



City of Westminster

Committee Agenda

Title: Pension Fund Committee (Formerly Superannuation Committee)

Meeting Date: Thursday 21st May, 2015

Time: 7.00 pm

Venue: Room 15 - 17th Floor

Members: Councillors:

Suhail Rahuja (Chairman) Patricia McAllister
Antonia Cox Ian Rowley

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, Joe McBride.

jmcbride@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

No change.

2. DECLARATIONS OF INTEREST

To note any declarations of interest.

3. MINUTES

To approve the public minutes of the meeting of the Pension Fund Committee held on 25 March 2015.

4. ACCOUNTS AND ANNUAL REPORT APPROVAL

Report of the Director of Corporate Finance and Investment.

(Pages 1 - 110)

5. PERFORMANCE REPORT

Report of the Director of Corporate Finance and Investment

(Pages 111 - 148)

6. FUND ADMINISTRATION AND OPERATIONS REPORT

Report of the Director of Corporate Finance and Investment

(Pages 149 - 170)

Part 2 (In Private)

7. MINUTES (CONFIDENTIAL)

To confirm the confidential minutes of the Pension Fund Committee held on March 25th 2015.

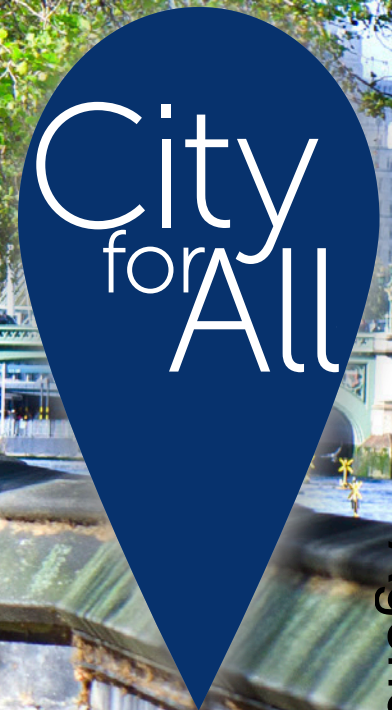
8. ASSET ALLOCATION (CONFIDENTIAL)

Insight to attend and present to Members on the Council's asset allocation.

Peter Large
Head of Legal & Democratic Services
Date Not Specified

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Annual Report City of Westminster Pension Fund 2014/15



City of Westminster

westminster.gov.uk #CityforAll



WILLIAM SHAKESPEARE

THIS ENCLOSURE
WAS PURCHASED, LAID OUT
AND DECORATED AS A GARDEN
BY ALBERT GRANT, ESQ^{RE} M.P.
CONVEYED BY HIMSELF ON THE 2ND JULY 1874
METROPOLITAN BOARD OF WORKS
TO BE PRESERVED FOR EVER
FOR THE FREE USE AND ENJOYMENT
OF THE PUBLIC.

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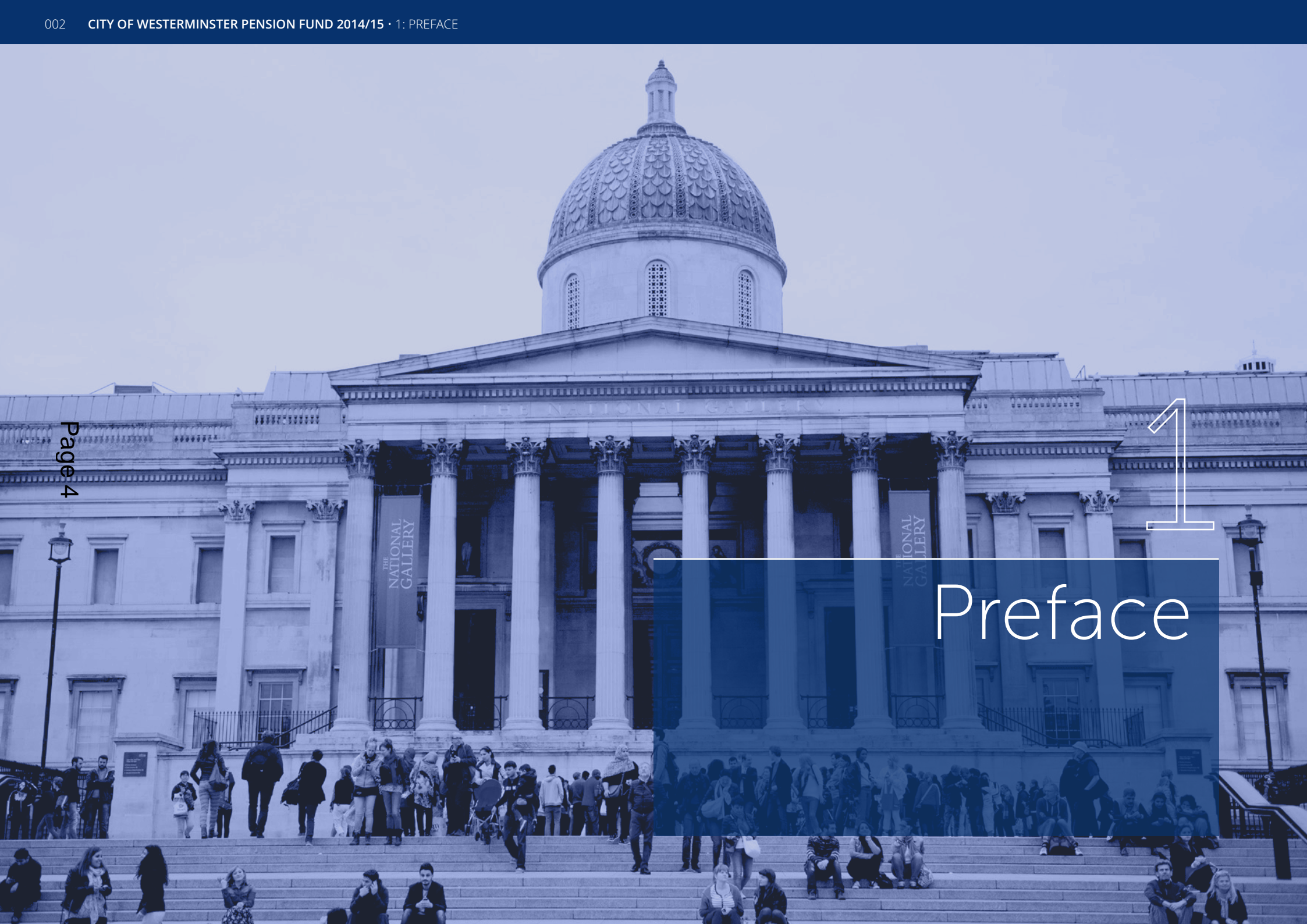
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Preface

1

Report from the Chair of the Pension Fund Committee

WELCOME TO THE ANNUAL REPORT OF THE CITY OF WESTMINSTER PENSION FUND.

The Pension Fund Committee is responsible for overseeing the management of the City of Westminster Pension Fund including investment management and pension administration issues. As the Chairman of this Committee, I am pleased to introduce the Pension Fund's Annual Report for the year 2014-15.

During the year, the value of the Fund rose by £103m following positive absolute investment returns over the year. The Committee has continued to monitor the Fund closely at every meeting and challenged the investment advisers as necessary to ensure the Fund's investments are being managed effectively.

Reviewing the asset allocation of the Fund led to some changes being made during the year to the type of mandates held and the fund managers invested with. Longview was appointed as a new satellite equity manager and funds were moved from the LGIM passive equity investment into this new mandate.

The Fund had its second Annual General Meeting in October 2014, which was well attended by members of the Fund. There were presentations from the actuaries, Barnett Waddingham, Surrey County Council as administration provider, and Aegon the Fund's Additional Voluntary Contributions provider. There were a range of questions from members, and I am pleased that this form of engagement with Fund members continues to be popular.

As well as Longview joining the fund as an equity manager, there have been a number of other changes in its fund management and adviser arrangements during the year. The Fund's custodian is now Northern Trust (who took over from BNY Mellon at the start of October); from 1 September 2014 the Pensions Administration contract was awarded to Surrey County Council (SCC) governed via a section 101 agreement (who took over from the LPFA); and BT have replaced Serco as banking control and reconciliation provider. Further details of these changes are included later in this report.

I would like to thank all those involved in the management of the Pension Fund during the year.



Councillor Suhail Rahuja
Chairman of Pension Fund Committee

Introduction

The Pension Fund is part of the national Local Government Pension Scheme (LGPS) and is administered by Westminster Council. It is a contributory defined benefit pension scheme established under statute, which provides for the payment of benefits to employees and former employees of the City of Westminster Council and the admitted and scheduled bodies in the Fund.

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The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and returns from the Fund's investments. The contributions are set by the Fund's actuary at the actuarial valuation which is carried out every three years.

A new LGPS scheme was introduced with effect from 1st April 2014. One of the main changes is that a scheme member's pension is no longer based on their final salary but on their earnings throughout their career. This is known as a Career Average Revalued Earnings (CARE) scheme. Everything built up in the Scheme before 1st April 2014 is protected so benefits up to that date will be based on the scheme member's final year's pay.

The revised benefits payable from the Fund are set out in the Local Government Pension Scheme regulations and in summary are:

- A pension based on career average earnings (revalued in line with the Consumer Prices Index)
- Pensionable pay to include non-contractual overtime and additional hours
- Flexibility for member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health

The Fund is governed by the Public Service Pensions Act 2013 and the LGPS Regulations 2013 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2009 (as amended). The content and detail within the report is largely prescribed by these pieces of legislation and this report complies with both sets of regulations. The publication of this report gives the Council the opportunity to demonstrate the standard of governance and supervision of the fund. It also brings together a number of separate reporting strands into one comprehensive document that enables both the public and employees to see how the fund is managed and how it is performing. It is in the interest of both employees and the public that the fund is well managed and shows high returns to provide value for money for both employer and employee.

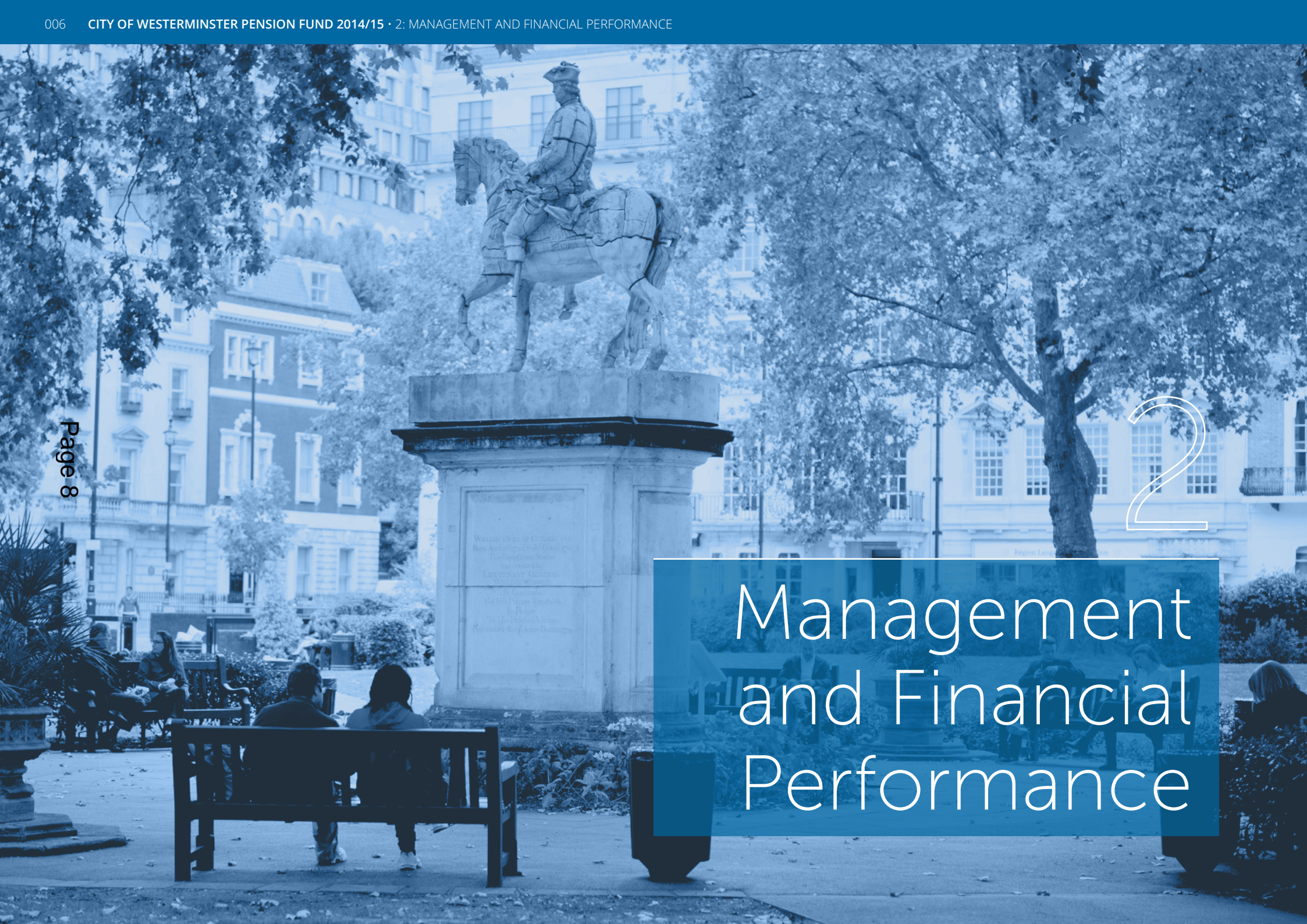
Further information about the Local Government Pension Scheme can be found at: westminster.gov.uk/council-pension-fund

This annual report comprises the following sections:

- Management and Financial Performance which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.
- Investment Policy and Performance detailing the Fund's investment strategy, arrangements and performance.
- Scheme Administration which sets out how the Scheme's benefits and membership are administered.
- The funding position of the Fund with a statement from the Fund's actuary
- The Fund's annual accounts.
- List of contacts and a glossary of some of the more technical terms
- Appendices setting out the various regulatory policy statements of the Fund:
 - Pension Fund Committee Terms of Reference
 - Governance Compliance Statement
 - Statement of Investment Principles
 - Communication Policy
 - Funding Strategy Statement

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Management and Financial Performance



Governance Arrangements

Westminster Council has delegated responsibility for pension matters to the Pension Fund Committee¹ (the Committee), previously known as the Superannuation Committee. The Committee obtains and considers advice from the Director of Corporate Finance & Investment, the Section 151 Officer and, as necessary, from the Fund's appointed actuary, advisers and investment managers.

Terms of Reference for the Pension Fund Committee can be found at Appendix 1 (pages 79-80).

The Committee is made up of four elected Members of the Council (three from the administration party and one minority party representative) and they meet at least four times a year. All members have full voting rights.

The current membership of the Pension Fund Committee is:

- Councillor Suhail Rahuja (Chairman)
- Councillor Antonia Cox
- Councillor Patricia McAllister
- Councillor Ian Rowley

Councillors may be contacted at City Hall, 64 Victoria Street, London SW1E 6QP.

CONFLICTS OF INTEREST

The Pension Fund is governed by elected members acting as trustees and accordingly the Code of Conduct for elected members' sets out how any conflicts of interests involving elected members acting as trustees should be addressed. This is available at Legal and Democratic Services, 15th Floor, City Hall, 64 Victoria Street, Victoria, SW1E 6QP or by telephone on 020 7641 3160.

The Code includes provisions dealing with an elected member's general obligations to treat others with respect and not to bully, intimidate or do anything that compromises the impartiality of those who work for or on behalf of the Council.

The Code also contains rules about "disclosable pecuniary interests" and action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

The Code also requires elected members to register disclosable pecuniary interests.

GOVERNANCE COMPLIANCE STATEMENT

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure its governance arrangements against a set of best practice principles. This measurement should result in a statement of full, partial or non-compliance with a further explanation provided for any non- or partial-compliance.

The key issues covered by the best practice principles are:

- Formal committee structure;
- Committee membership and representation;
- Selection and role of lay members;
- Voting rights;
- Training, facility time and expenses.

The Fund's Governance Compliance statement can be found at Appendix 2 (pages 81-84).

¹ Under the Council's constitution, the Superannuation Committee was renamed the Pension Fund Committee to reflect modern nomenclature. While the terms of reference for the Committee remain largely unchanged, there has been further detail added for clarity of roles and responsibilities. This change was put in place by the General Purposes Committee in November 2014.

Scheme Management and Advisers

During the year, the Fund has seen a number of changes in its fund management and adviser arrangements. Since 1 September 2014, the member administration has been run under contract with Surrey County Council and is governed via a section 101 agreement (previously the LPFA); from 1 October 2014, Northern Trust became the Fund's global custodian (previously, BNY Mellon); Longview have been added as a manager for global equities; and the Banking reconciliation and control function moved to BT from Serco on 31 March 2015

EXTERNAL PARTIES

Investment Adviser	Deloitte	
Investment Managers	Equities (Active) Baillie Gifford & Co Longview Majedie Asset Management Fixed Income Insight Investment	Equities (Passive) Legal and General Investment Management Property Hermes Investment Management Ltd Standard Life Investments
Custodian	Northern Trust	
Banker	Lloyds Bank	
Actuary	Barnett Waddingham	
Auditor	KPMG	
Legal Adviser	Eversheds	
Scheme Administrators	Surrey County Council	
AVC Providers	Aegon	Equitable Life Assurance Society

OFFICERS

City Treasurer and Section 151 Officer	Steven Mair	
Tri-Borough Pensions Team	Jonathan Hunt Nikki Parsons	Alex Robertson Nicola Webb
Pensions and Payroll Officer	Sarah Hay	

Contact details are provided in Section 7 of this document.

Risk Management

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Investment Adviser carries out the following evaluations which are reviewed by the Committee on a quarterly basis:

- independent evaluation and analysis of fund performance;
- reviewing benchmarks and asset allocation; financial markets review; and,
- Reviewing changes in the Investment Manager's business.

Investments are monitored to ensure they are in accordance with the current requirements of the LGPS (Management and Investment of Funds) Regulations 2013, as amended, which specifies certain limits on investments. Principally, these place a limit of 10% of the total value of the fund in any single holding, or deposits with a single bank or institution, or investments in unlisted securities, and not more than 35% of a portfolio can be invested in the same collective investment scheme.

Risks arising from financial instruments are outlined in the notes to the Pension Fund Accounts (Note 15).

A Risk Register for the Pension Fund has been developed and is subject to Committee approval at the meeting in May 2015.

The Funding Strategy Statement (Appendix 5 on pages 98-103) sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently if required.

Risk Management (continued)

THIRD PARTY RISKS

The Council has outsourced the following functions of the Fund:

- investment management;
- custodianship of assets;
- pensions administration.

As these functions are outsourced, the Council is exposed to third party risk. A range of investment managers are used to diversify manager risk.

To mitigate the risks regarding investment management and custodianship of assets, the Council obtains internal controls assurance reports from the reporting accountants to the relevant service providers. These independent controls assurance reports are prepared by the reporting accountants to the investment managers and custodian in accordance with international standards. Any weaknesses in internal control highlighted by the controls assurance reports are reviewed and reported as necessary to the Pension Committee.

The results of these reviews are summarised below:

Fund manager	Type of assurance	Control framework	Compliance with controls	Reporting accountant
Baillie Gifford	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Hermes	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte LLP
Insight*				
LGIM	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
Longview	AAF 01/06	Reasonable assurance	Reasonable assurance	Moore Stephens LLP
Majedie ²	SOC 1 SM	Reasonable assurance	Reasonable assurance	KPMG LLP
Standard Life	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
Custodian				
BNY Mellon	SOC 1 SM	Reasonable assurance	Reasonable assurance	KPMG LLP
Northern Trust	SOC 1 SM	Reasonable assurance	Reasonable assurance	KPMG LLP

* Insight have issued the following bridging statement "To the best of our knowledge there have been no material changes, removal or failure of any control or test objective as stated and tested in the latest available report" which covered the period to 31st December 2013.

The Council's internal audit service undertakes planned programmes of audits of all the Councils' financial systems on a phased basis, all payments and income/contributions are thus covered by this process as and when the audits take place.

² Majedie do not have the regulatory clearance to hold client money, so are not required to provide an assurance report. However, BNY Mellon provide fund accounting and reconciliation services to the Majedie Institutional Trust where the assets lie and do have clearance to hold client money. The results are from BNY Mellon's internal controls review.

Financial Performance

The Financial Performance of the Pension Fund comprises income and expenditure and details of employee and employer contributions.

ANALYTICAL REVIEW

Fund Account	2014/15	2013/14	2012/13
	£'000	£'000	£'000
Net (additions)/withdrawals from dealings with members	16,282	(15,163)	12,643
Management expenses	7,047	5,333	2,707
Net investment returns	(8,725)	(15,337)	(17,042)
Change in market value	(117,879)	(96,354)	(98,331)
Net (increase)/decrease in the Fund	(103,275)	(121,521)	(100,023)

The key highlights are:

- Over the three year period, pensions paid have exceeded contributions by £12-16m each year (after taking account of the £30m one-off lump sum employer contribution in 2013/14)
- Net investment returns halved in 2014/15, but this was more than compensated by the increase in market value of investments, following the Committee decision to change the asset allocation of the Fund into pooled instruments.

The points to note are:

- The reduction in equities was part of the decision to change the asset allocation from a segregated portfolio into a pooled fund.
- Overall, the Fund value increased by 13.8% (10.4% in 2013/14). Further details are given in the Investment Policy and Performance Section.

Net Asset Statement	2014/15	2013/14	2012/13
	£'000	£'000	£'000
Fixed Interest Securities	145,426	128,343	160,912
Equities	0	208,296	172,424
Pooled Investment Vehicles	948,674	585,990	506,299
Cash Deposits	1,071	14,604	(161)
Other	1,745	27,187	33,303
Total Investment Assets	1,096,916	964,420	872,777

Financial Performance (continued)

ANALYSIS OF DEALINGS WITH SCHEME MEMBERS

An analysis of additions and withdrawals from dealing with Fund members is provided below. The table compares movements in 2014/15 with previous years giving reasons for any significant differences by cashflow heading.

	2014/15	2013/14	2012/13
	£'000	£'000	£'000
Contributions receivable			
– Members	(8,777)	(7,583)	(7,068)
– Employers	(24,717)	(52,381)	(24,576)
– Transfers in	(1,513)	(3,677)	(3,991)
TOTAL INCOME	(35,007)	(63,641)	(35,635)
Benefits/Expenses			
– Pensions	39,895	38,244	36,941
– Lump sum retirements & death benefits	5,059	6,991	6,146
– Transfers out	6,292	3,162	4,250
– Refunds	43	81	-
– Other Expenditure	-	-	941
TOTAL EXPENDITURE	51,289	48,478	48,278
Net Dealings with Members	16,282	(15,163)	12,643

The key variances were due to the following:

- Retirement lump sums were lower because fewer members retired than in previous years.
- Transfers out were lower because more members chose to keep their benefit entitlements in the LGPS on leaving rather than transfer to their new employer.
- Transfers in were lower reflecting fewer new starters and members who are choosing to transfer in benefits on commencement of employment.

The Director of Finance is authorised to decide whether to levy an administration charge for the cost of resolving errors such as receiving contributions late or incorrect amounts.

ANALYSIS OF OPERATIONAL EXPENSES

The costs of running the pension fund are shown below in line with CIPFA's Accounting for local government pension scheme management costs.

	2014/15	2013/14
	£'000	£'000
Administration		
Employees	170	175
Supplies and services	373	266
Other costs	(9)	6
	534	447
Governance and Oversight		
Employees	140	143
Investment advisory services	86	71
Governance and compliance	44	34
External audit	21	21
Actuarial fees	27	26
	318	295
Investment Management		
Management fees	4,974	3,920
Transaction costs	1,160	600
Custodian fees	61	71
	6,195	4,591
Total	7,047	5,333

The key variances were due to the following:

- The increase in supplies and services is attributed to the IT set up costs and software licence fee required for the new pensions administration shared services agreement with Surrey County Council
- The negative amount for "other costs" reflects the reimbursement of fees incurred by the pension fund to other employers in the scheme and a historic refund of external audit fees
- The Management fees increased by £1.054m (26%) compared with 2013/14. The favourable performance which the Fund returned led to an increase in performance management fees amounting to £925k, which accounted for the majority of this increase in costs.

Financial Performance (continued)

ANALYSIS OF FUND ASSETS

An analysis of fund assets as at 31 March 2015

	UK	Non-Uk	Global	Total
	£'000	£'000	£'000	£'000
Equities	719,208		136,452	855,660
Bonds	85,605	59,821		145,426
Alternatives	93,014		164	93,178
Cash and cash equivalents	1,071		1,995	3,066
Other			1,642	1,642
Total	898,898	59,821	140,253	1,098,972

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ANALYSIS OF INCOME ACCRUED

An analysis of investment income accrued during 2014/15

Investment Income	UK	Non-Uk	Global	Total
	£'000	£'000	£'000	£'000
Equities			1,073	1,073
Bonds			6,249	6,249
Alternatives	838			838
Cash and cash equivalents			566	566
Total	838	0	7,888	8,726

Administration Management Performance

PERFORMANCE INDICATORS

The Council entered into a 101 service agreement with Surrey County Council from 1 September 2014. The 101 agreement is a contractual mechanism whereby the Council's share resources to provide pension administration services on a not for profit basis. The 101 agreement has certain performance measures and indicators included to ensure that service to members of the pension fund is effective. The targets are set out below, along with actual performance.

Performance Indicators	Target	Observed performance
Letter detailing transfer in quote	30 days	100%
Letter detailing transfer out quote	30 days	96%
Process refund and issue payment voucher	14 days	100%
Letter notifying estimate of retirement benefit		93%
Letter notifying actual retirement benefit	5 days	98%
Letter acknowledging death of member	5 days	100%
Letter notifying amount of dependant's benefits	5 days	100%
Calculate and notify deferred benefits	30 days	90% ³

STAFFING INDICATORS

During the year, Westminster moved the pension administration services from the LPFA to Surrey and three members of staff TUPE'd across. Surrey County Council's Pensions Service comprises 3 staff working directly on pension administration for Westminster.

In addition 2.25 full time equivalent (FTE) Westminster HR staff deal with internal administration and 1.85 FTE Westminster Finance staff are assigned to the investment of the Council's Pension Fund. These internal staff are charged to the Pension Fund.

The CLG publish the Government's SF3 statistics for staff to pension scheme member ratios. The latest available statistics are for 2013/14. The FTE staff to scheme member ratio was reported to be 1 staff to 2793 members. The published statistics indicate that the Service is in the upper quartile.

COMPLAINTS RECEIVED

The pension administrators occasionally deal with members of the fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (see page [xx]). Specific statistics have not been kept but a handful of cases have proceeded to

the pension Ombudsman in the last few years. In the majority of cases the complaints have not been upheld, however one case was upheld in the year 2014 /2015 in respect of a pensionable pay calculation.

³ Includes some legacy cases from the LPFA.

Administration management performance (continued)

MEMBERSHIP NUMBERS AND TRENDS

The Fund provides pensions not only for employees of Westminster City Council, but also for the employees of a number of scheduled and admitted bodies. Scheduled Bodies are organisations which have the right to be a member of the Local Government Pension Scheme under the regulations e.g. academies. Admitted bodies participate in the scheme via an admission agreement, which is a legal document made between the Council and the organisation. Examples of admitted bodies are not for profit organisations with a link to the Council and contractors who have taken on the Council's services and therefore staff have been transferred.

The table below shows the Fund's membership over the last five years⁴. It demonstrates how the number of active contributing members in the Pension Fund had been falling, but the introduction of auto enrolment in 2013 and the increase in employers admitted into the Scheme has reversed this trend. The number of pensioners and deferred members has continued to rise which is common across local government pension schemes and demonstrates the maturity of those schemes.

	31 March 2011	31 March 2012	31 March 2013	31 March 2014	31 March 2015
Contributors	3,903	3,527	3,391	3,862	4,232
Deferred	5,699	5,935	6,173	6,335	6,395
Pensioners & Dependents	4,989	5,177	5,230	5,307	5,433
Total Membership	14,591	14,639	14,794	15,504	16,060

The total number of pensioners in receipt of enhanced benefits due to ill health or early retirement on the grounds of redundancy or efficiency of the service is given below as at each year on 31 March.

Reason for Leaving	13/14 ⁵	14/15
Ill Health Retirement	4	4
Early Retirement	17	23
Total	21	27

The early retirement figures for 2014/15 represent 22 redundancy retirements and one efficiency saving across all employers within the Scheme.

⁴ The above figures exclude undecided joiners and those with frozen pensions.

⁵ Figures based on LPFA records

CONTRIBUTING EMPLOYERS AND CONTRIBUTIONS RECEIVED

Below is a list of the current active contributing employers and the contributions received for 2014/15

	Employees Contributions ⁶	Employers Contributions	Total Contributions
	£'000	£'000	£'000
Administering Authority Employers			
WESTMINSTER CITY COUNCIL	5,867	16,837	22,704
ALL SOULS SCHOOL	9	31	40
BURDETT COUTTS CE	17	60	77
EW JMI SCHOOL	14	50	64
GATEWAY SCHOOL	0	1	1
GEORGE ELLIOT	30	100	131
HALLFD SCHOOL	41	140	181
PADDINGTON GREEN	21	69	89
PORTMAN EARLY CHILD	33	102	135
QUEENS PARK PRIMARY	19	64	83
ROBINFIELD INFANTS	(4)	8	4
SOHO PARISH	8	28	36

	Employees Contributions ⁶	Employers Contributions	Total Contributions
	£'000	£'000	£'000
ST AUGUSTINE'S SCHOOL	38	120	158
ST BARNABAS CE	3	13	16
ST CLEMENT DANES SCHOOL	17	58	75
ST GABRIELS CE	12	39	51
ST JAMES & ST MICHAELS SCHOOL	12	43	55
ST LUKES SCHOOL	10	34	44
ST MARY BRYANTSTON SCHOOL	16	54	70
ST MARY MAGDALENE CE	14	50	64
ST MATTHEWS	13	42	56
ST PETERS	12	39	51
ST PETERS EATON SQUARE SCHOOL	7	26	33
ST SAVIOURS SCHOOL	21	71	92
Total Contributions from Administering Authority	6,229	18,081	24,310

Administration management performance (continued)

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	Employees Contributions ⁶	Employers Contributions	Total Contributions
	£'000	£'000	£'000
Scheduled Bodies			
ARK ATWOOD PRIMARY ACADEMY	11	22	33
BEACHCROFT ACADEMY	10	22	32
CHURCHILL GARDENS ACADEMY	25	80	105
GATEWAY ACADEMY	19	80	99
GREY COAT HOSPITAL ACADEMY	63	208	272
HARRIS WESTMINSTER FREE SCHOOL	3	10	13
KING SOLOMAN ACADEMY	50	63	114
MARYLEBONE BOYS SCHOOL	5	13	18
MILLBANK PRIMARY ACADEMY	21	86	106
MINERVA ACADEMY	4	9	13

	Employees Contributions ⁶	Employers Contributions	Total Contributions
	£'000	£'000	£'000
PADDINGTON ACADEMY	100	169	269
PIMLICO ACADEMY	102	142	244
PIMLICO FREE SCHOOL	4	9	13
QUINTIN KYNASTON ACADEMY	81	344	424
ST GEORGES MAIDA VALE ACADEMY	33	95	128
ST MARYLEBONE SCHOOL ACADEMY	62	134	196
WESTMINSTER ACADEMY	40	79	119
WESTMINSTER CITY ACADEMY	41	116	157
WILBERFORCE ACADEMY	22	71	92
Total Contributions From Scheduled Bodies	694	1,753	2,447

	Employees Contributions ⁶	Employers Contributions	Total Contributions
	£'000	£'000	£'000
Admitted Bodies			
ALLIED HEALTHCARE	1	2	3
AMEY	11	44	54
CITY WEST HOMES	923	2,323	3,246
CREATIVE EDUCATION TRUST	28	39	67
HOUSING 21	2	5	7
HOUSING AND COMMUNITIES AGENCY	356	997	1,353
INDEPENDENT HSG OMBUDSMAN	100	378	478
RAMESYS	6	18	24
TENANT SERVICES AUTHORITY	427	1,078	1,505
Total Contributions From Admitted Bodies	1,853	4,883	6,737
Grand Total	8,776	24,717	33,494

EMPLOYER ANALYSIS

The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Scheduled Body	22	0	22
Admitted Body	8	8	16
Total	30	8	38

⁶ Includes early retirement and deficit contributions.



Investment Policy and Performance

Investment Policy

The Council sets out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Statement of Investment Principles (SIP).

The SIP sets out more detailed responsibilities relating to the overall investment policy of the fund including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also states the fund's approach to responsible investment and corporate governance issues. In addition Pension Funds are required to demonstrate compliance with the "Myners Principles".

The "Myners Principles" are a set of recommendations relating to the investment of pension funds which were originally prepared by Lord Myners in 2001 at the request of the Chancellor of the Exchequer and which were subsequently endorsed by Government. The current version of the principles covers the following areas:

- Effective decision making;
- Clear objectives;
- Risk & liabilities;
- Performance Measurement;
- Responsible ownership;
- Transparency and reporting.

The Fund's SIP can be found at Appendix 3 (pages 85-94).

Asset Allocation

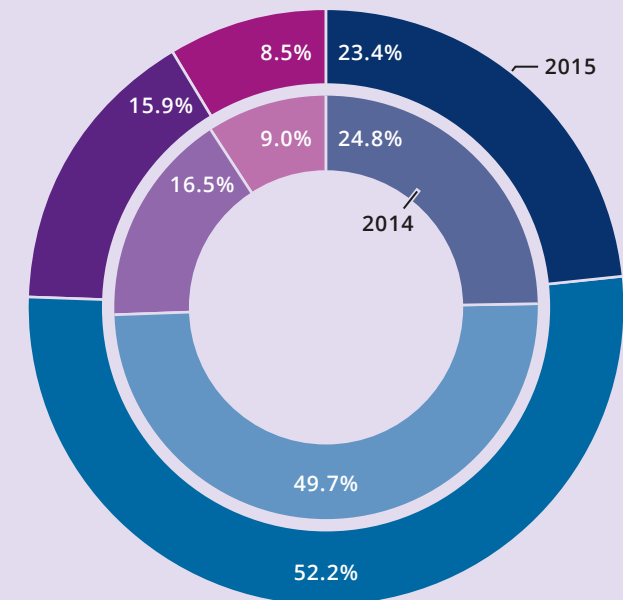
The strategic asset allocation is agreed by the Pension Fund Committee and the Fund's advisers. The allocation effective during the year ended 31 March 2015 was as follows:

Asset Class	Target Allocation
UK Equities	20%
Global Equities (passive)	45%
Global Equities (active)	
Fixed Income	20%
Property	15%
TOTAL	100.0%

The Council holds fund managers accountable for decisions on asset allocation within the benchmark that they operate under. In order to follow the Myners' Committee recommendation, managers are challenged deliberately and formally about asset allocation proposals. Managers are reviewed at each Committee meeting in discussion with the Investment Adviser and Officers, and are called to a Committee meeting if there are issues that need to be addressed. Officers meet managers regularly and advice is taken from the Investment Adviser on matters relating to fund manager arrangement and performance.

Fund managers provide a rationale for asset allocation decisions based upon their research resource in an effort to ensure that they are not simply tracking the peer group or relevant benchmark index. The Fund's asset allocation strategy can be found in the SIP.

The asset allocation of the Pension Fund at the start and end of the financial year is set out below.



Key	2015	2014
● UK Equity	23.4%	24.8%
● Fixed Interest	52.2%	49.7%
● Global ex UK Equity	15.9%	16.5%
● Property	8.5%	9.0%
● Other (cash and cash equivalents)	0.0%	0.0%

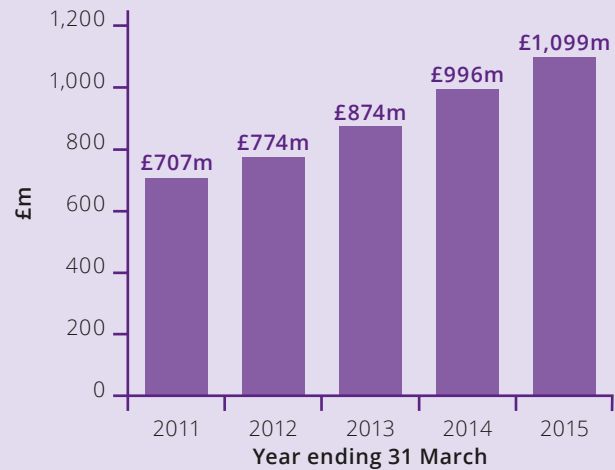
The figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset allocation decisions made by the Committee.

Following a Committee decision in November 2014, £100 million was agreed to be invested with Longview, an active global equity manager. The mandate was invested with funds from the LGIM passive mandate in January 2015. Other mandates were unaffected.

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FUND VALUE

The value of the Fund over the last five years is shown in the following bar chart.



Investment Performance

Performance is measured on both a quarterly and an annual basis. The following table shows the performance of the Fund relative to its strategic benchmark:

Annualised Performance	1 year	3years	5 years	Since Inception
City of Westminster Pension Fund	12.8%	13.5%	10.2%	6.9%
Strategic Benchmark	12.9%	12.0%	9.2%	6.8%
Out / (under) performance against Target	-0.1%	1.5%	1.0%	0.1%

The performance of the fund can be analysed further by individual manager and asset class:

Annualised Performance	1 year	3years	5 years	Since Inception
Equities				
UK Equities				
Majedie	7.2%	16.3%	12.8%	11.2%
<i>FTSE All Share GBP + 2%pa</i>	8.6%	12.6%	10.3%	8.3%
Global Equities				
Baillie Gifford	19.4%	-	-	19.1%
<i>MSCI AC World GBP Net + 2%pa</i>	21.0%	-	-	20.8%
LGIM	13.9%	-	-	18.0%*
<i>World Equity Index-GBP Hedged</i>	13.9%	-	-	20.2%
Longview Partners	-	-	-	-
<i>MSCI World TR Net (GBP) + 2%pa</i>	-	-	-	-
Fixed Income				
Insight IM (Core)	10.1%	8.4%	7.7%	6.3%
<i>Boxx £ Non-Gilts 1-15 + 0.9%pa</i>	10.7%	8.4%	7.8%	6.7%
Insight IM (Gilts)	6.7%	2.7%	4.5%	5.6%
<i>FTSE Gilts up to 15 yrs</i>	6.8%	2.7%	4.5%	5.7%
Property				
Hermes Property	19.5%	12.5%	-	9.3%*
<i>IPD UKPPFI Balanced PUT + 0.5%pa</i>	17.4%	10.0%	-	9.2%*
Standard Life Property	9.9%	-	-	11.3%*
<i>FTSE Gilts All Stocks + 2%pa</i>	16.2%	-	-	10.7%*

Corporate Governance

RESPONSIBLE INVESTMENT POLICY

The Council has a paramount fiduciary duty to obtain the best possible financial return on the Fund investments against a suitable degree of risk. It also considers a company's good practice in terms of social, environmental and ethical issues is generally likely to have a favourable effect on the long-term financial performance of the company and improve investment returns to its shareholders.

The investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when considering the acquisition, retention or realisation of investments for the Fund. In the execution of this, the Committee have considered and found it appropriate to adopt the investment managers' socially responsible investment policies. These policies will be reviewed with the investment managers regularly both by officers and the Committee.

PROFESSIONAL BODIES

The Council is a member of the CIPFA Pensions Network which provides a central coordination point relating to the LGPS funds from all local authority members. CIPFA staff and the network more generally is able to advise subscribers on all aspects of pensions and related legislation. Relevant training and seminars are also available to officers and members of participating funds.

While the Fund is a member of the National Association of Pension Funds, it does not subscribe nor is it a member of the Local Authority Pension Fund Forum, UK Sustainable Investment & Finance Association or the Institutional Investors Group on Climate change or any other bodies.

VOTING

Managers have the delegated authority to vote as they have set out in their own guidelines, which have been discussed with the Committee. The Committee keeps under close review the various voting reports that it receives from the managers.

COLLABORATIVE VENTURES

The Fund has been working closely with other London LGPS funds in the Collective Investment Vehicle set up to enable greater buying power, reduced fees and enhanced governance arrangements. The City of Westminster is a shareholder in London LGPS CIV Limited set up to run the fund, and Officers running the company are currently working to get FCA approval for the venture.

The procurement of the Custodian which resulted in the appointment of Northern Trust was carried out under the framework set up by the National LGPS Frameworks (<http://nationallgpsframeworks.org/>) was set up by a number of local authorities to provide procurement frameworks in a number of areas (Actuarial and Benefit Consultancy Services, Investment Consultancy Services, Global Custody Services and Legal Services) for the wider LGPS authorities.

RESPONSIBILITIES

The Fund has appointed a global custodian, independent to the investment managers, to be responsible for the safekeeping of all of the Fund's investments. They are also responsible for the settlement of all investment transactions and the collection of income. During the period this report covers, the custodian transferred from the Bank of New York Mellon to Northern Trust on 1 October 2014.

The Fund's bank account is held with Lloyd's Bank. Funds not immediately required to pay benefits are held as interest bearing operational cash with Lloyds Bank.

The actuary issues a Rates and Adjustments statement within the triennial valuation of the Pension Fund, which sets out the minimum contributions which each employer in the Scheme is obliged to pay over the following three years. The Funding Strategy Statement (page [xx]) sets out the aims and purpose of the pension fund and the responsibilities of the administering authority as regards funding the scheme.

Its purpose is:

- to establish a clear and transparent fund-specific strategy to identify how employers' pension liabilities are best met going forward
- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible
- to take a prudent longer-term view of funding those liabilities.

STEWARDSHIP CODE

The Council believes that investor stewardship is a key component of good governance, and is committed to exercising this responsibility with the support of its investment managers. In line with this approach, all of the Council's equity investment managers are signatories to the UK Stewardship Code. At the same time, the Council believes that companies should be accountable to shareholders and should be structured with appropriate checks and balances so as to safeguard shareholders' interests, and deliver long-term returns.

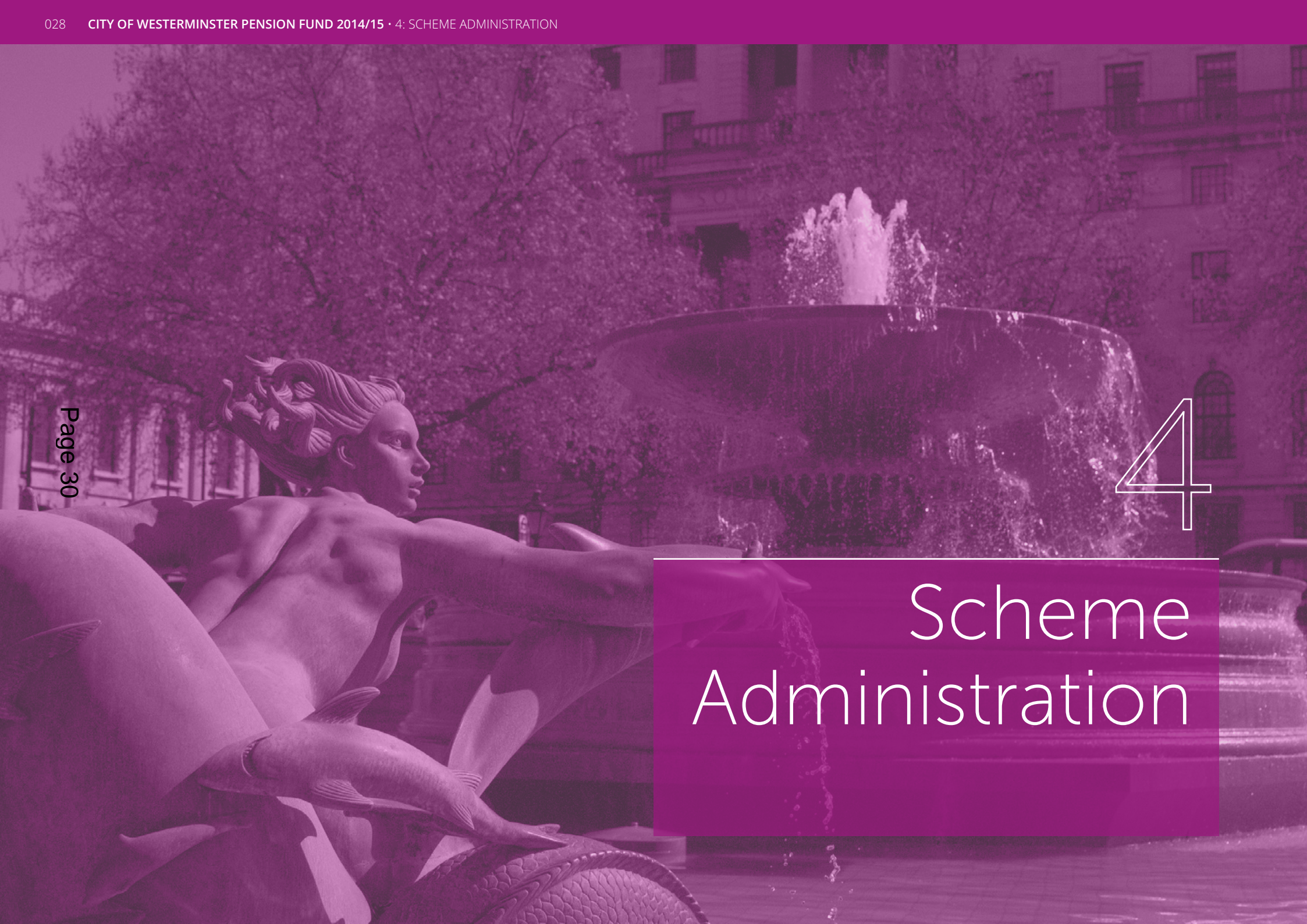
The Council views engagement as an essential activity in ensuring long-term value. When investment managers undertake engagements, the Council encourages investment managers to consider assessing a range of factors, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental and social issues. Engagement may also be linked to voting choices at the company's most recent AGM.

The Council believes that the goal of an engagement is not to micro-manage companies but provide companies with a perspective and share with boards and management our approach to investment and/or corporate governance. The ultimate aim is to work with management, other shareholders and stakeholders to bring about changes that can lead to enhanced long-term performance by the company.

The Stewardship Policy provides further information on the different elements of the Council's commitment to stewardship. It is intended as a guide for investment managers and a resource for investee companies.

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Scheme Administration



Service Delivery

The Local Government Pension Scheme (“LGPS”) is a statutory pension scheme whose regulations are made by the government in accordance with the Superannuation Act 1972. It is a defined benefit pension scheme.

Although the LGPS is a national scheme, it is administered locally. Westminster City Council has a statutory responsibility to administer the pension benefits payable from the Pension Fund on behalf of the participating employers and the past and present members and their dependents. During the year, Surrey County Council (SCC) took over the pension administration service for Westminster City Council from the LPFA on 1 September 2014.

COMMUNICATION POLICY STATEMENT

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a communication policy statement, which can be found at Appendix 4 (pages 95-97). The Communication Policy details the overall strategy for involving stakeholders in the pension fund. A key part of this strategy is a dedicated pension fund website, which includes a great deal more information about the benefits of the pension fund and this can be accessed via the following link:

wccpensionfund.co.uk/

IT/SOFTWARE UPDATE

During the year the pension administration service was moved from the LPFA to SCC. As part of the new arrangement Westminster purchased software license for Altair directly for the first time from the supplier Aquilia Heywood. The License runs until the end of August 2015. Westminster will jointly procure new licenses with our administration partners going forward.

Internal Dispute Resolution Procedure

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, fund members are entitled to contact The Pensions Advisory Service (TPAS), who can provide free advice.

IDRP Stage 1 involves making a formal complaint in writing. This would normally be considered by the body that made the decision in question. In the event that the fund member is not satisfied with actions taken at Stage 1 the complaint will progress to Stage 2.

IDRP Stage 2 involves a referral to the administering authority, Westminster City Council to take an independent view.

IDRP Stage 3 is a referral of the complaint to the Pension Ombudsman.

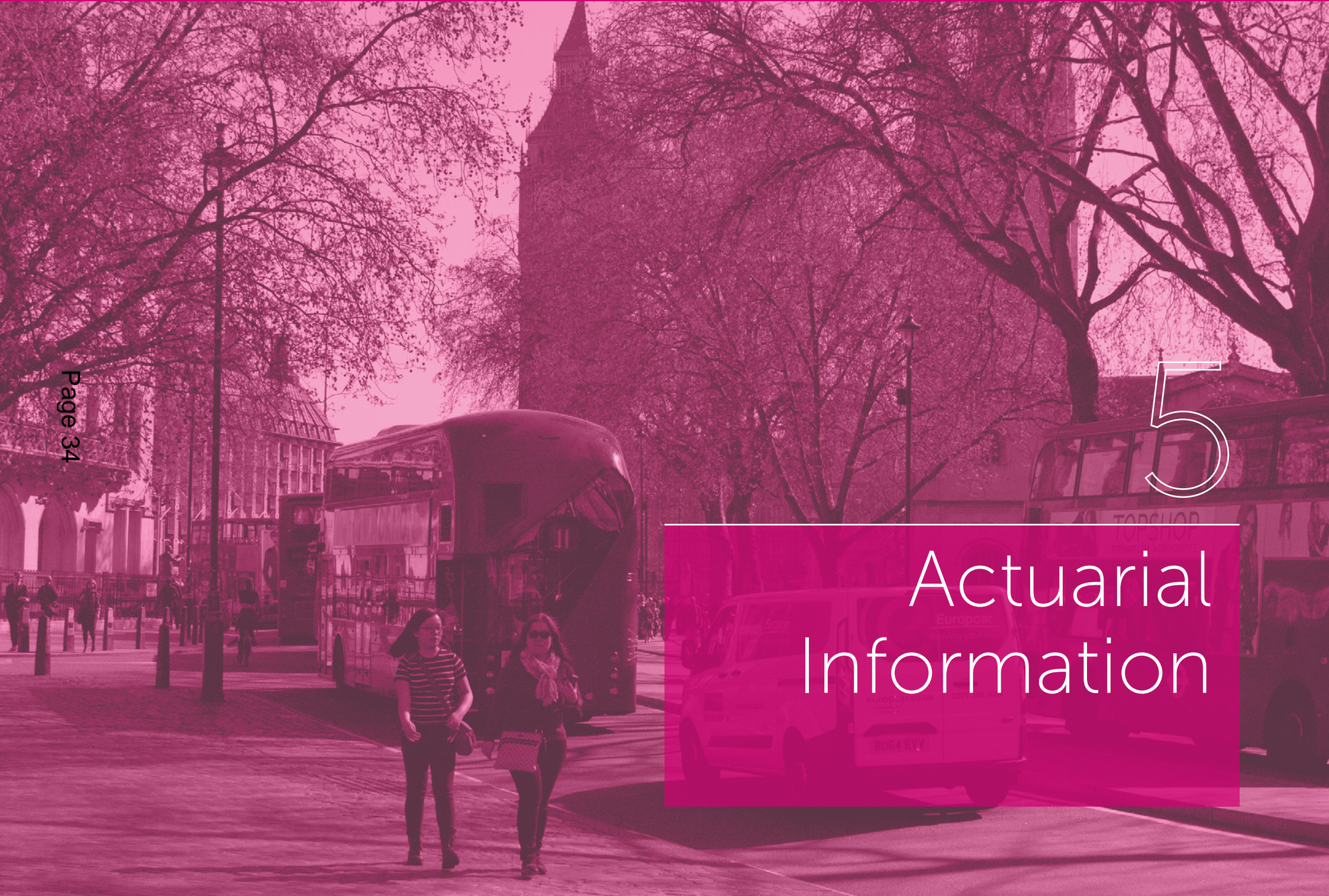
Both TPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road
London
SW1V 1RB



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Actuarial Information



Report by the Actuary

INTRODUCTION

The last full triennial valuation of the City of Westminster Pension Fund (“the Fund”) was carried out as at 31 March 2013 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2014.

This statement gives an update on the funding position as at 31 March 2015 and comments on the main factors that have led to a change since the full valuation.

The estimated funding position in this statement at 31 March 2015 is based on market movements since the previous valuation rather than being a full valuation with updated member data.

2013 VALUATION

The results for the Fund at 31 March 2013 were as follows:

- The Fund as a whole had a funding level of 74% i.e. the assets were 74% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £297m which is higher than the deficit at the previous valuation in 2010.
- To cover the cost of new benefits and to also pay off the deficit over a period of 25 years, a total contribution rate of 29.8% of pensionable salaries would be needed.
- The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment required to pay for their share of the deficit.

Report by the Actuary (continued)

ASSUMPTIONS

The assumptions used at the whole Fund level to value the benefits at 31 March 2013 and used in providing this estimate at 31 March 2015 are summarised in the following table:

Assumption	31 March 2013	31 March 2015
Discount rate (Scheduled Bodies)		
In service	5.9% p.a.	5.7% p.a.
Left service	5.9% p.a.	5.7% p.a.
Discount rate (Admission Bodies)		
In service	4.9% p.a.	4.5% p.a.
Left service	3.5% p.a.	2.7% p.a.
Pension increases	2.7% p.a.	2.5% p.a.
Salary increases	1% until 31 March 2016 then 4.5% p.a.	1% until 31 March 2016 then 4.3% p.a.
Mortality	S1PA tables with a multiplier of 110% for males and 100% for females with future improvements in line with the CMI 2012 Model with a long term rate of improvement of 1.5% per annum.	
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable on an unreduced basis.	
Commutation	Members will convert 50% of the maximum possible amount of pension into cash	

The effect of the change in the assumptions over the period is discussed in the final section.

ASSETS

The assumptions used to value the liabilities are smoothed based on market conditions around the valuation date so the asset values are also measured in a consistent manner although the difference between the smoothed and market values at either date is not expected to be significant.

At 31 March 2013, the value of the assets used was £867m and this has increased over the period to an estimated £1,098m.

UPDATED POSITION

The estimated funding position at 31 March 2015 is a funding level of 80% which is an improvement on the position at 31 March 2013.

The assets have achieved an estimated return of 25% over the period, which is higher than assumed at the 2013 valuation. Payment of deficit contributions during the period in line with agreed contribution schedules has also improved the position.

The next formal valuation will be carried out as at 31 March 2016 with new contribution rates set from 1 April 2017.



Graeme Muir FFA
Partner, Barnett Waddingham LLP

The full version of the 2013 Actuarial Valuation can be found on the Council's website at:
westminster.gov.uk/council-pension-fund

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Pension Fund Accounts



Statement of Responsibilities

Responsibility for the Financial Statements, which form part of this Annual Report, is set out in the following declaration.

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs, in line with statute this is the Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

THE SECTION 151 OFFICER'S RESPONSIBILITIES

The Section 151 Officer is responsible for the preparation of the council's Statement of Accounts and of its Pension Fund Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), are required respectively to present fairly the financial position of the Council and of the Pension Fund at the accounting date and the income and expenditure for the year then ended.

In preparing these Statements of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code.

The Section 151 Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Steven Mair

City Treasurer, Section 151 Officer.

Date: 18 May 2015

Independent auditor's report

Independent auditor's report to the members of the City of Westminster Council Pension Fund on the pension fund financial statements published with the pension fund annual report.

We have examined the pension fund financial statements for the year ended 31 March 2015 on pages [xx] to [xx].

Respective responsibilities of the Section 151 Officer and the auditor

As explained more fully in the Statement of the Section 151 Officer's Responsibilities the Section 151 Officer is responsible for the preparation of the pension fund financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of the City of Westminster Council, and their compliance with applicable law and the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

OPINION

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of the City of Westminster Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Andrew Sayers

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
18 May 2015

Pension Fund Accounts and Explanatory Notes

FUND ACCOUNT

2013/14		Notes	2014/15
Dealings with members, employers and others directly involved in the fund			
Contributions			
(52,381)	From Employers	6	(24,717)
(7,583)	From Members	6	(8,777)
(3,677)	Individual Transfers in from Other Pension Funds		(1,513)
-	Other Income		-
(63,641)			(35,007)
Benefits			
38,244	Pensions	7	39,894
6,991	Commutation, Lump Sum Retirement and Death Benefits	7	5,060
Payments to and on Account of Leavers			
3,162	Individual Transfers Out to Other Pension Funds		2,049
-	Bulk transfers		4,243
81	Refunds to Members Leaving Service		43
48,478			51,289
(15,163)	Net (Additions)/Withdrawals from Dealings with Members		16,282
5,333	Management Expenses	8	7,047

Pension Fund Accounts and Explanatory Notes (continued)

2013/14	Notes	2014/15
Returns on Investments		
(16,071) Investment Income	9	(8,726)
(2) Other Income		(9)
736 Taxes on Income (Irrecoverable Withholding Tax)	9	10
(15,337)		(8,725)
(96,354) Profit and loss on disposal of investments and changes in the market value of investments	11	(117,879)
(111,691) Net return on investments		(126,604)
(121,521) Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(103,275)
(874,176) Opening Net Assets of the Scheme		(995,697)
(995,697) Closing Net Assets of the Scheme		(1,098,972)

Net Assets Statement for the year ended 31 March 2015*

2013/14		Notes	2014/15
£'000			£'000
Investment assets			
128,343	Fixed Interest Securities	14	145,426
208,296	Equities	14	-
585,990	Pooled Investment Vehicles	14	948,674
Derivative Contracts:			
137	Futures	14	318
105	Forward Foreign Exchange	14	97
23,979	Cash Instruments	14	-
Other Investment Balances:			
2,981	Income Due	14	2,689
	Debtors	14	49
14,604	Cash Deposits	14	1,071
964,435			1,098,324
Investment Liabilities			
Derivative Contracts:			
-	Futures	14	(87)
(15)	Forward Foreign Exchange	14	(164)
-	Other investment balances	14	(50)
(15)			(301)

Net Assets Statement for the year ended 31 March 2015* (continued)

2013/14		Notes	2014/15
£'000			£'000
–	Amounts payable for purchases of investments	11	(1,107)
964,420	Net Value of Investment Assets		1,096,916
32,514	Current Assets	18	3,104
(1,237)	Current Liabilities	19	(1,048)
995,697	Net Assets of the Fund Available to Fund Benefits at the Period End		1,098,972

*The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 17 to the Pension Fund accounts.

Note 1 Description of the City of Westminster Pension Fund

A) GENERAL

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by the City of Westminster Council. It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the City of Westminster and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the LGPS Regulations 2013 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from interest and dividends on the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as at 31 March 2013. Currently employer contribution rates range from 8.1% to 27.5% of pensionable pay.

B) PENSION FUND COMMITTEE

The Council has delegated management of the fund to the Pension Fund Committee (the 'Committee') who decide on the investment policy most suitable to meet the liabilities of the Fund and have the ultimate responsibility for the investment policy. The Committee is made up of four Members of the Council each of whom has voting rights.

The Committee reports to the full Council and has full delegated authority to make investment decisions. The Committee considers views from the Director of Corporate Finance & Investment, and obtains, as necessary, advice from the Fund's appointed investment advisors, fund managers and actuary.

Note 1 Description of the City of Westminster Pension Fund (continued)

C) INVESTMENT PRINCIPLES

The LGPS (Management and Investment of Funds) Regulations 2009 requires administering authorities to prepare and review from time to time a written statement recording the investment policy of the Pension Fund. The Committee approved a Statement of Investment Principles in 2015 and this is available on the Council's website at the link below. The Statement shows the Authority's compliance with the Myners principles of investment management.

westminster.gov.uk/council-pension-fund

The Committee has delegated the management of the Fund's investments to external investment managers (see Note 10) appointed in accordance with regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

D) MEMBERSHIP

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the City of Westminster Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

	31 March 2014		31 March 2015
	26	Number of employers with active members	24
	3,862	Active members	4,232
	5,307	Pensioners receiving benefits	5,433
	6,335	Deferred Pensioners	6,395
	15,504		16,060

Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2014/15 and its position at year end as at 31 March 2015. The accounts been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis (see Note 3(b) below).

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The authority has opted to disclose this information in an accompanying report to the accounts, which is disclosed in Note 17.

Note 3 Summary of Significant Accounting Policies

FUND ACCOUNT – REVENUE RECOGNITION

A) CONTRIBUTION INCOME

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

B) TRANSFERS TO AND FROM OTHER SCHEMES

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

C) INVESTMENT INCOME

Dividends from quoted securities are accounted for when the security is declared ex-dividend.

Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price.

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset.

Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

FUND ACCOUNT – EXPENSE ITEMS

D) BENEFITS PAYABLE

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

E) TAXATION

The Fund is an exempt approved fund under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

F) MANAGEMENT EXPENSES

Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs. The comparator figures for 2013/14 have been restated to reflect the implementation of the CIPFA guidance. Consequently management expenses reported in the Fund Account for 2013/14 have been increased by £1.555m to £5.333m and Profit and Loss on disposal of investments and changes in the market value of investments has similarly been increased by £1.555m to £96.354m to reflect the fees which had been deducted at source.

ADMINISTRATIVE EXPENSES

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

OVERSIGHT AND GOVERNANCE COSTS

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.

INVESTMENT MANAGEMENT EXPENSES

All investment management expenses are accounted for on an accruals basis.

The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance. Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

NET ASSETS STATEMENT**G) FINANCIAL ASSETS**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Quoted Securities and Pooled Investment Vehicles have been valued at the bid price and fixed interest securities are recorded at net market value based on their current yields at the balance sheet date. Quoted securities are valued by the Fund's custodian and Pooled Investment Vehicles at the published bid prices or those quoted by their managers.

H) DERIVATIVES

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivatives are valued at fair value on the following bases: assets at bid price, and liabilities at offer price. Changes in the fair value are included in the change in market value in the Fund Account.

Note 3 Summary of Significant Accounting Policies (continued)

The value of open futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The value of forward foreign exchange contracts is based on market forward exchange rates at the year-end and determined as the gain or loss that would arise if the contract were matched at the year-end with an equal and opposite contract.

I) FOREIGN CURRENCY TRANSACTIONS

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and deposits with financial institutions which are repayable on demand without penalty.

K) FINANCIAL LIABILITIES

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

L) ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 17).

M) ADDITIONAL VOLUNTARY CONTRIBUTIONS

Westminster Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the pension fund. The Fund has used Aegon as its appointed AVC provider for the past 14 years and Equitable Life before. AVCs are paid to the AVC providers by employers and specifically for providing additional benefits for

individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, but are disclosed as a note only (Note 20).

N) RECHARGES FROM THE GENERAL FUND

The LGPS (Management and Investment of Funds) Regulations 2009 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 21.

Note 4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 3 above, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

PENSION FUND LIABILITY

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used the intervening years follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 17. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

Note 5 Assumptions made about the future and other major sources of uncertainty

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However the nature of estimation means that the actual results could differ from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £130m. A 0.2% increase in assumed earnings would increase the value of liabilities by approximately £6m, a 0.2% increase in pension increases would increase the liability by about £50m and a one year increase in life expectancy would increase the liability by about £57m

Note 6 Contributions Receivable

Employees contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund. The table below shows a breakdown of the total amount of employers' and employees contributions.

BY AUTHORITY

	31 March 2014		31 March 2015
	£'000		£'000
21,106	Administering Authority	24,310	
1,605	Scheduled bodies	2,447	
37,253	Admitted bodies	6,737	
59,964		33,494	

BY TYPE

	31 March 2014		31 March 2015
	£'000		£'000
7,583	Employees' normal contributions	8,777	
	Employer's contributions:		
18,588	Normal contributions	23,698	
33,435	Deficit recovery contributions	120	
358	Augmentation contributions	899	
59,964		33,494	

Employer contributions were significantly higher in 2013/14 due to a payment of £30m from the Homes and Communities Agency. This was in respect of deficits in the Fund following a decision to close down the Tenant Services Authority and transfer some of its operations to the Homes and Communities Agency.

Note 7 Benefits Payable

The table below shows a breakdown of the total amount of benefits payable by category.

	2013/14		2014/15
	£'000		£'000
38,244 Pensions			39,894
5,349 Commutation and lump sum retirement benefits			4,852
1,642 Lump sum death benefits			208
	45,235		44,954

The fund paid benefits to members of the following employers. The summary for 2013/14 excludes lump sum retirement benefits and death benefits as this information was not held at employer level in that year.

	2013/14		2014/15
	£'000		£'000
33,332 Administering Authority			39,710
50 Scheduled Bodies			124
4,862 Admitted Bodies			5,120
	38,244		44,954

Note 8 Management Expenses

The table below shows a breakdown of the management expenses incurred during the year.

	2013/14		2014/15
	£'000		£'000
447	Administration Expenses	534	
295	Oversight and Governance	318	
4,591	Investment Management Expenses	6,195	
5,333		7,047	

Of the investment management expenses in 2014/15, a total of £2.176m was in respect of performance-related fees paid to the Fund's investment managers (£1.250m in 2013/14). It also includes £1.160m in respect of transaction costs (£1.047m in 2013/14 restated for costs of £0.457m originally netted off income). Fees rose during the year because the standard management fees increased in line with the growth in the fund and the performance element of fees also rose reflecting improvement in fund performance.

Note 9 Investment Income

The table below shows a breakdown of the investment income for the year

	2013/14		2014/15
	£'000		£'000
	6,533	Fixed interest securities	6,249
	7,400	Equity dividends	141
	2,050	Pooled investments – unit trust and other managed funds	932
	–	Pooled property investments	838
	88	Interest and cash deposits	566
	16,071	Total before taxes	8,726
	(736)	Taxes on income	(10)
	15,335	Total	8,716

Following the change of Custodian in October 2014, pooled property investments have been disclosed as a separate asset class from pooled equity investments. Income from pooled property investments has been separately reported from 1 October 2014, but income for previous periods has not been restated.

Note 10 Investment Management Arrangements

As at 31 March 2015, the investment portfolio was managed by seven external managers:

- UK property portfolios are split between Hermes Investment Managers and Standard Life
- Fixed income mandates are managed by Insight Investment Managers
- Equity portfolios were split between Majedie Investment Managers (active UK), Baillie Gifford (active global), Legal and General Investment Management (passive global) and Longview Partners (active global).

All managers have discretion to buy and sell investments within the constraints set by the Committee and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

The Committee appointed Northern Trust as its global custodian, with effect from 1 October 2014 (prior custodian was BNY Mellon). They are responsible for safe custody and settlement of all investment transactions and collection of income.

During the year, the Committee also appointed Longview as a global equity manager. The bank account for the Fund is held with Lloyds Bank.

The market value and proportion of investments managed by each fund manager at 31 March 2015 was as follows:

31 March 2014 Market Value £'000	%	Fund Manager	Mandate	31 March 2015 Market Value £'000	%
239,390	24.8%	Majedie	UK Equity (Active)	256,513	23.4%
10	–	State Street Global Advisors (UK)	UK Equity (Passive)	–	–
239,400	24.8%	UK Equity	Sub-Total	256,513	23.4%
130,150	13.5%	Baillie Gifford	Global Equity (Active)	180,729	16.5%
348,680	36.2%	LGIM	World Equity (Passive)	281,978	25.7%
–	–	Longview	Global Equity (Active)	109,569	10.0%
478,830	49.7%	Global Equity	Sub-Total	572,276	52.2%
16,750	1.7%	Insight	Fixed Interest Gilts	17,871	1.6%
141,870	14.7%	Insight	Sterling non-Gilts	156,329	14.3%
158,620	16.5%	Bonds	Sub-Total	174,200	15.9%
43,450	4.5%	Hermes	Property	45,712	4.2%
43,830	4.5%	Standard Life	Property	47,913	4.4%

Note 10 Investment Management Arrangements (continued)

31 March 2014 Market Value £'000	%	Fund Manager	Mandate	31 March 2015 Market Value £'000	%
87,280	9.1%	Property	Sub-Total	93,625	8.5%
964,130	100.0%		Total (exc. cash)	1,096,614	100.0%
290		Other (cash deposits)		302	
964,420			Total	1,096,916	

Note 11 Reconciliation in Movement in Investments

2014/15	Market value 1st April 2014	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Asset reclassification	Change in market value during the year	Market value 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	128,343	67,637	(59,212)	485	8,173	145,426
Equities	208,296	182,564	(232,330)	(160,861)	2,331	-
Pooled equity investments	585,990	568,945	(481,080)	80,742	101,062	855,659
Pooled property investments	-	870	(438)	87,409	5,174	93,015
Derivatives:						
Futures	137	421	(859)	-	532	231
Forward foreign exchange	90	735	(1,640)	-	748	(67)
Cash Instruments	23,979	33,441	(49,379)	(8,041)	-	-
Total	946,835	854,613	(824,938)	(266)	118,020	1,094,264
Cash deposits	14,604			(350)	(19)	1,071
Amounts receivable for sales of investments	2,981			(1,754)	(11)	216
Investment income due	-			2,435	-	2,473
Spot FX contracts	-			-	(111)	(1)
Amounts payable for purchases of investments	-			(65)	-	(1,107)
Net investment assets	964,420			-	117,879	1,096,916

During the financial year the Fund changed custodian which prompted a reclassification of some categories of financial instrument. Transaction costs have been reported separately for the first time this year (see Note 8).

Note 11 Reconciliation in Movement in Investments (continued)

2013/14	Market value 1st April 2013	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2014
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	160,912	48,978	(77,017)	(4,530)	128,343
Equities	172,424	118,980	(115,424)	32,316	208,296
Pooled investments	506,299	325,655	(314,296)	68,332	585,990
Derivatives:					
Futures	85	1,025	(679)	(294)	137
Forward foreign exchange	159	388	(1,130)	673	90
Cash Instruments	29,648	231,563	(237,233)	1	23,979
Total	869,527	726,589	(745,779)	96,498	946,835
Cash deposits	(161)			(135)	14,604
Amounts receivable for sales of investments	3,411			(9)	2,981
Net investment assets	872,777			96,354	964,420

Transaction costs have been reported separately for the first time this year (see Note 8).

Note 12 Investments exceeding 5% of Net Assets

The table below shows the Fund's investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

2013/14			2014/15	
Market Value	Holding		Market Value	Holding
£'000	%		£'000	%
185,466	19.2%	L&G – World Equity Index – GBP Hedged	282,340	25.7%
-	-	Majedie – Institutional Trust Class B Shares	256,511	23.4%
130,150	13.5%	Baillie Gifford – Life Global Alpha Pension Fund	180,729	16.5%
-	-	Longview – Conventum Asset Management	109,569	10.0%
315,616	32.7%	Total Top Holdings	829,149	75.6%
964,420		Total Value of Investments	1,096,916	

Note 13 Analysis of Derivatives

OBJECTIVES AND POLICIES FOR HOLDING DERIVATIVES

The Committee has authorised the use of derivatives for efficient portfolio management purposes and to reduce certain investment risks in particular, foreign exchange risk. All uses of derivatives are outsourced to the Fund's external asset managers which must adhere to the detailed requirements set out in their investment management agreements.

A) LIQUIDITY

The Fund uses interest rate futures to hedge some of the non-Sterling interest rate risk, subject to the restrictions in the investment guidelines (not more than 30% of the portfolio's value may be exposed to non-Sterling bond risk).

B) FORWARD FOREIGN CURRENCY

The Fund uses forward foreign exchange contracts to reduce the foreign currency exposure from overseas bond holdings that are within the portfolio (foreign currency exposure is fully hedged into Sterling).

FUTURES

Outstanding exchange traded futures contracts are as follows.

Economic Exposure	Market Value 31 March 2014	Type	Expires	Economic Exposure	Market Value 31 March 2015
£'000	£'000			£'000	£'000
Assets					
-	-	UK Fixed Income	less than 1 year	17,509	318
17,525	100	UK Equity	less than 1 year	-	-
(12,223)	37	Overseas equity	less than 1 year	-	-
	137	Total Assets			318
Liabilities					
-	-	Overseas Fixed Income	less than 1 year	(11,023)	(87)
	-	Total Liabilities			(87)
	137	Net futures			231

FORWARD CURRENCY CONTRACTS

Outstanding exchange traded futures contracts are as follows.

Settlement	Currency Bought	Local Value	Currency Sold	Local value	Asset Value	Liability Value
		000		000	£'000	£'000
Up to one month	GBP	5,399	EUR	(7,389)	60	(8)
Up to one month	GBP	5,768	USD	(8,772)	4	(146)
Up to one month	USD	1,385	GBP	(914)	19	-
Up to one month	EUR	2,156	GBP	(1,548)	13	(1)
One to six months	GBP	688	EUR	(963)	1	(9)
Net forward currency contracts at 31 March 2015					97	(164)
Prior year comparative						
Open forward currency contracts at 31 March 2014					105	(15)
Net forward currency contracts at 31 March 2014					90	

Note 14a Classification of Financial Instruments

The following table shows the classification of the Fund's financial instruments and also shows the split by UK and overseas. All investments are quoted unless stated.

31 March 2014			31 March 2015		
Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets					
Fixed interest securities					
Quoted:					
15,680	-	-	UK Public sector	26,056	-
96,202	-	-	UK Corporate	59,549	-
-	-	-	Overseas Public sector	804	-
16,461	-	-	Overseas Corporate	59,017	-
Equities					
Quoted:					
147,614	-	-	UK	-	-
60,682	-	-	Overseas	-	-
Pooled funds – investment vehicles					
21,960	-	-	UK Managed Funds Other	719,208	-
82,508	-	-	UK Unit Trusts Property	93,014	-
481,522	-	-	Overseas Managed	136,452	-
Derivative Contracts					
137	-	-	Futures	318	-
105	-	-	Forward Foreign Exchange	97	-

31 March 2014			31 March 2015		
Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans & receivables	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Cash Instruments					
-	23,979	-	-	-	-
-	-	-	-	-	-
-	30,066	-	-	1,995	-
2,981	-	-	2,689	-	-
-	14,604	-	-	1,071	-
-	2,448	-	49	1,109	-
925,852	71,097	-	1,097,253	4,175	-
Financial Liabilities					
Derivative Contracts					
-	-	-	(87)	-	-
(15)	-	-	(164)	-	-
-	-	-	(50)	-	-
-	(1,237)	-	-	(1,048)	(1,107)
(15)	(1,237)	-	(301)	(1,048)	(1,107)
925,837	69,860	-	1,096,952	3,127	(1,107)
	995,697	Grand Total		1,098,972	

Note 14b Net Gains and Losses on Financial Instruments

This table summarises the net gains and losses on financial instruments classified by type of instrument.

31 March 2014		31 March 2015
£'000		£'000
Financial Assets		
96,889	Designated at fair value through profit and loss	118,020
(134)	Loans and receivables	(19)
96,755		118,001
Financial Liabilities		
(401)	Designated at fair value through profit and loss	(122)
-	Financial liabilities at amortised cost	-
(401)		(122)
96,354	Total	117,879

Note 14c Valuation of Financial Instruments carried At Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices.

Level 2 – where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value is observable.

31 March 2014			31 March 2015		
Quoted market price	Using observable inputs	With significant unobservable inputs	Quoted market price	Using observable inputs	With significant unobservable inputs
Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
31 March 2014			31 March 2015		
£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets					
696,482	229,370	-	843,760	253,493	-
Financial Liabilities					
-	(15)	-	-	(301)	-
696,482	229,355	-	843,760	253,192	-
925,837			1,096,952		
Grand Total			Grand Total		

Note 15 Nature and extent of Risks arising from Financial Instruments

RISK AND RISK MANAGEMENT

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk-management strategy rests with the Committee. Risk management policies are established that aim to identify and analyse the investment risks faced by the Fund and these are regularly reviewed in the light of changing market and other conditions.

A) MARKET RISK

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its investment advisors undertake regular monitoring of market conditions and benchmark analysis.

PRICE RISK

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors

specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

The following table demonstrates the change in the net assets available to pay benefits if the market price had increased or decreased by 10%. The analysis excludes cash, debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk.

Assets exposed to price risk	Value £'000	Value on 1% price increase £'000	Value on 1% price decrease £'000
As at 31 March 2014	922,766	1,015,043	830,489
As at 31 March 2015	1,094,418	1,203,860	984,976

INTEREST RATE RISK

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Committee

and its investment advisors regularly monitor the Fund's interest rate risk exposure during the year. The Fund manages its interest risk exposure through the use of futures derivatives (see Note 13a).

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

CURRENCY RISK

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. The Fund aims to mitigate this risk through the use of derivatives (see Note 13). The Committee recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

Overseas equities, fixed interest securities and futures, cash in foreign currencies, forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of these assets had there been a 10% strengthening/weakening of the pound against foreign currencies.

Assets exposed to interest rate risk

	Value	Value on 1% price increase	Value on 1% price decrease
	£'000	£'000	£'000
As at 31 March 2014	196,992	198,962	195,022
As at 31 March 2015	148,492	149,977	147,007

Assets exposed to currency risk

	Value	Value on 10% foreign exchange rate increase	Value on 1% price decrease
	£'000	£'000	£'000
As at 31 March 2014	552,899	608,189	497,609
As at 31 March 2015	678,339	746,173	610,505

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2015, liquid assets were £1,003m representing 91% of total fund assets (£877m at 31 March 2014 representing 91% of the fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

The Fund also has an overdraft facility of £1m for short-term cash needs (up to 90 days). This facility is only for meeting timing differences on pension payments; however it was not used in the year.

B) CREDIT RISK

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors the state of its admitted bodies.

C) LIQUIDITY RISK

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Committee monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments.

Note 16 Funding Arrangements

The LGPS Regulations require that a full actuarial valuation of the Fund is carried out every three years. The purpose of this is to establish that the City of Westminster Pension Fund is able to meet its liabilities to past and present contributors and to review the employer contribution rates.

The latest full triennial valuation of the Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2013 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The results were published in the triennial valuation report dated 28 March 2014. The report and Funding Strategy Statement are both available on the Council's website at

westminster.gov.uk/council-pension-fund

The actuary's smoothed market value of the scheme's assets at 31 March 2013 was £866.9m and the Actuary assessed the present value of the funded obligation at £1,164m. This indicates a net liability of £297.3m, which equates to a funding position of 74% (2010: £238.1m and 74%).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Future assumed returns at 2013	%	Risk adjusted
Gilts	3.3	6
Cash	3.1	4
Bonds	3.9	13
Equities	6.9	74
Property	6.0	4

Financial assumptions	2013	2010
Discount rate – scheduled bodies	5.9	7.5
Discount rate – admitted bodied	4.9	6.3
RPI	3.5	3.8
CPI	2.7	3.3
Pension increases	2.7	3.3
Short-term pay increases	1.0	n/a
Long-term pay increases	4.5	5.3

The 2013 valuation certified an aggregate employer contribution rate of 29.8% of pensionable pay (2010: 20.4%). The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 25 years, as set out in the Funding Strategy Statement (2010: 30 years). The common future service contribution rate for the Fund was set at 13.3% of pensionable pay (2010: 12.4%).

The triennial valuation also sets out the individual contribution rate to be paid by each employer from 1 April 2014 depending on the demographic and actuarial factors particular to each employer. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The next actuarial revaluation of the Fund will be as at 31 March 2016 and will be published in 2017.

Note 17 Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2015. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

31 March 2014 £'000		31 March 2015 £'000
(1,364,117)	Present Value of Promised Retirement Benefits	(1,605,955)
994,420	Fair Value of Scheme Assets (bid value)	1,089,091
(369,697)	Net Liability	(516,864)

Present Value of Promised Retirement Benefits comprise of £1,479.5m (2013/14: £1,254.5m) and £126.5m (2013/14: £109.6m) in respect of vested benefits and non-vested benefits respectively as at 31 March 2015.

ASSUMPTIONS

To assess the value of the Fund's liabilities at 31 March 2015, the value of Fund's liabilities calculated for the funding valuation as at 31 March 2013 have been rolled forward, using financial assumptions that comply with IAS19.

DEMOGRAPHIC ASSUMPTIONS

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 110%, for males and 100% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

Life expectancy from age 65 years		31 March 2015	31 March 2014
Retiring today	Males	22.1	22.0
	Females	25.2	25.1
Retiring in 20 years	Males	24.2	24.1
	Females	27.6	27.4

FINANCIAL ASSUMPTIONS

The main financial assumptions are:

	31 March 2015	31 March 2014
RPI increases	3.1	3.5
CPI increases	2.3	2.7
Salary increases	4.1	4.5
Pension increases	2.3	2.7
Discount rate	3.2	4.4

Note 18 Current Assets

31 March 2014		31 March 2015
£'000		£'000
Debtors:		
1,621	Contributions due – employers	853
638	Contributions due – employees	228
189	Sundry debtors	28
30,066	Cash balances	1,995
32,514		3,104

ANALYSIS OF DEBTORS

31 March 2014		31 March 2015
£'000		£'000
2,448	Other entities and individuals	1,109
2,448		1,109

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Note 19 Current Liabilities

31 March 2014		31 March 2015	ANALYSIS OF CREDITORS		31 March 2015
£'000		£'000	31 March 2014		£'000
(872)	Sundry creditors	(542)	(1,237)	Other entities and individuals	(1,048)
(365)	Benefits payable	(506)			
(1,237)	Total	(1,048)	(1,237)	Total	(1,048)

Note 20 Additional Voluntary Contributions

The Pension Fund's Additional Voluntary Contributions (AVC) providers are Aegon and Equitable Life Assurance Society. The table below shows information about these separately invested AVCs.

	Market Value 31 March 2014		Market Value 31 March 2015
	£'000		£'000
	1,258	Aegon	1,358
	457	Equitable Life	474
	1,715	Total	1,832

Additional voluntary contributions of £0.2m were paid directly to Aegon during the year (2013/14: £0.1m).

In accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

Note 21 Related Party Transactions

The Fund is administered by Westminster City Council. The Council incurred costs of £0.31m in the period 2014/15 (2013/14: £0.32m) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Fund uses the same Banking and Control Service provider as WCC and no charge is made in respect of this.

The Council has a significant interest in one scheduled body (City West Homes) who are within the Fund and it received £2.3m in employer contributions, deficit and early retirement costs from this body (2013/14: £1.3m).

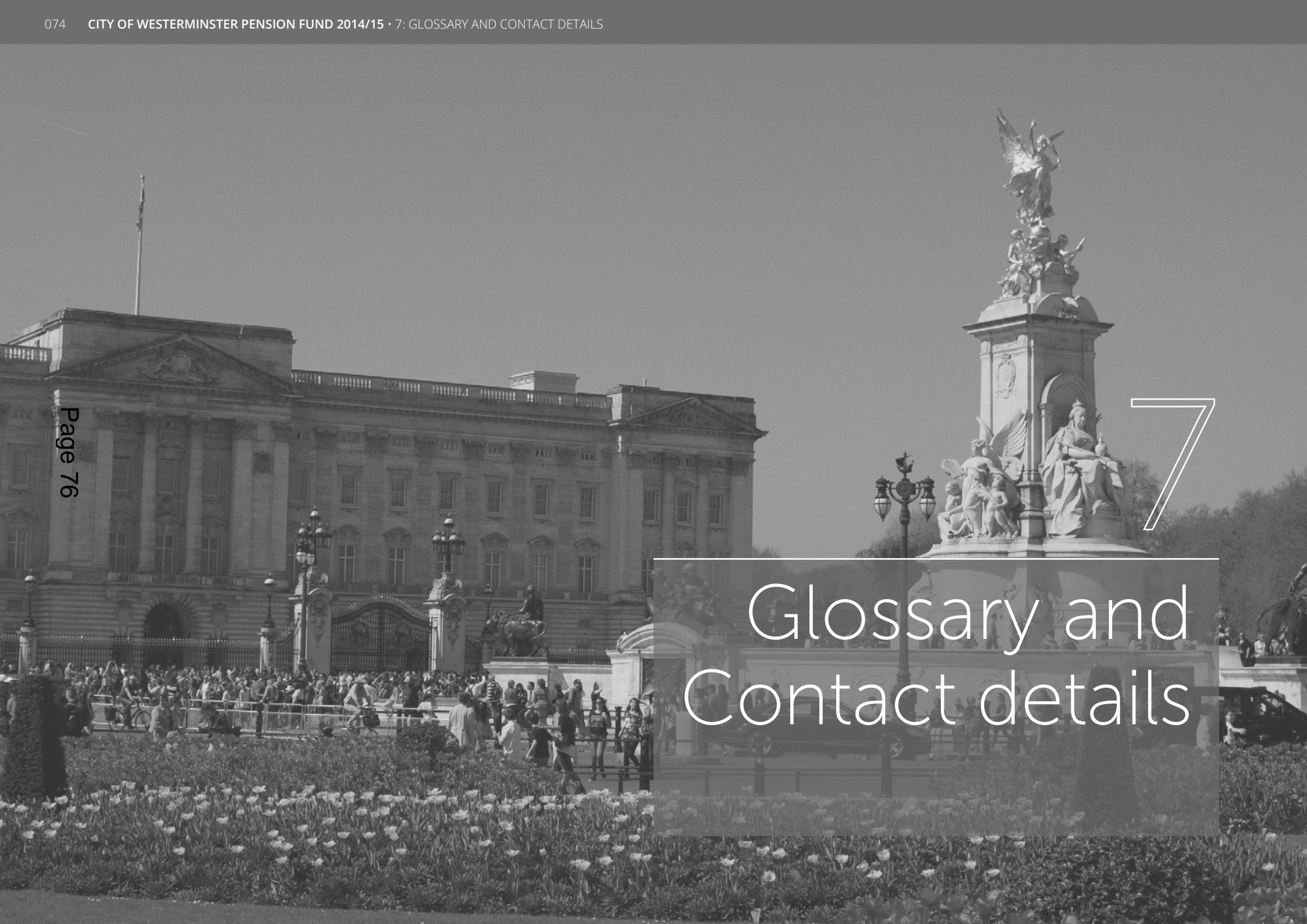
KEY MANAGEMENT PERSONNEL REMUNERATION

The key management personnel of the Fund are the Members of the Pension Fund Committee, the City Treasurer, the Director of Corporate Finance & Investment and the Acting Director of Human Resources. Total remuneration payable to key management personnel is set out below:

31 March 2014		31 March 2015	
£'000		£'000	
51	Short-term benefits	51	
153	Post-employment benefits	195	
204	Total	246	

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Glossary and
Contact details



Glossary of Terms

ACTIVE MEMBER:

Current employee who is contributing to a pension scheme.

ACTUARY:

An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC):

An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

ADMITTED BODY:

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

ASSET ALLOCATION:

The apportionment of a fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

BENCHMARK:

A measure against which the investment policy or performance of an investment manager can be compared.

DEFERRED MEMBERS:

Scheme members, who have left employment or ceased to be an active member of the scheme whilst remaining in employment, but retain an entitlement to a pension from the scheme.

DEFINED BENEFIT SCHEME:

A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

EMPLOYER CONTRIBUTION RATES:

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

Glossary of Terms (continued)

EQUITIES:

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

FIXED INTEREST SECURITIES:

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

INDEX:

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

POOLED INVESTMENT VEHICLES:

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

RETURN:

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

SCHEDULED BODY:

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

UNREALISED GAINS/LOSSES:

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

Contact Information

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NATIONAL LOCAL GOVERNMENT PENSION SCHEME

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Appendices

Appendix 01

Terms of Reference

To have responsibility for all aspects of the investment and other management activity of the Council's Superannuation Fund, including, but not limited to, the following matters:

1. To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the Investment Consultant.
2. To monitor performance of the Superannuation Fund, individual fund managers, custodians, actuary and other external advisers to ensure that they remain suitable;
3. To determine the Fund management arrangements, including the appointment and termination of the appointment of the Fund Managers, Actuary, Custodians and Fund Advisers.
4. To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
5. To approve the final accounts and balance sheet of the Superannuation Fund and to approve the Annual Report.
6. To receive actuarial valuations of the Superannuation Fund regarding the level of employers' contributions necessary to balance the Superannuation Fund.
7. To oversee and approve any changes to the administration arrangements, material contracts and policies and procedures of the Council for the payment of pensions, compensation payments and allowances to beneficiaries.
8. To make and review an admission policy relating to admission agreements generally with any admission body.
9. To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
10. To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
11. To receive and consider the Auditor's report on the governance of the Pension Fund.
12. To determine the compensation policy on termination of employment and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
13. To determine policy on the award of additional membership of the pension fund and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
14. To determine policy on the award of additional pension and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

Appendix 01

Terms of Reference (continued)

15. To determine policy on retirement before the age of 60 and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
16. To determine a policy on flexible retirement and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
17. To determine questions and disputes pursuant to the Internal Disputes Resolution Procedures.
18. To determine any other investment or pension policies that may be required from time to time so as to comply with Government regulations and to make any decisions in accordance with those policies other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

Appendix 02

Governance Compliance Statement

BACKGROUND

The Local Government Pension Scheme Regulations require administering authorities to prepare a written statement setting out compliance with best practice governance principles.

The following statement sets out in turn:

- (a) the principles against which compliance is to be measured;
- (b) a table showing whether the City of Westminster Pension Fund is compliant;
- (c) if appropriate, reasons for non-compliance and comments.

A – STRUCTURE

- a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.
- b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.

- c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
- d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

	Not Compliant			Fully Compliant
a)				√
b)		√		
c)				N/A
d)				N/A

Reason for non-compliance:

- b) Admitted bodies are not represented at Committee meetings but are consulted on a regular basis. Pensioners and deferred members are not formally represented, though a union representative is entitled to attend all meetings as an observer.

Comments on ratings given above:

- a) The Superannuation Investments Committee consists of 6 Members of the Council, with membership allocated proportionally to party political representation on the Full Council.

The Terms of Reference of the Committee are as follows:

- The investment and other management of the Superannuation Fund.
- To agree the investment strategy having regard to the advice of the Fund's managers and the independent adviser, to monitor performance.
- To monitor performance.
- To determine the Fund management arrangements and appointments of Fund Managers, Custodians and Fund Advisers, and to agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement and the Communications Policy Statement and to ensure compliance with these.
- To ensure compliance with all relevant statutes, regulations and best practices with both the Public and Private Sectors.

Appendix 02

Governance Compliance Statement (continued)

B – REPRESENTATION

- a) That all key stakeholders are afforded the opportunity to be represented. Within the main or secondary committee structure; these include:-
 - i) Employing authorities (including non-scheme employers, e.g., admitted bodies);
 - ii) Scheme members (including deferred and pensioner scheme members),
 - iii) Independent professional observers
 - IV) Expert advisers (on an ad-hoc basis).
- b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

	Not Compliant			Fully Compliant
a)		√		
b)				N/A

Reason for non-compliance:

- a) Admitted bodies are not represented at Committee meetings but are consulted on a regular basis. Pensioners and deferred members are not formally represented.

Comments on ratings given above:

- a) Professional advice is provided at the Committee by the Director of Finance and the Director of Legal and Administrative Services. In addition, specialist advice on pension matters is provided by independent investment advisers who can assist in terms of compliance against Myners' principles and the management of risk.
- b) Councillor members are treated equally in accordance with the governance principles. There are no lay members (in the sense of 'non- Councillor members').

C – SELECTION AND ROLE OF LAY MEMBERS

- a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

	Not Compliant			Fully Compliant
a)				N/A

Reason for non-compliance:

Comments on ratings given above:

- a) Councillor members are made aware of their status, role and function. There are no lay members (in the sense of 'non- Councillor members').

D – VOTING

- a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

	Not Compliant				Fully Compliant
a)					√

Reason for non-compliance:

Comments on ratings given above:
 Voting is in accordance with the Council's Standing Orders, namely a simple majority of those present who can vote with the Chairman having a second or casting vote.

E – TRAINING / FACILITY TIME / EXPENSES

- a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
- b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

	Not Compliant				Fully Compliant
a)			√		
b)					√

Reason for non-compliance:
 a) There is no specific policy on facility time or re-imburement of expenses for the Superannuation Investments Committee - the Council's general guidance to members applies. Members receive allowances and Committee meetings take place at a time that is convenient for members.

Comments on ratings given above:
 Members are required to attend appropriate training. The training is provided by the Fund's investment advisers.

F – MEETINGS (FREQUENCY/QUORUM)

- a) That an administering authority's main committee or committees meet at least quarterly.
- b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
- c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented

	Not Compliant				Fully Compliant
a)					√
b)					N/A
c)			√		

Appendix 02

Governance Compliance Statement (continued)

Reason for non-compliance:

c) There are no lay members (in the sense of 'non- Councillor members') but a union representative is entitled to attend all meetings as an observer.

Comments on ratings given above:

The Superannuation Investments Committee meets quarterly.

G – ACCESS

a) That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.

	Not Compliant			Fully Compliant
a)				√

Reason for non-compliance:

Comments on ratings given above:

H – SCOPE

a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements

	Not Compliant			Fully Compliant
a)		√		

Reason for non-compliance:

Comments on ratings given above:

The Superannuation Investments Committee considers wider issues from time to time as part of its work programme. The remit of the Committee needs to reflect formally the scope of these wider issues.

I – PUBLICITY

a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

	Not Compliant			Fully Compliant
a)				√

Reason for non-compliance:

Comments on ratings given above:

The Fund has published a Communications Policy that sets out how it communicates with stakeholders. In addition, this Compliance Statement will be published on the Council's website and will be included in the Pension Fund Annual Report which will be published on or before 1 December 2008.

Appendix 03 City of Westminster Pension Fund Statement of Investment Principles

1. BACKGROUND

1.1 Legal

Regulation 12(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires administering authorities, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement of the principles governing their decisions about the investment of Pension Fund money.

1.2 The Scheme

The Local Government Pension Scheme (“the Scheme”) was established in accordance with statute to provide retirement benefits for all eligible employees. The Scheme is a contributory, defined benefit occupational pension scheme. It is funded by employee contributions and by variable employer contributions, which are set every three years, following an actuarial valuation of the assets and liabilities of the scheme.

The benefits of the Scheme are defined by statute and they are inflation proofed in line with annual increases in the Consumer Price Index for September. The Scheme is operated by designated administering authorities, of which the City of Westminster is one such authority. Each administering authority maintains a Pension

Fund (“the Fund”) and invests monies not required immediately to meet benefits.

1.3 Pension Fund Committee

The Council has delegated the investment arrangements of the Fund to the Pension Fund Committee. The Committee meets at least 4 times a year. Further information on the Committee can be found in the Fund’s Governance Compliance Statement and the responsibilities are set out in 2.1 below.

1.4 Advice

The Committee obtains and considers advice from the City Treasurer and Pension Fund Officers. In addition, the Fund retains the services of an external investment adviser who attends all the Committee’s meetings. The Committee also considers advice from the Fund Actuary and investment managers as necessary.

1.5 Investment Managers

All investment management of the Fund’s assets is undertaken externally. Some elements are managed on a segregated basis in accordance with investment management agreements. The remainder is invested in pooled fund products managed by external investment managers according to the terms of the funds.

2. INVESTMENT RESPONSIBILITIES

2.1 Pension Funds Committee

The Pension Fund Committee’s responsibilities are set out in their terms of reference and are to have responsibility for all aspects of the investment and other management activity of the Council’s Pension Fund, including, but not limited to, the following matters:

- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the Investment Consultant.
- To monitor performance of the Superannuation Fund, individual fund managers, custodians, actuary and other external advisers to ensure that they remain suitable;
- To determine the Fund management arrangements, including the appointment and termination of the appointment of the Fund Managers, Actuary, Custodians and Fund Advisers.
- To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.

Appendix 03 City of Westminster Pension Fund Statement of Investment Principles (continued)

- To approve the final accounts and balance sheet of the Superannuation Fund and to approve the Annual Report.
- To receive actuarial valuations of the Superannuation Fund regarding the level of employers' contributions necessary to balance the Superannuation Fund.
- To oversee and approve any changes to the administration arrangements, material contracts and policies and procedures of the Council for the payment of pensions, compensation payments and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.
- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To receive and consider the Auditor's report on the governance of the Pension Fund.
- To determine the compensation policy on termination of employment and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
- To determine policy on the award of additional membership of the pension fund and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
- To determine policy on the award of additional pension and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
- To determine policy on retirement before the age of 60 and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
- To determine a policy on flexible retirement and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
- To determine questions and disputes pursuant to the Internal Disputes Resolution Procedures.
- To determine any other investment or pension policies that may be required from time to time so as to comply with Government regulations and to make any decisions in accordance with those policies other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

2.2 Pension Fund Officers

The Pension Fund Officers are responsible for advising the Pension Fund Committee and for the following:

- Monitoring compliance with statutory requirements and the investment principles set out in the document and reporting any breaches to the Pension Fund Committee.

- Ensuring this document is regularly reviewed and updated in accordance with the LGPS regulations.
- Investment accounting, preparing the annual accounts and report of the Fund and all day to day administration.
- Ensuring proper resources are available to meet the Council's responsibilities.

2.3 Investment Managers

The investment managers are responsible for:

- The investment of the Fund's assets in compliance with prevailing legislation and the investment management agreements or terms of the pooled fund as appropriate.
- Tactical asset allocation and security selection within the parameters of the mandate set by the Fund or the terms of the pooled fund.
- Preparation of quarterly reports including a review of performance and attendance at sub-committee meetings as requested.
- Voting shares in accordance with the agreed policy.
- Reporting any breaches of their guidelines and changes in key investment personnel.

2.4 Custodian

The custodian is responsible for:

- Safe custody and settlement of all investment transactions, collection of income and administration of corporate actions for all segregated assets, independently from the investment managers.
- Providing a performance measurement service of all the Fund's investments including those in pooled funds, against agreed benchmarks and targets.
- Providing valuations and accounting data summarising details of all investment transactions with the Fund.

2.5 Investment Adviser

The investment adviser is responsible for:

- Advising the Committee on the investment strategy of the Fund and the implementation of it.
- Advising the Committee on the appointment and termination of appointment of the investment managers and custodian.

- Assisting the Committee and Pension Fund officers in the on-going review of the investment managers and the suitability of the investment products used.
- Providing advice, education and training on all investment related matters as required.

2.6 Fund Actuary

The Fund Actuary is responsible for:

- Undertaking triennial valuations of the Fund's assets and liabilities to measure funding level and set employer contribution rates.
- Providing regular updates between triennial valuations on the funding level of the Fund.
- Providing advice on the admission and withdrawal of employers to the scheme, including external employers following externalisation of services.

3. PENSION FUND LIABILITIES

3.1 Overview

The City of Westminster Pension Fund is broadly similar to other funds of comparable size in terms of its maturity. The Fund Actuary determined that the funding level was 74% at the 31st March 2013 valuation. It has agreed that the Council should make additional employer contributions over a period of 25 years to bring the funding level back to 100%.

Appendix 03 City of Westminster Pension Fund Statement of Investment Principles (continued)

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund's liabilities are sensitive to inflation via pension and pay increases, to interest rates and to mortality rates. The assets that would most closely match the liabilities are a combination of index-linked gilts as the liabilities move in accordance with changes in the relevant gilt yields.

The investment strategy set for the Fund, as detailed later in this document, recognises the need to mitigate the risks set out above, but also balances this with the need to generate additional return to return the Fund to a 100% funding level.

3.2 Scheme Benefits

The LGPS is a defined benefit scheme, which provides benefits related to final salary for its members to 31 March 2014 and on a career average basis thereafter. Each member's pension is specified according to a formula based on salary and service and is unaffected by the investment return achieved by the fund. Full details of the benefits are set out in the LGPS regulations.

3.3 Funding the Benefits

Active members are required to make pension contributions where the rate will, depend on the level of their salaries. The Council and other employers participating in the Fund are responsible for meeting the remainder of the costs necessary to finance the benefits payable from the Fund by applying employer contribution rates, determined following the actuarial review and consultation with the Fund Actuary. The employers therefore have a direct financial interest in the investment return achieved on the Fund's assets to the extent that any funding shortfall is met from employers' contributions. The approach to funding is set out in the Funding Strategy Statement.

3.4 Actuarial Valuation

The Fund is valued every three years in accordance with the LGPS regulations and monitored each year by the officers and the Actuary. The last valuation was as at 31 March 2013.

4. INVESTMENT STRATEGY

4.1 Aims and Purpose of the Fund

The aims of the Fund are to:

- Enable employer contribution rates to be kept as stable as possible and at reasonable cost to taxpayers, scheduled and admitted bodies,

- Manage employers' liabilities effectively,
- Ensure that sufficient resources are available to meet all liabilities as they fall due,
- Maximise the returns from investments within reasonable risk parameters.

The purpose of the Fund is to:

- Receive monies in respect of contributions, transfer values and investment income, and
- Pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses, as defined in the Local Government Pension Scheme Regulations.

4.2 Investment Strategy

An investment strategy has been agreed having taken advice from the Fund's investment adviser. The strategy aims to balance the need to generate sufficient return to reach a fully funded position with the need to mitigate against the risks of inflation and interest rates. The strategy is also designed to achieve diversification across different asset classes. It has been decided that all investments will be managed by external fund managers.

4.3 Strategic Benchmark

The strategic benchmark of the Fund reflects the high level asset allocation and is shown in the table below:

Asset Class	Target Allocation	Benchmark
UK equities	20%	FTSE All Share
Global equities (passive)	45%	FTSE World (GBP hedged)
Global equities (active)		MSCI AC World
Fixed Income	20%	iBoxx £ Non-Gilt 1-15 Yrs Index
Property	15%	FT All Gilt index plus 2%
Total	100%	

4.4 Performance targets

Each of the fund managers and the investment products the Fund invests in has a set benchmark and target to achieve set out in the mandate. The detail of each of these is set out in section 5.

4.5 Reporting

Quarterly reports on the Fund's investments, including activity and performance are provided by the investment managers to officers and the investment adviser. The Fund's investment performance is measured independently by the Fund's custodian. The investment adviser provides a quarterly report to the Committee summarising investment performance and other key issues affecting the investments and the fund managers.

4.6 Review

The investment strategy is reviewed periodically; at least every three years following the actuarial valuation of the Fund.

5. INVESTMENTS

5.1

The powers and duties of the Council to invest Fund monies are set out in the LGPS (Management and Investment of Funds) Regulations 2009. For all investments, the Administering Authority is required to take account of the need for diversification, and of advice from persons properly qualified by their ability and practical experience of financial matters to provide that advice.

5.2

The regulations state that the Council, as Administering Authority must not invest any monies not immediately required for the payment of benefits and pensions with its own cash balances. The cash the Fund retains for the payment of benefits is therefore held in a separate bank account, in accordance with the regulations.

5.3 Statutory Investment Limits

The regulations set out limits on different types of investment – these are set out in the table on the following page.

The percentages in the second column are the maximum limits which apply to all Funds. The regulations include a provision for Funds to be able to elect to increase certain limits within parameters set out in a schedule to the regulations. The Committee has elected to apply certain of these increased limits from 1st April 2015 and plans to review this election by 31st March 2018, as part of the next investment strategy review. These are shown in the final column of the table.

Appendix 03 City of Westminster Pension Fund Statement of Investment Principles (continued)

Investment Type	Regulatory limits	Election for increased limits
Any single sub-underwriting contract	1%	-
All contributions to any single partnership	2%	5%
All contributions to partnerships	5%	30%
All loans and any deposits with local authorities or their preceptors	10%	-
All investments in unlisted securities of companies	10%	15%
Any single holding unless guaranteed by Her Majesty's Government	10%	-
All deposits with any single bank, institution or person, (other than the National Savings Bank)	10%	-
All sub-underwriting contracts	15%	-
All investments in units or other shares of the investments subject to the trusts of unit trust schemes managed by any one body	25%	35%
All investments in open ended investment companies where the collective investment schemes constituted by the companies are managed by any one body	25%	35%
All investments in units or other shares of the investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body	25%	35%
Any single insurance contract	25%	35%
All securities transferred (or agreed to be transferred) by the authority under stock lending arrangements	25%	-

5.4 Risks

The Fund recognises there are a number of risks involved in the investment of the assets of the Fund, including:

- The risk of failing to meet the objectives – the Committee regularly takes advice and monitors the investments and funding level to mitigate this risk.
- Funding and Asset/Liability mismatch risk – this is addressed through the regular actuarial and investment reviews. The majority of the Fund's liabilities are linked to inflation.
- Underperformance risk – this is addressed through monitoring closely the performance of the investment managers and taking necessary action when this is not satisfactory.
- Country risk – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.
- Currency risk – the risk of a loss in the value of the Fund's assets through holding assets in a currency other than sterling. Where feasible and practical, the Committee will look to manage the overall currency exposure of the underlying assets.

- Risk of inadequate diversification or inappropriate investment – this is addressed by investing in a diversified portfolio of assets thereby avoiding concentration of assets in one particular stock, sector or geographical area. The investment management agreements and pooled fund terms where appropriate, contain restrictions to limit the risks from each individual investment and prevent unsuitable investment activity.
- Organisational risk – this is addressed through regular monitoring of the investment managers, investment adviser and custodian.
- Liquidity risk – the risk that the Fund is unable to meet cashflows out of the Fund as and when required. To manage this risk, the majority of the Fund's investments are invested in funds or assets which in a normal market environment are realisable at short notice.

The Committee maintain and regularly review a risk register including the above investment risks.

5.5 Rate of return

The investment strategy set by the Fund is expected to generate an annual investment return of 5.9% as aligned with the triennial valuation from the actuary.

5.6 Realisation of investments

The majority of the Fund's investments are readily marketable and may be easily realised if required. Some of the Fund's investments, such as property investments are less liquid, but they make up a relatively small proportion of the total Fund.

The Committee monitors cashflow at its quarterly meetings to ensure there is sufficient cash to meet the Fund's obligations as they fall due.

5.7 Stock Lending

The Fund does not engage directly in the lending of stocks or other securities.

5.8 Investment Managers

The investment of the Fund's investments is undertaken externally. Some elements are managed on a segregated basis by investment managers appointed by the Committee. The remainder is invested in pooled fund products managed by external investment managers according to the terms of the selected funds. The current investment management arrangements for the Fund are:

Asset Class	Investment Manager/ investment product	Segregated / Pooled	Target Allocation	Benchmark and target
UK equities	Majedie Asset Management	Pooled	20%	FTSE All Share plus 2% p.a.
Global equities (passive)	Legal & General Investment Management	Pooled	20%	FTSE AW-World Index GBP Hedged +/-0.5% p.a.
Global equities (active)	Longview	Pooled	25%	MSCI World (GBP)
	Baillie Gifford	Pooled		MSCI AW Index plus 2%
Fixed Income	Insight	Segregated	20%	iBoxx £ Non-Gilt 1-15 Yrs Index plus 0.9%
UK Property	Hermes Property Unit Trust	Pooled	5%	IPD UK PPFI Other Balanced Funds Index
Long Lease Property	Standard Life	Pooled	5%	FT All Gilt index plus 2%
Property / Infrastructure	To be determined		5%	

Appendix 03 City of Westminster Pension Fund Statement of Investment Principles (continued)

6. SOCIAL, ENVIRONMENTAL AND ETHICAL POLICY

6.1

The Fund recognises that the neglect of corporate governance and corporate social responsibility may lead to poor or reduced shareholder returns. The Committee has considered how the Fund may best implement a corporate social responsibility policy, given the current resources available to the Fund. Accordingly, the Committee has delegated social, environmental and ethical policy to the investment managers, but also approved a Governance Strategy. The Committee believes this is the most efficient approach whilst ensuring the implementation of policy by each manager is consistent with current best practice and there is appropriate disclosure and reporting of actions taken. To that extent, the Committee maintains a policy of non-interference with the day-to-day decision making of the investment managers.

7. VOTING RIGHTS

7.1

The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the investment managers to vote in the best interests of the Fund.

7.2

The investment managers are required to regularly report voting actions and highlight where they do not vote in accordance with their stated policy.

8. COMPLIANCE WITH MYNERS' PRINCIPLES OF INVESTMENT DECISION MAKING

8.1

The LGPS (Management and Investment of Funds) Regulations 2009 require Funds to state the extent to which they comply with the six principles of investment practice set out in the CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme – A Guide to the Application of the Myners' Principles" and give reasons for not complying where they do not do so.

8.2

The principles and the City of Westminster's Fund's position on compliance are set out in the table below:

Compliance Requirement	Compliance	Notes
Principle 1: Effective Decision Making		
Administering Authorities should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation.	Fully compliant	Decisions are made by the Pension Fund Committee, with advice from the Fund's investment adviser, Fund Actuary and officers. The Committee members receive quarterly reports on investment performance from the Investment Adviser.
The persons and organisations involved responsible for decisions should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.	Fully compliant	The Pension Fund Committee members collectively have the necessary experience and ability to challenge the advice they receive. The declaration of conflicts of interest is the first item on the agenda at each Pension Fund Committee meeting.
Principle 2: Clear Objectives		
An overall investment objective(s) should be set for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers.	Fully compliant	The objectives are set out clearly and take into account the requirement to maintain an employer contribution rate as constant as possible over the long term. These are communicated to advisers and investment managers.
Principle 3: Risk and Liabilities		
In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk	Fully compliant	The structure of the liabilities has been considered in setting an investment strategy which recognises the need to mitigate against the risk of inflation and interest rates, which drive the liabilities, as well generate sufficient investment return to assist in achieving full funding.
Principle 4: Performance Assessment		
Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers.	Fully compliant	The Custodian independently measures the performance of the investment managers' portfolios and a summary of investment performance is provided to the Committee by the investment adviser quarterly.
		The investment adviser and Fund Actuary are appointed on fixed term contracts following tender processes and the quality of service is assessed through contract monitoring.
Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to the scheme members.	Partially compliant	

Appendix 03 City of Westminster Pension Fund Statement of Investment Principles (continued)

Compliance Requirement	Compliance	Notes
Principle 5: Responsible Ownership		
Administering authorities should: recognise and ensure their partners in the investment chain adopt, the FRC's UK Stewardship Code.	Fully compliant	The Fund's investment managers have adopted the FRC's UK Stewardship Code.
Include a statement of their policy on responsible ownership in their statement of investment principles.	Fully compliant	See section 6 of this document.
Report periodically to scheme members on the discharge of these responsibilities	Fully compliant	As this Statement of Investment Principles forms part of the Annual Report and Accounts, the statements above comply with this requirement.
Principle 6: Transparency and Reporting		
Administering authorities should: act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives.	Fully compliant	The information is provided in the Pension Fund Annual Report and Accounts which is available through the website.
Provide regular communication to scheme members in the form they consider most appropriate.	Fully compliant	The published annual report and accounts are considered sufficient, since the benefits of the scheme are defined and guaranteed by statute.

Appendix 04 City of Westminster Superannuation Fund Communications Policy

BACKGROUND

The Local Government Pension Scheme (Administration) Regulations 2008, regulation 67 requires administering authorities like Westminster City Council (WCC) to prepare, publish and maintain a policy statement setting out our strategy for communicating with

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

This document sets out the mechanisms that we use to meet our communication needs. We aim to use the easiest communication methods and language at all times keeping the needs of the customer in mind.

This may involve us using more than one medium of communication.

GENERAL COMMUNICATION

Correspondence:-

The Fund Administrator (The London Pension Fund Authority LPFA) will accept hard copy mail and soft copy e-mails from members and retired members. It will usually adopt the same methods as the originator when replying.

Telephone:-

The LPFA will display their contact information in the scheme literature and on the pension website, and will make themselves available to answer queries over the telephone. It should be noted that for data protection purposes reasonable identity checks will be made.

Pension briefing sessions and surgeries:-

The WCC Human Resources Team will periodically organise open house pension briefing sessions and individual pension surgeries to ensure staff have access to both personal and general scheme information.

During times of uncertainty including regulation amendments and council reorganisations additional briefing sessions and surgeries will be arranged to meet the demand.

Pension's Intranet site:-

We have a website to communicate and promote the benefits of the Local Government Pension Scheme (LGPS), this is regularly updated.

It also contains:

- information to help potential members to understand the pension scheme,
- a link that allows current members to see their records online and calculate their own estimates,
- online forms,
- advice on how to purchase additional membership,
- and, links to other useful websites.

Will also have information about recent scheme updates, provide fund Investment information, and have the LPFAs contact information.

We are committed to making this website as best as it can possibly be and therefore we have a section for feedback.

We consider this website to be one of our keys methods of communication.

www.yourpension.org.uk/Agencies/westminster

Appendix 04 City of Westminster Superannuation Fund Communications Policy (continued)

Online forms/access:-

The LPFA have also produced a site where other employers in the scheme are requested to submit online forms (instead of paper copies), more information can be found at (add link here).

Pensions Panel:-

We have a Pension's Panel including representatives from the Trade Unions, Human Resources, Finance and scheme members. The aim is to ensure the Scheme is understood by all interested parties through simple and clear communication.

The panel meets quarterly.

Scheme Guides:-

Scheme guides will be available on the website or can be requested by the member form the LPFA.

We will promote to all potential members the benefits of the LGPS via frequent poster campaigns and information posted on the website.

Auto enrolment

We will publicise information regarding Auto-enrolment to all staff via the website, e-mails and a poster campaign as the start date gets nearer.

Human Resources will liaise with all other scheme employers to remind them of their responsibilities to members on Auto-enrolment and to offer support.

Other Employers in the Scheme

Employer Forums meetings are held periodically for employers; specifically this is used as a mechanism for communicating major strategic issues, significant legislation changes, triennial valuation matters and the Funding Strategy Statement.

Other employers' are kept informed throughout the process of the tri-annual valuation which is carried out by our "Actuaries. The employers' comments are always encouraged and welcomed and where appropriate taken into consideration.

Employers' Guide:-

An Employers' guide has been produced in Partnership with the LPFA to assist the smaller employers in discharging their pension administration responsibilities, this is published on the website:-

yourpension.org.uk/Agencies/westminster/employerguide.htm

Publications

The table below shows the availability of Fund publications along with their publication frequency and review periods.

Communication Material	Paper Based	Electronic Form	Intranet for staff	When Published	When reviewed
Pension Scheme Guide	√	√	√	Constantly available	Quarterly
Purchase of Additional Membership	√	X	√	Constantly available	Quarterly
Annual Benefit Statement	√	X	√	Annually	Annually
Statutory Notifications	√	X	X	On Joining & ABS	Annually
Pensions Updates	√	√	√	As required	After each Publication
Annual Pension Fund report	√	X	√	Annually	Annually
Early Leaver Information	√	√	√	Sent with Deferred benefits statement	Annually
Retirement Information	√	√	√	Sent with retirement details	Annually
Pensions Increase Letters	√	X	X	Annually	Annually
Actuarial Valuation Report	√	X	X	Tri-annually	Tri-annually

Communication Material	Paper Based	Electronic Form	Intranet for staff	When Published	When reviewed
Superannuation Investment Committee	✓	✓	✓	Quarterly	Quarterly
Communication Policy	✓	✓	✓	Upon request	Quarterly
Governance Policy	✓	✓	✓	Upon Request	Quarterly

WESTMINSTER CITY COUNCIL

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Please visit the website at:
yourpension.org.uk/Agencies/westminster

OTHER RELEVANT GROUPS

London Pensions Officer's Group

Pensions Officers from other London Boroughs meet regularly in order to share information and ensure uniform interpretation of Local Government Pension Scheme, and other prevailing regulations.

National Association of Pension Funds (NAPF):-

All administering Authorities who are members of the NAPF are invited to attend, these meetings provide an opportunity to discuss issues of common interest and share best practice.

Seminars

Representatives of WCC regularly participate at seminars and conferences.

FURTHER INFORMATION

If you need more information about the Scheme you should contact the LPFA at the following address:

London Pension Fund Authority

Westminster Pensions Team
Dexter House
4 Royal Mint Court
Tower Hill
London
EC3N 4LP

Email: westminster@lpfa.org.uk

General enquiries and complaints:

0207 369 6229

Pensioner payroll queries: 0207 369 6060

Text phone: 020 7 369 6119

Fax: 0207 369 6242

Appendix 05 City of Westminster Superannuation Fund Funding Strategy Statement

This is the Funding Strategy Statement of the City of Westminster Superannuation Fund, which has been prepared following consultation with the Fund's employers and advisers. It was approved by the Superannuation Committee on 18 March 2014. The next formal review will take place in conjunction with the next triennial valuation due as at 31 March 2016, but it will be updated in the interim if required.

1. Purpose of the Funding Strategy Statement

1.1 This Funding Strategy Statement is prepared in accordance with regulation 35 of the Local Government Pension Scheme Administration Regulations 2008. The purpose is to explain the funding objectives of the Fund in a clear and transparent way and in particular:

- How the costs of the benefits under the Local Government Pension Scheme are met through the Fund;
- The objectives in setting employer contribution rates;

- The prudent long term funding strategy being adopted to meet the Fund's liabilities.

2. Aims and Purpose of the Fund

2.1 The aims of the Fund are to:

- Ensure that sufficient resources are available to meet all 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 irrecoverable debt when an employer ceases to participate.

2.2 The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits under the Regulations;
- Meet the costs associated in administering the Fund;
- Receive monies in respect of contributions, transfer values and investment income.

3. Responsibilities of Key Parties

3.1 There are three key parties involved in the administration of the Fund and funding the liabilities. Their relative responsibilities are set out below:

The Administering Authority

3.2 The Administering Authority for the Superannuation Fund is the City of Westminster and the main responsibilities are:

- Collect employer and employee contributions from all employers;
- Pay benefits to scheme members;
- Ensure cash is available to meet benefit payments when they fall due;
- Invest the Fund's assets;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain a Funding Strategy Statement and Statement of Investment Principles in consultation with interested parties;
- Monitor all aspects of the Fund's performance.

Individual Employers

3.3 In addition to the Administering Authority, various scheduled and admitted bodies participate in the Fund. The main responsibilities of all these employers including the Administering Authority in its role as an employer, are to:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within statutory timescales;
- Notify the Administering Authority of any new scheme members and any other membership changes promptly;
- Exercise the discretions permitted under the regulations as appropriate;
- Meet the costs of augmentation, early retirement strain costs and any other additional costs in accordance with agreed policies and procedures.

The Fund Actuary

3.4 The Pension Fund's Actuary is Barnett Waddingham LLP. Their main responsibilities are to:

- Prepare valuations, including the setting of employers' contributions rates, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement;
- Agree a timetable for the valuation process with the Administering Authority to provide timely advice and results;
- Prepare advice and calculations in connection with bulk transfer and individual benefit related matters.

4. Funding Target, Solvency and Methods

4.1 The funding target for the Fund is to secure the solvency of the Fund by having sufficient assets in the Fund to meet all liabilities. This is measured via the funding level and with the aim of achieving a funding level of 100% over a reasonable period of time.

4.2 In accordance with the Local Government Pension Scheme Regulations, the Fund Actuary carries out a valuation of the Fund every three years to measure the funding level and to set employer contribution rates to achieve the funding target.

4.3 The last actuarial valuation was carried out as at 31 March 2013 and the actuarial method

applied for open employers (those still admitting new members) was the Projected Unit Method. This considers separately the benefits in respect of service built up before the valuation date ("past service") and service expected to be completed after the valuation date ("future service"). This approach provides:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay for pensions in payment. A funding level in excess of 100 per cent indicates a surplus of assets over liabilities; while a funding level of less than 100 per cent indicates a deficit; and
- The future service funding rate which is the level of contributions required from the individual employers, which in combination with employee contributions, is expected to support the cost of benefits accruing in future.

4.4 For employers closed to new entrants, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method

Appendix 05 City of Westminster Superannuation Fund Funding Strategy Statement

assesses the average cost of the benefits that will accrue over the remaining expected working lifetime of active members.

- 4.5 The introduction of the revised Local Government Pension Scheme (LGPS 2014) from 1st April 2014 was incorporated into the Fund Actuary's calculations of future service funding rates at the 2013 valuation.

5. Valuation Assumptions

- 5.1 In undertaking the actuarial valuation calculations, it is necessary to make a number of assumptions about the future. These can be categorised as:
- Financial assumptions which determine the estimates of the amount of benefits and contributions payable and their current or present value; and
 - Statistical assumptions which are estimates of the likelihood of benefits and contributions being paid.

Financial Assumptions: Future Price Inflation

- 5.2 The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities. This is derived by considering the

average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date to provide an estimate of future price inflation as measured by the Retail Price Index (or "RPI").

Financial Assumptions: Future Pay Inflation

- 5.3 Future levels of pay increases will determine the level of some of the benefits to be paid in future in respect of pre 1 April 2014 service for active members as well as the contributions that will be received by the Fund. At the 2013 valuation it has been assumed that long term pay inflation will be 1.8% above the Consumer Prices Index (CPI), but in recognition of the current economic climate, a short term assumption has been made that pay inflation will be equal to CPI for two years.

Financial Assumptions: Pension Increases

- 5.4 Pension increases are linked to changes in the level of the Consumer Price Index (or "CPI"). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. An adjustment is therefore made to the RPI assumption to derive the CPI assumption.

Financial Assumptions: Future Investment Returns/Discount Rate

- 5.5 To determine the value of accrued liabilities and derive future contribution requirements, it is necessary to discount future payments to and from the Fund to present day values.
- 5.6 The discount rate that is applied reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date.

Financial Assumptions: Value of Assets

- 5.7 For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date.

Statistical Assumptions

- 5.8 The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

6. Deficit Recovery or Surplus Amortisation periods

- 6.1 Whilst the funding target for the Fund is to have sufficient assets in the Fund to meet all liabilities, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally be either in deficit or surplus.
- 6.2 Where the actuarial valuation discloses a deficit, the period of time over which the deficit will be funded is set – this is the deficit recovery period. The deficit recovery period varies according to the type of employer, but is never more than the period set for the overall Fund. The table overleaf describes the general approach, but the approach for each employer will be determined by their particular circumstances.

Administering Authority	A period equal to the overall Fund deficit recovery period reflecting the strength of covenant of the Council and its tax raising powers (currently 25 years)
Scheduled Bodies and Open Community Admission Bodies	A period no longer than the overall Fund deficit recovery period, depending on the strength of the covenant and any guarantees in place.
Closed Admission Bodies	Generally a period no longer than the expected future working lifetime of the active scheme members, but this will depend on the strength of the covenant and any guarantees or bond in place.
Transferee Admission Bodies	A period no longer than the length of their current contract, depending on the strength of the covenant and any guarantees or bond in place.

- 6.3 If the actuarial valuation shows a significant surplus, the relevant employers' contribution rates will be adjusted to amortise it over a period of time agreed with the Fund Actuary. However, if the surplus is not significant relative to the employer's liabilities or there is any concern about the strength of the covenant of the employer, then it will remain in the Fund.

7. Pooling of employers

- 7.1 The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.
- 7.2 However, certain groups of individual employers may be pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of scheme members is small. The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst, recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.
- 7.3 Employers can request to be considered as part of a pool and the decision to permit this will be made by the Administering Authority in conjunction with the Fund Actuary. Once an employer is part of a pool, it can only opt to exit it in exceptional circumstances.

8. Admission of New Employers

8.1 The admission of new employers will be in accordance with the Regulations and will be determined as below:

Scheduled Bodies	New bodies added to the schedule of the Local Government Pension Scheme Regulations by central government will be automatically admitted to the Fund
Community Admission Bodies	Bodies which have a link to the Administering Authority will only be admitted to the Fund if a bond has been provided or a guarantee from another employer in the Fund has been provided.
Transferee Admission Bodies	Bodies which take on a contract for the Administering Authority or a scheduled body will be admitted to the Fund providing their admission meets the requirements of the regulations and the provision of a bond or guarantee has been agreed.

8.2 The Fund Actuary will assess all new employers to the Fund at the time of admission and set an appropriate employer contribution rate in accordance with the funding strategy. They will also undertake a risk assessment on behalf of the Fund to recommend the appropriate level of bond.

9. Cessation Valuations

9.1 On the cessation of an employer's participation in the Fund, the Fund Actuary will be asked

to make a termination assessment, in accordance with the requirements of the Local Government Pension Scheme Regulations. If another employer in the Fund is taking over responsibility for the liabilities of the departing employer, they will be transferred to that employer on an on-going basis applying the discount rate applicable to the Fund as a whole.

9.2 If there is no employer in the Fund to take responsibility for the liabilities of a departing employer, then the Fund Actuary will adopt a discount rate based on gilt yields when calculating the termination assessment. This approach ensures that the other employers in the Fund are protected from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

10. Links to the Statement of Investment Principles

10.1 The funding and investment strategies are inextricably linked. The investment strategy is set after taking investment advice and a prudent assessment of the expected return from the agreed strategy is used to determine the Fund's discount rate, which is a key element in the funding strategy. This process

ensures consistency between the funding strategy and the investment strategy.

11. Key Risks and Controls

11.1 The Administering Authority is developing a risk register which is to be reviewed regularly by the relevant Committee. Below is a summary of the key risks which could impact the ability of the Fund to achieve the funding target.

Financial Risks

11.2 The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

11.3 To mitigate this risk, the Superannuation Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the investment advisers and officers on investment strategy. The Committee may also seek advice from the Fund Actuary on valuation related matters.

11.4 In addition, from 2014, the Fund Actuary will be providing regular funding updates between valuations to enable the Committee to see whether the funding strategy continues to be on track to meet the funding target.

Demographic Risks

11.5 Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity.

11.6 The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.

11.7 The liabilities of the Fund can also increase by more than has been planned as a result of early retirements. However, the Administering Authority monitors the incidence of early retirements; and additional contributions towards the costs are collected from employers as appropriate.

Regulatory Risks

11.8 The benefits provided by the Scheme and employee contribution levels are set out in

Regulations determined by central government. The tax status of the invested assets is also determined by central government. The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

11.9 The Administering Authority participates in the consultation process of any proposed changes in regulations to attempt to mitigate this risk and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

Governance Risks

11.10 Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; or
- An employer ceasing to exist without having fully funded their pension liabilities.

11.11 To mitigate this risk, the Administering Authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

11.12 In addition, the Administering Authority keeps in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

12. Monitoring

12.1 This Funding Strategy Statement is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process. However it will be updated in the interim if required.

12.2 The Administering Authority monitors the investment performance and funding level of the Fund on a quarterly basis through the Superannuation Committee and keeps the strength of covenant of the employers under continuous review.





City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	21 May 2015
Classification:	Public
Title:	Pension Fund Annual Report & Statement of Accounts
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:	Jonathan Hunt <i>Director of Corporate Finance and Investments</i> jonathanhunt@westminster.gov.uk 020 7641 1804

1. Executive Summary

- 1.1 This report presents the draft Annual Report and Statement of Accounts for the year ended 31 March 2015.

2. Recommendation

- 2.1 The Committee is asked to note on the draft Annual Report, and delegate approval of the final document to the Director of Corporate Finance and Investment in consultation with the Chair.

3. Background

- 3.1 The production of the Annual Report is a regulatory requirement and needs to be approved by 30 September following the year end. Given the successful conclusion of the production of the Council's accounts and audit process, it has been possible to bring forward to May the approval of the Annual Report. This is as set out in Appendix 1.

- 3.2 Committee members are asked to comment on any matters in the report and note any comments raised by Officers on the Annual report since it was circulated to members.

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

Jonathan Hunt jonathanhunt@westminster.gov.uk or 020 7641 1804

BACKGROUND PAPERS: None

Appendix 1

Draft Annual Report and Statement of Accounts

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City of Westminster

Committee Report

Decision Maker:	PENSION COMMITTEE
Date:	21 May 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:	Jonathan Hunt <i>Director of Corporate Finance and Investments</i> jonathanhunt@westminster.gov.uk 020 7641 1804

1. Executive Summary

- 1.1 This report presents a summary of the Pension Fund's performance to 31 March 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

Performance of the Fund

- 3.1 This report presents a summary of the Superannuation Fund's performance and estimated funding level to 31 March 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 question.

- 3.2 The Funding update (Appendix 2) has been provided by the Fund Actuary, Barnett Waddingham. This indicates that the funding level has improved from 74% at the last triennial valuation at 31 March 2013, to 80% at 31 March 2015.

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

Jonathan Hunt jonathanhunt@westminster.gov.uk or 020 7641 1804

BACKGROUND PAPERS: None

Appendix 1

Deloitte Investment Report
Quarter End to 31 March 2015

Appendix 2

Barnett Waddingham
Funding Update Report as at 31 March 2015

City of Westminster Pension Fund

Funding Update Report

as at 31 March 2015

Graeme D Muir FFA
Barnett Waddingham LLP

6 May 2015

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2.	Assets	4
3.	Changes in market conditions – market yields and discount rates	5
4.	Summary of results	6
Appendix 1	Financial position since previous valuation	7

1. Introduction

- 1.1. We have carried out a quarterly monitoring assessment of the City of Westminster Pension Fund (the Fund) as at 31 March 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.

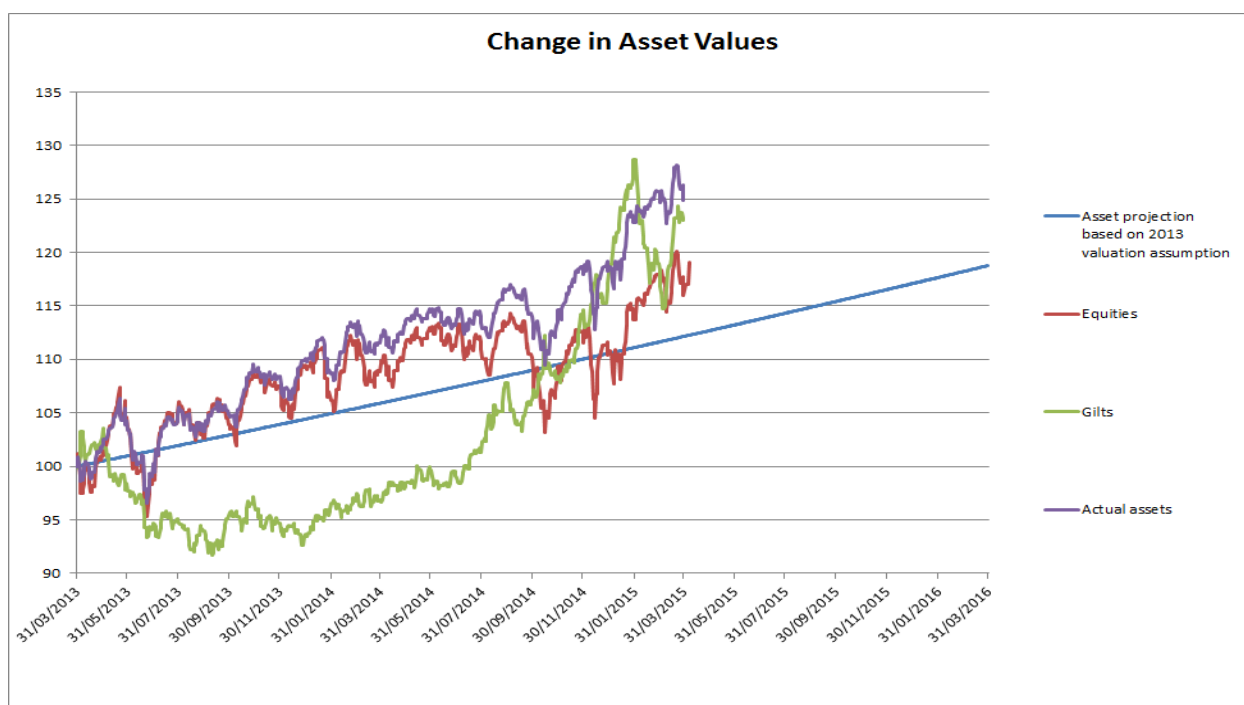
2. Assets

2.1. The estimated (unsmoothed) asset allocation of the City of Westminster Pension Fund as at 31 March 2015 is as follows:

Assets (Market Value)	31 March 2015		31 December 2014		31 March 2013	
	£000's	%	£000's	%	£000's	%
UK and Overseas Equities	851,448	77.5%	797,180	76.1%	643,179	73.6%
Bonds	127,640	11.6%	128,058	12.2%	111,092	12.7%
Property	97,340	8.9%	90,632	8.7%	35,787	4.1%
Gilts	17,786	1.6%	17,438	1.7%	49,821	5.7%
Cash and Accruals	4,758	0.4%	13,946	1.3%	34,303	3.9%
Total Assets	1,098,972	100%	1,047,254	100%	874,182	100%

2.2. The investment return achieved by the Fund's assets in market value terms for the quarter to 31 March 2015 is estimated to be 5.2%. The return achieved since the previous valuation is estimated to be 24.9% (which is equivalent to 11.7% 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 31 March 2015 in market value terms is 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)	31 March 2015		31 December 2014		31 March 2013	
	Nominal	Real	Nominal	Real	Nominal	Real
	%p.a.		%p.a.		%p.a.	
Pension Increases	2.46%	-	2.53%	-	2.74%	-
Salary Increases	4.26%	1.80%	4.33%	1.80%	4.54%	1.80%
Discount Rate						
<i>Scheduled Bodies</i>	5.74%	3.28%	5.83%	3.30%	5.90%	3.16%
<i>Admission Bodies (in service)</i>	4.48%	2.02%	4.62%	2.09%	4.90%	2.16%
<i>Admission Bodies (left service)</i>	2.72%	0.26%	2.93%	0.40%	3.50%	0.76%

Assumptions (Unsmoothed)	31 March 2015		31 December 2014		31 March 2013	
	Nominal	Real	Nominal	Real	Nominal	Real
	%p.a.		%p.a.		%p.a.	
Pension Increases	2.48%	-	2.52%	-	2.80%	-
Salary Increases	4.28%	1.80%	4.32%	1.80%	4.60%	1.80%
Discount Rate						
<i>Scheduled Bodies</i>	5.79%	3.31%	5.84%	3.31%	5.91%	3.11%
<i>Admission Bodies (in service)</i>	4.49%	2.02%	4.59%	2.07%	4.86%	2.06%
<i>Admission Bodies (left service)</i>	2.68%	0.21%	2.85%	0.33%	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 31 March 2015 is 80% and the average required employer contribution would be 31.3% of payroll assuming the deficit is to be paid by 2038;
 - the current projection of the unsmoothed funding level as at 31 March 2015 is 80% and the average required employer contribution would be 31.1% 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 31 March 2015 is 5.7% p.a. The investment return required to restore the funding level to 100% by 2038, without the employers paying deficit contributions, would be 6.7% 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 (% of Payroll)	CARE Ongoing Cost	Past Service Ctbn	Total Ctbn (% of payroll)	Main Discount Rate	Return required to restore funding level (pa)
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	1,023,976	1,302,309	(278,334)	79%	-	13.2%	16.7%	29.9%	5.9%	7.0%
November 2014	1,039,241	1,318,921	(279,680)	79%	-	13.4%	17.1%	30.4%	5.9%	6.9%
December 2014	1,054,928	1,336,829	(281,900)	79%	-	13.5%	17.5%	31.0%	5.8%	6.9%
January 2015	1,077,772	1,357,915	(280,143)	79%	-	13.7%	17.5%	31.2%	5.8%	6.8%
February 2015	1,085,724	1,371,376	(285,651)	79%	-	13.8%	17.9%	31.7%	5.7%	6.7%
March 2015	1,098,495	1,374,723	(276,229)	80%	-	13.7%	17.6%	31.3%	5.7%	6.7%

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%

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City of Westminster Superannuation
Fund

Investment Performance Report
to 31 March 2015 – Executive Summary

Deloitte Total Reward and Benefits Limited
May 2015

The background of the page features a close-up photograph of a file folder. The folder is yellow with a white label that has the word "INVESTMENTS" written on it in black, bold, capital letters. The folder is part of a larger set of folders, with other folders visible in the background. The image is overlaid with several concentric white circles of varying radii, creating a circular pattern that frames the central text and the folder label.

INVESTMENTS

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1 Market Background

Three and twelve months to 31 March 2015

UK equities offered a positive return over the 3 months to 31 March 2015, with the FTSE All Share Index returning 4.7%. UK markets benefitted from positive macroeconomic news with the likelihood of a rate rise being pushed back in both the US and UK and the ECB's announcement that it would begin a programme of quantitative easing. Oil prices continued to fall, reaching a low of c. \$45 per barrel during the first quarter.

Mid cap companies led the way in the first quarter with the FTSE 250 returning 6.7%. There was a marked difference in performance at the sector level, with the Consumer Services sector offering the highest return of 10.0%. The Utilities sector was the worst performing over the quarter, with falling oil prices contributing to a return of -6.3%.

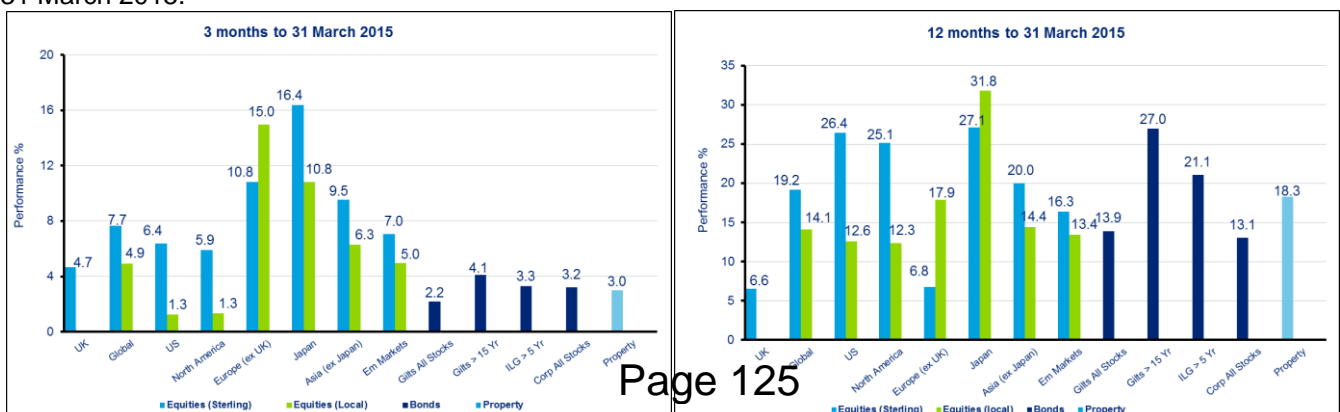
Global equity markets outperformed the UK in both sterling and local currency terms over the first quarter of 2015, returning 7.7% and 4.9% respectively. Currency hedging was therefore detrimental to investors as sterling depreciated strongly versus the US dollar and Japanese yen. At a regional level, Europe delivered the highest local currency return of 15.0% on the back of the ECB's announcement and returned 10.8% in sterling terms as the euro depreciated. North America was the poorest performing region with concerns that a strong dollar would impact corporate earnings, returning 5.9% in sterling terms and 1.3% in local currency terms.

UK nominal gilts also performed positively over the first quarter as yields dropped to a new record low at the end of January, but bounced back in February, only to go lower again over March to end the quarter around 20 basis points lower overall. The All Stocks Gilt Index returned 2.2% over the 3 months to 31 March 2015 and the Over 15 Year Gilt Index returned 4.1%. Real yields on UK index-linked gilts fell by a similar amount over the period with the Over 5 Year Index-linked Gilt Index returning 3.3% over the quarter. Corporate bonds performed positively over the first quarter, with the iBoxx All Stocks Non Gilt Index returning 3.2% on the back of the fall in gilt yields and narrowing credit spreads.

Over the year to 31 March 2015, the FTSE All Share Index returned 6.6%. At the sector level, Health Care delivered the highest return (16.7%) performing well ahead of the poorest performing sector over the year, Basic Materials (-14.9%). Global markets outperformed the UK in both sterling and local currency terms over the year. The FTSE All World Index returned 19.2% in sterling terms and 14.1% in local currency terms. Currency hedging was therefore detrimental as sterling depreciated significantly against the US dollar.

UK nominal gilts delivered an exceptionally high return over the last 12 months as gilt yields fell across all maturities, most profoundly at the longer end of the curve. The All Stocks Gilt Index returned 13.9% and the Over 15 Year Gilt Index returned 27.0% over the 12 month period. Real yields also fell significantly with the Over 5 Year Index-linked Gilt Index returning 21.1% over the year. Corporate bond markets performed positively over the 12 months to 31 March 2015, benefiting from the fall in gilt yields, with the iBoxx All Stocks Non Gilt Index returning 13.1%.

The UK property market continued to perform strongly, returning 3.0% over the quarter and 18.3% over the year to 31 March 2015.



2 Total Fund

2.1 Investment Performance to 31 March 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					
		Gross	Net ¹	Gross	Net ¹	Gross	Net ¹	Gross	Net ¹				
Baillie Gifford	Global Equity	9.3	9.2	7.6	19.4	18.9	19.0	n/a	n/a	n/a	19.1	18.7	18.8
Majedie	UK Equity	5.8	5.7	4.7	7.2	6.9	6.6	16.3	16.0	10.6	11.2	10.8	6.3
LGIM	Global Equity	4.7	4.7	4.7	13.9	13.7	13.9	n/a	n/a	n/a	18.0	17.8	18.0
Longview	Global Equity	9.7*	9.6	7.5	n/a	n/a	n/a	n/a	n/a	n/a	9.7	9.6	7.5
Insight	Non Gilts	2.6	2.5	2.4	10.1	9.8	9.8	8.4	8.1	7.5	6.3	6.0	5.8
	Gilts	1.0	1.0	1.0	6.7	6.6	6.8	2.7	2.6	2.7	5.6	5.5	5.7
Hermes	Property	3.3	3.2	3.0	19.5	19.1	16.9	12.5	12.1	9.5	9.3	8.9	8.7
Standard Life	Property	2.3	2.2	2.7	9.9	9.4	16.2	n/a	n/a	n/a	11.3	10.8	10.7
Total		5.4	5.3	4.5	12.8	12.5	12.9	13.5	13.3	12.0	6.9	6.6	6.8

Source: Investment Managers

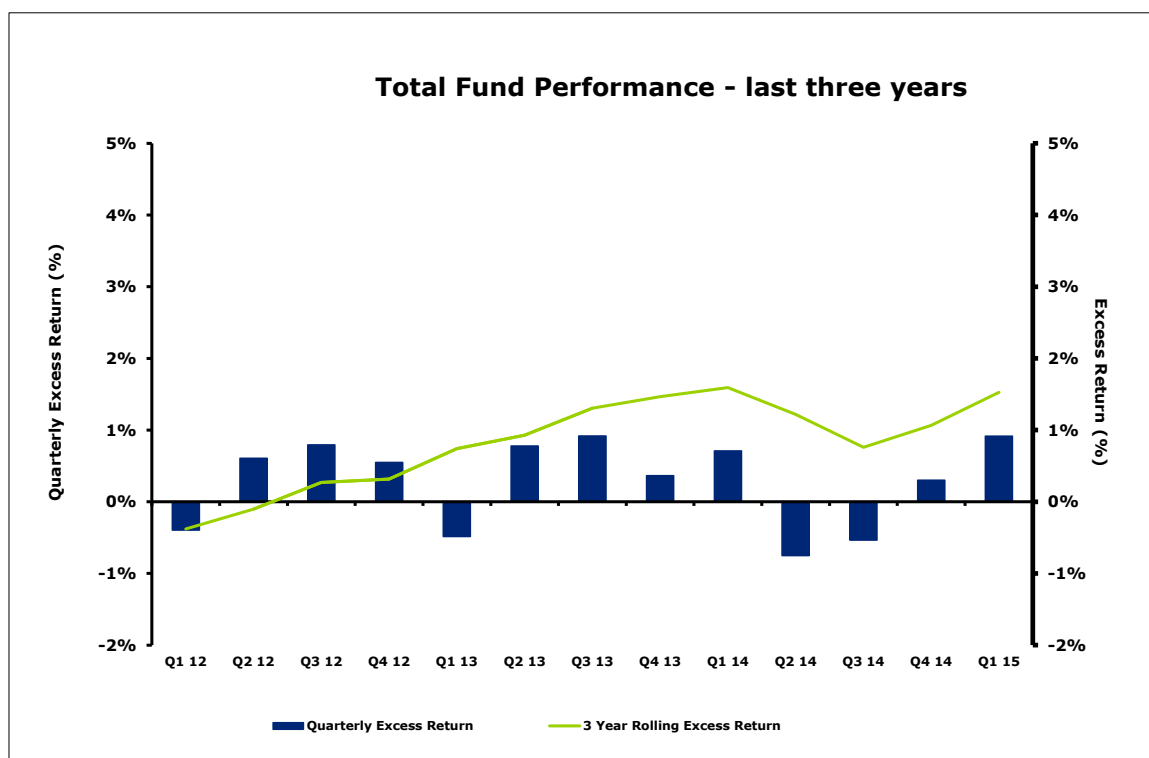
(1) Estimated by Deloitte when manager data is not available.

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

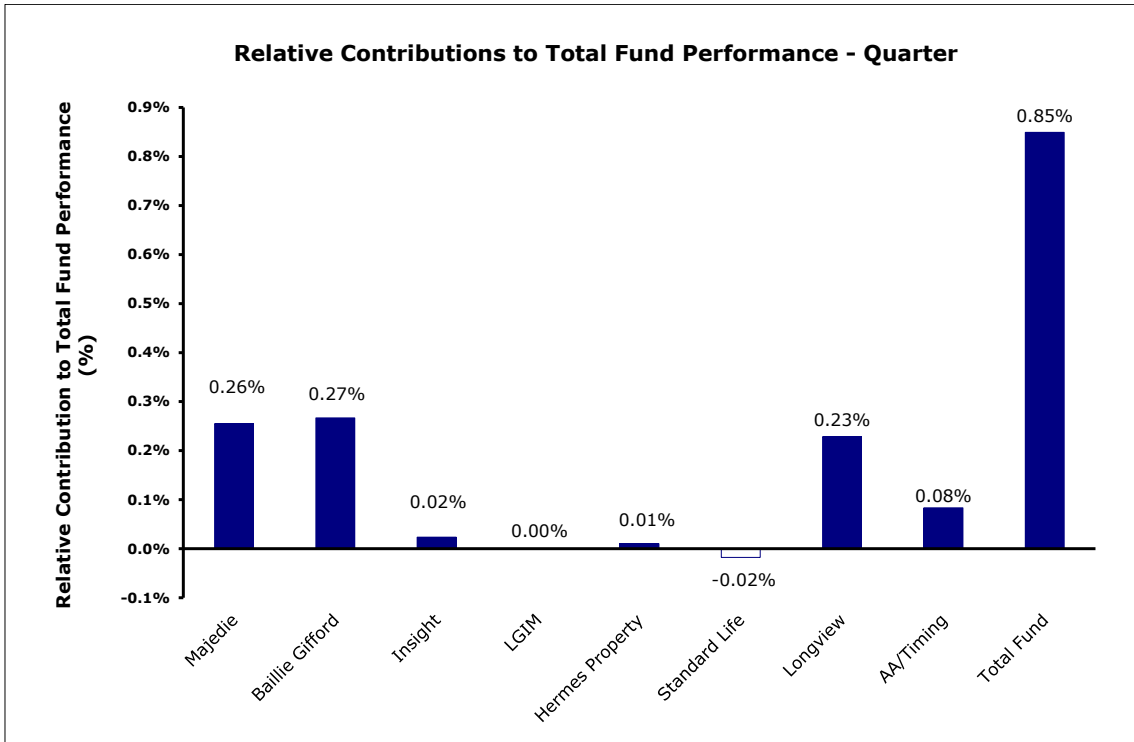
*Performance has been since the Fund was invested on 15th January 2015.

Over the quarter the Fund outperformed, mostly due to the active equity managers Baillie Gifford, Majedie and the newly appointed Longview.

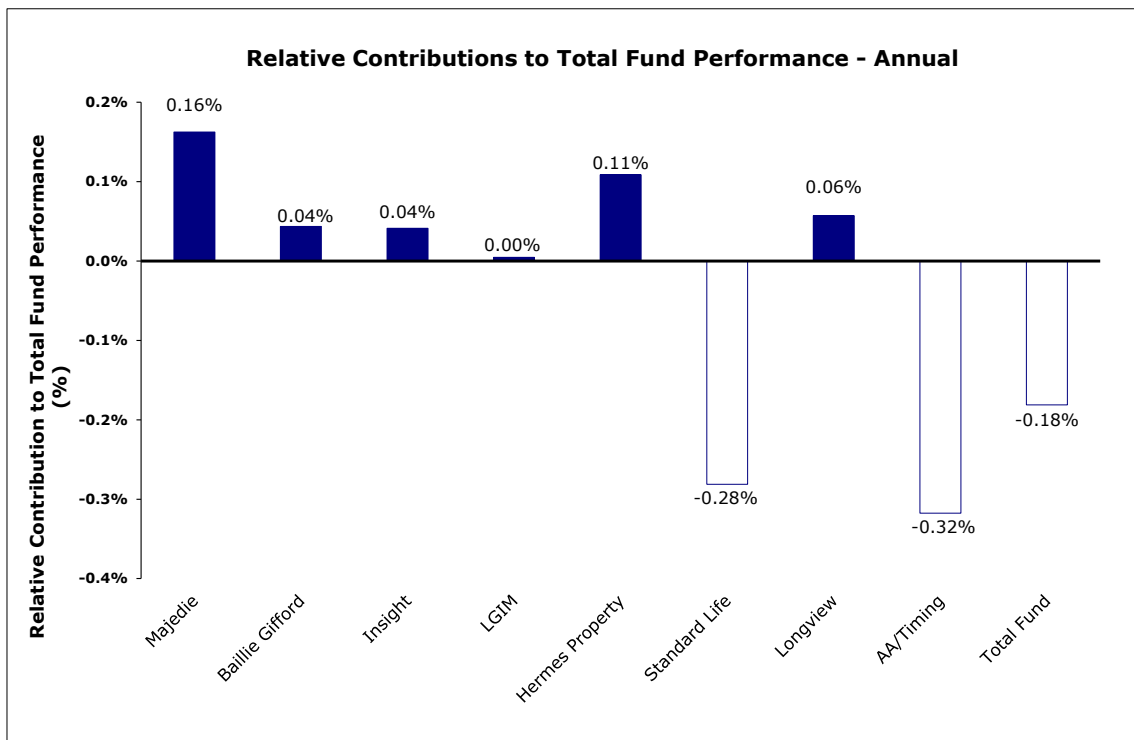
The chart below shows the performance of the Fund over the three year period, highlighting that the rolling three-year performance has been positive since mid-2012, with Majedie and Hermes contributing positively.



2.2 Attribution of Performance to 31 March 2015



The Fund outperformed its composite benchmark by 60bps over the first quarter of 2015, largely as a result of strong performance from the active equity managers, Majedie, Baillie Gifford and Longview. The performance of Longview in the above chart includes the performance of LGIM prior to the 15 January 2015 when the money was disinvested to fund the Longview investment. For information, the LGIM fund returned -2.2% over this period, which was in line with the fund's benchmark.



The Fund underperformed over the year, largely due to underperformance from Standard Life. The performance of the Longview fund is taken from inception as the Fund has been invested for less than a year. The AA/Timing bar largely reflects the fact that the actual allocation has differed from the benchmark.

Asset Allocation as at 31 March 2015

As mentioned in last quarter's report, the investment with Longview was funded from LGIM on the 15 January 2015.

The table below shows the assets held by manager and asset class as at 31 March 2015.

Manager	Asset Class	End Dec 2014 (£m)	End Mar 2015 (£m)	End Dec 2014 (%)	End Mar 2015 (%)	Benchmark Allocation (%)
Majedie	UK Equity	242.5	256.5	23.2	23.5	20
LGIM	Global Equity (Passive)	377.3	277.3	36.1	25.4	20
Baillie Gifford	Global Equity	164.0	179.2	15.7	16.4	25
Longview	Global Equity	0.0	109.6	0.0	10.0	
	Total Equity	783.8	822.6	75.0	75.4	65
Insight	Fixed Interest Gilts (Passive)	17.7	17.9	1.7	1.6	20
Insight	Sterling Non-Gilts	152.6	156.6	14.6	14.4	
	Total Bonds	170.3	174.5	16.3	16.0	20
Hermes	Property	44.3	45.7	4.2	4.2	5
Standard Life	Property	46.9	47.9	4.5	4.4	5
To be Determined	Property / Infrastructure	-	-	-	-	5
	Total Property	91.2	93.6	8.7	8.6	15
	Total	1,045.3	1,090.7	100	100	100

Source: Investment Managers

Figures may not sum to total due to rounding

Over the quarter the market value of the assets increased by c. £45.4m.

Rebalancing Framework

Since the introduction of Longview, the benchmark allocation has been amended.

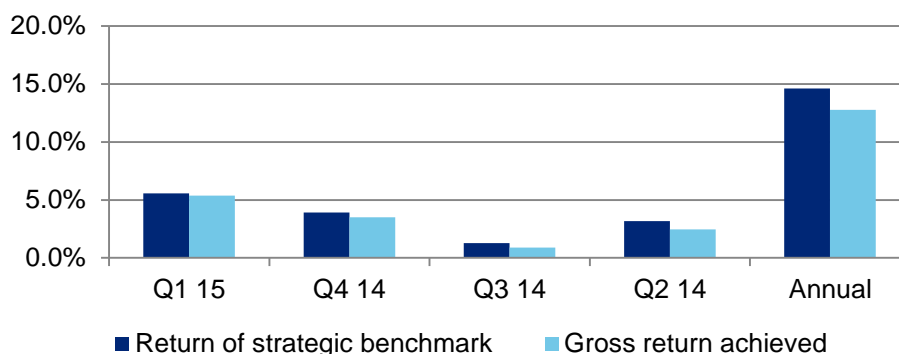
As at 31 March 2015, the Fund remained overweight to Majedie UK equities (albeit now reduced to +3.5% after the change in benchmark). At a total equity level the fund is overweight by c. 10.4% when compared with the benchmark allocation. As a result of this overweight position, both the allocations to bonds and property are underweight to the order of c. 4.0% and c. 6.4% respectively.

The current benchmark has an allocation to property / infrastructure which is yet to be invested. For the purposes of calculating the benchmark return, we have effectively assumed that this unallocated 5% is spread evenly across the Fund's other mandates.

Had the Fund been invested in accordance with the strategic benchmark as shown above, we estimate the total gross return on the fund over the first quarter of 2015 would be c. 5.6% (0.2% ahead of actual fund return). Over the year to 31 March 2015, the strategic benchmark would have returned c. 14.6%, ahead of actual fund returns by 1.9%.

The strategic benchmark in this analysis corresponds to the benchmarks in force in each period.

Strategic Benchmark Returns



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	1
Insight	Fixed Interest Gilts (Passive)	Steps to broaden their product offering beyond the current UK and European focus without first bringing in the additional expertise	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

The UK Equity fund remains near capacity with outflow due to clients de-risking being recycled to new investors.

Personnel

Gavin Murray, an equities dealer for the past 30 years has retired from Majedie, with Simon Cuthbert taking up the reins. Simon joins the Majedie team from Investec.

Adam Parkes, one of the co-founders of Majedie and co-manager of the UK Smaller Companies Fund is retiring on 31 June 2015. Richard Staveley, the other co-manager of the UK Smaller Companies Fund will take full control of the Fund. This handover has been well managed by Majedie over the past few quarters.

Deloitte view – We continue to rate Majedie positively for its UK equity capabilities but will continue to monitor the team in light of the recent changes. Majedie recognises the need to carefully manage succession planning within the team and believes the multi-manager approach helps smooth transitions.

Baillie Gifford

Business

Total assets under management increased over the first quarter of 2015 from £114.5bn as at 31 December 2014 to £125.1bn as at 31 March 2015. The increase was mainly as a result of strong market returns but net new business was positive over the quarter.

Baillie Gifford closed the Global Opportunities Fund during the first quarter of 2015. The majority of the assets invested in the Fund were for one client and this client made the decision to transfer the assets in to the Global Alpha Fund. The team managing the strategy will be redeployed to strengthen other teams across Baillie Gifford in due course.

The Global Alpha Fund remains soft closed to new clients but currently continues to accept further assets from existing clients.

Personnel

Charles Plowden, one of the three Global Alpha investment managers and Baillie Gifford's joint senior partner, will be taking a 3 month sabbatical starting at the end of April. Baillie Gifford encourages senior colleagues to take sabbaticals although no more than one senior member of the investment team can take a sabbatical at any one time. While Charles is away the management of the Global Alpha Fund will remain with the other two managers, Malcom MacColl and Spencer Adair, with Jenny Davis, an analyst in the team, taking on a wider role supporting them.

Deloitte view – We continue to rate Baillie Gifford positively for its global equity capabilities and will monitor developments within the team on Charles Plowden's return at the end of his sabbatical.

LGIM

Business

As at 31 December 2014, Legal & General Investment Management ("Legal & General") had total assets under management of c. £499bn.

Personnel

As mentioned last quarter, Legal & General announced a number of major changes to its management team. Legal & General is still in the process of appointing a successor for Ali Toutounchi, Managing Director of Index Funds, when he retires at the end of 2015. Aaron Meder, the new Head of Investment, will work closely with Ali to appoint his successor and transition his responsibilities.

Joseph Molloy, Head of Index Equities, left the index team during the first quarter of 2015. Julian Harding, who Joseph reported to, will assume his management responsibilities and Legal & General intends to add a new fund manager to the equity team during 2015. There were no new additions to the index team over the quarter.

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

Longview

Business

During the quarter Longview was funded for a mandate for a sovereign wealth fund. The product is now effectively closed to new business.

Personnel

An additional resource was added to the institutional client team over the quarter.

Deloitte view – We rate Longview for their global equity capabilities.

Insight

Assets under management reached £363bn as at the end of December 2014.

There were no significant changes to the investment team responsible for managing the Fund's mandate over the quarter.

Four new Fixed Interest funds were launched in the first quarter of 2015:

- Global Credit Pooled Fund
- Global Aggregate
- Insight Secured Finance Fund, and
- Insight Liquid ABS Fund.

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. £1.12bn at the end of March 2015 with a waiting list continuing to operate, reflecting strong demand.

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 Fund's assets under management increased to £1.52bn over the first quarter. Shortly after the quarter end, SLI drew down a £40m commitment from a new pension fund investor.

Personnel

There were no changes to the team responsible for the Fund's investment.

Deloitte View: While we continue to rate SLI positively for its long lease capabilities, we will continue to monitor the supermarket exposure within the Long Lease Property Fund.

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 31 March 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford - Gross of fees	9.3	19.4	n/a	19.1
<i>Net of fees¹</i>	9.2	18.9	n/a	18.7
MSCI AC World Index	7.6	19.0	n/a	18.8
Relative	1.7	0.4	n/a	0.3

Source: Baillie Gifford

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

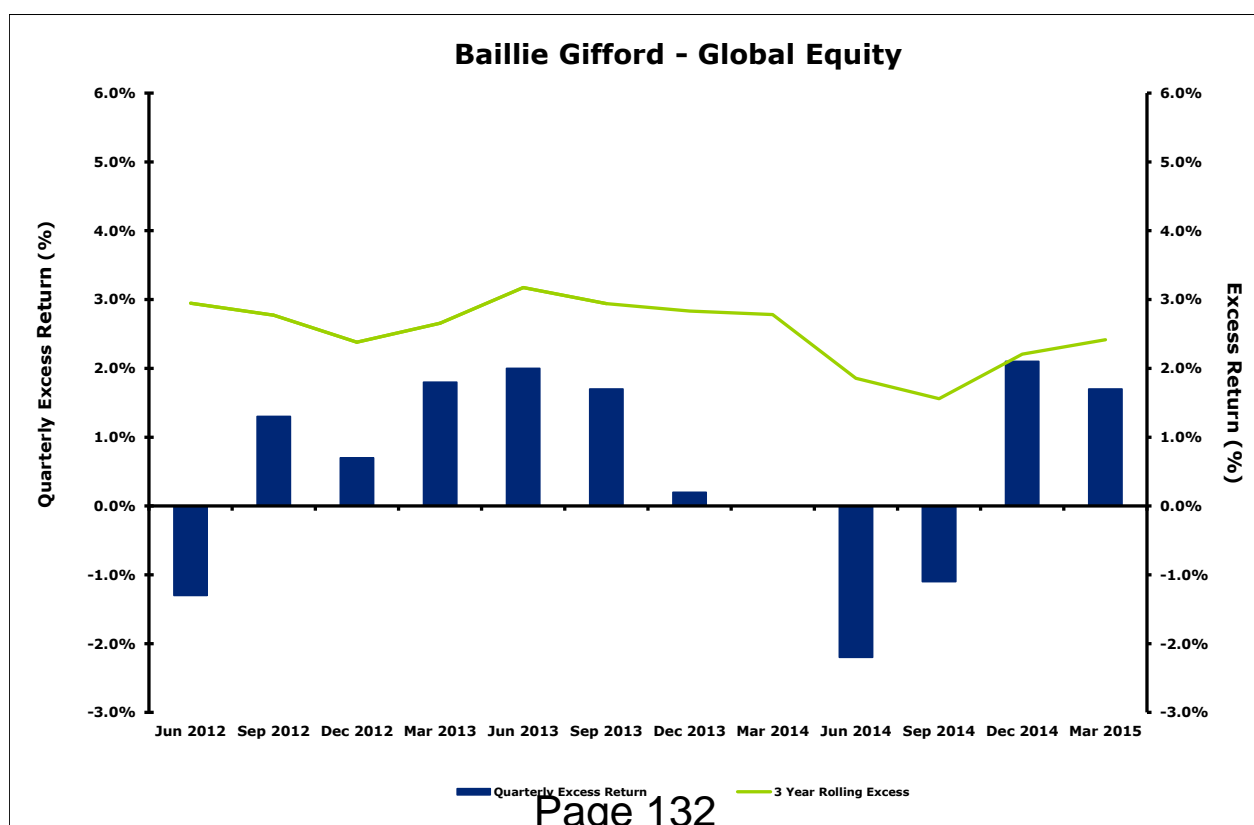
Inception date taken as 18 March 2014

The Baillie Gifford Global Equity fund has outperformed its benchmark over the quarter and marginally so over the year, and period since inception.

One of the greatest contributions to performance came from the fund’s holding in Naspers (a global platform operator for internet services, pay television and print media) which has been a top performer over the quarter as well as over the longer term. Over the quarter the company benefitted from its exposure to a variety of internet companies, particularly its large exposure to Tencent.

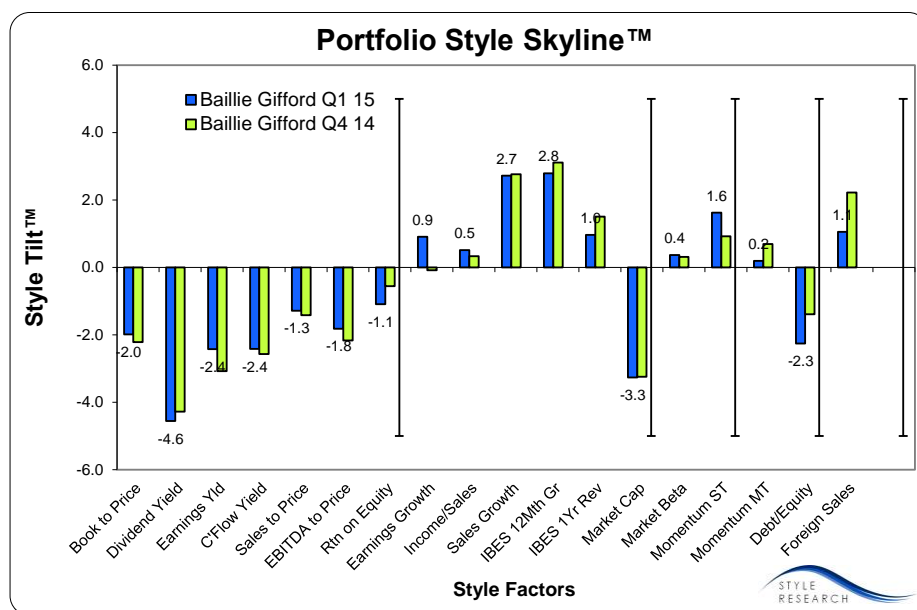
Baidu (the Chinese web services company) was the worst performing stock as the company’s results were poorer than expected, largely as a result of increased spending. Not holding Apple in the portfolio also detracted from relative performance over the first quarter of 2015 as Apple performed strongly.

The graph below shows the 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 as at 31 March 2015 as 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 from the above, the Baillie Gifford fund has a marked negative bias to value related factors and a positive bias to growth factors which is consistent with the stated investment approach.

The top 10 holdings in the Baillie Gifford fund account for c. 26% of the fund and are detailed below.

Top 10 holdings as at 31 March 2015	Proportion of Baillie Gifford fund
Royal Caribbean	3.91%
Naspers	3.79%
Prudential	3.45%
Taiwan Semi	2.32%
Anthem	2.27%
Ryanair Holdings	2.10%
Amazon.com	2.08%
TD Ameritrade	2.08%
Google	1.78%
Markel	1.78%
Total	25.56%

Baillie Gifford	31 March 2015
Total Number of holdings	98
Active risk	3.9%
Coverage	6.8%

As at 31 March 2015, Baillie Gifford held 98 stocks, with an overlap with the FTSE All World index of 6.8%. As an active manager, Baillie Gifford tactically invests in such a way as not to replicate the index. The active risk, as at 31 March 2015, was 3.9%.

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 31 March 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	4.7	13.9	n/a	18.0
Net of fees ¹	4.7	13.7	n/a	17.8
FTSE World GBP Hedged	4.7	13.9	n/a	18.0
Relative	0.0	0.0	n/a	0.0

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 in line with the benchmark over the quarter, one year and since the inception of the mandate.

6 Majedie – UK Equity

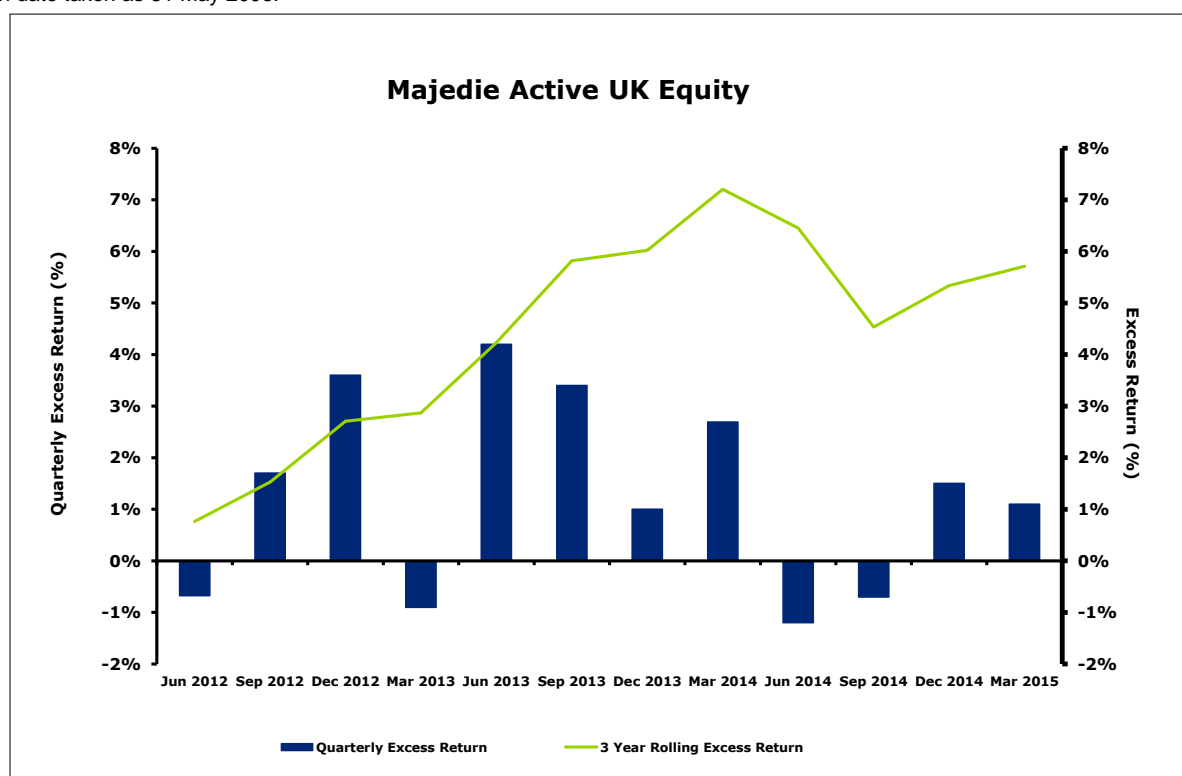
Majedie was appointed to manage an active UK equity mandate. The manager's remuneration is a combination of a fixed fee based on the value of assets and a performance related fee which is payable when the excess return of the portfolio over a rolling 3 year period is more than 1% p.a. The target is to 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	5.8	7.2	16.3	11.2
Net of base fees ¹	5.7	6.9	16.0	10.8
FTSE All-Share Index	4.7	6.6	10.6	6.3
Relative	1.1	0.6	5.7	4.9

Source: Majedie

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



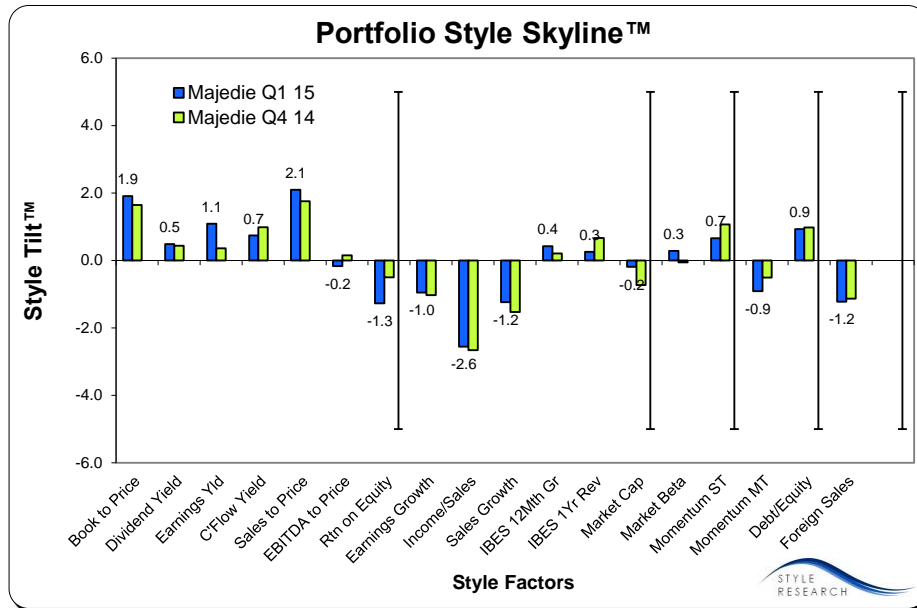
Majedie outperformed its benchmark over the quarter by 1.1%. Over the longer timeframes of one year, three years and since inception the manager has outperformed its benchmark by 0.6%, 5.7% p.a. and 4.9% p.a. respectively.

The fund's overweight position in Tesco worked in its favour and was the fund's top performer over the quarter, contributing 0.4% to the total performance. However, at a sector level, Oil and Gas Producers was the top performer with Food & Drug Retailers also contributing positively.

The fund's holding in the Royal Bank of Scotland hurt performance this quarter, dragging performance down by 0.5% over the period. At a sector level, the worst performers over the first quarter of 2015 were the Gas, Water & Multi-utilities holdings.

6.1 Style analysis

We have analysed the Style of Majedie as at 31 March 2015 as 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.



While the portfolio is currently showing a modest positive bias to value related factors, the bias is not particularly strong and can be expected to 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 31 March 2015	Proportion of Majedie fund
Vodafone	5.53%
BP	5.10%
HSBC	4.93%
GlaxoSmithKline	4.59%
Marks and Spencer	4.05%
Barclays	3.54%
BT	3.18%
Orange	3.18%
Tesco	3.08%
Royal Dutch Shell	3.02%
Total	40.20%

Majedie	31 March 2015
Total Number of holdings	208*
Active risk	3.1%
Coverage	39.8%

*includes 134 stocks in the Majedie UK Smaller Companies Fund, which the fund invests in.

As at 31 March 2015, Majedie held 208 stocks in total, with an overlap with the FTSE All Share index of 39.8%. This coverage is significantly higher than both Baillie Gifford and Longview, reflecting the much larger number of holdings in the fund. Majedie's active risk, as at 31 March 2015, was 3.1%.

7 Longview – Global Equity

Longview was appointed 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	9.7	n/a	n/a	9.7
Net of base fees ¹	9.6	n/a	n/a	9.6
MSCI World Index	7.5	n/a	n/a	7.5
Relative	2.2	n/a	n/a	2.2

Source: Longview

1 – estimated by Deloitte

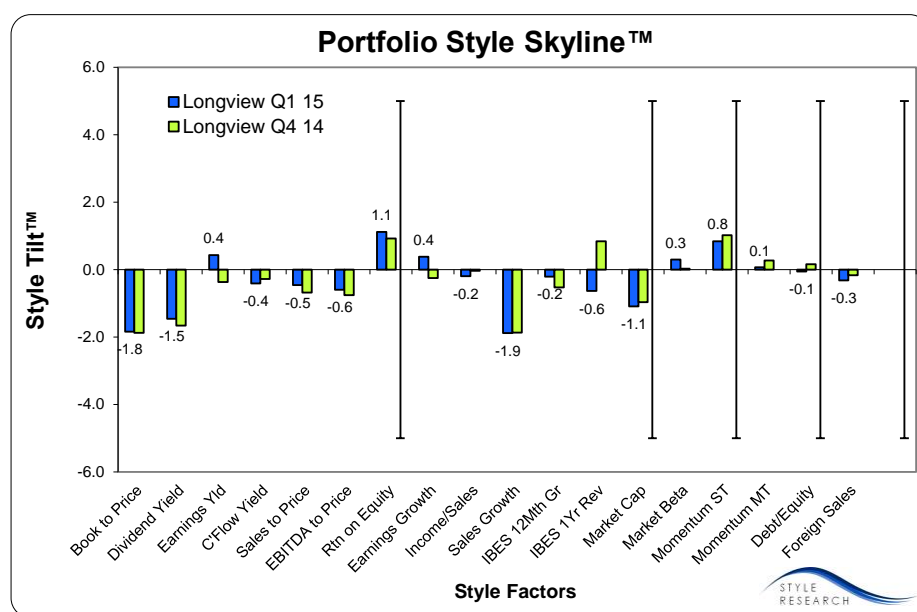
See appendix 1 for more detail on manager fees

^{*}Since the inception date, taken as 15 January 2015.

Longview outperformed the benchmark by 2.1% over the first quarter of 2015. This was largely driven by the fund’s holdings in Continental, UnitedHealth and Pearson (the publishing and educational company).

7.1 Style analysis

We have analysed the Style of Longview as at 31 March 2015 as 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 from the above and in a similar way to Majedie, Longview does not currently have a strong bias to either value or growth factors.

The top 10 holdings in the Longview fund account for c. 42% of the fund and are detailed below.

Top 10 holdings as at 31 March 2015	Proportion of Longview fund
UnitedHealth	4.76%
HCA Holdings	4.62%
Delphi Automotive	4.56%
Fidelity Natl Info Services	4.55%
AON	4.25%
Time Warner	4.04%
Bank of New York Mellon	4.02%
Oracle	3.96%
Accenture	3.83%
WPP	3.68%
Total	42.28%

Longview	31 March 2015
Total Number of holdings	34
Active risk	4.2%
Coverage	4.4%

As at 31 March 2015, Longview held 34 stocks in total, with an overlap with the FTSE All World index of only 4.4%. This coverage is low due to the high conviction investing that Longview undertakes; which also leads to a higher active risk of 4.2% as at 31 March 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 31 March 2015

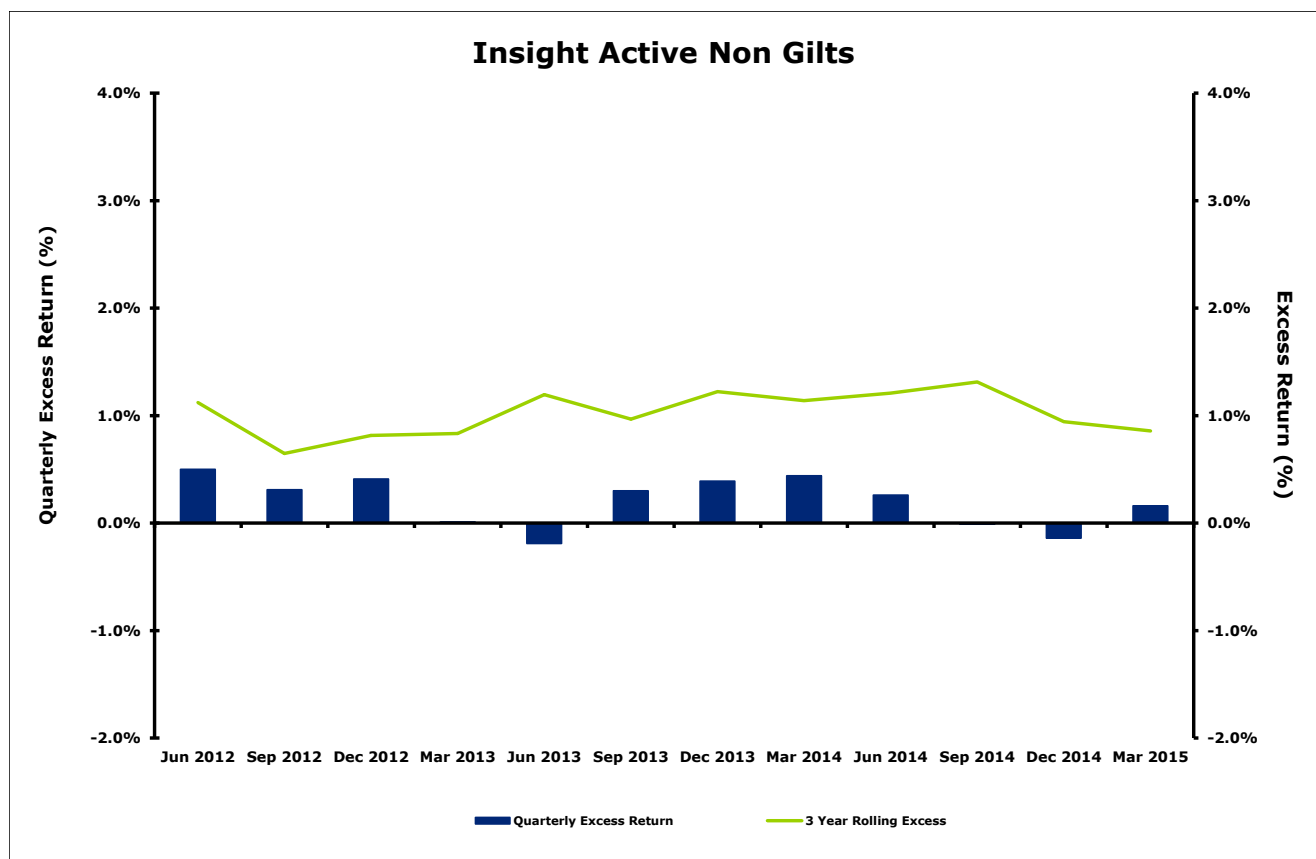
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Non-Gilts) - Gross of fees	2.6	10.1	8.4	6.3
<i>Net of fees¹</i>	2.5	9.8	8.1	6.0
iBoxx £ Non-Gilt 1-15 Yrs Index	2.4	9.8	7.5	5.8
Relative	0.2	0.3	0.9	0.5

Source: Insight

(1) Estimated by Deloitte

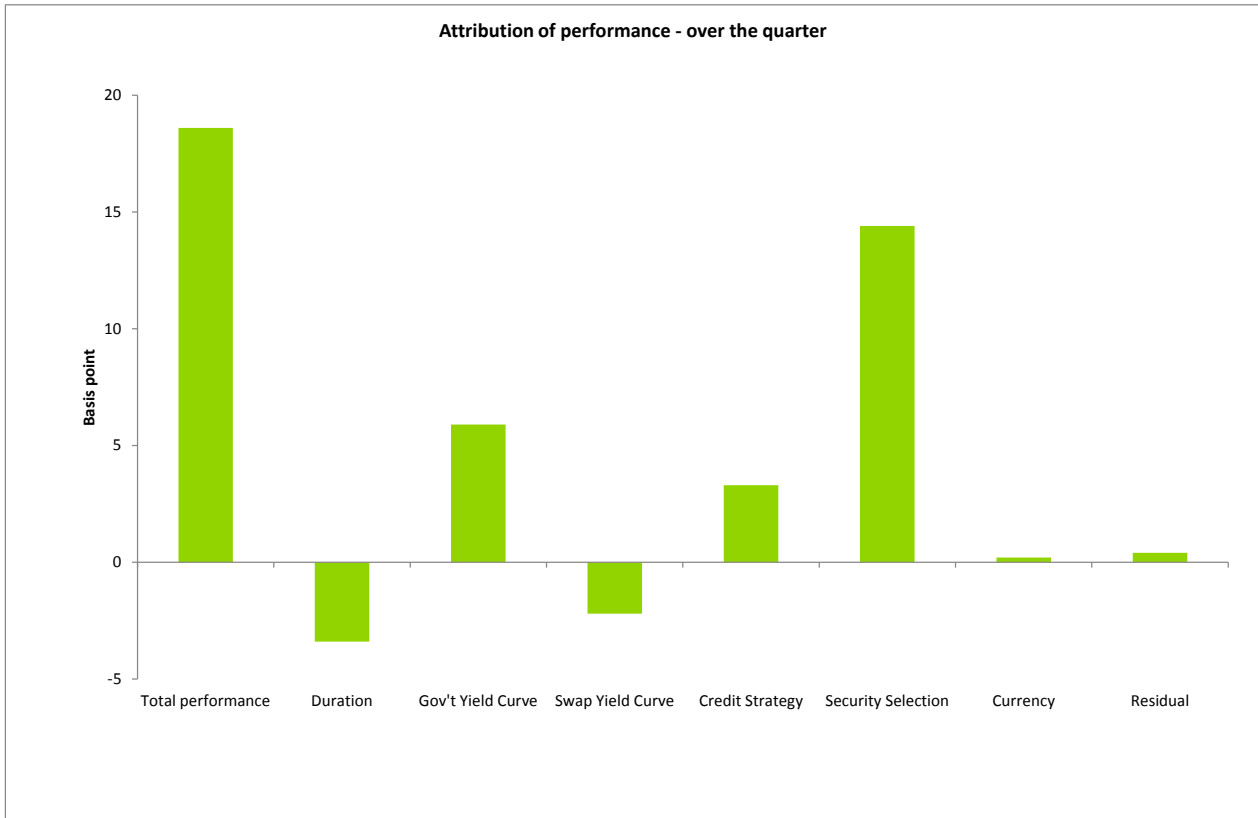
See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



Over the quarter the portfolio outperformed the benchmark by 0.2%, returning 2.6%. Over the one year and three years Insight has outperformed the benchmark by 0.3% and 0.9% p.a. respectively.

8.1.2 Attribution of Performance



Source: Insight

Insight's outperformance this quarter has been driven by their security selection, their positioning on the government yield curve and the credit strategies employed over the quarter.

8.2 Insight – Government Bonds

8.2.1 Investment Performance to 31 March 2015

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Passive Bonds) - Gross	1.0	6.7	2.7	5.6
<i>Net of fees¹</i>	1.0	6.6	2.6	5.5
FTSE A Gilts up to 15 Yrs Index	1.0	6.8	2.7	5.7
Relative	0.0	-0.1	0.0	-0.1

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 performed broadly in line with its benchmark over the quarter, one and three year period to 31 March 2015.

8.3 Duration of portfolios

	End Dec 2014		End Mar 2015	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.9	5.6	5.9	5.7
Government Bonds (Passive)	4.7	4.8	4.5	4.8

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	3.3	19.5	12.5	9.3
Net of fees ¹	3.2	19.1	12.1	8.9
Benchmark	3.0	16.9	9.5	8.7
Reactive	0.2	2.7	3.0	0.6

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 0.2% over the quarter, primarily driven by the fund's Office investments in central London and the investments within the Leisure sector.

Longer term the performance has also been ahead of benchmark.

9.2 Sales and Purchases

There were no new acquisitions during the first quarter of 2015, with a number of potential investments rejected during the due diligence phase.

A pub in London was sold for c. £3.4m during January, reflecting a net yield of just under 3.5%. In addition, Hermes sold a long leasehold interest in an office building in Slough, whilst maintaining the freehold.

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	2.3	9.9	n/a	11.3
Net of fees ¹	2.2	9.4	n/a	10.8
Benchmark	2.7	16.2	n/a	10.7
Relative	-0.4	-6.3	n/a	0.6

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 2.3% over the first quarter of 2015, underperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 0.4%. The Fund has also lagged the broader property market by 0.7% and 8.4% over the 3 and 12 month periods – this underperformance is not unexpected given the strong capital appreciation in the wider property market.

The Fund’s supermarket exposure was detrimental to relative performance over the quarter with the holdings delivering a return of 0.5% over the quarter with larger supermarket assets outside the South East experiencing a 2%-3% decline in capital values.

Overall, absolute performance remained strong following positive capital value growth across the Fund’s office, industrial and alternative sectors. The leading performer was the Save the Children headquarters in London which delivered a return of 9.2%.

10.2 Sales and Purchases

There were several disposals over the quarter as SLI sought to take advantage of strong investor demand for commercial real estate:

- The sale of 50 High Street in Sheffield, which reduced the fund vacancy from 0.4% to 0.1%.
- Terms were agreed for the sale of an industrial unit in Swansea for £11.75m, with the sale being completed post the quarter end. SLI felt that the sale represented a unique opportunity to agree a premium price, 29% above the last valuation, given the tenant was looking to downsize its occupation of the property.

There was one acquisition over the quarter:

- The forward purchase of a Premier Inn in Aldgate, London was completed. The newly built hotel is leased to Premier Inn and guaranteed by Whitbread for a minimum term of 20 years over the development period there has been capital value growth of 22%.

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	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	70bps base fees	
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 PPF1 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					

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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City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	21 May 2015
Classification:	Public
Title:	Fund Administration and Operations
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:	Jonathan Hunt <i>Director of Corporate Finance and Investments</i> jonathanhunt@westminster.gov.uk 020 7641 1804

1. Executive Summary

- 1.1 This report presents a variety of information that has been requested from previous meetings, is relevant to the working of the Committee and Pension Fund, or relates to current contractual arrangements.

2. Recommendation

- 2.1 The Committee is asked to approve the note the contents of the report, approve the Risk Register in Appendix 4 and comment on any matters raised in this paper.

3. Amaces

- 3.1 The Fund has for over five years employed Amaces to keep under review certain transactions and performance by the Custodian – in particular the FX transactions carried out by the Custodian. In recent years, the Fund has moved to more pooled investments, with just the current Insight mandate remaining on a segregated basis. A report

prepared by Amaces, setting out their recent achievements and current matters relating to the Westminster Fund is attached as Appendix 1.

4. Class Actions

4.1 The Fund manages the relevant class actions through IPS. This is for relevant holdings that the Fund may have had, and for where there is now a class action in which the Fund can participate. Given the move to pooled investments, the numbers of class actions the Fund will participate in will decline – as such matters move to be managed more directly by the Fund Managers. A report from IPS on recent matters is attached as appendix 2.

5. Top Holdings

5.1 As at 31 March 2015, the top 25 holdings in the Fund's portfolio were:

Asset description	Market value (inc accruals) (£k)	% of total
LGIM KY – World Equity Index	282,340.4	26.7
Majedie units	256,510.7	24.3
Baillie Gifford units	180,728.6	17.1
Conventum Asset Management units (Longview)	109,568.8	10.4
Standard Life Long Lease units	47,912.9	4.5
Hermes Property Unit Trust	45,650.0	4.3
EIB 4.75% BDS 15/10/18	8,014.4	0.8
Insight Global Funds	5,970.0	0.6
KfW 5.5% MTN 07/6/21 GBP	5,291.5	0.5
Insight Global II Emerging market Debt Fund	4,456.3	0.4
Barclays Bank 10% Sub MTN 21/05/2021	3,776.1	0.4
EIB 5.375% EMTN 07/03/2019	3,512.8	0.3
EIB 5.375 GTD Bonds 07/06/2021	2,938.7	0.3
Legal & General GP 6.385%	2,793.6	0.3
HSBC 6.75% 09/28	2,086.6	0.2
Bank of America 4.25% 10/12/2026	1,970.5	0.2
Erste Group 5.5% 26/05/2025	1,865.7	0.2
Scottish Widows 5.5% 16/06/2023	1,856.6	0.2
Kon KPN 5.75% 17/9/2029	1,835.5	0.2
AXA 5.453%	1,756.3	0.2
Network Rail 4.75% 22/01/24	1,752.0	0.2
CBA 3.0% 04/09/2026	1,686.4	0.2
Insight Global Funds II Short Dated high yield	1,561.7	0.1
RWE Finance 6.25 03/06/30	1,540.2	0.1
RSA Insurance 5.125% 10/10/2045	1,507.0	0.1
Total for top 25 holdings	978,883.2	92.7
Total portfolio	1,056,169.8	100.0

6. Statement of Investment Principles

- 6.1 As at 31 March 2015, the Fund complied with the Statement of Investment Principles.
- 6.2 In particular, the fund had no self-investments (regulatory maximum of 5%), it had no single segregated holding great than 10% (as shown in the table above) and its largest investment in a single vehicle was 23.4% with Majedie (the LGIM holding is split between two vehicles).
- 6.3 In preparing the draft Statement of Investment Principles as discussed at the last meeting, the Fund is required to take the relevant professional advice in its discussions. This is formalised in the note from Deloitte attached as Appendix 3. The various admitted bodies to the Fund have been asked to comment on the SIP, and after allowing appropriate time for comment, none had been received. Thus the SIP as presented to the last Committee can now be considered as final.

7. Risk Register

- 7.1 It is best practice for Pension Funds to maintain a risk register to ensure that the risks the Fund faces are properly understood and where appropriate action is taken to mitigate them. Attached at Appendix 4 is the Pension Fund risk register which it is proposed is reported to members as part of the quarterly reporting cycle.
- 7.2 The first part of the register covers strategic risks to the Fund which in general have to be accepted and cannot be mitigated against, as they are inherent when running a Pension Fund. The Committee need to be aware of these risks particularly when making strategic decisions. The second part details operational risks which are mitigated through procedures and processes.
- 7.3 Officers will review the risk ratings in advance of each Committee meeting and alter the ratings when appropriate. Any changes to ratings will be highlighted in the scorecard summary in the quarterly update pack.

8. Cashflow

- 8.1 Committee members asked for a greater understanding of the Fund's cashflow. The table below sets out the cashflow for the fund on a monthly basis since 1 October 2014 (when Northern Trust took on the role as Custodian).

AGENDA ITEM:

Month	Contributions	Misc Receipts	Invoices Paid	Misc Payments	Pensiners Payroll	HMRC tax	Net Cash Flow
October 14	2,525,842	183,075	-35,842	- 436,522	-2,801,387	-527,114	- 1,091,949
November 14	2,644,625	569,331	-527,760	- 801,040	-2,791,767	-499,053	- 1,405,664
December 14	2,885,872	86,380	-37,192	- 698,621	-2,807,567	-506,239	- 1,077,368
January 15	2,704,829	75,703	-21,811	- 958,031	-2,819,344	-503,883	- 1,522,537
February 15	2,424,770	70,326	-665,335	-1,051,840	-2,810,162	-515,116	- 2,547,358
March 15	2,787,706	448,627	-92,735	-1,026,772	-2,831,086	-507,939	- 1,222,199
Total	15,973,643	1,433,441	- 1,380,675	-4,972,826	-16,861,313	- 3,059,345	- 8,867,075

Further details of miscellaneous receipts include Transfers in, Bank interest, Overpayments and Recharges.

Further details of miscellaneous payments include Transfers out, Lump Sums, Refunds and Death Grants.

This table does not include investment returns and reaffirms that the fund is cashflow negative before investment returns; it is however cashflow positive after investment returns.

AGENDA ITEM:

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

Jonathan Hunt jonathanhunt@westminster.gov.uk or 020 7641 1804

BACKGROUND PAPERS: None

Appendix 1

Amaces Report

Appendix 2

IPS Report

Appendix 3

Deloitte Report on the Statement of Investment Principles

Appendix 4

Draft Risk Register

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City of Westminster Pension Fund Risk Register

Risk Number	Key risks <i>There is a risk that/of...</i>	Consequence	TYPE		Inherent risk			Residual risk			Risk Monitoring	Responsible Officer	Existing controls
			STRATEGIC/CHANGE (Portfolio, Programme, Project) or OPERATIONAL Risk (Business as Usual)	PESTLEcc	Likelihood	Impact	Total	Likelihood	Impact	Total			
1	The combination of assets in the investment portfolio fails to fund the liabilities in the long term due to market movements.	There are insufficient assets to meet the liabilities.	STRATEGIC (Investments)	Economic	4	5	20	2	3	6	Fund investment performance and funding level monitored quarterly by the Pension Fund Committee.	Tri-borough Director of Treasury & Pensions	Investment Strategy in place and reviewed periodically. Liability measure monitored on a quarterly basis.
2	Fund managers fail to achieve the returns agreed in their management agreements.	The Fund returns are less than anticipated and the funding level deteriorates.	STRATEGIC (Investments)	Economic	4	5	20	3	3	9	Fund manager performance monitored quarterly by the Pension Fund Committee.	Tri-borough Director of Treasury & Pensions	Independent monitoring of fund manager performance by custodian against targets. Investment adviser retained to keep watching brief. At time of appointment ensure assets are separately registered and segregated by owner.
3	Failure of custodian or counterparty.	Fund assets at risk.	STRATEGIC (Investments)	Economic	3	5	15	2	5	10	Review of internal control reports on annual basis.	Tri-borough Director of Treasury & Pensions	Growth assets in the portfolio should rise in value as inflation rises.
4	The level of inflation and interest rates assumed in the valuation may be inaccurate.	Liabilities are higher than expected and more employer contributions are required to maintain funding.	STRATEGIC (Funding)	Economic	4	5	20	4	3	12	Review at each triennial valuation and challenge actuary as required.	Tri-borough Director of Treasury & Pensions	Cashflow forecast maintained. Cashflow requirements form part of current investment strategy review.
5	There is insufficient cash available in the Fund to meet pension payments.	Investment assets have to be sold at sub-optimal prices to meet pension payments.	STRATEGIC (Funding)	Economic	4	3	12	2	1	2	Cashflow position monitored quarterly by Pension Fund Committee.	Tri-borough Director of Treasury & Pensions	

6	Scheme members live longer than expected.	Liabilities are higher than expected and more employer contributions are required to maintain funding.	STRATEGIC (Funding)	Economic	4	5	20	4	2	8	Review at each triennial valuation and challenge actuary as required.	Tri-borough Director of Treasury & Pensions	None applicable.
7	Scheme matures more quickly than expected due to public sector spending cuts.	Contributions reduce and pension payments increase leading to negative cashflow.	STRATEGIC (Funding)	Economic	4	4	16	2	3	6	Cashflow position monitored quarterly by Pension Fund Committee.	Tri-borough Director of Treasury & Pensions	Cashflow forecast maintained. Deficit contributions collected as lump sums instead of as % of payroll to maintain monetary value. Respond to all consultations which are published and lobby as appropriate to ensure consequences are understood.
8	Pension legislation or regulations change.	Risk that the cost of scheme rises or increased administration is required.	STRATEGIC (Regulation)	Legislative	4	3	12	3	4	12	Maintain links with central government and national bodies to keep abreast of potential issues.	Tri-borough Director of Treasury & Pensions and Acting Director of HR	Officers maintain knowledge of legal framework for routine decisions. Eversheds retained for consultation on non routine matters.
9	Failure to comply with legislation.	Ultra vires actions lead to financial loss and reputational damage.	OPERATIONAL (Governance)	Legislative	4	3	12	2	2	4	It is within the terms of reference of the Pension Board to ensure compliance with legislation.	Tri-borough Director of Treasury & Pensions and Bi-borough Director of HR	External professional advice sought where required.
10	That Committee members do not have appropriate skills or knowledge to discharge their responsibility.	Inappropriate decisions are made leading to a financial impact or a breach of legislation.	OPERATIONAL (Governance)	Professional	3	5	15	4	3	12		Tri-borough Director of Treasury & Pensions	
11	Officers do not have the appropriate skills and knowledge to perform their roles.	Service not provided in line with best practice and legal requirements.	OPERATIONAL (Governance)	Professional	3	3	9	2	2	4	Training plans in place for all staff as part of the performance appraisal arrangements, which are reviewed every six months.	Tri-borough Director of Treasury & Pensions and Bi-borough Director of HR	Person specs used at recruitment to identify skills and experience. Tri-borough pensions finance team and Pensions HR team provides resilience and sharing of knowledge within the teams. Membership of CIPFA Pension Network and NAPF provides access to training opportunities.

12	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned.	Financial loss or a breach of legislation.	OPERATIONAL (Governance)	Professional	4	5	20	2	2	4	Pension Fund Committee and officers scrutinise and challenge advice provided.	Tri-borough Director of Treasury & Pensions	Appoint advisers with appropriate professional qualifications and quality assurance procedures in place.
13	Failure of an admitted or scheduled body leads to a deficit in the Fund.	Unpaid liabilities are left in the Fund to be met by others.	OPERATIONAL (Funding)	Partnership	3	4	12	3	2	6	Regular monitoring of employers and follow up of expiring bonds.	Tri-borough Director of Treasury & Pensions and Acting Director of HR	Bonds in place for all transferee admitted bodies.
14	Ill-health costs may exceed "budget" allocations made by the actuary.	Liabilities are higher than expected and more employer contributions are required to maintain funding.	OPERATIONAL (Funding)	Financial / People management	4	5	20	3	2	6	Review at each triennial valuation and challenge actuary as required.	Tri-borough Director of Treasury & Pensions and Acting Director of HR	Admitted bodies charged capital cost at time of retirement. Occupational Health services provided at council to address early potential ill health issues. Third parties regulated by the FCA and separation of duties and independent reconciliation procedures in place. Periodic internal audits.
15	Loss of funds through fraud or misappropriation.	Financial loss and negative impact on reputation of the Pension Fund.	OPERATIONAL (Administration)	Economic	4	4	16	3	3	9	Review of third party internal control reports and regular reconciliations of pension payments undertaken.	Tri-borough Director of Treasury & Pensions and Acting Director of HR	Regular ongoing monitoring by Officers and advisers keeps counterparties under close review
16	Failure of fund manager or other service provider without notice.	There is a period of time without the service being provided or an alternative needs to be quickly identified and put in place.	OPERATIONAL (Administration)	Third Party Suppliers	3	3	9	3	1	3	Contract monitoring in place with providers.	Tri-borough Director of Treasury & Pensions and Acting Director of HR	Regular ongoing monitoring by Officers and advisers keeps counterparties under close review
17	Failure of pension payroll system.	Pensioners are not paid in a timely manner.	OPERATIONAL (Administration)	Information / Third Party Suppliers	2	5	10	1	5	5	Contract monitoring in place with provider.	Acting Director of HR	
18	Failure to pay pensions accurately	Under or over payments of pensions.	OPERATIONAL (Administration)	Information / Third Party Suppliers	2	5	10	2	3	6	Contract monitoring in place with provider.	Acting Director of HR	
19	Failure of Pension administration system resulting in loss of records.	Incorrect payments of lump sums or delays in payment.	OPERATIONAL (Administration)	Information / Third Party Suppliers	1	5	5	1	5	5	Contract monitoring in place with provider.	Acting Director of HR	
20	That administrators do not have sufficient staff or skills to manage the service.	Performance levels are not maintained leading to reduced perception and complaints.	OPERATIONAL (Administration)	Third Party Suppliers	1	5	5	2	3	6	Contract monitoring in place with provider.	Acting Director of HR	

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Review of Westminster City Council

Custodian and Foreign Exchange Benchmarking Reports

May 2015

Summary

Amaces is a specialist custodian benchmarking firm formed in 2002 providing detailed analysis of the operating performance and financial impact of the services provided by Global Custodians. Our client base is primarily UK pension schemes (local authority and corporate) and investment managers. We are however expanding in to the US and European markets and well represented with new clients in both regions. We have around 90 clients subscribing to our custody and treasury module and over 40 clients subscribing to foreign exchange, although we do in fact benchmark more than 140 different counterparties. Whilst we have developed good relationships with the custodian banks we do not undertake and work for them, preferring to retain our unbiased independence.

The relationship with Westminster City Council goes back to late 2009 and during the time we have provided the Council with monthly reports and analysis and in addition fee reviews and advice when required. We currently charge the scheme £10,000 p.a. for each report having reduced from £12,000 p.a. at the end of 2012. We have looked at the latest reports for the end of March 2015 and our review of each report follows.

Custody and Treasury update

We have paid close scrutiny to the results since the transition to Northern Trust as compared to the performance of The Bank of New York Mellon. Our comparisons are against; other clients of Northern Trust; UK peer group of pension schemes; total universe of 90 clients. The high level analysis will place Westminster in either the top middle or bottom category denoted by traffic light status Green, Amber and Red.

- Late Settlements – not really under the control of the custodian but more affected by the activities of the underlying manager and respective broker. Experience is generally acceptable at Amber (middle third) across all comparison groups, with a slight increase at the time of the transition of assets to Northern Trust. Volumes and values have trailed off over the last few years as Westminster moved more in to pooled funds.
- Income collection – Generally has been good with one poor month in September 2014 under BNYM and some late items again around transition time. Under Northern Trust the experience is in the top third (green).
- Tax Reclaims – Both banks have done a decent job with this service and Westminster is in the top third in terms of service.
- Voting – some voting has been missed by managers over the course of the last 12 months placing the service in the bottom third (red) but realistically the figures are skewed by very

few voting opportunities. As Westminster have moved in to pooled funds voting becomes less relevant.

- Accounting – both Banks have done a decent job in reconciling the end of month reports back to the managers and have met the stated deadline 11 months of the year.
- Foreign Exchange – In custody we measure small trades under \$200,000 which is seen as income repatriation and not to be confused with trading activity. The volumes have all but dried up with only 6 trades over the last year so any analysis is not realistically comparable.
- Interest conditions – we flagged to Westminster that after the transition no earnings were being made on cash balances, with sterling the major currency. This has now been rectified and interest is being earned since January on GBP cash balances at a rate better than the average for our other clients. Balances in Euros and Dollars are tiny and returns irrelevant. No significant overdrafts have been experienced over the last year.

In summary the new relationship with Northern Trust has got off to a fairly decent start bearing in mind however the low trading volumes that exist.

Foreign Exchange

Volumes over the last year have fallen from over 500 trades per annum to now around 200. The report measures the foreign exchange activity of just one manager now – Insight who will use numerous counterparties on a negotiated basis to transact foreign exchange on the back of their trading activity.

The result over the last 12 months has been excellent with Westminster experiencing rates as near to mid-market (zero bps) as possible. Westminster are therefore in very good company with some very large investment management firms who struggle to achieve the same pricing, especially when one considers the low value comparatively (US\$350 million per annum). That experience continues through all the trading activity irrespective of size. All trades are freely tradable currencies (non-restricted).

We understand that Westminster will continue to use Insight but will in time move to a pooled fund instead of segregated. It is of course in the interest of Insight to maintain the level of competitiveness in their foreign exchange activity to prevent any drag on fund performance. I would expect them to continue to trade as efficiently in the future pooled or not.

Amaces and Westminster City Council

Moving forward we have enjoyed an excellent relationship with Westminster and we would enjoy continuing the relationship but we do understand the dynamics of the relationship with the Custodian have changed as Westminster move entirely in to pooled funds.

We do have other pension scheme clients in a similar place but they continue to see value in having Amaces there not just to provide reports but also as a consultant and adviser to custodian activities.

The reports we produce however will have less value to Westminster and so we would propose changing the scope of the reporting which will be reflected in pricing.

For custody a number of the KPIs will not be applicable such as settlements but others will apply such as interest conditions. We are also available to conduct periodic fee reviews as part of the service in addition to publishing the monthly reports. Amaces is also happy to attend custody meetings and answer questions or clarify issues connected with the sector. We are intending to roll out a new product named 'Custodian Capability Report' which will serve as an annual paper on the views of our pension fund clients about their respective custodians. It will give a great deal of insight in to how your own custodian is viewed and perceived by your peers. In consideration of the less importance of the report, however I do propose reducing the custody charge from £10,000 to £6,000 per annum once all segregated funds have disappeared. Should Westminster venture back in to segregated we can then review accordingly.

Foreign Exchange activity is likely to disappear altogether once the Insight mandate is converted to pooled and therefore the foreign exchange report will no longer be required at a cost of £10,000 per annum.

We value the relationship we enjoy with Westminster City Council and we would very much like to retain you as a client and hopefully the reduction in cost from £20,000 a year to just £6,000 per year will go some way to compel the Council to continue what we believe is a very important monitoring service of your custody service. We could of course extend this service to the Tri-borough at very little additional cost.

Tony Child
Director
Amaces Limited

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City of Westminster Pension Fund

Proposed changes to the Statement of Investment Principles

Introduction

This note has been prepared for the Superannuation Committee of the City of Westminster Pension Fund with regard to the proposed changes to the Statement of Investment Principles for the pension fund (“the Fund”).

Schedule 1 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (“the Regulations”) sets out limits on holdings for a range of different types of investments. These limits, as applied to the Fund, should be reviewed and documented in the Fund’s Statement of Investment Principles.

The advice given in this note is purely from an investment perspective.

Proposed changes

The Regulations set out for a range of different investments limits on the amount that may be invested at the time the investment is made. However, the Regulations also include provision for these limits to be increased.

The table below sets out the proposed changes.

Investment Type	Regulatory limits	Election for increased limits
Any single sub-underwriting contract	1%	
All contributions to any single partnership	2%	5%
All contributions to partnerships	5%	30%
All loans and any deposits with local authorities or their preceptors	10%	
All investments in unlisted securities of companies	10%	15%
Any single holding unless guaranteed by Her Majesty’s Government	10%	
All deposits with any single bank, institution or person, (other than the National Savings Bank)	10%	
All sub-underwriting contracts	15%	
All investments in units or other shares of the investments subject to the trusts of unit trust schemes managed by any one body	25%	35%
All investments in open ended investment companies where the collective investment schemes constituted by the companies are managed by any one body	25%	35%
All investments in units or other shares of the investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body	25%	35%
Any single insurance contract	25%	35%
All securities transferred (or agreed to be transferred) by the authority under stock lending arrangements	25%	

Our advice

Clearly any decision to invest in any particular asset class and associated structure needs to be considered in the context of the investment opportunity, the efficiency of implementation, liquidity and diversification benefits.

Our advice is provided on the assumption that any investments will be into products or strategies operated by well-resourced investment management organisations that are subject to regulation and regular review by a range of market participants, where the underlying investments are diversified by geography and sector, as the investment adviser to the Fund. On this basis we are comfortable with the proposed changes to the limits set out in the table from an investment perspective.

While the limits apply to the proportion of the Fund at the time the investment is made, we would suggest that careful consideration is given at the time of investment to how the allocation could change over time and whether the limits could be breached as a result of market movements. We would advocate that the actual position relative to the limits is reviewed and monitored on a regular basis by the Committee.

Risk Warnings

- 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.

Other than as stated below, this document is confidential and prepared solely for your information and that of other beneficiaries of our advice listed in our engagement letter. Therefore you should not refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities). In any event, no other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

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