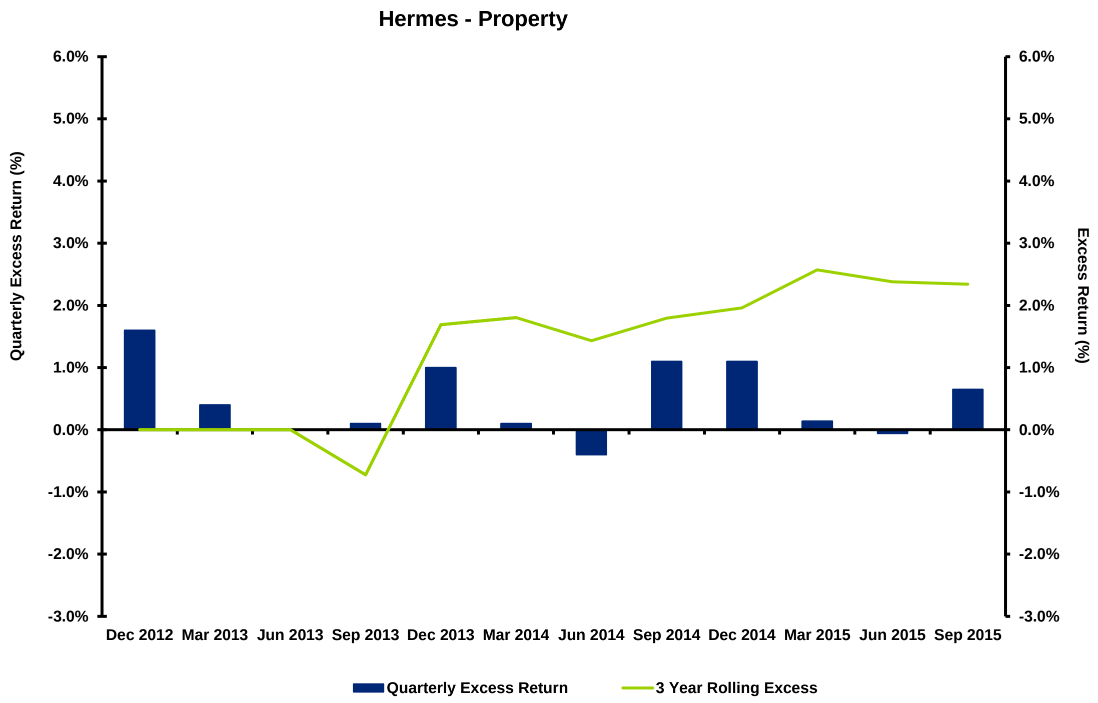
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date is taken as 26 October 2010

Hermes outperformed its benchmark by 0.6% over the quarter with longer term performance also ahead of benchmark.

As per last quarter, the return this quarter was primarily driven by the fund's Office investments in both the West End of London and the Rest of the UK.



9.2 Sales and Purchases

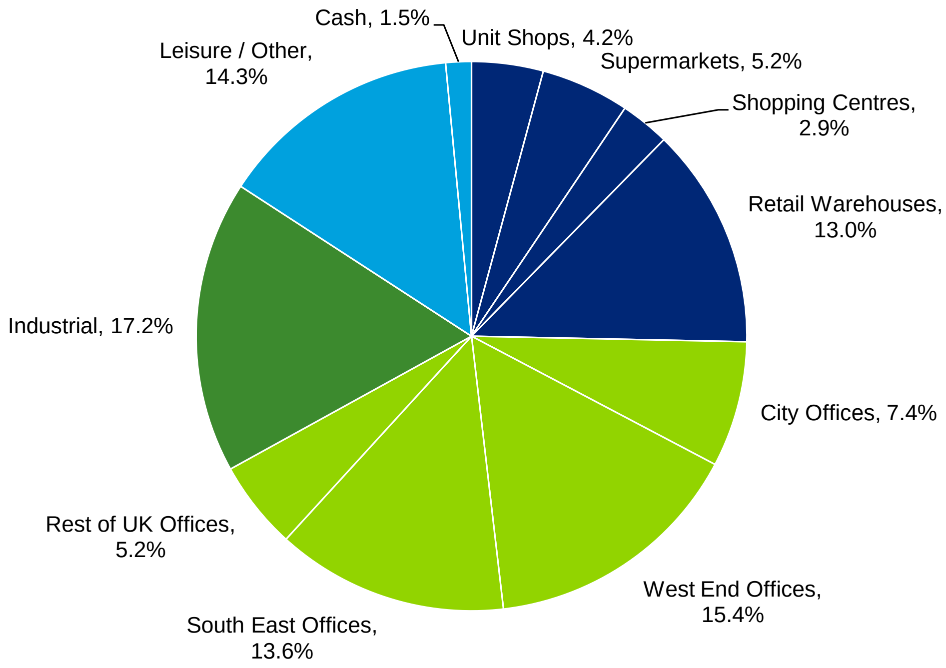
Over the quarter, Hermes sold part of its Plantation Wharf property in Battersea to a residential developer. As part of this deal, Hermes receives a 10% p.a. income stream on the agreed purchase price of £15m until the units have been developed. The purchase price is then received by Hermes once the units are finalised, along with any overage payment should the units be sold for more than an agreed amount.

Over the quarter Hermes also made two acquisitions, namely:

- The B&Q unit adjacent to the Maybird Shopping Park in Stratford upon Avon (which is already within the fund) was purchased for £9.5m. This was purchased partly as a defensive move, to maintain a certain level of tenant around the entrance to the shopping centre and partly to set up for a potential move for NEXT which has a small unit in Maybird with a lease expiry coming up.
- Round Foundry & Marshalls Mill in Leeds was purchased for £31.5m. These are old mills which have been converted into non-traditional office blocks which have been favoured by PR and marketing firms. The initial yield on this property is 7.8%, expected to raise to 8.2% once lettings of three vacant units have been agreed.

9.3 Portfolio Summary as at 30 September 2015

The Hermes Property Unit Trust invests across retail, offices, industrials and other sectors, with the split as at 30 September 2015 shown below.



The table below shows the top 10 directly held assets in the fund as at 30 September 2015.

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	111.0
8/10 Great George Street, London	West End Offices	56.0
27 Soho Square, London	West End Offices	43.7
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	42.9
2 Cavendish Square, London	West End Offices	41.5
Christopher Place, St Albans	Shopping Centres	35.2
Hythe House, Hammersmith	Standard Offices SE	33.6
Broken Wharf House, London	City Offices	32.3
Camden Works, London	Standard Offices SE	32.3
Round Foundry & Marshalls Mill, Leeds	Standard Offices RUK	32.0
Total		**460.4**

10 Standard Life – Long Lease Property

Standard Life Investments ("SLI") was appointed to manage a UK property portfolio investing in core assets where the focus is on properties with long leases let to high quality tenants. The manager is remunerated on a fixed fee based on the value of assets. The target is to outperform the benchmark by 0.5% p.a.

10.1 Portfolio Monitoring Summary

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Standard Life - Gross of fees	2.0	8.9	n/a	10.8
Net of fees[1]	1.9	8.4	n/a	10.3
Benchmark	3.6	10.4	n/a	8.5
Relative (net of fees)	-1.7	-2.0	n/a	1.8

Source: Standard Life

(1) Estimated by Deloitte

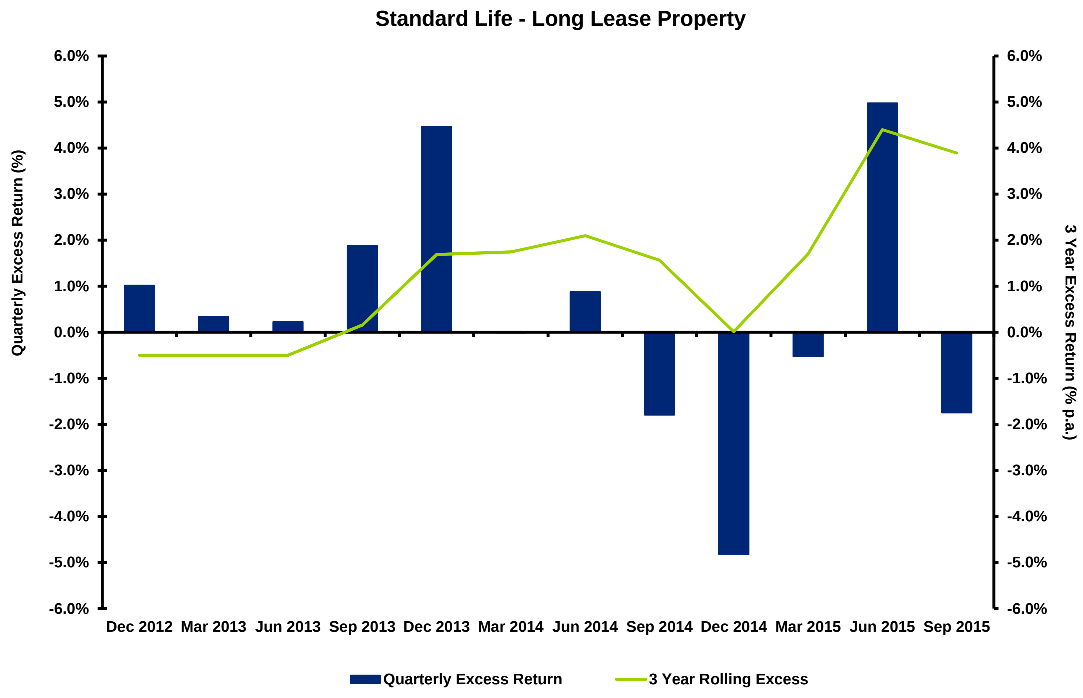
See appendix 1 for more detail on manager fees

Since inception: 14 June 2013

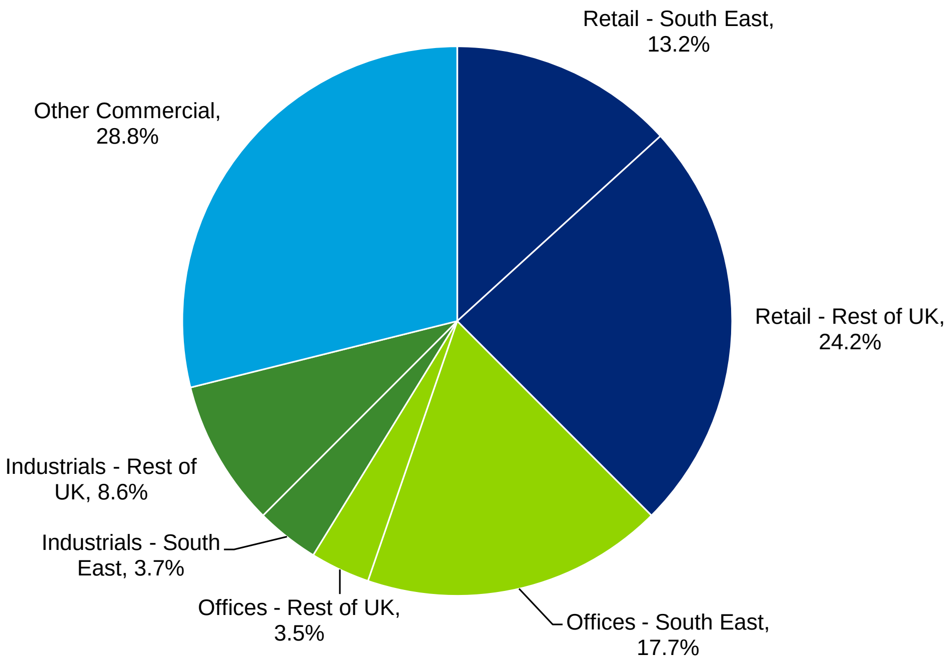
The SLI Long Lease Property Fund returned 1.9% over the third quarter of 2015, underperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 1.7% net of fees. Over the 12 months the Fund has underperformed the benchmark and has also lagged the broader property market by 2.0% and 6.9% respectively.

We would not expect a long lease property fund to keep track with the core property market, and similarly would not expect the fund to keep pace with a gilts based benchmark in such extreme low yielding environments. In absolute terms, over the medium to longer term the fund has performed in line with our expectations.

Net performance of the Long Lease Fund is shown below. Please note that the Fund only invested in this fund from June 2013 and previous periods are shown for information only.



The sector allocation in the Long Lease Property Fund as at 30 September 2015 is shown in the graph below.



When compared to an IPD benchmark, the Fund remains underweight in the office sector (21.2% compared to 29.8%) and remains underweight the industrial sector (12.3% compared to 18.4%).

The Fund continues to be significantly overweight in the “Other” sector (28.8% compared to 9.2%) as a result of its holdings in a range of car parks, student accommodation, hotels, medical centres and law courts, as well as its indirect holding in the Standard Life Investments Commercial Ground Rent Fund.

The table below shows details of the top ten tenants in the Fund measured by percentage of net rental income:

Tenant	Property/Location	Total Rent £m p.a.	% Net Income
Tesco Stores Limited	Various	7.8	10.9
Premier Inn Limited	Fountainbridge	5.1	7.1
Sainsbury’s Supermarkets	Various	4.8	6.8
Asda Stores Limited	Various	4.4	6.2
University of Salford	Peel Park Campus	3.7	5.2
Save the Children Fund	Various	3.5	4.9
WM Morrisons Supermarkets	1 St Johns Lane, London	3.5	4.9
Marstons PLC	Various	3.4	4.7
Glasgow City Council	Various	3.1	4.4
Travis Perkins (Properties)	Various	3.0	4.2
Total		**42.3**	**59.4**

The top 10 tenants contribute 59.4% of the total net income into the Fund. Supermarkets continue to dominate the Fund, with Tesco, Sainsbury’s, Asda and Morrison’s contributing 28.8% to the Fund’s total net rental income.

The Fund’s average unexpired lease term has increased slightly over the quarter to 26.2 years.

The proportion of the Fund invested in assets with fixed, part-fixed, CPI or RPI-linked rental increases rose from 89.9% to 90.4% over the third quarter of 2015.

10.2 Sales and Purchases

During the quarter the fund completed a 45 year £7.5m lease on a 104 room student accommodation facility in Salford.

The fund undertook a £30m development with Poundland on the M6, with a 20 year lease and a running yield of 5.1%.

The fund is also currently considering a possible future investment in a 30 year hotel lease.

Appendix 1 – Fund and Manager Benchmarks

The tables in this Appendix detail the benchmarks and outperformance targets, for the Total Fund and each individual manager.

Total Fund

Inception: 1 June 2006. Current benchmark allocation effective from 25 March 2015.

Manager	Asset Class	Long Term Strategic Benchmark Allocation	Benchmark	Outperformance Target	Inception Date	Fees (p.a.)	Tracking Error p.a.
Majedie	UK Equity	20.0	FTSE All-Share Index	+2.0 p.a. (net of fess)	31/05/06	c.35bps base fees +20 performance fee on 1 outperformance over 3 year rolling	2.0-6.0
LGIM	Global Equity	20.0	FTSE World GBP Hedged	Passive	01/11/12	13bps base fees	+/- 0.5
Baillie Gifford	Global Equity	25.0	MSCI AC World Index	+2.0 p.a. (net of fess)	18/03/14	40bps base fee	
Longview	Global Equity		MSCI World (GBP) Index	To outperform the benchmark over a market cycle	15/01/15	75bps base fees minus a rebate dependent on fund size	
Insight	Fixed Interest Gilts	-	FTSE GILTS up to 15 Yrs Index	Passive	31/05/06	10bps base fees	
	Non-Gilts	20.0	iBoxx £ Non-Gilt 1-15 Yrs Index	+ 0.90 p.a. (gross fees)	31/05/06	c.24bps base fee	0 - 3.0
Hermes	Property	5.0	IPD UK PPFI Balanced PUT Index	+0.5 p.a. (net of fess)	26/10/10	40bps base fee	
Standard Life	Property	5.0	FTSE Gilts All Stocks Index +2% p.a.	+0.5 p.a. (net of fess)	14/06/13	50bps base fee	
To be determined	Property / Infrastructure	5.0					
	Total	**100.0**					

For the purposes of our performance calculations we have assumed the 5% awaiting allocation to property / infrastructure is split evenly between Majedie and LGIM.

Appendix 2 – Manager Ratings

Based on our manager research process, we assign ratings to the investment managers for specific products or services. The ratings are based on a combination of quantitative and qualitative factors, where the inputs for the qualitative factors come from a series of focused meetings with the investment managers. The ratings reflect our expectations of the future performance of the particular product or service, based on an assessment of:

- The manager's business management;
- The sources of ideas that go to form the portfolio ("alpha generation");
- The process for including the ideas into the portfolio ("alpha harnessing"); and
- How the performance is delivered to the clients.

On the basis of the research and analysis, managers are rated from 1 (most positive) to 4 (most negative), where managers rated 1 are considered most likely to deliver outperformance, net of fees, on a reasonably consistent basis. Managers rated 1 will typically form the basis of any manager selection short-lists.

Where there are developments with an investment manager that cause an element of uncertainty we will make the rating provisional for a short period of time, while we carry out further assessment of the situation.

Appendix 3 – Style analysis

The Style Skylines are designed to answer the question "How significantly different is the portfolio from the benchmark?" in respect of Style factors which are important and relevant in equity markets.

In each Style Skyline, the first six bars from the left are Value factors (shown as blue bars in the output). The next six bars are the Growth factors (green bars) and include four current/historic measures as well as two forward-looking Growth factors (incorporating IBES consensus earnings estimates and earnings revisions). The remaining bars on the right cover Size, Beta, Momentum, Gearing/Leverage and Foreign Sales.

As a general rule of thumb, for any individual Style tilt (Standard or Adjusted):

- Style tilts less than -0.5 or more than +0.5 indicate a tilt is observable.
- Style tilts less than -1 or more than +1 are statistically significant.
- Style tilts less than -2 or more than +2 are statistically very significant.

There is a further interpretation when we compare across similar factors such as the Value factors (blue bars in the Style Skyline) or the Growth factors (green bars). If most of the Value factors are positive and, say, between 0.4 to 0.6 this suggests that there is a significant Value tilt even though no individual tilt is very significant i.e. multiple tilts in a similar direction within Value or within Growth can reinforce our interpretation of a Style orientation.

It is possible that more extreme tilts can be produced when portfolios and benchmarks are themselves narrowly defined against the market e.g. it is not unusual for Small Cap portfolios to show tilts of 3, 4 or even much larger in magnitude against a Small Cap benchmark. In these cases the significance of the tilts should not be overemphasized.

There is little purity of definition, but in general the various Value and Growth tilt possibilities can be initially interpreted as follows:

Value Factors	Growth Factors	Interpretation
Positive	Negative	Traditional Value
Positive	Positive	Growth at the Right Price
Negative	Positive	Traditional Growth
Negative	Negative	Popular Recovery Situations

Appendix 4 – Risk warnings & Disclosures

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

Our advice will be specific to your current circumstances and intentions and therefore will not be suitable for use at any other time, in different circumstances or to achieve other aims or for the use of others. Accordingly, you should only use the advice for the intended purpose.

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Barnett Waddingham
Public Sector Consulting

City of Westminster Pension Fund

Funding Update Report

as at 30 September 2015

Graeme D Muir FFA
Barnett Waddingham LLP

3 November 2015

Contents

1. Introduction

1.1. We have carried out a quarterly monitoring assessment of the City of Westminster Pension Fund (the Fund) as at 30 September 2015. The purpose of this assessment is to provide an update on the funding position.

1.2. We assess the funding position on a smoothed basis which is an estimate of the average position over a six month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are projected numbers and likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.

1.3. In addition, we assess the funding position on an unsmoothed basis where assets are taken at market value and discount rates are taken as the spot rates at the reporting date.

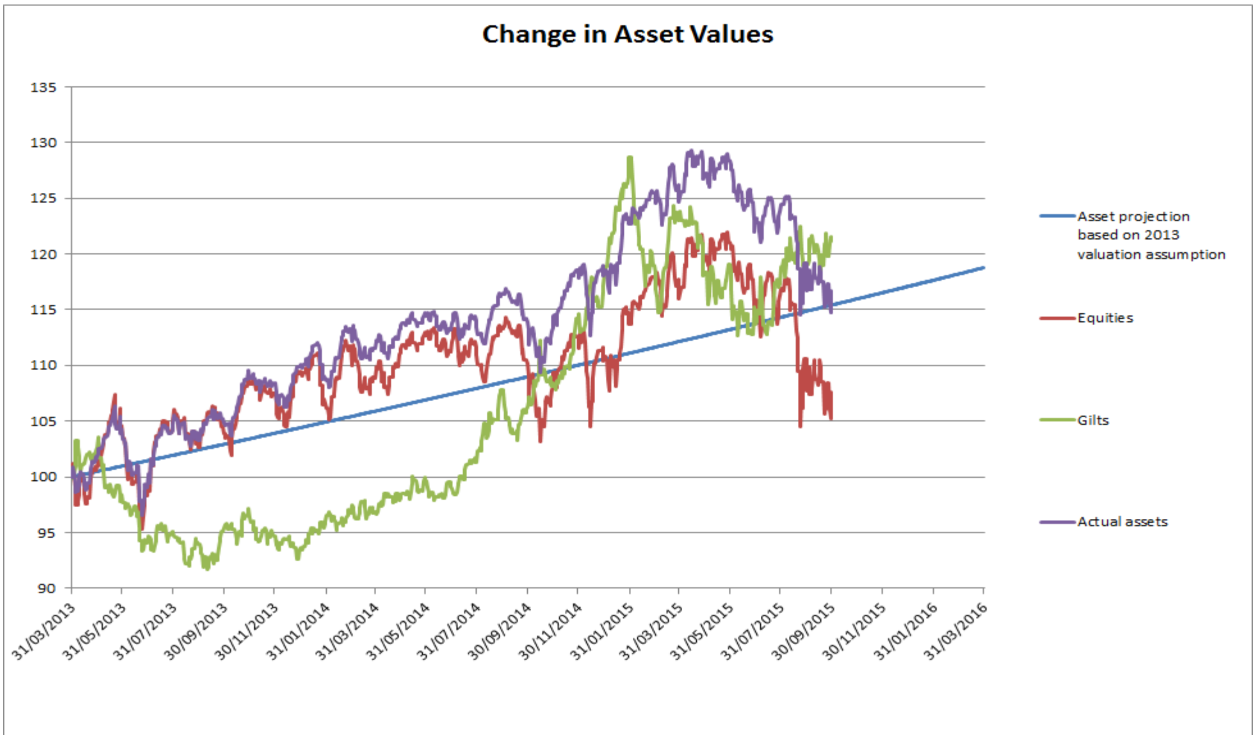
2. Assets

2.1. The estimated (unsmoothed) asset allocation of the City of Westminster Pension Fund as at 30 September 2015 is as follows:

Assets (Market Value)	30 September 2015		30 June 2015		31 March 2013	
	£000's	%	£000's	%	£000's	%
UK and Overseas Equities	751,756	73.5%	805,509	75.2%	643,179	73.6%
Bonds	142,444	13.9%	134,879	12.6%	111,092	12.7%
Property	98,128	9.6%	95,451	8.9%	35,787	4.1%
Gilts	26,151	2.6%	27,198	2.5%	49,821	5.7%
Cash and Accruals	3,876	0.4%	8,614	0.8%	34,303	3.9%
Total Assets	**1,022,356**	**100%**	**1,071,652**	**100%**	**874,182**	**100%**

2.2. The investment return achieved by the Fund's assets in market value terms for the quarter to 30 September 2015 is estimated to be -4.3%. The return achieved since the previous valuation is estimated to be 16.7% (which is equivalent to 6.4% p.a).

2.3. The following chart shows the changes in equity and bond markets since the previous actuarial valuation and compares them with the estimated actual fund returns and the expected fund returns assumed at the previous valuation:



2.4. As we can see the asset value as at 30 September 2015 in market value terms is slightly more than where it was projected to be at the previous valuation.

3. Changes in market conditions – market yields and discount rates

3.1. The actual investment returns earned by the Fund will affect the value of the Fund's assets. The value of the Fund's liabilities, however, is dependent on the assumptions used to value the future benefits payable. The following table show how these assumptions have changed since the last triennial valuation:

Assumptions (Smoothed)	30 September 2015		30 June 2015		31 March 2013	
	Nominal	Real	Nominal	Real	Nominal	Real
	%p.a.		%p.a.		%p.a.	
Pension Increases	2.69%	-	2.68%	-	2.74%	-
Salary Increases	4.49%	1.80%	4.48%	1.80%	4.54%	1.80%
Discount Rate						
Scheduled Bodies	6.06%	3.37%	5.98%	3.30%	5.90%	3.16%
Admission Bodies (in service)	4.79%	2.09%	4.73%	2.05%	4.90%	2.16%
Admission Bodies (left service)	3.00%	0.31%	2.98%	0.29%	3.50%	0.76%

Assumptions (Unsmoothed)	30 September 2015		30 June 2015		31 March 2013	
	Nominal	Real	Nominal	Real	Nominal	Real
	%p.a.		%p.a.		%p.a.	
Pension Increases	2.59%	-	2.74%	-	2.80%	-
Salary Increases	4.39%	1.80%	4.54%	1.80%	4.60%	1.80%
Discount Rate						
Scheduled Bodies	6.10%	3.51%	6.10%	3.36%	5.91%	3.11%
Admission Bodies (in service)	4.77%	2.18%	4.86%	2.12%	4.86%	2.06%
Admission Bodies (left service)	2.92%	0.33%	3.12%	0.38%	3.40%	0.59%

3.2. The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate – the higher the real discount rate the lower the value of liabilities. As we see the real discount rates are broadly similar as at the 2013 valuation, maintaining the value of liabilities used for funding purposes.

4. Summary of results

4.1. The results of our assessment indicate that:

- the current projection of the smoothed funding level as at 30 September 2015 is 74% and the average required employer contribution would be 34.9% of payroll assuming the deficit is to be paid by 2038;
- the current projection of the unsmoothed funding level as at 30 September 2015 is 73% and the average required employer contribution would be 35.0% of payroll assuming the deficit is to be paid by 2038;
- this compares with the reported (smoothed) funding level of 74% and average required employer contribution of 29.8% of payroll at the 2013 funding valuation.

4.2. The discount rate underlying the smoothed funding level as at 30 September 2015 is 6.1% p.a. The investment return required to restore the funding level to 100% by 2038, without the employers paying deficit contributions, would be 7.4% p.a.

4.3. The funding position for each month since the formal valuation is shown in Appendix 1. It should be borne in mind that the nature of the calculations is approximate and so the results are only indicative of the underlying position.

4.4. We would be pleased to answer any questions arising from this report.

Graeme D Muir FFA

Partner

Appendix 1 Financial position since previous valuation

Below we show the financial position on both a smoothed and an unsmoothed basis for each month since the previous full valuation. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures for the previous three months are projected numbers and likely to change up until three months after the reporting date.

Smoothed Valuation Date	Assets £000's	Liabilities £000's	Surplus/ Deficit £000's	Funding Level %	Final Salary Ongoing	CARE Ongoing Cost	Past Service Ctbn	Total Ctbn (% of payroll)	Main Discount Rate	Return required to restore funding level (pa)
					(% of Payroll)					
March 2013	866,938	1,164,198	(297,260)	74%	14.3%	13.3%	16.5%	29.8%	5.9%	7.1%
April 2013	878,910	1,165,568	(286,658)	75%	14.3%	13.8%	13.1%	26.8%	5.9%	7.1%
May 2013	888,642	1,169,568	(280,926)	76%	14.2%	13.7%	12.9%	26.6%	5.9%	7.1%
June 2013	895,688	1,170,718	(275,030)	77%	14.1%	13.5%	12.7%	26.2%	6.0%	7.1%
July 2013	904,339	1,173,403	(269,063)	77%	14.0%	13.4%	12.5%	25.9%	6.0%	7.0%
August 2013	909,690	1,175,518	(265,828)	77%	13.9%	13.3%	12.4%	25.7%	6.0%	7.1%
September 2013	918,777	1,183,051	(264,274)	78%	13.9%	13.3%	12.3%	25.7%	6.0%	7.1%
October 2013	929,362	1,191,805	(262,443)	78%	13.9%	13.4%	12.3%	25.7%	6.0%	7.0%
November 2013	938,213	1,201,055	(262,842)	78%	13.9%	13.4%	12.3%	25.7%	6.0%	7.0%
December 2013	946,872	1,211,047	(264,176)	78%	14.0%	13.4%	12.4%	25.8%	6.0%	7.0%
January 2014	954,969	1,220,108	(265,139)	78%	13.9%	13.4%	14.1%	27.5%	6.0%	7.0%
February 2014	962,658	1,228,794	(266,137)	78%	13.9%	13.4%	14.3%	27.7%	6.0%	7.0%
March 2014	1,004,578	1,236,829	(232,251)	81%	13.9%	13.4%	14.4%	27.8%	6.0%	6.9%
April 2014	1,005,726	1,247,749	(242,023)	81%	-	13.4%	15.8%	29.2%	6.0%	6.9%
May 2014	1,007,188	1,258,014	(250,825)	80%	-	13.4%	16.3%	29.7%	5.9%	6.9%
June 2014	1,009,896	1,238,977	(229,081)	82%	-	12.8%	15.5%	28.3%	6.1%	7.0%
July 2014	1,009,337	1,256,980	(247,642)	80%	-	13.0%	15.2%	28.2%	6.1%	7.0%
August 2014	1,009,990	1,267,542	(257,552)	80%	-	13.0%	15.8%	28.8%	6.0%	7.0%
September 2014	1,009,471	1,277,558	(268,087)	79%	-	13.0%	16.4%	29.4%	6.0%	7.0%
October 2014	1,023,980	1,302,309	(278,329)	79%	-	13.2%	17.1%	30.4%	5.9%	7.0%
November 2014	1,034,712	1,316,533	(281,820)	79%	-	13.3%	17.7%	31.0%	5.9%	6.9%
December 2014	1,040,341	1,330,754	(290,413)	78%	-	13.4%	18.4%	31.8%	5.9%	6.9%
January 2015	1,078,282	1,357,915	(279,633)	79%	-	13.7%	17.5%	31.2%	5.8%	6.8%
February 2015	1,091,181	1,371,376	(280,195)	80%	-	13.8%	17.9%	31.7%	5.8%	6.7%
March 2015	1,104,985	1,374,723	(269,739)	80%	-	13.7%	17.6%	31.3%	5.8%	6.8%
April 2015	1,106,355	1,376,996	(270,640)	80%	-	13.6%	17.4%	31.0%	5.9%	6.9%
May 2015	1,102,011	1,382,324	(280,313)	80%	-	13.5%	17.9%	31.4%	6.0%	7.0%
June 2015	1,088,000	1,398,944	(310,944)	78%	-	13.6%	19.2%	32.9%	6.0%	7.1%
July 2015	1,075,550	1,399,015	(323,464)	77%	-	13.4%	19.9%	33.3%	6.0%	7.2%
August 2015	1,065,910	1,403,042	(337,132)	76%	-	13.3%	20.5%	33.8%	6.1%	7.3%
September 2015	1,054,032	1,415,081	(361,048)	74%	-	13.3%	21.6%	34.9%	6.1%	7.4%

Unsmoothed Valuation Date	Assets £000's	Liabilities £000's	Surplus/ Deficit £000's	Funding Level %	Final Salary Ongoing (% of Payroll)	CARE Ongoing Cost	Past Service Ctbn	Total Ctbn (% of payroll)	Main Discount Rate	Return required to restore funding level (pa)
March 2013	874,182	1,175,148	(300,966)	74%	14.7%	13.6%	13.4%	27.0%	5.9%	7.1%
April 2013	886,487	1,186,870	(300,384)	75%	14.9%	13.8%	13.5%	27.3%	5.8%	7.0%
May 2013	901,919	1,182,756	(280,837)	76%	14.6%	13.5%	12.8%	26.2%	5.9%	7.0%
June 2013	862,959	1,138,024	(275,065)	76%	13.2%	13.5%	12.9%	26.4%	6.1%	7.2%
July 2013	911,592	1,173,707	(262,116)	78%	14.1%	13.5%	12.1%	25.6%	5.9%	6.9%
August 2013	897,984	1,162,093	(264,109)	77%	13.5%	13.3%	12.4%	25.7%	6.1%	7.2%
September 2013	910,261	1,176,348	(266,087)	77%	13.7%	13.3%	12.5%	25.8%	6.0%	7.0%
October 2013	944,904	1,208,939	(264,035)	78%	14.4%	13.2%	12.3%	25.5%	5.9%	6.9%
November 2013	939,772	1,206,750	(266,978)	78%	14.0%	13.4%	12.5%	25.9%	6.1%	7.1%
December 2013	953,407	1,212,836	(259,429)	79%	14.1%	13.4%	12.2%	25.6%	6.0%	7.0%
January 2014	940,435	1,213,328	(272,893)	78%	13.8%	13.4%	12.9%	26.3%	6.0%	7.0%
February 2014	979,617	1,231,045	(251,428)	80%	14.1%	13.4%	11.9%	25.3%	5.9%	6.9%
March 2014	994,420	1,226,711	(232,291)	81%	13.6%	13.2%	11.2%	24.5%	6.1%	7.0%
April 2014	1,009,341	1,247,964	(238,623)	81%	-	13.4%	15.7%	29.1%	6.0%	6.9%
May 2014	1,018,430	1,265,089	(246,660)	81%	-	13.6%	16.0%	29.5%	6.0%	6.9%
June 2014	1,005,898	1,245,649	(239,751)	81%	-	12.9%	15.8%	28.7%	6.1%	7.0%
July 2014	1,006,083	1,253,133	(247,050)	80%	-	12.9%	15.2%	28.1%	6.0%	7.0%
August 2014	1,032,413	1,288,597	(256,185)	80%	-	13.4%	15.7%	29.0%	5.9%	6.8%
September 2014	1,009,675	1,281,513	(271,838)	79%	-	13.0%	16.6%	29.6%	6.0%	7.0%
October 2014	1,013,601	1,293,450	(279,849)	78%	-	13.1%	17.2%	30.3%	6.0%	7.1%
November 2014	1,048,970	1,329,207	(280,237)	79%	-	13.6%	17.5%	31.1%	5.9%	6.9%
December 2014	1,047,254	1,339,010	(291,756)	78%	-	13.5%	18.5%	32.0%	5.8%	6.9%
January 2015	1,083,087	1,375,272	(292,185)	79%	-	14.0%	18.0%	32.0%	5.5%	6.5%
February 2015	1,107,211	1,377,004	(269,793)	80%	-	14.0%	17.1%	31.1%	5.7%	6.6%
March 2015	1,098,972	1,372,946	(273,974)	80%	-	13.6%	17.5%	31.1%	5.8%	6.8%
April 2015	1,118,105	1,391,869	(273,764)	80%	-	13.9%	17.5%	31.4%	5.9%	6.9%
May 2015	1,129,075	1,399,817	(270,742)	81%	-	13.8%	17.4%	31.2%	5.9%	6.9%
June 2015	1,071,652	1,383,734	(312,083)	77%	-	13.3%	19.4%	32.7%	6.1%	7.2%
July 2015	1,092,998	1,412,427	(319,429)	77%	-	13.7%	19.6%	33.3%	6.0%	7.1%
August 2015	1,045,267	1,390,462	(345,195)	75%	-	13.0%	21.0%	34.0%	6.1%	7.4%
September 2015	1,022,356	1,391,477	(369,121)	73%	-	12.8%	22.1%	35.0%	6.1%	7.5%