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City of Westminster

Committee Agenda

Title:	**Pension Board**
Meeting Date:	**Monday 26th November, 2018**
Time:	**6.30 pm**
Venue:	**Room 3.4, 3rd Floor, 5 Strand, London, WC2 5HR**
Members:	**Councillors:** Angela Harvey Guthrie McKie **Employer Representative:** Marie Holmes **Scheme Member Representatives**: Terry Neville Christopher Smith Chris Walker

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

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

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

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

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

AGENDA

PART 1 (IN PUBLIC)

10.	**QUARTERLY FUND PERFORMANCE** Report of the Tri-Borough Director of Treasury and Pensions.	**(Pages 63 - 112)**
11.	**FUND FINANCIAL MANAGEMENT** Report of the Tri-Borough Director of Treasury and Pensions.	**(Pages 113 - 124)**
12.	**ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**	

Stuart Love
Chief Executive
21 November 2018

CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Wednesday 5th September, 2018**, Room 3.9, 3rd Floor, 5 Strand, London, WC2 5HR.

Members Present: Councillor Angela Harvey (Chairman and Employer Representative), Terry Neville (Vice-Chairman and Scheme Member Representative), Councillor Guthrie McKie (Employer Side Representative), Marie Holmes (Employer Side Representative), Christopher Smith (Scheme Member Representative) and Chris Walker (Scheme Member Representative). Martin Colwell (Deputy Scheme Member Representative) was also in attendance.

Officers Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Miriam Adams (Strategic Finance Manager - Treasury and Pensions), Joanne Meagher (Head of Operational People Services), Sarah Hay (Pensions and Payroll Officer) and Toby Howes (Senior Committee and Governance Officer).

1 ELECTION OF CHAIRMAN AND VICE-CHAIRMAN/MEMBERSHIP

1.1 There were no changes to the membership.

1.2 **RESOLVED:**

That Councillor Angela Harvey and Terry Neville be appointed as Chairman and Vice-Chairman respectively for the 2018-2019 municipal year.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3 MINUTES

3.1 **RESOLVED:**

That the Minutes of the meeting held on 29 January 2018 be signed by the Chairman as a correct record of proceedings.

4 PENSION ADMINISTRATION UPDATE

4.1 Miriam Adams (Strategic Finance Manager - Treasury and Pensions) provided an overview of training for Board Members since the membership changes that had taken place after the last meeting. The first event had been a Data Challenge session that had taken place on 15 June. Members had also attended the Local Government Pension Scheme (LGPS) Annual Conference on 27 June. There had subsequently been a session led by Investec on 9 July where Investec's Head of Environmental, Social and Governance (ESG) Investment had given a presentation.

4.2 Miriam Adams advised that the next training event would take place on 17 September and would focus on what the Board's roles, powers and expectations should be. There would also be a presentation from a representative of The Pensions Regulator. Most Members had confirmed their attendance for this event and Miriam Adams stated that notes of the event could be provided. Additional training sessions were due to be scheduled and information and invitations to future conferences would also be sent to Members. Miriam Adams welcomed any views on how much detail Members would like in respect of investment training.

4.3 The Chairman requested that a training survey to identify Members' training needs to be sent to her and the Vice Chairman after the 17 September event for review, before subsequently being circulated to all Members. In reply to a Member's query, the Chairman advised that Board Members were invited to Pension Fund Committee meetings and there had been suggestions of holding a joint meeting of the Committee and the Board. Members concurred that it was important for the Board and the Pension Fund Committee to work together going forward. The Chairman added that she would be meeting with the Pension Fund Committee Chairman to discuss ways of future working between the two bodies.

4.4 Joanne Meagher (Head of Operational People Services) then presented the Pension Administration Update report that monitored the Pension Administration performance undertaken on behalf of the Council by Surrey County Council (SCC) and BT. Joanne Meagher advised that there had been some performance issues in the past, however over time things had much improved and most key performance indicators (KPIs) were now on target. She was pleased with the progress that had been made which had required a lot of work from officers, SCC and BT. The Board was advised that Hampshire County Council (HCC) was due to take over from BT as the payroll provider on 1 December 2018.

4.5 During discussions, the Chairman acknowledged the initial problems encountered and the subsequent big improvements that had been made, following the efforts of officers. She enquired what steps were being taken to ensure there were no problems when payroll services were transferred from BT and SCC and how had this change had been communicated to pension scheme members. She also asked if admitted bodies would be affected by the change. The Chairman requested that information be provided on outlining the future Pensions Communications Strategy at a subsequent Board meeting. She also asked whether new Board Members had been sent induction packs.

4.6 A Member commented that he was impressed with the improvements that had been achieved with pension administration performance. In respect of staff who were approaching retirement, he emphasised the importance of ensuring that they were fully informed of what they needed to do at least two months before their retirement.

4.7 Members asked if there was any risk of scheme members not receiving their pension payments over Christmas because of the change of payroll provider. It was suggested that those who were about to retire may be at greatest risk in respect of this. A Member welcomed the circulation of the Pensions News newsletter which she had found helpful. It was asked whether the number of City Council staff who were part of the pension scheme could be provided. Members asked if it was possible for People Services to be given additional resources in view of the heavy workload involved. It was asked whether surveys captured relevant data in respect of complaints and was data quality an issue.

4.8 In reply to issues raised by Board, Joanne Meagher advised that the Project Team was working closely with HCC to ensure that the payroll provider transition from BT would run smoothly. She informed Members that HCC worked with a number of other local authorities and so had extensive experience of running payroll services. She had also been impressed when she had met with their staff. Joanne Meagher advised that the testing undertaken to date had gone positively. Every effort was being made to ensure that the HCC payroll system went live on 1 December, and any delay would be very undesirable as it would mean diverting resources to continue with BT in the meantime. Joanne Meagher advised that active consideration was being given to different ways of engaging with pension scheme members and that a report on this could be presented at a future meeting. She added that People Services were looking at getting additional resources for pension administration.

4.9 Sarah Hay (Pensions and Payroll Officer) advised that an induction pack containing additional details would be sent before the next training event on 17 September. She also stated that the number of City Council staff who were pension scheme members could be provided by then, although it may take longer to compile member numbers from admitted bodies to the scheme. In respect of HCC taking over payroll responsibilities, Sarah Hay advised that pension scheme members would shortly be advised of when this goes live. Admitted body members would be unaffected as they did not use the current BT payroll system, whilst SCC administered the pension payments. The Pensions Regulator required the administering bodies to report on data quality and the City Council's actuary, Barnett Waddingham, were working with officers in putting together a data improvement plan.

4.10 The Chairman welcomed the Board receiving information on a Communication Strategy and ways in which to engage scheme members and it would also be beneficial to receive feedback from admitted bodies. She requested that all communication on pensions should be sent to scheduled bodies and admitted bodies at the same time. The Chairman also requested that training materials from all sessions undertaken to date be circulated to the Board, which Phil Triggs (Tri-Borough Director of Treasury and Pensions) agreed to circulate.

5 LONDON COLLECTIVE INVESTMENT VEHICLE GOVERNANCE REVIEW

5.1 Phil Triggs (Tri-Borough Director of Treasury and Pensions) presented the report and advised Members that the London Collective Investment Vehicle (LCIV) was the first to be nationally established in 2014. To date, there had been some success and good fund managers were being appointed, whilst fund manager fee savings had also been achieved. However, the LCIV had a membership of 32 London boroughs, and this hampered activity because of the number of different views and approaches contained within the LCIV. Other pooling groups by comparison were much more tightly run and as a result were making better progress. In order to address this, the LCIV had undertaken a governance review to streamline the governance process and there had been considerable improvements since December 2017.

5.2 During discussions, Members commented that some London boroughs had expressed some dissatisfaction with the LCIV and there were concerns about administration costs and whether value for money was being achieved. It was commented that there needed to be tighter control over costs. Another Member commented that the emphasis should be on achieving the best performing pension fund and although driving costs down would also be desirable, this should not be the main priority. It was asked if scheme members received any information about the LCIV. Members sought comparisons about the LCIV's investment performance from previous years and how did this tie in with the City Council's Investment Strategy.

5.3 The Chairman acknowledged that the LCIV's governance had improved and there was cross party representation. She enquired upon the frequency of LCIV Board and Shareholder Committee meetings.

5.4 In reply to the issues raised, Phil Triggs advised that the LCIV had initially been comparatively slow in getting up and running, however this was now improving. The investment performance of the LCIV would need to be looked over at least a three year period in order to obtain a useful picture. Initially, the LCIV has been effective in reducing fund manager fees. Members noted that the London boroughs owned the LCIV and therefore covered costs and they needed to continue to keep a close eye on this.

5.5 Phil Triggs agreed to obtain information on the frequency of LCIV Board and Shareholder Committee meetings. It was noted that the LCIV was yet to appoint to the vacant Chief Investment Officer post, although there was a recruitment process underway. Phil Triggs stated that the City Council and other London boroughs were impressing upon the CIV of the need to appoint the best fund managers to help boost investment performance. He advised that the Pension Fund Annual Report provided information on the LCIV to scheme members, whilst the Investment Strategy Statement set out how the

City Council's Investment Strategy tied in with that of the LCIV's. Phil Triggs agreed to circulate the City Council's Pension Fund Annual Report and the Investment Strategy Statement to Members.

5.6 **RESOLVED:**

That the update on the London Collective Investment Vehicle be noted.

6 PENSION BOARD FORWARD PLAN

6.1 Members had before them the Pension Board Forward Plan and were invited to make any further suggestions. It was agreed that a report incorporating information on the Communications Strategy, promotion of scheme membership and engagement be considered at the January 2019 meeting. Reports on the Data Improvement Plan and the Investment Strategy/CIV were due to go to the November 2018 meeting. The Chairman welcomed any further suggestions to be sent to her and officers by 10 September.

6.2 The Chairman stated she would liaise with Toby Howes (Senior Committee Governance Officer) about future Pension Board dates, who would then circulate a list of possible dates for the November 2018 and January 2019 meetings for Members to agree on.

7 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

7.1 Marie Holmes (Employer Representative) advised that although she would be happy to remain on the Board, she would be ready to stand down if someone else wanted to be appointed to the Board on the Employer Representative side.

The Meeting ended at 8.05 pm.

CHAIRMAN: ______________________ **DATE** ___________________

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City of Westminster

Pension Board

Date:	**26th November 2018**
Classification:	**General Release**
Title:	**Pension Administration Update**
Report of:	**Jo Meagher, Head of Operational People Services**
Wards Involved:	**All**
Policy Context:	**Service Delivery**
Financial Summary:	**Limited**

1. Executive Summary

1.1. This report provides a summary of the performance of the City Council, Surrey County Council and BT. The report gives an update on the Key Performance Indicator (KPI) performance of the pension administrators Surrey County Council (SCC) for the period August 2018 to October 2018. The detailed KPIs are shown in Appendix 1.

2. Surrey County Council (SCC) Performance

2.1. The scope of the KPIs in this report have been agreed between WCC and SCC based on the section 101 agreement, however they will continue to be reviewed on feedback from all parties, including committee members.

2.2. This paper covers the period of August 2018 to October 2018, July 2018 KPI details have also been included on the appendix for comparison to the reported period.

2.3. Michael Mann the new Pension Manager at Surrey started his employment on the 1st of October 2018. People Services have held our first quarterly performance review with Michael and his team on the 8th of November.

2.4. KPI performance in appendix 1 is summarised below:

2.5. The pension administration report would normally contain some detail on the trends relating to the KPI as outlined in Appendix 1. The KPI data is showing little movement in trend to report to you. The figures show that most measured areas, are being completed within timescale, except in a couple of cases with minimal impact on members outlined below.

2.6. The main change within this period would be that notification to people with a deferred benefit due for payment is now going out to members within 2 months of the due date of the pension and this is an improvement on the prior timescale.

2.7. One Interfund out actual (transfer between LGPS funds) was late in September 2018. All other Interfunds, were processed within the agreed timeframe including two in October 2018. The board may want to note that interfunds are currently suspended following the recent budget and we await new factors from the Government Actuary Department (GAD). When the factors are released there may be a stockpile of cases to clear.

2.8. Additionally two responses to members have not been made within the ten day timeframe. One case in September and one case in October.

2.9. Annual Benefit Statements (ABS) for the year ending 31st of March 2018, have been published online by 31st of August 2018 as per regulatory requirements. WCC have promoted via the internal wire employees accessing their pension annual statement via the pension fund website. Other fund employers have also been asked to promote to their staff. Surrey have e-mailed fund members where they have e-mail addresses to ask them to register and internally Unison have been asked to promote with their members.

2.10. One minor employer in the fund with six active members, provided data late to the fund and the initial file that they did send was inaccurate. A revised file was provided after the 31st of August and the six members now have an annual statement. We will be writing to this employer to remind them of their responsibilities under the PAS and reporting the late submission to the Pensions Regulator.

2.11. We are carrying out a data cleansing exercise with Surrey who have provided us with our common and scheme specific data scores, that the regulator now requires us to monitor. Common data relates to an individuals personal information such as NI number, address etc. Scheme specific data relates to information specific to the LGPS such as whole time pay, CARE pay etc. No detail behind the scores is currently available at the time of drafting this report. Our common data score is 77% and the scheme specific data is 71%. The next board report will include more details regarding the data scores and an update on our Data Improvement Plan which we will be implementing to improve both our data and those scores going forward.

3. BT Performance

3.1 BT have been supporting People Services with the transfer of the HR, Payroll and Finance back end support to our new provider Hampshire County Council

(HCC) on the 1st of December 2018. Everything has been locked down in the Agresso system as data is being transferred into SAP.

3.2 As part of the data cleansing work for the move to SAP we have identified that BT held no correct opt out data for 41 WCC people on agresso who had been opted out of the pension scheme. The decision taken was to contact these members and ask them if they had opted out of the pension scheme previously and if that was so could they complete an additional opt out that could be uploaded into SAP so that the employer is compliant going forward. Asking these individuals now if they want to opt out would prevent people being entered into the pension scheme in SAP in December. The deadline for responses is Wednesday the 23rd of November. At the time of drafting this report we have four employees advising that they never wished to opt out of the pension scheme. All four have been notified that they will be opted back into the scheme in December and we are currently calculating the gap in pension history and will allow them to cover any gap over the same length of service or longer period to allow the members to have the full pension that they would otherwise have had.

3.3 There have been some issues with BT general service in the last few months as expected, BT have lost staff as the contract comes to an end. We are confident that most issues can be resolved working with our new partners in Hampshire moving forward. We are still negotiating with BT on data provision to us to contribute to the next end of year file from which the statements for the year ending 31st of March 2019 will refer. We will update the board at the next meeting on this aspect.

4. Move to Hampshire City Council (HCC)

4.1 The move to HCC is on track for the 1st of December 2018. People Services staff are being trained as floor walkers to support the go live and make everything as easy as possible for staff. We believe that the SAP system is much more intuitive than Agresso. SAP should be less prone to system issues that have caused WCC and our partners so much difficulty since we went live in April 2015 with BT. We anticipate that HCC will deal with staff issues and queries much more efficiently than BT have been able to do and that this should reduce the need for referral to retained pension staff. People services will still be providing data from the legacy agresso system to HCC for anyone due to retire in the next 12 months.

5. Summary

5.1 The Pension Administration service overall remains positive. Our focus in the next few months will be on supporting the go live with HCC. Retrieving the necessary data from BT to ensure that we can complete next years annual benefit exercise. Ensuring that any data needed to support a retirement in the next 12 months fare sent to HCC to pick up. To work with Surrey to understand our common and conditional data scores and draft a data improvement plan

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Westminster County Council - September 2018 Results on KPI Reporting

Description	Target time/date as per Partnership Agreement	Target	Actual Score for Quarter	Quantity July 2018	Actual Score July 2018	Comments	Quantity August 2018	Actual Score August 2018	Comments	Quantity September 2018	Actual Score September 2018	Comments	Quantity October 2018	Actual Score October 2018	Comments	Trend	People services Comments
Pension Administration																	
Death Benefits Notify potential beneficiary of lump sum death grant	5 days	**100%**	%	0	N/A		0	N/A		0	N/A		0	N/A			nothing to measure.
Write to dependant and provide relevant claim form	5 days	**100%**	%	2	100%		1	100%		5	100%		2	100%			
Set up any dependants benefits and confirm payments due	14 days	**100%**	%	0	N/A		0	N/A		0	N/A		0	N/A			no cases in June and July.
Retirements Retirement options issued to members	5 days	**100%**	%	3	100%		6	100%		11	100%		9	100%			
New retirement benefits processed for payment following receipt of all necessary documents	5 days	**100%**	%	0	N/A		3	100%		8	100%		5	100%			
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		%	0	N/A		3	100%		8	100%		5	100%			
Refunds of Contributions Refund paid following receipt of claim form	14 days	**100%**	%	7	100%		8	100%		1	100%		9	100%			
Deferred Benefits Statements sent to member following receipt of leaver notification	30 days	**100%**	%	7	100%		13	100%		4	100%		8	100%			
Notification to members 2 months before payments due	2 months		%	23	100%	Target is 2 months before due date. All on time as processed 8-9 weeks before in July	24	100%	Target is 2 months before due date. All on time as processed 8 weeks before in August	11	100%	Target is 2 months before due date. Processed 6 weeks before in August	33	100%			Improvement that Surrey have made in sending out option forms for deferred benefits into payment within 2 months.
Lump Sum (on receipt of all necessary documentation)	5 days		%	17	100%		11	100%		21	100%		15	100%			
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		%	17	100%		11	100%		21	100%		15	100%			
New Joiners New starters processed	30 days	**100%**	%	0	N/A		0	N/A		2	100%		1	100%			
Transfers In Non LGPS transfers-in quotations	30 days	**100%**	%	0	N/A		2	100%		3	100%		1	100%			
Non LGPS transfers-in payments processed	30 days	**100%**	%	0	N/A		0	N/A		0	N/A		0	N/A			no cases in period.
Transfers Out Non LGPS transfers-out quotations processed	30 days	**100%**	%	4	100%		3	100%		3	100%		7	100%			
Non LGPS transfers out payments processed	30 days	**100%**	%	4	100%		2	100%		0	N/A		2	100%			
Interfunds In - Quotations	30 days	**100%**	%	2	100%		2	100%		3	100%		4	100%			
Interfunds In - Actuals	30 days	**100%**	%	0	N/A		0	N/A		0	100%		0	N/A			
Interfunds Out - Quotations	30 days	**100%**	%	8	100%		3	100%		2	100%		8	100%			
Interfunds Out - Actuals	30 days	**100%**	%	7	100%		8	100%		5	83%	1 case late	2	100%			1 case late in September but not delaying an immediate payment of benefit.
Estimates																	
1-10 cases	5 Days		%	3	N/A		0	N/A		0	N/A		0	N/A			no cases in period.
11-50 cases	Agreed with WCC		%		N/A			N/A			N/A			N/A			no cases in period.
51 cases or over	Agreed with WCC		%		N/A			N/A			N/A			N/A			no cases in period.
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		%	24	100%		38	100%		28	100%		43	100%			
Buying Additional Pensions																	
Members notified of terms of purchasing additional pension	15 days		%														
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				31-Mar-18			31-Mar-18			31-Mar-18			31-Mar-18			
Annual Exercises			Date Achieved														
Annual Benefit Statements Issued to Active members	31 August each year				Annual	These are underway and due to be completed for deadline		Annual	Completed at 100% on time rate apart from exceptions		Annual			Annual			Note All data received by employers on time by 30th of April 2018 resulted in an individual getting a Annual Pension Statement by 31st of August 2018. One employer with 6 staff active on our system submitted a return late and the data submitted was then not adequate. They did then submit a compliant file and statements have recently been made available for them online.
Annual Benefit Statements Issued to Deferred members	31 August each year				Annual	These are underway and due to be completed for deadline		Annual	Completed at 100%		Annual			Annual	Issued April 2018		
P60s Issued to Pensioners Non LGPS transfers-in quotations processed within 20 days	31 May each year				100%	Issued April 2018		100%	Issued April 2018		100%	Issued April 2018		100%			
Apply Pensions Increase to Pensioners	April each year				100%			100%			100%			100%			
Pensioners Newsletter	April each year				100%	Issued March 2018		100%	Issued March 2018		100%	Issued March 2018		100%	Issued March 2018		
Customer Service																	
Correspondence																	
Acknowledgement if more than 5 days	2 days																
Response	10 days			10	100%		12	100%		18	94%	1 case late	48	98%	1 case late		2 cases late, 1 in September 1 in October.
3rd party enquires	10 days			3	N/A	100%	6	100%		8	100%			N/A			
Helpdesk Enquiries																	
Volumes of Enquiries Handled By Helpdesk	Number of Enquiries Handled			339	-	91% FPF rate	500	-	92% FPF Rate	507	-	93% FPF Rate	509	-	88% FPF Rate		
Customer Surveys																	
Monthly survey to retirees	Percentage Satisfied with Service				N/A	Sureys issued July 2018 - to be anaylsed 1 October 2018		N/A	Sureys issued July 2018 - to be anaylsed 1 October 2018		87.5%			87.5%			

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Pension Board

Date:	**26th November 2018**
Classification:	**General Release**
Title:	**Communication Policy Update**
Report of:	**Jo Meagher, Head of Operational People Services**
Wards Involved:	**All**
Policy Context:	**Service Delivery**
Financial Summary:	**Limited**

1. Executive Summary

1.1. This report is to advise the Pension Board of our proposed new communications policy and seek feedback from the Board on the proposal before taking to the Pension Committee.

2. Background

2.1. The Local Government Pension Scheme 2013 (61) regulation requires that the fund have a communications policy. The policy outlines the way the fund will communicate with all members.

2.2. There is a communication policy available on our pension fund website, it was last revised August 2015, see link to website for published policy. http://www.wccpensionfund.co.uk/media/1735/communications-policy.pdf

2.3. We are looking to improve our policy, the attached communications policy is our proposed replacement. People Services are asking the Pension Board for feedback and any suggested changes prior to seeking final approval by the pension committee.

3. Summary

3.1 The Board is asked to comment on the policy and advise if they are happy for the policy to be taken to Committee.

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Local Government Pension scheme Communications Policy

City of Westminster Superannuation Fund

Last update September 2018

CITY OF WESTMINSTER PENSION FUND
COMMUNICATIONS POLICY

Introduction

This Policy sets out how the City of Westminster Pension Fund communicates with its members, member representatives, prospective members and employers participating in the Fund, in accordance with regulation 61 of the Local Government Pension Scheme Regulations 2013.

The main objectives of the Communication Policy are:

- To help improve understanding of the scheme
- To promote the benefits of scheme membership
- To keep members, employers and other stakeholders up to date with legislation changes

To achieve these objectives we will use the most appropriate communication tools and ensure that information is easy to understand.

The fund has a team of dedicated officers who are available to answer member queries and who are responsible for communication to members of the fund.

The fund is administered by Surrey County Council.

Data protection is of paramount importance to the Westminster Pension fund. All of our fund employers are asked to communicate with the fund in a way that protects members' personal data. Members are asked to consider their own personal data protection when contacting the pension fund, and the full privacy notice can be found our pension fund website.

Communication Tools

Email/Website

The Westminster Pension Fund primarily communicates with members by electronic methods. This includes communication via our pension fund website, see link below.

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

Members are encouraged to access the self-service portal, this can be located via the pension fund website. Members can access their annual pension statement, run estimates, can make simple changes to their record and raise queries via the portal.

Accessing the portal will give members quicker access to the information that they require and allow them to make informed decisions on their pension benefits.

Telephone

Members can also phone the Orbis pension helpdesk between the hours of 9am and 4pm on any working day to speak to a member of our pension administration team.

Telephone - 0300 200 1031

Or email - myhelpdeskpensions@surreycc.gov.uk

In person

Westminster pension fund holds an Annual General Meeting (AGM), which all involved in the scheme are invited to. These are held to inform scheme members of the benefits of the scheme and changes affecting pension scheme benefits.

In addition a number of surgeries and briefing sessions are held throughout the year.

Communication Methods

Active Members

Communication Material	Communication form	When Published	When reviewed
Annual Benefit Statements	Via self-service portal	Annually	Annually
Purchase of Additional Pension	Pension fund website	See 1* link below	Annually
Retirement Information (General)	Pension fund website	Taking my benefits section	Annually
Intranet Site (WCC employee only)	Intranet site	Constantly available	Ad Hoc
Communication Policy	Pension fund Website	Constantly available	Annually

Deferred Members

There are a number of people who are not currently contributing to the pension scheme however have deferred benefits with Westminster City Pension Fund. This could be someone who has moved to a different employer or someone who is not currently contributing to the LGPS. We also have a duty to communicate to these members.

Please see below different ways in which we can communication information to these members.

Communication Material	Communication form	When Published	When reviewed
Annual Benefit Statements	Via self-service portal	Annually	Annually
Early Leaver Information	Pension Fund Website	When required	Annually
Communication Policy	Pension fund Website	Constantly available	Annually

Prospective Scheme Members

We promote to all potential members the benefits of the LGPS via our website and during the induction process. Scheme guides will be available via our website or can be requested from Surrey County Council.

Scheme Employers

We have a number of employers who form part of our fund. We work with these employers to help promote the local government pension scheme (LGPS). The fund will help employers to comply with their legal requirements to their scheme members.

Westminster has created the Pension Administration Strategy (PAS). This has been introduced to clarify responsibilities.

Westminster City Council's Pension Team will support any of our scheme employers who wish to hold pension surgeries or presentations for their employees upon request. With the aim that their employees have a better understanding of the LGPS and the benefits of paying into the scheme.

Communication Material	Communication form	When Published	When reviewed
Pension Updates	Electronic	As required	Constantly
Communication Policy	Pension Fund Website	Constantly available	Annually
LGPC Bulletins	Electronic	As required	Monthly

Pensioner members

A pensioner member is someone who has retired or left service and is now entitled to a pension from our pension fund.

Communication Material	Communication form	When Published	When reviewed
Pension Pay Slips	Via self-service portal	Monthly	Ad Hoc

Pension Pay Slips (April and May)	Posted to members and via self-service portal	Month of pay run	Ad Hoc
P60	Posted at the end of April	Annually	Annually

Other member representatives

The fund will communicate with other member representatives in limited circumstances. Including where power of attorney is held for a scheme member. With union representatives on general or policy issues and in specific member cases with an individual's express consent. The fund will communicate with government bodies as legally required and with other bodies where there is a statutory obligation for example with the pension regulator and the pension ombudsman.

All Fund Members

The fund is overseen by the Westminster City Council Pension Fund Committee, which is comprised of Westminster elected members. The committee meets quarterly and all members can view minutes from meetings that are available on the Councils website or by following the link below.

https://committees.westminster.gov.uk/mgCommitteeDetails.aspx?ID=321

The Pension Fund Committee is supported in carrying out functions by our Pension Board. The Board is comprised of three employer representatives and three member representatives. The Board minutes are available by following the link below.

https://committees.westminster.gov.uk/mgCommitteeDetails.aspx?ID=328

Further information and contact details

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*1 - APC - https://www.lgpsmember.org/more/apc/index.php

City of Westminster

Pension Board

Date:	**26th November 2018**
Classification:	**General Release**
Title:	**Pension Membership Update**
Report of:	**Jo Meagher, Head of Operational People Services**
Wards Involved:	**All**
Policy Context:	**Service Delivery**
Financial Summary:	**Limited**

1. Executive Summary

1.1. This report provides a summary of the current membership of the Local Government Pension Scheme (LGPS) in the Westminster fund.

2. Westminster City Council Fund Membership

2.1. The Board has expressed an interest in seeing the breakdown of the Westminster City Council (WCC) membership. The current breakdown is listed by employer in the attached spreadsheet.

2.2. The attached spreadsheet lists the funds employers and the breakdown of membership between the various categories. Actives are people still employed and contributing to their pension pot. Deferred members have left employment and retain a benefit within the fund but have not had the pension put into payment. Pensioners are members where the pension is in payment and frozen is where the member has left the employer or opted out of the scheme but they have less service then they need to have a deferred benefit in the fund. Frozen members can only have a refund or a transfer unless they rejoin the scheme at a later point.

2.3. Included is employer status for your information. Many of the funds employers are closed to new membership. This is either because the employer ceased to trade and there are no employees to pay into the scheme. Alternatively the employer is in the fund as a result of one of the main employers transferring services to them and the admission agreement set up was closed and only allowed the people transferred to be eligible to join the LGPS.

2.4. Closed admission agreements are to protect the fund from exposure to financial risk that can be associated with contractors that do not have government backing but allowing employees with contractual protections under tupe to retain access to the scheme.

2.5. The employers that have an open status are Westminster City Council and all of the maintained schools and the academies. Efforts to promote the scheme to potential new members would need to centre on these employers going forward.

2.6. For information the alternative payroll providers that provide services for a number of Westminster schools are considered one group on our employers list. For example, Westminster City Council (SE) refers to Strictly Education which provides payroll services for 23 Westminster schools.

2.7. The WCC internal payroll data for November 2018 indicate that approximately 86% of the eligible staff are in the LGPS.

3. Summary

3.1 This report summarises current membership information requested by the Board.

EMPLOYER	ACTIVES	DEFERREDS	PENSIONERS	FROZENS
Age Concern	0	10	14	1
Allied Healthcare	0	2	1	0
Assoc of London Government	0	6	14	2
Capita I T Services	0	2	0	0
Capital Careers Limited	0	29	24	1
Day Care Service (Housing 21)	0	5	1	0
Elonex Plc	0	3	1	0
Housing 21	0	89	135	1
Housing Corporation	0	362	509	31
I P F	0	0	4	1
Independent Housing Ombudsman	0	23	10	0
Queens Park F S U	0	4	7	0
JPL Catering	3	0	0	0
Sanctuary Housing Association	32	5	14	0
Homes and Commts Agncy (H C A)	53	94	72	0
Tenants Services Auth (T S A)	87	96	80	0
RM Education Ltd	1	0	0	0
Citywest Homes Ltd	265	193	85	30
HATS (Olympic South) (WCC)	5	0	0	0
Amey (WPF)	1	1	1	0
Westminster C C School (3BM)	1	0	0	0
The Minerva Academy	6	1	2	4
St Marylebone C E Bridge Schl	9	0	0	0
Wilberforce Academy	13	2	3	1
Creative Education Trust	14	4	0	2
Sir Simon Milton UTC	14	0	0	0
Marylebone Boys' School	16	1	0	2
Beachcroft Academy	18	0	0	0
Harris 6th Form College (Acad)	19	0	0	1
Westminster Academy	31	59	12	6
Churchill Gardens Academy	32	5	0	0
St Georges R C Academy	35	1	1	0
Gateway Academy	37	7	1	0
Westminster City Academy	40	6	4	5
Grey Coat Hospital Academy	42	4	1	1
Westminster C C School (WGC)	42	0	0	3
King Solomon Academy	47	39	0	13
St Marylebone School (Academy)	49	6	3	0
Millbank Academy	51	7	3	0
Housing Ombudsman Service	52	14	3	0
Paddington Academy	55	56	10	3
Quintin Kynaston Academy	79	25	4	9
Westminster C C School (PP)	79	4	1	1
Pimlico Academy	88	77	11	7
Westminster C C School (Pr)	90	7	2	2
Westminster C C School (SE)	400	8	27	0
Westminster City Council	2574	4864	4814	561
Atwood Academy	39	5	0	1
Ark Paddington Green Academy	23	0	0	0

LGSS (WCC)	1	0	0	0

Employer Status
Closed
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Closed (leaver being processed)
Closed (possible insource to WCC in April 2019)
Closed (subject to contract relet)
Closed but subject to negotiation
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Open
Open
Open (possible merger with King Solomon Academy)

closed

Agenda Item 7

Pension Board

City of Westminster

Date:	**26 November 2018**
Classification:	**General Release**
Title:	**Equity Downside Protection**
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:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1. EXECUTIVE SUMMARY

1.1 This paper provides the Board a summary of:

- The different types of equity protection.
- The proposed characteristics of these different options.
- Potential solutions appropriate for the City of Westminster Pension Fund.

2. RECOMMENDATIONS

2.1 That the Board notes:

- The different types of equity protection strategies available.
- The Pension Fund Committee's decision on implementing an equity protection strategy.

3. EQUITY PROTECTION BACKGROUND

3.1 The Fund has currently a large allocation to equity investments. Although a decision was taken to reduce equity exposure by £90m at the 20 August 2018 Pension Fund Committee, even excluding this, the current equity portfolio stands at around £1bn, held with four different investment managers: Longview, Majedie, Legal and General Investment Management (LGIM) and Ballie Gifford.

3.2 With equity valuations at all-time highs, it should be considered whether the Fund is carrying a significant amount of risk in this area.

3.3 At the Committee meeting on 20 August 2018, the decision was taken to take further consideration to this area, with a special training session to be held on the subject to ensure the Committee is fully briefed on all areas of equity protection.

3.4 The Fund's investment consultant, Deloitte, hosted this training on 16 October 2018.

3.5 Currently, a number of Local Government Pension Schemes, including Surrey County Council and LB Islington Pension Fund have implemented strategies over the last year.

4. EQUITY PROTECTION STRATEGIES

4.1 Appendix 1 to this report talks through in detail the different types of strategies available that provide downside equity protection, but the key areas are whether they are pooled or segregated, and at cost or nil cost.

4.2 Pooled solutions are often overlaid by the incumbent manager of the portfolio, who will manage the derivatives required. Segregated solutions require the Fund to own the derivatives. This is not desirable due to the complexity and potential risk that this brings, so a pooled approach would be the preferred solution.

4.3 Often the Fund can achieve protection on the downside by relinquishing some of the upside. A possible scenario is that the Fund could forsake any gains above 7% on the portfolio, but will be protected on any losses from -5% downwards towards -30%.

4.4 It should be noted that this strategy is proven not to work in the long term due to the large amounts of upside lost, but is useful for managing risk over a shorter period of time (such as a year before the triennial cycle or maybe the entirety of a triennial cycle).

4.5 The other option is to purchase protection for a certain amount of downside. This would remove the upside loss, but it can be very expensive to implement depending on the level of protection and the duration.

4.6 One of the most effective ways to manage equity downside is still to sell equities and move into a less risky asset class.

5 WESTMINSTER EQUITY PROTECTION APPROACH

5.1 Given that the Pension Fund has four separate equity managers, it would be quite an undertaking to ensure protection was applied across the whole portfolio.

5.2 If the Committee did wish to implement an equity protection strategy, the proposal would be to utilise the Fund's passive equity manager, LGIM, to overlay a pooled equity protection solution over the largest of the Fund's equity portfolios. The reason for this is:

- The Fund would still have protection on around a third of its equity holdings without giving up too much upside. This results in a hedge without making a bet on the market.

- LGIM have a ready-made pooled solution easy to implement.

- The solution can be implemented for a specified timescale that works for the Fund's objectives.

5.3 It should be noted that, as pricing moves for derivatives, the price on a nil cost basis to implement may no longer work for the Fund. If the upside forsaken is too much, it will be contrary to the actuarial rate of return and impact the discount rate of the liabilities.

6 Pension Fund Committee Outcome

6.1 Following the meeting on 18 October 2018, the Pension Fund Committee decided not to pursue an Equity Protection Strategy, given the high costs associated with this strategy. It was decided a more effective approach to protect against equity downside would be to sell equities and switch allocation to a less risky class of assets.

6.2 The pension fund has already reduced its exposure to equities by selling circa £90m of the portfolio held with the Longview Global Equity Fund and moving the proceeds in to the CQS Global Multi Asset Credit fund via the London Collective Investment Vehicle.

6.3 The remaining 5% allocation of Longview's portfolio will be held with a view to moving the funds into an infrastructure portfolio, once a suitable manager has been chosen.

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

Matt Hopson mhopson@wesminster.gov.uk or 0207 641 4126

BACKGROUND PAPERS: None
APPENDICES:

Appendix 1: Equity Protection Paper

City of Westminster Pension Fund
Equity Protection Strategies

Introduction
This report has been prepared for the City of Westminster Pension Fund Committee ("the Committee"). The purpose of this report is to provide a summary of equity protection fund structures including the advantages and disadvantages associated with different structures and the factors to consider when appointing an investment manager.

Equity Protection Fund Structures
The table below shows the advantages and disadvantages of a segregated and pooled approach.

	Pros	Cons
Segregated	Greater portability and transparency	Underlying derivatives in name of scheme
	More flexibility over levels of leverage	More onerous documentation requirements
		Potential open-ended liability depending on nature of derivatives used
		More time consuming to implement for LGPS
		Not all managers able/willing to provide pooled fund wrapper
Pooled	Access to manager's derivatives documentation	Admin charge for providing pooled fund structure
	Reporting provided by manager and can appear as single line in report & accounts	Limitations on leverage levels within certain fund structures (CSUF cannot have leverage, can have leverage in QAIF)
	Liability limited	
	Reporting easier	

Factors to Consider
Degree of precision

- Protecting all market exposures or focusing purely on major markets.
- Option to use local market index contracts where there exists potential mismatch between derivatives contracts and underlying equity exposure, however there is greater liquidity in the major markets – UK, US, Europe etc.
- An alternative is to use MSCI Index series – however these derivative contracts are dollar denominated and the currency issue is not straightforward to resolve. An advantage of MSCI is that the index series is total return while local market indices are usually just price. Local market index contracts will be in the local market currency – Eurostoxx is priced in euros.

Time horizon

- How long do you want the protection to run? If looking to protect up to next valuation, it is logical to protect up to the expected time of signing off the valuation report.
- Possible to buy protection 2 – 3 years out, but pricing/liquidity is thinner for longer dated structures.

What protection needed on the downside?

- Market pricing “thin” if looking for protection below -30%.
- The norm appears to be to accept small downside (-5%), with protection then down to somewhere in the region of -25% to -30%.
- Interesting to look at long run historic returns over rolling 1, 2 and 3 year periods.

Impact on expected return

- If implementing rolling programme of protection where selling away upside to fund the downside, this will impact level of expected return in actuarial assumptions.
- Need to take into account what returns are likely on the upside – no point in implementing if the maximum return possible on upside isn’t in line with assumptions used in valuation.

Cashflows

- Is the equity allocation likely to reduce over the term of the protection to meet pension payments?
- While structure can be altered, there will be costs associated with any restructuring.

Collateral

- What assets will be used for collateral?
- Option to sell equities and replace exposure with futures to release cash, or use gilts & cash.

Alternatives to equity protection strategy

- Given gains of equities in recent years, can you afford to reduce the equity exposure rather than implement a complex structure?

Conclusion

This paper should be considered in conjunction with the equity protection training taking place on 16th October 2018.

The Committee may wish to consider whether they want to move forward with equity protection strategies following better understanding of this area and implementation options available.

Deloitte Total Reward and Benefits Limited

October 2018

Risk Warnings

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

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

City of Westminster

Pension Board

Date:	**26 November 2018**
Classification:	**General Release**
Title:	**Environmental, Social and Governance Monitoring Report**
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:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1. Executive Summary

1.1 This report presents the Environmental Social and Governance (ESG) approaches of each of the Fund's investment managers and any significant changes.

2. Recommendation

2.1 The Board is asked to note the ESG monitoring report attached at Appendix 1.

3. Background

3.1 The Pension Fund Committee's obligation to take into account ESG is described in section 6 of the Investment Strategy Statement. In paragraph 6.4 it states:

"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."

3.2 The report attached at appendix 1 details each manager’s approach to ESG. This will help provide the Pension Board with assurance over the Pension Committees practices.

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

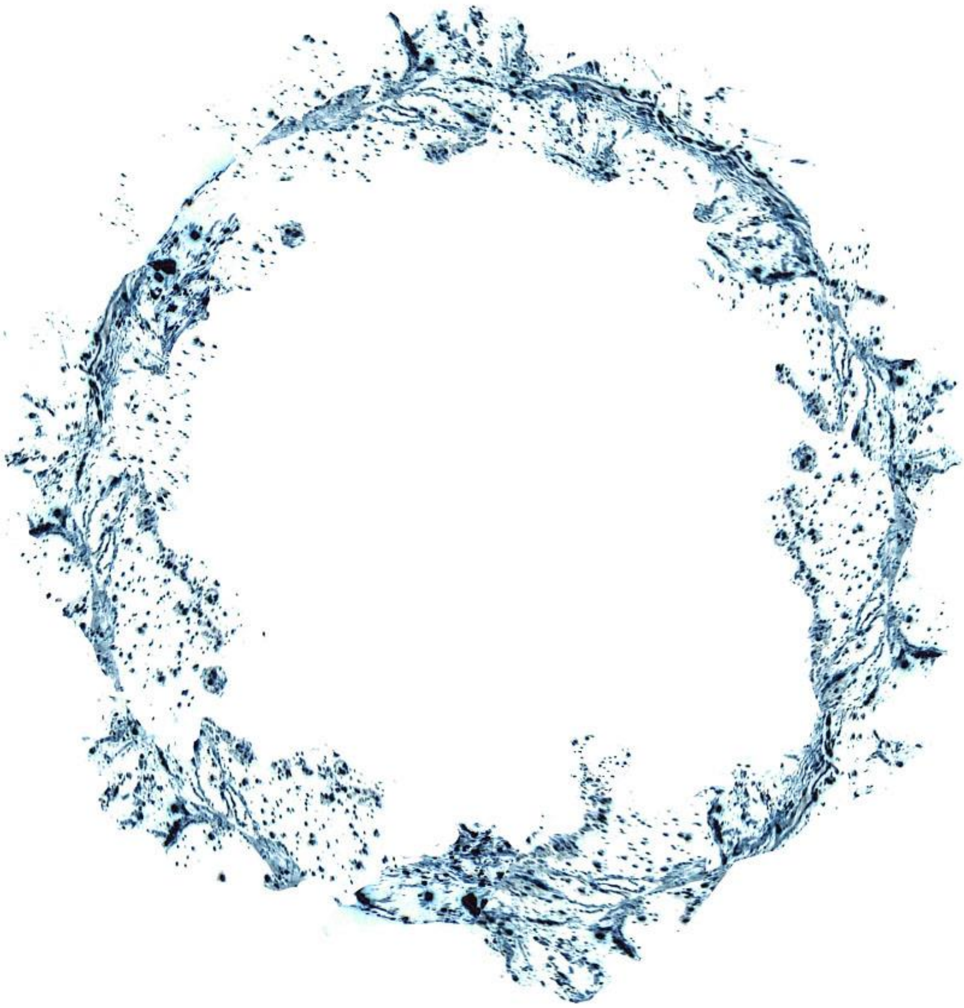
Matt Hopson pensionfund@westminster.gov.uk or 0207 641 4126

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: ESG Monitoring Report

Deloitte.



City of Westminster Pension Fund

ESG Monitoring Report 2017

Deloitte Total Reward and Benefits Limited
October 2018

Contents

1 Introduction

The table below summarises the environmental, social and governance ("ESG") approach for each manager and is based on information provided by each organisation.

Manager	Mandate	Manager ESG Approach
Majedie	UK Equity	Majedie's aim is to make money for their clients, and the investment team considers ESG factors as a fully integrated part of the investment process. Majedie aims to vote on all resolutions at all AGMs and EGMs held by companies in which they invest for clients.
LGIM	Global Equity	LGIM aims to protect and increase shareholder value by exercising all voting rights. LGIM seeks to take an active approach to stewardship and uses its scale to influence and change company and market-wide behaviours.
Baillie Gifford	Global Equity	The investment process at Baillie Gifford is founded on the long-term ownership of growing businesses. Baillie Gifford aims to help companies fulfil their potential by encouraging them to invest in growth opportunities and to ignore the short-term pressures of the stock market. Baillie Gifford takes responsibilities of ownership seriously and is an active steward of its clients' capital.
Longview	Global Equity	Longview Partners believes consideration of ESG factors, including climate change, is essential. Longview believes that poor management of such issues represents risk for a company and such consideration is therefore ingrained into Longview's analysis of long term growth and stability.
Insight	Gilts Non Gilts	Insight believes strong governance practices and management of environmental and social risk are important drivers of investment value over the long and short term. Insight's research process fully integrates ESG factors and where independent ESG analysis is not available, Insight uses its own developed ESG rating process.
Hermes	Property	Hermes firmly believes that a responsible, sustainable approach to real estate investment management is the only strategy that both protects and enhances the value of client's assets, now and into the future. Responsible Property Investments principles are fully embedded in the investment process.
Aberdeen Standard Investments	Long Lease Property	Aberdeen Standard's policy is to act in the best interest of clients to protect and enhance the value of their investments in accordance with their Governance and Stewardship Principles and Policy Guidelines. Aberdeen Standard always seeks to vote on clients' securities.

2 ESG Considerations

Any significant changes to team or process for the managers as a result of ESG trends are detailed below.

2.1 Majedie

- Majedie became a signatory to the UN PRI in January 2017. This decision was made following an internal study of Majedie's ESG integration and a consideration of how much best practice had already embedded and what had still to be developed. Majedie aims to contribute to the ESG debate, as well as bringing the benefits of being a signatory to their clients.

- Throughout 2017 Majedie focused on developing a proprietary research system to allow insights to be more efficiently shared across teams. It will mean analysts can more easily search for specific information such as oil spills, safety improvements or pay ratios and find a diverse range of content when making investment decisions.

2.2 LGIM

- Following the successful launch of the LGIM Future World Fund in Q4 2016, a multi-factor global equities index fund incorporating a climate tilt to address climate change risks, Legal & General have extended the concept by launching further funds following the start of 2018: the Future World Climate Change Equity Factors Index Fund, the Future World Gender in Leadership UK Index Fund and the Future World Multi Asset Fund. This reinforces LGIM's commitment to long-term responsible investment, with funds incorporating LGIM's Climate Change Impact Pledge to engage with the world's largest companies that will need to adapt their business models to meet global climate change goals.

- After being a leading participator for some time, LGIM was elected to sit on the board of the Institutional Investor Group on Climate Change (IIGCC). This is an investor network who have been playing a pivotal role in shaping the climate and energy agenda in the UK and Europe. In response to the sustained and collective investor push, governments globally have been putting forward specific climate pledges NDCs (National Determined Contributions) which help to accelerate the investments into low carbon opportunities.

2.3 Baillie Gifford

- Baillie Gifford conducts carbon footprint analysis of the Global Alpha portfolio to provide a clearer understanding of which companies are the most significant emitters of carbon. Baillie Gifford will use this information to focus engagement efforts to understand the actions being taken by these companies to manage and minimise their emissions. As at 31 March 2018, the Global Alpha portfolio had a 50% lower relative carbon footprint and a 45% lower carbon intensity than the MSCI All Countries World index.

2.4 Longview

- There have been no significant ESG developments over 2017.

2.5 Insight

- Insight launched a dedicated microsite for responsible investment which houses reports, policy documents and education material in addition to other content.

- In 2017, Insight's ESG Risk Working Group (consisting of senior managers from across the business) was expanded to include a North America representative.

- Insight updated the Responsible Investment Policy to shift focus away from the basics of responsible investment, towards their broader aspirations as a business.

2.6 Hermes

- There have been no significant ESG developments at Hermes.

2.7 Aberdeen Standard Investments

- There have been no significant changes to the Long Lease Property Fund team or process as a result of the ESG trends in 2017.

- More broadly, as a result of the merger of Standard Life Investments and Aberdeen Asset Management in August 2017, the Long Lease Property Fund, together with ASI's other real estate funds, now benefits from the support of an enlarged, dedicated real estate ESG team of three people, led by Dan Grandage. ESG continues to be embedded at the heart of ASI's investment process, and it features heavily at every stage of the asset management cycle. ASI is currently working on several improvements to its ESG approach within the investment process, which will be available to share with clients over the next few months.

3 Majedie

3.1 Stewardship Code

Majedie's Stewardship Policy states that the main aim is to make money for clients, and that the investment team considers ESG factors as an integrated part of the investment process. Majedie aims to vote on all resolutions at all AGMs and EGMs held by companies in which Majedie invest for its clients. Majedie subscribe to Institutional Shareholder Services (ISS) who engage with companies regarding corporate governance and remuneration policies. Majedie has its own customised voting policy that is run in parallel with ISS's policy recommendations.

The key principles that frame Majedie's Stewardship Policy are:

1. Reference to the UK Corporate Governance Code
2. Open Communication
3. Shareholder Protection
4. Social, Ethical and Environmental Responsibility
5. Reporting
6. Shareholder Engagement
7. Collaboration
8. Stock Lending

3.2 ESG actions in 2017

At the GAME Digital AGM in January 2017, Majedie voted against the Remuneration Report's suggestion to maintain Performance Share Plan (PSP) grants at their normal levels as a proportion of salary. Majedie felt that this would result in the possibility of executive directors receiving considerable gains when compared with previous years which, Majedie felt, was not aligned with shareholder interests.

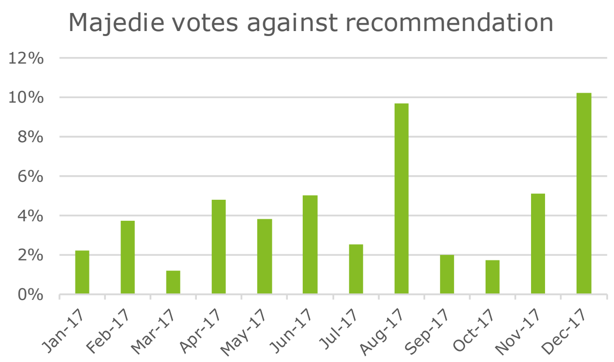
At the Chemring AGM in March 2017, the company consulted Majedie on its proposed Remuneration and Incentive Plan. The fund managers' feedback resulted in an improvement in the terms, and consequently Majedie voted in favour of the Policy and Plan which incorporated changes focused on achieving returns for shareholders in the medium to long term.

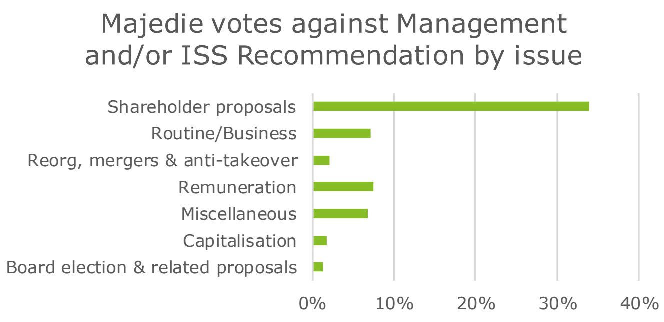
At the Barclays AGM in May 2017, Majedie voted in support of the re-election of Jes Staley as Barclays' CEO. Majedie viewed Staley as an effective leader and noted that he had admitted his mistakes following his involvement in a whistleblowing case, with disciplinary action already taken by the Board. In the absence of a finding from the regulators, Majedie were prepared to supports the Board in their decision to retain Staley.

At the Ladbrokes Coral AGM in May 2017, Majedie voted against the Remuneration Policy and the Performance Share Plan. The proposed increase in total remuneration opportunity was excessive in relation to the performance of the company.

3.3 Voting Summary

Majedie voted at 349 shareholders meetings in 2017, voting in favour of the resolution in 92% of cases and 5% against. Given Majedie's approach to ESG as being an integrated part of their investment research and decisions, and therefore tend to invest in companies that have satisfied their investment filter in the first place, it is not surprising that the vast majority of votes are cast in favour of management. Majedie's voting record against both management and ISS recommendations in 2017 is shown in the charts below.





Majedie voted against recommendations most frequently in 2017 on shareholder proposals and routine issues.

3.4 ESG research in 2017

During 2017, Majedie researched the downside scenario that climate change will result in more frequent natural disasters over time. Majedie notes that 2017 was a particularly bad year for reinsurance companies such as Everest Reinsurance for the number of hurricanes.

Long-term climate change means that there may be greater demand for pest control in the future. Following research Majedie notes that warmer temperatures driven by global warming may increase the frequency of pest outbreaks, particularly given the growing urbanisation in Emerging Market countries. The urbanisation trend may result in greater demand for pest control companies such as Rentokill in the future.

As part of Majedie's analysis of the Korean batter maker, Samsung SDI, Majedie considered the effect of renewable energy meeting an increasing proportion of global energy needs. Majedie also conducted scenario analysis which considered how regulation may result in electric vehicles accounting for a higher proportion of global automobile sales in the future.

4 Legal and General

4.1 Stewardship Code

LGIM's mission is to use its influence to ensure companies integrate ESG factors into their culture and thinking every day and to ensure markets and regulators create an environment in which good management of ESG factors is valued and supported. LGIM's aim is to achieve positive societal impacts that will create sustainable long-term value. LGIM seek to achieve this through:

- Company engagement
- Using voting rights globally
- Integrating ESG factors into portfolio management
- Addressing systematic risks and opportunities
- Influencing governments, regulators and policy makers
- Collaborating with other investors and stakeholders

LGIM votes at all company meetings in the UK where the company has a premium listing. LGIM will vote at the meetings of smaller companies on an ad hoc basis when it holds a significant shareholding and the meeting is critical to the future of the business, or where LGIM has a significant concern with any aspects of its governance. LGIM also uses voting information services such as ISS and IVIS for their analysis and research on companies. Where LGIM votes against a resolution at a UK listed company, this will be followed up with a letter to the company giving rationale for the decision and will request a meeting to discuss LGIM's concerns.

4.2 ESG actions in 2017

Over the year 2017, LGIM's technology thematic group have examined the impact of the convergence of incremental change, technological trends and consumer demands around road vehicles. LGIM's analysis and engagement with Daimler suggested the carmaker held a low ranking in terms of its climate-related preparedness in comparison with similar companies. LGIM held 21 meetings with the company over the previous two years and continued to engage across LGIM's diverse team, including its Climate Impact Pledge, providing a detailed analysis of diesel risks and plans to transition to EVs. Management reassurance on its commitment to research and development and new technologies, given the low valuation, led to LGIM's equities team concluding that disruption was priced into Daimler's shares but evolving future opportunities were not and re-positioned their portfolios accordingly.

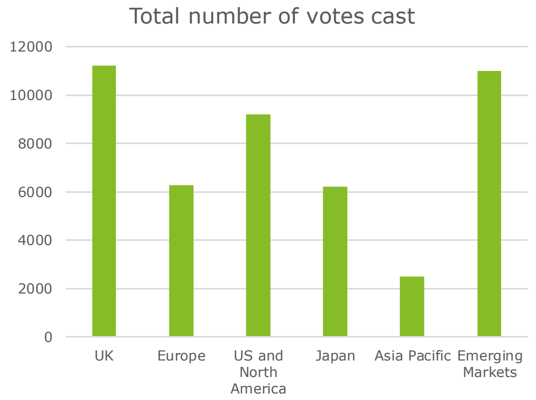
Following various meetings with Centrica and the UK regulator, LGIM was not confident in Centrica's ability to keep pace with the rapidly changing UK energy retail environment. Energy retail is a sector that, driven by the decarbonisation social agenda, has started to see an acceleration in the pace of change in its industry. Following analysis, it was apparent that longer term prospects for the company are more uncertain with Centrica's cashflows heavily reliant on a direct exposure to consumers. This lead to the decision by LGIM's analyst team to downgrade Centrica's credit recommendation.

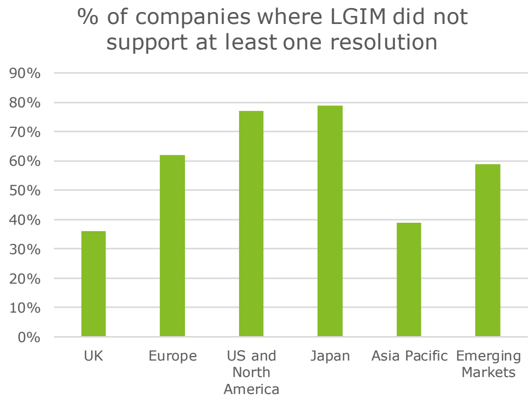
Following the announcement in 2017 that the Board Chair of BHP Billiton (BHP) would step down, LGIM was heavily involved in succession planning. Following a total of 13 meetings across 2017, taking account of the size and scale of the company, LGIM oversaw the announcement of a new chairman who it was believed his business operational experience as a former CEO will benefit BHP Billiton. LGIM publicly supported the appointment process.

In 2016, Wells Fargo was implicated in an internal cross-selling scandal involving 1.5 million fraudulent accounts. LGIM's 2016 engagement led to the CEO-chairman stepping down and company bylaws being amended to require separation of the CEO and chair roles. Over 2017, LGIM held six meetings with Wells Fargo, requesting that the board be refreshed, the composition of the audit and risk committees be reviewed and an external board effectiveness review be conducted to help through the transition. All of these changes were implemented by the company during the year and three more independent non-executive directors were appointed in January 2018 to strengthen the board.

4.3 Voting Summary

Globally, LGIM voted at 3,024 Annual General Meetings in 2017 and cast 46,446 votes in total. The number of votes cast per region and a breakdown of where LGIM did not support at least one resolution per region is given below.





LGIM's most common votes against management was related to company Directors where LGIM opposed the election or re-election of 2,9807 directors in 2017.

5 Baillie Gifford

5.1 Stewardship Code

Baillie Gifford’s underlying philosophy on engagement and stock selection is to treat stewardship, responsibility and longevity as synonymous concepts.

Baillie Gifford aims to identify exceptional businesses with the potential to deliver outsized, long-term returns for clients, providing support and encouraging ambitions while also taking the opportunity to learn from conversations.

As long-term owners of companies, Baillie Gifford believes it is essential to consider the broad stakeholder economics of each of its investments. Baillie Gifford believes that environmental, social and governance factors must be considered carefully given their potential impact on the future health of a business as measured through growth and returns.

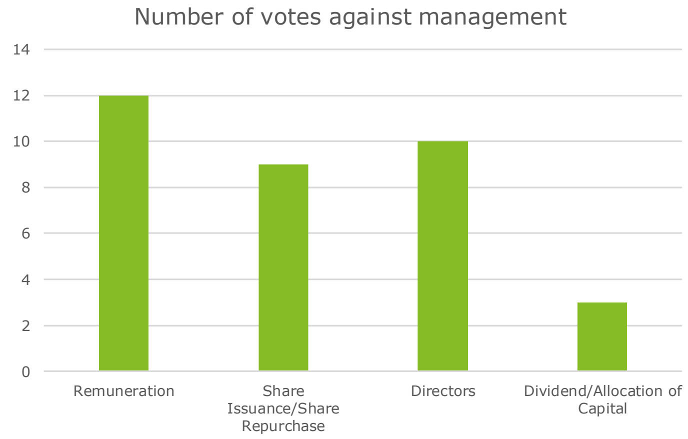
5.2 ESG actions in 2017

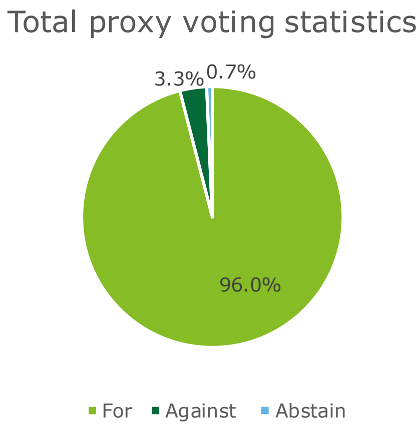
Baillie Gifford held conversations with Tesla over 2017, revolving around human capital management, board make-up, M&A activity and Elon Musk’s remuneration. Tesla’s contribution to a lower carbon economy, in Baillie Gifford’s view, far outweighs the governance issues that have appeared in the media. The engagement meetings are taking place to ensure the company is positioned to continue with its positive contribution to the environment and society, as well as the shareholders.

Over 2017, Baillie Gifford held discussions with the management of Royal Caribbean Cruises in relation to its remuneration policy. Baillie Gifford has been concerned about the repeated use of discretionary equity awards, made in addition to normal long-term incentives. Following discussions with management, Baillie Gifford has opposed a number of resolutions on executive, as well as recently opposing the re-election of the chair of the remuneration committee.

5.3 Voting Summary

Baillie Gifford voted against management remuneration related issues most frequently in 2017, as represented by the bar chart below. The pie chart represents a summary of the Global Alpha fund’s proxy voting activities in 2017. Of the 1137 votes cast over the year, Baillie Gifford supported management resolutions on the majority of occasions.





6 Longview

6.1 Stewardship Code

Longview actively engages with senior management and encourages high standards of corporate governance. This engagement covers strategy as well as corporate responsibility issues with company directors and executives. Longview believes that these factors affect the potential for a company to deliver long-term sustainable value to shareholders. Where there is past, current or anticipated behaviour that is judged to be adverse to future earnings, these concerns are addressed in Longview's fundamental research and investment process. .

Assessing the significance of ESG related risks and opportunities is an integral part of Longview's bottom-up research process:

- Governance issues considered within the quality rating, with the key element of this analysis being the company's treatment of shareholders and its use of capital;
- Longview believes that a lack of consideration for environmental issues can negatively impact the growth of a business and its long and short-term profitability; and
- With regards to social issues, Longview takes direction from clients as to whether it is deemed appropriate to own certain companies in their portfolio.

During the continual assessment of investments, Longview ensure on-going dialogue with the management of companies takes place. This is to ensure that these businesses continue to perform in line with expectations and are meeting reasonable governance holdings.

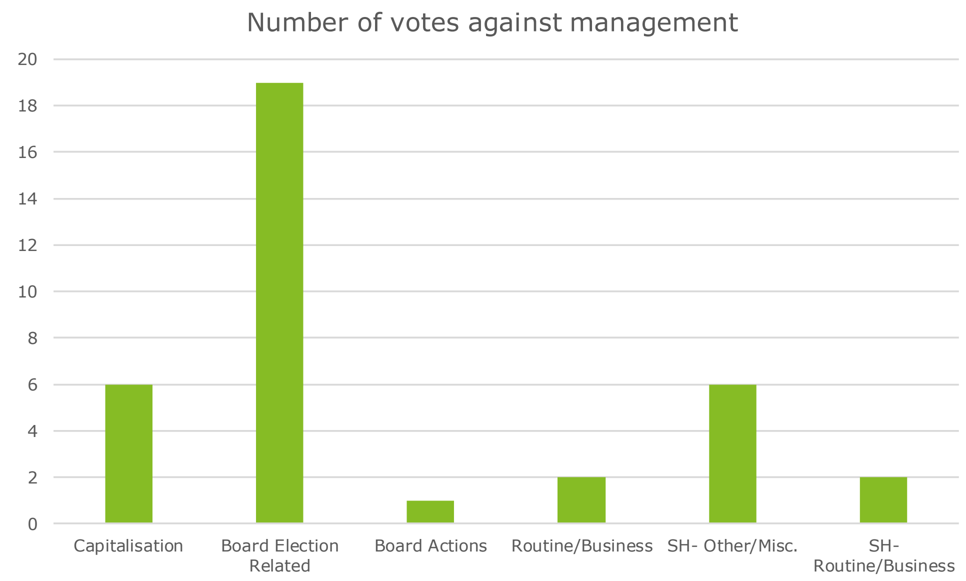
6.2 ESG actions in 2017

In March 2017, Longview met with Jerome Contamine (CFO) and George Grofik (Investor Relations) of Sanofi, expressing concerns regarding Sanofi's bid for Swiss biotech company Acctelion in November 2016. Longview believed the price Sanofi had been willing to pay was too high and that Actelion would struggle to meet the criteria for creating the terminal value spoken of from Jerome's previous meetings with Longview. After conversations it was agreed that acquisitions should have both strategic and financial value, the opportunity was not pursued.

During May 2017, Longview was approached by Compass Group to discuss the company's proposed three-year remuneration policy which was due to commence in 2018. Longview put forward a preferred remuneration structure which placed emphasis on operating performance-based metrics rather than those connected to the share price. Further meetings took place throughout 2017 and Longview engaged in a further conference call in July 2017 with the Remuneration Chair, HR Director and Company Secretary of Compass Group. Longview was generally satisfied that the remuneration structure adequately aligns the interests of shareholders with those of management, with the only exception being the company's exclusion of share buy-backs from a new long term incentive plan performance measure. Longview's objection was understood and acknowledged by the company and the proposed new performance measure was not included in the final version of the remuneration policy.

6.3 Voting Summary

The chart below represents the number of times Longview voted against management over 2017. Longview voted against management most frequently on matters related to the election of Board members over 2017.



7 Insight

7.1 Stewardship Code

Insight considers responsible investment as central to investment activities, culture, relationships with clients and to interaction with stakeholder. Insight's credit selection process incorporates an assessment of ESG risks alongside financial and other investment considerations.

To deliver on these objectives, Insight:

1. Takes account of financially material short and long-term risk factors in their investment research and decision-making process. These risk factors may include environmental, social and governance issues.

2. Exercises a stewardship role in the companies and other entities in which Insight invests in. Insight believes that good stewardship can create investment opportunities and reduce investment risk. Insight therefore engages with management to discuss issues such as strategy, deployment of capital, performance, remuneration, risk management and ESG factors.

3. Supports efforts that seek to improve the operation, resilience and stability of financial markets. This includes sustainable economic development and health of the natural environment.

Insight has open and regular communication with companies it has exposure to in a fixed income sense. ESG is regarded as a subset of risk factors which form part of Insight's credit analysis, believing these factors are a proxy for issuer quality. Insight engages with debt issuers, encouraging the improvement of their practices and performance, with the aim of improving the value of the credit.

Being a member of BNY Mellon Investment Management, Insight is able to participate in meetings with issuers where the interest of equity investors tends to take prominence. This allows Insight added exposure to the company which other debt investors may not get.

7.2 ESG actions in 2017

A company in the consumer non-discretionary sector brought a new issue to market in 2016. Insight highlighted ESG issues, scoring a 5 (poorest possible ESG rating), with particular concerns around corruption and product quality breaches. For Insight's active portfolios, because the bonds had an investment grade rating but were priced as a high-yield BB-rated issue, Insight believed the potential upside of short-term investment returns outweighed the likely material impact of a weaker ESG profile. Following Insight's investment, the bonds rallied meaning that financial and non-financial risks, including ESG risks, were no longer priced into spread levels and Insight sold down the bonds.

In 2017, there was strong demand for an investment-grade global retailer, however during the due diligence process an Insight analyst identified several credit and business risks. These risks included a complex corporate structure; the bond was issued from a regional entity while the financial statements were for the group as a whole, the regional issuing entity did not have access to the cashflow or assets of other entities, and the issuer was listed in an unstable emerging market. The analyst therefore recommended to avoid buying the new issue and in later 2017 significant accounting irregularities were reported, but not detailed. Credit ratings agencies materially downgraded the company from investment grade to high yield and the issue from 2017 lost approximately half of its value.

7.3 Credit analysis & ESG engagement

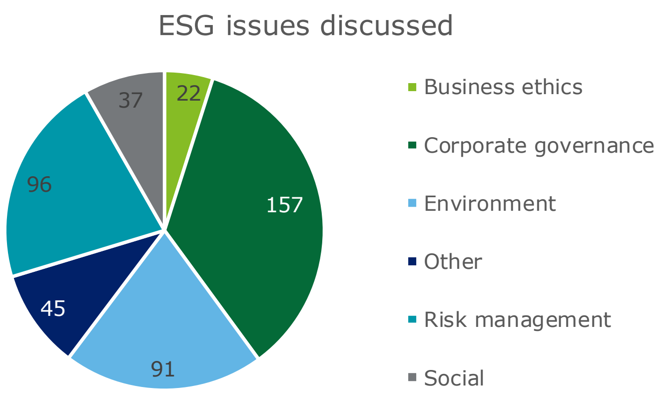
As part of Insight's credit research process, where ESG issues are material, analysts are required to comment on the implications of the ratings given to companies (where third-party ratings provided by MSCI were unavailable). A selection of comments provided by analysts when making investment decisions for the credit portfolio is given below in the absence of any voting statistics. The recommendation that the following companies issues were not suitable for the buy and maintain portfolio were accompanied by the comments below:

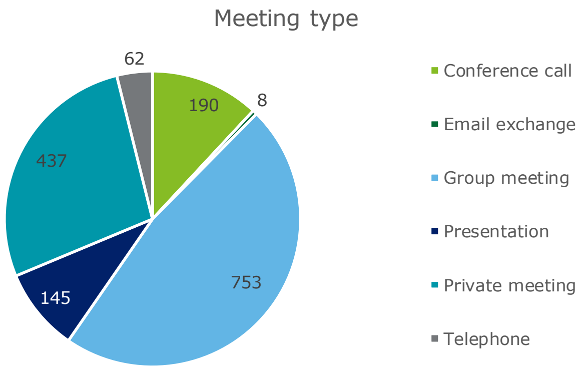
"The company has a bad overall score…The poor social score is driven by product safety and quality concerns, and exposure to corruption and instability due to its significant emerging market exposure. The company has recently experienced several product recalls."

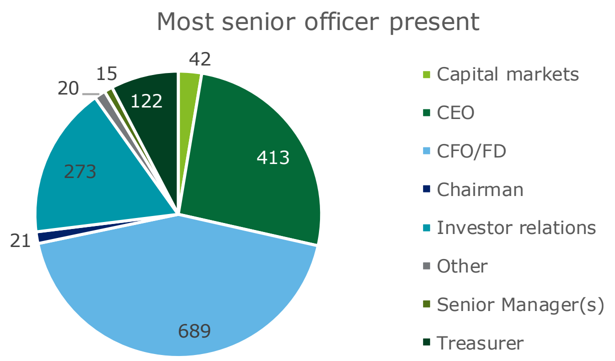
“Given the various ESG concerns, the frequent acquisitions and low BBB ratings, the company is not appropriate for buy-and-maintain accounts.”

“The emerging market banks don’t score particularly well…my bigger concerns would be: governance (given the complex ownership structures…) and interference from large shareholders; potential for money laundering and corruption issues – particularly given the sprawling networks in the region; opaque accounting – given the issues around consolidation of different entities, transition to IFRS, and changing regulatory requirements; potential for shareholder influence in lending decisions – given the partial ownership of the banks by industrial groups; and politicisation of lending and regulatory decisions.”

Insight’s ESG engagements relating to their fixed income interests for 2017 are summarised below:







8 Hermes

8.1 Stewardship Code

Hermes fully embeds its Responsible Property Investment (RPI) principles. These principles highlight the need to:

- Continuously improve monitoring of ESG performance during refurbishment and development projects;
- Focus on EU and UK sustainable finance, green growth and energy policies within sector and public policy engagement; and
- Abide by climate disclosure TSFD recommendations for Real Estate and soft landings and operational green certification.

8.2 RPI programme priorities for 2018

Every year Hermes reviews its strategy and identifies priorities for action to deliver continuous improvements across its portfolios. Hermes has identified the following issues as important elements to focus on and integrate more explicitly and within its processes:

- Tenant engagement activities including occupier due diligence to include ESG risk assessment, increase the depth and coverage of occupier engagement and performance data and increase coverage of occupier performance data.
- Well-being and responsible property management activities such as working with experts in the industry to develop new and innovative ways of improving the work environment for occupiers, utilising new technology and certifications along with continuous improvements on operational performance.
- Working with industry to develop a process to measure positive impacts of Real Estate investments and EU and UK sustainable finance, green growth and energy policies.

8.3 Voting Summary

HPUT has direct management control of assets and therefore cannot use voting as a means of influencing organisations.

9 Aberdeen Standard Investments

9.1 Stewardship Code

Aberdeen Standard's policy states that it will aim to:

- Support investors with a full range of investment opportunities and solutions, and the highest level of service and support.
- Continue to implement the long legacy of both managers as responsible investors, prior to the merger of Standard Life and Aberdeen Asset Management in August 2017 ESG has historically sat within each company's stewardship approach.
- Use reasonable endeavours to enhance long-term shareholder value through constructive engagement with companies and other corporate governance initiatives.
- Always seek to vote clients' securities and engage with companies on their behalf in a manner consistent with their best interests.
- Use reasonable endeavours to influence the development of the corporate governance and stewardship environment.
- Communicate their Governance and Stewardship Principles and Guidelines to clients, companies and other interested parties.
- Be accountable to clients within the constraints of professional confidentiality and legislative and regulatory requirements.

9.2 ESG actions in 2017

During 2017, ASI held 302 one-to-one ESG engagements with investee companies with 180 of these planned on the basis of ASI's engagement priorities and 122 organised in reaction to ESG change. In total, 111 of these engagements were with overseas companies. ASI notes its particular satisfaction that engagement with US companies continues to increase as ASI builds its ESG relationships and is encouraged that more of these engagements involved independent board members.

ASI has been a shareholder in Galp Energia, Portugal's only oil and natural gas integrated operator, for many years. After being made aware of the company's chairman and 33% shareholder's plans to step down in favour of his daughter, ASI requested a call to discuss this change and in April 2017 were able to speak to the vice-chairman. ASI expressed its view that the board, with 19 members, was large and lacked independence. ASI repeated its previous call for better disclosure around the nominations process.

9.3 Voting Summary

The Long Lease Property Fund has direct management control of assets and therefore cannot use voting as a means of influencing organisations.

10 Appendix I – UN PRI

In 2005, then UN Secretary-General Kofi Annan invited some of the world's largest institutional investors to develop the Principles for Responsible Investment. Since being launch in 2006, the list of signatories has grown from 100 to over 1600. In implementing the principles, investors contribute to developing a more sustainable global financial system and can incorporate ESG issues into their investment practice. The six principles for responsible investment are listed below:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the principles.
6. We will each report on our activities and progress toward implementing the principles.

11 Appendix II - UK Stewardship Code

The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk adjusted returns to shareholders.

The code states that investors should:

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities
2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed
3. Monitor their investee companies
4. Establish clear guidelines on when and how they will escalate their stewardship activities
5. Be willing to act collectively with other investors where appropriate
6. Have a clear policy on voting and disclosure of voting activity
7. Report periodically on their stewardship and voting activities

12 Appendix III – Shareholder Voting Services

Institutional Shareholder Services Inc. (“ISS”)
ISS is the world’s leading provider of corporate governance and responsible investment (RI) solutions for asset owners, asset managers, hedge funds, and asset service providers. ISS’ solutions include: objective governance research and recommendations; RI data, analytics, and research; end-to-end proxy-voting and distribution solutions; turnkey securities class-action claims management; and reliable global governance data and modelling tools. Institutional clients turn to ISS to apply their corporate governance views, identify environmental, social and governance risk, and manage their complete proxy voting needs on a global basis.

Institutional Voting Informative Service (“IVIS”)
IVIS does not provide voting recommendations, but highlights issues or concerns for its subscribers to consider prior to voting. IVIS helps members exercise their voting rights and enables them to make more informed voting decisions. They publish concise reports analysing Annual Reports and Notice of Meetings in addition to other available information. For example, an IVIS ESG Report monitors a company’s compliance with the Guidelines on Responsible Investment Disclosures.

Vigeo Eiris (“EIRIS”)
EIRIS is a global provider of ESG research and services. They offer decision making tools for all type of investors, covering all ethical and responsible investment approaches. EIRIS measure the relevance of companies and organisations’ commitments, the efficiency of their managerial systems, their ability to manage risks, and their performance on all environmental, governance, social and societal responsibility factors.

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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City of Westminster

Pension Board

Date:	**26 November 2018**
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:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

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 30 June 2018.

2. Recommendation

2.1 The Board is asked to note the performance of the investments, and funding position.

3. Background

3.1 The terms of reference of the Pension Fund Committee require the committee to monitor the performance of the Pension 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 30 June 2018. The investment performance report (Appendix 1) has been prepared by Deloitte, the Fund's investment adviser, who attended the Committee meeting on 18 October 2018 to present the key points and answer questions.

3.3 The Investment Performance Report shows that over the quarter to 30 June 2018, the market value of the assets Increased by £75m to a value of £1,406m (£1,331m at 31 March 2018). The fund outperformed the benchmark net of fees by 0.8%. This is mainly attributable to the positive relative returns from Majedie.

3.4 The Investment Performance Report shows that over the year to 30 June 2018, the fund outperformed the benchmark net of fees by 1.5% with Baillie Gifford being the largest contributor, offsetting underperformance from Majedie.

3.5 The advisors continue to rate the fund managers favourably, with the exception of Longview, with the retirement of the Chief Executive, Ramzi Rishani a concern. They have also expressed ongoing concern about resignations and vacancies at senior management level within the London CIV..

3.6 The Committee elected to rebalance its equity exposure by selling down from its Longview portfolio and transferring to the LCIV's Multi Asset Credit Fund. This was scheduled for a 1 November 2018 transition date. The Board will be provided with a full transition report at the next meeting.

3.7 The funding update (Appendix 2) has been prepared by the fund actuary, Barnett Waddingham. This indicates that the estimated funding level as at 30 June 2018 was 92.8% an increase of 0.6% on the last quarter's 92.2% to 31 March 2018. This is due mainly to a greater return on assets than that anticipated at the time of the triennial valuation at 31 March 2016. This position is also up 12.8% on the funding level of 80% that was calculated at the triennial valuation of 31 March 2016.

3.8 Appendix 3 shows the performance of the Fund against the wider LGPS universe. The City of Westminster Pension Fund has performed very well, in the 13th percentile of the overall universe in terms of investment asset growth.

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

Matt Hopson pensionfund@westminster.gov.uk or 0207 641 4126

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: Deloitte Investment Report, Quarter Ending 30 June 2018.

Appendix 2: Barnett Waddingham Funding Update as at 30 June 2018.
Appendix 3: 2017/18 Performance Review PIRC

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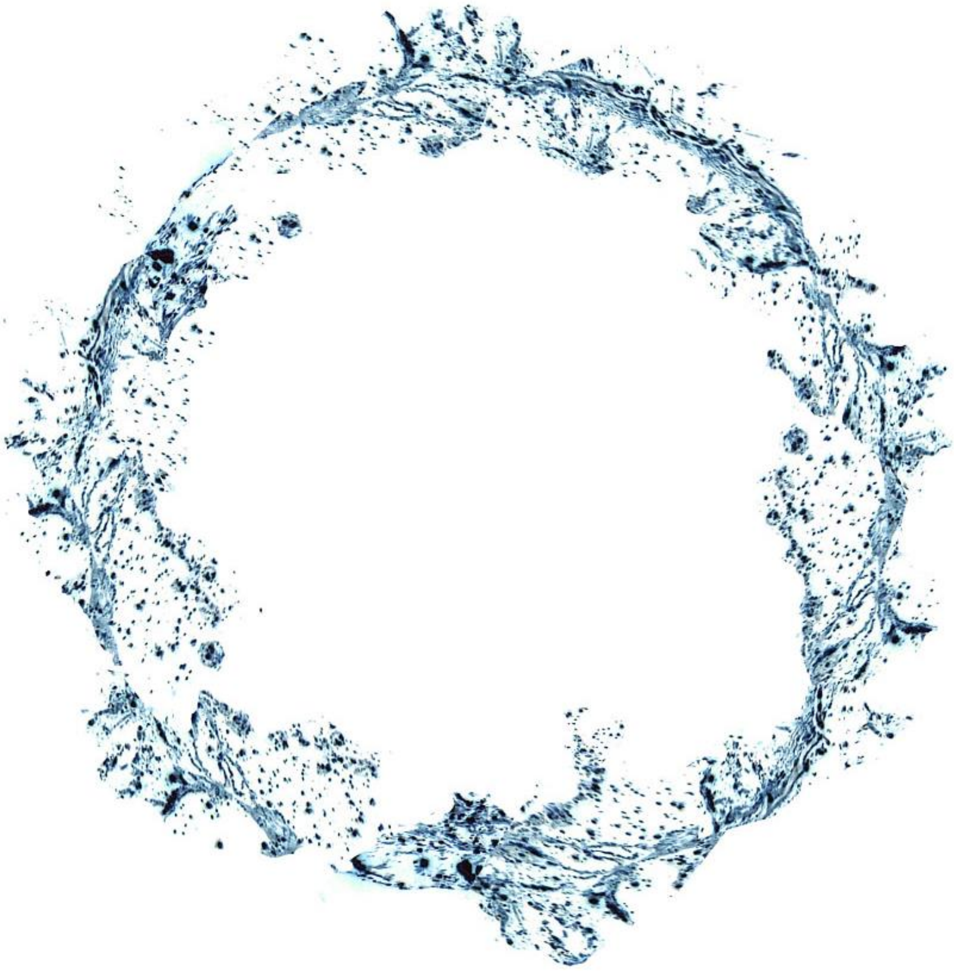


City of Westminster Pension Fund

Investment Performance Report to 30 June 2018

Deloitte Total Reward and Benefits Limited
September 2018

Contents

1 Market Background

Three and twelve months to 30 June 2018

The UK equity market made strong gains over the second quarter of 2018, rebounding after the fall in the previous quarter. The FTSE All Share Index delivered a return of 9.2%. A general improvement in economic conditions in the UK and globally certainly contributed to gains, but the depreciation of sterling over the second quarter was the main driver of returns as overseas earnings were revalued at a more favourable exchange rate. Performance may well have been stronger but escalating trade tensions will have weighed on markets.

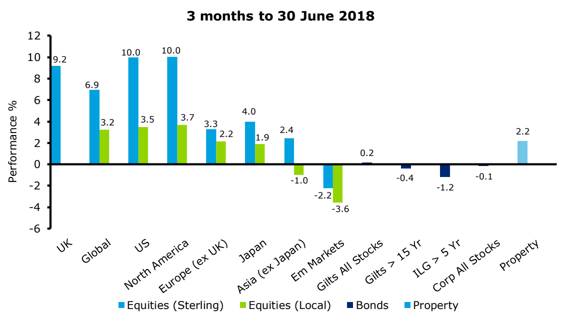
The FTSE 100 Index rose by 9.6% while the FTSE Small Cap Index increased by 6.1% over the quarter. All sectors delivered positive absolute returns over the quarter with the exception of Telecommunications, which delivered a negative return of -3.8%. Oil & Gas was the best performing sector (19.2%) fuelled by rising oil prices over the quarter.

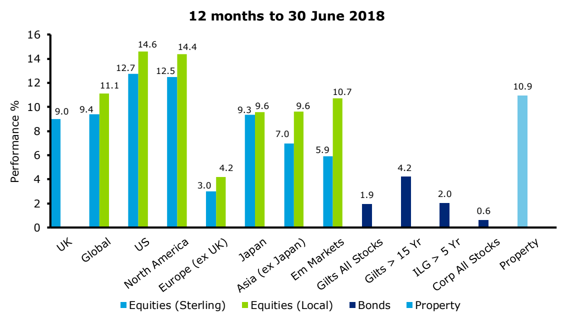
Global equity markets performed positively given the improving economic picture over the second quarter but underperformed UK equities in both local currency terms (3.2%) and sterling terms (6.9%). The weakening of sterling contributed to the UK's outperformance of overseas markets and also meant that currency hedging detracted from returns over the quarter. Trade tensions affected returns in overseas markets with countries and regions with greater reliance on exports particularly badly affected. For example, Asia Pacific ex Japan equities fell by 1% and returns across European markets, whilst positive, were weighed down by German stocks. North America was the best performing region (3.7% in local currency terms) with Emerging Markets the poorest performing region (-3.6%) as capital flowed out of the region as investors preferred the relative security of the US.
Nominal gilt yields fell at the short end of the curve as inflation fears eased, but increased at longer maturities. Overall, the All Stocks Gilts Index delivered a return of 0.2% over the quarter. Real yields mirrored the shift in the nominal yield curve, falling for shorter durations and rising for longer durations. The general increase in real yields was more pronounced however, as inflation expectations fell, with the Over 5 Year Index-Linked Gilts Index returning -1.2% over the period. Credit spreads widened further over the second quarter, and the iBoxx All Stocks Non Gilt Index subsequently delivered a return of -0.1%.

Over the 12 months to 30 June 2018, the FTSE All Share Index delivered a positive return of 9.0% which was primarily attributable to the gains from the improving global economic environment in the second half of 2017 and continued sterling weakness. Oil & Gas (30.4%) was the best performing sector while Telecommunications (-19.1%) was the poorest performing sector. Global equity markets outperformed UK markets in both local and sterling terms, representative of the stronger economic environment overseas in the absence of Brexit related uncertainty.

UK nominal gilts delivered positive returns over the 12 months to 30 June 2018 as yields fell, with the All Stocks Gilts Index returning 1.9% and the Over 15 Year Gilts Index returning 4.2%. UK index-linked gilts also delivered positive returns, with the Over 5 Year Index-Linked Gilts Index returning 2.0%. Credit spreads widened over the year to 30 June 2018. Consequently, corporate bonds underperformed gilts over the period returning 0.6%.

The IPD UK Monthly Property Index returned 2.2% over the quarter and 10.9% over the year to 30 June 2018, following continued strong demand for UK property – and in spite of the continued uncertainty over Brexit





2 Total Fund

2.1 Investment Performance to 30 June 2018

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	10.8	10.6	9.2	8.8	8.2	9.0	8.6	8.0	9.6	13.1	12.5	11.0
LGIM	Global Equity	2.8	2.8	2.8	9.7	9.7	9.7	8.6	8.5	8.5	12.1	12.1	12.1
Baillie Gifford	Global Equity	7.2	7.1	6.8	15.9	15.5	8.9	19.7	19.4	14.7	16.7	16.3	13.2
Longview	Global Equity	8.8	8.7	8.1	8.8	8.2	9.3	15.2	14.6	15.0	14.9	14.2	13.1
Insight	Buy and Maintain	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hermes	Property	2.3	2.2	2.3	10.9	10.5	10.3	9.6	9.2	8.6	10.3	9.9	8.9
Aberdeen Standard	Property	2.0	1.9	0.7	9.6	9.1	3.9	8.1	7.6	6.7	9.1	8.6	6.6
Total		**5.6**	**5.5**	**4.7**	**9.2**	**8.9**	**7.4**	**10.5**	**10.2**	**9.4**	**n/a**	**n/a**	**n/a**

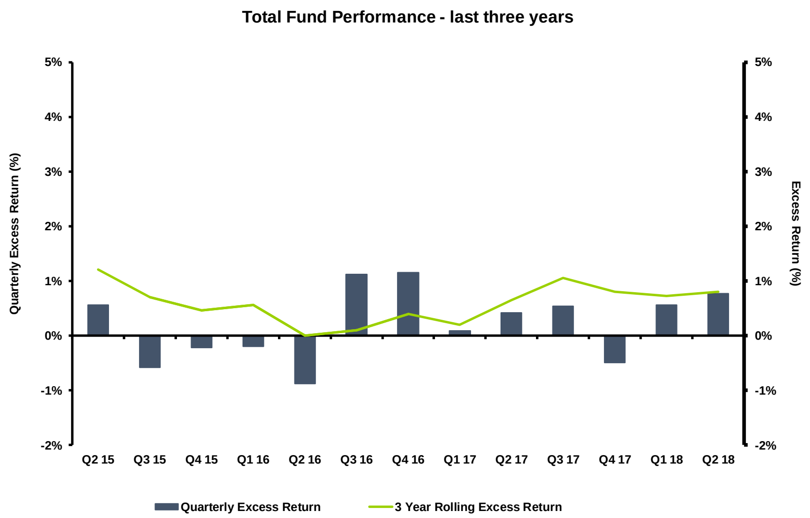
Source: Northern Trust

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

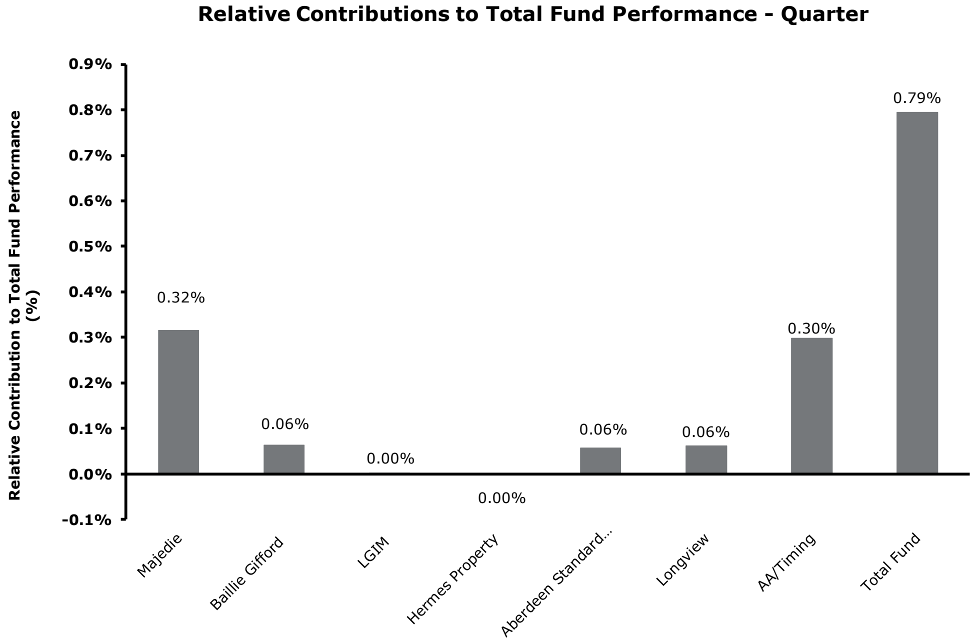
See appendix 1 for more detail on manager fees and since inception dates

The Fund outperformed its benchmark by 0.8% net of fees over the quarter to 30 June 2018. Over the one year and three year periods to 30 June 2018, the Fund outperformed its benchmark by 1.5% and 0.8% p.a. net of fees respectively. The outperformance over the quarter was driven by the positive relative returns from Majedie, Baillie Gifford, Longview and Aberdeen Standard.

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.

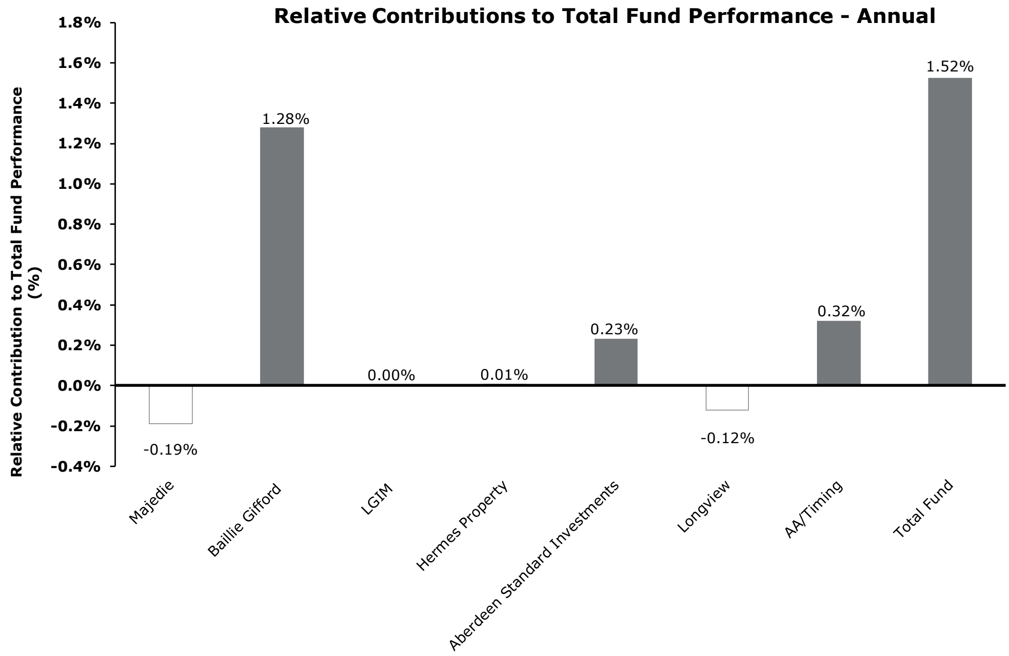


2.2 Attribution of Performance to 30 June 2018



On a net of fees performance basis, the Fund outperformed its benchmark by 0.8% over the second quarter of 2018, largely as a result of outperformance from Majedie. The "AA/Timing" bar provided a large contribution to the total fund outperformance, this was primarily driven by the Fund having an overweight allocation to equities, with the equity market making strong gains over the quarter.

Over the year the Fund outperformed the benchmark by 1.5% with Baillie Gifford being the largest contributor, offsetting underperformance from Majedie and Longview.



2.3 Asset Allocation as at 30 June 2018

The table below shows the assets held by manager and asset class as at 30 June 2018.

Manager	Asset Class	End Mar 2018 (£m)	End June 2018 (£m)	End Mar 2018 (%)	End June 2018 (%)	Benchmark Allocation* (%)
Majedie	UK Equity	297.5	329.5	22.3	23.4	22.5
LGIM	Global Equity (Passive)	310.4	319.1	23.3	22.7	22.5
Baillie Gifford	Global Equity	264.3	283.4	19.9	20.2	25
Longview	Global Equity	142.8	155.4	10.7	11.1	
	Total Equity	**1,015.0**	**1,087.4**	**76.2**	**77.4**	**70**
Insight	Fixed Interest Gilts (Passive)	18.7	0.0	1.4	0.0	0
Insight	Sterling Non-Gilts	173.5	0.0	13.0	0.0	
Insight	Buy and Maintain	0.0	191.4	0.0	13.6	20
	Total Bonds	**192.2**	**191.4**	**14.4**	**13.6**	**20**
Hermes	Property	63.7	65.2	4.8	4.6	5
Aberdeen Standard	Property	60.5	61.7	4.5	4.4	5
To be determined	Property / Infrastructure	0.0	0.0	0.0	0.0	
	Total Property	**124.2**	**126.9**	**9.3**	**9.0**	**10**
	Total	**1,331.4**	**1,405.7**	**100**	**100**	**100**

Source: Northern Trust 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. £74.3m, largely as a result of positive returns from the Fund's equity investments.

As at 30 June 2018, the Fund was 7.4% overweight to equities when compared with the amended benchmark allocation and underweight bonds and property by c. 6.4% and 1.0% respectively.

On 22 March 2018, the Insight gilts and non-gilts portfolios were restructured into a format that could be transitioned in-specie into Insight's Buy and Maintain fund ("IBAM"). Government bonds, supranational bonds and corporate bonds that were unsuitable for buy and maintain were sold. The restructuring process was completed on 6 April and transitioned to IBAM on 12 April.

Following quarter end, in August 2018, the decision was taken to make a 6.5% allocation to CQS' Multi Asset Credit fund which is to be funded from the Longview mandate.

2.4 Yield analysis as at 30 June 2018

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

Manager	Asset Class	Yield as at 30 June 2018
Majedie	UK Equity	2.90%**
Baillie Gifford	Global Equity	0.80%**
LGIM	Global Equity (Passive)	0.22%*
Longview	Global Equity	2.14%
Insight	Buy and Maintain	2.68%
Hermes Property	Property	4.20%
Aberdeen Standard Investments	Long Lease Property	4.08%
	Total	**1.47%**

*Benchmark yield is 2.4% (represents the income that would be distributed).
** Majedie and Baillie Gifford yields are provided by the London CIV and are historic yields, reflecting the distributions declared over the past 12 months as a percentage of average market value.

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	2
LGIM	Global Equity (Passive)	Major deviation from benchmark returns Significant loss of assets under management	1
Insight	Buy and Maintain	Departure of any of the senior members of the investment team	1
Hermes	Property	Significant growth in the value of assets invested in the fund Changes to the team managing the mandate	1
Aberdeen Standard Investments	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 30 June 2018, the London CIV had 12 sub-funds and assets under management of £6.9bn. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased over the quarter from just under £15bn to c. £16.2bn and represents c. 43% of the 32 London Borough's total AuM.

Over the quarter, two new funds were added to the LCIV:

- Sustainable Equity Fund, managed by RBC
- Multi Asset Credit Fund, managed by CQS.

These two fund launches have had £0.5bn investments from six borough pension funds to date.

Deloitte view – There has been high turnover of personnel at the London CIV, with the recent departures of Hugh Grover, CEO, and Julian Pendock, CIO, being of significant loss. It is crucial that steps are taken to rebuild the senior management team and an appropriate strategy agreed for taking the pool forward, getting "buy-in" from the shareholders. We are continuing to monitor developments on the business side as well as the new fund launches.

3.2 Majedie

Business

The total assets under management for Majedie was c. £15.0bn as at 30 June 2018, an increase of c. £1.2bn over the second quarter of 2018.

Personnel

Chris Reid, a Portfolio Manager on the UK Equity Income and Focus Fund and one of Majedie's founding partners, left the firm at the end of June to pursue a postgraduate degree in finance.

Mark Wharrier and Imran Sattar joined the firm over the quarter. Mark joined from Troy Asset Management and manages the UK Income Fund. Mark was previously at BlackRock for four years where he managed the BlackRock UK Income Fund. Imran joins from BlackRock and will co-manage the Majedie UK Focus Fund alongside existing managers James de Uphaugh, Chris Field and Matthew Smith. Imran was a fund manager on BlackRock's UK Equity Fund.

Harry Jebb and Karyne Blackman also joined as a Client Manager and Accounts Assistant respectively.

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

3.3 Baillie Gifford

Business

Total assets under management as at 30 June 2018 was c. £193bn, down from c. £178bn as at 31 March 2018.

Personnel

Tom Coutts, head of Baillie Gifford's EAFE Alpha strategy will become Chief of Investment Staff in September, responsible for managing the investment team resources. This is a role that Baillie Gifford rotates every few years.

In May 2018, five new partners were appointed with Sarah Whitley, Head of Japanese equities; Stephen Rodger, Head of Credit; Ken Barker, Client Service Director and Pet Cooke, Client Service Director all retiring.

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

3.4 LGIM

Business

As at 31 December 2017, Legal & General Investment Management ("Legal & General") had total assets under management ("AuM) of £983bn, an increase of £32bn since 30 June 2017. (Note, LGIM reports AuM half-yearly and the 30 June 2018 figures are expected to be published in late August 2018.)

In July, post quarter-end, it was announced that Legal & General was reported to the FCA by at least three employees under whistleblower rules regarding its risk culture and compliance failures. This included trading errors, which were not reported to LGIM's internal risk management team. The complaints are in relation to LGIM's active asset management business.

We have held a number of subsequent conversations with Legal & General around this and concluded that the incident has no direct effect on the Fund's investments, with the errors being in relation to the active fixed income team. Legal & General explained that this is a longstanding allegation and has conducted an investigation using independent external advisors keeping the FCA regularly updated. The client for which the error was made was fully compensated some time ago. LGIM also carried out a broader investigation into its corporate culture, supported again by independent experts, which concluded that the culture is professional and positive. While we will continue to monitor the incident, we are satisfied that Legal & General has taken the action to rectify the error and we retain a positive view with regard to their attitude towards risk culture and client service in general.

Personnel

At a firm level, LGIM announced in July, post quarter-end, the planned retirement of Mark Zinkula, CEO of LGIM (UK), which has been agreed to take effect from 31 August 2019. Whilst significant, the announcement – if not the exact timing – had been expected as Mark had always made clear his period based in the UK would be finite and that he planned to return to the US. The 13-month notice is expected to give LGIM sufficient time to appoint a replacement and ensure a smooth transition, and we will continue to monitor updates of LGIM's succession plan and any likely impact it may have on the LGIM's firm-wide strategy and the Scheme's mandates invested with LGIM.

At the Index team level, there was one new joiner in the second quarter of 2018 as Ciera Radia joined to take up the position of Fund Management Analyst.

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

Allegations around risk failures are extremely serious but we believe that LGIM is taking these reports seriously and has already conducted an investigation into its corporate culture with the support of external independent experts. We are supportive of LGIM keeping the Regulator fully informed and see the fact that the FCA is not investigating this matter further as providing some reassurance. While we will continue to monitor the incident, we are satisfied that LGIM has taken action to rectify the error and our view of LGIM overall as a passive and LDI manager in particular remains positive.

3.5 Longview

Business

As at 30 June 2018, Longview managed c. $26.4bn on behalf of its clients, an increase of c. $0.3bn over the quarter.

During the second quarter of 2018, net flows out of the firm amounted to c. $311m. However there were no flows out of the Global Equity fund over the quarter.

Personnel

There were no changes to the Investment Team over the second quarter of 2018.

Deloitte view – The departure of Ramzi Rishani in March means that both of Longview's founding partners are no longer involved in the business. This is a significant departure given Ramzi's current role and involvement in the success of the business to date. Taking these factors into account, we would not put this strategy forward for new business. The decision has been taken to disinvest from the strategy however given the current overweight to equities, the proceeds are to be invested in a new fixed income strategy (CQS) and infrastructure strategy.

3.6 Insight

Business

Insight's total AuM increased by c. £20bn over the quarter, with over £600bn in assets under management, as at 30 June 2018. The Insight Buy and Maintain fund held assets under management of c. £2.2bn as at 30 June 2018.

Personnel

Insight made no changes to their Buy and Maintain fund team over the quarter.

There were three new joiners to the Fixed Income team over the quarter.

- Dimitrios Theodorikas, an Analyst in the Secured Finance Team, is responsible for analysing asset-backed investments. Prior to joining Insight, he spent two years at Moody's Analytics as a Financial Engineer having oversight of modelling and data process.
- Lillian Fieldman-Bernal, Loans Closer, has a primary focus on loan and bond settlement. Prior to Insight, she spent almost ten years at BlueBay Asset Management LLP.
- Pedro Fernandes, Senior Loans Closer, has a primary focus on loan and bond settlement. Prior to Insight, he spent ten years at Investec Bank Plc working as a Transaction Manager.

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

3.7 Hermes

Business

Total assets under management increased by c. £0.3bn to £33.3bn over the second quarter of 2018. Assets under management within the HPUT remained relatively constant at c. £1.6bn over the quarter to 30 June 2018.

Over the previous quarter, to 31 March 2018, it was announced that Federated Investors, a large investment manager in the US, will acquire a majority stake (60%) in Hermes Fund Managers Limited for c. $350m from BT Pension Scheme (BTPS). BTPS will retain a c. 30% share in Hermes with the final 10% being retained by members of Hermes' management team.

Personnel

There were no changes to the HPUT team over the quarter.

Deloitte view – We continue to closely monitor the business development over the previous quarter and will provide an update of our views following further review. We continue to rate the team managing HPUT and at this stage, see no reason to change this.

3.8 Aberdeen Standard Investments – Long Lease Property

Business

Assets under management remained broadly unchanged at c. £2.2bn as at 30 June 2018.

ASI announced that from 1 April 2018 the fee rate being charged on the Long Lease Property Fund has changed from the flat fee of 0.5% on assets invested to the following sliding fee scale:

- 0.5% on first £25m of assets invested;
- 0.4% on assets in the range of £25m-£50m; and
- 0.3% on assets over £50m.

This will benefit the Fund which had c. £61.7m invested in the Fund as at 30 June 2018. Fee reductions will be achieved through a management charge rebate in the form of either increasing the number of units held by the Fund or through a cash payment made monthly to the Fund bank account.

Personnel

Aberdeen Standard Investments had previously announced that the leadership team for Aberdeen Standard Investments Real Estate Division who will be led by Global Co-Heads of Real Estate, David Paine and Pertti Vanhanen, with Mike Hannigan appointed as Head of Real Estate UK. In March 2018 Mike announced his integrated UK management team: Richard Marshall (Head of UK Secure, Residential and Alternative Funds), Cameron Murray (Head of UK Institutional Funds), Mark Watt (Head of UK Wholesale Funds and Investment Trusts), Nick Ireland (Head of UK Segregated Funds), Simon Moscow (Head of Portfolio Management), Rob Cass (Head of Transaction Management) and James Stevens (Head of UK Development).

It was also confirmed that Richard Marshall would remain as Fund Manager of both the SLI Long Lease Property Fund and SLI Ground Rent Fund.

Process

Since the two businesses merged, ASI has put in place a formalised process where all potential transactions are reviewed and an "allocation policy" applied where interest is expressed in the investment by more than one fund/client portfolio.

Deloitte View – We continue to monitor ASI post-merger with the organisation currently in the midst of the integration. ASI has been keen to stress that the management of the Long Lease Property Fund is unaffected by the merger and developments over the quarter appear to reinforce this 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.

4 London CIV

4.1 Investment Performance to 30 June 2018

As at 30 June 2018, the London CIV had 12 sub-funds and assets under management of £6,937m. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased over the quarter from just under £15bn to c. £16.2bn.

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 March 2018 (£m)	Total AuM as at 30 June 2018 (£m)	Number of London CIV clients	Inception Date
LCIV MJ UK Equity	UK Equity	Majedie	494	546	3	18/05/17
LCIV Global Equity Alpha	Global Equity	Allianz Global Investors	720	114	1	02/12/15
LCIV BG Global Alpha Growth	Global Equity	Baillie Gifford	1,808	2,183	11	11/04/16
LCIV NW Global Equity	Global Equity	Newton	531	575	3	22/05/17
LCIV LV Global Equity	Global Equity	Longview Partners	425	516	3	17/07/17
LCIV EP Income Equity	Global Equity	Epoch Investment Partners	212	225	2	08/11/17
LCIV HN Emerging Market Equity	Global Equity	Henderson Global Investors	76	105	2	11/01/18
LCIV RBC Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	-	269	2	18/04/18
LCIV PY Total Return	Diversified growth fund	Pyrford	274	312	5	17/06/16
LCIV Diversified Growth	Diversified growth fund	Baillie Gifford	480	507	7	15/02/16
LCIV RF Absolute Return	Diversified growth fund	Ruffer	826	902	10	21/06/16
LCIV NW Real Return	Diversified growth fund	Newton	331	338	3	16/12/16
LCIV MAC Fund	Multi Asset Credit	CQS	-	343	4	31/5/18
Total			**6,175**	**6,937**		

Over the quarter, the Global Equity Alpha sub fund (managed by Allianz Global Investors) lost two London Boroughs from their client list. Whereas the Global Alpha Growth sub fund (managed by Baillie Gifford) added two new London Boroughs to their client list and each of the HN Emerging Market Equity (managed by Henderson Global Investors), PY Total Return (managed by Pyrford) and Diversified Growth (managed by Baillie Gifford) sub funds each added another London Borough to their client list.

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 30 June 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Gross of fees	7.2	15.9	19.7	16.7
Net of fees	7.1	15.5	19.4	16.3
MSCI AC World Index	6.8	8.9	14.7	13.2
Relative (net of fees)	0.3	6.6	4.7	3.1

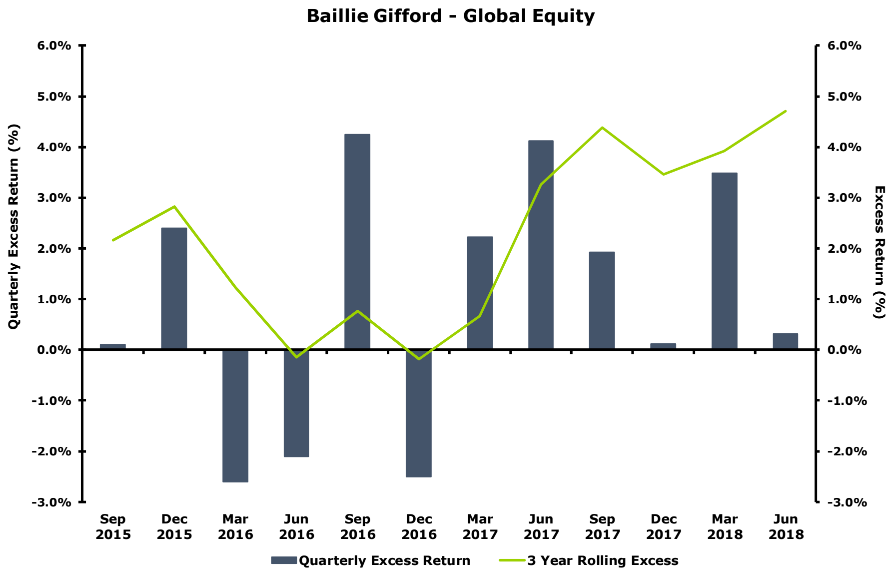
Source: Northern Trust and estimated by Deloitte.

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 0.3% and 6.6% net of fees over the quarter and one year to 30 June 2018 respectively.

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 ahead of the target (+2% p.a.) having outperformed the benchmark by 4.0% p.a.



5.2 Performance Analysis

The top 10 holdings in the portfolio account for c. 27.9% of the Fund and are detailed below.

Top 10 holdings as at 30 June 2018	Proportion of Baillie Gifford Fund
Amazon	4.9%
Naspers	3.6%
Prudential	2.9%
Anthem	2.5%
Taiwan Semiconductor Manufacturing	2.5%
Apache	2.5%
Alibaba	2.4%
Moody's	2.4%
AIA	2.1%
SAP	2.1%
Total	**27.9%**

Note: The numbers in this table may not sum due to rounding.
Source: London CIV.

The tables below shows the top 5 and bottom 5 contributors to performance over the quarter to 30 June 2018.

Top 5 contributors as at 30 June 2018	Contribution (%)
Amazon	+1.06
Apache	+0.56
Abiomed	+0.42
SAP	+0.40
Naspers	+0.38

The Fund's holdings in Amazon again contributed over the quarter, supported by strong fundamental progress. Apache, one of the portfolio's two energy holdings was among the top contributors to relative return during the quarter, with its recent share price weakness following a large acquisition in 2016 rebounding as a reflection of a strong execution year to date.

Naspers provided a large contribution to performance over the quarter to 30 June 2018, after being the largest detractor to performance over the previous quarter.

Top 5 detractors as at 30 June 2018	Contribution
Banco Bradesco	-0.33
Taiwan Semiconductor Manufacturing	-0.27
Philips Lighting	-0.24
Brasil Bolsa Balcao	-0.20
LendingTree	-0.18

6 LGIM – Global Equity (Passive)

Legal and General Investment Manager ("LGIM") was appointed to manage a global equity portfolio with the objective of replicating the performance of the FTSE All World Index benchmark. The manager is remunerated on a tiered fixed fee based on the value of assets.

6.1 Passive Global Equity – Investment Performance to 30 June 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	2.8	9.7	8.6	12.1
Net of fees[1]	2.8	9.7	8.5	12.1
FTSE World (GBP Hedged) Index	2.8	9.7	8.5	12.1
Relative (net of fees)	0.0	0.0	0.0	0.0

Source: Northern Trust

(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 successfully tracked its benchmark over the quarter to 30 June 2018. The Fund also performed in line with its benchmark over the one year and three year periods respectively.

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 30 June 2018

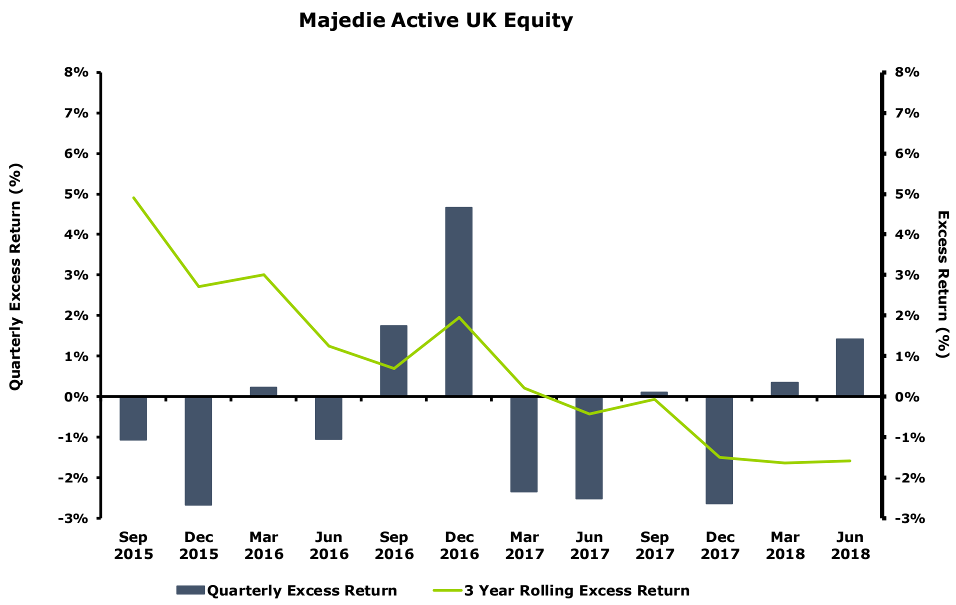
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie - Gross of fees	10.8	8.8	8.6	13.1
Net of fees[1]	10.6	8.2	8.0	12.5
MSCI AC World Index	9.2	9.0	9.6	11.0
Relative (on a net basis)	1.4	-0.8	-1.6	1.5

Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006



Over the quarter to 30 June 2018, Majedie outperformed its benchmark by 1.4% but underperformed its benchmark over one year and three years by 0.8% and 1.6% p.a. respectively on a net of fees basis.

7.2 Performance Analysis

The top 10 holdings in the portfolio account for c. 50.6% of the Fund and are detailed below.

Top 10 holdings as at 30 June 2018	Proportion of Majedie Fund
Majedie Asset Management Special	9.1%
Royal Dutch Shell	8.1%
BP	7.9%
Tesco	5.6%
GlaxoSmithKline	4.2%
HSBC	4.1%
WM Morrison	3.4%
Centrica	2.9%
Vodafone	2.7%
Orange	2.7%
Total	**50.6%**

Note: The numbers in this table may not sum due to rounding.
Source: London CIV.

The tables below shows the top 5 and bottom 5 contributors to performance over the quarter to 30 June 2018.

Top 5 contributors as at 30 June 2018	Contribution
BP	+1.53
Royal Dutch Shell	+1.50
Tesco	+1.22
WM Morrison	+0.66
Sainsbury	+0.52

Top 5 detractors as at 30 June 2018	Contribution
Telecom Italia	-0.16
Barclays	-0.14
BT	-0.09
Lonmin	-0.04
William Hill	-0.03

The Fund's holdings in Telecom Italia, Barclays plc and BT Group provided the biggest detractions to performance over the quarter to 30 June 2018.

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 30 June 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Gross of fees	8.8	8.8	15.2	14.9
Net of fees[1]	8.7	8.2	14.6	14.2
MSCI World Index	8.1	9.3	15.0	13.1
Relative (on a net basis)	0.6	-1.1	-0.4	1.1

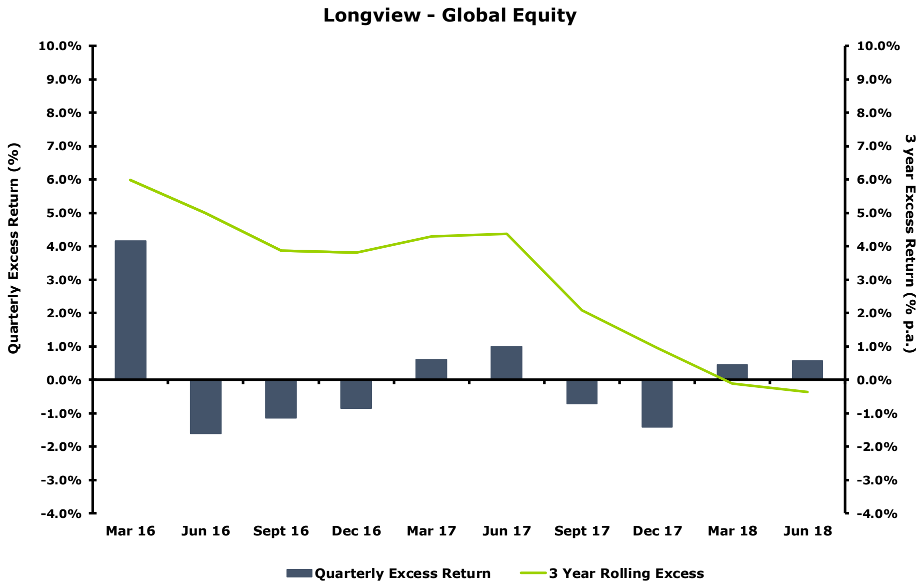
Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date 15 January 2015

Longview outperformed its benchmark by 0.6% over the quarter to 30 June 2018 while underperforming it by 1.1% and 0.4% p.a. on a net of fees basis over the year and three year periods respectively. The Fund targets an outperformance of 3% p.a. over a three year period. The chart below shows the quarter and rolling three year returns.



8.2 Performance Analysis

The tables below represent the top 5 and bottom 5 contributors to performance over the quarter to 31 March 2018.

Top 5 contributors as at 30 June 2018	Contribution
UnitedHealth	+0.39
Compass	+0.30
Fidelity Natl Info Services	+0.26
ServiceMaster	+0.25
WW Grainger	+0.25

The Fund's holdings in UnitedHealth, Compass and WW Grainger were amongst the largest contributors to performance over the second quarter of 2018. UnitedHealth, a healthcare insurance company, benefited from continued strong execution in its core businesses and reported robust first quarter results in April which exceeded expectations and also increased its earnings guidance for the full year.

Top 5 detractors as at 30 June 2018	Contribution
Continental	-0.52
Parker Hannifin	-0.34
State Street	-0.32
Oracle	-0.25
AON	-0.20

9 Insight – Buy and Maintain

Insight was appointed to manage a buy and maintain credit portfolio. The manager's fee is based on the value of assets.

9.1 Buy and Maintain Fund - Investment Performance to 30 June 2018

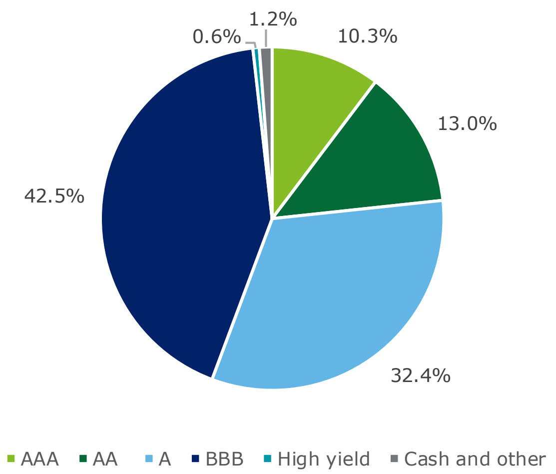
At the beginning of the quarter the restructuring process of the Insight mandate was completed on and transitioned to the Buy and Maintain fund on 12 April. Due to the lack of a full performance period, Insight have been unable to provide the usual performance data.

9.2 Performance Analysis

The table below summarises the Buy and Maintain portfolio's key characteristics as at 30 June 2018.

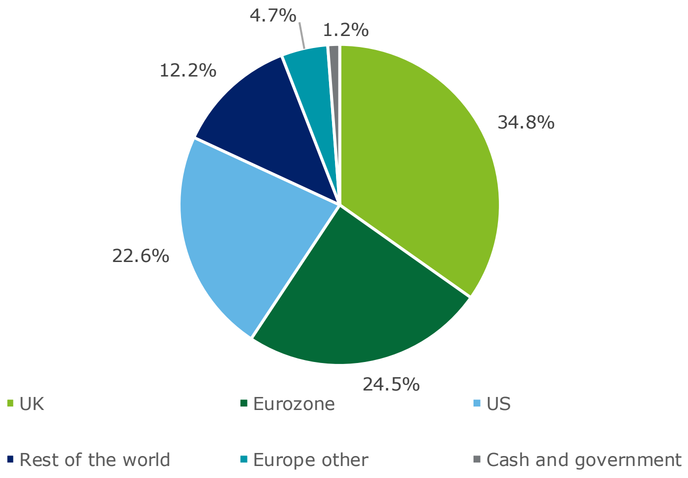
	30 Jun 2018
No. of issuers	165
Modified duration (years)	8.3
Spread duration (years)	8.4
Government spread (bps)	140
Spread over swaps (bps)	128
Largest issuer (%)	1.3
10 largest issuers (%)	11.0

The graph below shows the split of the Buy and Maintain portfolio by credit rating.



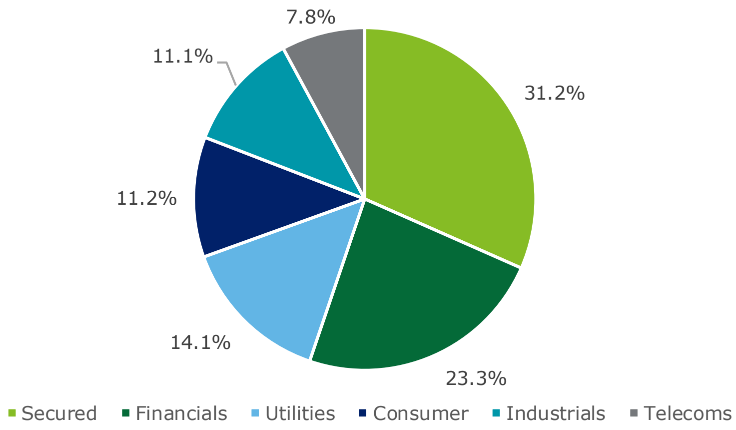
The Fund's investment grade holdings made up c. 98.2% of the portfolio as at 30 June 2018.

The graph below shows the split of the Buy and Maintain portfolio by country.



As at 30 June 2018, the Fund's UK and Eurozone holdings made up c. 59.3% of the portfolio.

The graph below shows the split of the Buy and Maintain portfolio by sector as at 30 June 2018.



The table below shows the top 10 issuers by market value as at 30 June 2018.

Issuer name	Rating*	Holding (%)
Volkswagen	BBB+	1.26
Bromford Housing	A+	1.05
Morgan Stanley	BBB+	1
Equity Release Fund No 3	A	1
Abp Finance	-	0.99
Stadshypotek	-	0.93
Bpce Sa	BBB	0.92
Notting Hill House Trust	A	0.92
Bank Of Nova Scotia	-	0.87
London and Quadrant Housing	A	0.86

*Ratings provided by S&P.

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 30 June 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Hermes - Gross of fees	2.3	10.9	9.6	10.3
Net of fees[1]	2.2	10.5	9.2	9.9
Benchmark	2.3	10.3	8.6	8.9
Relative (on a net basis)	-0.1	0.2	0.6	1.0

Source: Hermes

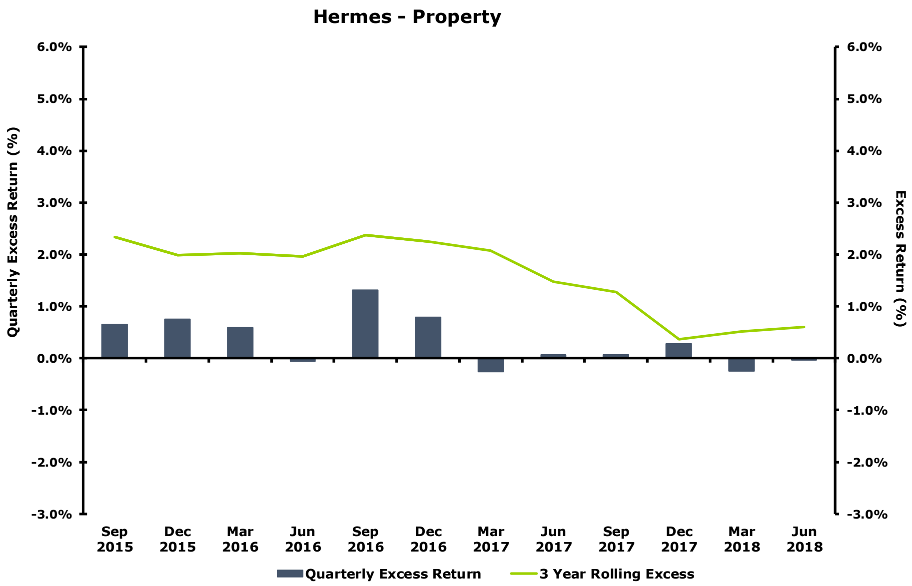
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date is taken as 26 October 2010

Hermes underperformed the benchmark by 0.1% over the quarter on a net of fees basis, returning 2.2% in absolute terms. The strategy outperformed its benchmark by 0.2% and 0.6% p.a. (net of fees) respectively over the year and three years to 30 June 2018. The Fund has outperformed its benchmark by 1.0% p.a. since inception, and hence is ahead of the target (to outperform the benchmark by 0.5% p.a.) over the period since inception to 30 June 2018.

Key contributors to the performance over the quarter came from properties in the Industrial sector, with the "Other" sector also contributing positively to performance. The main detractors were the Trust's holdings in Retail Warehouses and West End Offices.



10.2 Sales and Purchases

In May 2018, the Trust completed the acquisition of a multi-let office building in Hurley, Maidenhead for c. £28.0m (£339 per sq. ft). The property, providing a total of 82,656 sq. ft, is fully let to 5 tenants across 6 leases producing a total rental income of £1,786.018 p.a., reflecting an average passing rent of £21.60 per sq. ft.

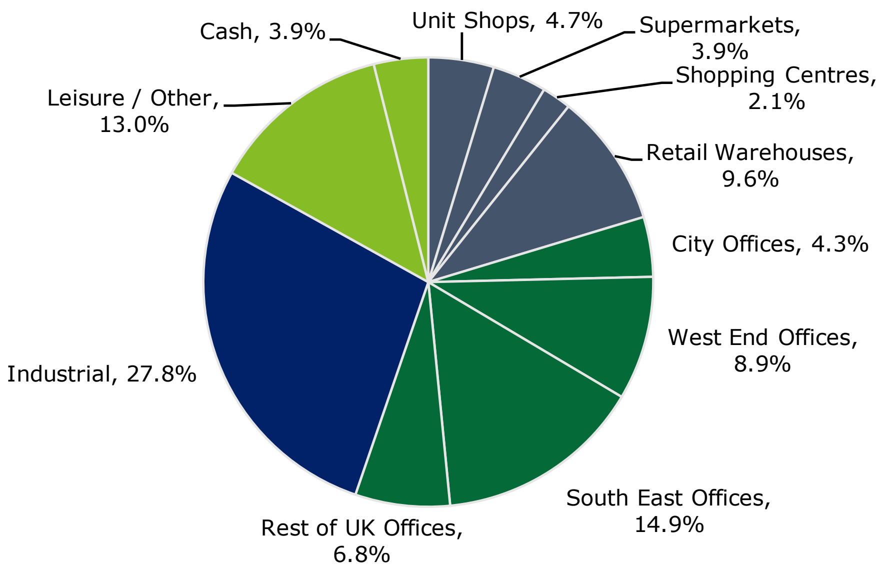
In April 2018, for the purposes of site assembly, the Trust purchased a Croydon freehold retail premises with basement and upper floor accommodation for c. £7.65m. This purchase completes a terrace of seven properties that have a significant redevelopment potential, subject to planning.

In May 2018, the Trust secured a number of important lettings in three vacant units of the Erdington Industrial Estate in Birmingham, covering a total area of 72,000 sq. ft. A lease agreement was exchanged with FGF Ltd for 2 units on a 10 year term until July 2028, passing rent on the 57,000 sq. ft units at £326,000 p.a. after tenant incentives. Another unit letting was completed with Zeus Juice Ltd for a 5 year term to May 2023, generating rental income to the Trust of £84,000 p.a. after tenant incentives.

Also, in May 2018, planning permission was granted for a change of use of the Broken Wharf House office building to serviced apartments. The Trust had previously agreed a lease with SACO which was subject to achieving planning permission for the change of use. Under the terms of the lease, the tenant would be responsible for undertaking the physical works of conversion, funded by the Trust at an estimated cost of c. £17m to create a fully fitted serviced apartment scheme of 113 units. Once completed, the lease to SACO will provide a base rent of c. £2m p.a. to the Trust, subject to RPI increases, together with a turnover rent of c. 42.5% EBITDA.

10.3 Portfolio Summary as at 30 June 2018

The Hermes Property Unit Trust invests across retail, offices, industrials and other sectors, with the split as at 30 June 2018 shown below.



The table below shows the top 10 directly held assets in the Fund as at 30 June 2018, representing c.31.9% of the Fund.

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	101.5
8/10 Great George Street, London SW1	Offices	65.3
Polar Park, Bath Road, Heathrow	Industrial	54.1
Horndon Industrial Park, West Horndon, CM13	Industrials	45.3
27 Soho Square, London W1	Offices	45.0
Sainsbury's, Maxwell Road, Beaconsfield	Supermarkets	41.2
Hythe House, Hammersmith	Offices	40.8
Charlton Gate, London	Industrials	40.0
Camden Works, Oval Road, London NW1	Offices	39.7
Round Foundry & Marshalls Mill, Water Lane, Holbeck Urban Village, Leeds, LS11	Offices	38.1
Total		**511.0**

11 Aberdeen Standard Investments – Long Lease Property

Aberdeen Standard Investments was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

11.1 Long Lease Property – Investment Performance to 30 June 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Aberdeen Standard - Gross of fees	2.0	9.6	8.1	9.1
Net of fees[1]	1.9	9.1	7.6	8.6
Benchmark	0.7	3.9	6.7	6.6
Relative (on a net basis)	1.3	5.2	0.9	2.0

Source: Aberdeen Standard Investments

(1) Estimated by Deloitte

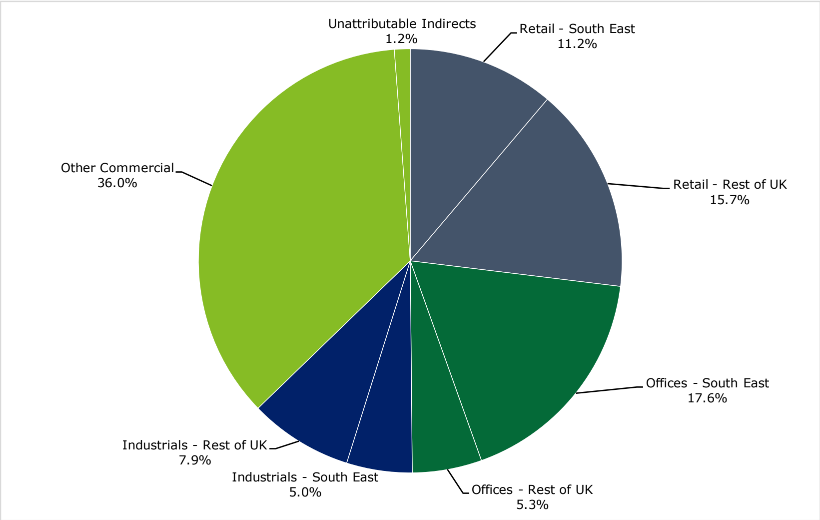
See appendix 1 for more detail on manager fees

Since inception: 14 June 2013

The ASI Long Lease Property Fund returned 1.9% net of fees over the quarter to 30 June 2018, outperforming the benchmark of the FTSE Gilt All Stocks Index + 2% by 1.2% net of fees.

11.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 30 June 2018 is shown in the graph below.



The Fund's holdings in the office sector has decreased slightly from 24.1% as at 31 March 2018 to 22.9% as at 30 June 2018.

Throughout the quarter, the Fund's industrial weight decreased from 13.4% to 12.9%, while the "other" weighting has increased from 34.3% to 37.2%.

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	8.2	8.8
Whitbread	6.4	6.9
Marston's	5.0	5.3
Sainsbury's	4.9	5.3
Asda	4.4	4.7
QVC	4.0	4.3
Salford University	3.9	4.2
Save The Children	3.8	4.0
Poundland	3.6	3.8
Glasgow City Council	3.5	3.7
Total	**47.8**	**51.0 ***

*Total may not equal sum of values due to rounding

The top 10 tenants contribute 51.0% of the total net income into the Fund. Supermarkets continue to make up a significant part of the fund with Tesco, Sainsbury's and Asda contributing 18.8% to the Fund's total net rental income as at 30 June 2018.

The Fund's average unexpired lease term decreased over the quarter from 26.7 years to 26.5 years.

The proportion of the Fund's income with fixed, CPI or RPI rental increases increased from 93.5% to 93.7% over the quarter.

11.3 Sales and Purchases

Over the second quarter of 2018:

- The Fund purchased the Legoland Hotel in Windsor for £36m, representing a yield of 3.4%. The hotel is let on a 29 year lease to Merlin which own Legoland. ASI was attracted by the strong occupancy levels.

- The Fund also entered into a forward purchase agreement for an industrial asset in Dartford for £21.5m representing a yield of 3.9%. The development is due for completion by the end of 2018 and a let has already been agreed on a 25 year lease with 5 yearly rent reviews linked to RPI.

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	Buy and Maintain	20.0	Insight Custom Benchmark	Passive	12/04/18	9.5bps base fees	
Hermes		5.0	IPD UK PPFI Balanced PUT Index	+0.5 p.a. (net of fess)	26/10/10	40bps base fee	
Aberdeen Standard Investments	Property	5.0	FTSE Gilts All Stocks Index +2% p.a.	+0.5 p.a. (net of fess)	14/06/13	50bps on first £25m, 40bps on next £25m, 30bps thereafter	
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 – Risk warnings & Disclosures

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

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

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City of Westminster Pension Fund

Funding update report as at 30 June 2018

Barnett Waddingham LLP

8 August 2018

Contents

Introduction

Westminster City Council, as administering authority for the City of Westminster Pension Fund (the Fund) has asked that we carry out a quarterly monitoring assessment of the Fund as at 30 June 2018. The purpose of this assessment is to provide an update on the funding position.

The Fund participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with Local Government Pension Scheme Regulations 2013 (the Regulations).

The information in this report is addressed to and is provided for use by Westminster City Council as the administering authority to the Fund. This report may be shared with other interested parties but it does not constitute advice to them.

This report complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) and Technical Actuarial Standard 300: Pensions (TAS 300) as issued by the Financial Reporting Council (FRC).

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

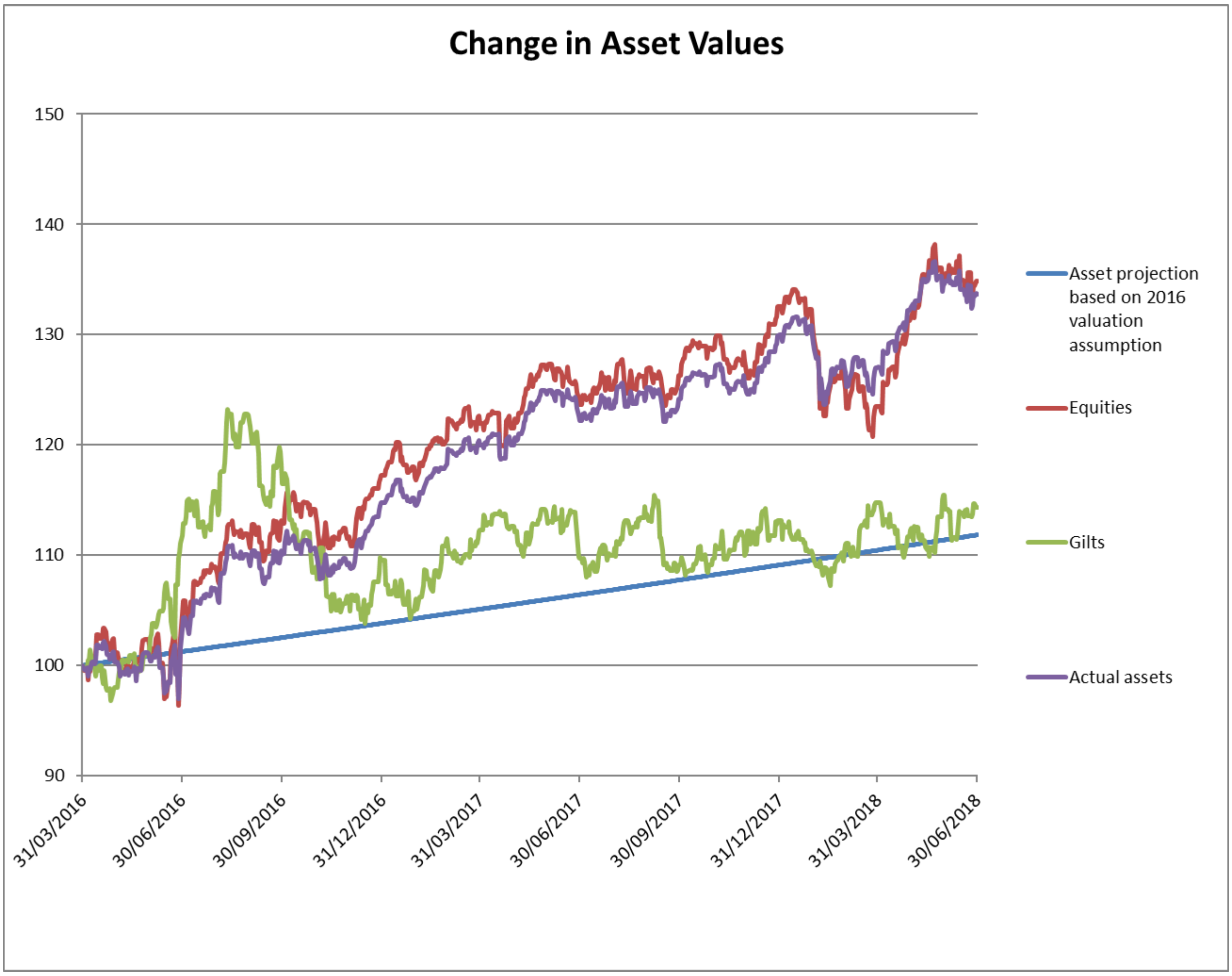
The estimated (unsmoothed) asset allocation of the City of Westminster Pension Fund as at 30 June 2018, based on data received from Westminster City Council, is as follows:

Assets (market value)	30 Jun 2018		31 Mar 2018		31 Mar 2016	
	£000s	%	£000s	%	£000s	%
UK and overseas equities	1,078,312	76.7%	1,008,867	75.5%	790,289	74.1%
Bonds	191,192	13.6%	183,879	13.8%	130,390	12.2%
Property	123,582	8.8%	120,667	9.0%	105,811	9.9%
Gilts	0	-	0	-	26,733	2.5%
Cash and accruals	12,882	0.9%	22,564	1.7%	13,120	1.2%
Total assets	**1,405,968**	**100%**	**1,335,977**	**100%**	**1,066,343**	**100%**

The investment return achieved by the Fund's assets in market value terms for the quarter to 30 June 2018 is estimated to be 5.2%. The return achieved since the previous valuation is estimated to be 33.7% (which is equivalent to 13.8% p.a).

A new contribution schedule was drafted on 30 May 2018 which includes the payment of a single lump sum in 2018/19 of £53m. For the purpose of this report it was assumed that as at 30 June 2018 these additional payments had not been made yet.

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 30 June 2018 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.

For the purpose of this exercise it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2016 actuarial valuation, updated where necessary to reflect market conditions. Further details of the derivation of the financial and demographic assumptions can be found in the relevant actuarial valuation report.

Please note that from 15 May 2017 to 3 July 2017 the Bank of England (BoE) temporarily suspended the publication of their implied inflation curve (on which our RPI increase assumption, and so our CPI increase assumption, is based) while they carried out a review of their methodology. The BoE resumed publication of the implied inflation curve from 3 July 2017, however, they have also revised previous publications dating back to 1 January 2017. Our assumptions below take into account the new methodology from 1 January 2017.

The following table show how these assumptions have changed since the last triennial valuation:

Assumptions (smoothed)	**30 Jun 2018**		**31 Mar 2018**		**31 Mar 2016**	
	Nominal	**Real**	**Nominal**	**Real**	**Nominal**	**Real**
	% p.a.		**% p.a.**		**% p.a.**	
Pension increases (CPI)	2.61%	-	2.66%	-	2.39%	-
Salary increases	4.11%	1.50%	4.16%	1.50%	3.89%	1.50%
Main discount rate	5.05%	2.44%	5.12%	2.46%	5.10%	2.71%

In addition to that, it is assumed that salaries increase in line with CPI until 31 March 2020.The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. Consistent with the method adopted for the 31 March 2016 valuation, we have included in the discount rate assumption an explicit prudence allowance of 1.1%.

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – 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.

Results

The funding position for each month has been rolled forward from the formal valuation and 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.

The results of our assessment indicate that:

- The current projection of the smoothed funding level as at 30 June 2018 is 92.8% and the average required employer contribution would be 23.6% of payroll assuming the deficit is to be paid by 2038.
- This compares with the reported (smoothed) funding level of 80.0% and average required employer contribution of 29.1% of payroll at the 31 March 2016 funding valuation.

The main discount rate underlying the smoothed funding level as at 30 June 2018 is 5.1% p.a. The investment return required to restore the funding level to 100% by 2038, without the employers paying deficit contributions, would be 5.4% p.a.

Whilst the funding level has improved and the deficit has reduced, the cost of benefits has increased due to higher assumed pension increases, however the total rate has decreased as a result of lower deficit contributions.

Westminster City Council

We have also estimated the funding position of Westminster City Council. The development since 31 December 2017 can be found in the table below.

Smoothed	Assets £s	Liabilities £s	Surplus / Deficit £s	Funding level %	CARE ongoing cost (% of payroll)
31 Dec 2017	842,147,180	1,043,060,768	(200,913,588)	81%	17.3%
31 Mar 2018	858,829,880	1,044,849,714	(186,019,834)	82%	17.1%
30 Jun 2018	873,010,977	1,055,543,983	(182,533,006)	83%	17.2%

Final comments

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund include longevity risk and financial risks (including inflation and investment risk). There is more detail on this contained within the Fund's Funding Strategy Statement and the 31 March 2016 actuarial valuation report.

Note that the funding position at a future date will be dependent on the investment performance of the Fund as well as future market conditions which determine the financial assumptions.

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.

Please note that the results shown below are sensitive to the underlying assumptions. For example, increasing the discount rate assumption by 0.5% will increase the funding level by about 9%, and increasing the CPI inflation assumption by 0.5% will reduce the funding level by about 8%.

Smoothed Valuation date	Assets £000s	Liabilities £000s	Surplus / Deficit £000s	Funding level %	CARE ongoing cost (% of payroll)	Past service ctbn	Total ctbn (% of payroll)	Main discount rate	Return required to restore funding level (p.a.)
31 Mar 2016	1,056,747	1,320,797	(264,050)	80%	16.9%	12.2%	29.1%	5.1%	6.1%
30 Apr 2016	1,069,289	1,336,329	(267,040)	80%	17.2%	12.6%	29.8%	5.0%	6.0%
31 May 2016	1,088,792	1,362,238	(273,446)	80%	17.8%	12.8%	30.6%	4.9%	5.9%
30 Jun 2016	1,103,684	1,384,191	(280,507)	80%	18.2%	13.0%	31.2%	4.8%	5.9%
31 Jul 2016	1,121,960	1,404,739	(282,779)	80%	18.6%	13.1%	31.7%	4.8%	5.8%
31 Aug 2016	1,133,402	1,421,201	(287,799)	80%	18.9%	13.3%	32.2%	4.8%	5.9%
30 Sep 2016	1,150,014	1,437,793	(287,779)	80%	19.3%	13.3%	32.6%	4.9%	5.9%
31 Oct 2016	1,172,816	1,449,639	(276,823)	81%	19.5%	12.7%	32.2%	4.9%	5.9%
30 Nov 2016	1,185,339	1,456,544	(271,205)	81%	19.5%	12.5%	32.0%	5.0%	6.0%
31 Dec 2016	1,206,192	1,462,515	(256,323)	82%	19.6%	11.8%	31.4%	5.1%	6.0%
31 Jan 2017	1,217,761	1,466,703	(248,942)	83%	19.5%	11.5%	31.0%	5.1%	6.0%
28 Feb 2017	1,237,696	1,476,212	(238,516)	84%	19.7%	11.1%	30.8%	5.1%	5.9%
31 Mar 2017	1,261,355	1,485,068	(223,713)	85%	19.8%	10.4%	30.2%	5.0%	5.8%
30 Apr 2017	1,272,195	1,484,924	(212,729)	86%	19.7%	9.6%	29.3%	5.0%	5.8%
31 May 2017	1,291,739	1,484,738	(192,999)	87%	19.6%	8.7%	28.3%	5.0%	5.7%
30 Jun 2017	1,297,593	1,481,802	(184,209)	88%	19.4%	8.4%	27.8%	5.0%	5.7%
31 Jul 2017	1,305,713	1,480,613	(174,900)	88%	19.2%	8.0%	27.2%	5.0%	5.7%
31 Aug 2017	1,309,876	1,477,979	(168,103)	89%	19.1%	7.7%	26.8%	5.1%	5.7%
30 Sep 2017	1,313,109	1,477,681	(164,572)	89%	19.0%	7.6%	26.6%	5.1%	5.7%
31 Oct 2017	1,328,003	1,482,309	(154,306)	90%	19.0%	7.1%	26.1%	5.1%	5.6%
30 Nov 2017	1,325,817	1,479,561	(153,744)	90%	18.8%	7.2%	26.0%	5.1%	5.7%
31 Dec 2017	1,330,352	1,476,578	(146,226)	90%	18.6%	6.8%	25.4%	5.1%	5.7%
31 Jan 2018	1,341,968	1,475,210	(133,242)	91%	18.5%	6.3%	24.8%	5.1%	5.6%
28 Feb 2018	1,358,573	1,478,129	(119,556)	92%	18.5%	5.6%	24.1%	5.1%	5.6%
31 Mar 2018	1,379,889	1,481,363	(101,474)	93%	18.5%	4.8%	23.3%	5.1%	5.5%
30 Apr 2018	1,383,869	1,481,851	(97,982)	93%	18.4%	4.6%	23.0%	5.1%	5.4%
31 May 2018	1,387,099	1,488,332	(101,233)	93%	18.4%	4.8%	23.2%	5.1%	5.4%
30 Jun 2018	1,392,042	1,499,521	(107,479)	93%	18.5%	5.1%	23.6%	5.0%	5.4%

Appendix 2 Data, method and assumptions

Data

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Westminster City Council:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 30 June 2018; and
- Estimated Fund returns based on Fund asset statements provided to 30 June 2018, and Fund income and expenditure as noted above.

The data has been checked for reasonableness and we are happy that the data is sufficient for the purpose of this report.

Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. We have made no allowance for discretionary benefits.

Method

To assess the value of the Fund's liabilities as at 30 June 2018, we have rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2016 using the financial assumptions below and estimated cashflows paid to and from the Fund.

It is not possible to assess the accuracy of the estimated value of the liabilities as at 30 June 2018 without completing a full valuation. However, we are satisifed that the approach of rolling forward the previous valuation data to 30 June 2018 should not introduce any material assumptions in the results provided that the actual experience of the Fund is broadly in line with the underlying assumptions and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

We have been provided with the Fund assets at various dates but for dates that these are not available, we calculate the Fund assets by rolling forward the previous assets provided allowing for investment returns (estimated where necessary), and estimated cashflows paid to and from the Fund. The latest date that we have been provided with the Fund assets is 30 June 2018.

Assumptions

For the purpose of this exercise it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2016 actuarial valuation, updated where necessary to reflect market conditions.

A summary of the main financial assumptions adopted is set out in the main body of this report.

The main demographic assumptions are:

- The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80% for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long term rate of improvement of 1.5% p.a;
- The dependant post retirement mortality tables adopted are the S2PMA tables with a multiplier of 95% for males and the S2DFA tables with a multiplier of 100% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long term rate of improvement of 1.5% p.a;
- Members retire at a single age, based on the average age at which they can take each tranche of their pension; and
- It is assumed that members will exchange 50% of their commutable pension for cash at retirement.

Further details of the derivation of the financial and demographic assumptions can be found in the relevant actuarial valuation report.

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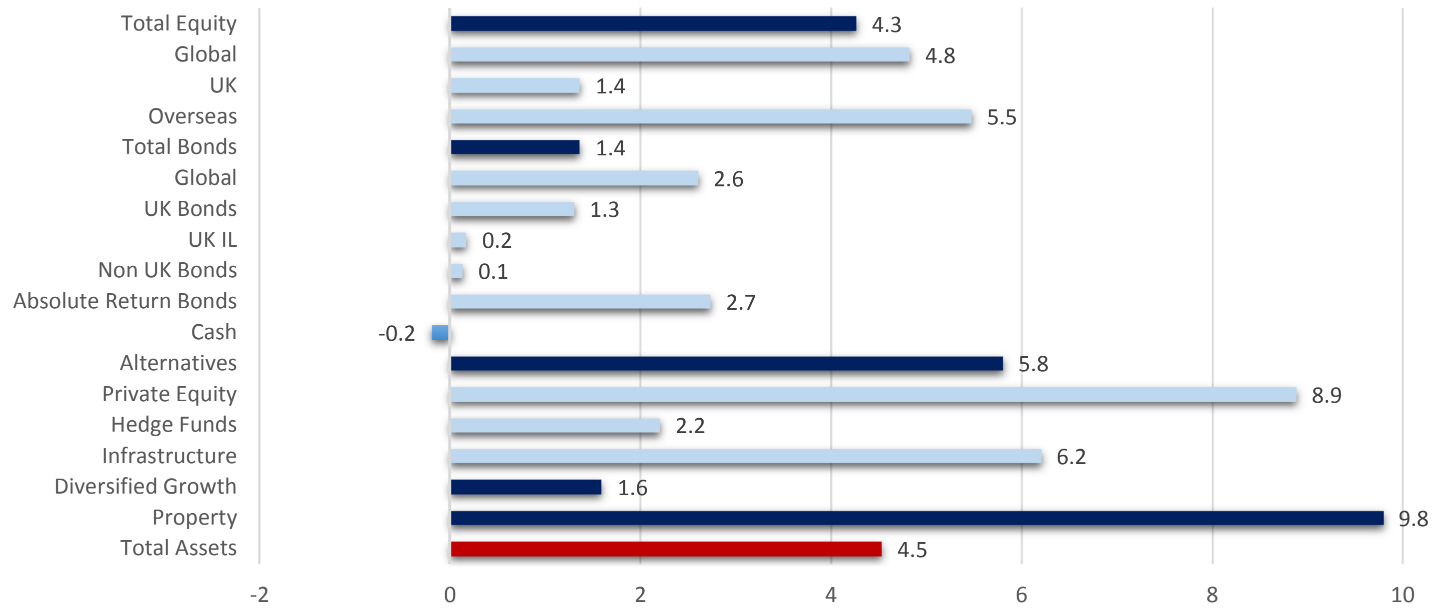
Westminster Pension Fund - Performance Summary For Periods to End March 2018

Universe Overview - Latest Year

Latest Year Performance



- Despite a relatively difficult environment for investors the average local authority fund produced a return of 4.5% for the year
- This was below the long term average but the return was ahead of inflation and broadly in line with actuarial assumptions.
- Asset returns were tightly grouped with bonds, equities and alternatives returning 1%, 4%, and 6% respectively for the year.
- Most funds outperformed their benchmarks by a small margin.

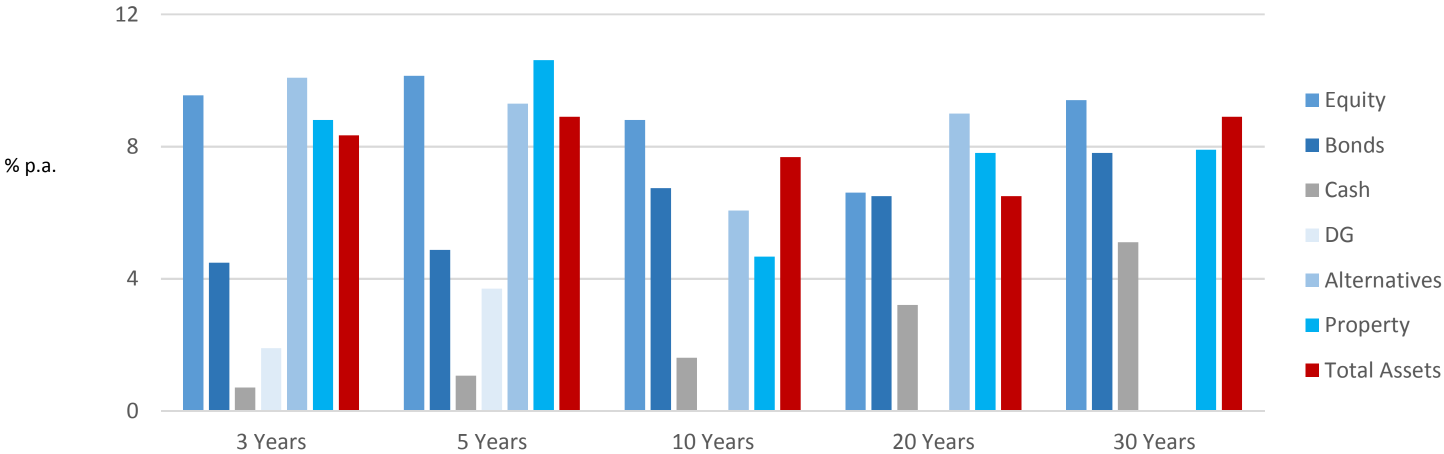
Asset Allocation

- Funds saw the largest reduction in equity exposure since the LGPS began as funds continued the move to less 'risky' assets.
- There was also a focus on income generating assets as many funds are now faced with the possibility of negative cash flow.

	End March		
% Allocation	2017	2018	Change
Equities	**62**	**55**	**-7**
UK	*20*	*15*	-5
Overseas	*42*	*40*	-2
Bonds	**15**	**18**	**3**
UK	*8*	*8*	-
Global	*3*	*4*	1
Overseas	*1*	*1*	-
Absolute Return	*3*	*5*	2
Cash	**2**	**3**	**1**
Alternatives	**10**	**11**	**1**
Private Equity	*5*	*5*	-
Infrastructure	*2*	*3*	1
Hedge Funds	*3*	*3*	-
Diversified Growth (DG)	**3**	**4**	**1**
Property	**8**	**9**	**1**

Universe Longer Term Results

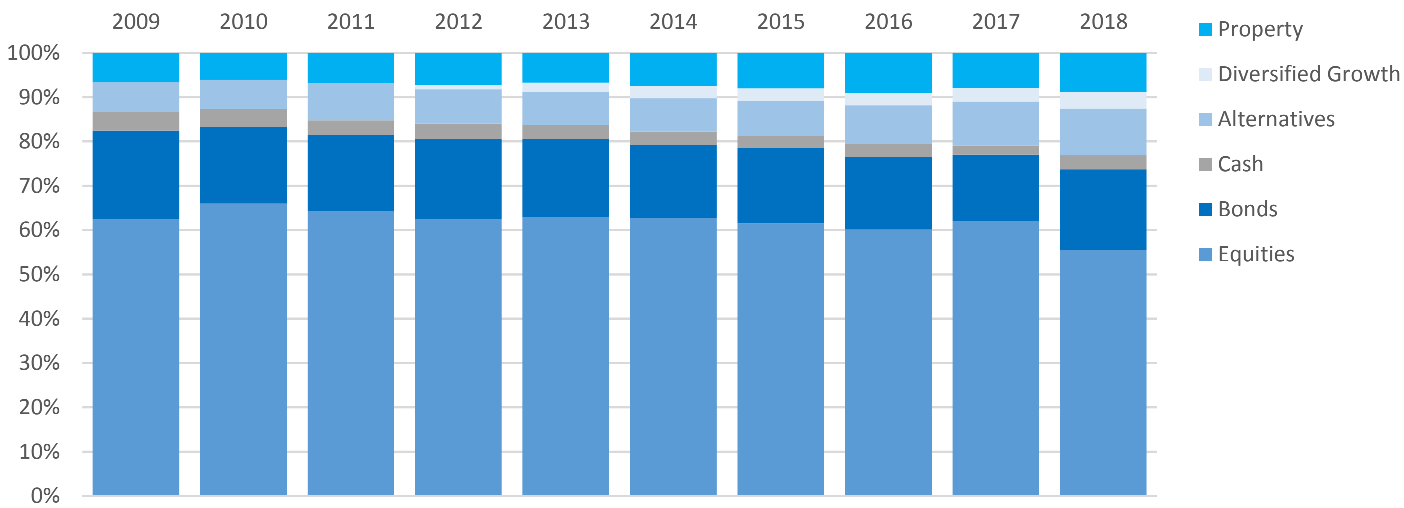
• Long term performance of the LGPS has been excellent. The average funds delivered a positive return in 25 of the last 30 years and delivered an annualised performance of 9% p.a.
• Equities have driven the strong long term performance.
• Alternatives have performed strongly due in a large part to the good returns from private equity.
• Bonds have performed well over the longer term assisted by 'quantitative easing' and strong demand from pension funds.



	3 Years	5 Years	10 Years	20 Years	30 Years
Equity	9.6	10.1	8.8	6.6	9.4
Bonds	4.5	4.9	6.7	6.5	7.8
Cash	0.7	1.1	1.6	3.2	5.1
Alternatives	10.1	9.3	6.1	9.0	-
DG	1.9	3.7	-	-	-
Property	8.8	10.6	4.7	7.8	7.9
Total Assets	**8.3**	**8.9**	**7.7**	**6.5**	**8.9**

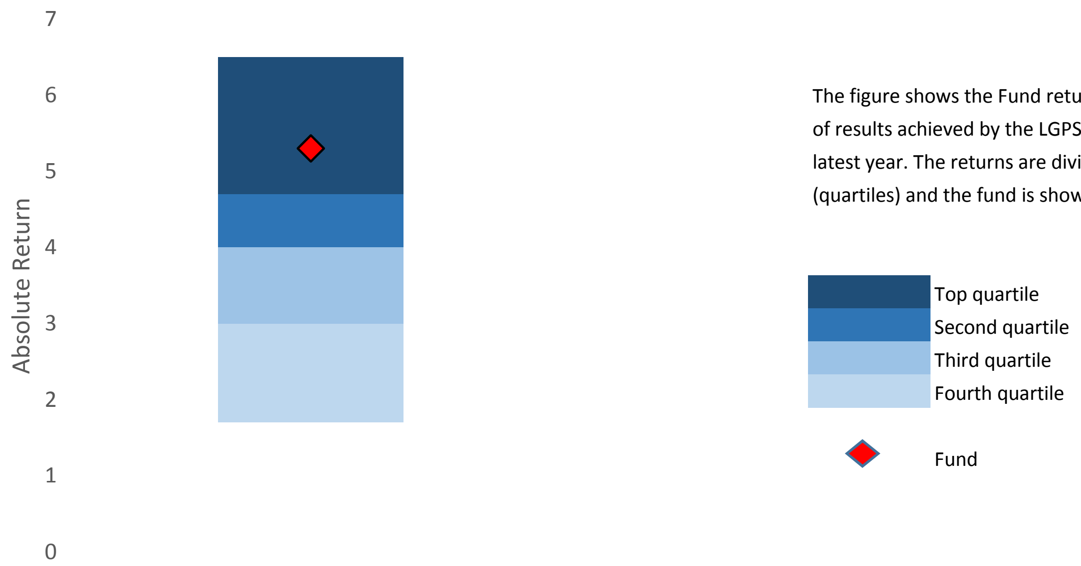
Asset Allocation

• Equities remain the largest allocation within most fund's assets. Three quarters of this allocation is now invested overseas.
• Alternatives have increased markedly over the decade. Private equity makes up a half of this allocation with infrastrcture increasing in recent years and expected to increase further.
• Within the bond allocation, there has been a marked move from index based towards absolute return mandates.



Fund Performance - Latest Year

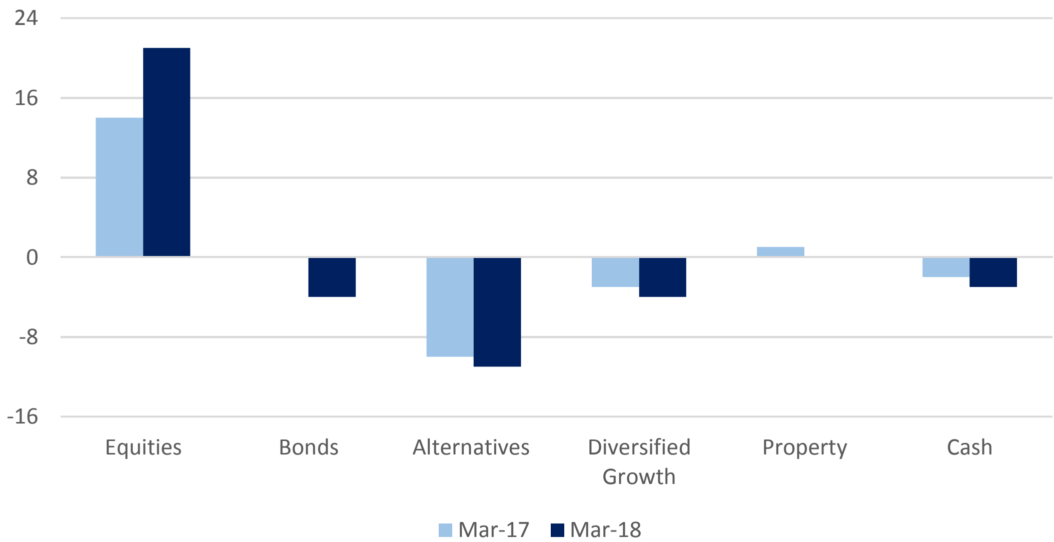
• The Fund return of 5.3% was well ahead of the Universe average and ranked in the 13th percentile.
• Excellent equty selection was the key driver of this year's strong result.



The figure shows the Fund return within the range of results achieved by the LGPS Universe in the latest year. The returns are divided into quarters (quartiles) and the fund is shown as a red diamond.

Fund Asset Allocation

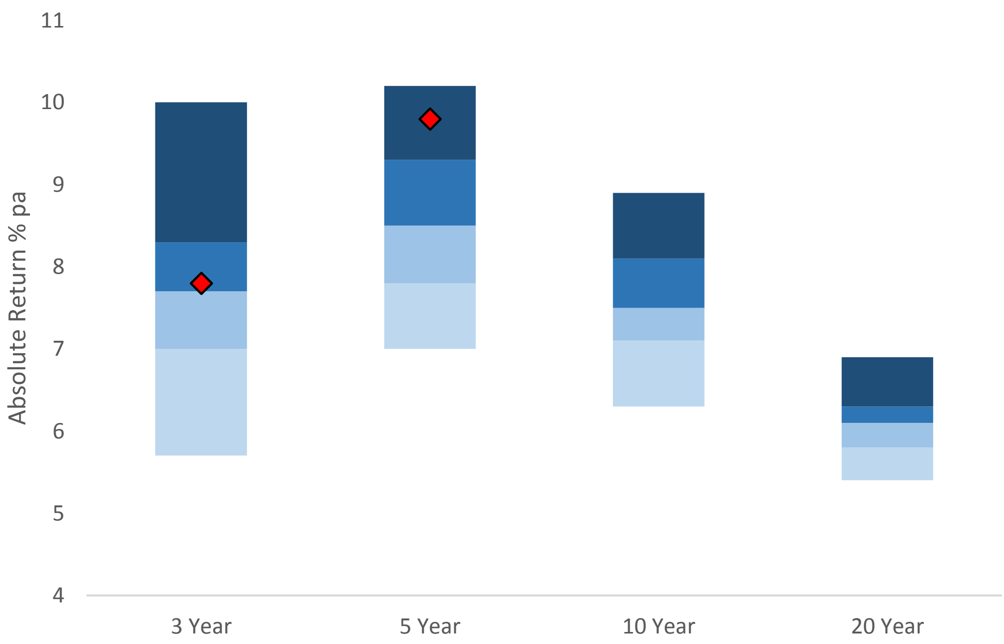
• The Fund has a large overweighting in equities, which increased over the year as other funds reduced their exposure.
• As a result, the Fund is underweight relative to others in the other asset classes.
• In the latest year this allocation had a broadly neutral effect on the relative performance.



The chart shows the Fund's relative % weightings at asset class level at 31st March 2017 and 2018.

Fund Longer Term Returns

- Over the medium term the performance is better than average.
- Over the last five years the key driver in the substantial outperformance has been excellent results from the active equity managers.



	3 Year	5 Year	10 Year	20 Year
Fund	7.8	9.8		
Universe Average	8.3	8.8	7.7	6.5
Ranking	(45)	(12)		

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City of Westminster

Pension Board

Date:	**26 November 2018**
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:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1. Executive Summary

1.1 The risk register has been refreshed with the layout now in two distinct parts, risk score before mitigation and risk score after mitigation. The format also separates investment and administrative risks into separate documents.

1.2 The cash flow forecast has been updated for the next three years with actuals to 30 June 2018.

1.3 The updated forward plan to 31 March 2019 is attached at Appendix 4 with a draft forward plan for the new financial year 2019/20 at Appendix 5.

2. Recommendations

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

2.2 The Board is asked to note the cash flow position and three year forecast.

2.3 The Board is asked to note the forward plan and comment on the draft forward plan for 2019/20.

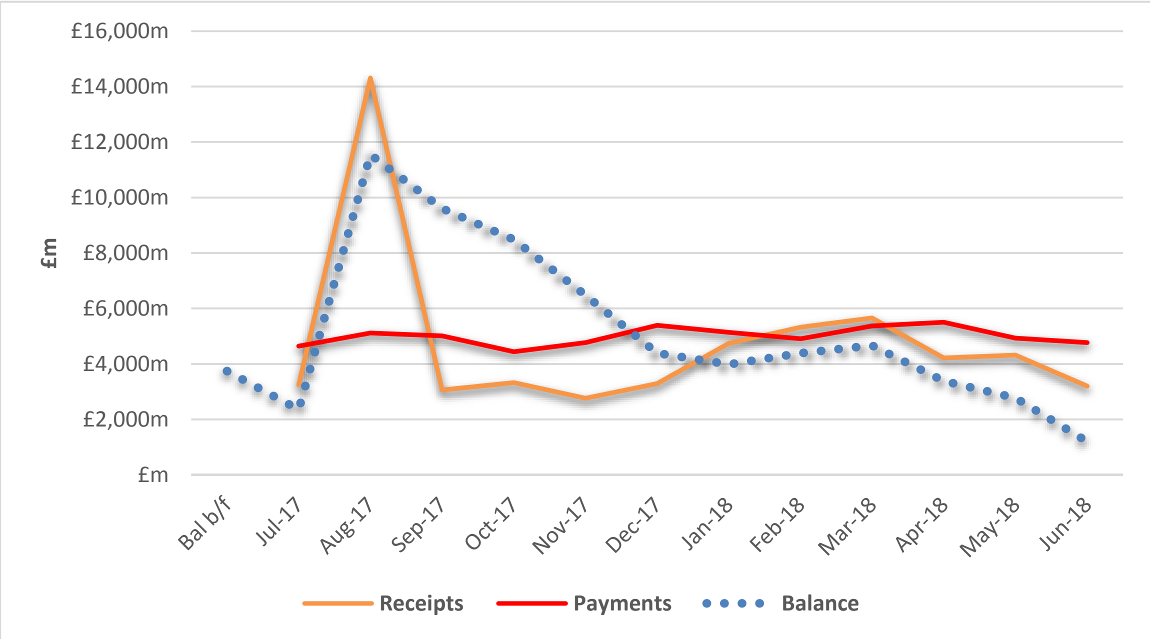
3. Risk Register Monitoring

3.1 The risk register has been updated so that it now shows risk scores before and after mitigation.

4. Cashflow Monitoring

4.1 The cash balance on the pension fund bank account at 30 June 2018 was £1.2 million.

4.2 The table below changes in the bank balance from 1 July 2017 to 30 June 2018.



4.3 Officers will continue to keep the cash balance under review and take appropriate action where necessary.

5. Forward Plan

5.1 The Rolling Forward Plan has been attached for 2018/19 and 2019/20.

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

Matt Hopson pensionfund@westminster.gov.uk or 0207 641 2884

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Tri-Borough Risk Management Scoring Matrix
Appendix 2 – Pension Fund Risk Register Review, June 2018
Appendix 3 – Cash Flow Monitoring, March 2018
Appendix 4 – Pension Fund Forward Plan, April 2018 to March 2019
Appendix 5 – Draft Pension Fund Forward Plan, 2019/20

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Appendix 1 - Tri Borough Risk Management Scoring Matrix

Scoring (Impact)

Impact Description	Category	Description
1 Very Low	Cost/Budgetary Impact	£0 to £25,000
	Impact on life	Temporary disability or slight injury or illness less than 4 weeks (internal) or affecting 0-10 people (external)
	Environment	Minor short term damage to local area of work.
	Reputation	Decrease in perception of service internally only – no local media attention
	Service Delivery	Failure to meet individual operational target – Integrity of data is corrupt no significant effect
2 Low	Cost/Budgetary Impact	£25,001 to £100,000
	Impact on life	Temporary disability or slight injury or illness greater than 4 weeks recovery (internal) or greater than 10 people (external)
	Environment	Damage contained to immediate area of operation, road, area of park single building, short term harm to the immediate ecology or community
	Reputation	Localised decrease in perception within service area – limited local media attention, short term recovery
	Service Delivery	Failure to meet a series of operational targets – adverse local appraisals – Integrity of data is corrupt, negligible effect on indicator
3 Medium	Cost/Budgetary Impact	£100,001 to £400,000
	Impact on life	Permanent disability or injury or illness
	Environment	Damage contained to Ward or area inside the borough with medium term effect to immediate ecology or community
	Reputation	Decrease in perception of public standing at Local Level – media attention highlights failure and is front page news, short to medium term recovery
	Service Delivery	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
4 High	Cost/Budgetary Impact	£400,001 to £800,000
	Impact on life	Individual Fatality
	Environment	Borough wide damage with medium or long term effect to local ecology or community
	Reputation	Decrease in perception of public standing at Regional level – regional media coverage, medium term recovery
	Service Delivery	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
5 Very High	Cost/Budgetary Impact	£800,001 and over
	Impact on life	Mass Fatalities
	Environment	Major harm with long term effect to regional ecology or community
	Reputation	Decrease in perception of public standing nationally and at Central Government – national media coverage, long term recovery
	Service Delivery	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

Scoring (Likelihood)

Descriptor		Likelihood Guide
1. Improbable, extremely unlikely		Virtually impossible to occur 0 to 5% chance of occurrence.
2. Remote possibility		Very unlikely to occur 6 to 20% chance of occurrence
3. Occasional		Likely to occur 21 to 50% chance of occurrence
4. Probable		More likely to occur than not 51% to 80% chance of occurrence
5. Likely		Almost certain to occur 81% to 100% chance of occurrence

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Appendix 5

PENSION BOARD **Forward Plan – March 2018**

Area of work	**5 Sept 2018**	**26 Nov 2018**	**29 Jan 2019**	**Mar/Apr 2019**
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 2017/18 Business Plan	Progress on compliance with TPR Code of Practice ESG Monitoring Update	London CIV governance review Annual report of Pension Board activities Review of Governance Compliance Statement Training Plan	Investment Strategy Statement Review Briefing on Triennial Valuation
Investments	Pooling and CIV update Annual report to Scheme Advisory Board re pooling arrangements	Pooling and CIV update Infrastructure Investment Strategy Equity Protection strategy	MiFID II annual review Transition Update for	Pooling and CIV update Investment Strategy Review

Area of work	5 Sept 2018	26 Nov 2018	29 Jan 2019	Mar/Apr 2019
Administration	Voluntary Scheme Pays, Tax Paper. Pension Administration Strategy (PAS) – update Initial Audits Western Union certification exercise for Overseas Pensioners.	Update on Hampshire Project. Impact on Pension Administration going Forward. Discretionary Policies Paper.	Hampshire Project. First Months Issues for Pension Administration. Pension Administration Strategy (PAS) – update Initial Audits	

Appendix 5

PENSION BOARD **Draft Forward Plan – 2019/20**

Area of work	**Jun 2019**	**Oct 2019**	**Dec 2019**	**Mar 2020**
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 2018/19 Review of Governance Compliance Statement Business Plan	Annual report of Pension Board activities Training Plan Progress on compliance with TPR Code of Practice London CIV governance update	London CIV governance review	Investment Strategy Statement Review Briefing on Triennial Valuation
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	MiFID II annual review	Pooling and CIV update Investment Strategy Review

Area of work	Jun 2019	Oct 2019	Dec 2019	Mar 2020
Administration	Voluntary Scheme Pays, Tax Paper. Pension Administration Strategy (PAS) – update Initial Audits Discretionary Policies Paper. Western Union certification exercise for Overseas Pensioners.	Update on Hampshire Project. Impact on Pension Administration going Forward. Pension Board Recruitment	Hampshire Project. First Months Issues for Pension Administration. Pension Administration Strategy (PAS) – update Initial Audits	