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City of Westminster

Committee Agenda

Title:	**Pension Fund Committee**
Meeting Date:	**Tuesday 27th June, 2017**
Time:	**7.00 pm**
Venue:	**Room 3.4, 3rd Floor, 5 Strand, London WC2 5HR**
Members:	**Councillors:** Suhail Rahuja (Chairman) Peter Cuthbertson Patricia McAllister Ian Rowley

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

Admission to the public gallery is by ticket, issued from the ground floor reception 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)

9.	**INVESTMENT STRATEGY AND POOLING UPDATE** Report of the City Treasurer.	**(Pages 117 - 144)**
10.	**PENSION FUND BUSINESS PLAN 2017-18** Report of the City Treasurer.	**(Pages 145 - 158)**
11.	**ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**	

Charlie Parker
Chief Executive
14 June 2017

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CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Tuesday 21st March, 2017**, Rooms 3 and 4, 17th Floor, Westminster City Hall, 64 Victoria Street, London SW1E 6QP.

Members Present: Councillors Suhail Rahuja (Chairman), Peter Cuthbertson, Patricia McAllister and Ian Rowley.

Officers Present: Peter Carpenter (Interim Tri-Borough Director of Treasury and Pensions), Nikki Parsons (Pension Fund Officer), Lee Witham (Director of People Services), Kim Edwards (Senior Pensions and Payroll Adviser) and Toby Howes (Senior Committee and Governance Officer).

Others Present: Kevin Humpherson (Deloitte), Marie Holmes (Employer Representative, Pension Board), Dr Norman Perry (Scheme Member Representative, Pension Board) and Christopher Smith (Scheme Member Representative, Pension Board).

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS

2.1 Councillor Suhail Rahuja declared that he was employed by fund managers who have amongst their clients Hermes. However, he was not involved in any element of the work which relates to the Westminster Pension Fund and accordingly he did not regard this as a prejudicial interest.

2.2 Councillor Ian Rowley declared that he held investments in Majedie and an Investment Trust with Baillie Gifford that he had held before he had become a Member of the Committee, however he did not regard this as a prejudicial interest.

3 MINUTES

3.1 That the Minutes of the meeting held on 15 November 2016 be signed by the Chairman as a correct record of proceedings.

4 MINUTES OF PENSION BOARD

4.1 It was noted that the Minutes of the last Pension Board meeting held on 6 March 2017 would be circulated separately.

5 FORWARD PLAN AND ALLOCATION OF PENSION FUND WORK

5.1 Peter Carpenter (Interim Tri-Borough Director of Treasury and Pensions) introduced the report that had been produced as a result of discussions at the 20 September meeting where further clarification of the roles of the Committee and the Pension Board had been requested. He circulated the Pension Board's Forward Plan for the remainder of the municipal year 2016-2017 and for 2017-2018. Peter Carpenter then invited comments from Members of the Committee and the Board.

5.2 The Chairman commented that there was currently some overlap of work between the Committee and the Board and consideration needed to be given as to how to allocate the work between these two accordingly and he sought views of Board Members present. Dr Norman Perry (Scheme Member Representative, Pension Board) remarked that its role was to assist the administering authority of the Fund, which included the Committee, and also to carry out a scrutiny function of activities being undertaken. To date, the Board had shadowed the work of the Committee more than it had partaken of any scrutiny of the Fund, however now that the Fund's Investment Strategy Statement and the Funding Strategy Statement were about to approved, these were areas that the Board could scrutinise the Fund's compliance of. Dr Norman Perry stated that the Board had undertaken some scrutiny of the Pension Scheme's administrative arrangements and this was an area it could also continue to focus on. He also suggested that consideration could be given to reducing the frequency of the Board's meetings to three per municipal year and having an annual joint Committee and Board meeting.

5.3 The Committee Chairman suggested that the Board could both play a role in scrutinising the Fund and the scheme's compliance and in also focusing on specific areas, such as administrative arrangements. He added that a joint meeting between the Committee and Board could also take place in future.

5.4 A Committee Member acknowledged that the administration of the pension scheme was a crucial area, particularly in light of issues relating to BT and he welcomed the Board focusing on this area and scrutinising administration performance. He suggested that the Board could also provide feedback to the Committee on the views and experiences of the pension scheme members. The Chairman concurred with this view and acknowledged that scheme members and pensioners would have a very different perspective of the Fund to Members and officers.

5.5 The Chairman requested that he meet with Dr Norman Perry and Peter Carpenter to discuss further scoping of the allocation of work between the Committee and the Board before the next Board meeting on 9 May.

5.6 **RESOLVED:**

That the Committee’s Forward Plan of Work for 2017-2018 be agreed, incorporating reallocation of work areas following discussions with the Pension Board.

6 FINAL ACTUARIAL VALUATION REPORT AND FUNDING STRATEGY STATEMENT

6.1 Peter Carpenter presented the report and advised that the actuarial valuation report set out the final position of the Fund. He advised that the Fund overall was 80% funded as of March 2016 compared to the previous valuation of 74% in 2013 and it was anticipated that this would rise to around 84% in the next three years. The increase in funding levels also meant that the overall deficit had been reduced from £297m to £264m. Members noted the comparisons between the funds to be published by the Government Actuary Department, which used a discount rate of 6.2%, compared to 5.1% used by the Fund’s actuary, Barnett Waddingham. Peter Carpenter advised that the number of pension scheme members had increased as more admitted bodies and scheduled bodies had joined the Fund, and also because of members being admitted through auto enrolment that had taken place over the last three years.

6.2 Peter Carpenter referred to the contribution rates for each organisation in the Fund as set out in the report and it was noted that the Council was presently 70% funded, however through a combination of three £10m cash injections and increasing contributions in the next three years, it was expected that the funding level would increase to 75%. This would also help reduce the anticipated time taken to repay the deficit from 25 years to 19 years. Members noted that the Fund was unusual in that the Housing Communities Agency, which was fully funded accounted for approximately 25% of all scheme members, was atypically large for an admitted body.

6.3 During Members’ discussions, it was queried whether a subsidiary company that was to be set up under CityWest Homes would join the Fund. The Chairman sought a further explanation of the graph illustrating changes to deficit levels for the valuation between 2014 and 2017 and also the reasons why deaths before retirement was still at the same level, even though life expectancy was increasing. He commented that the contributions for some admitted bodies seemed quite high and he asked why this was the case. The Chairman also sought further clarification that an increase of the funding level to 75% for the Council’s Fund could be achieved in three years. Members also asked what the implications would be if the London Borough of Hammersmith (LBHF) was to withdraw from tri-borough arrangements in respect of the Pensions and Treasury Service.

6.4 In reply to the issues raised, Peter Carpenter advised that factors affecting the valuation included the returns made on existing assets, the 1% reduction in the discount rate since the last valuation and because scheme members were living longer. In respect of deaths before retirement remaining the same despite longer life expectancies, Peter Carpenter stated that it was likely that this was due to a statistical figure being taken over a longer period of time, although he would check to confirm whether this was the main reason. Members noted that the graph on page 28 of the report that explained the differences between the assumptions used in 2013 valuation and those in the 2016 valuation.

6.5 With regard to admitted bodies contributions, Peter Carpenter advised that some contained a relatively small number of pension scheme members, so leavers or joiners would have a larger impact on contributions. The anticipated increase in funding levels to the City Council's Fund to 75% in three years would be achieved through increased contributions, whilst the Investment Strategy Statement would also consider use of other City Council resources to reduce the deficit more quickly as this would save the City Council money in the long term by reducing interest rate costs.

6.6 Peter Carpenter stated that if LBHF were to withdraw from the tri-borough Pensions and Treasury Service, this could affect resilience, particularly as this team was small and a staffing restructure may need to be considered if this occurred.

6.7 **RESOLVED:**

That the Acturial Report for 2016 which summarises the process that has taken place and the final contribution rates for future and past service contributions for Westminster City Council and all Admitted and Scheduled Bodies be noted and agreed.

7 CHANGES TO INVESTMENT REGULATIONS

7.1 Peter Carpenter presented the report that sought approval of the Investment Strategy Statement (ISS) and the Funding Strategy Statement (FSS). Members noted that the ISS set out the remit of the Committee, as well as the City Council, as the Fund's administering authority, its approach to pooling in respect of the London Collective Investment Vehicle (CIV). Peter Carpenter advised that around 53% of the Fund's assets would be transferred to the CIV by the end of June, and as the Committee had agreed to the CIV negotiated rate for LGIM, this would take the overall percentage of assets under the CIV to 76%. As the proportion of assets under the CIV grew, governance issues including voting rights increasingly needed to be addressed.

7.2 Peter Carpenter advised that there had been two minor changes to the FSS since it had been presented to the Committee at the 15 November 2016 meeting. The first involved changes to section 7.2 of the report relating to the monitoring arrangements for assessing the financial health of employers, and the second was a correction to Section 12 of the report referring to the new ISS and not the earlier Statement of Investment Principles.

7.3 During discussions by the Committee, a Member referred to paragraph 1.4 in the ISS and suggested that the advice of the Investment Consultant was not always sound. It was agreed that the wording for paragraph 1.4 be reviewed for the next meeting. The Chairman commented that the ISS does not consult with interested parties and it was more accurate to state that the ISS informs interested parties and it was agreed that paragraph 6.9 of the ISS be amended accordingly to reflect this. Members also sought clarification as to whether funds could invest in more than one CIV and it was commented that this would be desirable if it was permissible as it would help reduce costs further.

7.4 In reply to questions raised by Members, Peter Carpenter advised that it had been confirmed at the first London CIV annual conference on 1 March that investing in more than one CIV was not permissible at the moment, however the Minister for Local Government will consider this matter further. Peter Carpenter informed Members that the City Council was now receiving some reports from the London CIV in respect of the transfer of Majedie assets, however greater clarity and transparency was needed. However, he felt that the London CIV currently lacked the capacity to attend, for example, all of the Pension Fund Committee meetings held by the participating London boroughs, however there were staff undertaking monitoring duties. Members noted that Nikki Parsons (Pension Fund Officer) was a member of a working group looking at London CIV governance issues.

7.5 The Chairman requested that Peter Carpenter write to the Minister for Local Government on behalf of Councillor Patricia McAllister and himself to ask for confirmation on whether administering authorities would be able to choose to invest in more than one CIV at some point in the future and when was a final decision likely to be made on this matter. The Committee agreed the ISS and the FSS, subject to the comments made above.

7.6 **RESOLVED:**

1. That the new Investment Strategy Statement required by changes of legislation to be implemented as of 1 April 2017 be approved, subject to the comments made above.

2. That the Funding Strategy Statement required by changes of legislation to be implemented as of 1 April 2017 and which was approved in draft form by the Committee on 15 November 2016, be approved.

8 PENSION ADMINISTRATION UPDATE

8.1 Lee Witham (Director of People Services) presented this item and began by stating that BT had declined the invitation to the meeting on the grounds that they were in commercial negotiations with the City Council. He advised that officers had met with BT on a twice weekly basis to address performance concerns, however this had currently ceased whilst commercial negotiations were underway. However, every effort continued to be made to resolve issues with BT, along with the help of Jason Bailey (Pension Services Manager, Surrey County Council).

8.2 Lee Witham then turned to the revised key performance indicators (KPIs) and stated that there were now more KPIs for a number of additional measures. Each KPI also included the number of cases involved to help put each in perspective. Members noted that Surrey County Council Pension Services Team had created the new set of KPIs and the performance was monitored by the City Council.

8.3 Jason Bailey then addressed the Committee and acknowledged that some targets were still not being met. In order to address this, some changes at management level were being made, including the appointment of two team leaders, whilst an operational manager would be in post by April. Jason Bailey anticipated that the changes would lead to improvements in a number of areas, with many rated 'red' turning to 'green' as the benefits of the changes started to show.

8.4 Christopher Smith (Scheme Member Representative, Pension Board) was then invited to address the Committee to inform them of some of the experiences he had been told of by pension scheme members. Christopher Smith began by welcoming the new set of KPIs, particularly as they included the number of cases involved. However, he felt that some improvements to the reporting could still be made, such as the number of death benefits notified target showing 100%, even though none had been made during that period.

8.5 Christopher Smith advised Members that he was not satisfied with the experiences of scheme members being reported to him. One member had not received their annual benefit statements for 4 years, and when they finally had received one, it had incorrectly stated that no contributions had been paid. Christopher Smith emphasised that one of the most important issues to address was to ensure pension payments were made in time. He acknowledged that performance had improved since the issues raised at the last Pensions Annual General Meeting on 21 September 2016 and People Services had worked very hard to address this. However, he could not be sure that the 250 annual benefit statements that had been outstanding were now all resolved. He also felt that there were a number of other cases that remained unresolved, involving a number of different issues and it was possible that some scheme members were no longer reporting their problems as they had little faith that they could be resolved. In reply to a query from Members, Christopher Smith suggested that there were possibly around 30 cases that remained unresolved.

8.6 The Chairman stated that cases such as the annual benefit statement that had not been provided for four years were not reported within the KPI data, along with other BT related cases as performance could not be monitored where data was inaccurate or missing. Members remarked that it was important that the experiences of scheme members were reported more regularly and that this was an area the Pension Board could focus on. Members sought assurances that BT had invested sufficiently in staff to address the problems being experienced.

8.7 Dr Norman Perry asked whether the Housing Communities Agency, another large organisation within the pension scheme, had encountered problems similar to those of the City Council. Marie Holmes (Employer Side Representative, Pension Board) commented that a number of admitted bodies in the scheme did not use BT and she asked that information be provided in respect of their pension administration performance too. She added that she also received details of cases where scheme members had experienced problems.

8.8 In reply to the issues raised, Lee Witham stated that People Services also received details of difficulties being experienced by scheme members. He advised that the 250 outstanding annual benefit statements related to staff that had been absent. The BT file containing this data had been inaccurate and officers had requested that BT bring in additional resources to address this and a deadline of 10 February had been set to provide a corrected file. The file submitted had led to an improvement in the quality of data from 30% to 90%, however Lee Witham acknowledged that this was still not good enough. However, he felt more assured that BT now knew how to resolve issues. Members noted that BT had been requested to provide an updated file to Surrey County Council within two weeks, who would then need a further two weeks to send out the outstanding annual benefit statements.

8.9 Lee Witham stated that a root cause analysis of the issues being experienced in relation to BT had been undertaken. He felt that BT had now invested sufficiently in staff, however they needed to work better in order to improve performance. With regard to cases such as the annual benefit statement case highlighted, he would discuss with Jason Bailey and Christopher Smith how such cases could be reported in the KPIs.

8.10 Jason Bailey stated that he was not aware of any pension administration issues in respect of the Housing Communities Agency, who did not use BT as their payroll provider. However, he advised that there were instances of other payroll providers for organisations in the pension scheme who also did not always provide accurate data and it was acknowledged that both the Committee and the Board needed to be made aware of this.

8.11 The Chairman expressed concern that problems persisted, despite efforts made to address them. He requested that future reports reflect the performance of the City Council, Surrey County Council, BT and admitted bodies payroll providers. Members expressed concern that problems remained, despite efforts made to address these. The Chairman also requested that he meet with Christopher Smith, Lee Witham, Jason Bailey and other Members to discuss this matter further, looking into each case if necessary. He further added that if progress was unsatisfactory, then a report would be required detailing each case at the next meeting.

9 ASSET POOLING AND LONDON COLLECTIVE INVESTMENT VEHICLE UPDATE

9.1 Peter Carpenter presented the report and advised that the Majedie assets would transfer to the London CIV on 18 May, whilst it was also proposed to transfer the Longview assets to the CIV, and if this was approved by Committee, this would be completed sometime in June. In respect of the Fixed Income Mandate with Insight, this was due to expire at the end of 2017. Peter Carpenter suggested that a session be arranged with Members to discuss potential options for the Fixed Income Mandate, with representatives from the London CIV in attendance to advise accordingly.

9.2 The Chairman requested that the meeting to discuss the Fixed Income Mandate take place on a Friday in April or May and that the views of Deloitte on this matter should also be sought. With regard to London CIV attendance at the meeting, he suggested that Julian Pendock (Chief Investment Officer, London CIV) be one of the representatives invited. The Chairman requested that Peter Carpenter discuss with other boroughs if they similarly needed to make a decision quickly in respect to fixed income mandates to see if they would consider acting with the City Council on this matter.

9.3 The Committee agreed to the transfer of the Longview assets to the London CIV.

9.4 **RESOLVED:**

1. That the process being undertaken to transfer the Majedie mandate to the London CIV be noted.

2. That the transfer the Longview mandate to the London CIV be agreed in principle, in order for the more detailed work to be undertaken.

3. That the London CIV pipeline for new Investment Vehicles be noted.

10 FEEDBACK FROM ANNUAL FUND MANAGER MONITORING DAY

10.1 Peter Carpenter introduced the report and confirmed that Longview had reduced their management fees since the fund manager monitoring day had taken place. He agreed to provide the Chairman with the details of the reduced fees.

10.2 **RESOLVED:**

That the contents of the report be noted.

11 FUND FINANCIAL MANAGEMENT

11.1 Nikki Parsons (Pension Fund Officer) presented the report and advised that the Risk Register had been revised, following agreement at the 21 June 2016 meeting that a more quantitative approach be taken and that the Risk Register be more relevant to the Fund. It was proposed that the impact scores be broken down further into impact on cost or budget and impact on scheme members. Nikki Parsons drew Members' attention to the proposed thresholds for the impact description, impact on cost/budget and impact on members as set out in the table in section 3.4 of the report. She felt that the changes to the Risk Register would more accurately reflect the impact both on pension scheme members and on the Fund's budget.

11.2 Turning to cashflow, Nikki Parsons referred Members to the cashflow forecast to reflect the actual position at the end of December 2016 as set out in appendix 3 of the report. She advised that from March, additional employer costs are to be made from the Council to cover early retirement and ill-health strain costs. The level of expenses over the next three years would reduce significantly as fund managers transferring to the London CIV will no longer be paid by invoice, with fees being deducted at source instead. The Fund will also opt to receive cash distributions from mandates as they transferred to the CIV.

11.3 The Chairman welcomed the changes to the Risk Register which he felt had been significantly improved and would assist the Committee in focusing on the most important areas.

11.4 **RESOLVED:**

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

2. That the cashflow position of the Fund be noted.

12 QUARTERLY PERFORMANCE REPORT

12.1 Kevin Humpherson (Deloitte) provided Members with an update on the quarterly performance of the Fund. He began by advising that there were no concerns in respect of the individual fund managers, whilst the recent merger between Standard Life and Aberdeen Asset Management was not likely to have any immediate impact upon the long lease property assets held by Standard Life. Kevin Humpherson advised that both Majedie and Standard Life had performed strongly and were considerably above the benchmark for the last quarter, whilst they also continued to perform above the in-year benchmark. Hermes had also performed above the benchmark for the last quarter and remained above the in-year benchmark. Baillie Gifford had underperformed during the last quarter, as had Longview, although this was partly attributable to stock specific issues and Longview were still above the in-year benchmark. Kevin Humpherson suggested that the present benchmarks for Standard Life in respect of long lease property were incorrect and he suggested that a Peer Group Comparator could be undertaken in respect of this.

12.2 Members enquired whether there were any factors that may result in affecting the long lease property fund in respect of the merger between Standard Life and Aberdeen Asset Management. In reply, Kevin Humpherson advised that if the fund manager for the long lease property fund was to leave, or the fund started pursuing asset growth strategies, then this may give cause for the City Council to consider this as an exit trigger.

12.3 The Committee welcomed a Peer Group Comparator being undertaken in respect of the Standard Life long lease property benchmarks.

12.4 **RESOLVED:**

That the contents of the paper and the performance report from Deloitte be noted.

13 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

13.1 There was no additional business for the Committee to consider.

14 MINUTES

14.1 **RESOLVED:**

That the Minutes of the meeting held on 15 November 2016 be signed by the Chairman as a correct record of proceedings.

The Meeting ended at 8.41 pm.

CHAIRMAN: ____________________ **DATE** ____________________

City of Westminster

Pension Fund Committee

Date:	**27th June 2017**
Classification:	**General Release**
Title:	**Pension Administration Update**
Report of:	**Lee Witham, Director of People Services**
Wards Involved:	**All**
Policy Context:	**Service Delivery**
Financial Summary:	**Limited**

1. Executive Summary

1.1 Following on from the report submitted at the previous Committee meeting on 21 March 2017, the Chairman requested that future reports reflect the performance of the City Council, Surrey County Council, BT and admitted bodies' payroll providers. This report gives an update on the performance of the pension administrators Surrey County Council (SCC) for the period March 2017 to May 2017. The detailed KPIs are shown in Appendix 1.

1.2 This paper also provides a progress update with regards BT, internal audit, recovery plan, pension administration strategy (PAS) and discretionary policies.

2. Surrey CC Performance

2.1 The Pension Fund Committee was advised last June that there had been some concerns over the performance of SCC in provision of administrative services to WCC fund members.

2.2 At the November Committee meeting it was highlighted that a new set of KPI measures had been agreed to monitor the performance of SCC and to more accurately reflect the pension member experience. The additional details requested from SCC were drawn from the section 101 agreement between WCC and SCC and agreed in discussion with procurement.

2.3 Although it was agreed that these reports would be provided on a quarterly basis, due to continued concerns with some aspects of performance we have reverted to monthly data until we are more confident with the performance of Surrey CC.

2.4 People services met with representatives from SCC's pension team on 15th June 2017 to discuss the KPIs and review on-going performance concerns highlighted within the KPIs. It should be noted that there has been a steady improvement in KPIs over the last 6 months. At the end of March there were five red measures and four amber measures. Currently this has reduced to three red measures and one amber. Nine of the measures that were of concern at the end of January show an upward trend over the past 6 months. There is one measure with a downward trend which continues to be impacted by BT performance.

2.5 People services addressed with SCC the need to improve KPI performance levels in the following red measures:

2.5.1 **Deferred benefits sent to members following receipt of leaver notification** – This area remains a serous cause for concern with only 17/30 on time within the April/May reporting periods. It is noted that this is in large part due to the late provision by the payroll providers of the necessary data. Jason Bailey has already placed more resources in this area and WCC continue to pressure BT to provide the data required. In the meanwhile the retained team within People Services are providing data to SCC where possible.

2.5.2 **Transfers out of non LGPS schemes- as** on the previous report these show at 86% but it should be noted that the payments remain at 100%.

2.5.3 **Responding to members' correspondence** - the performance in this area is slowly improving but falls below the required level despite the extra resources acquired. We will continue to work with SCC to improve this measure.

2.6 People Services hold regular meetings with SCC to discuss both day to day issues plus any future matters that need to be planned for, such as pension workshops, future re-organisations which may result in bulk leavers/retirements.

2.7 SCC has acknowledged the need for a tighter control of case management in order to improve the KPIs. They have reorganised the pension administration team with two new team managers overseeing the running of our service. We will expect to see an improvement in our KPIs moving forward and SCC have committed to this aim.

3. BT MSP Performance

3.1 BT has been asked to attend the Pensions Committee to present an update, however they are unlikely to attend while commercial discussions are taking place.

3.2 On 7 April 2017 WCC wrote to the Pensions Regulator to advise them of a potential notifiable event under the Pensions Act 2004 that approximately 250 members of the scheme (approximately 15% of the eligible workforce) did not receive their LGPS annual benefit statement by 31 August 2016. We explained the reason for the delay was that our payroll administrator made an error in calculating the LGPS CARE scheme pensionable pay for these employees, such that including the incorrect pensionable pay on their annual benefit statement would have given misleading information to the scheme member. We explained that we had expected the problem to be resolved prior to 31 December 2016 but this date also passed due to our payroll administrator not being able to resolve the calculation issue. A revised deadline of 31st March 2017 was agreed, however on receipt of this data there were still a number of errors which meant we could not issue ABS's to the staff affected. To resolve this matter a council pension officer travelled to our payroll administrator's offices in the North of England to go through the records line by line to finalise the data required.

3.3 Since the last Committee meeting in March, Tri- borough staff have been to South Shields and spent a number of days working closely with BT staff to resolve issues with approximately 250 individuals who had not received their ABS for 2015/16. There were an additional 500 individuals identified who had received inaccurate statements. It became clear that BT did not have staff available with the technical knowledge to deal with these issues and identify and resolve exceptions and discrepancies. This was a successful exercise and an accurate return was sent to Surrey CC on 26 May 2017. Surrey is currently checking the data and there is an expectation that 750 ABS's will be sent out by the end of June 2017.

3.4 On 3 June 2017 BT presented a LGPS recovery plan to council officers. The plan indicates that BT will not deliver the 2016/17 Annual Benefit Statements for receipt by Pension Fund members by 31 August 2017 and have suggested WCC approach the regulator to pre-warn late delivery. Officers have made it clear on a call to BT on 7th June that this is wholly unacceptable and have asked BT to review their plan.

3.5 BT had confirmed that the interface for starters/leavers/changes notifications and monthly reports would commence in April 2017. This has been delayed a number of times and the latest date BT have said it will be delivered is 21 June 2017. Council officers are not confident that this date will be met and we will keep members updated on progress. Once the interface is running, an inputs report can be constructed and added to the KPI data being produced.

3.6 The issue on running a correction payroll is still outstanding. There has been a high level meeting involving senior officers from the 3 councils, BT and HMRC.

We are awaiting advice from HMRC on the corrective action they want us to take. Where this has had an impact on pension contributions, adjustments may need to be made.

3.7 There remains a concern over BT's ability to fully resource and deliver the improvement plan. This continues to have a large impact on the internal retained resources in people services that need to do considerable amounts of extra work as a result.

4 Issues log

4.1 At the last Pensions Committee a discussion took place over whether KPIs accurately reflected the experience of fund members. Officers were made aware of 6 cases raised with the unions and have been working closely with the Branch Secretary of UNISON on a case by case basis.

4.2 People Services officers have implemented a pensions issue tracker and have a weekly meeting to review progress. These issues have included all of those issues raised from Unison and also any issues raised directly by members or their representatives (e.g. line managers). There are currently 9 issues outstanding. These issues cover a range of matters, including transfers in/out, non-receipt of ABS and ill health benefits. These important cases are monitored on a weekly basis and all parties are kept up to date with progress.

5 Internal Audit Update

5.1 A pensions administration audit was carried out in April 2017. This audit focused on the operations undertaken by Surrey County Council (SCC) who provide the pensions administration service to the London Borough of Hammersmith & Fulham, the Royal Borough of Kensington & Chelsea and Westminster City Council. Pension information is highly dependent on information provided by the Council's HR/Payroll provider (BT) and admitted bodies payroll providers. As such a number of the audit tests that would provide assurance on the accuracy and completeness of the pensions administration system could not be undertaken due to issues regarding the accuracy of reporting from BT which are well known to all three councils and are being actively managed.

5.2 Although the audit identified that a number of the controls in place for calculating, processing and maintaining the scheme as operated by SCC are appropriate, the weaknesses in the information being provided by BT has impacted on the assurance opinion given to this review. In their opinion, Limited Assurance can be given to Members, the Chief Executives, the Town Clerk and other senior officers that the controls relied upon at the time of the audit were suitably designed, consistently applied and effective in their application. This will be reported to the Council's Audit & Performance Committee in September. A number of the recommendations in the audit rely on the performance of BT and the commercial discussions that are on-going, so we are dependent on these having a successful outcome.

6 Risk Register

6.1 Finance will be presenting the risk register to Committee. At the last meeting officers asked that Operational Administration Reference 25 which had previously shown as an amber risk should now be considered to be a red risk. This remains a red risk as although BT have said that monthly/end of year interface files will be provided in a format suitable for Surrey CC to update service records and undertake day to day operations by 21 June 2017, council officers are not confident that this date will be met.

6.2 In addition BT seems unable to provide an accurate data file for 2016/17 to SCC in regards to member's pensions by the statutory deadline. This matter has been escalated for resolution at the highest level with BT.

7 Pension Administration Strategy (PAS) and Discretionary Policies

7.1 A draft Pension Administration Strategy has been produced and is due to be presented at the next Pensions Board. However it is essential that the BT contract is performing at the specified level with regards their pension administration performance. Officers are currently working to an implementation date of 1st September to allow us time to notify the appropriate parties.

7.2 A paper on Discretionary Policies is also due to be presented at the next Pensions Board on 6 July 2017.

8 Summary

8.1 Despite the on-going challenges people services will continue to work with both BT and Surrey County Council to improve the pension service to members and will keep the Committee informed of progress.

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MONTHLY RESULTS DECEMBER TO MAY BASED ON NEW KPI REPORTING

FEBRUARY AND MARCH REPORTING

APRIL AND MAY REPORTING

Description	Target time/date as per Partnership Agreement	No of Cases December	Actual Score Dec	No of Cases January	Actual Score Jan	Comments	Actual Score Feb and March	No of Cases Feb and Mar	Comments	Actual Score April and May	No of Cases Apr and May	Trend	Comments
PENSION ADMINISTRATION													
DEATH BENEFITS Notify potential beneficiary of lump sum death grant	5 days	NA	100%	NA	100%		100%	2		100%	4		
Write to dependant and provide relevant claim form	5 days	1	100%	1	100%		100%	6		100%	7		
Set up any dependants benefits and confirm payments due	14 days	5	60%	2	50%	3 cases late in total but paid on next available payroll runy	100%	8		100%	7		
RETIREMENTS Retirement options issued to members	5 days	2	50%	10	80%	3 late cases but we have increased resourcing in this area from February 2017 to avoid any future delays	89%	49	Large increase in volume of cases processed. 5 cases late	96%	23		1 case late
New retirement benefits processed for payment following receipt of all necessary documents	5 days	7	72%	3	100%	2 cases late in Dec	96%	27	Large increase in volume of cases processed. 1 case late	100%	44		Large increase in volume of cases processed.
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run	7	100%	3	100%		100%	27		100%	44		
REFUNDS OF CONTRIBUTIONS Refund paid following receipt of claim form	14 days	4	100%	9	100%		100%	12		100%	12		
DEFERRED BENEFITS Statements sent to member following receipt of leaver notification	30 days	9	89%	7	71%	Volumes expected to increase once leaver forms received from BT and from other scheme employers	85%	26	Volumes expected to increase once leaver forms received from BT and from other scheme employers. 4 cases late.	56%	30		13 cases late Performance not representative of SCC as these are late cases caused by late submissions of data from payroll providers
DEFERRED PAYMENTS													
Notification to members 3 months before payments due	3 months	8	Average 2 weeks in advance	11	Average 2 weeks in advance	Work process amended from February 2017	New cases 2 months in advance.	89	Large increase in volume of cases processed following review. New cases now up to 2 months in advance.	New cases 2 months in advance.	9		
Lump Sum (on receipt of all necessary documentation)	5 days	8	50%	10	50%	We have increased resourcing in this retirement area from February 2017 to avoid any future delays	96%	26	1 case late.	94%	36		2 cases late
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run	8	100%	10	100%		100%	26		100%			
NEW JOINERS New starters processed	30 days	20	100%	1	100%	Awaiting interface from BT so numbers only show records created manually	NA	NA	Awaiting interface from BT so numbers only show records created manually	100%	26		Awaiting interface from BT so numbers only show records created manually
TRANSFERS IN Non LGPS transfers-in quotations	30 days	2	100%	16	100%	All Quotations issued within statutory timescales. Agreement at meeting between SCC and WCC in Feb 2017 that future reports will identify LGPS transfers as additional measure.	100%	8		100%	2		
Non LGPS transfers-in payments processed	30 days	NA		NA			NA	NA		NA		NA	
TRANSFERS OUT Non LGPS transfers-out quotations processed	30 days	7	86%	20	70%		86%	30	4 cases late	86%	15		2 cases late
Non LGPS transfers out payments processed	30 days	2	100%	4	100%		NA	NA		100%	2		
Interfunds In - Quotations	30 days						100%	9	New measure.	100%	4		
Interfunds In - Actuals	30 days						100%	2	New measure.	100%	2		
Interfunds Out - Quotations	30 days						86%	21	New measure. 3 cases late	100%	2		
Interfunds Out - Actuals	30 days						100%	8	New measure.	100%	4		
ESTIMATES													
1-10 cases	5 Days	9	89%	5	60%	2 cases late in January	83%	6	1 case late	100%	9		
11-50 cases	Agreed with WCC	NA	NA	NA	NA		NA	NA		NA		NA	
51 cases or over	Agreed with WCC	80 plus	100%	See Dec entry	See Dec entry	Large exercise carried out on behalf of WCC in Dec and Jan	NA	NA		NA		NA	
MATERIAL CHANGES													
Any changes to data which materially affect actual or potential benefits to be processed within 30 days of receiving all necessary data	30 days	44	100%	221	100%	Includes Change of Bank account, address, expression of wish. Large number of bulk bank changes in January.	100%	141		100%	145		
BUYING ADDITIONAL PENSIONS													
Members notified of terms of purchasing additional pension	15 days	0	100%	1	100%		NA	NA		NA	NA	NA	
Monthly Pensioner Payroll													
Full reconciliation of payroll and ledger report provided to WCC	Last day of month		100%		100%		100%			100%			
Issue of monthly payslips	3 days before pay day		100%		100%		100%			100%			
RTI file submitted to HMRC	3 days before pay day		100%		100%		100%			100%			
BACS File submitted for payment	3 days before pay day		100%		100%		100%			100%			
P35	EOY		Annual		Annual		31-Mar-17			31-Mar-17			
Annual Exercises													
ANNUAL BENEFIT STATEMENTS Issued to Active members	31 August each year		Annual		Annual		Annual	NA		Annual	NA	NA	
ANNUAL BENEFIT STATEMENTS Issued to Deferred members	31 August each year		Annual		Annual		Annual	NA		Annual	NA	NA	
P60s Issued to Pensioners	31 May each year		Annual		Annual		100%		Issued April 2017				Issued April 2017
Apply Pensions Increase to Pensioners	April each year		Annual		Annual		100%						
Pensioners Newsletter	April each year		Annual		Annual		100%		Issued April 2017				Issued April 2017
CUSTOMER SERVICE													
CORRESPONDENCE													
Acknowledgement if more than 5 days	2 days									100%	50		Via Helpdesk
Response	10 days	18	89%	28	75%		76%	67		82%	50		
3rd party enquires	10 days	Nil		Nil			NA	NA		NA	NA	NA	
Helpdesk Enquiries													
Volumes of Enquiries Handled By Helpdesk	Number of Enquiries Handled	432	79% FPF	561	83%FPF	FPF means enquiries resolved as 'First Point Fix' by Helpdesk team that did not require referral to Operations team	82% FPF	1347	82% FPF rate.	87% FPF	1074		87% FPF rate.
Customer Surveys													
Survey to retirees	Percentage Satisfied with Service		Quarterly		Quarterly	Due After End of March		Pending report					To send Q1

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City of Westminster

Pension Fund Committee

Date:	**27th June 2017**
Classification:	**General Release**
Title:	**New Admission Agreement** **RM Education (The St Marylebone Church of England School)**
Report of:	**Lee Witham, Director of People Services**
Wards Involved:	**All**
Policy Context:	**Service Delivery**
Financial Summary:	**Limited**

1. Executive Summary

1.1 The purpose of this paper is to gain approval from the Pension Fund Committee for a new closed admission agreement.

2. Current Position

2.1 This agreement is for one employee, the individual affected was an employee who worked within the schools IT department at St Marylebone School (Academy) before being TUPE'd out to Capita.

2.2 The Capita contract for schools IT support ended in August 2014 and one employee was then TUPE transferred to RM Education working in the same capacity as the original contract providing IT support for St Marylebone School.

2.3 This agreement only remains in place whilst the individual is working in the same role he was TUPE'd back to. Any promotion or movement to a different contract not working for St Marylebone School will result in this admission agreement being cancelled.

2.4 Academies under the New Fair Deal 2013 Guidance, should include provisions in their outsourcing contracts that transferring staff retain an entitlement to remain an active member of the original public sector pension arrangement to which they belonged.

2.5 This is a closed agreement and no new employees are eligible to join it.

2.6 WCC have asked for a bond to be entered into by RM Education. This bond has been provided by Barclays Bank and is presently for the value of £13,000. There is an agreement for this figure to be periodically reviewed.

2.7 The final admission agreement is attached at Appendix 1.

2.8 The bond is attached at Appendix 2.

2.9 Summary

The LGPS regulations are clear that where an admission body that has accepted via TUPE staff originally employed by a participating fund employer and they agree to meet the requirements of the regulations, the fund is required to permit them membership. The appropriate legal documentation has been drawn up by Eversheds, the council's pension solicitors. The date of this admission is required to be back dated to 4th August 2014.

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Dated 2017

(1) WESTMINSTER CITY COUNCIL

(2) THE ST MARYLEBONE CHURCH OF ENGLAND SCHOOL

(3) RM EDUCATION LTD

Admission Agreement
To participate in the Local Government Pension Scheme

Westminster City Council

CONTENTS

This Agreement is made on the day of 2017

Between:

(1) **WESTMINSTER CITY COUNCIL** of City Hall, 64 Victoria Street, Westminster, London, SW1E 6QP (the "**Administering Authority**");

(2) **THE ST MARYLEBONE CHURCH OF ENGLAND SCHOOL** (company number: 07719620) whose registered office is at 64 Marylebone High Street, Westminster, London W1U 5BA (the "**Scheme Employer**"); and

(3) **RM EDUCATION LTD** (company number: 01148594) whose registered office is at 140 Eastern Avenue, Milton Park, Milton, Abingdon, Oxfordshire, OX14 4SB (the "**Admission Body**").

Background

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

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

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

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

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

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

NOW IT IS AGREED as follows:

1. **INTERPRETATION**

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

1.1 The following expressions have the following meanings:

"2013 Regulations"	The Local Government Pension Scheme Regulations 2013.
"Actuary"	an actuary appointed by the Administering Authority.
"Business Day"	any day other than a Saturday or a Sunday or a Public or Bank Holiday in England.
"Commencement Date"	7 September 2014.
"Contract"	a contract dated 4 August 2014 between the Scheme Employer and the Admission Body to provide the Services which is anticipated to expire on 3 August 2017, which will be automatically extended until 3

	August 2019, unless terminated.
"Eligible Employee"	the employee of the Admission Body who is listed in the **Schedule.**
"Fund"	City of Westminster Pension Fund.
"Member"	an Eligible Employee who joins the Scheme as an active member and who remains an active member or subsequently becomes a deferred member or a pensioner member. Where applicable, this term shall also include a Member's spouse, civil partner, nominated partner, eligible child or dependant whether actual or prospective.
"Registered Pension Scheme"	a pension scheme registered under Chapter 2 of Part 4 of the Finance Act 2004.
"Regulations"	the 2013 Regulations and the Transitional Regulations.
"Scheme"	the Local Government Pension Scheme established and governed by the Regulations.
"Scheme Year"	a year beginning on a 1 April and ending on the next 31 March.
"Services"	the IT services which are to be provided by the Admission Body under the Contract at The St Marylebone CofE School, an academy.
"Transitional Regulations"	the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

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

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

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

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

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

2. **THE REGULATIONS**

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

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

2.2 The Admission Body undertakes to:

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

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

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

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

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

3. **COMMENCEMENT DATE**

This Clause sets out the date the Agreement commences.

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

4. **MEMBERSHIP OF ELIGIBLE EMPLOYEE**

This Clause sets out the terms on which the Eligible Employee is admitted to membership of the Scheme.

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

4.2 Subject to the following provisions of this **Clause 4** (Membership of Eligible Employee), the Admission Body designates the Eligible Employee listed in the Schedule as being eligible to remain an active member of the Scheme. The designation is effective on and from the Commencement Date.

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

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

4.5 Within three months of:

4.5.1 a Member joining the Scheme; or

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

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

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

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

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

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

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

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

5. ADMISSION BODY UNDERTAKINGS

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

5.1 Payments

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

5.2 Discretions

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

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

5.3 Additional Pension

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

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

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

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

5.4 **Matters Affecting Participation**

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

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

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

6. **CONTRIBUTIONS AND PAYMENTS**

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

6.1 **Contributions to the Fund**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.1.10 any interest payable under the Regulations; and

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

6.2 **Due Date for Payment**

Save where this Agreement, the Regulations or any other relevant legislation expressly requires otherwise, any amount which the Admission Body is required to pay by virtue of **Clauses 5.1** (Payments) and **6.1** (Contributions to the Fund) must be paid to the Fund within 20 Business Days of receipt by the Admission Body from the Administering Authority of written notification of the sum or (where relevant) of any revised rates and adjustments certificate, or within such other period and on such terms as the Administering Authority and the Admission Body may agree.

6.3 **Information About Pay and Contributions**

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

6.3.1.1 name and contribution band;

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

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

6.3.1.4 total employee contributions deducted from that pensionable pay;

6.3.1.5 total employer contributions in respect of that pensionable pay;

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

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

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

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

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

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

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

6.4 **Interest on Late Payment**

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

6.5 **Adjustment of Contribution Rate**

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

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

6.5.1.2 any prior secondary adjustment should be increased or reduced;

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

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

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

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

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

6.5.3 Pursuant to regulation 64(1) of the 2013 Regulations and regulation 25A of the Transitional Regulations, but subject to any exercise by the Administering Authority of its power to issue a suspension notice under regulation 64(2A) of the 2013 Regulations, where this Agreement terminates in accordance with **Clause 7** (Termination) or the Admission Body no longer employs an active member contributing to the Fund:

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

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

6.5.4 The Admission Body shall meet the costs of obtaining any certificate under **Clauses 6.5.1**, **6.5.2** or **6.5.3** (Adjustment of Contribution Rate). The

Admission Body will co-operate with the Administering Authority and the Actuary to provide the certificate or review.

6.6 **Right of Set Off**

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

6.7 **Funding**

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

7. **TERMINATION**

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

7.1 **Termination by Notice**

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

7.2 **Automatic Termination**

This Agreement shall automatically terminate on the earlier of:

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

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

7.3 **Immediate Termination by the Administering Authority**

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

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

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

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

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

7.4 **Termination Valuation**

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

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

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

7.5 **Other Outstanding Payments on Termination**

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

7.6 **Rights on Termination**

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

7.7 **Costs**

The Admission Body shall pay to the Administering Authority any costs (including professional costs and the costs of obtaining any actuarial valuation under **Clause 6.5.3** (Adjustment of Contribution Rate) or **Clause 7.4.1** (Termination Valuation)) which the Fund or the Administering Authority may incur as a result of the Agreement's termination.

8. **RISK ASSESSMENT**

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

8.1 **Initial Level of Risk Exposure**

The Admission Body has assessed (taking account of actuarial advice) the level of risk exposure arising on the premature termination of the provision of service or assets (as applicable) the Services by reason of the insolvency, winding up or liquidation of the Admission Body as being the sum of £13,000. This assessment has been carried out to the satisfaction of the Administering Authority and the Scheme Employer.

8.2 **Provision of Bond, Indemnity or Guarantee**

The Admission Body warrants that at the date of this Agreement there is in place a bond or indemnity (in a form approved by the Administering Authority and the Scheme Employer) from a person or firm meeting the requirements of paragraph 7 of Part 3 of Schedule 2 to the 2013 Regulations for the level of risk exposure specified in **Clause 8.1** (Initial Level of Risk Exposure)**.**

8.3 **Ongoing Assessment of Risk**

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

8.4 **New or Extended Bond, Indemnity or Guarantee**

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

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

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

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

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

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

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

8.4.3 In any such case the level of risk exposure covered by the extended or new bond, indemnity or guarantee must have been assessed by the Admission

Body (taking account of actuarial advice) to the satisfaction of the Administering Authority and the Scheme Employer.

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

9. INDEMNITY FROM ADMISSION BODY

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

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

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

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

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

10. NOTICES

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

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

11. WAIVER

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

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

12. SEVERANCE

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

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

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

13. **ENTIRE AGREEMENT**

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

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

14. **AMENDMENT**

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

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

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

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

15. **PUBLIC INSPECTION**

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

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

16. **MORE THAN ONE COUNTERPART**

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

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

17. **LAWS**

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

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

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

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

THE COMMON SEAL of:
WESTMINSTER CITY COUNCIL
was affixed in the presence of:

Authorised Officer

EXECUTED as a deed by **THE ST MARYLEBONE CHURCH OF ENGLAND SCHOOL** acting by two directors or by a director and its company secretary

Director signature: ....

Name: ....

Director / secretary signature: ....

Name: ....

EXECUTED as a deed by **RM EDUCATION LIMITED** acting by two directors or by a director and its company secretary

Director signature: ....

Name: ....

Director / secretary signature: ....

Name: ....

SCHEDULE

Eligible Employee

Active member transferring at Commencement Date

Surname	Forename	Sex (M/F)	National Insurance Number
[redacted]			

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Dated: 2017

(1) Westminster City Council

(2) The St. Marylebone Church of England School

(3) RM Education Limited

(4) Barclays Bank plc

Bond
To accompany an Admission Agreement

CONTENTS

Clause **Page**

THIS AGREEMENT is made on the day of **2017**

BETWEEN

(1) **WESTMINSTER CITY COUNCIL** of **City Hall, 64 Victoria Street, Westminster, London, SW1E 6QP** (the **"Administering Authority"**); and

(2) **THE ST MARYLEBONE CHURCH OF ENGLAND SCHOOL** (company number: 07719620) of **64 Marylebone High Street, Westminster, London W1U 5BA** (the **"Scheme Employer"**); and

(3) **RM Education Limited** (company number: **01148594**) whose registered office is at **140 Eastern Avenue, Milton Park, Milton, Abingdon, Oxfordshire OX14 4SB** (the **"Admission Body"**); and

(4) **Barclays Bank plc** company number: **01026167**) whose registered office is at **1 Churchill Place, London, E14 5HP, with address for service at Trade Operations, One Snowhill, Snowhill Queensway, Birmingham B4 6GN** (the **"Guarantor"**).

BACKGROUND

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

(B) The Admission Body is an admission body within the meaning of paragraph 1 of Part 3 of Schedule 2 to the 2013 Regulations

(C) The Guarantor has permission under Part 4 of the Financial Services and Markets Act 2000 to accept deposits and carry out contracts of general insurance.

(D) Subject to the provision of a bond in the form of this Agreement, the Administering Authority, the Scheme Employer and the Admission Body intend to enter into the Admission Agreement.

(E) At the request of the Admission Body, the Guarantor has agreed to enter into this Agreement as a bond in a form acceptable to the Administering Authority and the Scheme Employer.

NOW IT IS AGREED as follows:

1. **Interpretation**

This Clause sets of the definitions which apply to the Agreement.

1.1 The following expressions have the following meanings:

"2013 Regulations"	The Local Government Pension Scheme Regulations 2013.
"Admission Agreement"	the admission agreement dated made between the Administering Authority, the Scheme Employer and the Admission Body to allow the Admission Body to be admitted to the Scheme and to participate in the Fund.
"Bond Amount"	13,000 sterling (£) (being the sum assessed by the Admission Body to the satisfaction of the Administering Authority and the Scheme Employer on actuarial advice) or such other amount as may from time to time be amended by an Extension

Notice.

"Business Day"	any day other than a Saturday or a Sunday or a Public or Bank Holiday in England.
"Contract"	a contract dated 4 August 2014 between the Scheme Employer and the Admission Body to provide managed ICT services.
"Expiry Date"	31 July 2020 or such other date as may be extended by an Extension Notice.
"Extension Notice"	a notice substantially in the form of the notice of **Schedule 2** (Specimen Extension Notice).
"Fund"	City of Westminster Pension Fund.
"Payment Notice"	a notice substantially in the form of the notice of **Schedule 1** (Specimen Payment Notice).
"Regulations"	the 2013 Regulations and the Local Government Pension Scheme (Transitional Provisions Savings and Amendment) Regulations 2014.
"Relevant Event"	one of the following: (a) the premature termination of the services provided by the Admission Body under the Contract by reason of the insolvency, winding up or liquidation of the Admission Body; or (b) the default by the Admission Body in paying any Scheme Liabilities; or (c) the termination of the Admission Agreement; or (d) the Admission Body's failure to procure not less than 30 days before the Expiry Date the delivery to the Administering Authority and the Scheme Employer of an Extension Notice or a Replacement Bond; or (e) the Admission Body's failure to procure within 30 days of an actuarial re-assessment of the Bond Amount made in accordance with the Admission Agreement the delivery to the Administering Authority of either an Extension Notice or a Replacement Bond covering the revised Bond Amount.
"Replacement Bond"	a bond or an indemnity in a form approved by the Administering Authority and the Scheme Employer to secure the payment of the Scheme Liabilities.
"Scheme"	The Local Government Pension Scheme established by the Regulations made by the Secretary of State under Sections 7 and 12 of the Superannuation Act 1972.

"Scheme Liabilities"	all employer and employee contributions payments and other sums due from the Admission Body to the Fund under the Admission Agreement or the Regulations (including for the avoidance of doubt any revised contribution(s) or exit payment due when the Admission Agreement ceases to have effect).
"Sterling Free"	how any payment is to be made by the Guarantor under this Agreement, being in sterling free, clear of and without any deduction for taxes, levies, duties, charges, fees and deductions or withholdings for or on account of any sort.

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

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

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

2. Claims and Payments

This Clause sets out the claims and payments which can be made under the Agreement.

2.1 Failure to pay Scheme Liabilities

Where, after a Relevant Event has occurred, the Admission Body has failed to pay all Scheme Liabilities (in whole or in part) to the Administering Authority within 30 days of receiving a written demand from the Administering Authority, the Guarantor shall pay to the Administering Authority such sum or sums (not exceeding in the aggregate the Bond Amount) as the Administering Authority claims in respect of the unpaid Scheme Liabilities.

2.2 Service of Payment Notice and Payment

Any claim by the Administering Authority shall be made in writing by the service of a Payment Notice and shall be accepted by the Guarantor as conclusive evidence for all purposes that the amount claimed is due to the Administering Authority. The Guarantor shall pay the sum so demanded within 5 Business Days of receipt of the Payment Notice.

2.3 Sums Paid by Guarantor

All sums paid by the Guarantor in accordance with **Clause 2.2** (Service of Payment Notice and Payment) shall be held and applied by the Administering Authority for the purpose of paying and discharging the Scheme Liabilities.

Any payment to be made by the Guarantor shall be made Sterling Free.

2.4 Receipt of Payment

Following any payment by the Guarantor in accordance with **Clause 2.2** (Service of Payment Notice and Payment), the Administering Authority shall provide the Guarantor with a written account showing how the payment has been applied to the Fund within 6 months of receipt of payment. If any payment exceeds the amount required to discharge the Scheme Liabilities, the Administering Authority shall refund any overpayment to the Guarantor.

2.5 **Obligations and Liabilities**

The Guarantor's obligations and liabilities shall not be reduced, discharged, impaired or affected by the giving of time or any other indulgence, forgiveness or forbearance by the Administering Authority.

2.6 **Further Notice Payment**

The service of a Payment Notice by the Administering Authority shall not (subject only to the provisions of **Clause 3** (Bond Amount)) preclude the service of any further Payment Notice.

3. **Bond Amount**

This Clause sets out the Guarantor's maximum liability under the Agreement.

The Guarantor's maximum aggregate liability under this Agreement shall not exceed the Bond Amount.

4. **Expiry Date**

This Clause sets out when the Agreement shall terminate.

4.1 **Expiry Date**

This Agreement shall expire (and the obligations and liabilities of the Guarantor shall cease and determine absolutely) on the Expiry Date save in respect of any obligation and liability arising as a result of a Relevant Event occurring on or before the Expiry Date in respect of which a Payment Notice has been received by the Guarantor within 12 months of the later of:

4.1.1 the Expiry Date; or

4.1.2 the date of the Administering Authority receiving all the information from the Admission Body necessary to calculate the Scheme Liabilities.

4.2 **Service of Extension Notice**

If the Admission Body procures the service of an Extension Notice by the Guarantor, the provisions of this Agreement shall remain and continue in full force and effect subject only to the amendment of the Expiry Date to the date set out in such Extension Notice and/or to the amendment of the level of the Bond Amount to the level set out in such Extension Notice.

4.3 **Change in Status**

This Agreement shall remain in operation notwithstanding any variation made in the terms of the Admission Agreement or the Regulations and notwithstanding the insolvency, winding-up or liquidation of the Admission Body (compulsory or otherwise) or it otherwise ceasing to exist or function. This Agreement shall not be affected by any disclaimer of the Admission Body's contracts or liabilities by a liquidator.

5. **Notices**

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

All notices under this Agreement shall be in writing and shall be served by sending the same by first class post, facsimile or by hand or leaving the same at the registered office or headquarters address (as appropriate) of the Admission Body, to the address for service for the Guarantor or the Administering Authority.

6. **Amendment**

This Clause sets out how the Agreement may be amended.

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

7. **More than one Counterpart**

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

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

8. **Assignment**

This Clause sets out when the Agreement may be assigned.

8.1 Subject to this **Clause 8** (Assignment), no party shall assign the benefit or burden of the whole or any part of this Agreement without the prior written consent of the other parties (such consent not to be unreasonably withheld or delayed).

8.2 The benefit or burden of this Agreement may be assigned by the Administering Authority to any successor of all or part of its functions as an administering authority under the Regulations as a result of local government re-organisation.

9. **Laws**

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

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

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

10. **Warranty of Authority**

This Clause confirms that the Guarantor has the relevant authority power and capacity to enter into this Agreement.

The Guarantor warrants and represents to the Administering Authority that it has all necessary authority, power and capacity to enter into and perform its obligations under this Agreement, that all necessary actions have been taken to enter into this Agreement properly and lawfully, and that this Agreement constitutes obligations binding on the Guarantor in accordance with its terms.

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

THE COMMON SEAL of:
WESTMINSTER CITY COUNCIL
was affixed in the presence of:

Authorised Officer

THE COMMON SEAL of:
THE ST MARYLEBONE CHURCH OF ENGLAND SCHOOL
was affixed in the presence of:

Authorised Officer

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

Director/Company Secretary

Director

EXECUTED AS A DEED

BY_______________________________

AS ATTORNEY
FOR AND ON BEHALF OF
BARCLAYS BANK PLC
IN THE PRESENCE OF

_________________________ _________________________
NAME **SIGNATURE**

SCHEDULE 1

Specimen Payment Notice

To: **[**Guarantor**]**

From: **[**Administering Authority**]**

[DATE**]**

BOND REF: [ ]

We refer to the Bond and certify that a Relevant Event has occurred in relation to the Admission Body and the Admission Body has failed to pay all scheme liabilities (in whole or in part) within 30 days of receipt of our written demand.

The sum of **[ ]** pounds sterling (£) is properly due in respect of the Scheme Liabilities as defined in the Bond. We attach a copy of a certificate signed by our actuary stating that such sum is now due.

We demand payment of the above amount within 5 (five) Business Days of receipt of this notice.

The above amount should be paid to us by transfer to the following account:

Account Number

Sort Code

Account Name

Bank

Bank Address

____

Duly authorised for and on behalf of Administering Authority

SCHEDULE 2

Specimen Extension Notice

To: **[**Administering Authority**]**

From: **[**Guarantor**]**

[DATE**]**

BOND REF: [ ]

We refer to the Bond which is due to expire on **[**date**]**.

We have been instructed by the Admission Body to **[**renew/amend**]** the Agreement.

[We now accordingly give notice that the Bond shall be treated as renewed for a further period of **[**number**]** years and so that **[**date**]** shall become the Expiry Date.**]**

[We **[**also**]** confirm that the Bond Amount shall be amended and from the date of this Extension Notice the new level shall be **[[**amount**]** pounds sterling (£)**]**.

Save as amended by this Extension Notice the Bond shall remain in full force and effect.

____

Duly authorised for and on behalf of **[**Guarantor**]**

City of Westminster

Committee Report

Decision Maker:	**Pension Fund Committee**
Date:	**27 June 2017**
Classification:	**General Release**
Title:	**Draft Pension Fund Annual Report & Statement of Accounts 2016-17**
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 2017.

2. Recommendation

2.1 The Committee is asked to note the draft Pension Fund Annual Report 2016-17, 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 2016-17, which includes the accounts for the Pension Fund, were prepared and submitted to the Council's external auditors for audit on 7th April 2017. This was 12 weeks in advance of the statutory requirement of 30th June. The arrangements for a standard period of Public Inspection of 30 working days, as per 2015-16 Accounting requirements, is still in place and must be completed 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 17th July 2017 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 2016-17 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:

Pete Carpenter pcarpenter@westminster.gov.uk or 020 7641 2832

BACKGROUND PAPERS: None

APPENDIX 1

Draft Pension Fund Annual Report and Statement of Accounts 2016-17

City of Westminster

Committee Report

Decision Maker:	**Pension Fund Committee**
Date:	**27 June 2017**
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 the performance of the Pension Fund's investments, together with an update on the funding position to March 2017.

2. Recommendation

2.1 The Committee note the performance of the investments, and funding position.

3. Background

3.1 The terms of reference of the Pension Fund Committee requires the committee to monitor the performance of the Superannuation Fund, individual fund managers, and other service providers to ensure that they remain suitable.

3.2 This report presents a summary of the Pension Fund's performance and estimated funding level to 31 March 2017. The investment performance 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.

3.3 The Investment Performance Report shows that over the quarter to 31 March 2017, the market value of the assets increased by £50.9 million. The fund outperformed the benchmark by 0.1% over the quarter. The bench mark was however, supressed mainly by the underperformance of one fund manager by 2.3%.

3.4 The Funding update (Appendix 2) has been prepared by the Fund Actuary, Barnett Waddingham. This indicates that the smoothed funding level has increased to 85% over the quarter to 31 March2017, up from 80% which was calculated at the last triennial valuation at 31 March 2016.

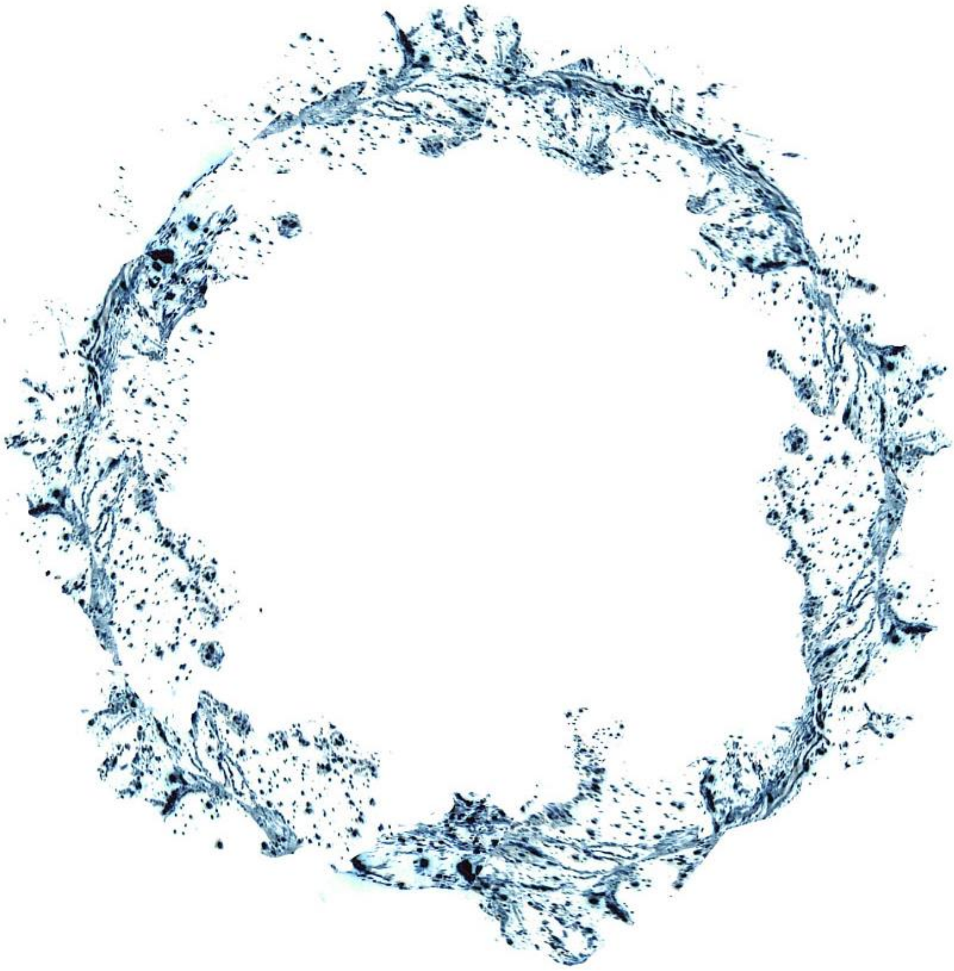
If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Yvonne Thompson pensionfund@westminster.gov.uk or 020 7641 6925 -Hoyte

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 - Deloitte Investment Report, Quarter Ending 31 March 2017
Appendix 2 - Barnett Waddingham Funding Update as at 31 March 2017



City of Westminster Pension Fund

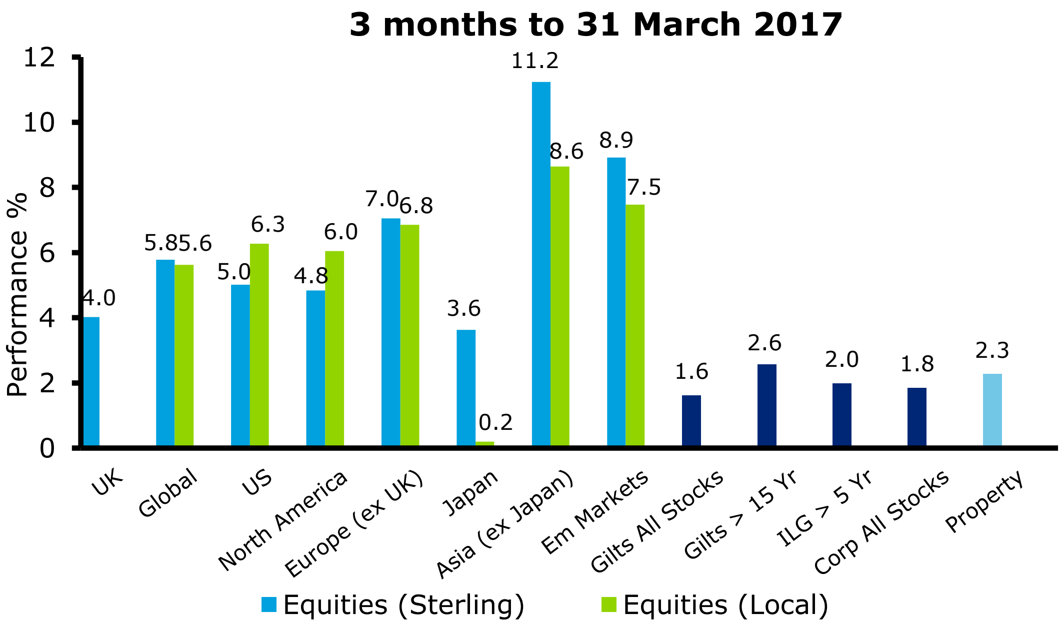
Investment Performance Report to 31 March 2017

Deloitte Total Reward and Benefits Limited
March 2017

Contents

1 Market Background

Three months to 31 March 2017



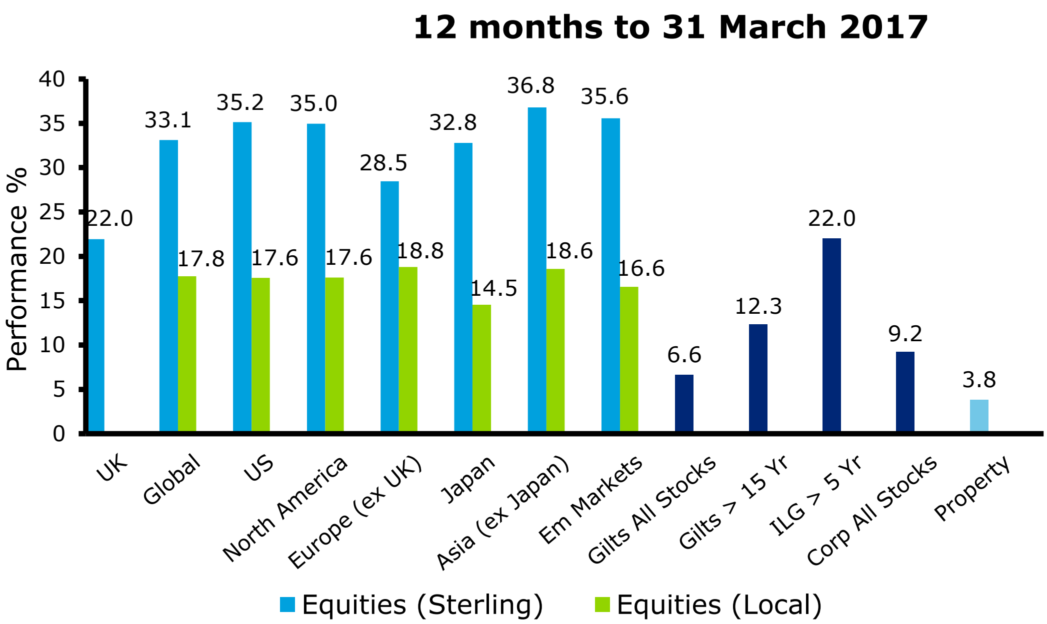
The UK equity market rose over the first quarter of 2017, with the FTSE All Share Index delivering a return of 4.0%. President Trump's promises to provide a fiscal stimulus and ease the regulatory burden have led to higher growth expectations and driven global equity markets higher. In the UK, economic data has remained broadly positive, also contributing to recent gains.

Smaller UK companies outperformed larger UK companies over the quarter, with both delivering positive returns. The FTSE Small Cap Index returned 6.1%, while the FTSE 100 Index returned 3.7%. There was a wide spread of returns at the sector level. The top performing sector was Consumer Goods which returned 11.6% whilst the poorest performing sector was Oil & Gas which delivered a negative return of -8.2% as oil prices came under pressure following a resurgence in US shale production.

Global equity markets outperformed UK equities in both sterling (5.8%) and local currency terms (5.6%) over the first quarter. Returns were positive across all geographic regions, with Asia Pacific ex Japan leading the way (11.2% sterling and 8.6% local currency returns), while Japan lagged in relative terms (3.6% sterling and 0.2% local currency returns).

Nominal gilt yields fell during the first quarter of 2017 (in contrast to the steep rises seen at the end of 2016) and, as a result, the All Stocks Gilts Index returned 1.6%. Real yields also fell, with the Over 5 Year Index-Linked Gilts Index returning 2.0% over the same period. Credit spreads remained broadly unchanged over the first quarter. The iBoxx All Stocks Non Gilt Index returned 1.8% over the period.

Twelve months to 31 March 2017



Over the 12 months to 31 March 2017, the FTSE All Share Index delivered a positive return of 22.0%. Whilst returns have been very strong, buoyed by the sharp depreciation of sterling, performance was volatile (due to high levels of political uncertainty during the year) and varied significantly across sectors. The cyclical Basic Materials sector was the strongest performer (64.1%) while Technology also did well, returning 31.8%. In contrast, Telecommunications (-14.2%) was the poorest performing sector and the only sector to deliver a negative return over the 12 month period. Global equity markets underperformed the UK in local currency terms (17.8%) but outperformed the UK in sterling terms (33.1%) due to the significant depreciation of sterling following the EU referendum. Currency hedging therefore detracted from performance over the year.

UK nominal gilts delivered positive returns over the 12 months to 31 March 2017, with the All Stocks Gilts Index delivering a return of 6.6% and the Over 15 Year Gilts Index returning 12.3% as nominal gilt yields fell significantly across all maturities. Real yields also fell significantly over the year, with the Over 5 Year Index Linked Gilts Index returning 22.0%. The narrowing of credit spreads over the year, coupled with the fall in gilt yields, resulted in positive corporate bond returns. The iBoxx All Stocks Non Gilt Index returned 9.2%.

The IPD UK Monthly Property Index returned 2.3% over the quarter as the UK property market continued its recovery following the negative performance experienced after the EU referendum. Over the 12 months to 31 March 2017, the same property index returned 3.8%.

2 Total Fund

2.1 Investment Performance to 31 March 2017

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	1.8	1.7	4.0	25.7	25.4	22.0	8.3	7.9	7.7	10.7	10.4	6.6
LGIM	Global Equity	5.7	5.6	5.7	18.0	17.9	18.1	8.6	8.5	8.7	12.4	12.2	12.3
Baillie Gifford	Global Equity	7.7	7.6	5.4	34.3	33.9	31.6	16.9	16.6	15.9	16.3	16.0	15.9
Longview	Global Equity	5.9	5.7	5.1	29.0	28.3	31.9	n/a	n/a	n/a	19.4	18.8	17.0
Insight Gilts	Gilts	0.8	0.8	0.9	2.8	2.7	2.9	4.1	4.0	4.1	4.9	4.8	5.0
Insight Non Gilts	Non Gilts	1.9	1.8	1.6	7.7	7.5	6.9	6.3	6.0	5.9	5.9	5.7	5.5
Hermes	Property	1.9	1.8	2.1	6.9	6.5	4.6	13.2	12.8	10.7	9.6	9.2	8.4
Standard Life	Property	2.8	2.7	2.1	7.6	7.1	8.8	8.2	7.7	10.0	9.2	8.7	8.7
Total		**4.2**	**4.1**	**4.0**	**20.8**	**20.5**	**18.7**	**10.5**	**10.2**	**10.0**	**7.5**	**7.1**	**7.0**

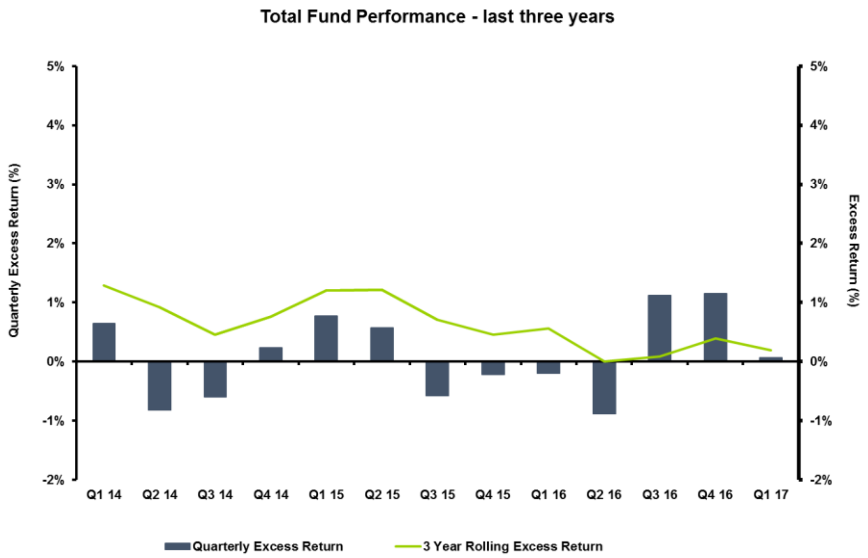
Source: Investment Managers

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

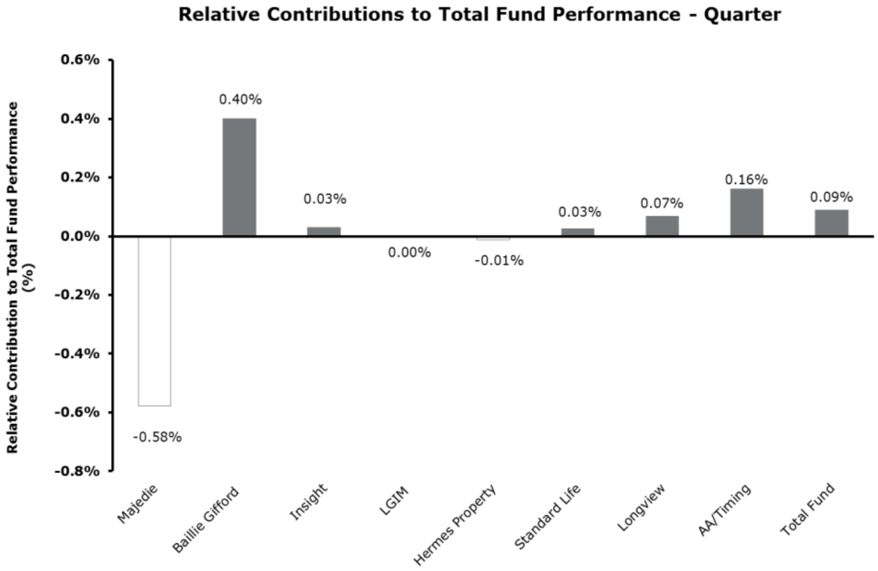
See appendix 1 for more detail on manager fees and since inception dates

Over the quarter the Fund outperformed its benchmark by 0.1% net of fees, with the outperformance of Baillie Gifford, Longview and Standard Life offsetting the underperformance from Majedie. The Fund has outperformed its benchmark over the last year, three years and since inception by 1.8%, 0.2% p.a. and 0.1% p.a. respectively.

The chart below shows the relative performance of the Fund over the quarter and last three years, highlighting that the rolling three-year performance is ahead of the benchmark. Please note that performance is shown net of fees versus the benchmark.

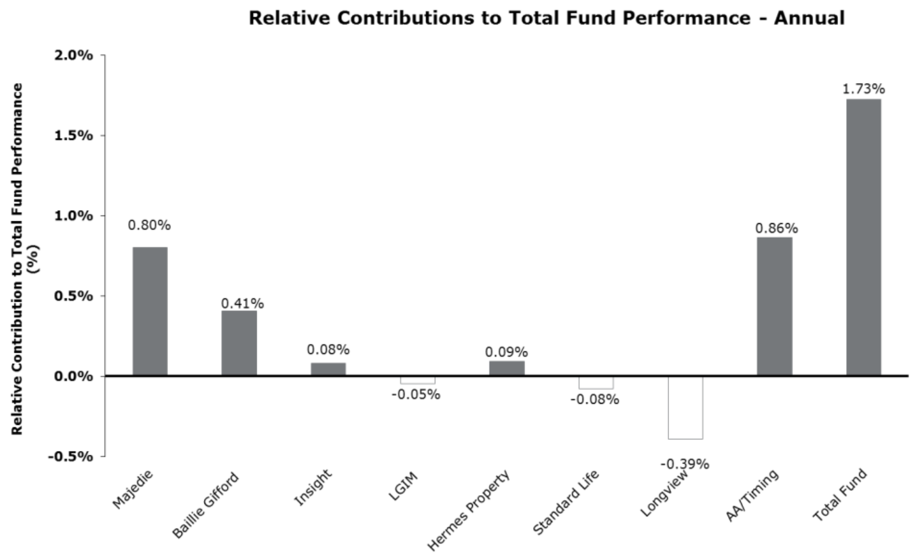


2.2 Attribution of Performance to 31 March 2017



Outperformance by Baillie Gifford and Longview, with a further boost from being overweight in equities helped to counteract the impact of the underperformance from Majedie.

Baillie Gifford's longer term performance contributed to the Fund's outperformance over the year, however Majedie provided the largest contribution to outperformance, outperforming its benchmark by 0.80% over the last 12 months.



2.3 Asset Allocation as at 31 March 2017

The table below shows the assets held by manager and asset class as at 31 March 2017.

Manager	Asset Class	End Dec 2016 (£m)	End Mar 2017 (£m)	End Dec 2016 (%)	End Mar 2017 (%)	Benchmark Allocation* (%)
Majedie	UK Equity	298.4	303.6	24.6	24.0	22.5
LGIM	Global Equity (Passive)	267.7	283.0	22.1	22.4	22.5
Baillie Gifford	Global Equity	217.0	233.8	17.9	18.5	25
Longview	Global Equity	133.3	141.0	11.0	11.2	
	Total Equity	**916.4**	**961.4**	**75.6**	**76.1**	**70**
Insight	Fixed Interest Gilts (Passive)	18.7	18.9	1.5	1.5	20
Insight	Sterling Non-Gilts	167.5	170.6	13.8	13.5	
	Total Bonds	**186.2**	**189.5**	**15.4**	**15.0**	**20**
Hermes	Property	56.2	57.3	4.6	4.5	5
Standard Life	Property	53.3	54.8	4.4	4.3	5
To be determined	Property / Infrastructure	0.0	0.0	0.0	0.0	
	Total Property	**109.5**	**112.1**	**9.0**	**8.9**	**10**
	Total	**1,212.1**	**1,263.0**	**100**	**100**	**100**

Source: Investment Managers Figures may not sum 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 allocation 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. £50.9m, with positive absolute returns from all of the Fund's managers.

As at 31 March 2017, the Fund was 6.1% overweight equities when compared with the amended benchmark allocation and underweight bonds and property by c. 5.0% and c. 1.1% respectively.

2.4 Yield analysis as at 31 March 2017

The table below shows the yield as reported by the managers on each of the Fund's investments.

Manager	Asset Class	Yield as at 31 March 2017
Majedie	UK Equity	2.90%
Baillie Gifford	Global Equity	1.20%
Insight Fixed Interest Gilts	Fixed Interest Gilts (Passive)	0.50%
Insight Sterling Non-Gilts	Sterling Non-Gilts	2.10%
LGIM	Global Equity (Passive)	0.22%
Hermes Property	Property	5.30%
Standard Life Long Lease	Property	4.40%
Longview	Global Equity	1.98%
	Total	**1.93%**

*Benchmark yield 2.48%

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 in growth of assets under management	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 Fixed Interest Gilts (Passive)	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
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

3.1 London CIV

Business
As at 31 March 2017, the London CIV had 6 sub-funds and assets under management of £3.6bn which had increased from £3.3bn as at the 31 December 2016. There were no new fund launches over the quarter to 31 March 2017, but the CIV has been working on putting in place a number of different global equity mandates for the boroughs to choose from.

Deloitte view – The London CIV is still at relatively early stages and we continue to monitor the development, particularly with regards to the building of the Fixed Income and Alternative sub funds. To achieve its goals, the CIV will need to recruit further personnel to the investment team and look at how it communicates effectively with the boroughs.

3.2 Majedie UK Equity

Business
Over the first quarter of 2017, Majedie had a net inflow of £170m. As at 31 March 2017, capacity was available in the UK Equity, UK Focus and Tortoise Funds.

Total AUM for Majedie as at 31 March 2016 was £14.0bn, an increase of £0.4bn from last quarter.

Personnel
There have been no personnel changes to the Majedie team.

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

3.3 Baillie Gifford

Business

Total assets under management as at 31 March 2017 was c. £158bn, an increase from c. £145bn as at 31 December 2016. This increase was mainly due to the market movements. Baillie Gifford continued to suffer net capital outflows, across of range of different strategies, with clients continuing to de-risk.

Having undertaken a similar project in relation to its diversified growth funds and bond funds, Baillie Gifford is in the process of moving its equity investors from investing through its life company into an OEIC structure.

Personnel

There were no significant changes to the portfolio management staff over the quarter. Three new partners will be appointed in May 2017, whilst one will retire in the same month thereby increasing the total number of partners at the firm to 43:

- Incoming: Eleanor McKee – clients department director, for MAG and DG clients, joined in 1998;
- Incoming: Donald Farquharson – investment manager in Japanese equity team, 28 years' experience;
- Incoming: John Carnegie – director in clients department as a global alpha specialist, joined in 2006;
- Retiring: Elaine Morrison - retiring after 28 years from the clients' department Asian business sector.

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

3.4 LGIM

Business

As at 31 December 2016, Legal & General Investment Management ("LGIM") had total assets under management of £894bn, an increase of £52bn since 30 June 2016, with the largest increases seen in Global Fixed Income and Multi-Asset.

Personnel

Anton Meder's previously announced move to become CEO of LGIM America ('LGIMA'), and Colin Reedie's move from Head of Euro Credit to replace Anton as Co-Head of Global Fixed Income, became effective after the quarter-end on 1 April 2017. These both represent internal hires who maintain the same LGIM philosophies and therefore LGIM doesn't expect there to be any significant strategy changes as a result.

During the quarter, on 30 January 2017, LGIM released a press statement announcing the appointment of Helena Morrissey as LGIM Head of Investment Relations, joining from her previous role as CEO of Newton. Helen is part of the "30% Club" aiming for 30% female board representation and is known for her views of promoting opportunities for female and young investors.

LGIM has also continued to build out its pooled fund solutions team over the first three months of 2017, with 8 new joiners in the team during the quarter, including Mehdi Guissi (Head of European Bespoke Solutions) and Anna Troup (Head of UK Bespoke Solutions), with 5 of the other 6 new joiners being product specialists, brought in to serve the increase in demand in this area.

***Deloitte View* –** We do not see these structural changes to the team as having a negative impact on the business or funds, given the portfolio management teams for index equity and index fixed income remain intact, however we will continue to closely monitor any further developments. We continue to rate Legal & General positively for its passive capabilities.

3.5 Longview

Business

Assets under management as at 31 March 2017 stood broadly unchanged at c. £17.0bn.

Over the quarter Longview lost one significant account (c. £1.4bn) as the investor moved to passive equities. There were c. £800m of new investments from existing relationships and c. £500m from new clients which made up for the majority of the losses.

Personnel

There were no personnel changes over the first quarter of 2017.

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

3.6 Insight

Business

Insight continued to see an inflow of assets over the quarter, with assets under management growing beyond £523bn. Insight lost 3 clients over the first quarter, one to another consultant's fiduciary offering and two were lost in a competitive tender. Several larger clients increased hedge ratios over the quarter and Insight is seeing clients across the board looking to reduce leverage in their portfolios. In the larger picture (over the past 6 months) Insight has won 18 new clients, totalling £2.6bn, and lost 3, totalling £1.3bn. Over the same period, 30 existing clients extended their LDI mandates, totalling £9.1b.

Personnel

Insight made a couple of new hires over the quarter:

- Darren Louis joined Insight's EM Debt Team as a portfolio manager, having spent 20 years trading emerging market hard currency debt as well as other money market products for Deutsche Bank, UBS and most recently Morgan Stanley.
- Fernando Andrades joined Insight's Insurance team having spent 8 years at Willis Towers Watson as an investment consultant, providing investment advice to insurance companies and pension schemes.
- Oliver Thompson joined Insight's Fixed Income Group as a credit analyst focussing on bank loans. Oliver joined from KeyBanc Capital Markets.

Deloitte view – We continue to rate Insight positively for its Fixed Income capabilities and continue to monitor how growth is being managed across the business.

3.7 Hermes

Business

Total assets under management decreased by £0.1bn over the quarter, to £28.5bn for the business as a whole as at 31 March 2017. Over the quarter, assets under management within the HPUT remained relatively stable, ending the period at c. £1.4bn. The interest from prospective unit holders continues to be strong and the Trust Managers continue to hold subscriptions for new investment.

Personnel

There were no changes to the team over the quarter.

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

3.8 Standard Life

Business

The Fund's assets under management increased slightly to £1.78bn over the first quarter, following positive performance, with no significant inflows or outflows over the quarter.

Personnel

There were no personnel changes over the first quarter of 2017.

Deloitte View – We remain positive on long lease property given the long-term, inflation-linked nature of the contractual cashflows which arise from this type of investment.

Merger of Standard Life with Aberdeen Asset

During the quarter it was announced that Standard Life and Aberdeen Asset Management would merge in an effort to deliver cost savings in an increasingly cost sensitive industry. We are still waiting further details on the implications of the deal, although it is expected that there will be rationalisation across both businesses from both front and back office functions. Corporate activity within the asset management industry is difficult, usually causing uncertainty for investors and the respective businesses. We will monitor developments closely and keep the Trustee informed of any changes impacting the teams managing the Fund's assets.

4 London CIV

4.1 Investment Performance to 31 March 2017

As at 31 March 2017, the London CIV had 6 sub-funds and assets under management of £3,573m, increased from £3,336m as at the 31 December 2016. This growth was attributable to a combination of sub-fund openings, market moves and subscriptions.

The table below provides an overview of the sub-funds currently available on the London CIV platform.

Sub-fund	Asset Class	Manager	Total AuM as at 31 Mar 2017 (£m)	Total AuM as at 31 Dec 2016 (£m)	Number of London CIV clients	Inception Date
LCIV Global Equity Alpha	Global Equity	Allianz Global Investors	667	625	3	02/12/15
LCIV BG Global Alpha Growth	Global Equity	Baillie Gifford	1,602	1,489	9	11/04/16
LCIV PY Total Return	Diversified growth fund	Pyrford	204	201	3	17/06/16
LCIV Diversified Growth	Diversified growth fund	Baillie Gifford	355	346	6	15/02/16
LCIV RF Absolute Return	Diversified growth fund	Ruffer	413	347	5	21/06/16
LCIV NW Real Return	Diversified growth fund	Newton	332	326	3	16/12/16
Total			**3,573**	**3,336**	**18**	

There were no new subscriptions or fund launches over the quarter to 31 March 2017.

5 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.

5.1 Global equity – Investment performance to 31 March 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Gross of fees	7.7	34.3	16.9	16.3
Net of fees	7.6	33.9	16.6	16.0
MSCI AC World Index	5.4	31.6	15.9	15.9
Relative (net of fees)	2.2	2.3	0.7	0.1

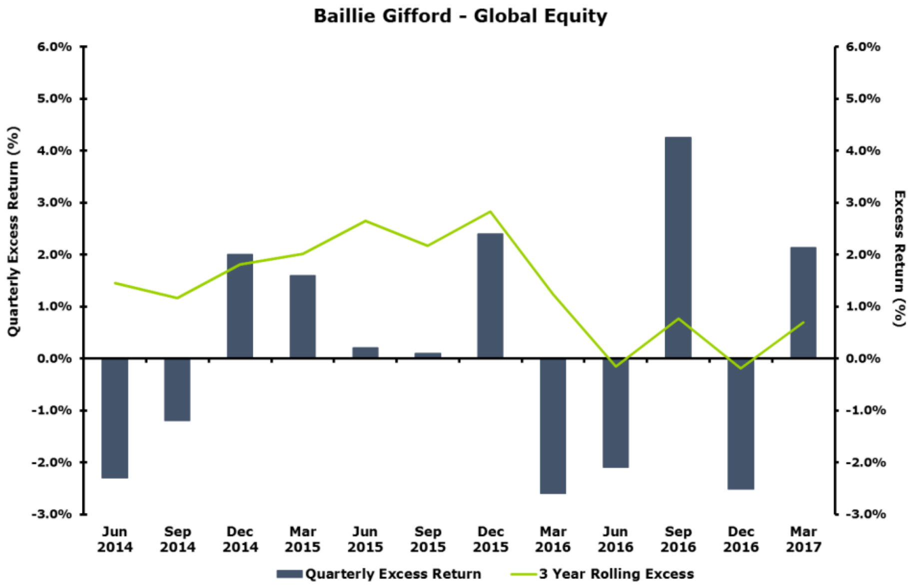
Source: Baillie Gifford, via London CIV and estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 18 March 2014

The Baillie Gifford Global Equity Alpha Fund has outperformed its benchmark by 2.2% net of fees over the quarter and by 2.3% over the year to 31 March 2017. Over the last three years, the Fund has outperformed its benchmark by 0.7% p.a. and is 0.1% p.a. ahead of benchmark since inception.

The graph below shows the net quarterly returns and the rolling three year excess returns relative to the benchmark. The Fund's current three year excess return is behind the target (+2% p.a.) having outperformed the benchmark by 0.7% p.a.

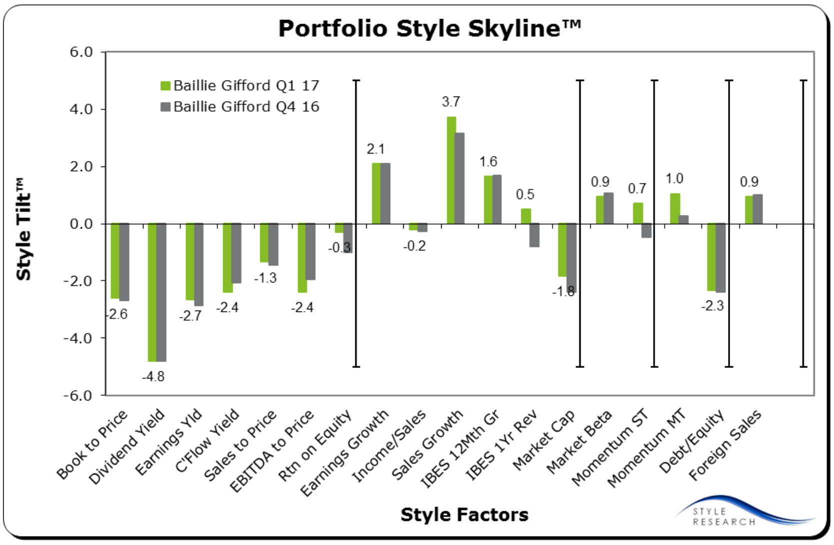


The main contributor over the first quarter and year was the Fund's holding in Amazon, on the back of its continuing strong results and aggressive investment strategy. It is also notable that companies with a strong exposure to the Chinese economy, such as Alibaba and Royal Caribbean, performed better than expected over the quarter with suspected weak Chinese demand not amounting to much. Poorer performers include American exposed oil and gas companies such as Apache and EOG.

Baillie Gifford is monitoring the performance of the companies with exposure to the healthcare sector. Baillie Gifford is aware that these have underperformed and is analysing whether the pricing pressure in the sector is likely to be short term or if there are more structural reasons for the poor performance.

5.2 Style Analysis

We have analysed the Style of Baillie Gifford's Global Alpha portfolio as at 31 March 2017, 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, the portfolio continues to show a marked negative bias to value related factors and a positive bias to growth factors – this is consistent with the manager's stated investment approach and is a similar position to last quarter.

The top 10 holdings in the portfolio account for c. 28.7% of the Fund and are detailed below.

Top 10 holdings as at 31 March 2017	Proportion of Baillie Gifford Fund
Amazon	4.6%
Prudential	3.4%
Royal Caribbean Cruises	3.4%
Naspers	3.2%
Taiwan Semiconductor Manufacturing	2.9%
SAP	2.6%
Alphabet	2.4%
Anthem	2.2%
CRH plc	2.0%
Moody's	2.0%
Total	**28.7%**

Note: The numbers in this table may not sum due to rounding

Baillie Gifford	31 December 2016	31 March 2017
Total Number of holdings	97	96
Active risk	4.0%	3.9%
Coverage	6.7%	7.1%

As at 31 March 2017, the number of holdings within the portfolio decreased by 1. The overlap with the FTSE All World index increased by 0.4% and the active risk figure dropped slightly.

6 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.

6.1 Passive Global Equity – Investment Performance to 31 March 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	5.7	18.0	8.6	12.4
Net of fees[1]	5.6	17.9	8.5	12.2
FTSE World (GBP Hedged) Index	5.7	18.1	8.7	12.3
Relative (net of fees)	-0.1	-0.2	-0.2	-0.1

Source: LGIM

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

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

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

The LGIM Fund has underperformed the benchmark by 0.1% over the quarter, by 0.2% p.a. over the year and last three years, and by 0.1% p.a. since the inception of the mandate. This underperformance is not unexpected given the cost of hedging.

7 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.

7.1 Active UK Equity – Investment Performance to 31 March 2017

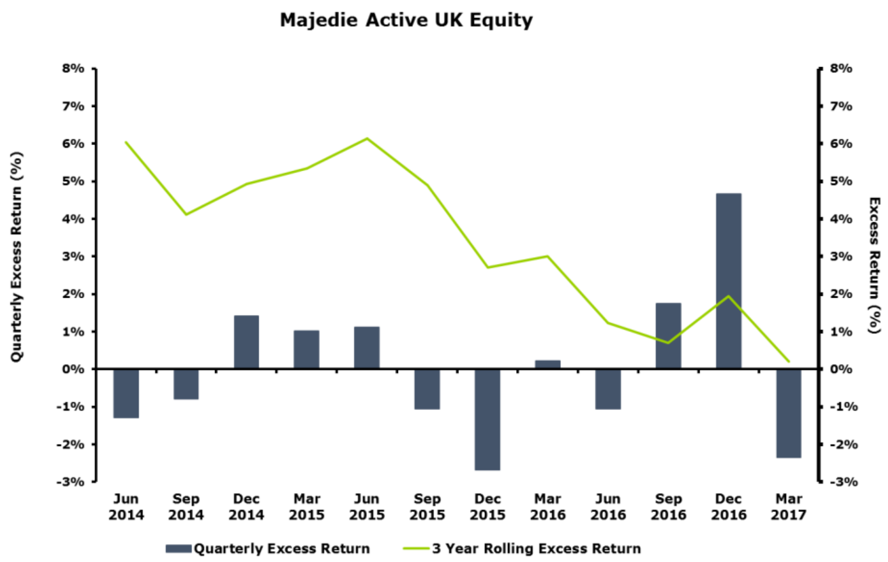
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie - Gross of fees	1.8	25.7	8.3	10.7
Net of fees[1]	1.7	25.4	7.9	10.4
MSCI AC World Index	4.0	22.0	7.7	6.6
Relative (on a net basis)	-2.3	3.4	0.2	3.8

Source: Majedie

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006

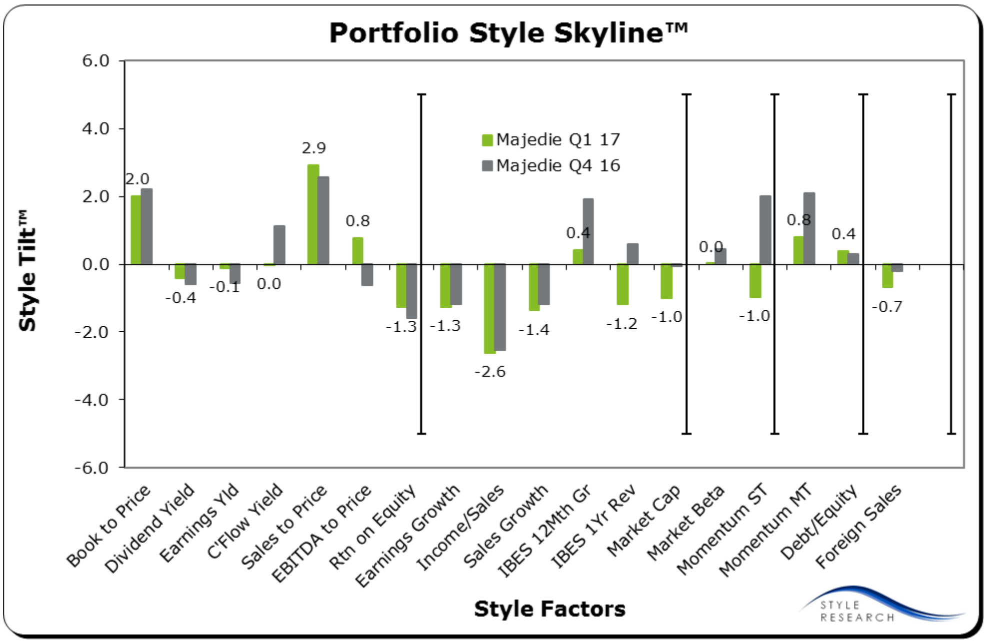


Majedie underperformed its benchmark over the quarter by 2.3% but outperformed its benchmark over the year by 3.4% on a net of fees basis. Over the longer timeframes of three years and since inception, the manager has outperformed its benchmark on a net of fee basis by 0.2% p.a. and 3.8% p.a. respectively.

Majedie's overweight exposure to the oil and gas sector contributed negatively over the quarter, detracting c. 70bps from performance. Majedie still believes this sector has value. Majedie remains very negative on consumer staples and feels there could be a price correction in this sector following the rise in valuations.

7.2 Style analysis

We have analysed the Style of Majedie as at 31 March 2017. 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 where the portfolio is managed by 4 different individuals, 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. 39.0% of the fund and are detailed below.

Top 10 holdings as at 31 March 2017	Proportion of Majedie Fund
Royal Dutch Shell	7.0%
BP	5.9%
HSBC	5.1%
Tesco	3.6%
GlaxoSmithKline	3.4%
Vodafone	3.3%
WM Morrison	3.0%
Barclays	2.8%
Anglo American	2.6%
Centrica	2.3%
Total	**39.0%**

Majedie	31 December 2016	31 March 2017
Total Number of holdings	151	151
Active risk	3.8%	3.0%
Coverage	36.8%	36.0%

As at 31 March 2017, Majedie held 151 stocks in total, with an overlap with the FTSE All Share index of 36.0%. 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 2017, decreased to 3.0%.

8 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.

8.1 Active Global Equity – Investment Performance to 31 March 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Gross of fees	5.9	29.0	n/a	19.4
Net of fees[1]	5.7	28.3	n/a	18.8
MSCI World Index	5.1	31.9	n/a	17.0
Relative (on a net basis)	0.6	-3.6	n/a	1.8

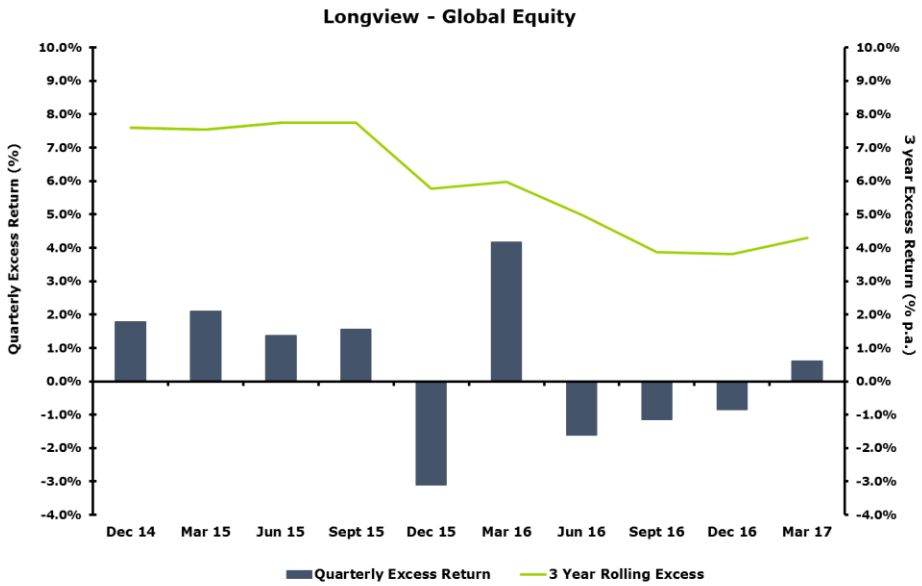
Source: Longview

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date 15 January 2015

Longview outperformed the benchmark by 0.6% on a net of fees basis over the first quarter of 2017. Over the year and since inception, the Fund is behind the benchmark (net of fees) by 3.6% but above benchmark by 1.8% p.a. respectively. The Fund targets an outperformance of 3% p.a. over a three year period.



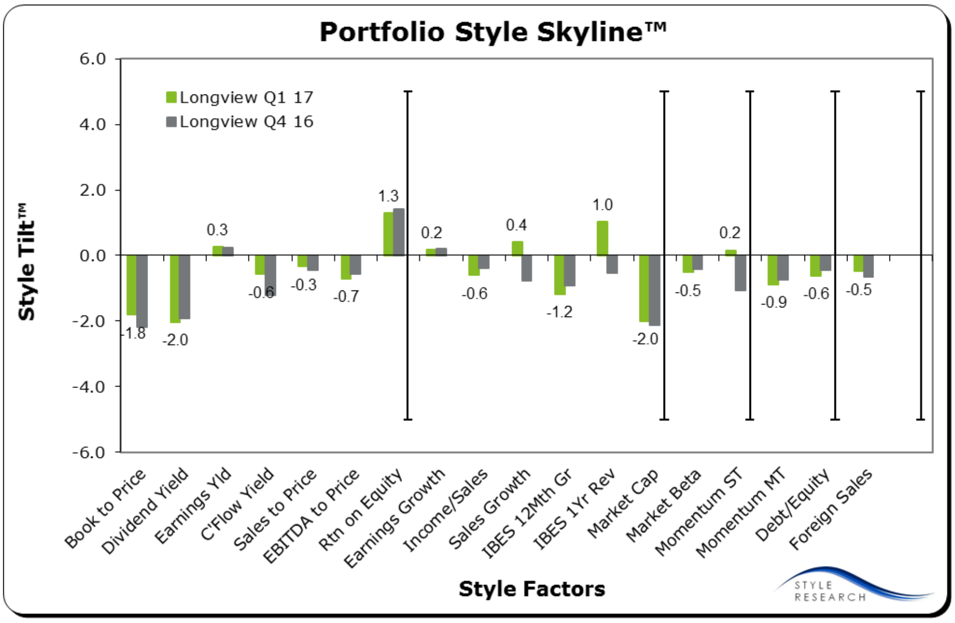
Delphi Automotive was the top performer over the first quarter of 2017, with Continental (also in the auto sector) also making it into the top 10 contributors; both reported higher than expected earnings. There had been some concern in the auto industry about the influence of weak demand from the US market, however the global market remained strong, buoyed by demand from China and the EU.

The healthcare sector was hit by the US presidential election result in Q4 last year, however the market appeared to overreact as healthcare companies HCA Holdings and Zimmer Biomet were some of the top contributors over the last quarter.

Next was the poorest performer over the quarter detracting 75bps from performance. Competitors experienced c. 20% growth from online businesses over the quarter while Next hardly saw any. Longview believes the company was unable to keep up with fierce competition and was losing out by keeping very high profit margins. Longview has now sold out of its Next holding following the poor results.

8.2 Style analysis

The Style "skyline" for Longview's global equity portfolio as at 31 March 2017 is shown 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.



The portfolio shows a modest negative bias to value factors and growth factors.

The top 10 holdings in the Longview fund account for c. 36.2% of the fund and are detailed below.

Top 10 holdings as at 31 March 2017	Proportion of Longview Fund
AON	4.5%
Parker Hannifin	3.8%
SAP	3.6%
Delphi Automotive	3.5%
Bank of New York Mellon	3.5%
Fidelity	3.5%
Oracle	3.5%
Progressive	3.5%
HCA Holdings	3.4%
Zimmer Biomet Holdings	3.4%
Total	**36.2%**

Longview	31 December 2016	31 March 2017
Total Number of holdings	37	35
Active risk	4.8%	4.6%
Coverage	4.4%	4.4%

As at 31 March 2017, Longview held 35 stocks in total, with an overlap with the FTSE All World index of only 4.4%. This coverage is low due to the high conviction investing that Longview undertakes, which also leads to an active risk of 4.6% as at 31 March 2017.

9 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.

9.1 Insight – Active Non Gilts

9.1.1 Investment Performance to 31 March 2017

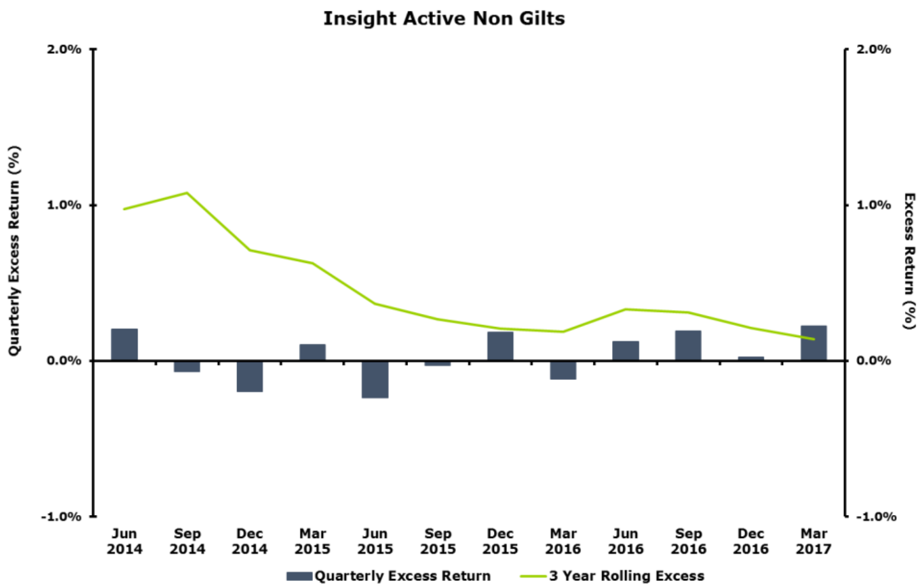
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight Non Gilts - Gross of fees	1.9	7.7	6.3	5.9
Net of fees[1]	1.8	7.5	6.0	5.7
iBoxx £ Non-Gilt 1-15 Yrs Index	1.6	6.9	5.9	5.5
Relative (on a net basis)	0.2	0.6	0.1	0.2

Source: Insight

(1) Estimated by Deloitte

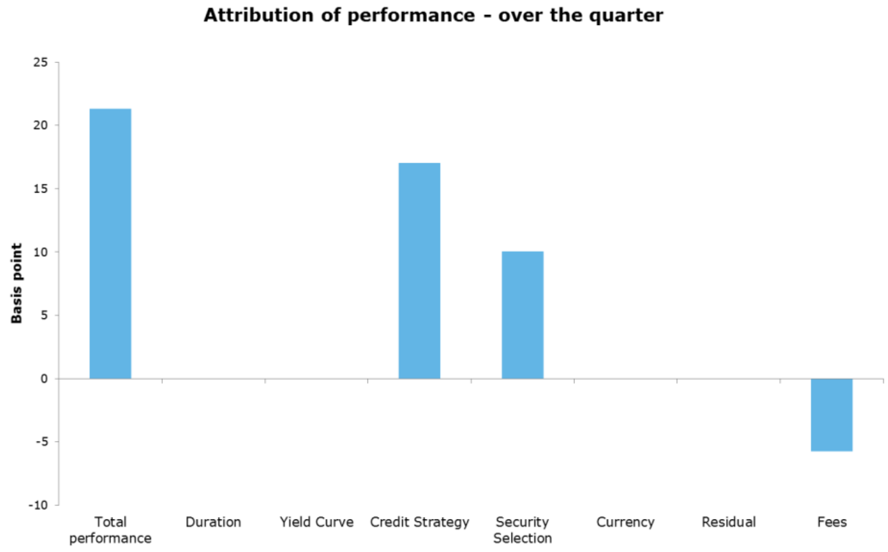
See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006.



Over the quarter the portfolio outperformed the benchmark by 0.2%. Over the year to 31 March 2017, the Fund has outperformed the benchmark by 0.6%. The Fund has outperformed the benchmark by 0.1% p.a. over the 3 years to 31 March 2017 and by 0.2% p.a. since inception. Performance therefore remains below the outperformance target of 0.9% p.a. across all periods.

9.1.2 Attribution of Performance



Source: Estimated by Insight

Insight's outperformance this quarter has been driven by its credit strategy and security selection, with there being no underperformance or outperformance from the Fund's duration positioning, yield curve or currency.

9.2 Insight – Government Bonds

9.2.1 Investment Performance to 31 March 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Insight Gilts - Gross of fees	0.8	2.8	4.1	4.9
Net of fees[1]	0.8	2.7	4.0	4.8
FTSE A Gilts up to 15 Yrs Index	0.9	2.9	4.1	5.0
Relative (on a net basis)	-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 underperformed its benchmark over all periods shown.

9.3 Duration of portfolios

	31 December 2016		31 March 2017	
	Fund (Years)	Benchmark (Years)	Fund (Years)	Benchmark (Years)
Non-Government Bonds (Active)	5.7	5.4	4.7	5.6
Government Bonds (Passive)	4.7	5.0	4.5	4.8

Source: Insight

10 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.

10.1 Property – Investment Performance to 31 March 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Hermes - Gross of fees	1.9	6.9	13.2	9.6
Net of fees[1]	1.8	6.5	12.8	9.2
Benchmark	2.1	4.6	10.7	8.4
Relative (on a net basis)	-0.3	1.9	2.1	0.8

Source: Hermes

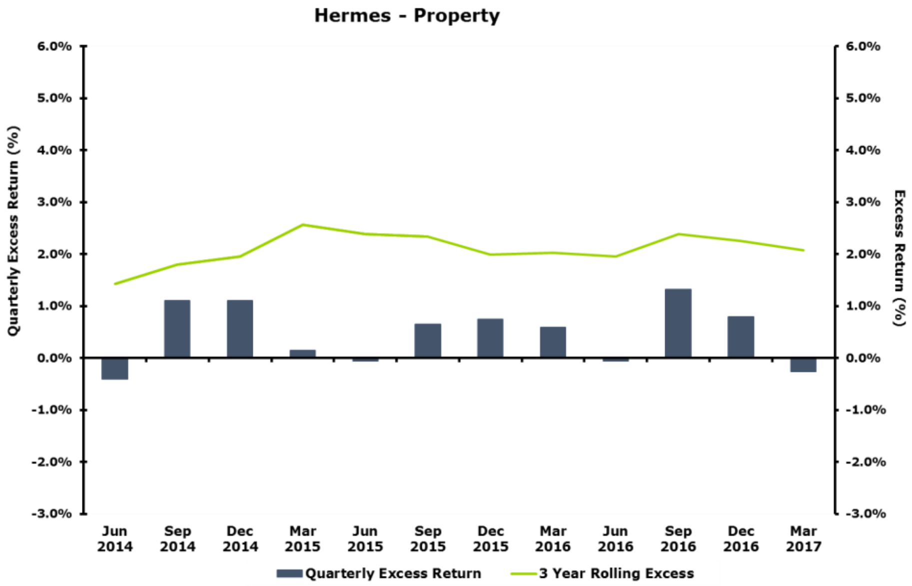
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date is taken as 26 October 2010

Hermes underperformed its benchmark by 0.3% over the quarter, but remains ahead of its benchmark over the year, three years and since inception to 31 March 2017 by 1.9%, 2.1% p.a. and 0.8% p.a. respectively. The Fund's target is to outperform the benchmark by 0.5% p.a.

Key contributors to the performance over the quarter were the Industrial sector and "Other" (comprising of pubs, hotels etc.). The main detractors over the quarter were the Trust's holdings in Retail Warehouses and West End Offices, both sectors having a fairly muted (albeit positive) quarter.



10.2 Sales and Purchases

There were no acquisitions or disposals completed over the quarter.

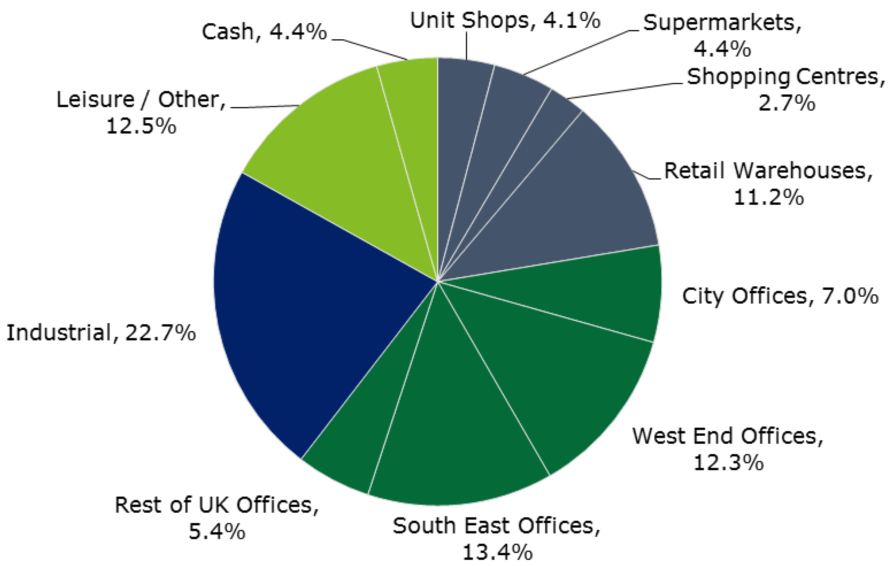
Asset management is ongoing at the following properties:

- 1/7 Sekforde Street, London: the existing lease to Future Cities Catapult Ltd has been renegotiated to a new 10 years and 3 months lease starting from 25 March 2017 with 13 months rent free and an annual rent of £1.325m to reflect £62.50 per sq ft. on the main office space.
- Black Horse Tower, Cockfosters: an estate of three 1960's office buildings totalling 110,000 sq ft. Planning permission has been granted to double the space to c. 230,000 sq ft for mixed use including apartments, a hotel and commercial space.

- Plantation Wharf, Battersea: planning permission obtained to demolish existing buildings, extend Trade Tower and redevelop the site. The proposed new floor space will include industrial units, office space, retail/restaurant space and Education and Health use. HPUT are likely to sell this property with the planning permission, rather than develop the site themselves.

10.3 Portfolio Summary as at 31 March 2017

The Hermes Property Unit Trust invests across retail, offices, industrials and other sectors, with the split as at 31 March 2017 shown below.



The table below shows the top 10 directly held assets in the Fund as at 31 March 2017, representing c.36.7% of the Fund.

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	109.3
8/10 Great George Street, London SW1	Offices	62.0
27 Soho Square, London W1	Offices	43.8
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	41.2
Polar Park, Bath Road, Heathrow	Industrial	40.9
Hythe House, Hammersmith	Offices	38.5
2 Cavendish Square, London W1	Offices	38.3
Christopher Place, St Albans	Shopping Centre	37.4
Camden Works, Oval Road, London NW1	Offices	37.1
Boundary House, 91/93 Charterhouse St, London EC1	Offices	34.5
Total		**482.9**

11 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.

11.1 Long Lease Property – Investment Performance to 31 March 2017

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Standard Life - Gross of fees	2.8	7.6	8.2	9.2
Net of fees[1]	2.7	7.1	7.7	8.7
Benchmark	2.1	8.8	10.0	8.7
Relative (on a net basis)	0.6	-1.7	-2.3	0.0
*Aviva Lime Property Fund**	*1.2*	*7.1*	*7.8*	
*M&G Secured Property Income Fund**	*2.5*	*5.5*	*7.6*	
*LGIM LPI Property Income Fund**	*2.0*	*6.3*	*7.1*	

Source: Standard Life

(1) Estimated by Deloitte

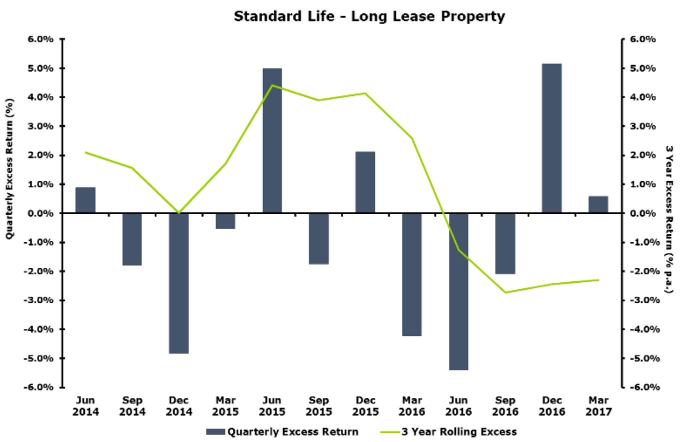
See appendix 1 for more detail on manager fees

Since inception: 14 June 2013

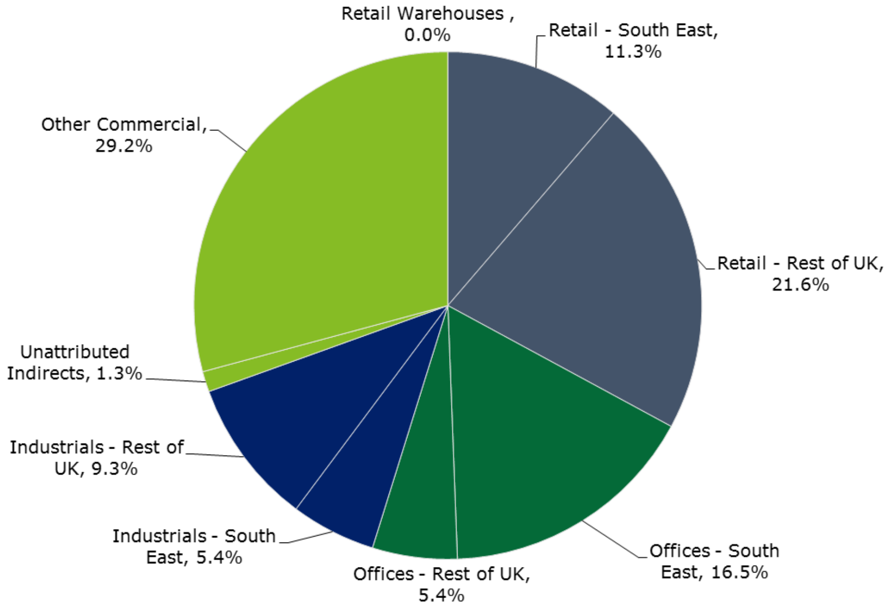
*For illustrative purposes only

The SLI Long Lease Property Fund returned 2.7% net of fees over the first quarter of 2017, outperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 0.6% net of fees. SLI reported higher rates of capital growth over the period with investors attracted to long dated leases secured by strong covenants.

Over the year the Fund remains behind the benchmark by 2.0% on a net of fees basis. However in absolute terms, the Fund performed strongly with the Fund's focus on prime assets proving beneficial in a challenging time for the UK property market following the EU referendum. The table above shows the performance of alternative long lease property funds that we monitor – as shown, SLI's product has delivered the strongest performance of this group. Net of fees performance of the Long Lease Fund is shown below.



The sector allocation in the Long Lease Property Fund as at 31 March 2017 is shown in the graph below.



The Fund remains underweight in the office sector (21.9% compared to 33.8%) and remains underweight in the industrial sector (14.7% compared to 22.1%) at the end of the first quarter of 2017. The Fund is also overweight the retail sector (32.9% compared to 36.4%).

The Fund continues to be significantly overweight the "Other" sector (30.5% compared to 7.7%) 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	Total Rent £m p.a.	% Net Income
Tesco	7.9	10.2
Whitbread	5.2	6.7
Sainsbury's	4.9	6.4
Marston's	4.6	5.9
Asda	4.4	5.7
QVC	4.0	5.2
Salford University	3.7	4.8
Save The Children	3.7	4.7
Poundland	3.60	4.7
Glasgow City Council	3.1	4.0
Total	**45.0**	**58.5***

*Total may not equal sum of values due to rounding

The top 10 tenants contribute 58.3% of the total net income into the Fund. Supermarkets continue to dominate with Tesco, Sainsbury's and Asda contributing 22.3% to the Fund's total net rental income as at 31 March 2017.

The Fund's average unexpired lease term decreased slightly over the quarter from 25.7 years to 25.4 years.

11.2 Sales and Purchases

There was one sale over the quarter:

- The Fund sold its student accommodation asset at Hamwic Hall, Southampton due to a falling lease length.

There were no purchases over the quarter however the trade distribution warehouse in Enfield was re-geared, resulting in a 5 year lease extension and an increase in value of 4%.

Appendix 1 – Fund and Manager Benchmarks

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

Total Fund

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

Manager	Asset Class	Long Term Strategic Benchmark Allocation	Benchmark	Outperformance Target	Inception Date	Fees (p.a.)	Tracking Error p.a.
Majedie	UK Equity	20.0	FTSE All-Share Index	+2.0 p.a. (net of fess)	31/05/06	c.35bps base fees +20 performance fee on 1 outperformance over 3 year rolling	2.0-6.0
LGIM	Global Equity	20.0	FTSE World GBP Hedged	Passive	01/11/12	13bps base fees	+/- 0.5
Baillie Gifford	Global Equity	25.0	MSCI AC World Index	+2.0 p.a. (net of fess)	18/03/14	36bps base fee	
Longview	Global Equity		MSCI World (GBP) Index	To outperform the benchmark over a market cycle	15/01/15	75bps base fees minus a rebate dependent on fund size	
Insight	Fixed Interest Gilts	-	FTSE GILTS up to 15 Yrs Index	Passive	31/05/06	10bps base fees	
	Non-Gilts	20.0	iBoxx £ Non-Gilt 1-15 Yrs Index	+ 0.90 p.a. (gross fees)	31/05/06	c.24bps base fee	0 - 3.0
Hermes	Property	5.0	IPD UK PPFI Balanced PUT Index	+0.5 p.a. (net of fess)	26/10/10	40bps base fee	
Standard Life	Property	5.0	FTSE Gilts All Stocks Index +2% p.a.	+0.5 p.a. (net of fess)	14/06/13	50bps base fee	
To be determined	Property / Infrastructure	5.0					
	Total	100.0					

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

Appendix 2 – Manager Ratings

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

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

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

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

Appendix 3 – Style analysis

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

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

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

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

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

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

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

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

Appendix 4 – Risk warnings & Disclosures

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

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

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 2017

Barnett Waddingham LLP

12 June 2017

Contents

Introduction

We have carried out a quarterly monitoring assessment of the City of Westminster Pension Fund (the Fund) as at 31 March 2017. 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.

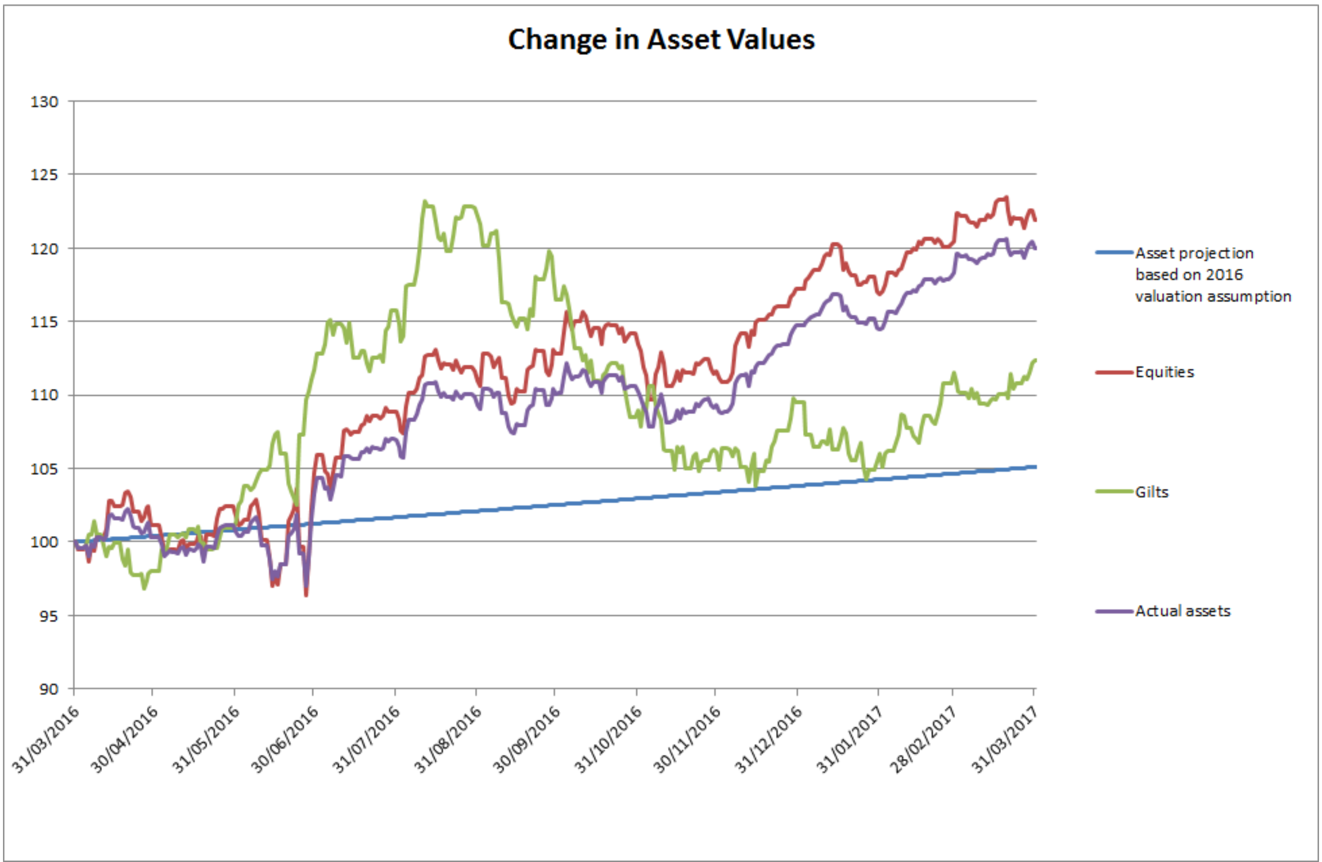
Assets

The estimated (unsmoothed) asset allocation of the City of Westminster Pension Fund as at 31 March 2017 is as follows:

Assets (market value)	31 Mar 2017		31 Dec 2016		31 Mar 2016	
	£000s	%	£000s	%	£000s	%
UK and overseas equities	960,774	76.1%	916,339	75.7%	790,289	74.1%
Bonds	156,337	12.4%	150,903	12.5%	130,390	12.2%
Property	110,739	8.8%	108,801	9.0%	105,811	9.9%
Gilts	27,334	2.2%	27,889	2.3%	26,733	2.5%
Cash and accruals	6,708	0.5%	7,199	0.6%	13,120	1.2%
Total assets	**1,261,892**	**100%**	**1,211,130**	**100%**	**1,066,343**	**100%**

The investment return achieved by the Fund's assets in market value terms for the quarter to 31 March 2017 is estimated to be 4.5%. The return achieved since the previous valuation is estimated to be 19.9%.

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 2017 in market value terms is 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 Mar 2017		31 Dec 2016		31 Mar 2016	
	Nominal	Real	Nominal	Real	Nominal	Real
	% p.a.		% p.a.		% p.a.	
Pension increases	2.80%	-	2.81%	-	2.39%	-
Salary increases	4.30%	1.50%	4.31%	1.50%	3.89%	1.50%
Main discount rate	5.05%	2.25%	5.10%	2.29%	5.10%	2.71%

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate – the higher the real discount rate the lower the value of liabilities. As we see the real discount rate is lower than at the 31 March 2016 valuation, increasing 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 2017 is 85% and the average required employer contribution would be 30.1% of payroll assuming the deficit is to be paid by 2038;
- this compares with the reported (smoothed) funding level of 80% and average required employer contribution of 28.5% of payroll at the 31 March 2016 funding valuation.

Whilst the funding level has increased due to much higher than expected investment returns, net of a reduction in real discount rates, the lower real discount rates have also increased the cost of ongoing accrual of benefits and so the improved past service funding position has not resulted in a lower overall contribution requirement.

The discount rate underlying the smoothed funding level as at 31 March 2017 is 5.0% p.a. The investment return required to restore the funding level to 100% by 2038, without the employers paying deficit contributions, would be 5.9% p.a.

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 £000s	Liabilities £000s	Surplus / Deficit £000s	Funding level %	CARE ongoing cost (% of payroll)	Past service ctbn	Total ctbn (% of payroll)	Discount rate	Return required to restore funding level (p.a.)
31 Mar 2016	1,056,747	1,320,797	(264,050)	80%	16.9%	11.6%	28.5%	5.1%	6.1%
30 Apr 2016	1,069,289	1,336,290	(267,001)	80%	17.2%	11.9%	29.1%	5.0%	6.0%
31 May 2016	1,088,792	1,361,959	(273,167)	80%	17.7%	12.1%	29.8%	4.9%	5.9%
30 Jun 2016	1,103,684	1,383,592	(279,908)	80%	18.2%	12.4%	30.6%	4.8%	5.9%
31 Jul 2016	1,121,960	1,404,218	(282,258)	80%	18.6%	12.4%	31.0%	4.8%	5.8%
31 Aug 2016	1,133,402	1,420,778	(287,376)	80%	18.9%	12.7%	31.6%	4.8%	5.9%
30 Sep 2016	1,150,014	1,437,397	(287,383)	80%	19.3%	12.6%	31.9%	4.9%	5.9%
31 Oct 2016	1,172,816	1,449,174	(276,358)	81%	19.4%	12.2%	31.6%	4.9%	5.9%
30 Nov 2016	1,185,339	1,456,239	(270,900)	81%	19.5%	12.0%	31.5%	5.0%	6.0%
31 Dec 2016	1,206,192	1,462,284	(256,092)	82%	19.5%	11.3%	30.8%	5.1%	6.0%
31 Jan 2017	1,217,761	1,466,251	(248,490)	83%	19.5%	11.0%	30.5%	5.1%	6.0%
28 Feb 2017	1,237,696	1,475,619	(237,923)	84%	19.7%	10.6%	30.3%	5.1%	5.9%
31 Mar 2017	1,255,740	1,485,814	(230,074)	85%	19.8%	10.3%	30.1%	5.0%	5.9%

City of Westminster

Committee Report

Decision Maker:	**Pension Fund Committee**
Date:	**27 June 2017**
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 There has been no change to the risk register over the quarter. The cash flow forecast has been updated for the next three years and the forward plan has been updated with two workflows for the October and December 2017 meeting cycles.

2. Recommendations

2.1 The Committee is asked to note the risk register for the Pension Fund.

2.2 The Committee is asked to note the cashflow position and three year forecast.

2.3 The Committee is asked to note the changes to the forward plan.

3. Risk Register Monitoring

3.1 There has been no change to the risk register from June 2017. Officers will continue to monitor and update the risk register for the approval of the Committee. The risk register is attached at appendix 2.

4. Cashflow Monitoring

4.1 The cashflow balance at the end of March 2017 was £5.4 million.

4.2 The Fund is not expected to draw-down cash from investments, over the 2017/18 as the option to receive distributions into the pension fund bank account for mandates that have been transitioned into the CIV is now in place.

4.3 A cash forecast has been prepared for 2017/18 with actuals being applied to the first two months. This will be kept under review as the new contribution rates and the effect of distributions from the CIV bed in.

4.4 Officers will continue to monitor the cash balance on a regular basis and will update the Committee as required.

4.5 The cashflow outturn for 2016/17 is attached at appendix 3 along with the forecast for the next three financial years.

5. Forward Plan

5.1 The forward plan has been reviewed and amended for the Committee to receive an update on the fixed income tender in the October 2017 meeting cycle and the award of the fixed income mandate in the December 2017.

5.2 Details of the fixed income mandate award has been outlined in the investment strategy and pooling update item on the agenda.

5.3 The updated forward plan is attached at appendix 4.

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

Yvonne Thompson-Hoyte ythoyte@westminster.gov.uk or 020 7641 6925

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Tri-Borough Risk Management Scoring Matrix
Appendix 2 – Pension Fund Risk Register Review, June 2017
Appendix 3 – Cash Flow Monitoring, June 2017
Appendix 4 – Pension Fund Forward Plan, June 2017

Appendix 1 - Tri Borough Risk Management Scoring Matri

Scoring (Impact)

Impact Description	Category
1 Very Low	Cost/Budgetary Impact
	Impact on life
	Environment
	Reputation
	Service Delivery
2 Low	Cost/Budgetary Impact
	Impact on life
	Environment
	Reputation
	Service Delivery
3 Medium	Cost/Budgetary Impact
	Impact on life
	Environment
	Reputation
	Service Delivery
	Cost/Budgetary Impact
	Impact on life
	Environment

4 High	Reputation	
	Service Delivery	
5 Very High	Cost/Budgetary Impact	
	Impact on life	
	Environment	
	Reputation	
	Service Delivery	

Scoring (Likelihood)

Descriptor	
1. Improbable, extremely unlikely	
2. Remote possibility	
3. Occasional	
4. Probable	
5. Likely	

Description
£0 to £25,000
Temporary disability or slight injury or illness less than 4 weeks (internal) or affecting 0-10 people (external)
Minor short term damage to local area of work.
Decrease in perception of service internally only – no local media attention
Failure to meet individual operational target – Integrity of data is corrupt no significant effect
£25,001 to £100,000
Temporary disability or slight injury or illness greater than 4 weeks recovery (internal) or greater than 10 people (external)
Damage contained to immediate area of operation, road, area of park single building, short term harm to the immediate ecology or community
Localised decrease in perception within service area – limited local media attention, short term recovery
Failure to meet a series of operational targets – adverse local appraisals – Integrity of data is corrupt, negligible effect on indicator
£100,001 to £400,000
Permanent disability or injury or illness
Damage contained to Ward or area inside the borough with medium term effect to immediate ecology or community
Decrease in perception of public standing at Local Level – media attention highlights failure and is front page news, short to medium term recovery
Failure to meet a critical target – impact on an individual performance indicator – adverse internal audit report prompting timed improvement/action plan - Integrity of data is corrupt, data falsely inflates or reduces outturn of indicator
£400,001 to £800,000
Individual Fatality
Borough wide damage with medium or long term effect to local ecology or community

Decrease in perception of public standing at Regional level – regional media coverage, medium term recovery
Failure to meet a series of critical targets – impact on a number of performance indicators – adverse external audit report prompting immediate action - Integrity of data is corrupt, data falsely inflates or reduces outturn on a range of indicators
£800,001 and over
Mass Fatalities
Major harm with long term effect to regional ecology or community
Decrease in perception of public standing nationally and at Central Government – national media coverage, long term recovery
Failure to meet a majority of local and national performance indicators – possibility of intervention/special measures – Integrity of data is corrupt over a long period, data falsely inflates or reduces outturn on a range of indicators

Likelihood Guide
Virtually impossible to occur 0 to 5% chance of occurrence.
Very unlikely to occur 6 to 20% chance of occurrence
Likely to occur 21 to 50% chance of occurrence
More likely to occur than not 51% to 80% chance of occurrence
Almost certain to occur 81% to 100% chance of occurrence

Appendix 2: Pension Fund Risk Register, June 2017

Changes to the risk register since previous quarter

Type	Ref	Risk	Rationale

Pension Fund risk register, June 2017

Ref	Risk	Mitigating Actions	Residual risk score: Likelihood	Residual risk score: Impact £'s	Residual risk score: Impact No's	Risk Rating	Officer responsible	Next Review Date
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	5		Low 10	City Treasurer	October 2017
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	4		Medium 12	City Treasurer	October 2017
3	**STRATEGIC: INVESTMENT** Failure of custodian or counterparty.	• At time of appointment, ensure assets are separately registered and segregated by owner. • Review of internal control reports on an annual basis. • Credit rating kept under review.	2	5		Low 10	City Treasurer	October 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
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.	3	4		Medium 12	City Treasurer	October 2017
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.	1	4		Low 4	City Treasurer	October 2017
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.	3	4		Medium 12	City Treasurer	October 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
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		4	Low 8	City Treasurer	October 2017
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	3		Low 9	City Treasurer and Director of People Services	October 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
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.	3	5		Medium 15	City Treasurer	October 2017
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	4		Low 8	City Treasurer	October 2017
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	October 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
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 Director of People Services	October 2017
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	4		Low 8	City Treasurer	October 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
14	**OPERATIONAL: GOVERNANCE** London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	• Pension Fund Committee Chair is a member of the Joint member Committee responsible for the oversight of the CIV and can monitor and challenge the level of resources through that forum. • Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV.	2	4		Low 8	City Treasurer	October 2017
15	**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	4		Medium 12	City Treasurer and Director of People Services	October 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
16	**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.	2	2		Low 4	City Treasurer and Director of People Services	October 2017
17	**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	1		Low 2	City Treasurer and Director of People Services	October 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
18	**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	4		High 16	City Treasurer and Director of People Services	October 2017
19	**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.	2	5		Low 10	City Treasurer and Director of People Services	October 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
20	**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		5	Low 10	City Treasurer	October 2017
21	**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	Low 5	Director of People Services	October 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
22	**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	Director of People Services	October 2017
23	**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	Low 5	Director of People Services	October 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
24	**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.	3		3	Low 9	Director of People Services	October 2017
25	**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		5	High 20	Director of People Services	October 2017

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Appendix 3: CASHFLOW MONITORING

Cashflow Outturn for 2016/17

	2016/17		
	£000	£000	£000
	F'cast	Actual	Variance
Balance b/f	**8,658**	**8,658**	**0**
Contributions	37,100	34,855	2,245
Misc. Receipts[1]	1,200	7,465	(6,265)
Pensions	(36,000)	(35,661)	(339)
HMRC Tax	(6,480)	(6,528)	48
Misc. Payments[2]	(11,400)	(11,823)	423
Expenses	(2,270)	(2,024)	(246)
Net cash in/(out) in month	**(17,850)**	**(13,716)**	**(4,134)**
Withdrawals from Fund Managers	22,500	9,542	12,958
Income Distribution	1,500	1,060	440
Balance c/f	**14,808**	**5,544**	**9,264**

Notes

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

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

Cashflow actuals and forecast for period April 2017 to March 2018

	Apr-17			
	£000	£000	£000	£000
	F'cast	Actual	Var	F'cast
Balance b/f	**5,544**	**5,544**	**0**	**5,552**
Contributions	3,550	2,729	821	3,550
Misc. Receipts[1]	208	495	(287)	208
Pensions	(3,000)	(3,046)	46	(3,000)
HMRC Tax	(583)	(567)	(16)	(583)
Misc. Payments[2]	(1,083)	(1,537)	454	(1,083)
Expenses	(167)	0	(167)	(167)
Net cash in/(out) in month	**(1,075)**	**(1,926)**	**851**	**(1,075)**
Withdrawals from Fund Managers	0	0	*0*	0
Income Distributions	1,083	0	*1,083*	1,083
Balance c/f	**5,552**	**3,618**	**1,934**	**5,560**

Notes

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

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

3 Includes £3.7 deficit funding paid by WCC to the Fund

Cashflow Forecast 2017 - 2020

2017/18	2018/19	2019/20
£000	£000	£000
F'cast	F'cast	F'cast
5,544	**5,644**	**5,394**
42,600	42,700	42,800
2,500	2,800	3,100
(36,000)	(36,500)	(37,000)
(7,000)	(7,500)	(8,000)
(13,000)	(15,000)	(17,000)
(2,000)	(2,250)	(2,500)
(12,900)	**(15,750)**	**(18,600)**
0	2,000	4,000
13,000	13,500	14,000
5,644	**5,394**	**4,794**

May-17		*Jun-17*	*Jul-17*	*Aug-17*	*Sep-17*	*Oct-17*
£000	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Actual	Var	*F'cast*	*F'cast*	*F'cast*	*F'cast*	*F'cast*
3,618	**1,934**	***5,560***	***5,568***	***5,576***	***5,584***	***5,592***
7,065	(3,515)	3,550	3,550	3,550	3,550	3,550
64	144	208	208	208	208	208
(3,069)	69	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
(544)	(39)	(583)	(583)	(583)	(583)	(583)
(1,955)	872	(1,083)	(1,083)	(1,083)	(1,083)	(1,083)
0	(167)	(167)	(167)	(167)	(167)	(167)
1,561	**(2,636)**	***(1,075)***	***(1,075)***	***(1,075)***	***(1,075)***	***(1,075)***
0	*0*	*0*	*0*	*0*	*0*	*0*
0	*1,083*	1,083	1,083	1,083	1,083	1,083
5,179	**381**	**5,568**	**5,576**	**5,584**	**5,592**	**5,600**

Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
£000	£000	£000	£000	£000
F'cast	F'cast	F'cast	F'cast	F'cast
5,600	5,608	5,616	5,624	5,632
3,550	3,550	3,550	3,550	3,550
208	208	208	208	208
(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
(583)	(583)	(583)	(583)	(583)
(1,083)	(1,083)	(1,083)	(1,083)	(1,083)
(167)	(167)	(167)	(167)	(167)
(1,075)	(1,075)	(1,075)	(1,075)	(1,075)
0	0	0	0	0
1,083	1,083	1,083	1,083	1,083
5,608	5,616	5,624	5,632	5,640

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Appendix 4

PENSION FUND COMMITTEE **Forward Plan – March 2017**

Area of work	**22 Jun 2017**	**12 Oct 2017**	**7 Dec 2017**	**8 Mar 2018**
Standing Items	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan
Governance	Pension Fund Annual Report and Accounts 2016/17 Progress on compliance with TPR Code of Practice Review of Governance Compliance Statement Business Plan	Annual report of Pension Board activities Review of Pension Fund expenses		Investment Strategy Statement Review
Investments	Pooling and CIV update Investment Strategy Review Annual report to Scheme Advisory Board re pooling arrangements	Pooling and CIV update Investment Strategy Review Update on fixed income tender	Pooling and CIV update Investment Strategy Review Fund Manager Monitoring Arrangements Award fixed income manager.	Pooling and CIV update Investment Strategy Review Feedback from Annual fund manager monitoring day

Committee Report

City of Westminster

Decision Maker:	**Pension Fund Committee**
Date:	**27 June 2017**
Classification:	**General Release**
Title:	**Investment Strategy and Pooling Update**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	Savings of approximately £xxk per annum are expected from the transfer of the Majedie and Longview assets to the CIV. The tender for a new Fixed Income Contract, in liaison with the CIV, could also deliver additional savings.
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 Governments targets for pooling investments, in particular the transfer for assets to the London CIV. In addition, it updates the Committee on work being undertaken to replace the Fixed Income contract which expires at the end of 2017.

1.2 The paper also compares the present Investment Strategy to the agreed Asset Allocation Strategy and picks up points for agreement raised by the Pension Board in their Scrutiny of the Investment Strategy Statement.

2. RECOMMENDATIONS

2.1 That the Committee note:

a. The progress on the transfer of assets to the London CIV and associated fee savings this brings;

b. The progress being made, in liaison with the London CIV, in the replacement process and timescales for the fixed Income mandate

c. The present asset allocations compared to the agreed Asset Allocation Strategy.
d. That the Committee note the comments made to the Investment Strategy Statement by the Pensions Board and approve the minor changes recommended.

3. REASONS FOR DECISION

3.1 The Department for Communities and Local Government (DCLG) set out in 2014 to reduce the costs of the Local Government Pension Scheme by examining fees for active management within the funds. It has requested Council Pension Funds to join Collective Investment Vehicles (CIVs) in order to obtain economies of scale with fund managers and reduce fees.

3.2 This report sets out those funds available for use at the present time and the London Borough of Hammersmith and Fulham Pension Fund's movement into these instruments

4. PROPOSALS AND ISSUES

Asset Pooling Present Position

4.1 As at the 30th April, the City Council had the following assets either with the London CIV or about to be moved to the London CIV:

Fund	Date of Transition	Amount £m	Percentage of Assets
Baillie Gifford – Global Equities	May 2016	235.6	18.6
Majedie – UK Equities	May 2017	301.1	23.8
Longview – Global Equities	June 2017	137.7	10.9
Legal & General Passive – Global Equities	n/a	286.1	22.6

4.2 This amounts to approximately 75.9% of the total portfolio of £1,264.1m of assets. Fixed Income is a further 190.7m, which is a further 15.1% of the portfolio. The other assets held are in Property at £112.8m

4.3 This percentage puts Westminster at the top end of London Boroughs with assets on the London CIV.

4.4 Appendix A sets out all funds presently managed through the London CIV.

Fixed Income Mandate

4.5 In December 2016, the City Council extended its fixed Income Mandate for a year to December 2017 in order to allow the London CIV to on-board appropriate products. It is clear now, that due to different priorities, that an appropriate product will not be ready by December 2017.

4.6 To help the London CIV, the City Council will run a “Buy and Maintain” tendering process on behalf of London Councils which can then be on-boarded onto the London CIV at a later time.

4.7 Advice is being taken from Procurement and the London CIV to ensure the correct process is followed.

Review of the Present Asset Allocation Strategy

4.8 The Councils present investments and its existing asset allocation policy are set out in the following table:

	Target Allocation	Benchmark	Actual Allocation
UK equities	20%	FTSE All Share	23.8
Global equities (passive)	45%	FTSE World (GBP hedged)	22.6
Global equities (active)		MSCI AC World	29.5
Fixed Income	20%	iBoxx £ Non-Gilt 1-15 Yrs Index	15.1
Property	15%	FT All Gilt index plus 2%	9.0
	100.0		100.0

4.9 Committee members are requested to review the present model and confirm if it is appropriate following the latest valuation of the Fund’s assets and liabilities and if present allocations require rebalancing back to the Target Allocation percentages. Presently the fun is overweight 10.9% to Equities.

4.10 If an updated allocation model/strategy is required, a series of meetings will be put in place to take this forward

Investment Strategy Statement Feedback from Pension Board Scrutiny

4.11 At its last meeting, the Pensions Board scrutinised the Investment Strategy Statement (ISS). The Board were satisfied that the ISS complied with legislation but had comments on some points in the Statement. These changes are included in the revised ISS in Appendix B for approval

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

Pete Carpenter pcarpenter@westminster.gov.uk or 020 7641 2832

BACKGROUND PAPERS: None
APPENDICES:

Present Funds Available on the London CIV

Fund	Type	Available from
Allianz Global Investors GMBH	Global Equity Alpha Fund	2 December 2015
Baillie Gifford & Co	Diversified Growth Fund	15 February 2016
Baillie Gifford & Co	Global Alpha Growth Fund	11 April 2016
Pyrford International Limited	Global Total Return Fund	17 June 2016
Ruffer LLP	Absolute Return Fund	21 June 2016
Newton Investment Management	Real Return Fund	16 December 2016
Newton	Global Equity	May 2017
Majedie	UK Equity	May 2017
Longview	Global Equity	June 2017

Note, Legal and General Global Equities Fund is taking advantage of the London CIV's renegotiation of rates although it cannot yet transfer

City of Westminster Pension Fund Investment Strategy Statement 2017/18

1. Introduction

1.1 This is the first Investment Strategy Statement (ISS) adopted by the City of Westminster Pension Fund ("the Fund").

Under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Fund is required to publish this ISS. It replaces the Statement of Investment Principles which was previously required under Schedule 1 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The Regulations require administering authorities to outline how they meet each of 6 objectives aimed at improving the investment and governance of the Fund.

1.2 This Statement addresses each of the objectives included in the 2016 Regulations:

- A requirement to invest fund money in a wide range of instruments
- The authority's assessment of the suitability of particular investments and types of investment
- The authority's approach to risk, including the ways in which risks are to be measured and managed
- The authority's approach to pooling investments, including the use of collective investment vehicles
- The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments
- The authority's policy on the exercise of rights (including voting rights) attaching to investments

We deal with each of these in turn below.

1.3 The Pension Fund Committee (the "Committee") of the City of Westminster Pension Fund oversees the management of the Fund's assets. Although not trustees, the Members of the Committee owe a fiduciary duty similar to that of trustees to the council-tax payers and guarantors of other scheme employers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

1.4 The relevant terms of reference for the Committee within the Council's Constitution are:

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

- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the Investment Consultant.

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

and to make any decisions in accordance with those policies other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

The Committee has responsibility for:

- Determining an overall investment strategy and strategic asset allocation, with regard to diversification and the suitability of asset classes
- Appointing the investment managers, an independent custodian, the actuary, the investment advisor(s) and any other external consultants considered necessary
- Reviewing on a regular basis the investment managers' performance against benchmarks, portfolio risk and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls
- Monitoring compliance with the ISS & Funding Strategy Statement (FSS) and reviewing its contents
- Reviewing policy on social, environmental and ethical considerations, and on the exercise of voting rights

The City Treasurer and the appointed consultants and actuaries support the Committee. The day-to-day management of the Fund's assets is delegated to investment managers.

1.5 This ISS will be reviewed at least once a year, or more frequently as required - in particular following valuations, future asset/liability studies and performance reviews, which may indicate a need to change investment policy, or significant changes to the FSS.

1.6 Under the previous Regulations the Statement of Investment Principles required to state how it complies with the revised six investment principles as outlined within the CIPFA Pensions Panel Principles. Although not formally required under the 2016 Regulations this information is given in Appendix A. In addition, Appendix B includes a disclosure of the Fund's policy on how the Committee discharge their stewardship responsibilities.

2. Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments

2.1 Funding and investment risk is discussed in more detail later in this ISS. However, at this stage it is important to state that the Committee is aware of the risks it runs within the Fund and the consequences of these risks.

2.2 In order to control risk the Committee recognises that the Fund should have an investment strategy that has:

- Exposure to a diverse range of sources of return, such as market, manager skill and through the use of less liquid holdings.
- Diversity in the asset classes used
- Diversity in the approaches to the management of the underlying assets.

A consequence of this approach is that the Fund's assets are invested in a wide range of instruments.

2.3 This approach to diversification has seen the Fund dividing its assets across 4 broad categories; UK equities, Global equities, Fixed Income and Property. The size of assets invested in each category will vary depending on investment conditions. However, it is important to note that each category is itself diversified.

2.4 The main risk the Committee are concerned with is to ensure the long-term ability of the fund to meet pension, and other benefit obligations, as they fall due is met. As a result the Committee place a high degree of importance on ensuring the expected return on the assets is sufficient to do so, and does not have to rely on a level of risk which the Committee considers excessive.

The Fund currently has a negative cash flow position. The Committee is mindful that this position may change in future and keeps the liquidity within the Fund monitored.

At all times the Committee seeks to ensurethat their investment decisions, including those involving diversification, are the best long term interest of Fund beneficiaries.

2.5 To mitigate these risks the Committee regularly reviews both the performance and expected returns from the Fund's investments to measure whether it has met and is likely to meet in future its return objective. In addition to keeping their investment strategy and policy under regular review the Committee will keep this ISS under review to ensure that it reflects the approaches being taken.

3. Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment

3.1 When assessing the suitability of investments the Committee takes into account a number of factors:

- Prospective return
- Risk
- Concentration
- Risk management qualities the asset has, when the portfolio as a whole is considered
- Geographic and currency exposures
- Whether the management of the asset meets the Fund's ESG criteria.

3.2 Suitability is a critical test for whether or not a particular investment should be made.

3.3 Each of the Fund's investments has an individual performance benchmark which their reported performance is measured against.

3.3 The Committee monitors the suitability of the Fund's assets on a quarterly basis. To that end they monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood. Where comparative statistics are available the Committee will also compare the Fund asset performance with those of similar funds.

3.4 The Committee relies on external advice in relation to the collation of the statistics for review.

4. Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed

4.1 The Committee recognises that there are a number of risks involved in the investment of the assets of the Fund amongst which are the following:

4.2 Geopolitical and currency risks:

- are measured by the value of assets (the concentration risk), in any one market leading to the risk of an adverse influence on investment values arising from political intervention; and
- are managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

4.3 Manager risk:

- is measured by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and
- is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

4.4 Solvency and mismatching risk:

- are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies; and
- are managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

4.5 Liquidity risk:

- is measured by the level of cash flow required over a specified period; and
- managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy

4.6 Custodial risk:

- is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

4.7 Employer contributions are based upon financial and demographic assumptions determined by the actuary. The main risks to the Fund are highlighted within sections 12 to 15 of the Funding Strategy Statement (FSS). The risks to the Fund are controlled in the following ways:

- The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the investment managers from deviating significantly from the intended approach while permitting the flexibility for managers to enhance returns

- The appointment of more than one manager with different mandates and approaches provides for the diversification of manager risk

4.8 The investment management agreements constrain the manager's actions in areas of particular risk and set out the respective responsibilities of both the manager and the Fund.

4.9 The Committee are aware investment risk is only one aspect of the risks facing the Fund. The other key risk they are aware of is the ability of the Fund to meet the future liabilities, support the investment risk (i.e. the level of volatility of investment returns) and underwrite actuarial risk, namely the volatility in the actuarial funding position and the impact this has on contributions.

4.10 The Committee are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy the Committee carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate.

Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and also the correlation between them. These can be based on historic asset class information for some of the listed asset classes the Fund uses. However, for other private market and less liquid assets it is much more difficult.

The Committee is also mindful that correlations change over time and at times of stress can be significantly different from they are in more benign market conditions.

To help manage risk the Committee uses an external investment adviser to monitor the risk. In addition when carrying out their investment strategy review the Committee also had different investment advisers asses the level of risk involved.

4.11 The Fund targets a long-term return 5.1% as aligned with the latest triennial valuation from the Actuary. The investment strategy is considered to have a low degree of volatility.

4.12 When reviewing the investment strategy on a quarterly basis the Committee considers advice from their advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable.

4.13 At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.

5 Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles.

5.1 The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

5.2 The Fund has joined the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda. The London CIV has been operational for some time and is in the process of opening a range of sub-funds covering liquid asset classes, with less liquid asset classes to follow.

5.3 The Fund has already transitioned assets into the London CIV with a value of £178m as at the 28th February 2017 and will look to transition further liquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

5.4 The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view to transitioning liquid assets across to the London CIV as soon as there are suitable sub-funds to meet the Fund's investment strategy requirements.

5.5 The Fund holds 22.3% £280m of its assets in life funds and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool.

5.6 The Fund holds £110m or 8.8% of the Fund held in illiquid assets and these will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

City of Westminster Total Fund	**Available on the CIV**	**Transferred**
UKEquities Majedie	May-17 (£301m)	
Global Equities Baillie Gifford LGIM Longview Partners	Yes Jun-17 (£140m)	£178m
Fixed Income Insight IM (Core) Insight IM (Gilts)		
Real Estate Hermes Property Standard Life Property		
Cash In-House Cash		

5.7 The Committee are aware that certain of the assets held within the Fund have limited liquidity and moving them would come at a cost. Whilst it is the expectation to make use of the London CIV for the management of the majority of the Fund assets in the longer term, the Committee recognises that transitioning from the current structure to the London CIV will be a protracted exercise spread over a number of years to ensure unnecessary costs are not incurred.

5.8 At each review of the investment strategy, which will happen at least every three years, the investment of the above assets will be actively considered by the City of Westminster Pension Fund, and in particular whether a collective investment option is appropriate.

5.9 More information on the London CIV and its operation is included in Appendix D of this statement.

6 Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

6.1 A review of the Fund's approach to Socially Responsible Investments (SRI) was completed in March 2015 and is contained in the existing SIP. The Fund adopted an SRI Policy which outlines its approach to the management of Environmental, Social and Governance (ESG) issues within its investment portfolio. The existing SRI Policy now needs reviewing as the last update was undertaken 2 years ago, although as funds are moved across to the London CIV, the Council will need to understand and apply the London CIV's principles.

The Present ESG Policy

6.2 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.

The London Collective Investment Vehicle (CIV) ESG Policy (Wording)

6.3 The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

6.4 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed

6.5 The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making

6.6 Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes

6.7 The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

6.8 The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

The Fund in preparing and reviewing its Investment Strategy Statement will inform stakeholders, including but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate.

7 Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments

The Present Policy

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

The London Collective Investment Vehicle (CIV) ESG Policy (Wording)

7.2 The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

7.3 The Fund has delegated responsibility for voting rights to the Fund's external investment managers and expects them to vote in accordance with the Fund's voting policy as set out in Sections 6.2 and 7.1.

7.4 The Fund will incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Pension Fund website: (we do not do this at the moment)

7.5 The Fund has reviewed the London CIV Statement of Compliance with the Stewardship Code and has agreed to adopt this Statement.

7.6 In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

7.7 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests

In addition the Fund:

7.8 Is a member of the Pension and Lifetime Savings Association (PLSA) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners

7.9 Joins wider lobbying activities where appropriate opportunities arise.

8 Feedback on this statement

Any feedback on this investment Strategy Statement is welcomed. If you have any comments or wish to discuss any issues then please contact:

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020 7641 2832

Compliance with CIPFA Pensions Panel Principles for investment decision making in the local government pension scheme in United Kingdom

Decision Making

Regulation 12(3) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires an administering authority to report on its compliance with the six Myners' Principles, in accordance with guidance given by the Secretary of State. The guidance for the Local Government Pension Scheme is set out in the CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012',

The Fund aims to comply with all of the Myners' Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is also recognised as important to demonstrate how the Fund meets such principles and best practice.

The Secretary of State has previously highlighted the principle contained in Roberts v. Hapwood whose administering bodies exercise their duties and powers under regulations governing the investment and management of Funds:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of others".

The Myners' Principles are seen as supporting this approach. The principles, together with the Fund's position on compliance, are set out below:

Principle 1 - Effective decision-making

Administrating 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; and**
- **Those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.**

Full Compliance

The Council has delegated the management and administration of the Fund to the Committee, which meets at least quarterly. The responsibilities of the Committee are described in paragraph 1.4 of the ISS.

The Committee is made up of elected members of the Council who each have voting rights.

The Committee obtains and considers advice from and is supported by the City Treasurer, Tri-Borough Director of Treasury & Pensions, and as necessary from the Fund's appointed actuary, investment managers and advisors.

The Committee has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the scheme's regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

Business plans are presented to the Committee annually.

Several of the Committee members have extensive experience of dealing with Investment matters and training is made available to new Committee members.

Principle 2 - Clear objectives

An overall investment objective(s) should be set for the Fund that takes account of the pension 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 advisors and investment managers.

Full Compliance

The aims and objectives of the Fund are set out within the FSS and within the ISS. The main fund objective is to meet the cost of pension liabilities and to enable employer contribution rates to be kept as nearly constant as possible at reasonable cost to the taxpayers and admitted bodies.

The investment strategy has been set with the objective of controlling the risk that the assets will not be sufficient to meet the liabilities of the Fund while achieving a good return on investment (see paragraphs 4 and 5 above). The approach taken reflects the Fund's liabilities and was decided upon without reference to any other funds. The Fund's performance is measured against the investment objective on a quarterly basis.

The Fund's strategy is regularly reviewed.

Principle 3 – Risk and liabilities

In setting and reviewing their investment strategy, administrating 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.

Full Compliance

The Committee has, in conjunction with its advisers, agreed an investment strategy that is related to the Fund's liabilities. An actuarial valuation of the Fund takes place every three years, with the most recent triennial valuation taking place in 2016. The investment strategy is designed to give diversification and specialisation and achieve optimum return against acceptable risk.

The asset allocation of the Fund is set to maximise the potential to close the funding deficit over future years. The current allocation is outlined in paragraph 4.3 of the SIP.

Principle 4 – Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members

Full Compliance

The IAC has appointed investment managers with clear index strategic benchmarks (see paragraph 4.2 above) within an overall Investment objective which place maximum accountability for performance against that benchmark on the manager.

The managers are monitored at quarterly intervals against their agreed benchmarks, and independent detailed monitoring of the Fund's performance is carried out by Deloittes, the Fund's advisor and by Northern Trust, the Fund's custodian who provide the performance figures. Moreover portfolio risk is measured on quarterly basis and the risk/return implications of different strategic options are fully evaluated.

The advisor is assessed on the appropriateness of asset allocation recommendations and the quality of advice given.

The actuary is assessed on the quality and consistency of the actuarial advice received. Both the advisor and the actuary have fixed term contracts which when expired are tendered for under the OJEU procedures.

The Committee monitors the investment decisions it has taken, including the effectiveness of these decisions. In addition the Committee receives quarterly reports as to how the Fund has performed against their investment objective.

Principle 5 – Responsible Ownership

Administering authorities should:

- **Adopt, or ensure their investment managers adopt, the Institutional Shareholders Committee Statement of Principles on the responsibilities of shareholders and agents.**
- **Include a statement of their policy on responsible ownership in the statement of investment principles.**
- **Report periodically to scheme members on the discharge of such responsibilities.**

Full Compliance

The Fund is committed to making full use of its shareholder rights. The approach used is outlined in paragraph 8 of the ISS and in the Fund's SRI Policy. Authority has been delegated to the investment managers to exercise voting rights on behalf of the Fund. The investment managers are required to report how they have voted in their quarterly reports.

The Fund believes in using its influence as a shareholder to promote corporate social responsibility and high standards of corporate governance in the companies in which it invests – the Fund's approach to this is outlined in paragraph 7 of the ISS and in the Fund's SRI Policy.

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.**
- **Provide regular communications to scheme members in the form they consider most appropriate.**

Full Compliance

Links to the Governance Compliance Statement, the ISS, the FSS, and the Communications Statement are all included in the Pensions Fund Annual Report which is published and is accessible to stakeholders of the Fund on the Council's web site, and a website developed specifically for the Fund.

All Committee meetings are open to members of the public and agendas and minutes are published on the Council's website and internal intranet.

Investment Strategy Statement: Appendix B

Compliance with the Stewardship Code

The **Stewardship Code** is a set of principles or guidelines released in 2010 and updated in 2012 by the Financial Reporting Council directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so.

The seven principles, together with the council's position on compliance, are set out below:

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Stewardship responsibilities are outlined in section 1.4 of the ISS, which outlines the terms of reference of the Committee.

Investment Managers, authorised under the regulations, are appointed to manage virtually all the assets of the Fund. The Committee actively monitor the Fund Managers through quarterly performance analysis, annual and periodic meetings with the Fund Managers and through direct monitoring by the Fund's investment advisor, which includes monitoring and reporting on:

- Fund manager performance
- Investment Process compliance and changes
- Changes in personnel (joiners and leavers)
- Significant portfolio developments
- Breaches of the IMA
- Business wins and losses; and
- Corporate and other issues.

Voting is delegated to Fund Managers through the Investment Management Agreement (IMA).

The fund will ensure that all its equity, fixed income and diversified managers sign up to theFRC Stewardship Code including: Majedie, Baillie Gifford, LGIM, Longview Partners, Insight, Hermes and Standard Life.

2. Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Committee encourages its fund managers to have effective policies addressing potential conflicts of interest.

Committee members are also required to make declarations of interest prior to all Committee meetings.

3. Monitor their investee companies.

Day-to-day responsibility for managing the Fund's investments are delegated to the relevant fund managers, who are expected to monitor companies, intervene where necessary, and report back regularly on activity undertaken.

The Fund's expectations with regards to voting and engagement activities are outlined in its SRI Policy.

Fund Manager Internal Control reports are monitored, with breaches reported back to the Committee.

4. Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Day-to-day interaction with companies is delegated to the Fund's asset managers, including the escalation of engagement when necessary. The Fund's expectations with regards to voting and engagement activities are outlined in its SRI Policy.

The Fund Managers are expected to have their own SRI/ESG policy and to disclose their guidelines for such activities in their own statement of adherence to the Stewardship Code.

5. Willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional shareholders in order to maximize the influence that it can have on individual companies.

6. Have a clear policy on voting and disclosure of voting activity.

The Fund currently votes on all decisions and this is reported via Northern Trust. The Fund's approach to voting is clearly outlined in the ISS and SRI Policy,

7. Report periodically on their stewardship and voting activities.

A section on voting is included in each quarterly Business Plan Update, with a yearly review of the policy.

The Fund's annual report includes information about the Fund's voting and engagement work

Investment Strategy Statement: Appendix C – Risk Register

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Next Next 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	March 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	March 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	March 2016
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	March 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	March 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	March 2016
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	March 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	March 2016
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	March 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	March 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	March 2016
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	March 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	March 2016
14	**OPERATIONAL: GOVERNANCE** London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	• Pension Fund Committee Chair is a member of the Joint member Committee responsible for the oversight of the CIV and can monitor and challenge the level of resources through that forum. • Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV.	3	2	Low	City Treasurer	March 2016
15	**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	March 2016
16	**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	March 2016
17	**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	March 2016
18	**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	March 2016
19	**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	March 2016

20	**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	March 2016
21	**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	March 2016
22	**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	March 2016
23	**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	March 2016
24	**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	March 2016
25	**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	March 2016

Investment Strategy Statement: Appendix D

Information on London CIV

Stewardship Statement is attached – Other London CIV details are included in ISS main Statement

LONDON CIV
DRAFT UK STEWARDSHIP CODE STATEMENT

The London Collective Investment Vehicle (CIV) was formed as a voluntary collaborative venture by the London Local Authorities in 2014 to invest the assets of London Local Government Pension Scheme (LGPS). The London CIV and its London Local Authority investors recognise the importance of being long term stewards of capital and in so doing supports the UK Stewardship Code, which it recognises as best practice.

The London LGPS CIV Limited ("London CIV") is fully authorised by the FCA as an Alternative Investment Fund Manager (AIFM) with permission to operate a UK based Authorised Contractual Scheme fund (ACS Fund). The London CIV in the management of its investments has appointed a number of external investment managers. We therefore see our role as setting the tone for the effective delivery of stewardship managers on our behalf and on behalf of our investing Funds. We are clear that we retain responsibility for this being done properly and fully in the interests of our own shareholders.

This Statement sets out how the London CIV implements the seven principles of the Code.

Principle 1
Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The London CIV on behalf of its London Local Authority Shareholders recognises its position as an investor on their behalf with ultimate responsibility to members and beneficiaries and recognises that effective stewardship can help protect and enhance the long-term value of its investments to the ultimate benefit of all stakeholders in the LGPS.

As we do not invest directly in companies, we hold our fund managers accountable for the delivery of stewardship on our behalf in terms of day-to-day implementation of its stewardship activity. We require the appointed fund management teams to be responsible for holding to account the management and boards of companies in which they invest. The London CIV believes that this approach is compatible with its stewardship responsibilities as it is the most effective and efficient manner in which it can promote and carry out stewardship activities in respect of its investments, and ensure the widest reach of these activities given the CIV's investment arrangements.

A key related area where stewardship is integrated into the wider process is in the selection and monitoring of external investment managers. When considering the appointment of external investment managers the consideration of Environmental Social and Governance (ESG) integration and stewardship activity of each investment manager is part of the selection process.

The London CIV expects its equity investment managers to adhere to the principles within the UK Stewardship Code. This position is communicated to the Fund's investment managers and forms the basis of the approach to monitoring the investment managers as outlined in this document. Whilst the Stewardship Code is primarily directed at UK equity investments, the CIV encourages its investment managers to apply the principles of the Code to overseas equity holdings where possible.

The primary mechanisms for the application of effective stewardship for the CIV are exercise of voting rights and engagement with investee companies. The CIV expects its external equity investment managers that invest directly in companies, to pursue both these mechanisms. We receive quarterly reporting from managers which includes their stewardship and voting activities where appropriate. We seek consistently to ensure that these stewardship activities are carried out actively and effectively in the furtherance of good long-term investment returns.

We expect all of the CIV's equity managers to be signatories to the Code and have publicly disclosed their policy via their Statements on how they will discharge their stewardship responsibilities. We expect managers that invest in companies directly to discharge their responsibilities by:

- having extensive dialogue with the company's management throughout the year on a range of topics such as governance, financial performance and strategy; and
- voting, either directly or via the services of voting agencies.

Principle 2
Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

Day-to-day implementation of the Fund's stewardship activity has been delegated to external investment managers. The CIV expects its investment managers to document their approach to stewardship, which should include how they manage any conflicts of interest that arise to ensure that the interests of the CIV's Investors are prioritised. The CIV will review annually the conflicts of interest policy of its managers and how any conflicts have been managed during the year.

The London CIV has policies in place to manage conflicts of interest that may arise for the Board and its officers when making decisions on its behalf. The Conflicts of Interest policy is reviewed by the CIV board on a regular basis. A Conflicts of Interest Register is maintained.

Shareholders of the CIV attending the Pensions Sectoral Joint Committee are required to declare any conflicts of interest at the start of any meeting.

Principle 3
Institutional investors should monitor their investee companies.

We recognise that active and ongoing monitoring of companies is the foundation of good stewardship, reminding companies in which we invest that they have obligations to their shareholders to deliver returns over the appropriate long-term investment timeframe and, consistent with this, to manage any related environmental and social risks responsibly.

The CIV requires its external investment managers to monitor investee companies. Issues to be monitored are likely to vary, however typically these might include a company's corporate strategy, financial performance, risk (including those from environmental and social factors), capital structure, leadership team and corporate governance. The CIV encourages its investment managers to satisfy themselves that investee companies adhere to the spirit of the UK Corporate Governance Code.

The CIV reviews investment managers in this area as part of their regular meetings. For equity investment managers this includes consideration of:

- who has overall responsibility for ESG risk analysis and integration;
- resources and experience of the team;
- at what stages of the process ESG risks are considered;
- exposures to environmental, social or governance risk within the portfolio; and
- the investment manager's willingness to become an insider and, if so, whether the manager has a policy setting out the mechanisms through which this is done.

Principle 4
Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

The CIV recognises that constructive engagement with company management can help protect and enhance shareholder value. Typically, the CIV expects its investment managers to intervene with investee companies when they view that there are material risks or issues that are not currently being adequately addressed.

The CIV reviews investment managers in this area as part of their regular meeting. For equity investment managers that invest directly in Companies, this includes consideration of:

- whether voting activity has led to any changes in company practice;
- whether the investment manager's policy specifies when and how they will escalate engagement activities;
- overall engagement statistics (volume and areas of focus);
- example of most intensive engagement activity discussed as part of the manager's annual review meeting; and
- the estimated performance impact of engagement on the strategy in question.

Given the range of fund managers and Fund investments, the CIV carries out its monitoring at the manager level to identify:

- trends to ensure progress is being made in stewardship activities;
- specific managers where progress or the rate of progress is not adequate; and
- appropriate specific actions necessary.

Principle 5
Institutional investors should be willing to act collectively with other investors where appropriate.

As day-to-day management of the Fund's assets has been delegated to external investment managers, the CIV expects its investment managers to get involved in collective engagement where this is an efficient means to protect and enhance long-term shareholder value.

In addition the London CIV will work collectively with other investors including other LGPS Asset pools and the Local Authority Pension Fund Forum (LAPFF) to enhance the impact of their engagement activities.

Principle 6
Institutional investors should have a clear policy on voting and disclosure of voting activity.

The CIV has delegated its voting rights to the Fund's investment managers and requires them to vote, except where it is impractical to do so. The CIV also monitors the voting alerts of the LAPFF and where these are issued, requires the investment managers to take account of these alerts as far as practical to do so. Where the investment manager does not vote in line with the LAPFF voting alerts, the CIV will require detailed justification for non compliance.

The CIV reviews and monitors the voting policies and activities of its investment managers, this includes consideration of:

- the manager's voting policy and, what areas are covered;
- the level of voting activity
- whether the investment manager typically informs companies of their rationale when voting against or abstaining (and whether this is typically in advance of the vote or not);
- if securities lending takes place within a pooled fund for the strategy, whether the stock is recalled for all key votes for all stocks held in the portfolio; and
- whether a third party proxy voting service provider is used and, if so, how.

Principle 7
Institutional investors should report periodically on their stewardship and voting activities.

The London CIV encourages transparency from its investment managers and expects its managers to report publicly on their voting in an appropriate manner. In addition the London CIV receives reviews and monitors quarterly the voting and stewardship engagement activities of its investment managers.
The CIV reports quarterly to its investors and will include information on voting and engagement activities from investment managers where appropriate including updates as required on updated stewardship and voting policies of managers. The CIV also requires its managers to provide it with annual assurances on internal controls and compliance through recognised framework such as the AAF01/06 or equivalent.

This statement will be reviewed regularly and updated as necessary.
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City of Westminster

Committee Report

Decision Maker:	**Pension Fund Committee**
Date:	**27 June 2017**
Classification:	**General Release**
Title:	**Pension Fund Business Plan 2017-18**
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 It is Best Practice for Council Services to have business plans that set out to the objectives of the Service, how this is being delivered, and highlighting issues and how these are to be mitigated.

1.2 As a Tri-borough Service, it is equally important to ensure that there is as much standardisation and compliance as is possible across the three Councils to ensure economies of scales and associated savings can be delivered.

1.3 This report and associated Appendix sets out the Tri-Borough Pensions Business Plan.

2. Recommendation

2.1 That the Committee note the Tri-Borough Pensions Business Plan and agree with the direction of travel set out in the plan in regards to the Action Plan.

3. Background

3.1 It is best practice to have meaningful and deliverable Business Plans to which all Stakeholders are aligned, when delivering services.

3.2 This report sets out the Tri-Borough Pensions Business Plan in order for Stakeholders to fully understand the deliverables for the Pensions Service.

3.3 The Tri-Borough Pensions Business Plan is attached as Appendix A. This business plan sets out:

a. The terms of reference;
b. The size of Funds being managed (From a Monetary and staffing number basis);
c. The aims and purposes of the Funds;
d. What key documents are and where they are located;
e. The resources deployed to deliver fund activities.

3.4 In addition, as a final section, the Business Plan sets out the Tri-Borough Pension Funds Action Plan for the upcoming period. This action plan is based around three theme's:

a. Operational improvements which will streamline existing working practices and work towards a consistent set of outputs to be delivered by the team;
b. Assurance improvements which highlight ways of demonstrating the Funds are being managed effectively and within the regulatory framework; and
c. Financial proposals which will ensure the costs of delivering the scheme administration are understood and minimised.

3.5 The objectives of the improvements were identified as follows:

a. Operational (doing things better):
   i. To ensure Pension Committees and Local Pension Boards are fully supported;
   ii. To better understand, manage and monitor the risks of the Funds;
   iii. To support an improvement in the quality of communications with Employers and Fund.

b. Assurance (doing things right):
   i. To ensure the most effective governance arrangements are in place;
   ii. To improve the level of controls assurance and reporting frameworks;

iii. To ensure the Fund is efficiently managed and complies with relevant regulations.

c. Financial (being cost efficient):
   i. To fully understand the Funds' current and expected financial position;
   ii. To optimise the procurement of services utilised by the Funds;
   iii. To minimise the cost of administering the Funds locally;
   iv. To improve the quality and transparency of financial reporting.

3.6 The final section of the Business Plan sets out the 17 actions being followed.

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

Pete Carpenter pcarpenter@westminster.gov.uk or 020 7641 2832

BACKGROUND PAPERS: None

APPENDIX 1

PENSION FUND BUSINESS PLAN 2017/18

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PENSION FUND BUSINESS PLAN

2017/18

hammersmith & fulham

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

City of Westminster

Introduction

The purpose of this 2017/8 Business Plan is to outline the Funds' aims and objectives, as well as providing an Action Plan of the key priorities of the year ahead to achieve these objectives.

The Local Government Pension Scheme (LGPS) has experienced significant change over the past few years with:

- the approval of the 2016 Regulations which introduce the new Investment Strategy and Funding Strategy Statements which replaced the existing Statement of Investment Principles;
- the Tri-ennial revaluation of the Pension Fund, which took place during 2016/17 setting out the funding requirements from 2017/18 onwards;
- The Government requirement to Pool assets and the subsequent movement of assets to the London Collective Investment Vehicle;
- The requirement from the Government for all staff to be enrolled in a Pensions Scheme (by default):
- the requirement nationally for the 2016/17 financial year for Local Government to close and have accounts audited by the end of July;
- the end of the first full year of embedding of Local Pension Boards which took place in 2016/17;

The Funds are also experiencing a number of other challenges including changes to record-keeping, auto-enrolment, changes to tax allowances and Freedom of Choice implementation. All three funds now use the same Custodian (Northern Trust) and also the same Pension Provider (Surrey Council Council). Following the implementation of the Managed Service Solution across the three Councils in April 2015, Human Resources processes are now undertaken on Agresso for all three Councils.

All of these changes have increased the challenges placed upon the Funds internal resources and highlighted the need to be flexible and responsive to adapt and maintain high standards of service.

Purpose & Scope of the Fund

The Tri-Borough Pension Service supports the Pension Funds of Westminster City Council, London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea. These Funds are part of 93 Funds making up the Local Government Pension Scheme (LGPS). The LGPS is a career Average scheme, funded principally by its constituent employers and members, with assistance from investment returns. Unlike other public sector pension schemes, the LGPS is fully invested in financial markets and aims to be fully funded over the long-term.

The combined Tri-Borough Pension Funds serve 44,500 members from 88 constituent employer bodies. The combined value of assets under management at 31 March 2017 was £3.31bn and the total cost of administration in 2016/17 was £11.7M (0.35% of total assets) including investment management costs of 9.3m (0.28% of total assets).

Governance & Management of the Funds

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

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

Stakeholders of the Funds'

The Funds' customers fall into three categories:

a) Scheme members:
    - Actives (c11,400)
    - Deferred (c20,200)
    - Pensioners (c12,900)

b) Employers of Scheme members
    - Scheduled (46)
    - Admitted (42)

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

Aims and Purpose of the Funds

The specific aims of the Funds as set out in the Investment Strategy and Funding Strategy Statements is to:

- Ensure that sufficient resources are available to meet the liabilities as they fall due;
- Maximise the returns from investments within reasonable risk parameters;

- Enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled and admitted bodies;
- Manage employers' liabilities effectively and in particular minimise the level of irrecoverable debt, when an employer ceases to participate.

Summary of the Funds

The market value of Funds' assets, the most recent actuarial valuation assessment of the funding levels and the latest membership numbers are summarised in the table below based upon information available as at 31st March 2017:

	Value of assets	Funding Level	Total membership
Hammersmith and Fulham	£1,002m	88%	15,454
Kensington and Chelsea	£1,049m	103%	11,621
Westminster	£1,261m	80%	17,472

Key Policy Documents

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

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

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

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

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

Resources

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

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

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

Pensions Action Plan

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

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

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

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

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

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

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

The objectives of the improvements were identified as follows:

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

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

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

Governance

Action	Link to Objectives	Purpose	Completion Date
Embed ISS and FSS Statements	1c 2a 2c	To ensure the Regulatory requirements of the Public Service Pensions Act 2016 are met in terms of embedding and scrutinizing the working of the new Investment Strategy and Funding Strategy Statements	September 2017
Update Risk Registers to reflect Financial and Member Risks	1a 1b	Update Risk registers so that risks reflect financial and member metrics to ensure decision makers are regularly aware of the risks involved and can establish mitigation as necessary.	September 2017
Knowledge & Skills Training programme	1a 2a 2c	To ensure Local Pension Boards/Pension Committees and Officers meet regulatory requirements to have the necessary knowledge and skills and to support individuals to achieve this requirements through training needs analysis and a bespoke training programme.	December 2017
Agree 'Pensions Administration' SLA between HR and Finance	1a 2a 2b	To clarify the internal roles and responsibilities involved in operating the Pension Fund in terms of regulatory requirements and key functions to ensure the quality and continuity of service is provided to employees, employers and other stakeholders.	September 2017
Update Contracts Register	2a 2c	Ensure all contractual arrangements are documented in one place and on-going procurement requirements are known and planned for.	September 2017

Scheme Administration

Action	Link to Objectives	Purpose	Completion Date
Long Term Cash Flow forecast (given negative cash flow positions)	1a 3a 3d	1. Identify monthly cash flows for each fund for next 3 years 2. Highlight key drivers of cash flows and major risk areas 3. Establish monitoring and updating procedures 4. Provide regular updates to Pension Committees 5. Agree policy of actions to address shortfalls	September 2017
Resolve	1b	1. Document and Agree end to end	October

issues on the end to end Starters Leavers Changes process	1c 2b 3a 3c 3d	process and ownership at each stage. 2. Agree monitoring and review process 3. Provide regular updates to Pension Committees	2017
Admission Agreement Process	1a 1b 1c 2c	1. Prepare standardised approach to the process of instigating an Admission Agreement 2. Agree the approach with HR and Pension Committees 3. Communicate approach internally and to all Employing Bodies 4. Provide regular updates to Pension Committees	December 2017
Forge Closer relationship with London CIV	1b 1c	1. Ensure that 3B requirements are fully articulated and understood 2. Ensure 3B have a voice on all the main working groups to shape requirements and outcomes 3.	July 2017
Improve Fund Websites	1c 3c	1. Update template webpage for new key areas 2. Work with IT to deliver user friendly interface subject to VFM including link to employee portal at Surrey 3. Ensure awareness of website to employers and employees	December 2017
Ensure Funds Reconcile to Financial System within financial year	1b 1c 2b 3a 3c 3d	1. Ensure that financial system reflects custodian records as submitted on a quarterly basis. 2. Ensure all reconciliations (other than above) signed off on a monthly basis	June 2017
Create Key Controls Matrix	2b	1. Establish matrix of all financial controls 2. Agree monitoring and reporting procedures	June 2017

Funding & Investments

Action	Link to Objectives	Purpose	Completion Date
Investment Strategy Reviews	1a 1b 2c	To ensure each Fund's investment strategy is optimal. The Funds are currently considering the appropriateness of their strategies in light of the tri-ennial revaluation, cash flow forecasts and rebalancing policies	September 2017 As

		and further work may be required depending on the expected consultation on asset pooling. Existing Manager's underperformance or new developments in the markets may trigger a further review.	required
Improve Fund Manager Monitoring Arrangements	1a 2a	1. To maximise the benefits from engagement with Fund Managers by establishing a structured meeting schedule and standard format involving Officers and Members. 2. Work with the CIV to ensure that monitoring arrangements for Funds that are transferred are to the same level	September 2017
Investment Adviser Contract	1a 3b	To ensure each Fund secures the best possible advice and value for money in relation to its investment adviser arrangements.	2017
Actuarial Services Contract	2c 3b	To ensure each Fund secures the best value for money in relation to its actuarial arrangements.	2017
Review Fund Manager Fees	3a 3c 3d	1. Given the national focus on Investment Management Costs ensure fee data is accurate and comparable using appropriate benchmarking services and demonstrates good value to the Funds. 2. Only transfer items to the London CIV if Fee reductions (ensuring performance is maintained at same level)	2017

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