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City of Westminster

Committee Agenda

Title:	**Pension Fund Committee**
Meeting Date:	**Tuesday 21st June, 2016**
Time:	**7.00 pm**
Venue:	**Rooms 3 and 4, 17th Floor, City Hall, 64 Victoria Street, London SW1E 6QP**
Members:	**Councillors:** Suhail Rahuja (Chairman) Antonia Cox Ian Rowley Patricia McAllister

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

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

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

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

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

AGENDA

PART 1 (IN PUBLIC)

1.	**MEMBERSHIP** To report any changes to the Membership of the Committee.	
2.	**DECLARATIONS OF INTEREST** To receive notifications of interest by Members and Officers of any personal or prejudicial interest.	
3.	**MINUTES** To approve the Minutes of the meeting of the Pension Fund Committee held on 22nd March 2016.	**(Pages 1 - 8)**
4.	**MINUTES OF PENSION BOARD** To note the Minutes of the Pension Board meeting held on 10th May 2016. To follow.	
5.	**ASSET POOLING AND LONDON COLLECTIVE INVESTMENT VEHICLE UPDATE** Report of the City Treasurer.	**(Pages 9 - 18)**
6.	**DRAFT PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2015-16** Report of the City Treasurer.	**(Pages 19 - 134)**
7.	**PENSIONS ADMINISTRATION UPDATE** Report of the Director of People Services. To follow.	

8. **TRIENNIAL VALUATION UPDATE**

Report of the Director of People Services.

To follow.

9. **FUND FINANCIAL MANAGEMENT** **(Pages 135 - 152)**

Report of the City Treasurer.

10. **QUARTERLY PERFORMANCE UPDATE** **(Pages 153 - 190)**

Report of the City Treasurer.

11. **PENSION FUND INVESTMENT ADVISER CONTRACT** **(Pages 191 - 194)**

Report of the City Treasurer.

12. **PENSION FUND COMMITTEE FORWARD PLAN** **(Pages 195 - 198)**

Report of the City Treasurer.

13. **ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**

PART TWO (IN PRIVATE)

Under Section 100 (A)(4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press are excluded from the meeting for the following items of business because they involve the likely disclosure of exempt information on the grounds shown below and it is considered that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

14. **MINUTES**

To approve the Confidential Minutes of the Pension Fund Committee held on 22nd March 2016.

15. MINUTES OF PENSION BOARD

To note the Confidential Minutes of the Pension Board meeting held on 10th May 2016.

To follow.

Charlie Parker
Chief Executive
13th June 2016

CITY OF WESTMINSTER

MINUTES

Pension Fund Committee (Formerly Superannuation Committee)

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee (Formerly Superannuation Committee)** held on **Tuesday 22nd March, 2016**, Rooms 1A, 1B and 1C, 17th Floor, City Hall, 64 Victoria Street, London SW1E 6QP.

Members Present: Councillors Ian Rowley (Chairman), Antonia Cox, Richard Holloway and Patricia McAllister

Officers Present: Officers: Carolyn Beech (Director of Human Resources), George Bruce (Tri-Borough Director of Treasury and Pensions), Steven Mair (City Treasurer), Nikki Parsons (Pension Fund Officer) and Toby Howes (Senior Committee and Governance Officer).

Also Present: Kevin Humpherson (Deloitte), Marie Holmes (Pension Board Representative), Susan Manning (Pension Board Representative) and Christopher Smith (Pension Board Representative).

Apology for Absence: Councillor Suhail Rahuja

1 MEMBERSHIP

1.1 It was noted that Councillor Richard Holloway had replaced Councillor Suhail Rahuja. Councillor Ian Rowley was elected as Chairman in the absence of Councillor Rahuja.

2 DECLARATIONS OF INTEREST

2.1 No declarations were received.

3 MINUTES

3.1 **RESOLVED:**

That the Minutes of the meeting held on 16 November 2015 be signed by the Chairman as a correct record of proceedings.

4 MINUTES OF PENSION BOARD

4.1 The Committee noted that the Minutes of the last Pension Board meeting held on 18 January 2016 would be circulated separately.

5 ASSET POOLING AND THE LONDON COLLECTIVE INVESTMENT VEHICLE - UPDATE

5.1 George Bruce (Tri-Borough Director of Treasury and Pensions) presented the report and informed Members that the Government had published two documents on 25 November 2015, the first on its intention to require Local Government Pension Schemes (LGPS) to form pools of assets of approximately £25 billion, and the second a consultation on draft revised LGPS Management and Investment of Funds Regulations. An initial response from local authorities individually or collectively on pooling had been required by 19 February 2016, and a more detailed response by 15 July 2016. George Bruce drew Members' attention to the London Collective Investment Vehicle's (CIV) initial response on behalf of participating London authorities to the pooling proposals. He advised that the London CIV and the Council was working with fund managers in respect of cost structures which may take a few months to complete. Every effort would be made to ensure that the Council's assets were reflected in the pooling arrangements and a draft detailed response would be put to Members for the next Committee meeting.

5.2 Turning to the Government's draft revised LGPS Management and Investment of Funds Regulations, George Bruce advised that the Council would be required to have a new Investment Strategy by October 2016, and updates on this matter would be presented at the next two meetings of the Committee. The draft regulations gave the Secretary of State quite substantial powers of intervention if this was felt necessary, however there would be a process of dialogue with local authorities before it was decided whether to use these powers. The Government could also potentially intervene in any other investment related functions as well as pooling and further guidance was awaited on this matter.

5.3 In respect of the London CIV, George Bruce advised that assets in the Allianz diversified growth fund had been transferred to the CIV in December 2015. The planned transferring of Baillie Gifford global equity and diversified growth funds had been delayed whilst Stamp Duty issues were being resolved and it was anticipated that the transfer would take place shortly.

5.4 During Members' discussions, further details were sought as to when and why the Secretary of State would intervene with a local authority's investment functions and could this also include concerns about not investing in infrastructure. It was suggested that clearer guidance would be needed on when the Secretary of State could intervene and the steps that would be taken before this course of action was deemed necessary. The Chairman enquired what the expectations in undertaking pooling should be and what asset classes would be involved. He also asked whether there had been any dialogue with the London CIV on the possibility of pooling fixed income assets as there were potential benefits in doing so. The likelihood of whether the frequency of Committee meetings would increase in light of asset pooling and changes to LGPS investment fund regulations proposals was also raised.

5.5 In reply to the issues highlighted by Members, George Bruce advised that the Secretary of State could intervene, for example, if unhappy about the way the pooling was being undertaken or if it was felt that there was insufficient pooling. Potentially there could also be other reasons, such as lack of investment in particular asset classes such as infrastructure. George Bruce advised the July submission to the Government would quantify the benefits from pooling, including expected fee savings and performance improvements, which will assist the Committee when discussing the transfer of assets to the London CIV. He acknowledged that the London CIV had considerable work to complete within a short timescale, however consideration of the CIV's structure for all asset classes was underway, including fixed income assets. George Bruce envisaged that the Committee would continue to meet on a quarterly basis, although to date the Government had expressed satisfaction with the structure of the London CIV. It was possible that the Government's views on investment strategies may differ to the Council's and other local authorities. London boroughs had collaborated through the London CIV in responding to the pooling proposals and the Government's response was awaited.

5.6 The Committee requested an update on the Investment Strategy and further details on pooling intentions in respect of asset classes including fixed income, property and infrastructure at the next meeting.

5.7 **RESOLVED:**

That it be agreed to delegate to the City Treasurer, in consultation with the Chairman of the Pension Fund Committee, the decision to agree to the transition of Pension Fund assets to the London CIV where the Fund has a pre-existing relationship with the investment manager and where the transfer of such assets is financially advantageous to the Fund.

6 UNDERLYING RISKS IN ACCEPTING ADMITTED BODIES TO THE PENSION SCHEME

6.1 George Bruce introduced the report and advised that there were currently 30 employers participating in the Pension Scheme. The three types of organisations that may join LGPS were scheduled bodies, such as local councils, community admission bodies and transferee admission bodies. Each type of body that applied must be admitted to the pension scheme if they met the criteria. The risks to admitting new admission bodies included admitting an underfunded admitted body, leaving liabilities to the Fund, the on-going solvency of the admitted body to meet pension contributions and transferring staff with an inherited pension deficit.

6.2 George Bruce then highlighted the mitigating actions available to minimise these risks, including the administering authority's ability to require an admission body to enter into an indemnity or bond approved by the Fund or a guarantee from another organisation or the Secretary of State where either funds or controls the admissions body. Members were advised that the Funding Strategy Statement required all new admission bodies to have a bond or a guarantee from a suitably robust entity before they can be admitted. Other ways to mitigate the risks included ill-health insurance and using stronger actuarial assumptions in determining contribution rates and deficit recovery periods.

6.3 During Members' discussions, it was queried why staff from scheme employers may be admitted through TUPE arrangements. In respect of carers working for Sanctuary, it was queried whether they were admitted to the scheme as some had previously been Council employees and would the scheme be affected by those organisations that adopted the London Living Wage. A Member emphasised that the Admissions Policy should incorporate the lessons learnt in respect of an occasion a few years ago when Age Concern were unable to meet the financial commitments.

6.4 In reply to the issues raised by Members, George Bruce advised that TUPE arrangements for scheme members may apply in examples such as when a school participating in the scheme outsources its catering and the staff are transferred to the outsourced organisation in question. Carolyn Beech (Director of Human Resources) advised that all Council employers who were transferred to Sanctuary would remain in the Pension Scheme through TUPE arrangements, but any new employees joining Sanctuary would not be joining the Scheme.

6.5 In noting the possibility of costs falling upon the Fund as a result of the risks associated with admission bodies, the Chairman requested further information on the type of circumstances where this could occur and where the costs to the Fund would be significant at a future meeting. He also requested that there be a risk register for current and future admitted bodies identifying the degree of risk to the Pension Scheme.

6.6 **RESOLVED:**

That the risks and mitigation actions available be noted and that it be agreed that the City Treasurer preparing an Admissions Policy and risk monitoring arrangements be reported back to a subsequent meeting of the Committee.

7 FUND FINANCIAL MANAGEMENT

7.1 Nikki Parsons (Pension Fund Officer) presented the report and began by referring to the Risk Register, drawing Members' attention to a new risk (Risk 24) concerning BT being unable to provide an interface file in a format suitable for Surrey County Council to update service records. She confirmed that the Council was compliant with the Investment Regulations and no new investor class actions added were recommended to require further investigation. Carolyn Beech added that in respect of Risk 24, there had been a significant number of outstanding issues last month, however following close cooperation with BT and Surrey County Council, a large number had been resolved. She was confident that all issues would be resolved before the end of the financial year, with the most significant issues already resolved, whilst those remaining were mainly minor in nature. Carolyn Beech informed Members that there was to be a meeting the following week to ensure that the matter had been resolved.

7.2 Members sought an update in relation to Risk 19 concerning lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible. Members also enquired when the risk (Risk 11) concerning committee members having appropriate skills and knowledge to discharge their responsibilities was likely to be resolved.

7.3 In reply, Nikki Parsons advised that submission of one training self-assessment was awaited which would address Risk 11. In respect of Risk 19, that there had since been a thorough review, with lump sum payments now being made in a timely manner and the system had received extensive testing. George Bruce added that it was likely that the risk would shortly be moved to amber and all payments had gone through in time in the last six months.

7.4 Nikki Parsons then referred to cash flow monitoring and advised that additional income had recently been identified, leading to a revised forecast balance of £7.7m. In view of healthy cash flow situation, it was recommended that the monthly cash transfers from the Fund Managers be deferred until required.

7.5 Members commented on the number of employees joining the Pension Scheme and enquired if information could be provided on those leaving the scheme and how this would impact upon it.

7.6 In reply, Carolyn Beech advised that most employees were opting in, primarily because of auto-enrolment. She advised that information on the number of leavers and the impact this may have on the scheme could be provided, however in the majority of cases most leavers were replaced by staff who would join the scheme through auto-enrolment. Steven Mair (City Treasurer) added that the Council's position was not unique and all local authorities faced budget pressures that impacted on the ability to retain staff.

7.7 **RESOLVED:**

1. That the updated Risk Register for the Pension Fund be approved.

2. That the Fund's compliance with the limits specified in Schedule 1 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 be noted.

3. That the Class Actions update be updated.

4. That the cashflow position of the Fund be noted and that the proposed deferment of monthly cash transfers from the Fund Managers until May 2016 be agreed.

8 EXTERNAL AUDIT PLAN FOR CITY OF WESTMINSTER PENSION FUND 2015-16

8.1 Members had before them the external audit plan for the Pension Fund. Members enquired if this was the first time that an external audit plan had been produced. In reply, Steven Mair advised that the last external audit plan had been undertaken by KPMG and the outcome had been reported to the Audit and Performance Committee. However, future external audit plans would also be reported to this Committee. He added that to date the external audit had not identified any issues of concern and Members would be updated on progress at the next meeting.

8.2 **RESOLVED:**

That the contents of the report be noted.

9 PERFORMANCE OF THE COUNCIL'S PENSION FUND

9.1 Kevin Humpherson (Deloitte) presented the item and confirmed that although there had been a slight underperformance in the last quarter, overall performance remained above the year’s target. He confirmed that no major issues had arisen in respect of the individual fund managers’ performances.

9.2 In noting that Hermes had made two property purchases near Heathrow, a Member enquired whether these would be adversely affected if the proposal to introduce a third run way was turned down. The Chairman commented that the asset allocation of property remained at 10%, still short of the 15% target, although the 5% long lease target had been met. In noting that the London CIV was currently considering its property allocation, he asked when any action on this was expected.

9.3 In reply, Kevin Humpherson advised that Hermes saw their two property acquisitions as a diversifier and he considered that the outcome of the third runway proposal at Heathrow airport would not impact upon these assets. He advised that the London CIV would be providing more clarity in respect of its property asset allocation intentions.

9.4 The Chairman requested an update on the London CIV’s property asset allocations at a future meeting.

9.5 **RESOLVED:**

That the content of the report, the performance report from Deloitte and the current actuarial assumptions and valuation be noted.

10 PENSION FUND BENCHMARKING COSTS

10.1 George Bruce presented the report that provided details of the response to the Scheme Advisory Board’s (SAB) key performance indicator benchmarking exercise, investment performance benchmarking and a comparative review of the Fund’s management costs. He advised that whilst the one year investment return was slightly below the one year benchmark, the three year annualised investment return was 1.3% above the three year annualised benchmark. George Bruce advised that management costs were higher than average, however accurate comparisons were difficult to make as the way the costs were calculated varied between the funds. It was anticipated that the SAB would try to standardise the way management costs were calculate over time to provide more consistency.

10.2 Members concurred that the overall positive comparison of the Fund with other funds should be highlighted and it was suggested that the Pension Fund Annual General Meeting would provide an appropriate opportunity to do this.

10.3 **RESOLVED:**

That the contents of the report be noted.

11 ANALYSIS OF THE 2014/15 PENSION ADMINISTRATION COSTS

11.1 Members had before them a report detailing Pension Administration costs for 2014/15. In response to Members' queries concerning payments to Heywoods, Carolyn Beech explained that these were one-off payments to take over the software licences required which would not be incurred again and so only administrative and management costs would be required from now on. It was noted that Heywoods had extensive experience of working with local authorities.

11.2 **RESOLVED:**

That the contents of the report be noted.

12 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

12.1 In noting that it was the last Pension Fund Committee meeting for Carolyn Beech before she retires the Council, the Chairman on behalf of Members thanked her for the work and support she had given to the Committee.

13 MINUTES

13.1 **RESOLVED:**

That the confidential Minutes of the meeting held on 16 November 2015 be signed by the Chairman as a correct record of proceedings.

14 MINUTES OF PENSION BOARD

14.1 The Committee noted that the confidential Minutes of the last Pension Board meeting held on 18 January 2016 would be circulated separately.

The Meeting ended at 8.06 pm.

CHAIRMAN: ______________________ **DATE** ____________________

City of Westminster

Committee Report

Decision Maker:	**Pension Fund Committee**
Date:	**21 June 2016**
Classification:	**General Release**
Title:	**Asset Pooling and London Collective Investment Vehicle Update**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	Savings of approximately £65k per annum are expected from the transfer of the Baillie Gifford assets to the CIV.
Report of:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2904**

1. EXECUTIVE SUMMARY

1.1 The paper discusses progress towards meeting the Government's targets for pooling investments, in particular the transfer for assets to the London Collective Investment Vehicle (CIV) and the proposed second response to the pooling criteria. At present pooling remains voluntary and transfers will only take place for existing mandates where fee savings are achieved. To date the Committee has fully supported the pooling of assets and this is reflected in the proposed response.

2. RECOMMENDATIONS

2.1 That the Committee agree the Westminster specific response set out in Appendix 2 for the submission to Government in July 2016.

3. REASONS FOR DECISION

3.1 The Government requires all Funds to respond to their criteria for pooling document by 15th July 2016. The draft response provided in Appendix 2 sets out data reflecting the current investment strategy.

4. PROPOSALS AND ISSUES

Asset Pooling Response

4.1 As reported to the Committee in March 2016, the Government published criteria for pooling in November 2015 setting out a requirement for all LGPS funds to invest their assets in pools of a minimum of £25bn which meet the published criteria. An initial response was submitted to the Government on 19th February 2016 by the London CIV on behalf of all the London authorities participating in the CIV including Westminster. This confirmed Westminster's commitment to pooling assets in the London CIV.

4.2 The Government issued a response to this and it is attached as Appendix 1. The main points to note are:

- According to Government, all 90 local authorities have made a commitment to pooling,
- The scale and governance arrangements of the CIV are acceptable,
- Using multiple pools is not encouraged,
- With limited exceptions, all assets should be pooled. The rationale for any exclusions must be set out in the final submission,
- Greater detail on infrastructure investments is also requested.

4.3 The Criteria for Pooling document requires a second more detailed response to Government by 15th July 2016. This will again be a joint response from the London CIV pool, as many of the details including governance structures, timetable, predicted cost savings etc. will be applicable to all participating in the pool. However there is also a requirement for a Fund specific appendix to be provided by each fund participating.

4.4 A draft of the specific response for Westminster is attached at Appendices 2 and 3 and the key sections contained in it are discussed below. Appendix 2 shows the current assets and costing information and Appendix 3 shows the estimated timing of movements of assets to the CIV.

Infrastructure

4.5 One of the pooling criteria the Government has published is "capacity to invest in infrastructure" and the Government is expecting Funds to provide details of their appetite for infrastructure investing. The information set out in the draft response shows the current target allocation of 5% as set out in the Pension Fund's Statement of Investments Principles. Non-binding comments are included that the infrastructure allocation will be reviewed in future. Without researching the opportunities, it is not possible to express a long term target.

CEM Benchmarking

4.6 The next set of data is the result of benchmarking work a company called CEM Benchmarking has carried out on behalf of all LGPS funds nationally. Information about costs and performance was provided by all LGPS funds and CEM have validated this with a view to ensuring as much consistency as possible in the information provided to the Government.

4.7 The cost data shown is the total cost of investing (excluding transaction costs) in the years 2012-13 and 2014-15 as required by the Government. The significant jump in the costs between the years is due to the performance fee paid to Majedie Asset Management for their outperformance. The benchmark cost figure is an average figure calculated to be what CEM would expect a fund the size of Westminster with the same investment strategy to pay, based on their research across the 350 clients they have.

Estimated Timing of Asset Movements

4.8 Appendix 3 shows the estimated timing of the movement of assets into the London CIV. This is indicative only and the Fund will not be held to these timings. The indicative movements shown for Westminster are based on known transfers to the CIV (see paragraphs 4.10-4.11 below) and when there are the maximum options available in each asset class.

London CIV Update

4.9 It was reported to the March 2016 Pension Fund Committee meeting that there was a proposal to transfer the assets the Fund has invested with Baillie Gifford to the London CIV. At the meeting on 22 March 2016, it was agreed that the decision to transfer assets to the CIV should be delegated to the City Treasurer, in consultation with the Chair, where the Fund had a pre-existing relationship with the manager and the transfer would be financially advantageous.

4.10 The transfer of Westminster's assets managed by Baillie Gifford to the CIV took place on 18 April 2016. This was agreed by the City Treasurer in consultation with the Chair.

4.11 It was reported in March 2016 that the transfer of the Fund's passive equity investments with LGIM to the CIV was expected to take place in June 2016. However due the number of Funds involved in this transition, we have been notified that this will now happen in September 2016.

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

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

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Letter from Marcus Jones MP to the Chairs of Pensions Committees in London 24 March 2016

Appendix 2 – Draft Westminster specific appendix for July 2016 submission to Government – Assets and costing information

Appendix 3 – Draft Westminster specific appendix for July 2016 submission to Government – Estimated timing of asset movements

Department for
Communities and
Local Government

Marcus Jones MP
Minister for Local Government

Department for Communities and Local Government
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

Tel: 0303 444 3460
Fax: 020 7828 4903
E-Mail: marcus.jones@communities.gsi.gov.uk

www.gov.uk/dclg

Chairs of the Pension Committees

Dear Chairs,

2 4 MAR 2016

LONDON COLLECTIVE INVESTMENT VEHICLE

I would like thank you and all the authorities involved in the London Collective Investment Vehicle for submitting your initial proposal by 19 February. I was pleased to see that all 90 authorities made a commitment to pooling, with the overwhelming majority already involved in developing a pool. The move towards collective investment represents a significant opportunity for administering authorities to deliver substantial savings and efficiencies, and your contribution is much appreciated.

I welcome the initial proposal from the London Collective Investment Vehicle (CIV) and encourage you to continue to develop a detailed submission that fully addresses the criteria by 15 July. The London Boroughs have pioneered the use of collective investment within the Local Government Pension Scheme (LGPS) and I congratulate the London CIV on securing its first assets under management and the initial fee savings.

Your initial group clearly meets the scale criterion and the existing governance of the London CIV will provide a strong foundation upon which a more detailed proposal can be built. However, as you know, there remains a significant amount of work to do before July.
In particular, some authorities have indicated that they would prefer to use more than one pool, often to ensure that their investment strategy can be fully implemented. I do not consider that this approach should be necessary as the governance structure should enable authorities to hold the pool to account and ensure that their investment strategy is implemented effectively. However, one pool may of course procure services from another, especially if a particular asset class is not yet available. The use of multiple pools should certainly not be considered as a means to access a preferred manager or very specific asset class not available through your pool.

My expectation is that all investments should be made through the pool, and I am glad to note that you expect to move towards this position over time. I recognise that there may be a limited number of existing investments that may be less suitable for pooled arrangements, such as local initiatives or some products tailored to specific liabilities. However, these should be the exception rather than the norm. The rationale for retaining any existing investments outside of the pool will need to be set out in the final proposal, making clear how this offers value for money. Any exemptions should be minimal and kept under review.
I also recognise that a similar approach will need to be taken for illiquid assets with high penalty costs for early exit of a contract. Such investments should not be wound up early as a result of pooling but instead transferred across when practicable, taking into account value for money.

In your July submission I will want to see more detail against the infrastructure criteria, including setting out your constituent fund's ambition for infrastructure investment where the right opportunities exist. You and other pools committed to exploring a national vehicle to access infrastructure investment at a larger scale and at lower cost. We will therefore work with administering authorities to establish a new LGPS infrastructure investment platform that meets the specific needs of LGPS investors.

I will also expect the final proposal to address the reporting requirements in the criteria and guidance in detail. Reporting will need to cover progress in establishing the pool and moving assets into it, implementation costs, fees and other costs incurred, including hidden costs, estimated savings, and net performance in each asset class.

I strongly encourage you to continue dialogue with officials as you develop your thinking over the coming months. For the final assessment, the panel will include members with specific expertise in investment management, and you may be asked to present at a meeting of the assessment panel well ahead of your July submission. I look forward to receiving your detailed proposals.

I am copying this letter to the chairs of Pension Committees in all the participating authorities.

Yours Sincerely,

MARCUS JONES MP

by email to:

Cllr Andrew McMurtrie
Cllr John Waters
Cllr John Wentworth
Cllr Robert Chapman
Cllr Keith Ferry
Cllr Adrain Garden
Cllr Forhad Hussain
Cllr Sunita Gordon
Cllr Geoff Acton
Cllr Eric Humphrey

Cllr Mark Shooter
Cllr Shafique Choudhary
Cllr Yvonne Johnson
Cllr Claire Bull
Cllr Iain Cassidy
Cllr Mark Ingleby
Cllr Elaine Norman
Cllr Rajib Ahmed
Cllr Don Austen
Cllr Maurice Heaster

Cllr Dominic Twomey
Cllr Rishi Madlani
Cllr Toby Simon
Cllr John Crowder
Cllr Richard Greening
Cllr Imran Uddin
Cllr Richard Livingstone
Cllr Simon Miller
Cllr Quentin Marshall
Cllr Suhalli Rahuja

LONDON CIV - INDIVIDUAL BOROUGH RESPONSE

London Borough of Westminster City Council

	£'000
Total Assets Under Management - Please insert net assets @31/03/15	**1098.6**

Liquid Assets	**£'000**	**£'000**
Total Liquid Assets		1098.6
Global Equities (Active)	290.3	
Global Equities (Passive)	282	
UK Equities (Active)	256.5	
UK Equities (Passive)	0	
Multi Asset / DGFs	0	
Fixed Interest Products	174.2	
Property (unitised funds)	93.6	
Alternative products	0	
Other including cash	2	

Please provide any additional comments on transition timeline for the individual fund

A £180.7m proportion of the £290.3m Global Equities (Active) assets has already transition into the London CIV in April 2016

Additional Comments?

The pooled property (unitised funds) are semi-liquid assetsand include specialist high income mandates. The timing of pooling will depend on suitable mandate availability and transition cost management.

Illiquid Assets	**£'000**	**£'000**
Total Illiquid Assets		0
Hedge Funds	0	
Private Equity	0	
Partnerships	0	
Infrastructure	0	
Property	0	
Real Assets	0	
Others - please specify	0	

Please provide detail e.g. any maturity dates, further subscriptions, etc.

Additional Comments?

Assets to remain outside the CIV	**£'000**	**£'000**
Total Assets to remain outside the CIV		0
Asset A	0	
Asset B	0	
Asset C	0	

Please provide detail for holdings outside CIV - including timescales for later transition

Additional comments?

Infrastructure	**£'000**	**%**
Current Allocation	0	0.00%
Actual Committed Funds	0	0.00%
Existing Target Allocation	0	0.00%
Long Term Target Allocation	0	0.00%

Please provide any additional comments on infrastruture ambitions or views on returns required

The current Statement of Investment Principles for the Pension Fund has a 5% target allocation to property/infrastructure that has not been allocated. Determining a longer term infrastructure only allocation will depend on an evaluation of the opportunities.

Additional Comments?

CEM Benchmarking Data	**2013 - £000**	**2013 bps**	**2015 - £000**	**2015 bps**
Investment Costs £'000 and basis points	2,282	30.0	5,221	50.8
Benchmark Cost analysis £'000 and basis points	3,591	47.2	5,126	49.9

CEM Benchmarking Data	**2013 - %**	**2015 - %**
Net Total Return	13.9	8.2
Policy Return	13.5	8.7
Net Value Added	0.4 -	0.5
Asset Risk	9.4	11.2

Additional Comments?

The variability of costs is due to performance fees.

Estimated Transition Costs	**£'000**	**Basis Points**
Expected to Transition 2016		
Expected to Transition 2017		
Expected to Transition 2018		
Expected to Transition 2019		
Expected to Transition 2020		
Expected to Transition 2021		
Assets remaining for transition		

The CIV will work on some broad guidelines on transition costs - given past experience and advice received. However, if you did want to comment on what you expect your individual costs will be, please feel free to do so here.

Additional Comments on Pooling - Please put any additional comments here - these will be included as an annexe in the CIV Pool submission with reference made to individual responses in the main submission document:

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LONDON CIV - INDIVIDUAL BOROUGH RESPONSE

London Borough of Westminster City Council

2033 is where the gov has asked us to forecast out to

Please note the assumptions and notes comments highlighted in the text boxes below

Indicative Sub-Funds Available on CIV	2015	2016	2017	2018	2019	2020	2021	2022	2033
Global Equities (Active)	1	3	6	6	6	6	6	6	6
Global Equities (Passive)		4	5	4	3	3	3	3	3
UKEquities (Active)			2	2	2	2	2	2	2
UKEquities (Passive)		2	2	1	1	1	1	1	1
Multi Asset / DGFs		4	4	4	4	4	4	4	4
Fixed Interest & income/cashflow generating		1	3	4	5	5	5	5	5
Property				2	3	4	4	4	4
Alternative products				2	2	4	5	5	5
Private Equity					2	3	3	3	3
Real Assets				2	2	3	3	4	4
Infrastructure			1	2	2	3	4	5	6
Total Sub-Funds open	**1**	**14**	**23**	**29**	**32**	**38**	**40**	**42**	**43**

Additional Comments?

Assumptions: Sub-fund openings will be spread over the year. The majority of sub-funds will be through the ACS struture, where it is practical and financially beneficial to do so and where this isn't practical, the CIV will look to set up another fund structure (2017/18) that will accommodate assets outside of the ACS. Sub-funds will provide a wide range of investment options within individual asset classes and will be based on meeting the needs of the London Boroughs, based on their asset allocation and investment strategy decisions. Please note that the managers in sub-funds will be kept under constant review and will be changed as and when appropriate to do so. It should be noted that the number and types of sub-fund may vary significantlly from the above to reflect changing asset allocation requirements

Estimated Assets to be transitioned based on 2015 Total Assets Under Management

Total Assets Under Management - Please insert net assets @31/03/15	£'000	2016	2017	2018	2019	2020	2021	2022	2033
	1098.6	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Global Equities (Active)	290.3	180.7	109.6						
Global Equities (Passive)	282	282.0							
UKEquities (Active)	256.5		256.5						
UKEquities (Passive)	0								
Multi Asset / DGFs	0								
Fixed Interest & income/cashflow generating	174.2				174.2				
Property	93.6					93.6			
Alternative products	0								
Private Equity	0								
Real Assets	0								
Infrastructure	0								
Other including cash	2								
Total Assets to be transitioned £m		**463**	**366**	**-**	**174**	**94**	**-**	**-**	**-**
									1,097

Please provide any additional comments on transition timeline for the individual fund

NOTE: The transition of assets is indicative only to provide an indication for the 15th July submission and it is recognised that Funds will need to take decisions on transitioning assets as and when suitable products are available to meet their strategic asset allocation and investment decisions. Individual fund data will not be submitted to DCLG, but will be aggregated to provide an indicative value of assets at a whole fund level for the London CIV Pool submission

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City of Westminster

Committee Report

Decision Maker:	**Pension Fund Committee**
Date:	**21 June 2016**
Classification:	**General Release**
Title:	**Draft Pension Fund Annual Report & Statement of Accounts 2015-16**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.**
Report of:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2831**

1. Executive Summary

1.1 This report presents the draft Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2016.

2. Recommendation

2.1 The Committee is asked to note the draft Pension Fund Annual Report 2015-16, and delegate approval of the final document to the Tri-Borough Director of Treasury & Pensions in consultation with the Chair.

3. Background

3.1 The Council's draft Annual Statement of Accounts for 2015-16, which includes the accounts for the Pension Fund, were prepared and submitted to the Council's external auditors for audit on 9th April 2016. This was 12 weeks in advance of the statutory requirement of 30th June. There are new arrangements this year which allows a 30 working day inspection period before the authority is able to approve or publish the accounts. To comply with this new arrangement, the Council's Statement of Accounts will be presented to the Audit and Performance Committee on 14th July 2016 for approval, the earliest permitted date..

3.2 The production of the Pension Fund Annual Report, which includes the Pension Fund Accounts, is a regulatory requirement and needs to be approved by the Pension Fund Committee by 30 September following the year end. The draft Pension Fund Annual Report for 2015-16 is attached as Appendix 1.

3.3 Committee members are asked to comment on any matters in the draft Pension Fund Annual Report and delegate approval of the final document to the Tri-Borough Director of Treasury & Pensions in consultation with the Chair.

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

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

BACKGROUND PAPERS: None

APPENDIX 1

Draft Pension Fund Annual Report and Statement of Accounts 2015-16

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Annual Report
Westminster City Council
2015/16

City for All

City of Westminster

westminster.gov.uk #CityforAll

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1 Preface

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 2015/16.

During the year, the value of the Fund reduced by £33m reflecting the uncertainty in the global economy and China in particular. 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.

Whilst we continue to keep the asset allocation of the Fund under review, during the year the Government announced plans to encourage local authority pension funds to pool assets into large investment pools of £25-30m. Consequently the Fund has invested £150,000 regulatory capital as a founder shareholder in the recently launched London Collective Investment Vehicle (the London CIV). By pooling assets, the Fund expects to see reductions in management fees and transaction costs. A number of London pension funds have begun to transfer assets to the CIV in 2015/16. City of Westminster Pension Fund transferred £178m of assets comprising the Baillie Gifford portfolio in April 2016.

The Fund had its third Annual General Meeting in October 2015, 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.

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 City of Westminster Pension Fund is part of the national Local Government Pension Scheme (LGPS) and is administered by Westminster City 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.

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. The next such valuation has commenced as at 31 March 2016 and will take effect from 1 April 2017.

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 2013, as amended, 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 pension fund annual report is prescribed by the LGPS Regulations 2013. 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.

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:
    - Governance Compliance Statement
    - Statement of Investment Principles
    - Communication Policy
    - Funding Strategy Statement

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

2 Management and Financial Performance

Governance Arrangements

PENSION FUND COMMITTEE

Westminster City Council has delegated responsibility for pension matters to the Pension Fund Committee (the Committee). The Committee obtains and considers advice from the Tri-Borough Director of Pensions and Treasury, the Section 151 Officer and, as necessary, from the Fund's appointed actuary, advisors and investment managers.

Terms of Reference for the Pension Fund Committee can be found at Appendix 1 (page 92)

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.

LOCAL PENSION BOARD

At the start of 2015/16, the Pension Fund Committee established a local pension board in compliance with the requirements of the Public Service Pensions Act. The purpose of the Board is to provide oversight of the Fund Committee.

Terms of Reference for the Local Pension Board can be found at Appendix 1 (page 94).

The Board comprises an independent chair and four members – two from the Council representing employers and two employee representatives.

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: 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 1 (page 91).

Scheme Management and Advisers

There were relatively few changes for management and advice to the Fund during the year: Grant Thornton replaced KPMG as external auditors in August 2015 and the Fund became a shareholder in the London CIV.

EXTERNAL PARTIES

Investment Adviser	Deloitte	
Investment Managers	**Equities (Active)** Baillie Gifford & Co Longview Majedie Asset Management **Equities (Passive)** Legal and General Investment Management	**Fixed Income** Insight Investment **Property** Hermes Investment Management Ltd Standard Life Investments
Custodian	Northern Trust	
Banker	Lloyds Bank	
Actuary	Barnett Waddingham	
Auditor	Grant Thornton UK LLP	
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 to May 2015 George Bruce from March 2016 Nikki Parsons	Alex Robertson Nicola Webb
Pensions and Payroll Officer	Sarah Hay	

Contact details are provided in Section 7of 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.

In order to manage risks a Pension Fund Risk Register is maintained and reviewed quarterly. Risks identified have been reduced through planned actions. The Risk Register is managed by the Tri-Borough Director of Pensions and Treasury and risks have been assigned to "Risk Owners".

The key risks identified within the Pension Fund risk register are:

Objective area at risk	Risk	Risk rating	Responsible officer	Mitigating actions
Administration	Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible	High 16	City Treasurer	Contract in place with BT to provide service enabling smooth processing of supplier payments Process in place for Surrey CC to generate lump sum payments to members as they are due. Officers undertaking additional testing and reconciliation work to verify accounting transactions
Funding	The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities	Medium 12	City Treasurer	Review at each triennial valuation and challenge actuary as required. Growth assets and inflation linked assets in the portfolio should rise as inflation rises

Risk Management (continued)

Objective area at risk	Risk	Risk rating	Responsible officer	Mitigating actions
Regulation	Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration	Medium 12	City Treasurer	Maintain links with central government and national bodies to keep abreast of national issues. Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.
Regulation	Introduction of European Directive MiFID II results is a restriction of Fund's investment options and an increase in costs	Medium 12	City Treasurer	Officers are engaging with Fund Managers to understand the position better Knowledge and Skills Policy in place for Officers and Members of the Committee Maintain links with central government and national bodies to keep abreast of national issues
Administration	BT unable to provide monthly or end of year interface files in a format suitable for Surrey CC to update service records and undertake day to day operations. Inaccuracies in service records held on the pensions administration system may impact on the triennial funding valuation at March 2016 and notifications to starters and leavers	Medium 12	Acting Director of HR	Issue has been escalated by the Chief Executive for high level resolution with BT Test files are currently with SCC Actuary undertakes data cleansing on the service records and is confident this will mitigate the inaccuracies in service records

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

The Funding Strategy Statement (at page 114) 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[1]	SOC 1SM	Reasonable assurance	Reasonable assurance	KPMG LLP
Standard Life	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
Custodian				
Northern Trust	SOC 1SM	Reasonable assurance	Reasonable assurance	KPMG LLP

*Insight have provided 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 ISAE 3402/AAF 01/06 assurance report, covering the calendar year 2015, in the period between 1 January 2015 and 31st March 2016.”

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.

[1] 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 Fund asset value reduced by £33m from a high of £1,099m at 31 March 2015 to £1,066m at 31 March 2016. This was largely due to persistent uncertainty around the strength of the global economy, particularly China. Further details are given in the Investment Policy and Performance Section.

Over the year to 31 March 2016, the funding level of the Fund decreased from 80% at April 2015 to 73% at December 2015. The next full triennial valuation is currently underway using the Fund data at 31 March 2016. The results are due in Autumn 2016 and will determine the contribution rates for the period 2017/18 to 2019/20. In the meantime the Council's medium-term financial plan already assumes an increase in employer contributions to ensure that the funding level is improved to a more prudent and sustainable level, financial management information has recently been improved to the Committee and further work is on-going to explore other necessary improvements and options.

ANALYTICAL REVIEW

	2013/14	2014/15	2015/16
Fund Account	**£'000**	**£'000**	**£'000**
Dealings with members			
Contributions	(63,641)	(35,007)	(38,401)
Pensions	48,478	51,289	51,473
Net (additions)/withdrawals from dealings with members	**(15,163)**	**16,282**	**13,372**
Management expense	5,333	7,047	7,791
Net investment returns	(15,337)	(8,725)	(8,558)
Change in market value	(96,354)	(117,879)	20,024)
Net (increase)/decrease in the Fund	**(121,521)**	**(103,275)**	**32,629**

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). This reflects the maturity of the Fund membership in that there are fewer contributors than beneficiaries.
- Although net investment returns have remained steady at around £8.6m in 2015/16, this was more than offset by the decrease in the market value of investments, reflecting uncertainty in the global economy impacting particularly on equities.

Financial Performance (continued)

	2013/14	2014/15	2015/16
Net Asset Statement	**£'000**	**£'000**	**£'000**
Fixed Interest Securities	128,343	145,426	157,123
Equities	208,296	-	-
Pooled Investment Vehicles	585,990	948,674	896,184
Cash Deposits	14,604	1,071	2,598
Other	27,187	1,745	2,030
Total Investment Assets	964,420	1,096,916	1,057,935
Current assets	32,514	3,104	9,677
Current Liabilities	(1,237)	(1,048)	(1,269
Total Net Assets available to fund benefits	995,697	1,098,972	1,066,343

The points to note are:

- Pooled investment vehicles comprise 88% of pooled equity both domestic and overseas, while the remaining 12% is in property pooled funds
- The reduction in pooled investment vehicles reflected a decline of £65m (7%) in pooled equity funds but this was partly offset by a £12m (13%) increase in pooled property funds
- Fixed interest securities proved a steady hedge against volatility in the global equity markets increasing by £13m (8%) during the year.

Further details are given in the Investment Policy and Performance Section.

Financial Performance (continued)

ANALYSIS OF DEALINGS WITH SCHEME MEMBERS

With the exception of 2013/14 when there was a large settlement contribution from an employer, expenditure has exceeded income.

	2014/15	2013/14	2012/13
	£'000	£'000	£'000
Contributions receivable			
- Members	(7,583)	(8,777)	(8,700)
- Employers	(52,381)	(24,717)	(27,244)
- Transfers in	(3,677)	(1,513)	(2,157)
Total Income	**(63,641)**	**(35,007)**	**(38,101)**
Benefits/Expenses			
- Pensions	38,244	39,895	41,141
- Lump sum retirements and death benefits	6,991	5,059	7,274
- Transfers out	3,162	6,292	2,962
- Refunds	81	43	96
- Other Expenditure	-	-	-
Total Expenditure	48,478	51,289	48,278
Net Dealings with Members	**(15,163)**	**16,282**	**13,372**

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The key variances were due to the following:

- Retirement lump sums rose due to more members retiring 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 City Treasurer is authorised to decide whether to levy an administration charge for the cost of resolving errors such as receiving contributions late or incorrect amounts.

Financial Performance (continued)

ANALYSIS OF OPERATIONAL EXPENSES

The costs of running the pension fund are shown below.

	2014/15	2015/16
	£'000	£'000
Administration		
Employees	170	179
Supplies and services	373	228
Other costs	(9)	14
	534	**441**
Governance and Oversight		
Employees	140	157
Investment advisory services	86	74
Governance and compliance	44	13
External audit	21	21
Actuarial fees	27	17
	318	**282**
Investment Management		
Management fees	2,978	3,260
Performance fees	2,176	2,550
Transaction costs	1,160	1,182
Custodian fees	61	76
	6,195	**7,068**
Total	**7,047**	**7,791**

Costs as a percentage of total net assets were compared to all other local government pension funds in 2014/15 – at 0.64% of net assets costs were slightly above the national average of 0.46%, but well within the range of costs of 90% of local government pension funds.

The key variances were due to the following:

- The reduction in supplies and services reflects the one-off costs incurred in 2014/15 when pensions administration transferred to Surrey County Council. These included IT set up costs and software licence fees.
- 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
- Investment management expenditure increased by £0.873m (14%) compared with 2014/15. The increase in management and performance fees largely accounts for the increase in cost and reflects that whilst the overall fund value declined by £33m managers largely outperformed their target benchmarks compared with the market.

Administration Management Performance

The administration of the Fund is managed by Westminster City Council, but undertaken by Surrey County Council under a not-for-profit contractual arrangement operational from 1 September 2014.

PERFORMANCE INDICATORS

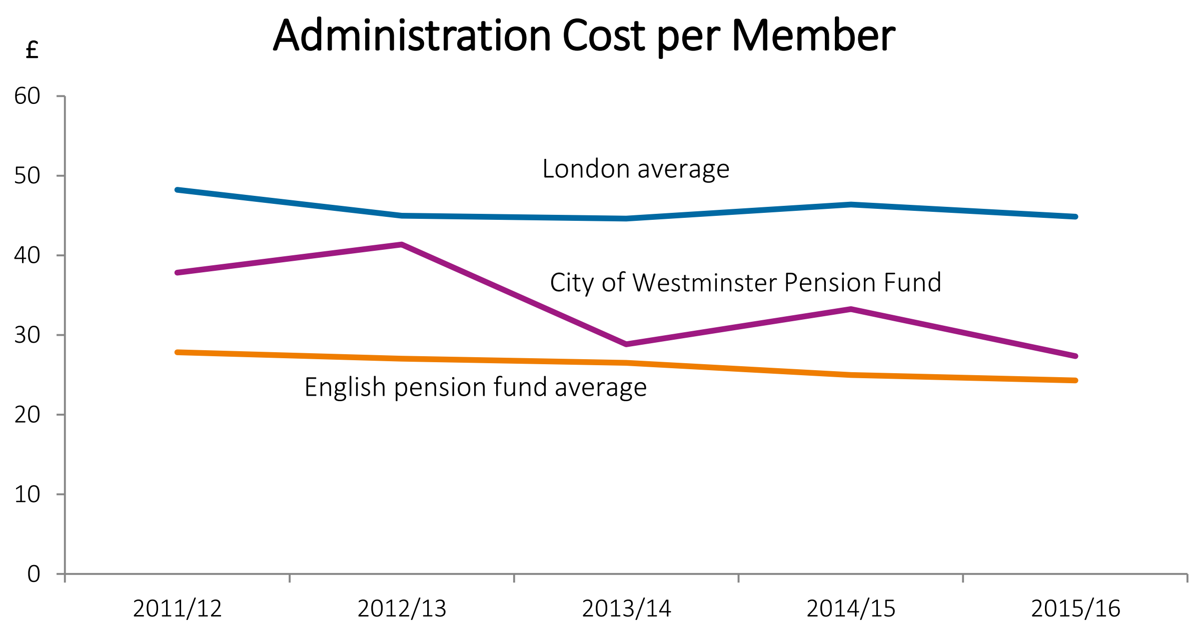
The contract with Surrey CC includes a number performance indicators included to ensure that service to members of the pension fund is effective. The targets are set out below, along with actual performance.

Performance Indicators	Target	Performance	
		2014/15	**2015/16**
Letter detailing transfer in quote	30 days	100%	100%
Letter detailing transfer out quote	30 days	96%	100%
Process refund and issue payment voucher	14 days	100%	100%
Letter notifying estimate of retirement benefit	-	93%	62%
Letter notifying actual retirement benefit	5 days	98%	91%
Letter acknowledging death of member	5 days	100%	100%
Letter notifying amount of dependant's benefits	5 days	100%	87%
Calculate and notify deferred benefits	30 days	90%	N/A

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 37). 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.

Administration Management Performance (continued)



STAFFING INDICATORS

The administration of the Fund comprises:

- 3 full-time equivalent (fte) staff engaged by Surrey CC working directly on pension administration for Westminster and
- 2.25 fte Westminster HR staff to deal with internal administration.

In addition 1.98 fte Westminster Finance staff are assigned to the oversight and governance of the Pension Fund. These internal staff are charged to the Pension Fund.

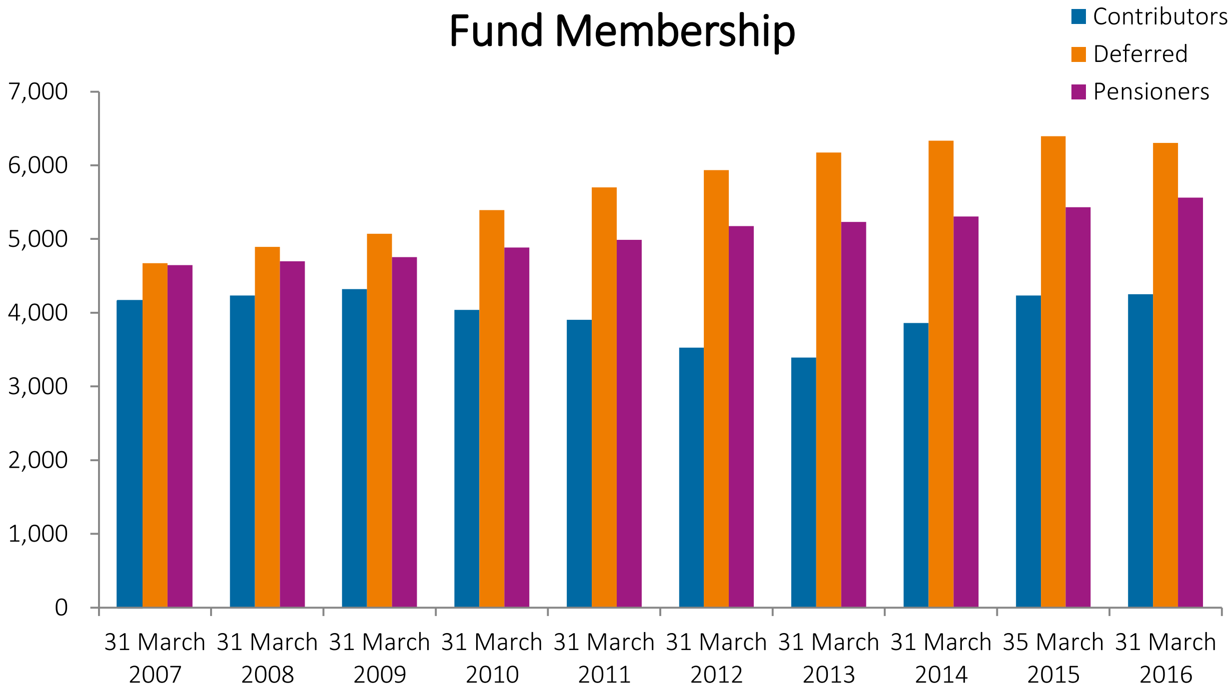
The cost of administering the pension fund is reviewed regularly. The contract for administering the Fund was tendered in 2014 resulting in Surrey CC being appointed. Costs rose slightly in 2014/15 as a result of the changeover of administrator, but are now reducing and remain below the average for London borough pension funds and close to the national average as shown in the chart.

Administration Management Performance (continued)

MEMBERSHIP NUMBERS AND TRENDS

Overall membership has increased by 20% over the past 10 years from 13,500 to 16,100.

However over this period the number of contributing members to the Pension Fund has declined steadily from 2007/08 to 2012/13 as shown in the chart below. The introduction of auto-enrolment in 2013 and the increase in employers admitted into the Scheme has started to reverse this trend. Nonetheless the number of pensioners and deferred members has continued to rise in common with other local government pension funds, reflecting the increasing maturity of the Fund.



Administration Management Performance (continued)

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	2013/14[2]	2014/15	2015/16
Ill Health Retirement	4	3	6
Early Retirement	17	23	40
Total	**21**	**27**	**46**

[2] Figures based on LPFA records

Administration Management Performance (continued)

CONTRIBUTING EMPLOYERS AND CONTRIBUTIONS RECEIVED

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.

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

	Employees Contributions [3]	Employers Contributions	Total Contributions
	£'000	**£'000**	**£'000**
Administering Authority Employers			
WESTMINSTER CITY COUNCIL	5,606	18,704	24,310
ALL SOULS SCHOOL	7	27	34
BURDETT COUTTS CE	17	67	84
COLLEGE PARK	31	117	148
EDWARD WILSON JMI SCHOOL	15	56	71
GEORGE ELLIOT	29	106	135
HALLFIELD SCHOOL	44	164	208
PADDINGON GREEN	21	98	127
PORTMAN EARLY CHILD CENTRE	29	98	127
QUEEN ELIZABETH II	31	110	141
QUEENS PARK PRIMARY	19	70	89
SOHO PARISH	6	25	31
ST AUGUSTINE'S SCHOOL	45	145	190
ST BARNABAS CE	3	11	14
ST CLEMENT DANES SCHOOL	20	74	94
ST GABRIELS CE	14	51	65
ST GEORGE HANOVER SQUARE	8	29	37
ST JAMES & ST MICHAELS SCHOOL	13	48	61
ST LUKES SCHOOL	10	38	48
ST MARY BRYANTSTON SCHOOL	15	56	71
ST MARY MAGDALENE CE	16	58	74
ST MATTHEWS	14	48	62
ST PETERS	15	54	69
ST PETERS EATON SQUARE SCHOOL	4	15	19
ST SAVIOURS SCHOOL	20	75	95
Total Contributions from Administering Authority	**6,052**	**20,320**	**26,372**

[3] Includes early retirement and deficit contributions

Administration Management Performance (continued)

	Employees Contribution[4]	Employers Contributions	Total Contributions
Scheduled Bodies			
ARK ATWOOD PRIMARY ACADEMY	22	32	54
BEACHCROFT ACADEMY	12	39	51
CHURCHILL GARDENS ACADEMY	24	77	101
GATEWAY ACADEMY	20	44	64
GREY COAT HOSPITAL ACADEMY	70	233	303
HARRIS WESTMINSTER FREE SCHOOL	11	35	46
KING SOLOMON ACADEMY	42	54	96
MARYLEBONE BOYS SCHOOL	12	29	41
MILLBANK PRIMARY ACADEMY	19	77	96
MINERVA ACADEMY	8	17	25

	Employees Contribution[5]	Employers Contributions	Total Contributions
PADDINGTON ACADEMY	87	176	263
PIMLICO ACADEMY	93	126	219
PIMLICO FREE SCHOOL	7	17	24
QUINTIN KYNASTON ACADEMY	74	205	279
ST GEORGES MAIDA VALE ACADEMY	33	94	127
ST MARYLEBONE SCHOOL ACADEMY	61	134	195
ST MARYLEBONE BRIDGE SCHOOL	8	13	21
WESTMINSTER ACADEMY	46	92	138
WESTMINSTER CITY ACADEMY	45	130	175
WILBERFORCE ACADEMY	24	75	99
Total Contributions From Scheduled Bodies	**718**	**1,699**	**2,417**

[4] Includes early retirement and deficit contributions

[5] Includes early retirement and deficit contributions

Administration Management Performance (continued)

	Employees Contribution[6]	Employers Contributions	Total Contributions
Admitted Bodies			
ALLIED HEALTHCARE	1	1	2
AMEY	9	36	45
CITY WEST HOMES	910	2,380	3,290
CREATIVE EDUCATION TRUST	61	79	140
HATSGROUP	6	31	37
HOUSING 21	2	5	7
HOUSING AND COMMUNTIES AGENCY	750	1,996	2,746
INDEPENDENT HSG OMBUDSMAN	135	416	551
JPL CATERING	2	9	11
SANCTUARY HOUSING	54	272	326
Total Contributions From Admitted Bodies	1,930	5,225	7,155
Grand Total	8,700	27,244	35,944

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
Administering Authority	1	-	1
Scheduled Body	20	-	20
Admitted Body	10	10	20
Total	**31**	**10**	**41**

[6] Includes early retirement and deficit contributions


Elaine Zhang

3 Investment Policy and Performance

Investment Policy

The Pension Fund Committee 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 page 97.

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 2016 was as follows:

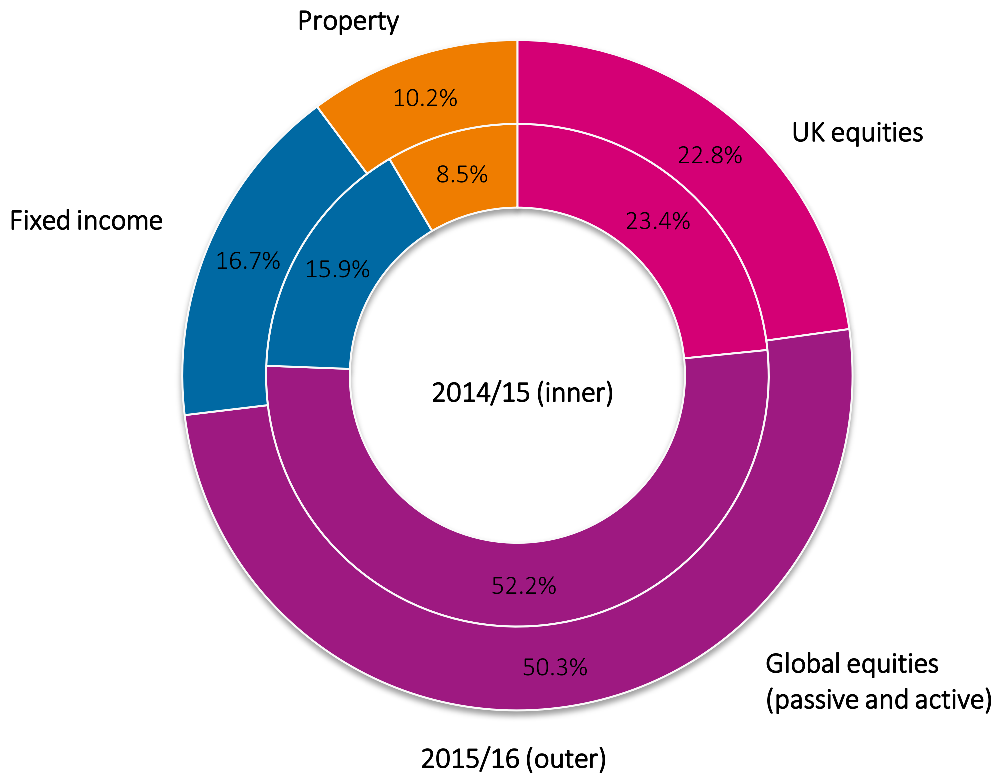
Asset Class	Target Allocation
UK Equities	22.5%
Global Equities (passive)	47.5%
Global Equities (active)	
Fixed Income	20%
Property	15%
TOTAL	**100.0**

The Pension Fund Committee 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.

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.

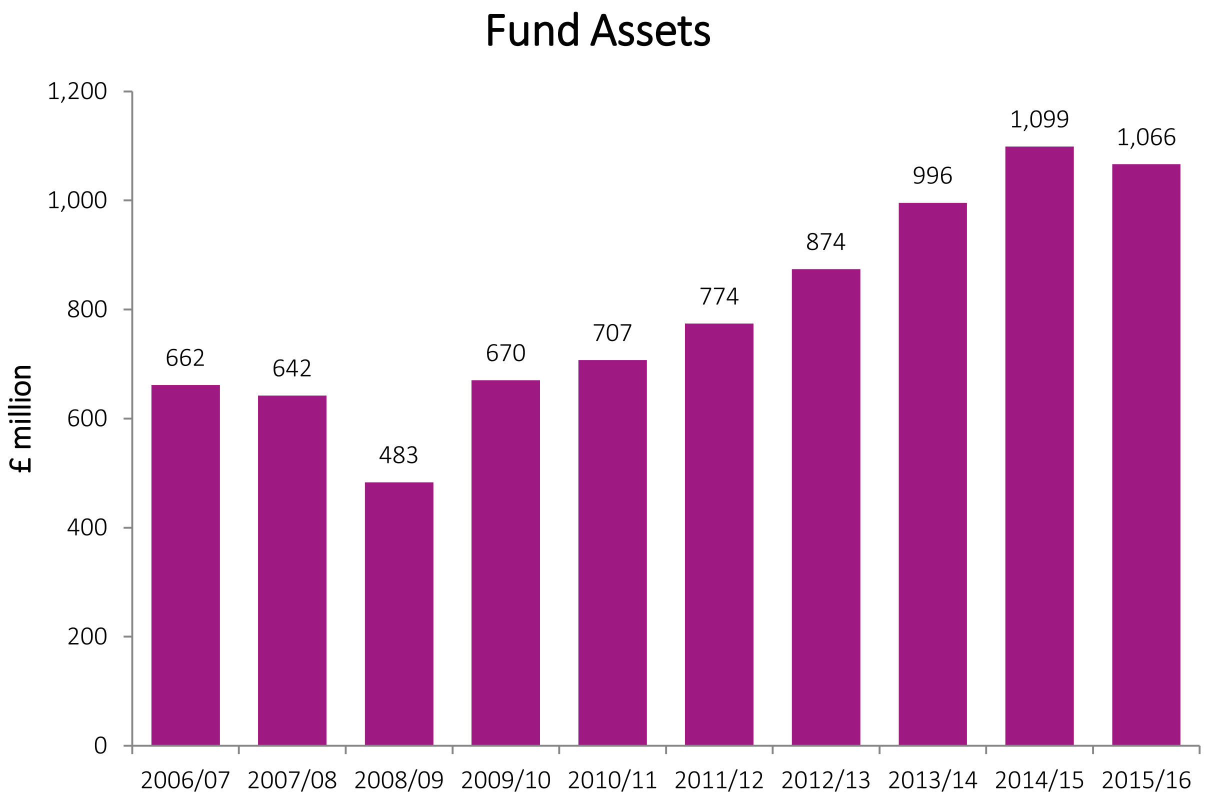


Asset Allocation (continued)

FUND VALUE

The value of the Fund has shown steady growth over the past seven years. The slight fall in value in 2015/16 reflects persistent uncertainty around the strength of the global economy and China in particular.

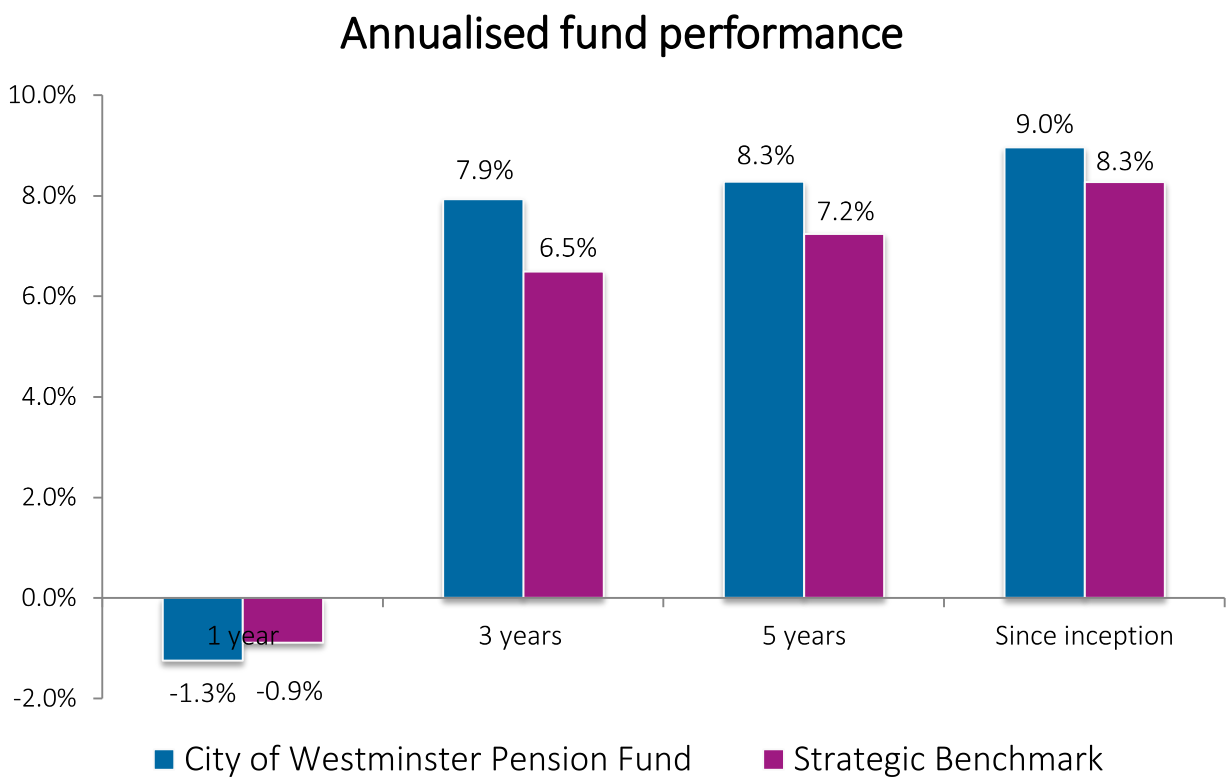
The Fund is invested to meet liabilities over the medium to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile, as seen in 2008/09 and do not necessarily indicate the underlying health of the Fund.



Investment Performance

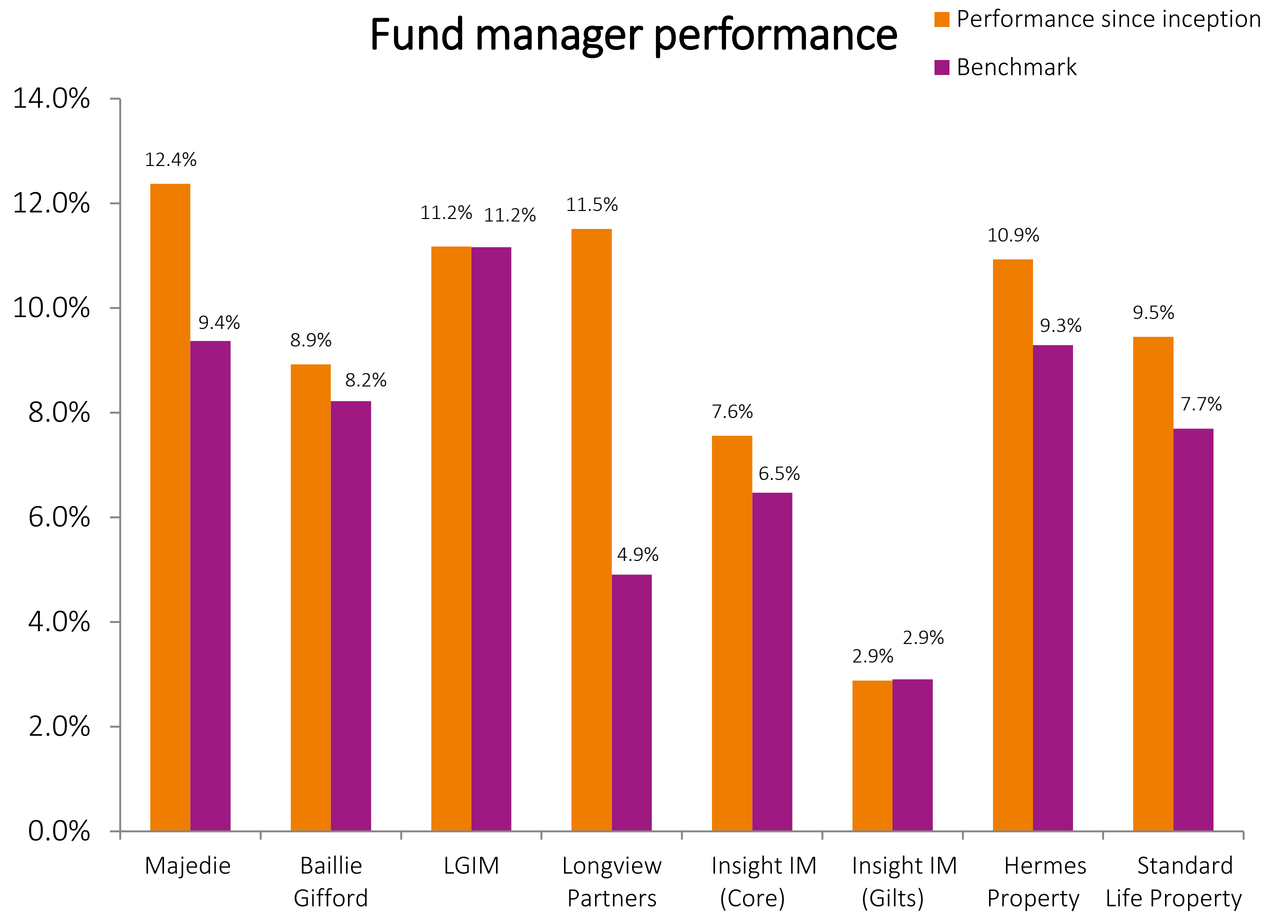
Performance of the Fund is measured against a Fund specific benchmark with each fund manager being given individual performance benchmarks and targets which are linked to index returns for the assets they manage. Details of these can be found in the Statement of Investment Principles. Performance of fund managers is reviewed quarterly by the Pension Fund Committee supported by advice from the Fund's independent investment advisor, Deloitte.

Overall performance in 2015/16 was below benchmark for the year as shown below. The relatively modest reduction of 1.3% masks a year of volatility. For example, the Fund reported a fall in value of 4.5% in the quarter July to September 2015 which it has subsequently largely recovered.



Investment Performance (continued)

The overall performance of each manager is measured over rolling three and five year periods, as inevitably there will be short-term fluctuations in performance. Overall the fund managers have achieved benchmark.



The portfolio is a mixture of active and passively managed asset classes. All fund managers have to achieve benchmark. Targets for active managers are those where the target is to out-perform the benchmark by a set percentage through active stock picking and asset allocation. All of the fund managers with active fund mandates - Majedie, Baillie Gifford, Longview, Hermes and Standard Life - have exceeded target since inception of their mandates.

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 are 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 Pensions Lifetime and Savings Association (formerly 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.

During 2015/16 following FCA approval, the CIV has started to operate and a number of London pension funds have started to transfer assets to the CIV. The City of Westminster Pension Fund transferred the Baillie Gifford mandate (£178m) into the CIV in April 2016/17.

Corporate Governance (continued)

RESPONSIBILITIES

The Fund has appointed a global custodian (Northern Trust), 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.

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 114) 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.

4 Scheme Administration

Service Delivery

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.

The City Council administers the scheme for 41 employers (a complete list of employers is on page 22) These employers include not only the City Council, but also academy schools within the borough and a small number of organisations linked to the Council which have been "admitted" to the pension fund under agreement with the City Council.

A not-for-profit contractual arrangement is in place with Surrey CC for the provision of pension administration services. Performance of this service against targets within the contract is reported on page 22. The City Council's Human Resources provide oversight of the administration service.

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 on page 109. 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:

http://www.wccpensionfund.co.uk/

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.

During the year there were 5 new cases:

- 2 complaints were resolved before reaching IDRP Stage 1;
- 1 complaint went to IDRP Stage 1 but was resolved;
- 1 is on-going at IDRP stage 2;
- 1 complaint has gone to the Pensions Ombudsman (IDRP Stage 3) whose initial view upholds the Council's decision but is subject to further evidence.

Both TPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road
London
SW1V 1RB


ABANDON SHIP.
WE MAKE CLOTHES WE DRINK BEER WE HAVE FUN
Barbour
SPIRIT of INDIGO

5 Actuarial Information

Report by 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 2016 and comments on the main factors that have led to a change since the full valuation.

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.

UPDATED POSITION

Using assumptions consistent with those adopted at the 2013 valuation, we estimate that the funding position at 31 March 2016 is similar to the position as at 31 March 2013.

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

6 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 City Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

THE CITY TREASURER'S RESPONSIBILITIES

The City Treasurer is responsible for the preparation of the Pension Fund Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), is required to present fairly the financial position 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 City Treasurer 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 City Treasurer 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: 9 April 2016

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 audited the pension fund financial statements of Westminster City Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited.

Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE CITY TREASURER AND THE AUDITOR

As explained more fully in the Statement of the City Treasurer's Responsibilities, the City Treasurer is responsible for the preparation of the Authority's Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Independent Auditor's Report (continued)

SCOPE OF THE AUDIT OF THE PENSION FUND FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the City Treasurer; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON THE PENSION FUND FINANCIAL STATEMENTS

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

OPINION ON OTHER MATTERS

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the pension fund financial statements.

Elizabeth Olive

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

15 July 2016

Pension Fund Accounts and Explanatory Notes

2014/15		Notes	2015/16
£'000			**£'000**
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
(24,717)	From Employers	6	(27,244)
(8,777)	From Members	6	(8,700)
(1,513)	Individual Transfers in from Other Pension Funds		(2,157)
(35,007)			(38,101)
	Benefits		
39,894	Pensions	7	41,141
5,060	Commutation, Lump Sum Retirement and Death Benefits	7	7,274
	Payments to and on Account of Leavers		
2,049	Individual Transfers Out to Other Pension Funds		2,962
4,243	Bulk transfers		-
43	Refunds to Members Leaving Service		96
51,289			51,473

Pension Fund Accounts and Explanatory Notes (continued)

2014/15		Notes	2015/16
£'000			**£'000**
16,282	Net (Additions)/Withdrawals from Dealings with Members		13,372
7,047	Management Expenses	8	7,791
	Returns on Investments		
(8,726)	Investment Income	9	(8,558)
(9)	Other Income		-
10	Taxes on Income (Irrecoverable Withholding Tax)	9	-
(8,725)			(8,558)
(117,879)	(Profit) and loss on disposal of investments and changes in the market value of investments	11	20,024
(126,604)	Net return on investments		11,466
(103,275)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		32,629
(995,697)	Opening Net Assets of the Scheme		(1,098,972)
(1,098,972)	Closing Net Assets of the Scheme		(1,066,343)

Net Assets Statement for the year ended 31 March 2016*

2014/15		Notes	2015/16
£'000			**£'000**
	Investment assets		
145,426	Fixed Interest Securities	14	157,123
-	Equities	14	-
948,674	Pooled Investment Vehicles	14	896,184
	Derivative Contracts:		
318	Futures	14	101
97	Forward Foreign Exchange	14	148
	Other Investment Balances:		
2,689	Income Due	14	2,440
49	Debtors	14	3
1,071	Cash Deposits	14	2,598
1,098,324			**1,058,597**
	Investment Liabilities		
	Derivative Contracts:		
(87)	Futures	14	(81)
(164)	Forward Foreign Exchange	14	(252)
(50)	Other investment balances	14	-
(301)			**(333)**

Net Assets Statement for the year ended 31 March 2016* (continued)

2014/15		Notes	2015/16
£'000			**£'000**
(1,107)	Amounts payable for purchases of investments	11	(329)
1,096,916	Net Value of Investment Assets		1,057,935
3,104	Current Assets	18	9,677
(1,048)	Current Liabilities	19	(1,269)
1,098,972	**Net Assets of the Fund Available to Fund Benefits at the Period End**		**1,066,343**

*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 following secondary legislation:

- The LGPS Regulations 2013 (as amended);
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

b) Funding

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 2016. 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.

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

c) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable pay	Each year worked is worth 1/60 x final pensionable pay
Lump Sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions, and death benefits.

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.

d) Governance

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 Tri-Borough Director of Pensions & Treasury, and obtains, as necessary, advice from the Fund's appointed investment advisors, fund managers and actuary.

In line with the provisions of the Public Service Pensions Act 2013 the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets quarterly and has its own Terms of Reference. Board members are independent of the Pension Fund Committee.

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

e) 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.

https://www.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 the above Regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

f) 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 2015		31 March 2016
28	Number of employers with active members	30
4,232	Active members	4,252
5,433	Pensioners receiving benefits	5,563
6,395	Deferred Pensioners	6,306
16,060		**16,121**

Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2015/16 and its position at year end as at 31st March 2016. The accounts been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (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.

Note 3 Summary of Significant Accounting Issues

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.

Note 3 Summary of Significant Accounting Issues

f) Management Expenses
The Code does not require any breakdown of pension fund administration expenses. However in the interests of greater transparency, the Council accounts for pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

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 Issues

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
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 £126m. A 0.2% increase in assumed earnings would increase the value of liabilities by approximately £5m, a 0.2% increase in pension increases would increase the liability by about £49m and a one year increase in life expectancy would increase the liability by about £48m.

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

2014/15		2015/16
£'000		**£'000**
24,310	Administering Authority	26,372
2,447	Scheduled bodies	2,417
6,737	Admitted bodies	7,155
33,494		**35,944**

BY TYPE

2014/15		2015/16
£'000		**£'000**
8,777	Employees' normal contributions	8,700
	Employer's contributions:	
17,181	Normal contributions	16,811
6,637	Deficit recovery contributions	8,040
899	Augmentation contributions	2,393
33,494		**35,944**

Note 7 Benefits Payable

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

BY TYPE

2014/15		2015/16
£'000		**£'000**
39,894	Pensions	41,141
4,852	Commutation and lump sum retirement benefits	6,888
208	Lump sum death benefits	386
44,954		**48,415**

BY AUTHORITY

2014/15		2015/16
£'000		**£'000**
39,710	Administering Authority	40,003
124	Scheduled Bodies	352
5,120	Admitted Bodies	8,060
44,954		**48,415**

Note 8 Management Expenses

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

2014/15		2015/16
£'000		£'000
534	Administration Expenses	441
318	Oversight and Governance	282
6,195	Investment Management Expenses	7,068
7,047		**7,791**

Investment management expenses are further analysed below in line with the CIPFA Guidance on Accounting for Management Costs in the LGPS.

2014/15		2015/16
£'000		£'000
2,798	Management fees	3,260
2,176	Performance fees	2,550
61	Custody fees	76
1,160	Transaction costs	1,182
6,195		**7,068**

Note 9 Investment Income

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

2014/15		2015/16
£'000		**£'000**
6,249	Fixed interest securities	6,510
141	Equity dividends	2
932	Pooled investments - unit trust and other managed funds	29
838	Pooled property investments	2,000
566	Interest and cash deposits	17
8,726	Total before taxes	8,558
(10)	Taxes on income	-
8,716	**Total**	**8,558**

Note 10 Investment Management Arrangements

As at 31 March 2016, 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 are 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.

As shareholders of London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London), the Fund has purchased £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. It is anticipated that some of the existing investment portfolios will be transferred into the London Collective Investment Vehicle (CIV) in 2016/17.

Northern Trust acts as the Fund's global custodian. They are responsible for safe custody and settlement of all investment transactions and collection of income. 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 2016 was as follows:

31 March 20 15 Market Value	%	Fund Manager	Mandate	31 March 2016 Market Value	%
£'000				**£'000**	
256,513	23.4%	Majedie	UK Equity (Active)	242,521	22.8%
-	-	London CIV	UK Equity (Passive)	150	-
256,513	**23.4%**	**UK Equity**	**Sub-Total**	**241,671**	**22.8%**
180,729	16.5%	Baillie Gifford	Global Equity (Active)	178,427	17.0%
281,978	25.7%	LGIM	World Equity (Passive)	239,635	22.7%
109,569	10.0%	Longview	Global Equity (Active)	113,894	10.8%
572,276	**52.2%**	**Global Equity**	**Sub-Total**	**531,956**	**50.5%**
17,871	1.6%	Insight	Fixed Interest Gilts	18,356	1.7%
156,329	14.3%	Insight	Sterling non-Gilts	158,105	14.9%
174,200	**15.9%**	**Bonds**	**Sub-Total**	**173,832**	**16.6%**

Note 10 Investment Management Arrangements

31 March 2015 Market Value	%	Fund Manager	Mandate	31 March 2016 Market Value	%
£'000				**£'000**	
45,712	4.2%	Hermes	Property	56,511	5.3%
47,913	4.3%	Standard Life	Property	51,150	4.8%
93,625	8.5%	Property	Sub-Total	107,661	10.1%
1,096,614	100.0%		Total (exc. cash)	1,057,749	100.0%
302		Other (cash deposits)		186	
1,096,916			**Total**	**1,057,935**	

Note 11 Reconciliation of Movement in Investments

2015/16	Market value 1 April 2015	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 2016
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fixed interest securities	145,426	56,492	(41,585)	(3,210)	157,123
Equities	-	-	-	-	-
Pooled equity investments	855,659	34,208	(75,801)	(23,693)	790,373
Pooled property investments	93,015	5,817	(531)	7,510	105,811
Derivatives:					
Futures	231	4	(174)	(41)	20
Forward foreign exchange	(67)	1,656	(805)	(888)	(104)
Cash Instruments	-	-	-	-	-
Total	**1,094,264**	**98,177**	**(118,896)**	**(20,322)**	**1,053,223**
Cash deposits	1,071	-	-	163	2,598
Amounts receivable for sales of investments	216	-	-	2	-
Investment income due	2,473	-	-	1	2,440
Spot FX contracts	(1)	-	-	132	3
Amounts payable for purchases of investments	(1,107)	-	-	-	(329)
Net investment assets	**1,096,916**	**-**	**-**	**(20,024)**	**1,057,935**

Note 11 Reconciliation of Movement in Investments

2014/15	Market value 1 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.

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%.

31 March 2015 Market Value		Holding	31 March 2016 Market Value	
£'000	**% Holding**		**£'000**	**% Holding**
256,511	23.4%	Majedie - Institutional Trust Class B Shares	241,518	22.8%
282,340	25.7%	L&G - World Equity Index - GBP Hedged	239,628	22.7%
180,729	16.5%	Baillie Gifford - Life Global Alpha Pension Fund	178,427	16.9%
109,569	10.0%	Longview - Conventum Asset Management	113,894	10.8%
		Hermes Property UT	54,660	5.2%
829,149	75.6%	Total Top Holdings	828,127	78.3%
1,096,916		**Total Value of Investments**	**1,057,935**	

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 2015	Type	Expires	Economic Exposure	Market Value 31 March 2016
£'000	£'000			£'000	£'000
		Assets			
17,509	318	UK Fixed Income	less than 1 year	17,577	92
-	-	Overseas fixed income	less than 1 year	(5,870)	9
	318	Total Assets			101
		Liabilities			
(11,023)	(87)	Overseas Fixed Income	less than 1 year	(15,976)	(81)
	(87)	Total Liabilities			(81)
	231	**Net futures**			**20**

Note 13 Analysis of Derivatives

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	4,346	USD	(6,147)	72	(4)
Up to one month	GBP	7,311	EUR	(9,399)	-	(142)
One to six months	GBP	7,298	USD	(10,404)	64	(3)
One to one months	EUR	1,764	GBP	(1,386)	12	-
One to six months	GBP	5,273	EUR	(6,769)	-	(99)
Up to one month	USD	532	GBP	(374)	-	(4)
Net forward currency contracts at 31 March 2016					148	(252)
Prior year comparative						
Open forward currency contracts at 31 March 2015					97	(164)
Net forward currency contracts at 31 March 2015						**(67)**

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 2015				31 March 2016		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost		Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
			Fixed interest securities			
			Quoted:			
26,056	-	-	UK Public sector	25,954	-	-
59,549	-	-	UK Corporate	64,917	-	-
804	-	-	Overseas Public sector	779	-	-
59,017	-	-	Overseas Corporate	65,473	-	-
			Equities			
			Unquoted:			
-	-	-	UK	-	-	-
-	-	-	Overseas	-	-	-
			Pooled funds - investment vehicles			
719,208	-	-	UK Managed Funds Other	659,722	-	-
93,014	-	-	UK Unit Trusts Property	105,811	-	-
136,452	-	-	Overseas Managed	130,651	-	-

Note 14a Classification of Financial Instruments

		31 March 2015				31 March 2016
Fair value through profit and loss	**Loans and receivables**	**Financial liabilities at amortised cost**		**Fair value through profit and loss**	**Loans and receivables**	**Financial liabilities at amortised cost**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Derivative Contracts			
318	-	-	Futures	101	-	-
97	-	-	Forward Foreign Exchange	148	-	-
			Cash Instruments			
-	-	-	UK	-	-	-
-	-	-	Overseas	-	-	-
-	1,995	-	Cash Balances (held directly by Fund)	-	8,658	-
2,689	-	-	Other Investment Balances	2,440	-	-
-	1,071	-	Cash Deposits	-	2,598	-
49	1,109	-	Debtors	3	1,019	-
1,097,253	**4,175**	**-**		**1,055,999**	**12,275**	**-**

Note 14a Classification of Financial Instruments

	31 March 2015					31 March 2016
Fair value through profit and loss	**Loans and receivables**	**Financial liabilities at amortised cost**		**Fair value through profit and loss**	**Loans and receivables**	**Financial liabilities at amortised cost**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial Liabilities			
			Derivative Contracts			
(87)	-	-	Futures	(81)	-	-
(164)	-	-	Forward Foreign Exchange	(252)	-	-
(50)	-	-	Other Investment Balances	-	-	-
-	-	(1,649)	Creditors	-	-	(1,061)
(301)	-	(1,649)		(333)	-	(1,061)
1,096,952	4,175	(1,649)	Total	1,055,666	12,275	(1,061)
		1,099,478	**Grand Total**			**1,066,880**

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 2015		31 March 2016
£'000		**£'000**
	Financial Assets	
118,020	Designated at fair value through profit and loss	(20,322)
(19)	Loans and receivables	163
118,001		(20,159)
	Financial Liabilities	
(122)	Designated at fair value through profit and loss	135
-	Financial liabilities at amortised cost	-
(122)		135
117,879	**Total**	**(20,024)**

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. The bid value of the investment is based on the market quotation of the relevant stock exchange.

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 2015				31 March 2016
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
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial Assets			
843,760	253,493	-	Designated at fair value through profit and loss	949,789	106,210	-
4,175	-	-	Loans and receivables	12,275	-	-
			Financial Liabilities			
-	(301)	-	Designated at fair value through profit and loss	-	(333)	-
(1,649)	-	-	Financial liabilities at amortised cost	(1,061)	-	-
846,286	**253,192**	**-**		**961,003**	**105,877**	**-**
		1,099,478	**Grand Total**			**1,066,880**

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 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	Value on 10% price increase	Value on 10% price decrease
	£'000	£'000	£'000
As at 31 March 2015	1,094,418	1,203,860	984,976
As at 31 March 2016	**1,053,408**	**1,158,749**	**948,067**

Note 15 Nature and extent of Risks arising from Financial Instruments

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 13).

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%.

Assets exposed to interest rate risk	Value	Value on 1% price increase	Value on 1% price decrease
	£'000	**£'000**	**£'000**
As at 31 March 2015	148,492	149,977	147,007
As at 31 March 2016	**168,379**	**170,063**	**166,695**

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.

Note 15 Nature and extent of Risks arising from Financial Instruments

Assets exposed to currency risk	Value	Value on 10% foreign exchange rate increase	Value on 10% foreign exchange rate decrease
	£'000	£'000	£'000
As at 31 March 2015	678,339	746,173	610,505
As at 31 March 2016	**666,743**	**733,417**	**600,069**

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.

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 2016, liquid assets were £927m representing 90% of total fund assets (£1,003m at 31 March 2015 representing 91% of the fund at that date). The majority of these investments can 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.

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:

https://www.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	Assumed returns %	Risk adjusted assumed returns %
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 bodies	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 2016. 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 pensions legislation.

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

31 March 2015		31 March 2016
£'000		£'000
(1,605,955)	Present Value of Promised Retirement Benefits	(1,562,637)
1,089,091	Fair Value of Scheme Assets (bid value)	1,061,424
(516,864)	**Net Liability**	**(501,213)**

Present Value of Promised Retirement Benefits comprise of £1,520.8m (2014/15: £1,479.5m) and £41.817m (2014/15: £126.5m) in respect of vested benefits and non-vested benefits respectively as at 31 March 2016.

ASSUMPTIONS

To assess the value of the Fund's liabilities at 31 March 2016, 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 2016	31 March 2015
Retiring today	Males	22.1	22.1
	Females	25.3	25.2
Retiring in 20 years	Males	24.4	24.2
	Females	27.7	27.6

FINANCIAL ASSUMPTIONS

The main financial assumptions are:

	31 March 2016	31 March 2015
	%	%
RPI increases	3.2	3.1
CPI increases	2.3	2.3
Salary increases	4.1	4.1
Pension increases	2.3	2.3
Discount rate	3.5	3.2

Note 18 Current Assets

31 March 2015		31 March 2016
£'000		£'000
	Debtors:	
853	Contributions due - employers	635
228	Contributions due - employees	200
28	Sundry debtors	184
1,995	Cash balances	8,658
3,104		**9,677**

ANALYSIS OF DEBTORS

31 March 2015		31 March 2016
£'000		£'000
1,109	Other entities and individuals	1,109
1,109		**1,109**

Note 19 Current Liabilities

31 March 2015		31 March 2016
£'000		£'000
(1,048)	Sundry creditors	(1,269)
(1,048)	**Total**	**(1,269)**

ANALYSIS OF CREDITORS

31 March 2015		31 March 2016
£'000		£'000
(506)	Central government bodies	(537)
(542)	Other entities and individuals	(732)
(1,048)	**Total**	**(1,269)**

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.

31 March 2015 Market Value		31 March 2016 Market Value
£'000		**£'000**
1,358	Aegon	1,255
474	Equitable Life	474
1,832	**Total**	**1,729**

Additional voluntary contributions of £0.2m were paid directly to Aegon during the year (2014/15: £0.2m).

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 £0.34m in the period 2015/16 (2014/15: £0.31m) 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 (CityWest Homes) who are within the Pension Fund and the Fund received £2.4m in employer contributions, deficit and early retirement costs from this body (2014/15: £2.3m).

KEY MANAGEMENT PERSONNEL REMUNERATION

The key management personnel of the Fund are the members of the Pension Fund Committee, the City Treasurer, the Tri-Borough Director of Pensions & Treasury and the Acting Director of Human Resources. Total remuneration payable to key management personnel is set out below:

31 March 2015		31 March 2016
£'000		**£'000**
51	Short-term benefits	43
43	Post-employment benefits	131
94	**Total**	**174**

7 Glossary and Contacts

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.

ADDITIONALVOLUNTARY 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

TRI BOROUGH PENSIONS TEAM

16th Floor
Westminster City Council
City Hall
64 Victoria Street
London
SW1E 6QE
Email: pensionfund@westminster.gov.uk

PENSIONS AND PAYROLL OFFICER

3rd Floor
Westminster City Council
City Hall
64 Victoria Street
London
SW1E 6QE

PENSION ADMINISTRATION SERVICES (WCC TEAM)

Surrey County Council
Room G59
County Hall
Kingston upon Thames
Surrey
KT1 2DN
Telephone: 020 8541 9293
Email: wccpensions@surreycc.gov.uk
Website: www.wccpensionfund.co.uk

NATIONAL LOCAL GOVERNMENT PENSION SCHEME

Information website
www.lgps.org.uk

THE PENSIONS ADVISORY SERVICE (TPAS)

11 Belgrave Road
London SW1V 1RB
Telephone: 0845 601 2923
Email: www.pensionsadvisoryservice.org.uk/online-enquiry

THE OFFICE OF THE PENSIONS OMBUDSMAN

11 Belgrave Road
London, SW1V 1RB
Telephone: 020 7630 2200
Email: *enquiries@pensions-ombudsman.org.uk*

8 Appendices

Appendix 01 Governance Compliance Statement

BACKGROUND

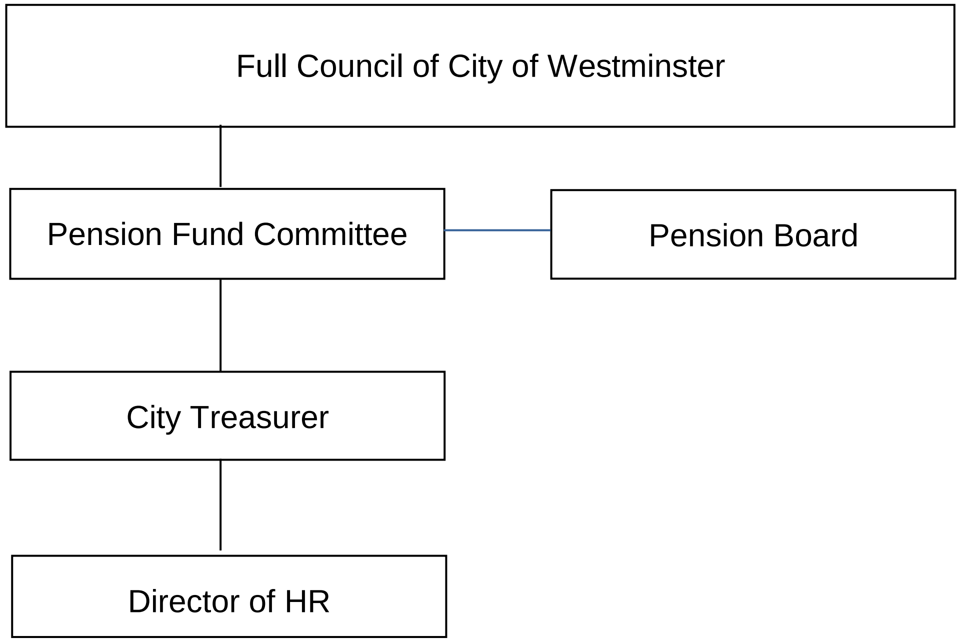
The City of Westminster is the administering authority for the City of Westminster Pension Fund ("the Fund") and it administers the Local Government Pension Scheme on behalf of the participating employers.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires all administering authorities for local government pension schemes to publish a Governance Compliance Statement setting out the Fund's governance arrangements. Information on the extent of the Fund's compliance with guidance issued by the Secretary of State for Communities and Local Government is also a requirement of this regulation.

GOVERNANCE STRUCTURE

The diagram below shows the governance structure in place for the Fund.

Full Council has delegated its functions in relation to the Pension Fund regulations, as shown in the diagram. The sections below explain the role of each party and provide the terms of reference.



Appendix 01
Governance Compliance Statement (continued)

PENSION FUND COMMITTEE

Full Council has delegated all decisions in relation to the Public Service Pensions Act 2013 to the Pension Fund Committee.

The role of the Pension Fund Committee is to have responsibility for all aspects of the investment and other management activity of the Fund.

The Committee is made up of four elected members - three Majority Party councillors and one opposition councillor. The Committee may co-opt non-voting independent members, including Trade Unions and representatives from the admitted and scheduled bodies in the Pension Fund.

All Councillors on the Committee have voting rights. In the event of an equality of votes, the Chair of the Committee shall have a second casting vote. Where the Chair is not in attendance, a Vice-Chair will be elected.

The Committee meets four times a year and may convene additional meetings as required. Three members of the Committee are required to attend for a meeting to be quorate.

The terms of reference for the Pension Fund Committee are:

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 advisors 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 statement of accounts of the Pension Fund and to approve the Annual Report.
6. To receive actuarial valuations of the Pension Fund regarding the level of employers' contributions necessary to balance the Pension Fund.
7. To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.

Appendix 01
Governance Compliance Statement (continued)

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).
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 fund 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 01
Governance Compliance Statement (continued)

PENSION BOARD

With effect from 1st April 2015, all administering authorities are required by the Public Services Pensions Act 2013 to establish a Pension Board to assist them. The City of Westminster Pension Board was established by the General Purposes Committee on 25th February 2015.

The role of the Pension Board is to assist the administering authority with securing compliance with Local Government Pension Scheme regulations and other legislation relating to the governance and administration of the scheme. The Board does not have a decision making role in relation to management of the Fund, but is able to make recommendations to the Pension Fund Committee.

The membership of the Board is as follows:

- Three employer representatives comprising one from an admitted or scheduled body and two nominated by the Council; (Councillors)
- Three scheme members representatives from the Council or an admitted or scheduled body.

All Board members are entitled to vote, but it is expected that as far as possible Board members will reach a consensus. Three Board members are required to attend for a meeting to be quorate. The Board will meet a minimum of twice a year but is likely to meet on a quarterly basis to reflect the same frequency as the Pension Fund Committee.

COMPLIANCE WITH STATUTORY GUIDANCE

It is a regulatory requirement that the Fund publishes the extent to which it complies with statutory guidance issued by the Secretary of State for Communities and Local Government. The guidance and compliance levels are set out in Appendix 1.

REVIEW OF STATEMENT

This statement will be kept under review and updated as required. Consultation with the admitted and scheduled bodies of the Fund will take place before the statement is finalised at each change.

Appendix 01
Governance Compliance Statement (continued)

Compliance Requirement	Compliance	Notes
Structure		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	As set out in terms of reference of the Pension Fund Committee.
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.	Not fully compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pension Fund Committee.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
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 applicable	All Pension Fund matters are considered by the Pension Fund Committee
Committee membership and representation		
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) where appropriate, independent professional observers, and iv) expert advisors (on an *ad hoc* basis).	Not fully compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pension Fund Committee. Expert advisers attend the Committee as required
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 applicable	All Pension Fund matters are considered by the Pension Fund Committee
Selection and role		
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	Compliant	As set out in terms of reference of the Pension Fund Committee
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Compliant	This is a standing item on the Pension Fund Committee agendas
Voting		
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.	Compliant	As set out in terms of reference of the Pension Fund Committee

Appendix 01
Governance Compliance Statement (continued)

Compliance Requirement	Compliance	Notes
Training, facility time and expenses		
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	Compliant	As set out in the Council's allowances policy and the Pension Fund Knowledge and Skills policy
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	Compliant	As set out in the Council's constitution
Meetings		
That an administering authority's main committee or committees meet at least quarterly.	Compliant	As set out in terms of reference of the Pension Fund Committee
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	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee.
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	Compliant	Represented on the Pensions Board
Access		
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	Compliant	As set out in the Council's constitution
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Compliant	as set out in terms of reference of the Pension Fund Committee
Publicity		
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	Compliant	All meeting minutes, reports and Pension Fund policies are published on the Council's website

Appendix 02 City of Westminster Pension Fund Statement of Investment Principles

BACKGROUND

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.

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.

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.

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.

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.

INVESTMENT RESPONSIBILITIES

Pension Fund 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 Pension Fund, individual fund managers, custodians, actuary and other external advisors 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 02
City of Westminster Pension Fund Statement of Investment Principles

- To approve the final accounts and balance sheet of the Pension Fund and to approve the Annual Report.
- To receive actuarial valuations of the Pension 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).

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.

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- 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.

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.

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.

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.

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.

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City of Westminster Pension Fund Statement of Investment Principles

PENSION FUND LIABILITIES

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%.

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.

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.

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.

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.

INVESTMENT STRATEGY

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 LGPS Regulations.

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City of Westminster Pension Fund Statement of Investment Principles

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.

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%**	

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.

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.

Review

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

INVESTMENTS

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.

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.

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Statutory Investment Limits

The Regulations set out limits on different types of investment – these are set out in the table below. 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.

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%	-

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City of Westminster Pension Fund Statement of Investment Principles

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.

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.

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.

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

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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%	

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City of Westminster Pension Fund Statement of Investment Principles

SOCIAL, ENVIRONMENTAL AND ETHICAL POLICY

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.

VOTING RIGHTS

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.

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

COMPLIANCE WITH MYNERS' PRINCIPLES OF INVESTMENT DECISION MAKING

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.

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

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City of Westminster Pension Fund Statement of Investment Principles

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. The Committee does not periodically make a formal assessment of its own effectiveness as a decision-making body. However the performance of the Fund is reported in the Annual Report published on the website.
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	

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City of Westminster Pension Fund Statement of Investment Principles

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 03 City of Westminster Superannuation Fund Communications Policy

BACKGROUND

Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires administering authorities to prepare, publish and maintain a policy statement setting out its communication strategy for communicating with:

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

This document sets out the mechanisms that we use to meet our communication responsibilities. We aim to use the most appropriate communication method for the audiences receiving the information. This may involve using more than one medium of communication.

GENERAL COMMUNICATIONS

Correspondence:
Wherever possible we prefer to use electronic systems to receive and send correspondence and data, however hard copy postal services are also available.

Telephone:
Surrey County Council is our third party pension's administrator, their contact information is publicised in the scheme literature and on the website.

The telephone number for general enquiries and complaints: 0208 541 9293

Briefing Sessions and Pension Surgeries:-
The WCC HR Team will organise pension briefing sessions and pension surgeries on an annual basis to ensure staff have access to both personal and general scheme information.

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

Pension's Intranet site:
We have a website which has been designed to communicate and promote the benefits of the Local Government Pension Scheme, 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

We also have information about recent scheme updates, provide fund investment information, and have a section for feedback.

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 key methods of communication.
http://www.wccpensionfund.co.uk/

Appendix 03

City of Westminster Superannuation Fund Communications Policy

PROSPECTIVE SCHEME MEMBERS

Scheme Guides:-

Scheme guides are available on the website or can be requested from Surrey County Council.

We promote to all potential members the benefits of the LGPS via the website posters and new starter information.

We also publicise information regarding auto-enrolment to staff via the website and we will liaise with all other scheme employers to remind them of their responsibilities to members on Auto-enrolment periodically offering support as necessary.

OTHER EMPLOYERS

Other employers that form part of our fund are invited to Employer Forums meetings that are held periodically. In the recent past these have been used to as a mechanism for communicating major strategic issues, significant legislation changes, triennial valuation matters and the Funding Strategy Statement.

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

OTHER BODIES

London Pensions Officer's Group:

Pensions Officers from 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 the Council regularly participate at seminars and conferences.

Appendix 03
City of Westminster Superannuation Fund Communications Policy

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
Pension Fund Committee	√	√	√	Quarterly	Quarterly
Communication Policy	√	√	√	Upon request	Quarterly
Governance Policy	√	√	√	Upon Request	Quarterly

Appendix 03

City of Westminster Superannuation Fund Communications Policy

FURTHER INFORMATION

If you need more information about the Scheme you should contact the London Pensions Fund Authority at the following address:

SURREY COUNTY COUNCIL

Pension Services (WCC Team)
Surrey County Council
Room G59, County Hall
Penrhyn Road
Kingston upon Thames
Surrey KT1 2DN
Email: wccpensions@surreycc.gov.uk

General enquiries and complaints:
Phone: 0208 541 9293

WESTMINSTER CITY COUNCIL

Trevor Webster
Senior HR Manager
Westminster City Council
Human Resources
City Hall
64 Victoria Street
London, SW1E 6QP
Tel: 0207 641 2803
Email: twebster@westminster.gov.uk

Appendix 04 City of Westminster Superannuation Fund Funding Strategy

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 31st 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.

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City of Westminster Superannuation Fund Funding Strategy

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 31st 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.

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City of Westminster Superannuation Fund Funding Strategy

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 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.

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City of Westminster Superannuation Fund Funding Strategy

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.

Employer	Recovery period
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.

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City of Westminster Superannuation Fund Funding Strategy

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:

Employer	Recovery period
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.

Appendix 04

City of Westminster Superannuation Fund Funding Strategy

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 June 2016**
Classification:	**General Release**
Title:	**Fund Financial Management**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no immediate financial implications arising from this report.**
Report of:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2904**

1. Executive Summary

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

2. Recommendations

2.1 The Committee is asked approve the updated risk register for the Pension Fund and note that a further review will be undertaken by officers on the scoring process.

2.2 The Committee is asked to note the Fund's compliance with the limits specified in Schedule 1 of the LGPS (Management and Investment of Funds) Regulations 2009.

2.3 The Committee is asked to note the cashflow position of the Fund and approve that cash requirements are funded from the most overweight mandates.

3. Risk Register Monitoring

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

3.2 During the review of the risk register, it was identified that the scoring matrix which is used to evaluate the residual risk is very subjective and would benefit from greater definition of the likelihood and impact scores. It is suggested that a more appropriate quantitative approach be introduced. A review to the risk register scoring process will be undertaken by Officers and reported back to the Committee later in the year.

4. Investment Regulations Limits Review

4.1 As at 31 March 2016, the Fund complied with the LGPS (Management and Investment of Funds) Regulations 2009 as documented in the Statement of Investment Principles.

4.2 In particular, the Fund had no self-investments (regulatory maximum of 5%), it had no single segregated holding great than 10% and its largest investment in a single vehicle was 22.83% with Majedie against the limit of 35%. The LGIM holding is split between two vehicles.

5. Consultations / Legislation Changes

Pooling of Investments

5.1 See item x on the agenda.

6. Cashflow Monitoring

6.1 The cashflow forecast which was previously presented to the Pension Fund Committee at the last meeting has been updated to reflect the end position for 2015/16. This is included at Appendix 2.

6.2 The cashflow analysis indicates a requirement to realise assets of £18 million during 2016-17. It is proposed to meet this outflow from the overweight equity mandates with Baillie Gifford and Longview, thereby achieving an element of rebalancing to benchmark. Currently these mandates exceed their target allocation by 2.7% (£28 million).

6.3 Officers will continue to monitor the cash balance on a regular basis and will take the appropriate action to liquidise the assets in order to fulfil the cashflow requirement as stated above.

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

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

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Pension Fund Risk Register Review, June 2016
Appendix 2 – Cash Flow Monitoring

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Appendix 1: Pension Fund Risk Register, June 2016

Changes to the risk register since previous quarter

Type	Ref	Risk	Rationale
Decrease Impact Score	3	**STRATEGIC: INVESTMENT** Failure of custodian or counterparty.	The impact score has been decreased to reflect the introduction of the pooling of funds and the recent transition of the Baillie Gifford holding, which is now being managed by the London CIV.
Decrease Likelihood and Impact Score	9	**STRATEGIC: REGULATION** Introduction of European Directive MiFID II results is a restriction of Fund's investment options and an increase in costs	The likelihood and impact scores have been decreased to reflect recent indications that the Directive will not proceed in its current form and therefore completion has been delayed. Also, it is envisaged that Fund Managers will wish to continue existing relationships and officers believe the revised regulations will not impact on the investment opportunities.
Decrease Likelihood and Impact Score	19	**OPERATIONAL: ADMINISTRATION** Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	The likelihood and impact scores have been decreased to reflect the accuracy and timeliness of payment processing identified during the preparation of the Pension Fund Statement of Accounts for 2015-16 and the subsequent audit conducted by Grant Thornton. The audit includes testing of the internal controls around the occurrence of benefits payments and there were no significant issues identified.

Pension Fund risk register, June 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
1	**STRATEGIC: INVESTMENT** That the combination of assets in the investment portfolio fails to fund the liabilities in the long term.	• Investment strategy in place and reviewed periodically. • Performance is measured against a liability based benchmark. • Fund performance is reviewed quarterly.	2	3	Low 6	City Treasurer	September 2016
2	**STRATEGIC: INVESTMENT** Fund managers fail to achieve the returns agreed in their management agreements.	• Independent monitoring of fund manager performance by custodian against targets. • Investment adviser retained to keep watching brief. • Fund manager performance is reviewed quarterly.	3	3	Low 9	City Treasurer	September 2016
3	**STRATEGIC: INVESTMENT** Failure of custodian or counterparty.	• At time of appointment, ensure assets are separately registered and segregated by owner. • Review of internal control reports on an annual basis. • Credit rating kept under review.	2	3	Low 6	City Treasurer	September 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
4	**STRATEGIC: FUNDING** The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	• Review at each triennial valuation and challenge actuary as required. • Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	4	3	Medium 12	City Treasurer	September 2016
5	**STRATEGIC: FUNDING** There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	• Cashflow forecast maintained and monitored. • Cashflow position reported to sub-committee quarterly. • Cashflow requirement is a factor in current investment strategy review.	2	1	Very Low 2	City Treasurer	September 2016
6	**STRATEGIC: FUNDING** Scheme members live longer than expected leading to higher than expected liabilities.	• Review at each triennial valuation and challenge actuary as required.	4	2	Low 8	City Treasurer	September 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
7	**STRATEGIC: FUNDING** Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	• Review maturity of scheme at each triennial valuation. • Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. • Cashflow position monitored monthly.	2	3	Low 6	City Treasurer	September 2016
8	**STRATEGIC: REGULATION** Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	• Maintain links with central government and national bodies to keep abreast of national issues. • Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	3	4	Medium 12	City Treasurer and Acting Director of HR	September 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
9	**STRATEGIC: REGULATION** Introduction of European Directive MiFID II results is a restriction of Fund's investment options and an increase in costs	• Officers are engaging with Fund Managers to understand the position better • Knowledge and Skills Policy in place for Officers and Members of the Committee • Maintain links with central government and national bodies to keep abreast of national issues.	2	2	Very Low 4	City Treasurer	September 2016
10	**OPERATIONAL: GOVERNANCE** Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	• Officers maintain knowledge of legal framework for routine decisions. • Eversheds retained for consultation on non-routine matters.	2	2	Very Low 4	City Treasurer	September 2016
11	**OPERATIONAL: GOVERNANCE** Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	• External professional advice is sought where required • Knowledge and skills policy in place (subject to Committee Approval)	3	3	Low 9	City Treasurer	September 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
12	**OPERATIONAL: GOVERNANCE** Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	• Person specifications are used at recruitment to appoint officers with relevant skills and experience. • Training plans are in place for all officers as part of the performance appraisal arrangements. • Shared service nature of the pensions team provides resilience and sharing of knowledge.	3	3	Low 9	City Treasurer and Acting Director of HR	September 2016
13	**OPERATIONAL: GOVERNANCE** Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	• At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. • Committee and officers scrutinise and challenge advice provided.	2	2	Very Low 4	City Treasurer	September 2016
14	**OPERATIONAL: FUNDING** Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	• Transferee admission bodies required to have bonds in place at time of signing the admission agreement. • Regular monitoring of employers and follow up of expiring bonds.	3	2	Low 6	City Treasurer and Acting Director of HR	September 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
15	**OPERATIONAL: FUNDING** Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	• Review "budgets" at each triennial valuation and challenge actuary as required. • Charge capital cost of ill health retirements to admitted bodies at the time of occurring. • Occupational health services provided by the Council and other large employers to address potential ill health issues early.	3	2	Low 6	City Treasurer and Acting Director of HR	September 2016
16	**OPERATIONAL: FUNDING** Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	• Monitor numbers and values of transfers out being processed. • If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values.	2	3	Low 6	City Treasurer and Acting Director of HR	September 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
17	**OPERATIONAL: ADMINISTRATION** Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	• Third parties regulated by the FCA and separation of duties and independent reconciliation procedures in place. • Review of third party internal control reports. • Regular reconciliations of pension payments undertaken by Pensions Finance Team. • Periodic internal audits of Pensions Finance and HR teams.	4	2	Low 8	City Treasurer and Acting Director of HR	September 2016
18	**OPERATIONAL: ADMINISTRATION** Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	• Contract monitoring in place with all providers. • Procurement team send alerts whenever credit scoring for any provider changes for follow up action.	3	1	Very Low 3	City Treasurer and Acting Director of HR	September 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
19	**OPERATIONAL: ADMINISTRATION** Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	• Contract in place with BT to provide service enabling smooth processing of supplier payments • Process in place for Surrey CC to generate lump sum payments to members as they are due. • Officers undertaking additional testing and reconciliation work to verify accounting transactions	2	2	Very Low 4	City Treasurer	September 2016
20	**OPERATIONAL: ADMINISTRATION** Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	• In the event of a pension payroll failure we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	1	5	Very Low 5	Acting Director of HR	September 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
21	**OPERATIONAL: ADMINISTRATION** Failure to pay pension benefits accurately leading to under or over payments.	• There are occasional circumstances where under or over payments are identified. Where under payments occur arrears are paid as soon as possible usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted and the pension corrected in the next month. Repayment is requested and sometimes we collect this over a number of months.	2	3	Low 6	Acting Director of HR	September 2016
22	**OPERATIONAL: ADMINISTRATION** Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	• Pension administration records are stored on the surrey servers they have a disaster recovery system in place and records should be restored within 24 hours of any issue, files are backed up daily.	1	5	Very Low 5	Acting Director of HR	September 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Review Date
			Likelihood	Impact			
23	**OPERATIONAL: ADMINISTRATION** Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	• Surrey CC administers pensions for Surrey, East Sussex and is taking on our Triborough partners. They have a number of very experienced administrators two of whom tuped to them from LPFA with our contract. Where issues arise the Pensions Liaison Officer reviews directly with the Pensions Manager at Surrey. More detailed performance reports are being developed.	2	3	Low 6	Acting Director of HR	September 2016
24	**Operational: Administration** BT unable to provide monthly or end of year interface files in a format suitable for Surrey CC to update service records and undertake day to day operations. Inaccuracies in service records held on the pensions administration system may impact on the triennial funding valuation at March 2016 and notifications to starters and leavers.	• Issue has been escalated by the Chief Executive for high level resolution with BT • Test files are currently with SCC • Actuary undertakes data cleansing on the service records and is confident this will mitigate the inaccuracies in service records	4	3	Medium 12	Acting Director of HR	September 2016

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Appendix 2: CASHFLOW MONITORING

Cashflow actuals for 2015/16

	Mar-16			2015-16
	£000	£000	£000	£000
	F'cast	Actual	Var	Total Actuals
Balance b/f	**8,523**	**8,523**	**0**	**1,995**
Contributions	2,600	6,923	(4,323)	**36,641**
Misc. Receipts[1]	100	164	(64)	**2,550**
Pensions	(2,900)	(2,918)	18	**(34,791)**
HMRC Tax	(540)	(535)	(5)	**(6,335)**
Misc. Payments[2]	(800)	(2,509)	1,709	**(11,540)**
Expenses[3]	(753)	(990)	237	**(4,862)**
Net cash in/(out) in month	**(2,293)**	**135**	**(2,428)**	**(18,337)**
Withdrawals from Fund Managers	0	0	0	**25,000**
Balance c/f	**6,230**	**8,658**	**(2,428)**	**8,658**

Cashflow Forecasts 2016-17 and the following 3 financial years

2016/17	2017/18	2018/19	2019/20
£000	£000	£000	£000
F'cast	F'cast	F'cast	F'cast
8,658	**4,718**	**5,518**	**5,918**
36,000	37,500	39,000	40,500
1,200	1,300	1,400	1,500
(36,000)	(38,000)	(40,000)	(42,000)
(6,480)	(7,000)	(7,500)	(8,000)
(11,400)	(13,000)	(15,000)	(17,000)
(5,260)	(6,000)	(6,500)	(7,000)
(21,940)	**(25,200)**	**(28,600)**	**(32,000)**
18,000	26,000	29,000	32,000
4,718	**5,518**	**5,918**	**5,918**

Notes

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

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

[3] Includes £3.8m back-dated employer contribution due for year

Cashflow actuals and forecast for period April 2016 to March 2017

	Apr-16			**May-16**			***Jun-16***	***Jul-16***	***Aug-16***	***Sep-16***	***Oct-16***	***Nov-16***	***Dec-16***	***Jan-17***	***Feb-17***	***Mar-17***
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***
	F'cast	**Actual**	**Var**	**F'cast**	**Actual**	**Var**	***F'cast***	***F'cast***	***F'cast***	***F'cast***	***F'cast***	***F'cast***	***F'cast***	***F'cast***	***F'cast***	***F'cast***
Balance b/f	**8,658**	**8,658**	**0**	**7,238**	**6,618**	**620**	***5,348***	***3,928***	***11,508***	***9,618***	***5,178***	***3,758***	***10,868***	***9,448***	***8,028***	***6,138***
Contributions	3,000	2,973	27	3,000	2,738	262	*3,000*	*3,000*	*3,000*	*3,000*	*3,000*	*3,000*	*3,000*	*3,000*	*3,000*	*3,000*
Misc. Receipts[1]	100	21	79	100	609	(509)	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
Pensions	(3,000)	(2,940)	(60)	(3,000)	(2,970)	(30)	*(3,000)*	*(3,000)*	*(3,000)*	*(3,000)*	*(3,000)*	*(3,000)*	*(3,000)*	*(3,000)*	*(3,000)*	*(3,000)*
HMRC Tax	(540)	(537)	(3)	(540)	(546)	6	*(540)*	*(540)*	*(540)*	*(540)*	*(540)*	*(540)*	*(540)*	*(540)*	*(540)*	*(540)*
Misc. Payments[2]	(950)	(1,536)	586	(950)	(830)	(120)	*(950)*	*(950)*	*(950)*	*(950)*	*(950)*	*(950)*	*(950)*	*(950)*	*(950)*	*(950)*
Expenses[3]	(30)	(21)	(9)	(500)	(512)	12	*(30)*	*(30)*	*(500)*	*(3,050)*	*(30)*	*(500)*	*(30)*	*(30)*	*(500)*	*(30)*
Net cash in/(out) in month	**(1,420)**	**(2,040)**	**620**	**(1,890)**	**(1,511)**	**(379)**	***(1,420)***	***(1,420)***	***(1,890)***	***(4,440)***	***(1,420)***	***(1,890)***	***(1,420)***	***(1,420)***	***(1,890)***	***(1,420)***
Withdrawals from Fund Managers	0	0	0	0	0	0	*0*	*9,000*	*0*	*0*	*0*	*9,000*	*0*	*0*	*0*	*0*
Balance c/f	**7,238**	**6,618**	**620**	**5,348**	**5,107**	**241**	**3,928**	**11,508**	**9,618**	**5,178**	**3,758**	**10,868**	**9,448**	**8,028**	**6,138**	**4,718**

Notes

[1] Includes Transfers in, Overpayments, Bank Interest, VAT reclaim, Recharges
[2] Includes Transfers out, Lump Sums, Death Grants, Refunds

City of Westminster

Committee Report

Decision Maker:	**Pension Fund Committee**
Date:	**21 June 2016**
Classification:	**General Release**
Title:	**Performance of the Council's Pension Fund**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.**
Report of:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2904**

1. Executive Summary

1.1 This report presents a summary of the Pension Fund's performance to 31 March 2016, 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 Pension Fund's performance and estimated funding level to 31 March 2016. The investment report (Appendix 1) has been prepared by Deloitte, the Fund's investment adviser, who will be attending the meeting to present the key points and answer questions.

3.2 The Investment Performance Report shows that over the quarter to 31 March 2016, the market value of the assets increased by £9.4 million as a result of the positive returns from the Fund's bond and property holdings along with the performance of Longview.

3.3 The Funding update (Appendix 2) has been provided by the Fund Actuary, Barnett Waddingham. This indicates that the smoothed funding level has increased to 78% over the quarter to 31 March 2016, compared to 73% which was reported for 31 December 2015. The current funding level exceeds that reported at the last triennial valuation at 31 March 2013 (74%).

3.4 The Council's financial planning allows for this shortfall to be addressed and further details will be brought forward to a future meeting of the Committee.

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

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

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 - Deloitte Investment Report, Quarter Ending 31 March 2016
Appendix 2 - Barnett Waddingham Funding Update Report as at 31 March 2016

Deloitte.

City of Westminster Pension Fund

Investment Performance Report
to 31 March 2016 – Executive Summary

Deloitte Total Reward and Benefits Limited
May 2016

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1 Market Background

Three and twelve months to 31 March 2016

The first quarter of 2016 was another volatile period for equity markets, driven by ongoing concerns around the strength of the global economy. During the quarter the Bank of Japan cut interest rates into negative territory, the ECB cut bank deposit rates and announced an extension of its asset purchasing programme. Such actions by global policymakers combined with the depreciation of the Chinese yuan impacted markets such that by the middle of February global equity markets were down by almost 10% since the start of the year. However, the subsequent rally experienced in the second half of the quarter disguised the volatility experienced with the UK equity market ending the period in much the same place as it started with the FTSE All Share Index delivering a marginally negative return of -0.4%.

Large UK companies outperformed smaller companies over the first quarter, with the FTSE 100 Index returning 0.1%. There was a wide variety of returns experienced at the sector level. In contrast to last quarter, the top performing sectors were Basic Materials (18.3%) and Oil & Gas (8.0%) benefiting from a rebound in the price of oil from its low of $28 a barrel in January. The poorest performing sector was Financials (-11.1%) as the profitability of the banking sector is expected to be impacted by negative deposit rates increasing the cost of reserves and the increased regulatory constraints.

Global equity markets outperformed the UK in sterling terms (3.0%) but underperformed the UK in local currency terms (-1.4%) over the first quarter. Currency hedging was therefore detrimental as sterling depreciated against a basket of global currencies, most significantly against the Japanese yen and the euro. At the regional level, emerging markets achieved the highest return, delivering 8.8% in sterling terms and 3.3% in local currency terms. Japan was the poorest performing region, returning -4.3% in sterling terms and -12.8% in local currency terms.

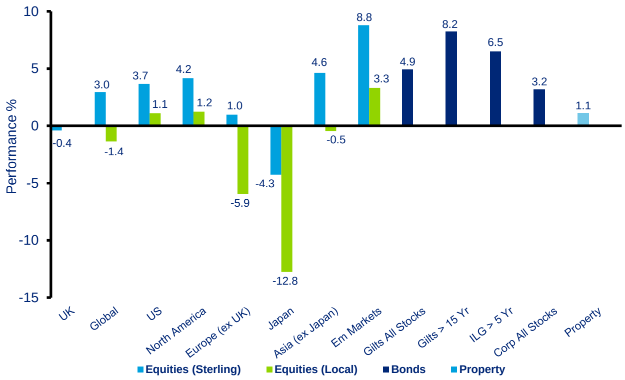
UK nominal gilts delivered positive returns over the first quarter, with the All Stocks Gilts Index returning 4.9%, as yields fell across all maturities. Real yields on UK index-linked gilts also fell over the period with the Over 5 Year Index-linked Gilts Index returning 6.5%. Credit spreads widened over the first quarter of 2016. However, the fall in gilt yields more than offset this, resulting in positive performance for corporate bonds. For example, the iBoxx All Stocks Non Gilt Index returned 3.2% over the period.

Over the 12 months to 31 March 2016, the FTSE All Share Index delivered a negative return of -3.9%. Performance was volatile over the year and varied significantly across sectors. Basic Materials was the poorest performer (-29.6%) as the sector was adversely affected by falling commodity prices throughout 2015. The Consumer Goods sector delivered the highest return to investors (14.0%). Global equity markets outperformed the UK in sterling terms (-0.5%) and performed in line with the UK in local currency terms (-3.9%). Currency hedging was detrimental over the year.

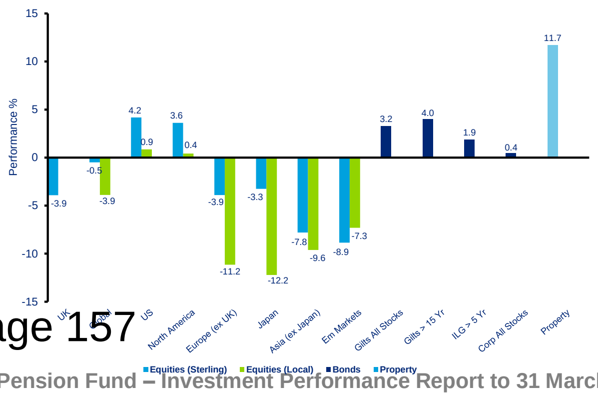
UK nominal gilts delivered positive returns over the year, with the All Stocks Gilts Index returning 3.2% and the Over 15 Year Gilts Index retuning 4.0%. Positive returns were driven by coupon payments as gilt yields only fell marginally over the period. Real yields also fell slightly, with the Over 5 Year Index Linked Gilts Index returning 1.9%. Despite credit spreads widening over the year, corporate bonds in general delivered marginally positive returns due to the positive impact of coupon payments, although returns for longer dated issues were negative. The iBoxx All Stocks Non Gilt Index returned 0.4% over the period.

The pace of growth within the UK property market continued to slow, delivering a return of 1.1% over the quarter and 11.7% over the year to 31 March 2016. While the pace of capital growth slowed, property continued to offer an attractive income.

3 months to 31 March 2016



12 months to 31 March 2016



2 Total Fund

2.1 Investment Performance to 31 March 2016

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

Manager	Asset Class	Last Quarter (%)			Last Year (%)			Last 3 Years (% p.a.)[1]			Since inception (% p.a.)[1]		
		Fund		B'mark	Fund		B'mark	Fund		B'mark	Fund		B'mark
		Gross	Net[1]		Gross	Net[1]		Gross	Net[1]		Gross	Net[1]	
Majedie	UK Equity	-0.1	-0.2	-0.4	-5.8	-6.2	-3.9	7.0	6.7	3.7	9.3	9.0	5.2
LGIM	Global Equity	-1.3	-1.4	-1.4	-4.6	-4.7	-4.6	8.3	8.2	8.3	10.7	10.6	10.6
Baillie Gifford	Global Equity	0.4	0.3	2.9	-0.2	-0.6	-0.6	n/a	n/a	n/a	9.2	8.8	8.8
Longview	Global Equity	6.5	6.4	2.2	4.6	4.0	-0.3	n/a	n/a	n/a	12.0	11.4	5.9
Insight	Gilts	2.8	2.8	2.9	2.7	2.6	2.8	2.4	2.3	2.4	5.2	5.1	5.3
	Non Gilts	2.4	2.4	2.5	1.2	1.0	1.2	4.6	4.4	4.2	5.7	5.5	5.3
Hermes	Property	1.9	1.8	1.2	13.5	13.1	11.0	15.7	15.3	13.3	10.1	9.7	9.1
Standard Life	Property	1.4	1.2	5.4	7.3	6.8	5.3	n/a	n/a	n/a	9.8	9.3	8.7
Total		1.0	0.9	1.1	-1.0	-1.3	-0.9	8.0	7.7	7.1	5.7	5.4	5.3

Source: Investment Managers

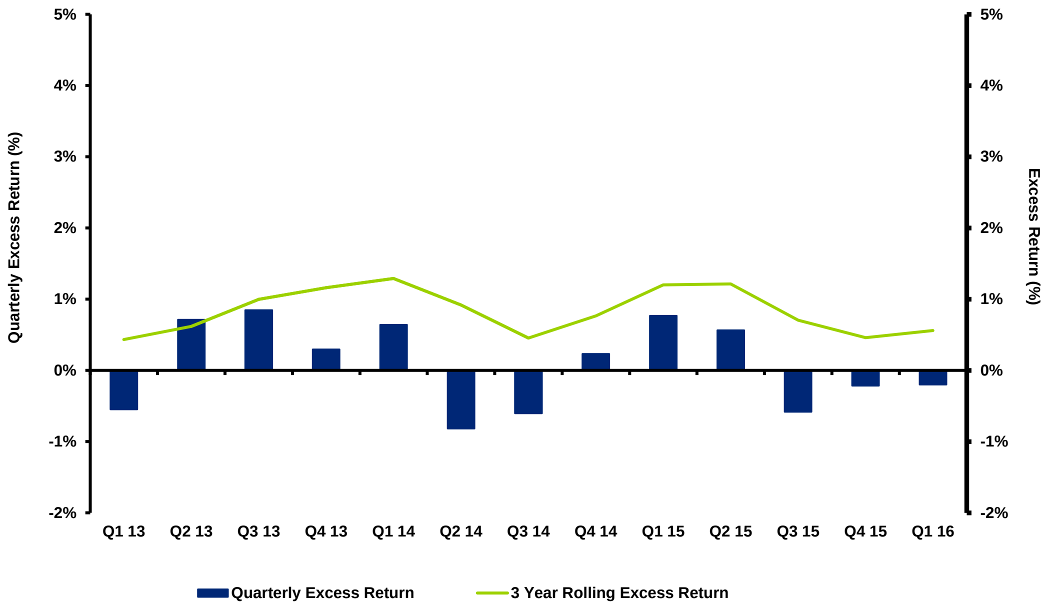
(1) Estimated by Deloitte when manager data is not available.

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

Over the quarter the Fund underperformed its benchmark, mostly due to the underperformance of the active equity manager, Baillie Gifford, and the property manager, Standard Life.

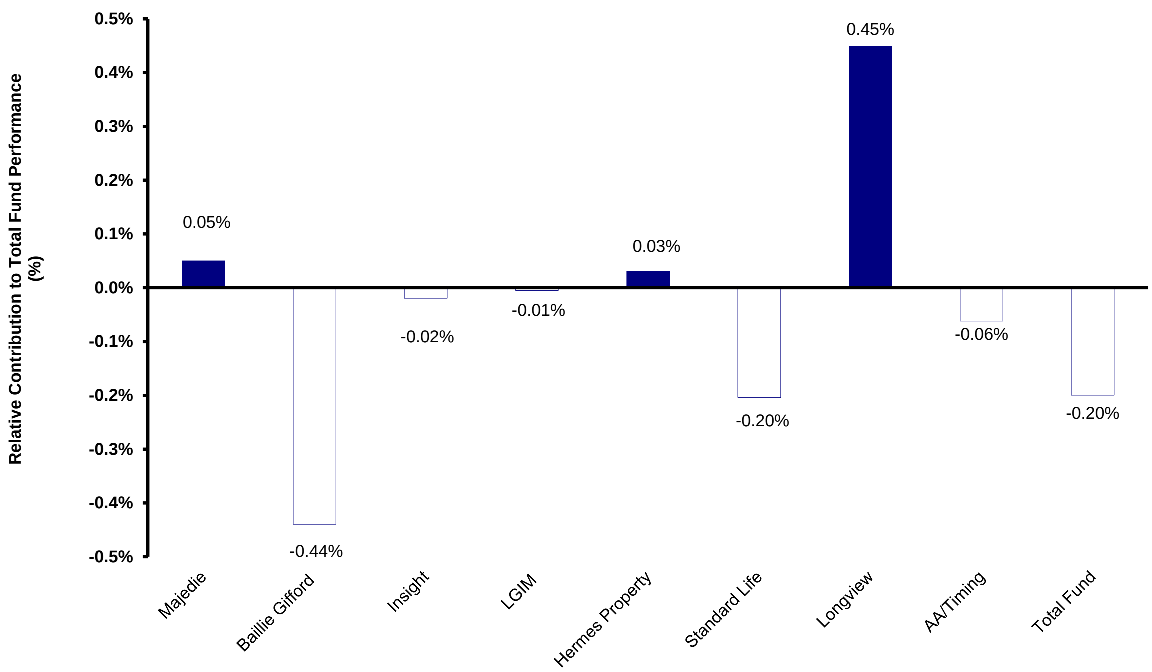
The chart below shows the performance of the Fund over the last three years, highlighting that the rolling three-year performance remains in positive territory – despite the recent run of disappointing quarterly returns. Key drivers to the positive performance have been Majedie and Hermes. Please note that performance is shown net of fees versus the benchmark.

Total Fund Performance - last three years



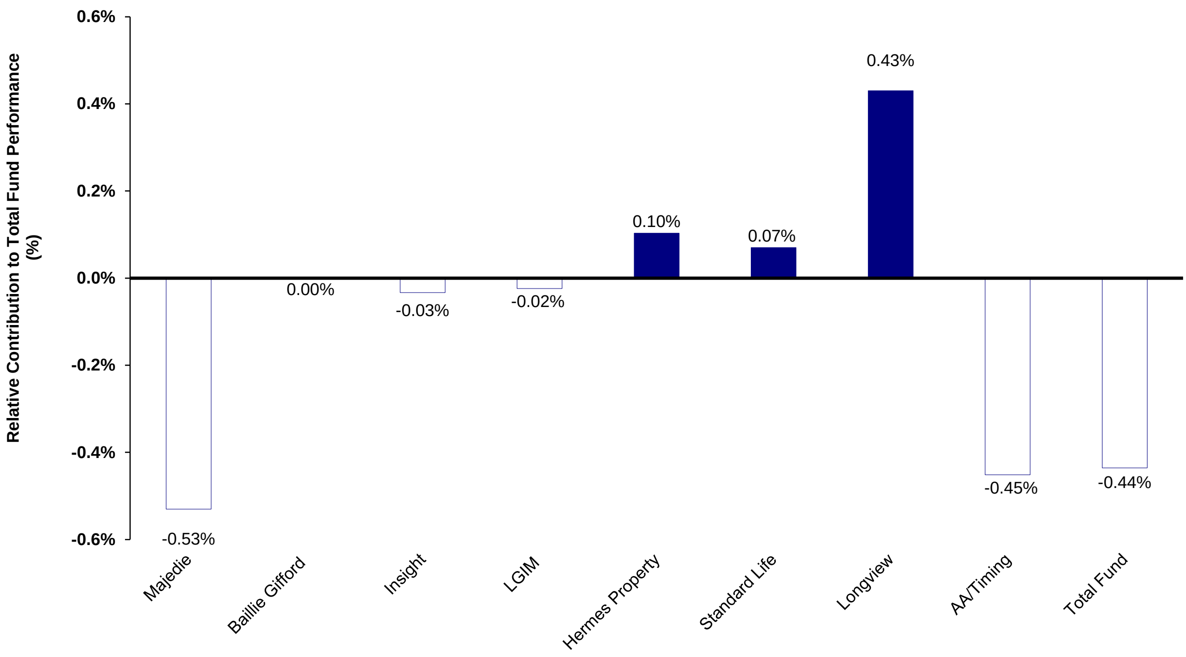
2.2 Attribution of Performance to 31 March 2016

Relative Contributions to Total Fund Performance - Quarter



The Fund underperformed its composite benchmark by 0.2% over the first quarter of 2016, largely as a result of weak performances from Baillie Gifford and Standard Life, albeit the drag on performance from Baillie Gifford was offset by a strong contribution from Longview. In addition, the Fund's underweight position to bonds (at the expense of the overweight position to equities) also contributed to the underperformance.

Relative Contributions to Total Fund Performance - Annual



The Fund underperformed over the year, largely due to underperformance from Majedie. The AA/Timing bar largely reflects the fact that the actual allocation has differed from the benchmark. The average underweight allocation to Hermes and Standard Life and overweight allocation to Majedie over the year have contributed to the negative contribution from AA/Timing.

Asset Allocation as at 31 March 2016

The table below shows the assets held by manager and asset class as at 31 March 2016.

Manager	Asset Class	End Dec 2015 (£m)	End Mar 2016 (£m)	End Dec 2015 (%)	End Mar 2016 (%)	Benchmark Allocation* (%)
Majedie	UK Equity	241.8	241.5	23.1	22.8	22.5
LGIM	Global Equity (Passive)	243.2	239.9	23.2	22.7	22.5
Baillie Gifford	Global Equity	178.1	178.9	17.0	16.9	25
Longview	Global Equity	107.1	113.9	10.2	10.8	
	Total Equity	**770.2**	**774.2**	**73.5**	**73.2**	**70**
Insight	Fixed Interest Gilts (Passive)	17.9	18.4	1.7	1.7	20
Insight	Sterling Non-Gilts	154.7	158.5	14.8	15.0	
	Total Bonds	**172.6**	**176.9**	**16.5**	**16.7**	**20**
Hermes	Property	54.9	55.4	5.2	5.2	5
Standard Life	Property	50.5	51.1	4.8	4.8	5
To be Determined	Property / Infrastructure	-	0.0	-	0.0	-
	Total Property	**105.4**	**106.5**	**10.1**	**10.1**	**10**
	Total	**1,048.2**	**1,057.6**	**100**	**100**	**100**

Source: Investment Managers Figures may not sum to total due to rounding

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

Over the quarter the market value of the assets increased by c. £9.4m, largely as a result of the positive returns from the Fund's bond and property holdings along with the performance of Longview.

As at 31 March 2016, the Fund was overweight equities by c. 3.2% when compared with the amended benchmark allocation, with overweight allocations to UK equities and both passive and active global equities. As a result of these overweight positions, the Fund was underweight bonds by c. 3.3% while the allocation to property was broadly in line with benchmark.

Yield analysis as at 31 March 2016

The table below shows the yield on each of the Fund's investments.

Manager	Asset Class	Yield as at 31 March 2016
Majedie	UK Equity	3.35%
LGIM	Global Equity (Passive)	0.27%**
Baillie Gifford	Global Equity	0.00%*
Longview	Global Equity	2.07%
Insight	Fixed Interest Gilts (Passive)	0.89%
Insight	Sterling Non-Gilts	2.98%
Hermes	Property	3.80%
Standard Life	Property	4.45%
	Total	**1.92%**

* Baillie Gifford does not quote a yield for the Global Alpha strategy – the yield on the benchmark index was 2.8%.
**LGIM have provided the NDIP payment yield, as opposed to the running yield. The yield of the benchmark is c. 2.5%

3 Summary of Manager Ratings

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

Manager	Mandate	Triggers for Review	Rating
Majedie	UK Equity	Further turnover within the core investment team Re-opening the UK equity products with no clear limits on the value of assets that they would take on	1
Baillie Gifford	Global Equity	Loss of key personnel Change in investment approach Lack of control of asset growth	1
Longview	Global Equity	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
LGIM	Global Equity (passive)	Major deviation from benchmark returns Significant loss of assets under management	1
Insight	Sterling Non-Gilts	Departure of any of the senior members of the investment team Steps to broaden their product offering beyond the current UK and European focus without first bringing in the additional expertise	1
Insight	Fixed Interest Gilts (Passive)		n/a
Hermes	Property	Significant growth in the value of assets invested in the fund Changes to the team managing the mandate	1
Standard Life	Property	Richard Marshall leaving the business or ceasing to be actively involved in the Fund without having gone through an appropriate hand-over A build up within the Fund of holdings with remaining lease lengths around 10 years	1

Majedie UK Equity

Business

Majedie is continuing discussions with the London Boroughs regarding the CIV. Majedie values the business of the London Boroughs and the wider LGPS clients and has agreed to take a further haircut on the annual management charge and have a cap on total fees. We expect to hear more over the coming months.

Total assets under management for Majedie as at 31 March 2016 was £11.4bn.

Personnel

No changes to the team managing the UK Equity Fund.

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

Baillie Gifford

Business

Total assets under management remained broadly unchanged over the first quarter of 2016 and were c. £123bn as at 31 March 2016. There were net client inflows over the quarter with Baillie Gifford winning and losing clients across a variety of strategies – however the Global Alpha strategy remains closed to new business.

Baillie Gifford launched its new Multi-Asset Growth Fund in December 2015 as an alternative to the Diversified Growth Fund which has been closed to new investors for some time. The Multi-Asset Growth Fund had assets under management of c. £51m as at 31 March 2016 with 4 institutional investors and a further c. £24m due to invest over the coming months.

Personnel

Gerald Smith, Chairman of the ACWI ex US Alpha Portfolio Construction Group and Head of Multi Asset & Fixed Income will take a three month sabbatical from April 2016 until the end of June 2016. Baillie Gifford encourages long standing senior investors to take sabbaticals if they so wish. Gerald was not directly involved in the day to day management of the Global Alpha strategy.

As mentioned last quarter, two new partners (investment manager, John MacDougall and Client Director, Tim Garratt) will be appointed from 1 May 2016 and one partner (Client Director, Peter Hadden) will retire. This will bring the total number of partners to 41.

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

LGIM

Business

As at 31 December 2015, Legal & General Investment Management ("Legal & General") had total assets under management of c. £746bn (including derivative overlays and advisory assets). As at 31 December, the asset under management in equities amounted to c. £307bn.

Personnel

There were no key personnel changes to the team responsible for the management of the global equity assets over the first quarter of 2016.

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

Longview

Business

Assets under maangement at the end of March 2016 were £13.7bn, which is largely unchanged from December. As a result of UK corporate pension schemes de-risking, there has been an outflow of a client's entire holding and notice from another to disinvest a further sizable account. Over the quarter, some of the capacity in the strategy was recycled to Australian and American investors.

Longview is one of the latest managers to join the London CIV. Both parties have agreed in principal on a fee and capacity structure and are working through the finer detail. We expect the CIV to make a formal announcement over the coming months.

Personnel

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

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

Insight

Business

Insight continued to see a strong inflow of assets over the quarter. Assets under management were £407bn as at 31 March 2016.

Personnel

There were no material changes to the Fixed Income Group over the fourth quarter. Tamara Burnell joined as a credit analyst to focus on emerging market financials. There was a further recruit, joining the Money Markets team. The integration of the Cutwater team in the US appears to have progressed smoothly, giving Insight further capacity across a number of credit focused strategies.

Deloitte view – We continue to rate Insight positively for its Fixed Income capabilities.

Hermes

Business

Over the quarter, assets under management within the HPUT remained relatively stable at c.£1.3bn as at 31 March 2016. The interest from prospective unit holders continues to be strong and the Trust Managers continue to operate a waiting list for new investment.

The size of the committed queue is currently in the region of £15m.

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 slightly to £1.6bn over the first quarter, following positive performance, with no significant inflows or outflows over the quarter. The Fund's investment queue has risen to £75m over the quarter, with 2 new investors looking to join the Fund and top ups from several existing clients.

Whilst performance of the Long Lease Property Fund has been disappointing relative to wider property markets in the recent past, we expect the Fund to outperform over the next few years in a property market where returns are driven by rising rental income and less about capital appreciation.

Personnel

There were no changes to the team over the quarter.

Deloitte View: We rate SLI positively for its long lease property capabilities but will continue to engage with the manager and 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 2016

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford - Gross of fees	0.4	-0.2	n/a	9.2
Net of fees[1]	0.3	-0.6	n/a	8.8
MSCI AC World Index	2.9	-0.6	n/a	8.8
Relative (net of fees)	-2.6	0.0	n/a	0.0

Source: Baillie Gifford

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

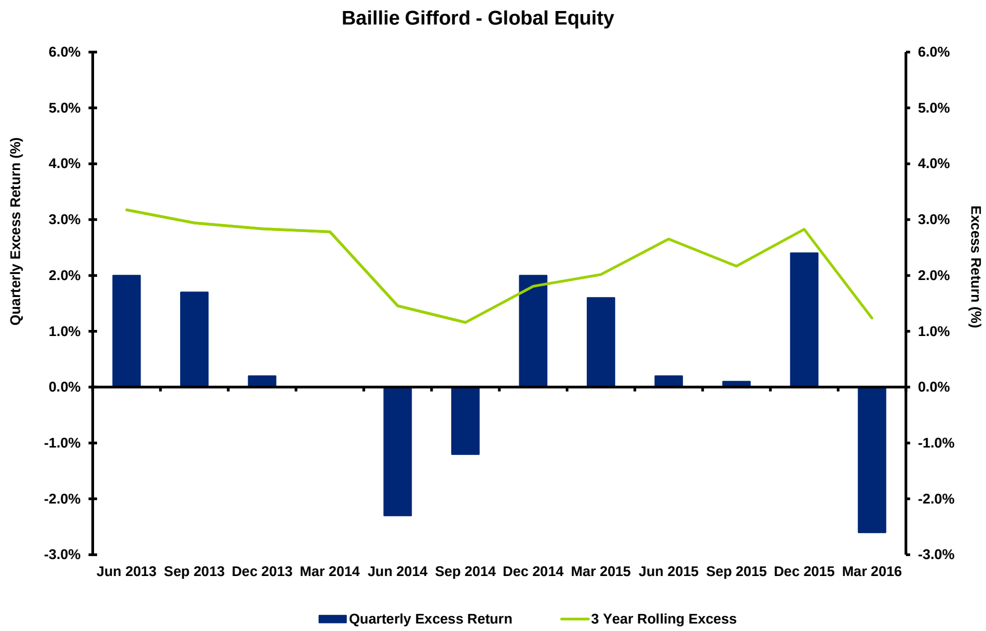
Inception date taken as 18 March 2014

The Baillie Gifford Global Equity Alpha Fund underperformed its benchmark over the first quarter of 2016. Since Inception (March 2014), the Fund has performed in line with the benchmark, on a net of fees basis.

The main detractors over the quarter were the Fund's holdings in Royal Caribbean Cruises, Amazon, Tripadvisor and Seattle Genetics (a biotech/pharmaceuticals company). Baillie Gifford reduced its position with Royal Caribbean Cruises at the end of last year following a run of good performance, which limited the impact of the fall in price over the first quarter. Baillie Gifford believes that the other detractors suffered from market sentiment, rather than fundamentals of the specific companies held, during what was a particularly volatile quarter.

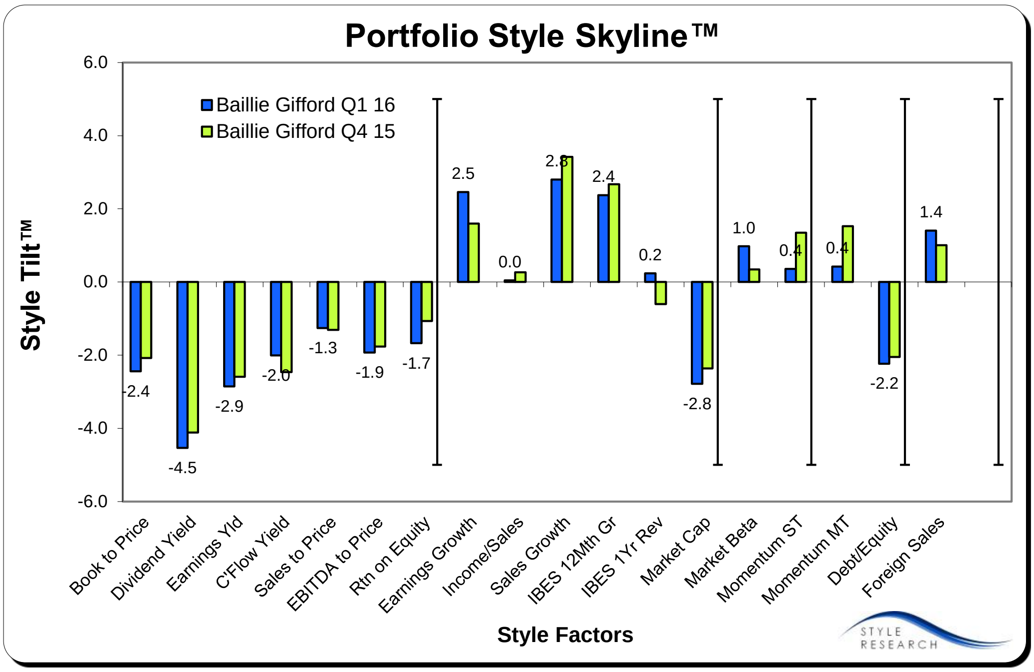
The main contributors to performance this quarter were companies benefitting from improvements in the US economy. This included Martin Marietta (a US supplier of building materials) and CH Robinson (a provider of transportation services).

The graph below shows the net quarterly returns and the rolling three year excess returns relative to the benchmark. Note that Westminster only invested in this strategy from 18th March 2014 and previous periods are shown for information only. The Fund's current thee year excess return is behind the target (+2% p.a.) having outperformed the benchmark by 1.2% p.a.



4.2 Style analysis

We have analysed the Style of Baillie Gifford's Global Alpha portfolio as at 31 March 2016, the results of which can be seen in the below graph. When considering the analysis it should be borne in mind that any figures in excess of +/- 1 are considered to be meaningful.



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

The top 10 holdings in the portfolio account for c. 27.8% of the Fund and are detailed below.

Top 10 holdings as at 31 March 2016	Proportion of Baillie Gifford fund
Amazon	3.6%
Royal Caribbean Cruises	3.4%
Naspers	3.1%
Prudential	3.0%
Taiwan Semicon	2.7%
CRH	2.6%
SAP	2.6%
Alphabet	2.5%
Anthem	2.2%
Markel	2.1%
Total	**27.8%**

Baillie Gifford	31 December 2015	31 March 2016
Total Number of holdings	99	100
Active risk	4.1%	4.2%
Coverage	7.6%	6.8%
Top 10 holdings	28.5%	27.8%

As at 31 March 2016, Baillie Gifford held 100 stocks, with an overlap with the FTSE All World index of 6.8%. The active risk, as at 31 March 2016, was 4.2% - a marginal increase from the previous quarter although most of this can be attributed to a continued general increase in market volatility.

5 LGIM – Global Equity (Passive)

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

5.1 Passive Global Equity – Investment Performance to 31 March 2016

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	-1.3	-4.6	8.3	10.7
Net of fees[1]	-1.4	-4.7	8.2	10.6
FTSE World GBP Hedged	-1.4	-4.6	8.3	10.6
Relative (net of fees)	0.0	-0.1	-0.1	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 broadly in line with the benchmark over the quarter, one year and since the inception of the mandate.

Work is ongoing looking at the options for how this mandate should be moved on to the London CIV platform in the most cost effective way. Analysis is being carried out to consider the restructuring and rebalancing costs, particularly relating to the Fund's emerging markets exposure where in specie transfers are not permitted and a formal proposal will be discussed once this has been finalised.

6 Majedie – UK Equity

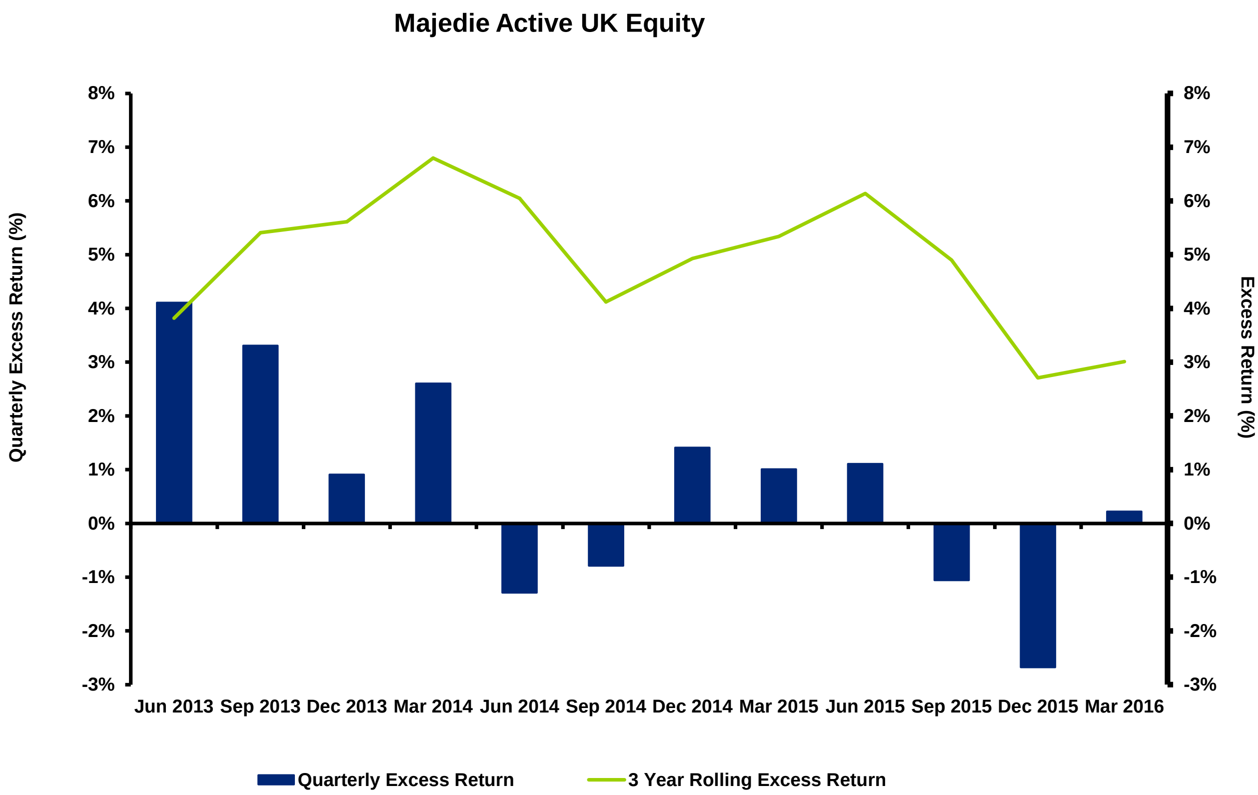
Majedie was appointed to manage an active UK equity mandate. The manager's remuneration is a combination of a fixed fee based on the value of assets and a performance related fee which is payable when the excess return of the portfolio over a rolling 3 year period is more than 1% p.a. The target is to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

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie - Gross of base fees	-0.1	-5.8	7.0	9.3
Net of base fees[1]	-0.2	-6.2	6.7	9.0
FTSE All-Share Index	-0.4	-3.9	3.7	5.2
Relative (net of fees)	0.2	-2.3	3.0	3.8

Source: Majedie

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



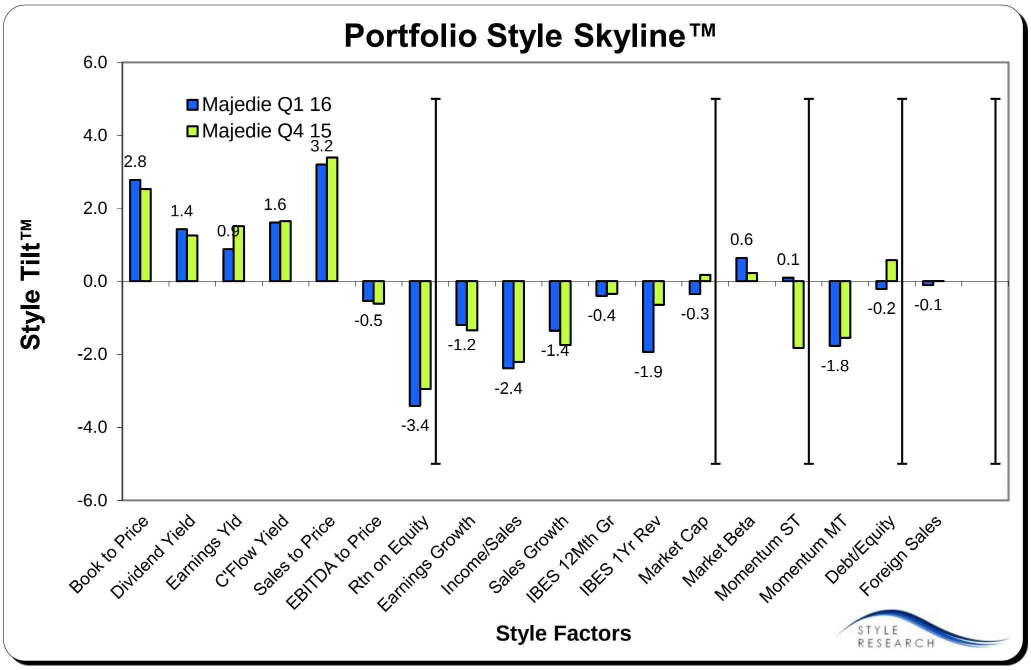
Majedie outperformed its benchmark over the quarter by 0.2% but has underperformed over the year by 2.3% on a net of fees basis. Over the longer timeframes of three years and since inception, the manager has outperformed its benchmark on a net basis by 3.0% p.a. and 3.8% p.a. respectively and therefore remains ahead of target.

Over the quarter, the top performer was Anglo American, with Majedie's conviction of a recovery in mining companies' coming to fruition. In contrast to last quarter, Tesco and Morrisons also performed well with some food inflation coming through amid fears of Brexit. In addition, Tesco has reduced its prices on "basics" to encourage shoppers in, which appears to be working.

Poorer performances came from RBS and Barclays, with investors still nervous about this sector. Majedie remains convinced about these banks, with their shrinking loan book, increased capital holdings and very low valuations.

6.1 Style analysis

We have analysed the Style of Majedie as at 31 March 2016. When considering the analysis it should be borne in mind that any figures in excess of +/- 1 are considered to be meaningful.



The portfolio continues to show a modest positive bias to value factors and a modest negative bias to growth factors. Given the approach, we would not be surprised to see this change over time with the style skyline 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 2016	Proportion of Majedie fund
HSBC	6.0%
BP	5.9%
Royal Dutch Shell	5.7%
Vodafone	5.0%
Orange	3.7%
Tesco	3.5%
GlaxoSmithKline	2.9%
Barclays	2.7%
Rentokil	2.6%
Telecom Italia	2.4%
Total	**40.5%**

Majedie	31 December 2015	31 March 2016
Total Number of holdings	167	152
Active risk	2.8%	3.5%
Coverage	39.5%	38.5%
Top 10 holdings	42.4%	40.5%

As at 31 March 2016, Majedie held 152 stocks in total, with an overlap with the FTSE All Share index of 38.5%. This coverage is significantly higher than both Baillie Gifford and Longview, reflecting to an extent the multi manager approach. Majedie's active risk, as at 31 March 2016, has increased to 3.5%.

7 Longview – Global Equity

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

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Gross of base fees	6.5	4.6	n/a	12.0
Net of base fees[1]	6.4	4.0	n/a	11.4
MSCI World Index	2.2	-0.3	n/a	5.9
Relative (net of fees)	4.2	4.3	n/a	5.5

Source: Longview
(1) Estimated by Deloitte
See appendix 1 for more detail on manager fees

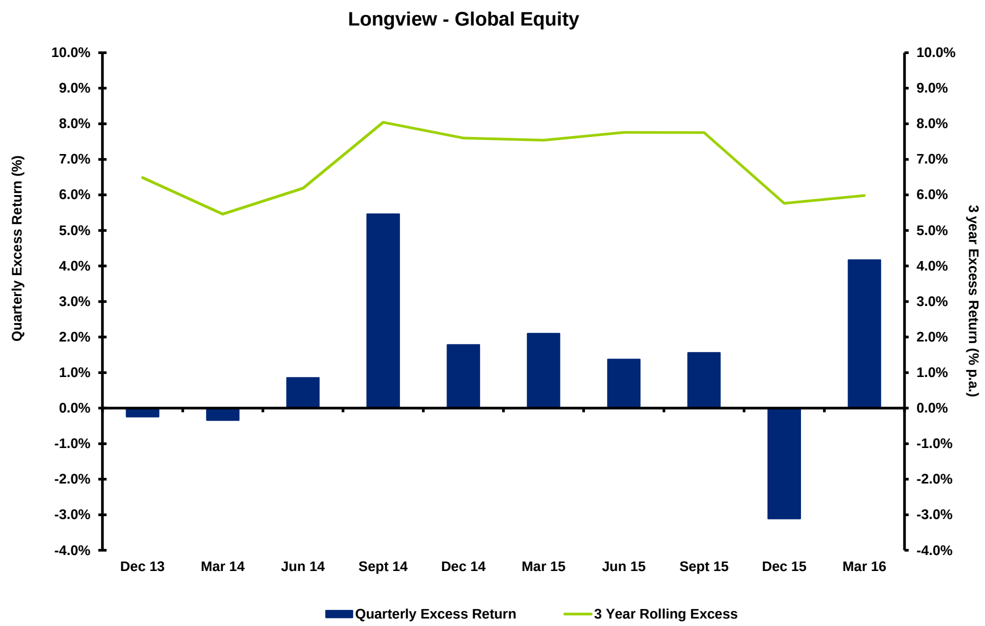
Longview outperformed the benchmark by 4.2% on a net of fees basis, over the first quarter of 2016, and by 4.3% over the year. Since inception, the Fund has outperformed by 5.5% and therefore is ahead of target.

AON was the top contributor over the quarter, with continued good results showing strong revenue and margin performance. Longview still believes AON is undervalued with potential for growth. Industrials such as WW Grainger, Emerson Electric and Parker Hannifin also contributed, benefitting from the stabilisation in the market.

Longview sold its holdings in ADT due to the company receiving and accepting a bid which was below Longview's fair market value for the stock. Although the stock performed well over the quarter, Longview did receive less than it had been looking for in relation to the sale.

Detractors from performance this quarter were:

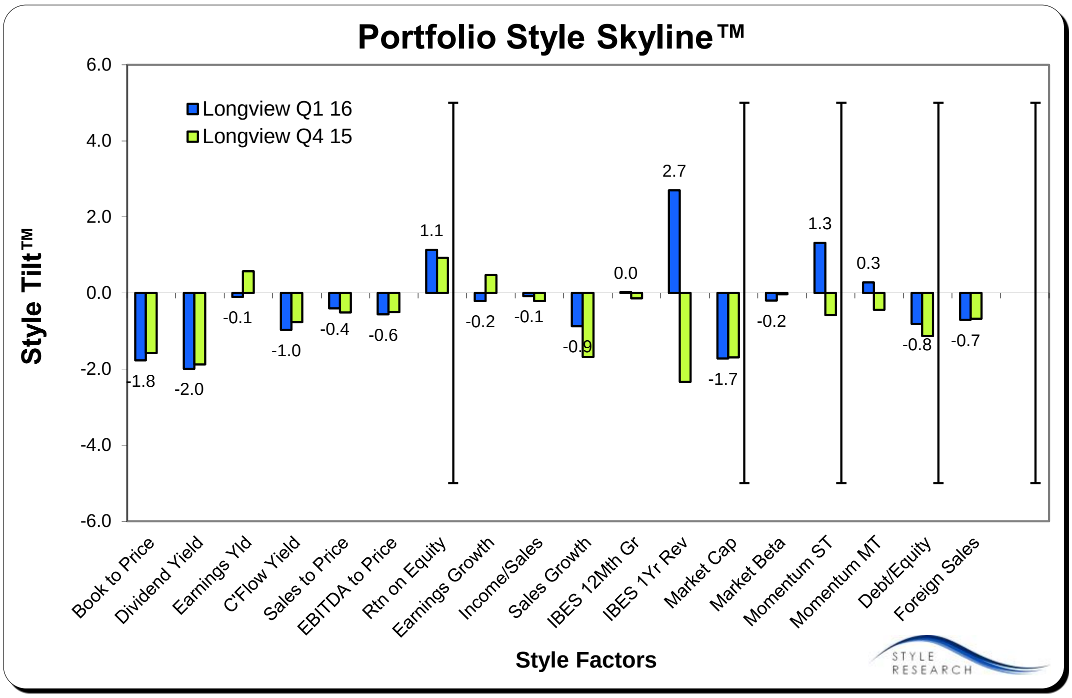
Auto-part companies Delphi Automotive and Continental suffered over concerns for the global auto market and suspicions that the US market had peaked. Longview remains comfortable with these stocks as it believes that demand will continue at current levels.



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

7.1 Style analysis

The Style "skyline" for Longview's global equity portfolio as at 31 March 2016 is shown below graph. When considering the analysis it should be borne in mind that any figures in excess of +/- 1 are considered to be meaningful.



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

The top 10 holdings in the Longview fund account for c. 37% of the fund and are detailed below.

Top 10 holdings as at 31 March 2016	Proportion of Longview fund
AON	4.5%
Fiserv	3.7%
Accenture	3.7%
Oracle	3.7%
Progressive	3.6%
Emerson Electric	3.6%
WW Grainger	3.5%
Thermo Fisher Scientific	3.5%
United Health	3.5%
Zimmer Biomet Holdings	3.5%
Total	**36.7%**

Longview	31 December 2015	31 March 2016
Total Number of holdings	35	32
Active risk	4.1%	4.6%
Coverage	4.4%	4.3%
Top 10 holdings	35.8%	36.7%

As at 31 March 2016, Longview held 32 stocks in total, with an overlap with the FTSE All World index of only 4.3%. This coverage is low due to the high conviction investing that Longview undertakes, which also leads to an active risk of 4.6% as at 31 March 2016.

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 2016

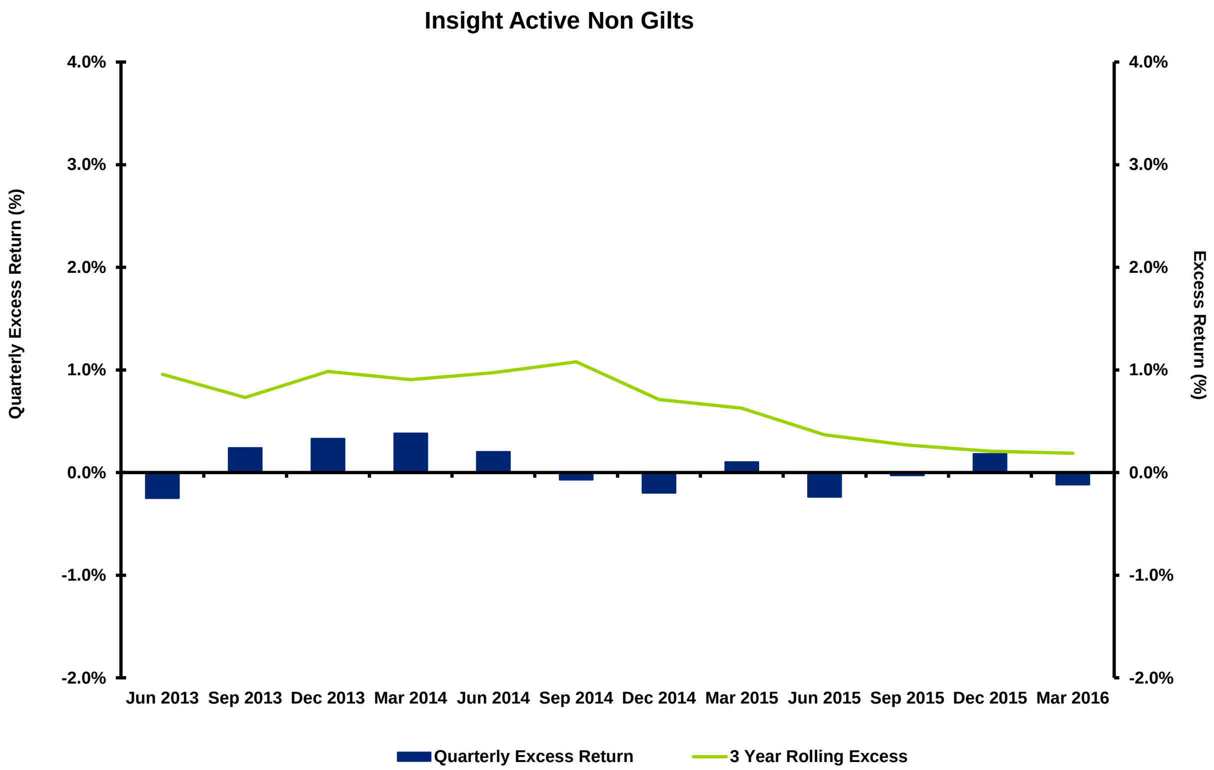
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Non-Gilts) - Gross of fees	2.4	1.2	4.6	5.7
Net of fees[1]	2.4	1.0	4.4	5.5
iBoxx £ Non-Gilt 1-15 Yrs Index	2.5	1.2	4.2	5.3
Relative (net of fees)	-0.1	-0.2	0.2	0.2

Source: Insight

(1) Estimated by Deloitte

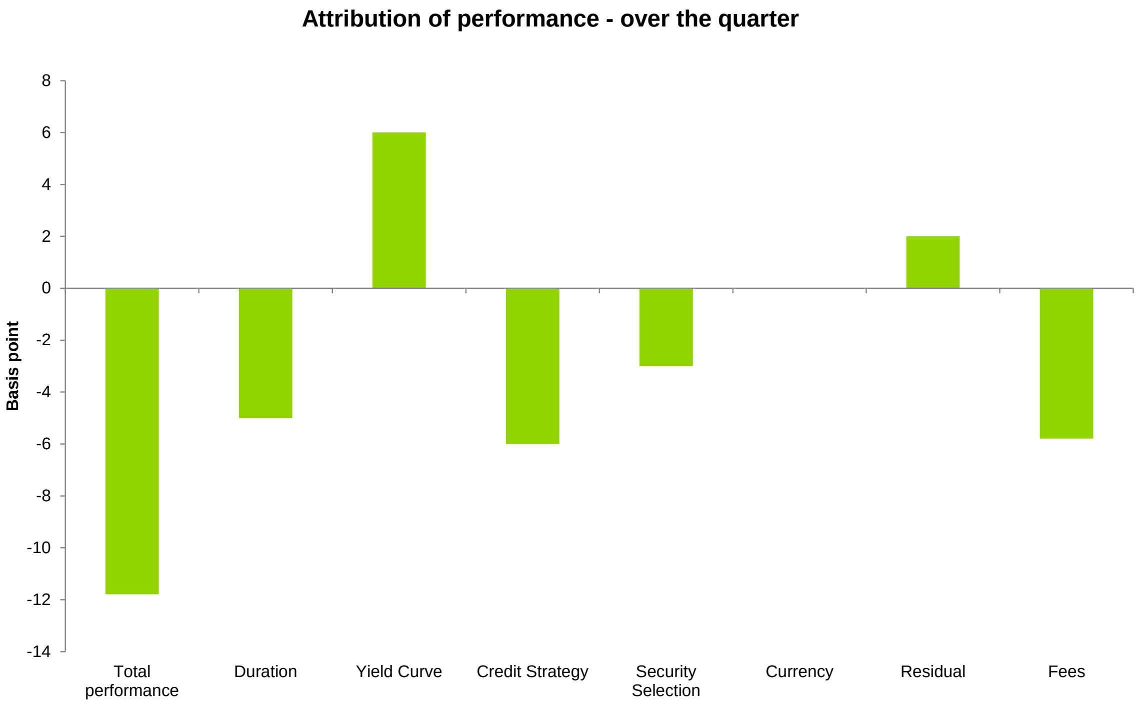
See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



Over the quarter the portfolio marginally underperformed the benchmark by 0.1% net of fees. Over the year to 31 March 2016, the Fund has underperformed the benchmark by 0.2% but outperformed by 0.2% p.a. over the 3 years and since inception.

8.1.2 Attribution of Performance



Source: Estimated by Insight

Insight's underperformance this quarter has been driven by security selection, credit strategy and duration positioning, with the yield curve positioning working to offset some of this underperformance.

8.2 Insight – Government Bonds

8.2.1 Investment Performance to 31 March 2016

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight (Passive Bonds) - Gross	2.8	2.7	2.4	5.2
Net of fees[1]	2.8	2.6	2.3	5.1
FTSE A Gilts up to 15 Yrs Index	2.9	2.8	2.4	5.3
Relative (net of fees)	-0.1	-0.2	-0.1	-0.2

Source: Insight

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 30 June 2008.

The gilt portfolio has performed broadly in line with its benchmark over the quarter, the year and the longer periods to 31 March 2016.

8.3 Duration of portfolios

	31 Dec 2015		31 Mar 2016	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.6	5.3	5.5	5.4
Government Bonds (Passive)	4.4	4.9	4.7	5.0

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	1.9	13.5	15.7	10.1
Net of fees[1]	1.8	13.1	15.3	9.7
Benchmark	1.2	11.0	13.3	9.1
Relative (net of fees)	0.6	2.1	2.0	0.6

Source: Hermes

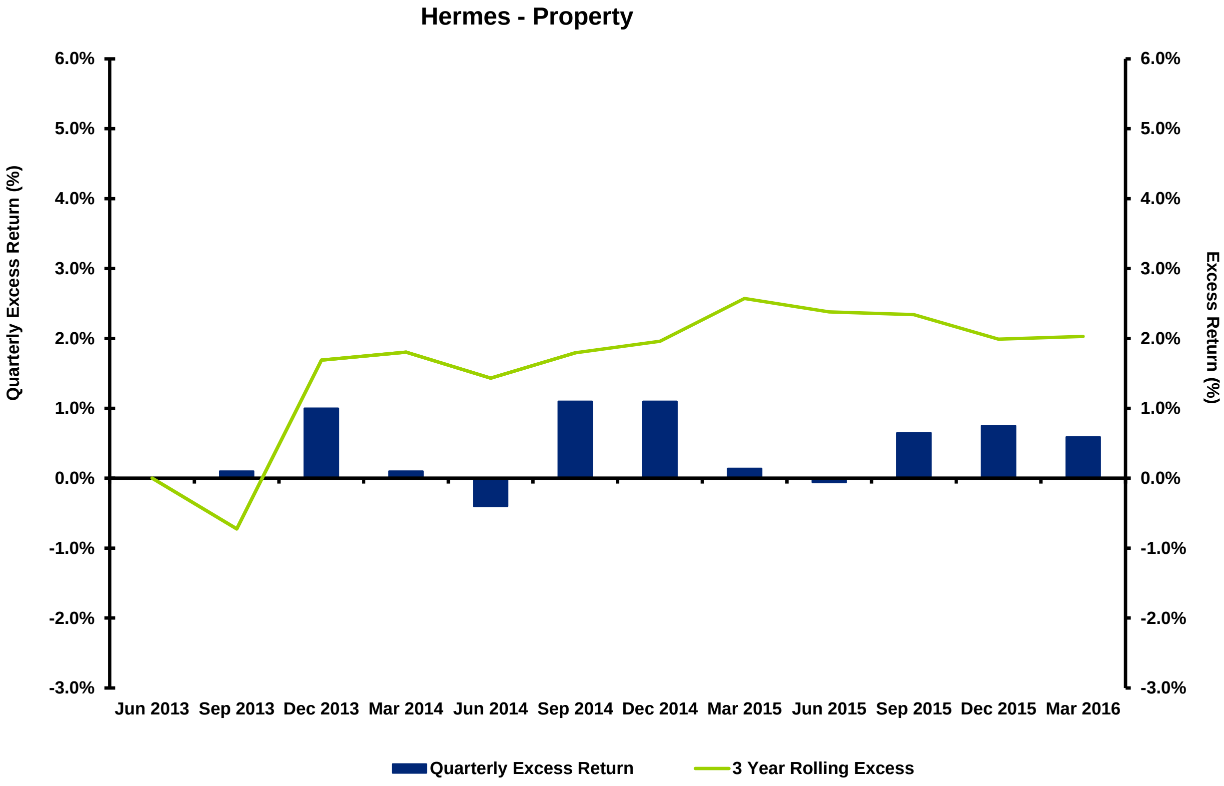
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date is taken as 26 October 2010

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

Outperformance over the quarter was driven primarily by the Trust's holdings in Industrial and Offices (principally outside of London). Over the year to 31 March 2016, the Trust's investments in the office sector (West End, City and Rest of UK) have performed well.



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9.2 Sales and Purchases

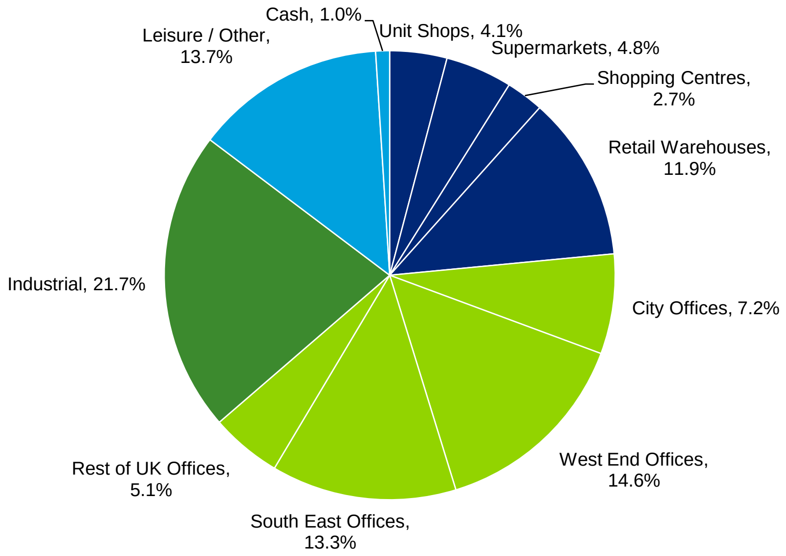
The team completed three purchases over the quarter:

- Eagle Park, Warrington: a £10.65m industrial use investment with initial income yield of 6.5%. This estate is very well located, fully let and taking advantage of low supply of competing modern industrial space in the area. It has strong prospects for rental growth in the short to medium term with long term leases.
- Park Avenue Industrial Estate, Luton: a £9.1m freehold multi-let industrial estate with an initial yield of 7.1%. This estate is located in an area that will benefit from the openings of a new junction on to the M1 therefore improving connectivity and suitability for industrial occupiers.
- Erdington Industrial Park, Birmingham: a £15.07m multi-let industrial estate with an initial yield of 5.7%. This estate will benefit from its established location directly opposite Jaguar land Rover's production plant and used by Jaguar as its car park for their cars. This property currently has a high void rate but Hermes has seen occupier interest in the void units.

There were no sales in the first quarter of 2016.

9.3 Portfolio Summary as at 31 March 2016

The Hermes Property Unit Trust invests across retail, offices, industrials and other sectors, with the split as at 31 March 2016 shown below.



The table below shows the top 10 directly held assets in the Fund as at 31 March 2016.

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	111.3
8/10 Great George Street, London	West End Offices	59.5
27 Soho Square, London	West End Offices	46.3
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	42.5
2 Cavendish Square, London	West End Offices	41.1
Hythe House, Hammersmith	Standard Offices SE	38.8
Christopher Place, St Albans	Shopping Centres	36.4
Polar Park, Heathrow	Standard Industrial	34.5
Camden Works, London	Standard Offices SE	34.1
Boundary House, London	City Offices	34.0
Total		**478.2**

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 FT British Government All Stocks Index benchmark +2.0% p.a. 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	1.4	7.3	n/a	9.8
Net of fees[1]	1.2	6.8	n/a	9.3
Benchmark	5.4	5.3	n/a	8.7
Relative (net of fees)	-4.2	1.5	n/a	0.6

Source: Standard Life

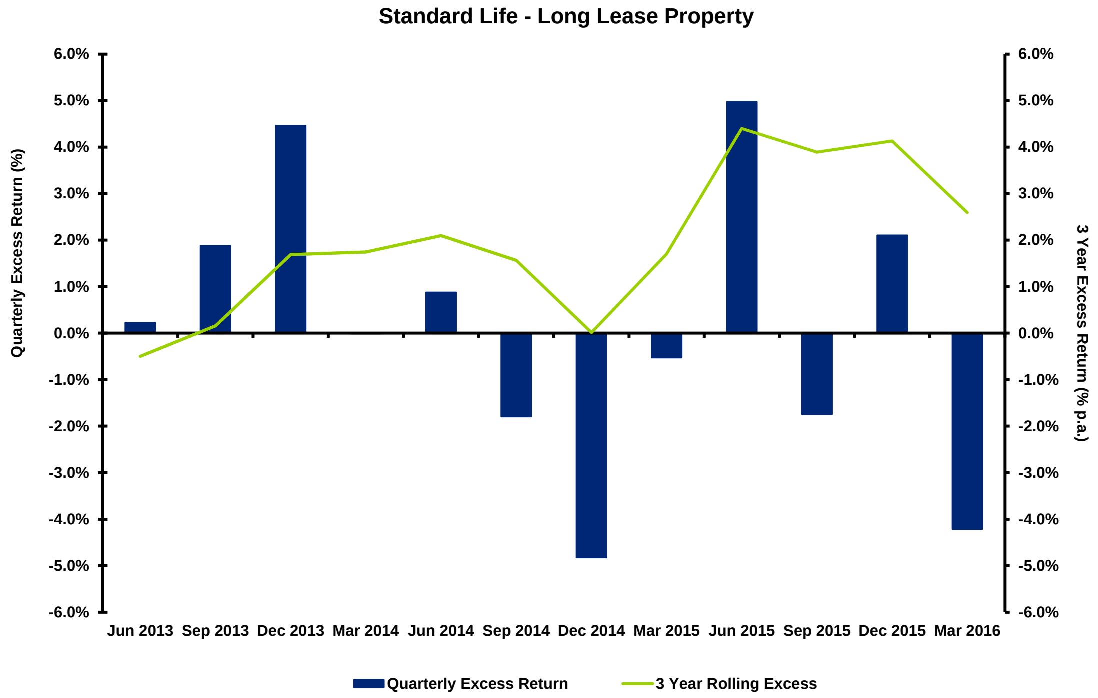
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

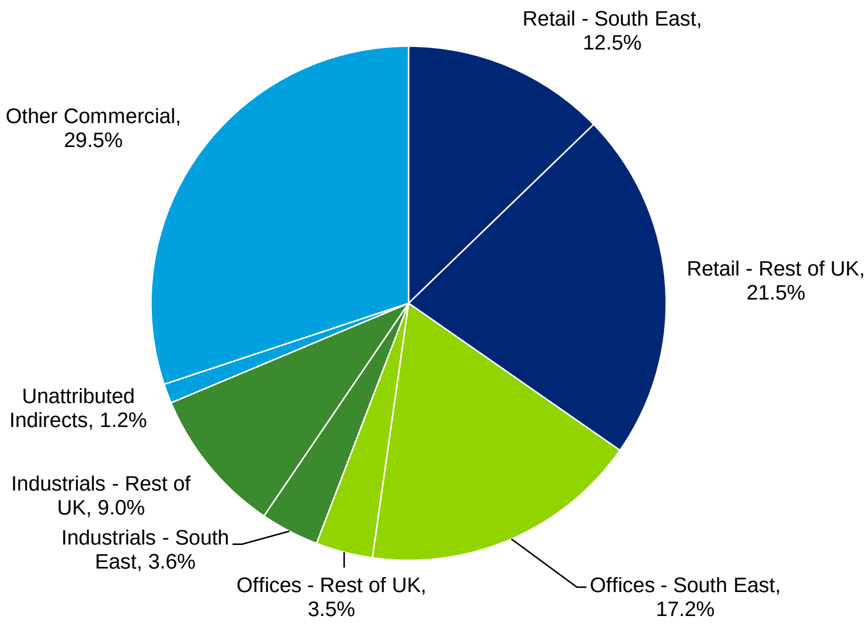
Since inception: 14 June 2013

The SLI Long Lease Property Fund returned 1.2% over the first quarter of 2016, underperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 4.2% net of fees. The Fund continues to lag the wider property market, which returned 11.7% over the year to 31 March 2016, but returns remain attractive from an absolute perspective.

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



The sector allocation in the Long Lease Property Fund as at 31 March 2016 is shown in the graph below.



The Fund remains underweight the office sector (20.7% compared to 34.4%) and remains underweight the industrial sector (12.6% compared to 19.7%) at the end of the first quarter of 2016. The Fund is also slightly underweight the retail sector (36.0% compared to 39.4%) which is dominated by supermarkets and contains no shopping centres and only a small allocation to retail warehouses which form a significant part of the IPD universe (c. 16%).

The Fund continues to be significantly overweight the "Other" sector (30.8% compared to 5.8%) as a result of its holdings in a range of car parks, student accommodation, hotels, medical centres and law courts, as well as its indirect holding in the Standard Life Investments Commercial Ground Rent Fund.

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

Tenant	Property/Location	Total Rent £m p.a.	% Net Income
Tesco Stores Limited	Various	7.8	10.7
Premier Inn Limited	Fountainbridge	5.1	6.9
Sainsbury's Supermarkets	Various	4.9	6.6
Asda Stores Limited	Various	4.4	6.0
University of Salford	Peel Park Campus	3.7	5.0
Marstons PLC	Various	3.6	5.0
Save the Children Fund	1 St Johns Lane, London	3.6	4.9
WM Morrisons Supermarkets	Various	3.5	4.8
Glasgow City Council	Various	3.1	4.2
Travis Perkins (Properties)	Various	3.0	4.1
Total		**42.7**	**58.2**

The top 10 tenants contribute 58.2% of the total net income into the Fund. Supermarkets continue to dominate with Tesco, Sainsbury's, Asda and Morrison's contributing 28.1% to the Fund's total net rental income.

The Fund's average unexpired lease term increased over the quarter from 25.9 years to 26.3 years.

The proportion of the Fund invested in assets with fixed, part-fixed, CPI or RPI-linked rental increases increased slightly over the quarter from 90.3% to 90.6%.

10.2 Sales and Purchases

During the quarter, the Fund acquired a student accommodation asset let to Glasgow School of Art, for £17.4m, representing an initial yield of 5%. The 24.5 year lease has annual RPI-linked rent reviews subject to a cap of 3.5% and a floor of 1.5%.

The development of a flagship Volkswagen showroom in West London was completed during February. Volkswagen will be on a 25 year lease with annual RPI linked increases.

The Fund is also close to completing the acquisition of another asset with a 30 year lease subject to annual RPI increases with a cap of 4% and a floor of 2%. The lease will involve a new tenant for the Fund.

There were no disposals during the first quarter of 2016.

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.

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

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

Appendix 2 – Manager Ratings

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

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

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

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

Appendix 3 – Style analysis

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

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

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

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

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

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

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

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

Appendix 4 – Risk warnings & Disclosures

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

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

Our advice must not be copied or recited to any other person than you and no other person is entitled to rely on our advice for any purpose. We do not owe or accept any responsibility, liability or duty towards any person other than you.

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Barnett Waddingham
a true partnership approach

City of Westminster Pension Fund

Funding update report as at 31 March 2016

Barnett Waddingham LLP

5 May 2016

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Introduction

We have carried out a quarterly monitoring assessment of the City of Westminster Pension Fund (the Fund) as at 31 March 2016. The purpose of this assessment is to provide an update on the funding position.

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.

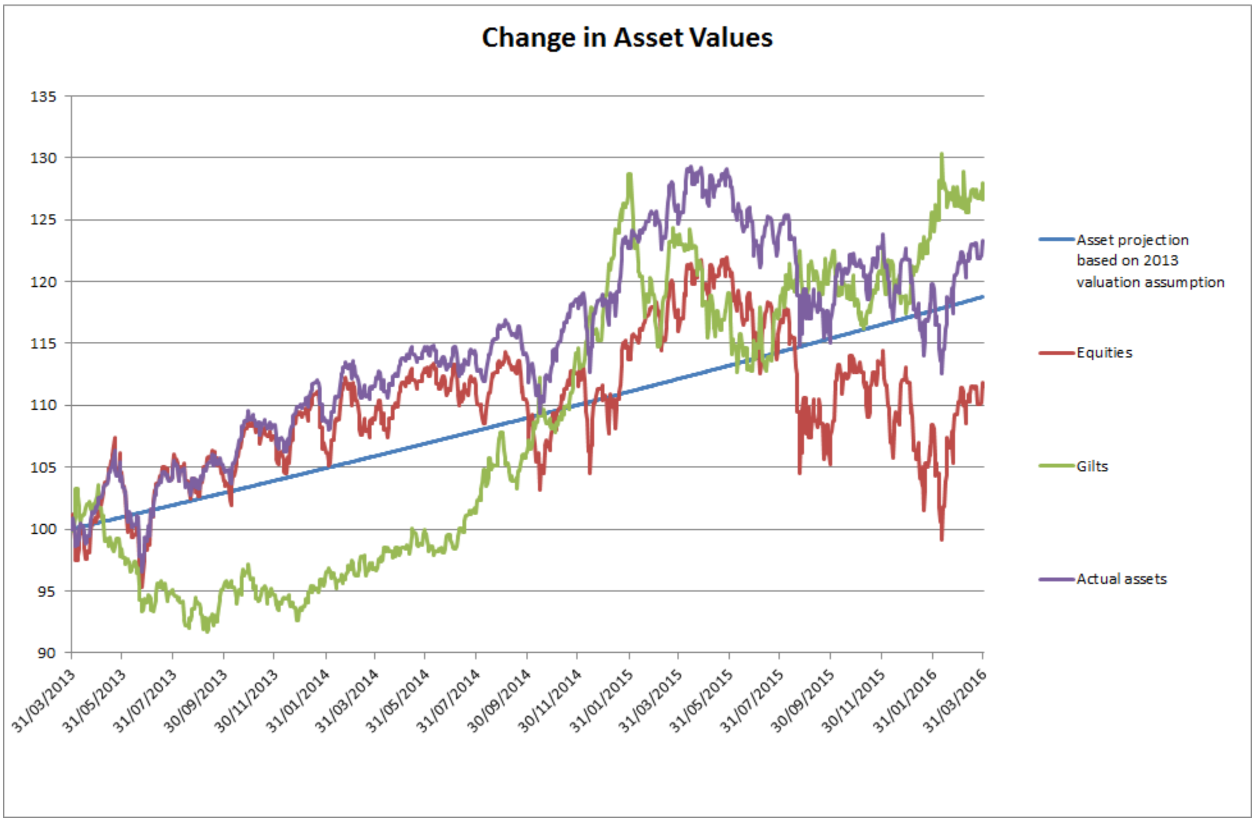
Assets

The estimated (unsmoothed) asset allocation of the City of Westminster Pension Fund as at 31 March 2016 is as follows:

Assets (Market Value)	31 March 2016		31 December 2015		31 March 2013	
	£000's	%	£000's	%	£000's	%
UK and Overseas Equities	773,617	73.1%	769,808	72.7%	643,179	73.6%
Bonds	146,427	13.8%	137,443	13.0%	111,092	12.7%
Property	105,810	10.0%	104,783	9.9%	35,787	4.1%
Gilts	26,732	2.5%	26,706	2.5%	49,821	5.7%
Cash and Accruals	5,349	0.5%	20,868	2.0%	34,303	3.9%
Total Assets	**1,057,934**	**100%**	**1,059,608**	**100%**	**874,182**	**100%**

The investment return achieved by the Fund's assets in market value terms for the quarter to 31 March 2016 is estimated to be 0.3%. The return achieved since the previous valuation is estimated to be 22.1% (which is equivalent to 6.9% p.a.).

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:



As we can see the asset value as at 31 March 2016 in market value terms is slightly more than where it was projected to be at the previous valuation.

Changes in market conditions – market yields and discount rates

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 2016		31 December 2015		31 March 2013	
	Nominal	Real	Nominal	Real	Nominal	Real
	%p.a.		%p.a.		%p.a.	
Pension Increases	2.53%	-	2.61%	-	2.74%	-
Salary Increases	4.33%	1.80%	4.41%	1.80%	4.54%	1.80%
Discount Rate						
Scheduled Bodies	5.78%	3.25%	5.81%	3.20%	5.90%	3.16%
Admission Bodies (in service)	4.53%	1.99%	4.59%	1.98%	4.90%	2.16%
Admission Bodies (left service)	2.77%	0.24%	2.88%	0.27%	3.50%	0.76%

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. The main real discount rate is broadly similar as at the 2013 valuation, maintaining the value of liabilities used for funding purposes.

Summary of results

The results of our assessment indicate that:

- the current projection of the smoothed funding level as at 31 March 2016 is 78% and the average required employer contribution would be 31.2% 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 City of Westminster Pension Fund funding valuation.

The discount rate underlying the smoothed funding level as at 31 March 2016 is 5.8% p.a. The investment return required to restore the funding level to 100% by 2038, without the employers paying deficit contributions, would be 6.9% p.a.

SAB comparison model

For illustrative purposes, we have also assessed the funding position using the LGPS Scheme Advisory Board's (SAB) standardised financial assumptions. As part of the 2016 actuarial valuation, we will be required to calculate this funding level and submit it to the SAB so that LGPS Funds can be easily compared with each other. For the purposes of our calculation, we have adopted a 3% real discount rate based on a CPI assumption of 2% p.a.

As at 31 March 2013, we estimate the funding level of the Fund to be 78% on the SAB basis. As at 31 March 2016, this is estimated to have increased to 85%.

Recent announcements have suggested that the SAB real discount rate could move to 2.8%. Based on this, the funding level as at 31 March 2013 would be around 75% and as at 31 March 2016 would be around 82%

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.

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

Graeme D Muir FFA
Partner
Barnett Waddingham LLP

Appendix 1 **Financial position since previous valuation**

Below we show the financial position on a smoothed 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	1,023,980	1,302,309	(278,329)	79%	-	13.2%	17.1%	30.4%	5.9%	7.0%
November 2014	1,034,712	1,316,533	(281,820)	79%	-	13.3%	17.7%	31.0%	5.9%	6.9%
December 2014	1,040,341	1,330,754	(290,413)	78%	-	13.4%	18.4%	31.8%	5.9%	6.9%
January 2015	1,078,282	1,357,915	(279,633)	79%	-	13.7%	17.5%	31.2%	5.8%	6.8%
February 2015	1,091,181	1,371,376	(280,195)	80%	-	13.8%	17.9%	31.7%	5.8%	6.7%
March 2015	1,104,985	1,374,723	(269,739)	80%	-	13.7%	17.6%	31.3%	5.8%	6.8%
April 2015	1,106,355	1,376,996	(270,640)	80%	-	13.6%	17.4%	31.0%	5.9%	6.9%
May 2015	1,105,768	1,385,201	(279,433)	80%	-	13.5%	17.8%	31.4%	6.0%	7.0%
June 2015	1,103,539	1,409,858	(306,319)	78%	-	13.9%	19.0%	32.8%	5.9%	7.0%
July 2015	1,075,550	1,399,015	(323,464)	77%	-	13.4%	19.9%	33.3%	6.0%	7.2%
August 2015	1,065,910	1,403,042	(337,132)	76%	-	13.3%	20.5%	33.8%	6.1%	7.3%
September 2015	1,054,032	1,415,081	(361,048)	74%	-	13.3%	21.6%	34.9%	6.1%	7.4%
October 2015	1,045,333	1,393,777	(348,444)	75%	-	14.1%	20.9%	35.0%	6.1%	7.4%
November 2015	1,037,905	1,376,532	(338,627)	75%	-	13.9%	20.2%	34.0%	5.9%	7.1%
December 2015	1,044,745	1,374,665	(329,920)	76%	-	14.0%	19.4%	33.4%	5.8%	7.0%
January 2016	1,044,640	1,365,542	(320,902)	77%	-	14.0%	18.7%	32.7%	5.8%	7.0%
February 2016	1,039,867	1,350,476	(310,610)	77%	-	13.9%	18.0%	31.9%	5.8%	7.0%
March 2016	1,036,023	1,320,585	(284,562)	78%	-	13.8%	17.3%	31.2%	5.8%	6.9%

City of Westminster

Committee Report

Decision Maker:	**Pension Fund Committee**
Date:	**21 June 2016**
Classification:	**General Release**
Title:	**Pension Fund Investment Adviser Contract**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no immediate financial implications arising from this report, although the contract appointment will potentially result in a change in costs currently incurred by the Pension Fund.**
Report of:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2831**

1. Executive Summary

1.1 The Committee's contract with Deloitte expires on 31 October 2016. It is proposed that a tender process is to be undertaken to appoint an Investment Adviser for the Pension Fund using the National LGPS Framework.

2. Recommendation

2.1 The Committee is asked to:

(a) note this report and approve the proposed tender process using the National LGPS Framework for Pension Fund Investment Advisers, and
(b) Nominate representatives to the adviser presentations.

3. Introduction and Background

3.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations require the Pension Fund to take proper advice when deciding how to invest the Fund's assets, deciding which investment managers to appoint and when monitoring performance.

3.2 Deloitte has been investment advisers to the Westminster Pension Fund since 2009. The existing extension to their contract is due to expire on 31 October 2016. Westminster's procurement rules require a re-tender as opportunities to extend have been exhausted.

3.3 The National LGPS Framework for Pension Fund investment advisers was set up in early 2013 by group of local authorities led by Norfolk County Council. This involved undertaking a full EU compliant procurement process and appointing six investment advisers to the framework[1]. Any local authority Pension Fund can now use the framework by undertaking a mini-competition to select from the six, rather than needing to go through a full EU procurement process. This saves Pension Funds both time resource and costs when procuring investment advisers.

3.4 All the major providers of investment advice to local authority pension funds, including Deloitte, are on the framework and available to select from.

3.5 The option reported at the November 2015 meeting of a joint procurement process with the Royal Borough of Kensington and Chelsea is no longer a possibility as RBKC are unwilling to use the national framework. Therefore it is recommended that the Pension Fund Committee approve the retender process using the National LGPS Framework on a stand-alone basis.

4. Tender Process Proposal

4.1 A mini competition process to appoint an Investment Adviser from the National LGPS Framework will be undertaken by officers with support from colleagues in Procurement. The first stage involves the preparation of a tender document to explore each firm's capabilities together with a scoring matrix. The six firms on the Framework are then invited to submit their responses to questions around the quality of service they would provide and the prices they would charge. It is proposed that these responses are evaluated against the scoring matrix by a panel of Tri-Borough Pensions officers and ranked to shortlist the top three. The main issue when setting the scoring matrix is the allocation of marks between quality factors and price. It is proposed that 60% quality and 40% price is applied in line with Westminster's procurement policy.

4.2 The top three will then be invited to give a presentation to a panel made up of Pension Fund Committee members and Officers from the Tri-

[1] The six firms are: Aon Hewitt, Deloitte Total Reward and Benefits, Hymans Robertson LLP, JLT Investment Consulting, KPMG LLP and Mercer Limited

Borough Pensions team and Procurement.   Following the presentations, the scoring will be reviewed in the light of new information to identify the preferred advisor. There will then be an opportunity for the preferred candidate to present to the whole Committee before the appointment is confirmed.

4.3 It is proposed that the presentation panel be arranged in advance of the next Pension Fund Committee meeting, which is due to be held on 20 September 2016, and the Committee is invited to nominate representatives to attend the presentations.

4.4 The decision to appoint the contract can then be made at the September Committee meeting. The timetable is tight and may have to be extended.

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

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

BACKGROUND PAPERS:

The National LGPS Framework for Pension Fund Investment Advisers

APPENDICES - None

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City of Westminster

Committee Report

Decision Maker:	**Pension Fund Committee**
Date:	**21 June 2016**
Classification:	**General Release**
Title:	**Pension Fund Committee Forward Plan**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no financial implications arising from this report.**
Report of:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2831**

1. Executive Summary

1.1 This report presents the forward plan of work for the Pension Fund over the coming 12 months.

2. Recommendation

2.1 The Committee is asked to agree the forward plan of work for the coming year.

3. Background

3.1 A forward plan gives members visibility of the reports to be expected over the 12 months and allows a regular dialogue about the items to include.

3.2 A draft work plan for the coming 12 months is set out in Appendix 1 covering the various areas of work the Committee are responsible for. It is proposed to report the rolling 12 month plan as a standing item on the agenda going forward, to allow members to input to it at each meeting.

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

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

BACKGROUND PAPERS: None

APPENDIX 1 – Draft Forward Plan for the Pension Fund Committee – June 2016

Appendix 1

Draft Forward Plan for the Pension Fund Committee – June 2016

Area of work	20 Sep 2016	15 Nov 2016	21 Mar 2017	TBC Jun 2017
Governance	Pension Board minutes Quarterly Performance Report Quarterly Fund Financial Management Update Forward Plan Annual report of Pension Board activities Review of Pension Fund expenses Re-enrolment Update	Pension Board minutes Quarterly Performance Report Quarterly Fund Financial Management Update Forward Plan Scheme Advisory Board Key Performance Indicators Risk Register review Admission Policy and Risk Register	Pension Board minutes Quarterly Performance Report Quarterly Fund Financial Management Update Forward Plan Business Plan	Pension Board minutes Quarterly Performance Report Quarterly Fund Financial Management Update Forward Plan Pension Fund Annual Report and Accounts 2016/17 Progress on compliance with TPR Code of Practice Review of Governance Compliance Statement
Investments	Investment Strategy Statement (replaces SIP) Pooling and CIV update Investment Adviser Contract	Pooling and CIV update Feedback from Annual fund manager monitoring day	Investment Strategy Review	Investment Strategy Review

Area of work	20 Sep 2016	15 Nov 2016	21 Mar 2017	TBC Jun 2017
Funding	Actuarial Valuation progress	Draft Actuarial Valuation results and contribution rates	Final Actuarial Valuation report Funding Strategy Statement	