Public Document Pack

City of Westminster

Committee Agenda

Title:	**Pension Board**
Meeting Date:	**Tuesday 3rd March, 2020**
Time:	**6.30 pm**
Venue:	**Room 18.06, 18th Floor, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:** **Councillors:** Tim Mitchell Guthrie McKie (Vice-Chairman) **Employer Representative:** Marie Holmes **Scheme Member Representatives**: Terry Neville (Chairman) Christopher Smith Martin Colwell

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)

9. ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

Stuart Love
Chief Executive
24 February 2020

This page is intentionally left blank

CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Wednesday 27th November, 2019**, Room 18.01, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Terry Neville (Chairman and Scheme Member Representative), Representative), Councillor Tim Mitchell (Employer Representative), Marie Holmes (Employer Representative), Chris Smith (Scheme Member Representative) and Chris Walker (Scheme Member Representative).

Also Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Mathew Dawson (Senior Finance Manager, Tri-Borough Treasury and Pensions), Eleanor Dennis (Lead Pensions Specialist), Sarah Hay (Senior Pensions and Payroll Officer), Kevin Humpherson (Deloitte) and Toby Howes (Senior Committee and Governance Officer).

Apologies for Absence: Councillor Guthrie McKie (Vice-Chairman and Employer Representative) and Martin Colwell (Scheme Member Representative).

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 Terry Neville (Chairman and Scheme Member Representative) declared that he is a councillor at the London Borough of Enfield, however he is a scheme member of the Westminster Pension Fund.

3 MINUTES

3.1 **RESOLVED:**

That the minutes of the meeting held on 9 July 2019 be signed by the Chairman as a correct record of proceedings.

4 PENSION ADMINISTRATION UPDATE

4.1 Sarah Hay (Senior Pensions and Payroll Adviser) presented the report and advised that the key performance indicators (KPIs) had remained stable since the last update, with only a few issues highlighted that had needed additional attention. She advised that the existence checking undertaken by Western Union had been completed in September and an update would follow at the next meeting. Members noted that a new Section 101 agreement with the existing pension administrator, Surry County Council, was to be re-negotiated.

4.2 Eleanor Dennis (Lead Pensions Specialist) then updated the Board on the data cleansing exercise and advised that the common data score accuracy had improved from 77% in 2018 to 89.9% in 2019. Moves were afoot to appoint a new organisation to undertake the exercise and an update on this would be provided at the next meeting.

4.3 Members welcomed the progress on data cleansing accuracy and asked if all recommendations arising from the review were to be implemented.

4.4 Eleanor Dennis advised that all recommendations were to be implemented and two additional staff had been appointed to assist with this.

5 PENSION FUND ANNUAL REPORT

5.1 Phil Triggs (Tri-Borough Director of Treasury and Pensions) presented the report and confirmed that the accounts for the Pension Fund had been completed on 11 April, the first local authority in the country to so. He added that the accounts had been cleared by both internal and external audit. Phil Trigs advised that the Pension Fund annual report had now been published, following a couple of changes requested by the Pension Fund Committee.

5.2 Members noted that the Funding Strategy had been agreed in 2014 and subsequently revised in 2016. It was commented that there the names of Board Members had not been included in the Pension Fund annual report. Members enquired why administration costs per pension scheme member had increased in the last year. The Board expressed an interest in seeing data concerning who was covered by grandfather rights in respect of early retirement.

5.3 In reply to issues raised by the Board, Phil Triggs advised that future Pension Fund annual reports would include the names of Pension Board Members. He added that figures could be provided in respect of who was covered by grandfather rights concerning early retirement.

5.4 Sarah Hay advised that administration costs had risen in the last year because of additional resources brought in to improve data quality.

5.5 **RESOLVED:**

That the Pension Fund annual report and the Pension Fund accounts for 2018-19 be noted.

6 CARBON EXPOSURE REVIEW

6.1 Kevin Humpherson (Deloittte) presented the report and advised that an organisation named Trucost had undertaken a calculation of the carbon exposure within the Fund. He referred to the report to explain the methodology and results of this analysis.

6.2 The Board asked whether renewal figures would be available should the Fund pursue low carbon investments. Members commented that the level of transparency and the amount of data collected may vary between funds. It was noted that the approach to the carbon issue would influence the Investment Strategy. Members asked whether there was collaboration between investment pools with regards to carbon exposure and it was remarked that it would be useful if the Pension Fund Committee made a statement on ethical investing. A Member remarked that the number of pensioners within the Westminster Pension Fund scheme was rising and efforts were being made to encourage younger people to join the scheme. He added that there was support amongst young people for ethical investing.

6.3 In reply to the issues raised by the Board, Kevin Humpherson advised that work was being undertaken to produce more data on renewables. Fund managers were engaged in lowering the carbon exposure for their funds and they produced annual detailed reports on this. The matter was also influencing the Investment Strategy and assessments of fossil fuel reserves was being undertaken, especially as such assets could become valueless in future. Collaboration with other investment pools also took place.

6.4 Phil Triggs advised that reducing carbon exposure was high on the agenda of the London Collective Investment Vehicle (LCIV) and it had appointed an Environmental, Social and Governance (ESG) specialist to progress this matter further. He added that the specialist could be invited to attend a future Board meeting if members so wished.

6.5 **RESOLVED:**

That the report findings be noted.

7 DRAFT ACTURIAL VALUATION

7.1 Phil Triggs presented the report which provided the initial results from the Fund's actuary. He advised that once the contribution rates had been calculated, a draft Funding Strategy Statement would be circulated for consultation. The Board noted that the overall funding level for the Fund was healthy and the discount rate and the consumer price inflation rate were also significant factors.

7.2 **RESOLVED:**

That the initial actuarial results be noted.

8 FUND FINANCIAL MANAGEMENT

8.1 Phil Triggs presented the report and advised that there was no particular issues of concern to highlight.

8.2 **RESOLVED:**

1. That the risk register for the Pension Fund be noted.

2. That the cashflow position, the rolling 12-month forecast and the three-year forecast be noted.

3. That the attached forward plans for 2019/20 be noted.

9 INVESTMENT CONSULTANT AIMS AND OBJECTIVES

9.1 Phil Triggs presented the report and advised that the Competition and Markets Authority required all pension funds to establish aims and objectives for their investment consultant. He then referred to the aims and objectives set out in the report that had been agreed by the Pension Fund Committee on 23 October.

9.2 Members requested that a paper be produced cross referencing a responsible investment policy with carbon exposure. Members commented that fixed assets, such as solar panels and zero carbon buildings, should also be considered. The Board also commented that reports should be jargon free and more plain English used.

9.3 **RESOLVED:**

That the aims and objectives for the Pension Fund's investment consultant, Deloitte, be noted.

10 QUARTERLY PERFORMANCE REPORT

10.1 Phil Triggs presented the report and confirmed that over the year, the Fund had underperformed its benchmark by 2.1%, largely because of the negative performance from the Majedie portfolio and the Standard Aberdeen mandate during this period.

10.2 The Board expressed concern that the Chief Investment Officer of the LCIV had resigned following only a very brief period in post. Members commented that the LCIV should provide information on a more frequent basis. Members also asked for the reasons why the LCIV had concerns about one of the fund managers, CQS.

10.3 In reply, Phil Triggs advised that the performance results for CQS had been satisfactory and Deloitte and other London boroughs had no such concerns. He added that the LCIV may elaborate on their reasons in future.

10.4 **RESOLVED:**

That the performance of the investments and funding position be noted.

11 SCHEME ADVISORY BOARD GOOD GOVERNANCE REPORT

11.1 Mathew Dawson (Senior Finance Manager, Treasury and Pensions) presented the report and referred to the recommendations of the Scheme Advisory Board. He felt that these recommendations would not present the Fund with any particular issues, although it may give rise to a number of challenges for other funds.

11.2 Members commented on the need for stability in memberships of the Pension Board and the Pension Fund Committee in order to build the appropriate level of knowledge. It was noted that in some boroughs, such as the London Borough of Enfield, the Constitution required that Pension Fund Committee members serve at least a four year term.

11.3 **RESOLVED:**

That the contents of the report be noted.

12 THE PENSION REGULATOR REPORT

12.1 Mathew Dawson introduced the report and referred to the areas of improvement identified by The Pensions Regulator after engaging with ten Local Government Pension Scheme (LGPS) funds. He added that he did not think these were particular issues of concern for the Westminster Fund.

12.2 **RESOLVED:**

That the contents of the report be noted.

13 LONDON COLLECTIVE INVESTMENT VEHICLE REMUNERATION REVIEW

13.1 Phil Triggs presented the report and advised that the Pension Fund Committee had agreed to the signing of the LCIV Pensions Recharge and Guarantee of Liability Agreement. He added that the LCIV had agreed to close membership of the LGPS to newly appointed staff members.

13.2 **RESOLVED:**

That the LCIV remuneration policy review and the Pension Fund Committee meeting outcome on 23 October 2019 be noted.

14 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

14.1 There was no other business.

The Meeting ended at 9.35 pm.

CHAIRMAN: _____ **DATE** _____

City of Westminster

Pension Board

Date:	**3rd March 2020**
Classification:	**General Release**
Title:	**Pension Administration Update**
Report of:	**Sarah Hay, Pensions Officer People Services** **Eleanor Dennis, Interim Pensions Specialist**
Wards Involved:	**All**
Policy Context:	**Service Delivery**
Financial Summary:	**Limited**

1. Executive Summary

1.1. This report provides a summary of the performance of Surrey County Council (SCC) with the Key Performance Indicator (KPI) for the period November 2019 to January 2020. The detailed KPIs are shown in Appendix 1, There has been performance improvement on the prior period reported as outlined in section 2. This report also provides the detail of the current data cleansing projects.

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 board members.

2.2 This paper covers the period of November 2019 to January 2020. We have left October 19 data in the appendix for reference.

2.4 KPI performance in appendix 1 is summarised below:

2.5 At the last board meeting on the 27th of November we reported on June to October KPI data.

2.5 We are pleased to note In this reporting period that the vast majority of our KPI are 100% and that the trend arrows indicate a consistent level of positive service across our KPI measures. The issuing of retirement option forms was a

concern but there was only one case late by two days in January and this does represent an improvement on the prior reporting period.

2.6 The KPI for sending out details to people with deferred benefits who may have a benefit due failed completely in December 2019 and January 2020. Cases that month were only sent out a month before they are due where our KPI standard asks for two months. Orbis have been implementing a Robot computer that will pick up cases due and automatically calculate benefit and produce letters going forward without human input. At this stage Orbis have been in development which includes the checking of all output to ensure accuracy. The team have now moved into a further period of testing where in the next 200 cases 10% will be checked. We will ask Orbis for further update prior to our next report to board and the aim is to return to sending out these option forms two months prior to payment being due.

2.7 There was one late interfund quotation in December and one late amendment processed. There were also two late correspondence responses in December. We do not consider these significant in terms of the service to members.

2.8 Surrey (Orbis) have advised us that they have received no compliants during the period.

2.9 For Information we have been in contact with Orbis in the last few months about them providing the administering authority with more regular information on a number of aspects of the service outside of the KPI data. A copy of the February 2020 Monthly Administration Report (MAR) is attached as an appendix with this report. The agreed reporting topics are still under discussion and we hope to develop the MAR as we move forward. If the Board members would like to see additional information in the future please advise.

3. Data Cleansing

3.1 WCC have been notified that the two measures of data quality that we need to report to the Pension Regulator have improved significantly over the last 12 months as below;

2019

Common Data Score	89.9%
Conditional (Scheme Specific) Data Score	93.1%

2018

Common Data Score	77.0%
Conditional (Scheme Specific) Data Score	71.0%

3.2 The above improvement does show that the steps taken to improve our data over the last 12 months has had significant impact. This includes the status 2 work with JLT, the status 1 error work and working with HCC and Fund employers ahead of the valuation to ensure that our data is accurate and up to

date as possible to ensure we are able to pay the correct benefits at the correct time and keep members informed.

3.3 JLT ceased working on these cases on 15 December 2019. They completed 469 of the 606 originally sent. With Surrey taking responsibility to chase for those with outstanding data and complete the remaining 137 cases, some of which JLT had started to process but not finished. These have now completed these. The Fund is yet to receive the invoice for JLT's work as Surrey are still carrying out an audit check on the completed cases.

3.4 Considering the issues with JLT and the issues with Surrey. The interim Pension Specialist has led engagement with data company ITM, with agreement from the Committee to engage in a full independent analysis of the Funds status 1 and 2 data. For a cost of £6,195 excluding VAT, this was carried out in February 2020, with the objective to enable the Fund to understand the true picture of all data errors/issues. As well as help with assessing next steps for how to clear the outstanding 900 +status 2 cases, for which data was collated but was not sent to JLT to complete due to the lack of faith in their ability to deliver and the slow progress.

3.5 The results of the analysis are detailed in the report in the appendix, a summary of the key findings are below;

1201 status 2 (undecided leavers)
1092 frozen refunds
598 gone away addresses

3.6 The number of status 2 cases are 31% of active membership, (300 more than the Fund were previously aware of) and in addition there are 1092 frozen refunds that the Fund was not previously aware of. It has also highlighted errors although in a smaller quantity as below and gaps in the admin team processes;

27 incorrect employer on record
51 incorrect national insurance number
32 incorrect gender
76 unlinked records

3.7 Discussions and collaboration with Surrey will commence as part of a plan yet to be agreed to resolve the data errors over time. The analysis was worthwhile in providing a true picture of the data errors within the Fund and will help prioritise the focus and agree action with Surrey. The Board will be kept updated of progress.

3.8 As part of the solution for the remaining status 2 cases ITM have also costed completion for the work and estimated time plan. However, we have shared the analysis with Surrey and asked for a detailed costing and time plan which has

not been received yet. Details will be presented to the Board once we have full details of both plans.

3.9 Progress on the processing of Status 1 cases was previously halted as the administration team needed to focus on year-end files from all employers in the fund and valuation work and the admin team lost a temporary resource. This has now been picked up in January 2020 with the help of existing experienced members of the BAU admin team and new temporary resource. Monitored by the interim pension specialist, progress has been good with 251 cases completed to date and a remainder 84 outstanding.

3.10 The Fund has also started to run an address tracing project to identify up to date addresses for approximately 750 of the 2000+ records of members where we hold no current address details. We are prioritising the membership groups of; deferred over 55, pensioners and dependants as these groups could or will be in receipt of their pension. Target is carrying out this on behalf of COWPF, with good progress as to date 419 addresses have been verified and updated on Altair, 14 deaths have also been identified. The remaining 320 cases will now be sent for an overseas trace.

4. Valuation

4.1 Pending the final valuation confirmation all WCC fund employers have been advised of their indicative employer rate for April 2020. Once the valuation has been confirmed rates will be finalised with employers along with the revised employee contribution bands applicable from April 2020.

5. Western Union Existence Checking

5.1 Of the 31 overseas pensions that were suspended in September 2019, three were reinstated when the member got in touch.

5.2 The remaining members have now been included in our target address tracing project. At the time of writing this report we have had one confirmed address from target for an overseas member but the pension has not yet been put into payment depending on contact with the member.

6. 101 Administration Agreement with Surrey and Service Development

6.1 The board are informed that Andrew Marston who was acting as interim pension manager for the Orbis (Surrey) funds has left Orbis in January. He has been replaced by Mr Nick Weaver who has experience across a number of LGPS funds at both board level and as a senior responsible officer. Nick came to meet Phil Triggs, Eleanor Dennis and Sarah Hay on Monday the 10th of February a week into his new role. There was an open discussion on concerns regarding some of the data issues and our priorities going forward. We are due to meet

with Nick again on Monday the 9th of March with a number of colleagues from other Orbis funds on priorities and changes that Nick is proposing.

6.2 A revised 101 agreement has been drafted by the Interim Pension Specialist to include reporting and outline expectations for delivery of a robust pension administration service and forwarded to Surrey for their feedback. The priorities that Nick outline on the 9th of March may impact the future agreement that we reach with Orbis. They have agreed in principle with a start date of April 2020 and all are working towards that timeline. We will update the board further at the next meeting

7. Summary

7.1 The Pension Administration KPIs are generally acceptable however we still have concerns about ensuring the payment of pension benefit including lump sums are 100% within timescale each and every month. We are monitoring the robots development and the impact on the sending out the notification to preserved benefit members when pension becomes due. We are talking to the Surrey Orbis team on more detailed Monthly Administration Reporting (MAR) data to provide a more holistic view of the service going forward.

7.2 The data cleansing work has made significant progress and the improvement in our data scores are outlined in section three. We are pleased with the continued improvement in our Status 1 data following the work lead by the Interim Pension Specialist.

7.3 The data analysis piece commissioned from ITM provides further insight into our continued data issues and highlights the work that needs to be done going forward. The Status 2 cases are of concern given the numbers and we have to make a decision on outsourcing this work to ITM or agreeing a workable solution with the Surrey Orbis service. We are hoping that our next meeting with Mr Weaver and costing received will provide us with a stronger steer on the best option for the fund.

7.4 The tracing project that the interim lead pension specialist has project managed has had a positive impact with 419 addresses updated. We have also noted the notification of a number of deaths and will be reviewing with Orbis why these have not been picked up previously

7.5 Finally we are advising the board that we are currently talking to Surrey about an amended 101 service agreement we will update the board at the next meeting on progress. We are hopeful that the new appointment of Mr Nick Weaver will lead to a positive working relationship going forward.

This page is intentionally left blank

City of Westminster Pension Fund

Monthly Administration Report

February 2020

Contents

Admin Report prepared by Clare Chambers

1. Admin Performance

Details of performance against Service Level Agreements can be found within the Admin Performance Report send under separate cover.

The current volume of work in progress is 743. A detailed member level report can be provided upon request.

January	February	March	April	May	June
832	743				

2. Pensions Helpdesk

The helpdesk have been working on reducing avoidable contact using the following methods:

- Influence customers to make contact via telephone and not email
- Add FAQ section to Pensions website
- Holding tactical planning sessions with the communications team
- Monthly 'working together' meetings with the admin team
- Develop a robot to produce MSS keys
- Exploring video options to support members with areas such as completion of retirement claim forms
- Adding links to LGA videos to e-mail signatures

3. Engagement & Education

The Engagement & Education team are developing an Employer Pack for new scheme employers which will cover key processes that they will be required to perform and the method of communication with Orbis Pensions. It will also include links to scheme information which will support them in their role.

The MSS survey, which was sent out to a sample group of 6,000 registered members, closed at the end of January. From the results we have been able to gauge that members are generally positive about their experiences using MSS. Suggestions have been made from members including having a contact facility direct from MSS, which we are currently investigating.

Communications have been sent out to all members who haven't registered for MSS in order to encourage sign up. We have also contacted members who are registered to remind them of how to log in to MSS.

An update on the number of MSS accounts can be found in the table below:

January	February	March	April	May	June
1,505	1,506				

4. Staffing/Recruitment

We are in the process of developing an up to date team structure chart which will be provided with this admin report. This report will reflect any new joiners, promotions and leavers.

Offers have been made to the new Technical & Compliance Specialist, Systems & Support Lead, second Communications Officer and Training Officer. The successful candidates will be joining the team over the next couple of months.

Matthew Trembley was recently promoted to the position of Data Quality Hub Leader (he will take up this post once he returns from his sabbatical on 1 April) and interviews are taking place for the Data Quality Officers.

5. Automation/Robotics Development

Development of the Deferred Benefit robot, Chewie, is now complete and we have moved to the testing stage. This will involve running through a batch of 200 cases and checking the results of 10% of these cases.

If we are happy with what the robot is producing we will look to sign off this development on 5 March.

This page is intentionally left blank

Backlog Healthcheck Report for the Westminster City Council Pension Fund

ITM
February 2020

itm
Solution delivered...

Contents

1 Executive summary

1.1 Overview

This report summarises the results of a data analysis and audit of unprocessed leavers undertaken by ITM for Westminster City Council Pension Fund ("the Fund").

The objectives of the review are as follows:

- Analyse the complexity of the Fund's undecided leaver ('status 2') backlog.
- Identify backlog and other cases requiring action amongst the frozen refund and active population; in respect of actives, the focus is particularly on identifying potential leavers, i.e. records that should be status 2s; in respect of frozen refunds, outstanding auto-aggregations, cases with a payment deadline upcoming, and so forth.
- Assess general data quality amongst the frozen refund, active and undecided leaver population.
- Advise on actions required to resolve issues identified.

In addition to this report, a full analysis result breakdown, including a member matrix showing each record in scope with their test failures and passes, is provided separately.

1.2 Summary of findings

The primary findings of the analysis performed are as follows, and should be read in conjunction with the detailed findings in the remainder of the report:

- 87% of undecided leavers, 49% of frozen refunds and 27% of actives have some sort of data issue or complication. The overall number of undecided leavers (1,201) is also quite high as a proportion of the total number of active records (3,911).
- Conversely, the number of potential leavers amongst the active population identified was low (25). This suggests that the status 2 total does accurately reflect the primary leaver backlog.
- An implicit backlog in the frozen refund population of auto-aggregations to complete is small at only 33 cases. In addition, one status 9 is coming up to a deadline to pay out the refund. Beyond this, the primary data quality issue with frozen refunds is having either no address recorded, or one that is marked as 'gone away' (30%).
- End of year issues affect the entire population. 57% of the status 2 population have problems with expected CARE data, 55% with contributions, and 19% with expected WTE pay. Similarly, 14% of the active population have problems with expected CARE data, 9% with contributions and 7% with expected WTE pay.
- For the actives, these issues indicate records affected have not been fully updated following end of year processes; this will require additional work to rectify, obtaining corrected data and potentially recalculating CARE accruals, to ensure annual benefit statements are correct going forward and the records can be processed efficiently when the member leaves.
- For the undecided leavers, the primary issue identified in the sample file reviews performed was a high number of missing leaver forms. This problem affects school employees in particular, and for older and newer cases alike. In addition, data analysis showed that 23% of undecided leavers need to be processed as aggregations, i.e. clearing the status 2 backlog will involve a high proportion of relatively time-consuming cases.

1.3 Key recommendations

- In order to make headway faster on the undecided leaver backlog, records without notable issue or complication should be focussed on first, in particular single record deferred benefits.
- If this is not already administrative practice, subject to checks, consideration should be given to treating undecided leavers with less than two years' service who have nevertheless subsequently re-joined as *de facto* frozen refunds, and therefore, subject to auto-aggregation without being given the option of a refund or transfer out first.
- A small data cleanse project in respect of active records should be considered where CARE and/or WTE pay issues exist and are material for both accurate annual benefit statements and efficient leaver processing when the member leaves.
- The notable number of issues amongst actives and frozen refunds also suggests that a broader full data audit covering all liability statuses may be prudent.
- Of particular concern with respect to general data quality of frozen refunds is the number of missing or 'gone away' address details. The Fund may want to consider a carrying out a tracing exercise for this issue.

2 Background

2.1 Methodology

ITM uses its own Data Analysis and Reporting Tool (eDAaRT) to perform bulk testing of pension scheme data. eDAaRT imports data from any pension administration system and uses SQL-based queries to interrogate the data held. For the present analysis, we have used a mixture of standard data tests for active members and early leavers, combined with a set of scheme-specific ones that are focused upon LGPS early leaver and frozen refund scenarios under the 2008 and 2014 scheme regulations.

2.2 Data sources

The primary source data used was a full member extract from the Fund's administration system (Altair), loaded and processed through eDAaRT. In addition, standard system decode listings were employed where applicable (service and CARE types, benefit codes, and so forth).

The second data source was Altair itself, access being granted for an ITM administrator to undertake a sample set of file reviews via inspection of member records and images. Covering a range of employers, this provided a rounded picture of data issues that would be encountered in tackling the leaver backlog.

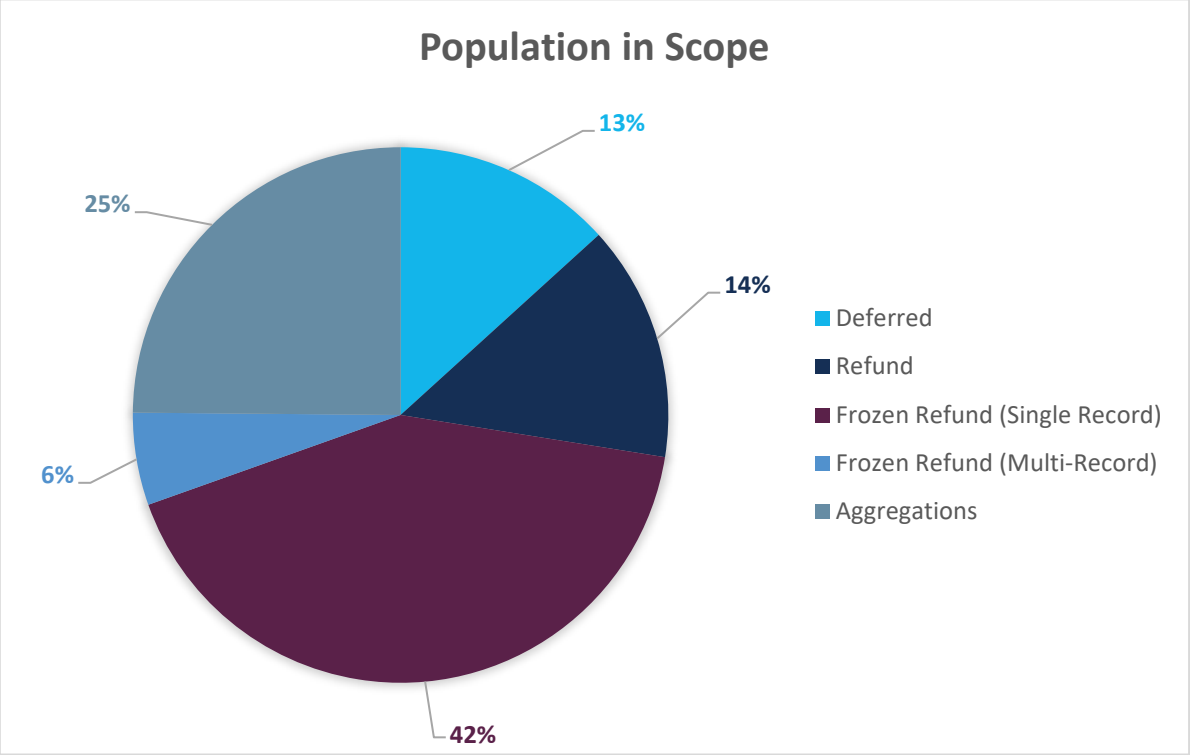
2.3 Population breakdown

Across the entire Fund, 1,201 member records have a current status of undecided leaver (Altair status 2) and a further 1,092 of frozen refund (Altair status 9). This population breaks down as follows:

Liability Records for NI Number	*Undecided Leavers (Refunds)*	*Undecided Leavers (Deferreds)*	*Undecided Leavers (Aggregations) (1)*	Total Undecided Leavers	Total Frozen Refunds	Total Cases in Scope
Single	*327*	*304*	-	631	964	1,595
Multiple	-	-	*570 (2)*	570	128	698
				1,201	**1,092**	**2,293**

(1) Aggregations include concurrent and non-concurrent records
(2) May include deferred and refund cases, but unable to determine the final number until all prior aggregations are processed

The overall percentage of each case type is shown in the chart below:



3 Frozen Refund Analysis

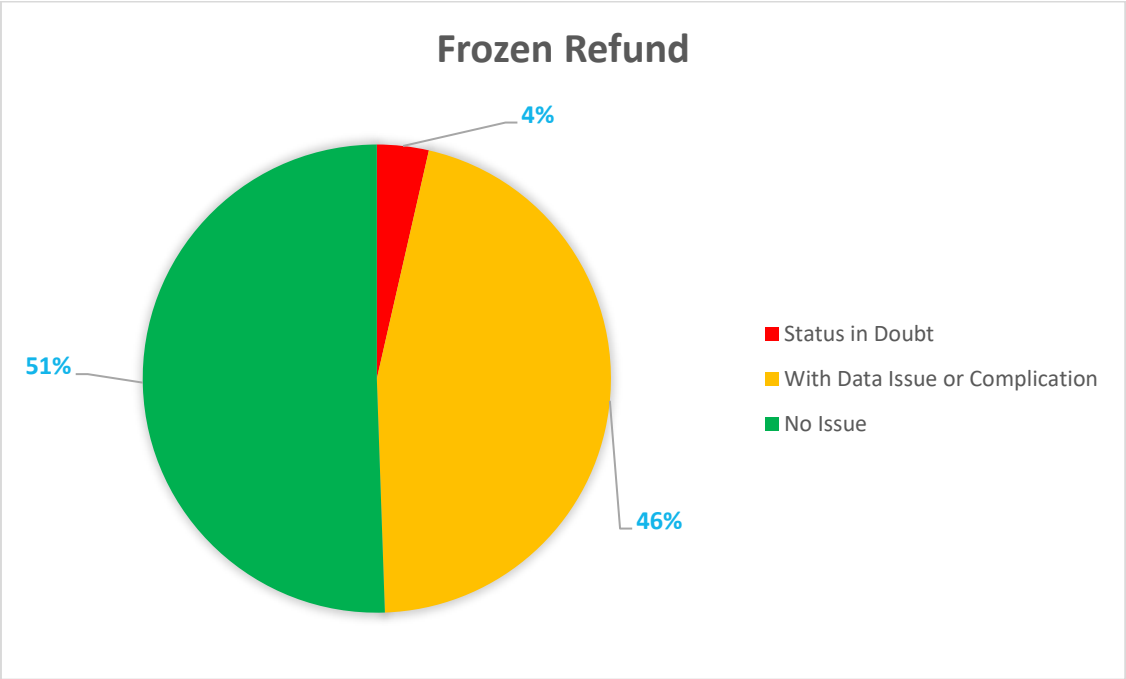
3.1 Introduction

The frozen refund population was analysed for the following purposes:

- Identify implicit backlog cases, i.e. where the member has subsequently re-joined (or left under a concurrent employment), and auto-aggregation under the applicable scheme regulations applies.
- Identify cases that, while not current backlog ones, will require action in the future, either due to a data issue, or because of a particular feature of the case.
- Across the population, assess general data quality with respect to common and scheme-specific data items material to the processing of each case type.

3.2 Results summary

Having prioritised individual tests in order to provide a headline result for each case, the results can be summarised as follows:



A breakdown of the issues found is provided on the following pages.

3.3 Common data quality issues

Issue	Total Cases
Address missing or marked gone away	325
Latest address not marked as overseas and postcode is missing, suspect or incomplete	30
Commentary: Consideration should be given to identifying all such cases across and following up with a tracing exercise.	
DOB missing or inconsistent	0
Date joined scheme inconsistent	2
Date joined employer inconsistent	2
Employer name missing or inconsistent	0
Forenames and initials missing or inconsistent	2
Sex missing or inconsistent with title	10
Surname missing	0
Commentary: Basic details are generally well recorded across the population. The exceptions however should be cleansed.	
NINo is missing, temporary or invalid	37
Commentary: NI numbers should be correct for future identification purposes, whether to eventually pay out the refund or ensuring new records become linked were the member to re-join.	

3.4 Scheme-specific data quality issues

Issue	Total Cases
CARE accrual missing	47
Commentary: These cases should be further investigated to confirm the reason for the discrepancy, and where necessary, recalculate the frozen refund.	
Contributions for one or more recent scheme years missing	1
Commentary: Completed employee contribution details would ordinarily be expected on a processed leaver record.	
Refund amount due not calculated	6
Commentary: A missing refund due amount implies that the frozen refund has not been processed correctly - what exactly has been 'frozen'? However, the number shown here is likely a legacy of the change of administrator, e.g. there wasn't this figure on the previous system available to migrate to Altair.	
Service history inconsistencies	1

Issue	Total Cases
Commentary: Any cases where a member's service history does not materially accord with their status history should be investigated to confirm which is correct, and where necessary, recalculate the frozen refund.	
Incomplete or inconsistent transfer-in data	5
Commentary: The majority of these cases are interfunds recorded as being received after the member left. In principle this should not happen, however it can arise when a previous, even shorter period of service with another fund either is not discovered immediately, or only gets processed after the member has left again, which will always be possible when the service periods are by definition so short that even combined, they are under the vesting period.	
Unlinked records	14
Commentary: In principle, any one person should have only one identity on the administration system for all their ordinary scheme memberships. This avoids the potential for inconsistencies in common data. In addition, it is a prerequisite for calculations that work across multiple membership records to function. As such, unlinked records involving frozen refunds specifically may lead to required auto-aggregations being missed, or having to be completed in a manual fashion with greater potential for error.	
WTE figure inconsistent or missing	130
Commentary: Only cases with final salary benefits included. The appearance of completed, consistent WTE EOY pay figures would ordinarily be expected on a processed leaver record with final salary service.	

3.5 Status issues

Issue	Total Cases
CARE accrual outside of scheme dates	3
Service history outside of scheme dates	2
WTE pay posting outside of scheme dates	26
Commentary: On further investigation, these issues may prove to be because figures have been posted to the wrong record. However, as things stand, they put the integrity of the frozen refund calculation and any leaver documentation sent to the member in doubt.	
Left after NRD, therefore processing as a short service refund would be an unauthorised payment under the Finance Act 2004	2
Commentary: Assuming the dates are correctly recorded, these cases will need special handling when the Fund seeks to extinguish the liability.	
Deferred refund past due to be paid	0
Commentary: There are no cases where the member either is over 75, or left under the CARE scheme over 5 years ago, and as such, should have had their refund paid under the 2014 scheme regulations.	

Issue	Total Cases
Member note puts a question mark on the frozen refund status	3
Commentary: A handful of cases where the wording of a free format memo suggests the frozen refund calculation may not have been properly run, or there is another scheme membership that puts doubt on it being run.	
Service length is beyond the applicable vesting period	3
Transfer-in not from another LGPS fund recorded	1
Commentary: Cases found under these headings, if recorded information is correct, should have been processed as a preserved benefit not frozen refund on leaving. Please note in order to calculate this, service lengths have been tested against 5 years, 2 years, and 3 months depending on the vesting period of the time.	

3.6 Implicit backlog cases

Issue	Total Cases
Aggregation	33
Commentary: These are cases that should be subject to auto-aggregation under the scheme regulations, and therefore form an implicit backlog distinct from the explicit backlog of the undecided leavers.	

3.7 Future action cases

Issue	Total Cases
Deadline for frozen refund being paid is upcoming	1
Commentary: Either where the member is approaching 75, or was a CARE scheme leaver nearly 5 years ago, and as such, will need to have their refund paid in accordance with the 2014 scheme regulations.	

4 Undecided Leaver Analysis

4.1 Introduction

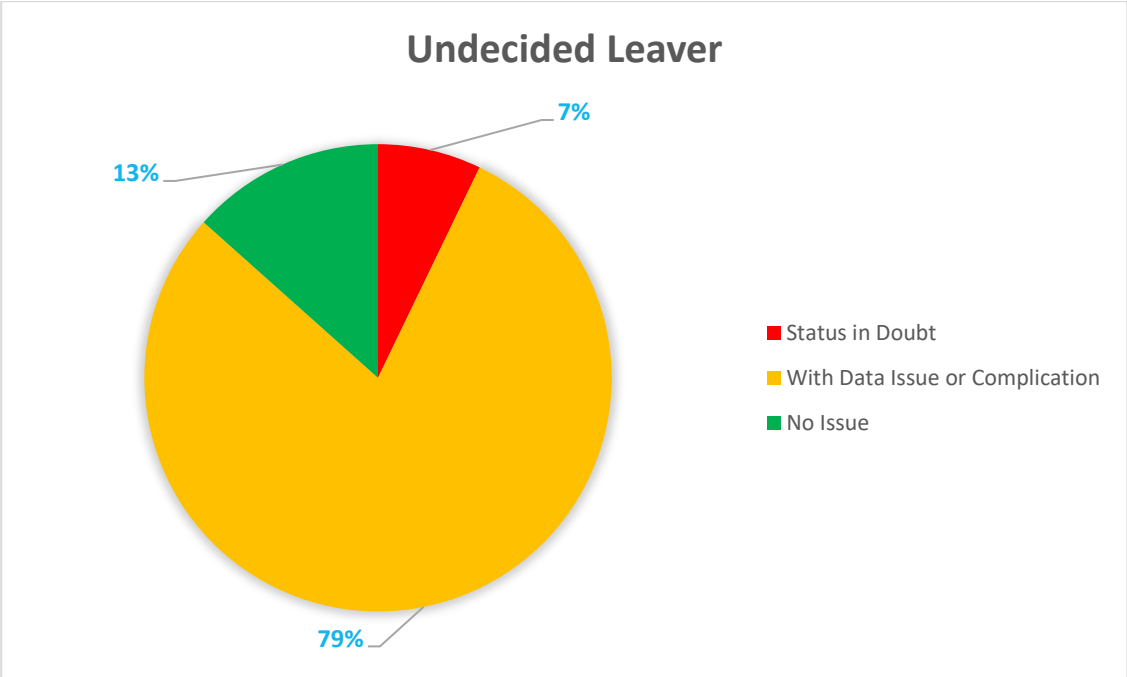
The undecided leaver population was analysed with the following purposes:

- Identify the splits between single and multi-record cases. This allows differentiating between more straightforward, quicker tasks, and those that are more complex and time consuming.
- Identify more time consuming cases.
- Assess general data quality with respect to common and scheme-specific data items material to aggregations.

Many of the tests performed were similar to those run against the frozen refunds. However, the implication of a test relevant to both can differ. In particular, while certain test failures (e.g. a missing address or CARE pay figure) can be especially concerning for a frozen refund due to its status as a processed leaver, the same issue with an undecided leaver is less of a concern. This is because the data in question should be confirmed on the leaver form, i.e. should be dealt with in due course. Nevertheless, such issues are still of note, as they suggest the case may take longer to process, for example due to a need to query the employer.

4.2 Results summary

Having prioritised individual tests in order to provide a headline result for each case, the results can be summarised as follows:



A breakdown of the issues and complications found is provided on the following pages.

4.3 Common data quality issues

Issue	Total Cases
Address missing or marked gone away	230
Latest address not marked as overseas and postcode is missing, suspect or incomplete	3
Commentary: If the correct address is not confirmed on the leaver form, these issues should be confirmed with the employer when processing the form.	
DOB missing or inconsistent	0
Date joined scheme inconsistent	8
Date joined employer inconsistent	25
Employer details missing or inconsistent	0
Forenames and initials missing or inconsistent	0
Sex missing or inconsistent with title	5
Surname missing	0
Commentary: Basic details are mostly well recorded across the population. Any issues identified should however be rectified when the leavers are processed.	
NINo is missing, temporary or invalid	7
Commentary: Invalid or suspect NI numbers should be reviewed when processing the leaver.	

4.4 Scheme-specific data quality issues

Issue	Total Cases
CARE accrual missing or inconsistent	683
Commentary: These issues should be reviewed as part of the leaver processing and queried with the employer as applicable.	
Contributions for one or more recent scheme years missing	663
Commentary: A lack of fully recorded year end contribution figures means that pensionable pay figures provided on the leaver forms will have less scope to be easily checked, and may indicate unreliable data more generally. The relatively high figure shown here may be a legacy of school payroll issues in particular.	
Service history inconsistencies	5
Commentary: These discrepancies between the Service and Status Histories on Altair should be investigated and queried with the employer as applicable.	
Incomplete or inconsistent transfer-in record	16

Issue	Total Cases
Commentary: Similar to the frozen refund cases above, the majority of these are where the recorded transfer-in date postdates the status 2. For an unprocessed leaver this is more unusual, so should be investigated.	
Unlinked records	36
Commentary: In principle, any one person should have only one identity on the administration system for all their ordinary scheme memberships. This avoids the potential for inconsistencies in common data. In addition, it is a prerequisite for calculations that work across multiple membership records to function.	
WTE figures inconsistent with each other	234
Commentary: The appearance of completed, consistent WTE EOY pay figures will allow pay figures provided on the leaver form to be properly verified, for example to identify that the employer has potentially failed to perform a 'best in last three' calculation where applicable. Note that while the majority of records affected involve final salary service directly, the figure above includes some CARE-only records that are potential aggregation destinations, given other records held.	

4.5 Status issues

Issue	Total Cases
CARE accrual outside of scheme dates	66
Service history outside of scheme dates	13
WTE pay posting outside of scheme dates	25
Commentary: The existence of postings and service changes that postdate the ostensive leaving date suggests the member did not in fact leave, or at least, data is confused where the member has multiple records.	

4.6 Other complications

Issue	Total Cases
Aggregation	279
Commentary: These records are ones that are due an aggregation option caused either by the member re-joining afterwards, or concurrent service. Please refer to the 'Aggregation' tab on the analysis results breakdown spreadsheet for the specific scenario for each case according to the LGPC schema (e.g. A2, C2 etc.).	
Unprocessed leaver with three-way option of refund, TV out or preserved benefit on leaving	62
Commentary: These are cases where service began under the 2008 scheme, lasted more than three months, but completed under the 2014 scheme with less than two years' service in total. As such, the member has the three-way choice of a refund, transfer out or preserved benefits under the 2014 Transitional Regulations. While a minority have since re-joined, technically the option should have been given when they left.	
Variable employment status either explicitly or implicitly recorded	170
Commentary: Nearly half the figure quoted (82 out of 170) have been detected as likely variable cases not explicitly recorded as such in Basic Details. Without being explicitly coded, it is difficult to verify CARE benefit data in particular, because a line with blank CARE accrual may either be valid (because the member had no paid hours during the year) or invalid (because there was missing or broken data when the CARE calculation was run).	

5 Active Population Analysis

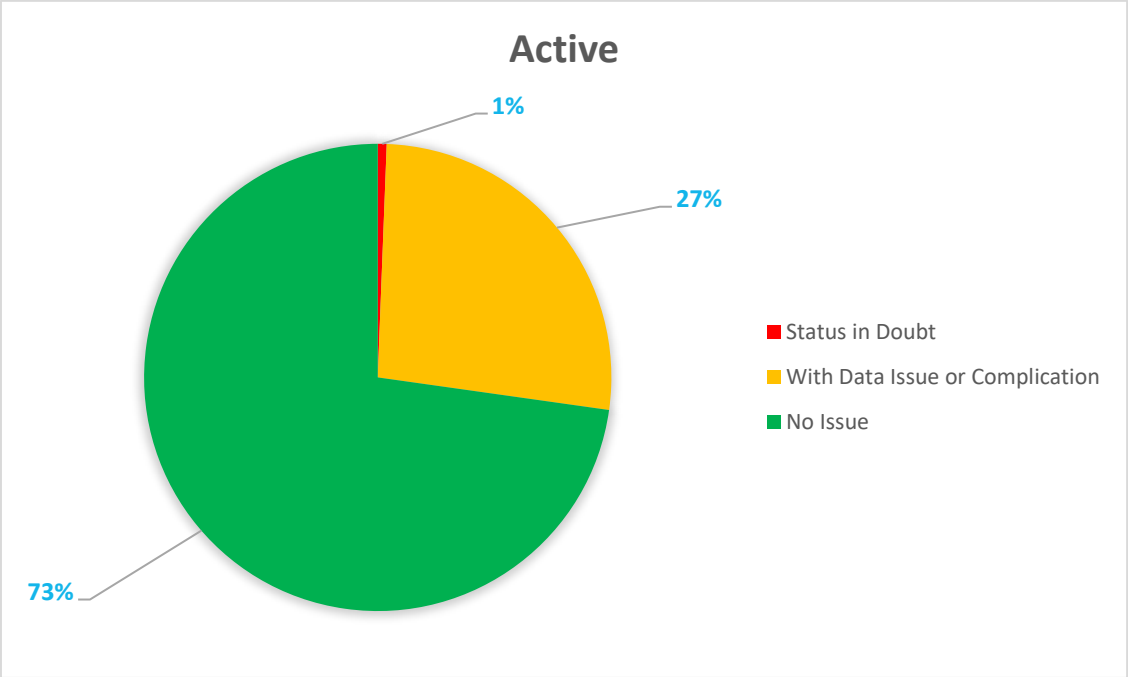
5.1 Introduction

The active population was analysed with the following purposes:

- Identify implicit backlog cases, i.e. where the member has, in fact, left the scheme, but has remained active on Altair.
- Across the population, assess general data quality with respect to common and scheme-specific data items material to leaver processing when the member leaves pensionable employment. While not a comprehensive data audit, this will give some indication of whether (e.g.) employer payroll issues that contributed to the existing status 2 backlog arising are still extant.

5.2 Results summary

Having prioritised individual tests in order to provide a headline result for each case, the results can be summarised as follows:



A breakdown of the issues and complications found is provided on the following pages.

5.3 Common data quality issues

Issue	Total Cases
Address missing or marked gone away	43
Latest address not marked as overseas and postcode is missing, suspect or incomplete	1
DOB missing or inconsistent	0
Date joined scheme inconsistent	0
Date joined employer inconsistent	0
Employer details missing or inconsistent	0
Forenames and initials missing or inconsistent	2
Sex missing or inconsistent with title	17
Surname missing	0
NINo is missing, temporary or invalid	7
Commentary: Basic details are mostly well recorded across the population. Any issues identified should, however, be queried with the employer to determine whether the member has left, or to obtain the latest details.	

5.4 Scheme-specific data quality issues

Issue	Total Cases
CARE accrual missing or inconsistent	564
Commentary: These cases should be further investigated to confirm the reason for the discrepancy and queried with the employer as applicable.	
Contributions for one or more recent scheme years missing	335
Commentary: Employee contribution details for each scheme year would ordinarily be expected on an active record. A lack of fully recorded year end contribution figures will need queried with the employer. The relatively high figure shown here may be a legacy of school payroll issues in particular.	
Service history inconsistencies	8
Commentary: These discrepancies between the Service and Status Histories on Altair should be investigated and queried with the employer as applicable.	
Incomplete or inconsistent transfer-in record	36
Commentary: These cases are primarily where the transfer-in date is not recorded. While it may appear in files scanned to the record, it is an expected data item in the LGA's guidance for scheme-specific data scoring.	
Unlinked records	26

Issue	Total Cases
Commentary: In principle, any one person should have only one identity on the administration system for all their ordinary scheme memberships. This avoids the potential for inconsistencies in common data. In addition, it is a prerequisite for calculations that work across multiple membership records to function.	
WTE figures inconsistent with each other	257
Commentary: The appearance of consistent WTE EOY pay figures for each scheme year would ordinarily be expected on an active record with final salary service. Any discrepancies should be queried with the employer.	

5.5 Status issues

Issue	Total Cases
Data issues that suggest an active member has in fact left	25
Commentary: These are records where the pay figures predate the latest EOY, or are without WTE or CARE pay figures entirely. The appearance of up to date pay figures would ordinarily be expected and discrepancies should be queried with the employer. In addition, checks were performed for active status members with an unexpected pension, transfer out, or linked dependant record, in order to identify active statuses that were simply incorrect. No cases were found.	

5.6 Other complications

Issue	Total Cases
Variable employment status either explicitly or implicitly recorded	107
Commentary: In the main, variable status is explicitly recorded in the Altair data for actives, however in a notable minority of cases (26) there is enough ambiguity to suggest a member is really a casual even if not explicitly shown as such on Basic Details, similar to the case with undecided leavers. Not explicitly recording a variable status will potentially contribute to wider data issues and more time spent at end of year to clarify details with the employer/payroll.	

6 Individual Record Reviews

6.1 Unprocessed leaver sampling breakdown

In addition to the bulk analysis above, some sample file reviews were undertaken by examining Altair records and images. The results are as follows:

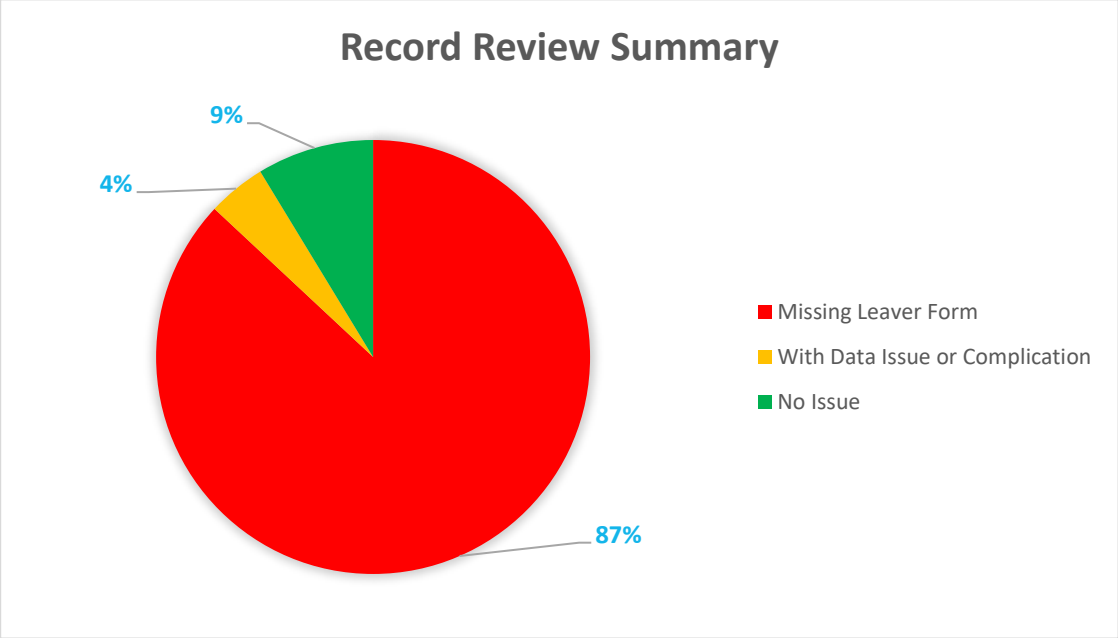
Employer	NINO	Supn Ref	Issues	Leaver Type	Further Comments
00W01: Westminster City Council	PW2103***	1815229	No leaver form	Deferred (pre 14 leaver)	
00W01: Westminster City Council	JH1695***	974964	No leaver form	Deferred with refund option (post 14 leaver)	Contributions, WTE pay and CARE pay missing for year of leaving however, this information would be expected on the leaver form.
00W01: Westminster City Council	JE6260***	1024787-9941	No leaver form	Refund (post 14 leaver)	Contributions, WTE pay and CARE pay missing for year of leaving however, this information would be expected on the leaver form.
00W01: Westminster City Council	SE1221***	-	No leaver form	Deferred (pre 14 leaver)	
00W01: Westminster City Council	JN9508***	1001575-3490	No leaver form	Deferred (post 14 leaver)	
00W01: Westminster City Council	WM8806***	1000681-0836	No issues	Deferred (post 14 leaver)	Deferred to be processed once concurrent has been completed.
00W01: Westminster City Council	WM8806***	1000681-0961	No leaver form	Concurrent (post 14 leaver)	Could consider aggregating without a leaver form following additional checks.
00W01: Westminster City Council	WK4149***	1000513-3683	No leaver form	Concurrent (post 14 leaver)	Could consider aggregating without a leaver form following additional checks.
00W01: Westminster City Council	NY5182***	1030089-4307	No leaver form	Refund (post 14 leaver)	

Employer	NINO	Supn Ref	Issues	Leaver Type	Further Comments
00W01: Westminster City Council	SK4366***	1002815-356X	No leaver form	Aggregation (post 14 leaver)	Contributions, WTE pay and CARE pay missing.
00W01: Westminster City Council	WE4805***	1001912-1006	No leaver form	Refund (pre 14 leaver)	
00W01: Westminster City Council	JJ1944***	1001936-3207	No leaver form	Deferred (post 14 leaver)	2 records ended on the same date so both should be processed as a deferred, however a leaver form is required for both.
00W01: Westminster City Council	JJ1944***	1001936-3274	No leaver form	Deferred (post 14 leaver)	2 records ended on the same date so both should be processed as a deferred, however a leaver form is required for both.
00W01: Westminster City Council	NR9870***	3001952	No leaver form	Aggregation (pre 14 leaver)	
00W21: Citywest Homes Ltd	PX1916***	350000999	No issues	Refund (post 14 leaver)	Relevant information held on documents received.
00W21: Citywest Homes Ltd	SL3192***	909SL3192301	No leaver form	Aggregation (post 14 leaver)	Aggregation then deferred on 2nd record. Leaver form required for both.
00W02: Westminster C C School (SE)	PB7426***	975476-1	No leaver form	Refund (post 14 leaver)	Missing CARE.
00W57: Pimlico Academy	JC4384***		No leaver form	Deferred (pre 14 leaver)	
00W57: Pimlico Academy	JZ5709***	E158924	No leaver form	Refund (post 14 leaver)	Contributions, WTE pay and CARE pay missing.
00W50: Atwood Academy	SS0170***	206732	No leaver form	Next day aggregation (post 14 leaver)	Contributions, WTE pay and CARE pay missing.
00W54: King Solomon Academy	SS0170***	207472	No leaver form	Deferred (post 14 leaver)	Deferred to be processed once aggregation has been completed. Leaver form required for both.

Employer	NINO	Supn Ref	Issues	Leaver Type	Further Comments
00W58: Harris St Johns Wood Academy	NZ8435***	922NZ843 5251	No leaver form	Deferred with refund option (post 14 leaver)	Contributions, WTE pay and CARE pay missing.
00W56: Paddington Academy	SE9339***	A1	Data issue	Refund (post 14 leaver)	Information held on leaver form which pre dates the member joining the scheme on Altair.

6.2 Results summary

The results of the sampling is displayed in the chart below:



Amongst the schools especially, a clear pattern emerged of missing leaver forms for newer and older status 2s alike. These will need to be chased, though for the older cases, there may well arise problems of payroll systems and suppliers having changed in the meantime. As such, assumption-based approaches to clear the backlog may need to be considered. For example, next-day aggregations with CARE and other key data up-to-date could potentially be processed without a leaver form.

6.3 Likely leaver sampling breakdown

Employer	NINO	Supn Ref	Issues	Further Comments
00W02:Westminster C C School (SE)	NZ4420***	110273-1	Data issue	Contributions, WTE pay and CARE pay missing.
00W05:Westminster C C School (3BM)	JX2171***	W00298A A	Data issue	WTE pay and CARE pay missing. Scheme contributions held predate the member joining the scheme on Altair.
00W57:Pimlico Academy	JM6881***	D317632	Data issue	Contributions, WTE pay and CARE pay missing.
00W57:Pimlico Academy	JP0818***	D302314	Data issue	Contributions, WTE pay and CARE pay missing.
00W01:Westminster City Council	NH8941***	3445683	Data issue	Contributions, WTE pay and CARE pay missing.
00W01:Westminster City Council	NY4100***	1000838-0659	Data issue	Contributions, WTE pay and CARE pay missing. Exit data held on documents received.

A common theme amongst the likely leavers is missing EOY data. These will need to be requested from the employers, though for the cases where the member joined some time ago, there may well arise problems of payroll systems and suppliers having changed in the meantime.

7 Processing Cases

7.1 Questions to consider

ITM have worked on a number of LGPS backlog projects and have encountered different processes and methodologies for handling cases. In order to process cases most efficiently, the following questions should be considered before simply heading straight into an attempt to fully clear the backlog:

- Are leaver forms required for completing every case type? For example, given certain conditions it may be reasonable to allow proceeding with a concurrency without one, e.g. in the situation of an employer that has changed payroll provider and therefore the legacy payroll data is unlikely to be available to query.
- Can multiple aggregations be ordered in a specific fashion to maximise efficiencies? For example, if the ultimate combined benefits are unaffected, it may be prudent to prioritise combining non-concurrent service ahead of concurrent, rather than processing records in strict date order.
- Are there any system limitations that need to be taken account of, and if so, have more recent Altair release notes been checked to confirm any old issues requiring manual workarounds have now in principle been resolved?
- Do complications involving multiple posts ending on the same day have defined processing policies?
- Do you have a well-defined policy for non-concurrent aggregations where the member left pre-14, but re-joined post-14? For example, it may be prudent to process backlog cases like a post-14 default aggregation were the gap less than five years and certain salary checks showed combining to be very likely in the member's interests.
- Are end of year WTE pensionable pay figures good enough to allow calculating service adjustments for concurrent aggregations with final salary benefits without going back to the employer or payroll provider? And if so, how exactly should the figure for the ongoing record be derived, e.g. should the salary at the previous, next or nearest renewal date be used?
- Are term-time positions involving final salary benefits consistently recorded? If not, what sort of checks and adjustments should be done?

Westminster City Council - Nov 2019 to Jan 2020 Results on KPI Reporting

Description	Target time/date as per Partnership Agreement	Target	Actual Score for Quarter	Quantity October 2019	Actual Score October 2019	Quantity November 2019	Actual Score November 2019
Pension Administration							
Death Benefits Notify potential beneficiary of lump sum death grant	5 days	**100%**	%	1	100%	2	100%
Write to dependant and provide relevant claim form	5 days	**100%**	%	4	100%	2	100%
Set up any dependants benefits and confirm payments due	14 days	**100%**	%	2	100%	1	100%
Retirements Retirement options issued to members	5 days	**100%**	%	13	77%	8	100%
New retirement benefits processed for payment following receipt of all necessary documents	5 days	**100%**	%	9	100%	7	100%
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		%	9	100%	7	100%
Refunds of Contributions Refund paid following receipt of claim form	14 days	**100%**	%	23	100%	23	100%
Deferred Benefits Statements sent to member following receipt of leaver notification	30 days	**100%**	%	91	100%	55	100%
Notification to members 2 months before payments due	2 months		%	21	100%	29	100%
Lump Sum (on receipt of all necessary documentation)	5 days		%	18	89%	18	100%
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		%	18	100%	18	100%

New Joiners New starters processed	30 days	**100%**	%	18	100%	4	100%
Transfers In Non LGPS transfers-in quotations	30 days	**100%**	%	23	100%	8	100%
Non LGPS transfers-in payments processed	30 days	**100%**	%	14	100%	4	100%
Transfers Out Non LGPS transfers-out quotations processed	30 days	**100%**	%	1	100%	5	100%
Non LGPS transfers out payments processed	30 days	**100%**	%	9	100%	0	100%
Interfunds In - Quotations	30 days	**100%**	%	2	100%	1	100%
Interfunds In - Actuals	30 days	**100%**	%	9	100%	5	100%
Interfunds Out - Quotations	30 days	**100%**	%	4	100%	9	100%
Interfunds Out - Actuals	30 days	**100%**	%	5	100%	10	100%
Estimates							
1-10 cases	5 Days		%	6	100%		n/a
11-50 cases	Agreed with WCC		%			12	100%
51 cases or over	Agreed with WCC		%				
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		%	139	100%	109	100%
Buying Additional Pensions							
Members notified of terms of purchasing additional pension	15 days		%	1	100%	0	n/a
Monthly Pensioner Payroll							
Full reconciliation of payroll and ledger report provided to WCC	Last day of month				100%		100%
Issue of monthly payslips	3 days before pay day				100%		100%
RTI file submitted to HMRC	3 days before pay day				100%		100%
BACS File submitted for payment	3 days before pay day				100%		100%
P35	EOY				31-Mar-19		31-Mar-19
Annual Exercises			**Date Achieved**				
Annual Benefit Statements Issued to Active members	31 August each year				Annual		Annual
Annual Benefit Statements Issued to Deferred members	31 August each year				Annual		Annual
P60s Issued to Pensioners Non LGPS transfers-in quotations processed within 20 days	31 May each year				100%		100%
Apply Pensions Increase to Pensioners	April each year				100%		100%
Pensioners Newsletter	April each year				100%		100%
Correspondence							
Acknowledgement if more than 5 days	2 days						
Response	10 days				100%		100%

3rd party enquires	10 days						
Helpdesk Enquiries							
Volumes of Enquiries Handled By Helpdesk	Number of Enquiries Handled					748 telephone calls	
					-		-
Customer Surveys							
Monthly survey to retirees	Percentage Satisfied with Service						

Comments	Quantity December 2019	Actual Score December 2019	Quantity January 2020	Actual Score January 2020	Comments	Trend	People services Comments
x	1	100%	0	100%	x		
x	4	100%	5	100%	x		
x	1	100%	2	100%	x		
x	3	100%	6	83%	1 CASE FAILED, by 2 days		Although 1 case was late in January. There were several late cases in July and October as previously reported. The 1 case failing is an improvement.
x	7	100%	7	100%	x		
x	7	100%	7	100%	x		
x	28	100%	12	100%	x		
Includes 20 backlog cases completed by the team	54	100%	74	100%	38 OF THESE CASES ARE BACKLOG		
x	34	0%	38	0%	1 CASE FAILED, by 2 days on the month tmescale. All late for two months.		Please note that Orbis are looking at the introduction of new Robot technology to automate some aspects of our pension admin including sending letters to preserved benefit cases where pension is due to be paid. This has slowed down the sending of letters in December and January to one month before payment is due from our target two. We will work towards moving back to two months. Although we do not want this KPI to slip we are keen to ensure that tecnology is embrased
x	11	100%	19	100%	x		we are pleased with the improvement in this KPI.
x	11	100%	19	100%	x		

4 set up manually	5	100%	38	100%	38 MANUAL SET UP		
x	3	100%	7	100%	x		
x	10	100%	7	100%			
x	1	100%	6	100%	X		
x	0	100%	1	100%	X		
x	3	100%	4	100%	X		
x	1	100%	1	100%	x		All 100%
x	9	89%	10	100%	x		The late case in December was simply missed from workloads. Human error casued delay.
x	12	100%	13	100%	X		All 100%
	1	100%	7	100%			All 100%
x							
							no cases in period.
	66	98%	130	100%			1 amendment proceesed late in December.
x	0	N/A	1	100%	X		
		100%		100%			All 100%
		100%		100%			All 100%
		100%		100%			All 100%
		100%		100%			All 100%
		31-Mar-19		31-Mar-19			
		Annual		Annual			
		Annual		Annual			
Issued April 2019		100%		100%	Issued April 2019		April 19 Actions completed.
		100%		100%			April 19 Actions completed.
		100%		100%			April 19 Actions completed.
Issued April 2019					Issued April 2019		
	13	85%	16	100%			two cases responded to late over the Christmas period.

		-		-			

City of Westminster

Pension Board

Date:	**3 March 2020**
Classification:	**General Release**
Title:	**Draft Investment Strategy Statement and Investment Beliefs**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no 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 As per the Local Government Pension Scheme (LPGS) Management and Investment of Funds Regulations 2016, the Westminster Pension Fund is required to publish an Investment Strategy Statement (ISS).

1.2 Attached is a draft ISS, which sets out the Pension Fund's policy on investment, risk management, LGPS pooling and ethical, social and governance (ESG) issues, for both its own investments and those being managed through the London Collective Investment Vehicle (LCIV).

1.3 Based on questionnaire feedback from Pension Fund Committee members, the Fund's investment consultant, Deloitte, has drafted a set of investments beliefs for the Fund which, will be adopted and form a core part of the Fund's investment strategy going forward.

2. RECOMMENDATIONS

2.1 The Board is invited to comment on the draft Investment Strategy Statement and investment beliefs.

3. INVESTMENT STRATEGY STATEMENT

3.1 The ISS sets out the requirements of the LGPS legislation and the Pension Fund Committee's terms of reference. The ISS has been prepared in accordance with the Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Preparing and Maintaining an Investment Strategy Statement.

3.2 The six main objectives of the legislation are then detailed in relation to Westminster City Council's Pension Fund policies and strategies. These are:

- Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments. This sets out how the investment strategy deals with diversification and return to meet the long term objectives of the fund;

- Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment. This sets out how the Pension Fund Committee assesses the suitability of investments and measures their suitability;

- Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed. This sets out how the Pension Fund Committee assesses the different types of risk in order to establish what is acceptable to ensure that the fund meets its obligations;

- Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles. This sets out the Pension Fund Committee's approach to LGPS pooling and also what the LCIV can offer in terms of investment opportunities;

- Objective 7.2(e): How environmental, social and governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments. This sets out how the Fund meets these obligations, and also how potential investments with the LCIV will comply with these obligations;

- Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments. This sets out how the Fund meets these obligations and also how potential investments with the LCIV will be dealt with.

3.3 The ISS also deals in turn with the Funds compliance with the CIPFA Pensions Panel Principles for investment decision making in the LGPS, shown as Appendix A of the ISS. These six principles cover a range of factors as follows:

  - Effective decision-making
  - Clear objectives
  - Risk and Liabilities
  - Performance Assessment
  - Responsible Ownership

- Transparency and Reporting

3.4 The Fund's compliance with the Stewardship Code 2020 Guidance is set out within Appendix B of the ISS. The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but, if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so. The LCIV's Stewardship Statement can be found within Appendix C of the ISS.

3.5 The Fund's Responsible Investment policy is set out in Appendix D of the ISS. The purpose of this policy document is to lay out the Fund's approach to how environmental, social and governance (ESG) considerations are considered in the selection, non-selection, retention and realisation of investments.

3.6 The strategic asset allocation of the Fund can be found within Appendix E of the ISS (as per the draft recommended asset allocation following Deloitte's investment strategy review, this is yet to be approved by Committee). This sets out the target asset allocation to a variety of assets as well as the review ranges. Once the review range of an asset is triggered, a rebalancing exercise should be undertaken to ensure the Fund stays within its target allocation limits.

4. INVESTMENT BELIEFS

4.1 The objective of the Investment Beliefs is to set out the Fund's key investment beliefs. These beliefs will form the foundation of discussions, and assist decisions, reference the structure of the Fund, its strategic asset allocation and the selection of investment managers.

4.2 When considering the Committee's investment beliefs, it is useful to consider the six objectives within the LGPS (Management and Investment of Funds) Regulations, listed in section 3.2 of this report. A clear set of investment beliefs can help achieve good governance by providing a framework for all investment decisions.

4.3 The draft Investment Beliefs are attached at Appendix 2 and fall into five key areas. The key areas are below:

- Investment governance
- Long term approach
- Environmental, social and governance (ESG) factors
- Asset allocation
- Management strategies

5 PENSION FUND COMMITTEE OUTCOME

5.1 The draft ISS and investment beliefs were approved by the Pension Fund Committee on 20 February 2020, with authority delegated to the Tri-Borough

Director of Treasury and Pensions in consultation with the Chairman to publish the final Investment Beliefs and the ISS.

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

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS:

None.

APPENDICES:

Appendix 1 – Investment Strategy Statement

Appendix 2 – Investment Beliefs

City of Westminster Pension Fund
Investment Strategy Statement 2020/21

1. Introduction

1.1 This is the Investment Strategy Statement (ISS) adopted by the City of Westminster Pension Fund ("the Fund"), which is administered by Westminster City Council ("the Administering Authority").

Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Fund is required to publish this ISS. The Regulations require administering authorities to outline how they meet each of 6 objectives aimed at improving the investment and governance of the Fund.

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

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

We deal with each of these in turn below.

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

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

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

- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the Investment Consultant.
- To monitor performance of the Superannuation Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
- To determine the Fund management arrangements, including the appointment and termination of the appointment of the Fund Managers, Actuary, Custodians and Fund Advisers.
- To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
- To approve the final accounts and balance sheet of the Superannuation Fund and to approve the Annual Report.
- To receive actuarial valuations of the Superannuation Fund regarding the level of employers' contributions necessary to balance the Superannuation Fund.
- To oversee and approve any changes to the administration arrangements, material contracts and policies and procedures of the Council for the payment of pensions, compensation payments and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.

- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To receive and consider the Auditor's report on the governance of the Pension Fund.
- To determine the compensation policy on termination of employment and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
- To determine policy on the award of additional membership of the pension fund and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
- To determine policy on the award of additional pension and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub- Committee).
- To determine policy on retirement before the age of 60 and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub- Committee).
- To determine a policy on flexible retirement and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
- To determine questions and disputes pursuant to the Internal Disputes Resolution Procedures.
- To determine any other investment or pension policies that may be required from time to time so as to comply with Government regulations and to make any decisions in accordance with those policies other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

The Committee has responsibility for:

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

The Executive Director of Finance and Resources, the Tri-Borough Director of Treasury and Pensions and the appointed consultants and actuaries support the Pension Fund Committee. The day-to-day management of the Fund's assets is delegated to investment managers.

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

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

1.7 Governing all investment decisions are the Committee's core investment beliefs they have been established based on the views of the members and are listed below:

1 Investment Governance
a. The Fund has access to the necessary skills, expertise and resources to manage the whole Fund, as well as internally managing a small proportion of the Fund's assets, such as cash management.
b. Investment consultants, independent advisors and officers are a source of expertise and research to inform and assist the Committee's decisions.
c. The ultimate aim of the Fund's investments is to pay pension liabilities when they become due. The Committee will therefore take account of liquidity and the long-term ability of the Fund to meet these obligations.
d. The Fund is continuously improving its governance structure through bespoke training to implement tactical views more promptly, but acknowledges that it is not possible to achieve optimum market timing.

2 Long Term Approach
a. The strength of the employers' covenant allows the Fund to take a longer term view of investment strategy than most investors.
b. The most important aspect of risk is not the volatility of returns, but the risk of absolute loss over the medium and long term. This would in turn impact the ability of the employers to make adequate contributions to meet the Fund's liabilities.
c. Illiquidity and volatility are shorter term risks which offer potential sources of additional compensation to the long term investor. Moreover, it is important to avoid being a forced seller in short term market setbacks.
d. Over the long term, equities are expected to outperform other liquid assets, particularly government bonds and cash.

3 Environmental, Social and Governance (ESG) factors
a. Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.
b. Well governed companies that manage their business in a responsible manner are less vulnerable to downside risk and may therefore produce higher returns over the long term.
c. In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they invest in.
d. Environmental considerations form a part of the Committee's decision-making process when making investment allocations
e. If an investment manager fails to adequately consider ESG issues, the Committee is prepared to disinvest assets from that manager.

4 Asset allocation
a. Allocations to asset classes other than equities and government bonds (e.g., corporate bonds, private markets and property) offer the Fund other forms of risk premia (e.g., additional solvency risk/illiquidity risk).
b. Diversification across asset classes and asset types that have low correlation with each other will tend to reduce the volatility of the overall Fund return.
c. In general, allocations to bonds and alternatives are made to achieve additional diversification. As the funding level improves, the Committee may look to certain lower risk strategies to mitigate liability risks and thus dampen the volatility of the Fund's actuarial funding level.

5 Management Strategies
a. A well-balanced portfolio has an appropriate mix of passive and active investments.
b. Passive, index-tracker style management provides low cost exposure to equities and bonds, and is especially attractive in efficient markets.
c. Active management will typically incur higher investment management fees but can provide additional return. Fees should be aligned to the interests of the Fund rather than performance of the market.
d. Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.
e. Employing a range of management styles can reduce the volatility of overall Fund returns but can also reduce long term outperformance.

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

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

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

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

2.3 This approach to diversification has seen the fund dividing its assets into four broad categories global equities, Fixed Income, Property and Alternatives. The size of the assets invested in each category will vary depending on investment conditions, the strategic asset allocation can be found within appendix E. However, it is important to note that each category is itself diversified. A consequence of this approach is that the Fund's assets are invested in a wide range of instruments.

2.4 The main risk the Committee are concerned with is to ensure the long-term ability of the fund to meet pension, and other benefit obligations, as they fall due is met. As a result, the Committee place a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Committee considers excessive. The Fund currently has a negative cash flow position. The Committee is mindful that this position may change in future and keeps the liquidity within the Fund monitored. At all times the Committee seeks to ensure that their investment decisions, including those involving diversification, are the best long-term interest of Fund beneficiaries and seeks appropriate advice from investment advisors.

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

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

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

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

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

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

3.4 The policy on asset allocation is compatible with achieving the locally determined solvency target.

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

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

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

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

4.2 Geopolitical and currency risks:

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

4.3 Manager risk:

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

4.4 Solvency and mismatching risk:

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

4.5 Liquidity risk:

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

4.6 Custodial risk:

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

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

- The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the investment managers from deviating significantly from the intended approach while permitting the flexibility for managers to enhance returns
- The appointment of more than one manager with different mandates and approaches provides for the diversification of manager risk

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

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

4.10 The Committee are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy the Committee carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate. Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them. These can be based on

historic asset class information for some of the listed asset classes the Fund uses. However, for other private market and less liquid assets it is much more difficult. The Committee is also mindful that correlations change over time and at times of stress can be significantly different from when they are in more benign market conditions.

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

4.12 The Fund targets a long-term return 4.8% as aligned with the latest triennial valuation from the Actuary. The investment strategy is considered to have a low degree of volatility.

4.13 When reviewing the investment strategy on a quarterly basis the Committee considers advice from their advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable. In addition to this the risk registers are updated on a quarterly basis, appendix F.

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

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

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

5.2 The Funds approach to pooling arrangements meet the criteria set out in the Local government pension scheme: investment reform criteria and guidance.

5.3 The Fund joined the London Collective Investment Vehicle (LCIV) as part of the Government's pooling agenda. The London CIV was launched in December 2015 by the 32 local authorities within London and has circa £18bn of assets under management, including £8bn under direct management, with 14 funds launched as of 2019/20.

5.4 The Fund has transitioned assets into the London CIV with a value of £414m or 27% as at the 31 December 2019. Going forward the Fund will look to transition further assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

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

5.6 The Fund holds 43% or £661m of its assets in life funds and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool.

5.7 The Fund holds £379m or 25% of the Fund within investment assets including property, bonds and infrastructure, and these will remain outside of the London CIV pool. A further £72m or 5% held with a global equity manager is due to be transitioned in to global infrastructure as the fund draws down. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

5.8 The table below details the investment funds held by the Pension Fund and indicates whether this mandate is available on the LCIV platform and how much had been transferred as at 31 December 2019.

City of Westminster Fund	Available on the LCIV	Transferred to LCIV
Listed Equities		
Passive Equities: LGIM	Yes	£645m
Global: Baillie Gifford	Yes	£322m
Global: Longview	Yes	
Cash		
In-house	No	
Fixed Income		
Multi Asset Credit: CQS	Yes	£94m
Global Bonds: Insight	No	
Infrastructure		
Infrastructure: Pantheon	No	
Property		
Property: Hermes	No	
Property: Aberdeen Standard	No	

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

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

5.11 The London CIV is an FCA authorised company established by the London Local Authorities (LLAs) to provide a collaborative vehicle for pooling LGPS pension fund assets. London CIV shareholders approved a new Corporate Governance and Controls framework at the July 2018 Annual General Meeting (AGM). This framework details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting. It was agreed to review the framework after one year of operation which provides an opportunity to assess how it can be improved further, in particular to improve its effectiveness in achieving collaboration and an effective working relation between London CIV and its 32 shareholders collectively.

5.12 The London CIV Company Board comprises of an independent Chairman, 7 non-executive Directors (NEDs), including 2 nominated by the LLAs, 3 executive Directors and the LCIV Treasurer. The Board has a duty to act in the best interests of the shareholders and has collective responsibility for:

- Strategy and Oversight
- Budget &forward plan
- Reviews performance
- Major contracts and significant decisions including in relation to funds
- Financial reporting & controls
- Compliance, risk and internal controls
- Key policies
- Governance

5.13 The London CIV has four Committees, responsible for investment oversight, audit and risk, remuneration and nominations and day to day operations of the company. These comprise of executive and non-executive members.

The role of the Investment Oversight Committee is to:

- determine, maintain and monitor the Company's investment strategy, investment performance and performance risks of the portfolios in accordance with the Company strategy and business plan.

The responsibilities of the Compliance, Audit & Risk Committee include:

- oversee compliance obligations;
- risk management framework; and
- integrity of financial statements and reporting

The responsibilities of the Remuneration & Nomination Committee include:

- remuneration policy;
- remuneration of key staff; and
- nominations and succession planning of key staff and Board members.

The Executive Directors acting collectively as the Executive Committee have a number of specific delegated responsibilities for the day-to-day operations of the company, supported by the wider executive leadership team. The role of the Executive Committee in summary is to:

- execute board-approved strategic objectives and business plan in line with risk appetite and financial limits;
- identify, discuss, and formulate effective solutions to address issues and opportunities facing the Company;
- ensure the day-to-day operations meet relevant legal requirements and compliance obligations of the Company; and
- ensure the Board & Board Committee members receive timely, accurate and transparent management information & reporting to fulfil their duties & responsibilities.

5.14 The London CIV Shareholder Committee is responsible for scrutinising the actions of the Board, reporting and transparency, consultation on the strategy and business plan, matters reserved to shareholders, responsible investment and emerging issues. The Committee meets on a quarterly basis and comprises of 12 members including Councillors and Treasurers from the LLAs.

5.15 The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.

5.16 External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the MHCLG.

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

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

6.1 A review of the Fund's carbon exposure was undertaken by TruCost during September 2019, whereby the Fund's equity and property portfolio carbon footprints were mapped. Following this, a responsible investment (RI) policy and ESG policy was drafted for the Fund to be adopted by the Committee for 2020/21. The RI Policy outlines the approach to the management of Environmental, Social and Governance (ESG) issues within the investment portfolio and can be fund within appendix D.

The Present ESG Policy

Introduction

6.2 The City of Westminster (WCC) Pension Fund (the Pension Fund) is committed to being a responsible investor and a long-term steward of the assets in which it invests. The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment.

6.3 The Pension Fund recognises that the neglect of corporate social responsibility and poor attention paid to environmental, social and governance (ESG) issues may lead to poor or reduced shareholder returns. This presents a significant responsibility for the Pension Fund Committee (the Committee). The ESG approach has become integral to the Fund's overall investment strategy.

6.4 The Fund maintains a policy of non-interference with the day-to-day decision making of the investment managers. The Committee believes that this is the most efficient approach whilst ensuring the implementation of policy by each manager is consistent with current best practice and the appropriate disclosure and reporting of actions.

6.5 There are a wide range of ESG issues, with none greater currently than climate change and carbon reduction. The Pension Fund recognises climate change as the biggest threat to global sustainability alongside its administering authority employer, Westminster City Council, which has committed itself to achieving carbon neutrality by 2030.

6.6 Members of the Pension Fund place their trust in the Pension Fund Committee who hold a fiduciary duty to act in the members' best interests and ensure that their pension benefits are fully honoured in retirement. That is why, as well as targeting investment returns that match the pension liabilities, the Committee is committed to managing the investment risks: the risks that pose a substantial threat to LGPS members' long-term future.

6.7 The Pension Fund's revised investment strategy should be governed by the following investment principles, which are set out below

6.8 Investment Principles

- The Pension Fund as a long-term investor, is committed to **investing to build a better future** through the integration of ESG issues at all stages of the investment decision-making process.

- Through active ownership, the Pension Fund **engages with the investment community** to help ensure a sustainable future for all its stakeholders. This includes demanding best practice amongst its investment managers and challenging their investment outcomes where appropriate.

- The Pension Fund recognises that significant value can be achieved through **collaboration with other stakeholders**. The Pension Fund will work closely with its LGPS pool company (the London CIV), other LGPS funds and member groups such as the Local Authority Pension Fund Forum (LAPFF) to ensure corporate interests are aligned with the Pension Fund's values.

- The Pension Fund wants to **make members proud** of the governance process and the way in which in the Fund is invested on their behalf. It is important for the Pension Fund to be completely transparent and accountable to members and stakeholders.

6.9 Policy Implementation: investing to build a better future

The Pension Fund will continue to assess investment opportunities that have a positive impact on society as whole. These include but are not limited to, investments in fixed income (green bonds), property, low carbon assets, renewables and social impact opportunities. The Fund currently has a 5% allocation to global infrastructure, where the asset manager has the freedom to invest within renewables if a suitable venture presents itself.

The Pension Fund views engagement with companies as an essential activity and encourages companies to take position action towards reversing climate change. The Westminster Pension Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from carbon intensive producing companies. The Pension Fund will continue to encourage positive change whilst officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including carbon and other ESG considerations.

6.10 Policy Implementation: engaging with investment community

Institutional investors have the power to influence and change behaviour globally. The WCC Pension Fund believes that there is significant value in being able to actively engage with the companies we invest in and be part of the transition to a global, low carbon economy.

The Fund expects managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

The measurement of ESG performance is still developing and benefitting from significant improvements. There are several performance benchmarks and disclosure frameworks that exist to measure the different aspects of available ESG data which include carbon emissions and a variety of social impact scores.

- The Pension Fund carries out a carbon footprint exercise on its separate portfolios annually via a specialist firm. The outcome of this measurement exercise will be instrumental in ensuring that the fund is able to meet its decarbonisation goals through effective asset allocation.

- The Pension Fund will continue to work closely with its investment managers to measure the carbon impact of its investments. This will involve developing internal metrics and agreed targets which will be reviewed on a regular basis.

Increasingly, there is growing interest in the investment community to develop investment strategies that focus on sustainable investments. As well as the wider investment community, the Pension Fund will support and contribute to the work carried out by the London CIV in the development of sustainable investments.

6.11 Policy Implementation: collaboration with other stakeholders

The introduction of pooling across the Local Government Pension Scheme (LGPS) will impact how the Pension Fund's responsible investment policy is implemented. The WCC fund is committed to playing a key role as part of the LGPS London CIV pool, with circa 70% of assets pooled.

As asset owners, the Pension Fund, in line with its investment strategy, is responsible for deciding how its assets are invested through its strategic asset allocation. In addition to engaging with the investment community, the Pension Fund will continue to work closely with other UK and London LGPS funds to find common solutions for ESG issues.

As more funds are onboarded into the London CIV, the Pension Fund expects to further increase its investment in the pool. This is expected to create economies of scale and increased synergies for the Pension Fund through a significant reduction in management fees and greater influence when engaging with external stakeholders. The London CIV will manage the Pension Fund's investments in line with the Fund's strategic objectives and those of the other London LGPS Funds.

The Pension Fund actively contributes to the engagement efforts of pressure groups, such as the Local Authority Pension Fund Forum (LAPFF) and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM. This will be monitored on a regular basis.

6.12 Policy Implementation: making our members proud

WCC's LGPS members have spent at least part of their careers helping to deliver key services to their community. It is important for them to understand how their Pension Fund is managed and the contribution its investments make in securing a sustainable future. Members are encouraged to take an active interest in the governance processes of their Pension Fund and their views are represented within the work of the Local Pension Board.

The Pension Fund will aim to provide members with a variety of information which allows them to easily understand the types of investments within the portfolio.

The Pension Fund reports on its overall performance annually through an annual report which is readily accessible to members on the fund's website.

Data within the annual report will include investment performance, an assessment of the key performance indicators (KPIs) of the Fund's administrative function and the Fund's assessment of its many risks.

The Pension Fund hosts an annual general meeting (AGM), following the end of the financial year, which all members and key stakeholders are invited to attend. This includes updates on the administration service, investment performance from our investment advisor, as well as a market update from an asset manager and a presentation from our actuary.

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

The Present Policy

7.1 The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the investment managers to vote in the best interests of the Fund. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

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

7.3 In addition the Fund:

- Is a member of the Pension and Lifetime Savings Association (PLSA) and the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners; and
- Joins wider lobbying activities where appropriate opportunities arise.

7.4 Ongoing voting and engagement is covered with the Funds Responsible Investment Policy (Appendix D).

7.5 The Committee expects any directly appointed asset managers and the pool company (London CIV) to comply with the Stewardship Code (2020) and this is monitored on an annual basis. See appendix B and C for further details on the Funds approach to stewardship.

8 Feedback on this statement

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

Tri-Borough Treasury and Pensions Team
PensionFund@westminster.gov.uk

Westminster City Council
16th Floor City Hall
Tri-Borough Treasury and Pensions Team
64 Victoria Street
London
SW1E 6QP

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

Decision Making

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

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

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

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

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

Principle 1 - Effective decision-making

Administrating authorities should ensure that:

- **Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and**
- **Those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.**

Full Compliance
The Council has delegated the management and administration of the Fund to the Committee, which meets at least quarterly. The responsibilities of the Committee are described in paragraph 1.4 of the ISS.
The Committee is made up of elected members of the Council who each have voting rights.

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

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

Business plans are presented to the Committee annually.

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

Principle 2 - Clear objectives

An overall investment objective(s) should be set for the Fund that takes account of the pension liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

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

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

Principle 3 – Risk and liabilities

In setting and reviewing their investment strategy, administrating authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Full Compliance
The Committee has, in conjunction with its advisers, agreed an investment strategy that is related to the Fund's liabilities. An actuarial valuation of the Fund takes place every three years, with the most recent triennial valuation taking place in 2019. The investment strategy is designed to give diversification and specialisation and achieve optimum return against acceptable risk.

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

Principle 4 – Performance Assessment

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

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

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

The actuary is assessed on the quality and consistency of the actuarial advice received. Both the advisor and the actuary have fixed term contracts which when expired are tendered for under the OJEU procedures.
The Committee monitors the investment decisions it has taken, including the effectiveness of these decisions. In addition, the Committee receives quarterly reports as to how the Fund has performed against their investment objective.

In order to comply with the CMA investment consultancy and Fiduciary Management Market Investigation Order 2019, The Fund's investment advisors are measured annually against an agreed set of criteria which was agreed by Committee at the 23 October 2019 meeting.

Principle 5 – Responsible Ownership

Administering authorities should:

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

Full Compliance

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

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

Principle 6 – Transparency and reporting

Administering authorities should:

- **Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives.**
- **Provide regular communications to scheme members in the form they consider most appropriate.**

Full Compliance

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

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

Compliance with the Stewardship Code

The **Stewardship Code** is a set of principles or guidelines released in 2010 and updated in 2020 by the Financial Reporting Council (FRC) directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so. The Committee has not formally adopted the latest version of the Stewardship code, however expects any directly appointed fund managers and the pool company (London CIV) to comply and this is monitored on an annual basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The London CIV will review annually the conflicts of interest policy of its managers and how any conflicts have been managed during the year. The London CIV has policies in place to manage conflicts of interest that may arise for the Board and its officers when making decisions on its behalf. The Conflicts of Interest policy is reviewed by the London CIV board on a regular basis. A Conflicts of Interest Register is maintained. Shareholders of the London CIV attending the Pensions Sectoral Joint Committee are required to declare any conflicts of interest at the start of any meeting.

Principle 3
Institutional investors should monitor their investee companies.

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

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

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

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

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

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

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

- whether voting activity has led to any changes in company practice;
- whether the investment manager's policy specifies when and how they will escalate engagement activities;
- overall engagement statistics (volume and areas of focus);
- example of most intensive engagement activity discussed as part of the manager's annual review meeting; and
- the estimated performance impact of engagement on the strategy in question.
- Given the range of fund managers and Fund investments, the London CIV carries out its monitoring at the manager level to identify:
- trends to ensure progress is being made in stewardship activities;
- specific managers where progress or the rate of progress is not adequate; and
- appropriate specific actions necessary.

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

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

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

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

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

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

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

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

The London CIV encourages transparency from its investment managers and expects its managers to report publicly on their voting in an appropriate manner.

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

Introduction

1.1. Responsible Investment is defined by the United Nation's 'Principles for Responsible Investment' document as an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long term returns. The Pension Fund's approach to responsible investment is aligned with the Fund's investment beliefs and recognises ESG factors as central themes in measuring the sustainability and impact of its investments.

1.2. Failure to appropriately manage ESG factors is considered to be a key risk for the Pension Fund as this can have an adverse impact on the Fund's overall investment performance, which ultimately affects the scheme members, employers and local council tax payers.

1.3. The United Nations has established 17 Sustainable Development Goals (SDGs) as a blueprint to achieving a better and more sustainable future for all. These goals aim to address the challenges of tackling climate change, supporting industry, innovation and infrastructure, and investing in companies that are focused on playing a key role in building that sustainable future.

1.4. The Pension Fund acknowledges that these goals form a vital part of acting as a responsible investor alongside its administering authority employer, Westminster City Council, with the Council having recently committed itself to achieving carbon neutrality by the year 2030.

1.5. The Pension Fund maintains a policy of engagement with all its stakeholders, including those operating in the investment industry. It is broadly recognised that, in the foreseeable future, the global economy will transition from its reliance on fossil fuels to the widespread adoption of renewable energy as its main source. The impact of this transition on the sustainability of investment returns will be continually assessed by officers, advisors and investment managers.

1.6. The Pension Fund Committee is committed to playing an active role in the transition to a sustainable economic and societal environment. To that extent, the Pension Fund will continue to seek investments that match its pensions liability profile, whilst having a positive impact on overall society. Greater impact can be achieved through active ownership and lobbying for global companies to change and utilise their resources sustainably.

1.7. Notwithstanding these noble objectives, it is important to note that the Pension Fund Committee has a vital, fiduciary duty to act in the best interests of the LGPS beneficiaries to ensure that their pension benefits are honoured in retirement.

Policy Implementation: Selection Process

1.8. The Pension Fund Committee delegates the individual investment selection decisions to its investment managers. To that extent, the Pension Fund maintains a policy of non-interference with the day-to-day decision-making processes of the investment managers. However, as part of its investment manager appointment process, the Pension Fund Committee assesses the investment managers' abilities to integrate ESG factors into their investment selection processes.

1.9. This includes, but is not limited to:

a. evidence of the existence of a Responsible Investment policy;
b. evidence of ESG integration in the investment process;

c. evidence of sign-up to the relevant responsible investment frameworks such as the United Nations Principles for Responsible Investment (PRI);
d. evidence of compliance with the Stewardship Code as published by the Financial Reporting Council (FRC);
e. a track record of actively engaging with global companies and stakeholders to influence best practice;
f. an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made.

1.10. As part of its investment selection process, the Pension Fund Committee will obtain proper advice from the Fund's internal and external advisors with the requisite knowledge and skills. Our investment advisor will assess ESG considerations as part of its due diligence process and assess investment managers against the following criteria:

a. for active managers, the advisor will assess how ESG issues are integrated into investment selection, divestment and retention decisions;
b. for passive managers, the investment advisor places less focus on ESG issues in the investment selection process, and considers ESG issues in its responsible investment policy and if the manager engages with global companies and stakeholders where appropriate;
c. consideration of whether managers are making most effective use of voting rights and if votes are exercised in a manner consistent with ESG considerations specified by the manager;
d. how significantly managers value ESG issues and whether any specialist teams and resources are dedicated to this area; and
e. how ESG risk assessment is integrated into the portfolio investment selection process and the value and effectiveness of these assessments.

1.11. Investment managers are expected to follow best practice and use their influence as major institutional investors and long-term stewards of capital to promote best practice in the companies/projects in which they invest. Investable companies will be expected to comply with all applicable laws and regulations in their respective markets as a minimum.

Policy Implementation: Ongoing Engagement and Voting

1.12. Whilst it is still quite difficult to quantify the impact of the less tangible non-financial factors on the economic performance of an organisation, this is an area that continues to see significant improvement in the measurement of benchmarking and organisational progress. Several benchmarks and disclosure frameworks exist to measure the different aspects of available ESG data which include carbon emissions, diversity on company boards and social impact. It is apparent that poor scoring on these ESG factors can have an adverse impact on an organisation's financial performance. It is therefore important for the appointed investment managers to effectively assess the impact such factors may have on the underlying investment performance.

1.13. The Pension Fund views active engagement as an essential activity in ensuring long-term value and encourages investment managers to consider assessing a range of factors, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental, governance and social issues.

1.14. Pension Fund officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including ESG considerations. This can be implemented in several forms which include, but are not limited to:

a. Regular meetings with investment managers to assess investment performance and the progress made towards achieving ESG targets;
b. reviewing reports issued by investment managers and challenging performance where appropriate;
c. working with investment managers to establish appropriate ESG reporting and disclosures in line with the Pension Fund's objectives;
d. contributing to various working groups that seek to positively influence the reporting of industry standards on ESG metrics;
e. actively contributing to the efforts of engagement groups such as the Local Authority Pension Fund Forum (LAPFF), of which the fund is a member (currently 83 LGPS member funds).

1.15. The Pension Fund holds units in pooled equity funds, where our asset managers will have the opportunity to vote at company meetings on our behalf. Engagement with companies can have a direct impact on voting choices and fund manager voting and engagement reports are reviewed on a regular basis.

1.16. The Fund will continue to collaborate with the London CIV on maintaining a shared voting policy for the equity managers on the London CIV platform and actively seek to align these policies with manager insights. Lobbying with other London CIV clients will give the Pension Fund greater control and impact over our voting choices and a centralised process will ensure our voting remains consistent and has the greatest impact.

1.17. The Pension Fund's officers will work closely with the London CIV pool, through which the Pension Fund will increasingly invest, in developing and monitoring its internal frameworks and policies on all ESG issues which could present a material financial risk to the long-term performance of the fund. This will include the London CIV's ESG frameworks and policies for investment analysis, decision making and responsible investment.

1.18. In preparing and reviewing its Investment Strategy Statement, the Pension Fund will consult with interested stakeholders including, but not limited to:

a. Pension Fund employers;
b. Local Pension Board;
c. advisors/consultants to the fund;
d. investment managers.

Policy Implementation: Training

1.19. The Pension Fund Committee and the Fund's officers will receive regular training on ESG issues and responsible investment. A review of training requirements and needs will be carried out at least once on annual basis. Training is intended to cover the latest updates in legislation and regulations, as well as best practice with regards to ESG integration into the pension fund's investment process.

Strategic Asset Allocation: **Appendix E**

The below table sets out the Fund's strategic asset allocation along with review range which would trigger a rebalancing exercise.

Strategic Asset Allocation	Target (%)	Review Range
Listed Equities	**55.0%**	**+/-3.0%**
Passive Equities	18.3%	
Global - Active	36.7%	
Cash	**0.0%**	**+/-0.0%**
Cash	0.0%	
Fixed Income	**25.0%**	**+/-2.5%**
Global Bonds	13.5%	
Multi Asset Credit	6.5%	
Direct Lending	5.0%	
Alternatives	**10.0%**	**+/-1.0%**
Infrastructure	5.0%	
Renewable Infrastructure	5.0%	
Property	**10.0%**	**+/-1.0%**
Commercial Property	5.0%	
Residential Property	5.0%	
Total	**100.0%**	

Investment Strategy Statement: Appendix F – Investment & Administration Risk Register

To be included in final version, please see FFM report for latest risk registers.

This page is intentionally left blank

Deloitte.

City of Westminster Pension Fund
Draft Investment Beliefs

This paper has been prepared for the City of Westminster Pension Fund Committee ("the Committee"). The purpose of this paper is to provide a draft set of investment beliefs of the Committee for discussion at the extraordinary Pension Fund Committee meeting on 20 February 2020.

Investment objectives in the Investment Strategy Statement ("Statement")

To provide a framework for the Committee's beliefs, the Statement adopted by the City of Westminster Pension Fund ("the Fund") covers each of the following six objectives in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016:

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

The draft investment beliefs are shown below.

City of Westminster Pension Fund – draft Investment Beliefs Statement

This is the Core Belief Statement of the City of Westminster Pension Fund, ("the Fund").

The Statement is to set out the Fund's key investment beliefs. These beliefs will form the foundation of discussions, and assist decisions regarding the Fund's structure, its strategic asset allocation and selecting investment managers.

1 Investment Governance

a. The Fund has access to the necessary skills, expertise and resources to manage the whole Fund, as well as internally managing a small proportion of the Fund's assets, such as cash management.
b. Investment consultants, independent advisors and officers are a source of expertise and research to inform and assist the Committee's decisions.
c. The ultimate aim of the Fund's investments is to pay pension liabilities when they become due. The Committee will therefore take account of liquidity and the long-term ability of the Fund to meet these obligations.
d. The Fund is continuously improving its governance structure through bespoke training to implement tactical views more promptly, but acknowledges that it is not possible to achieve optimum market timing.

2 Long Term Approach

a. The strength of the employers' covenant allows the Fund to take a longer term view of investment strategy than most investors.
b. The most important aspect of risk is not the volatility of returns, but the risk of absolute loss over the medium and long term. This would in turn impact the ability of the employers to make adequate contributions to meet the Fund's liabilities.
c. Illiquidity and volatility are shorter term risks which offer potential sources of additional compensation to the long term investor. Moreover, it is important to avoid being a forced seller in short term market setbacks.
d. Over the long term, equities are expected to outperform other liquid assets, particularly government bonds and cash.

3 Environmental, Social and Governance (ESG) factors

a. Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.
b. Well governed companies that manage their business in a responsible manner are less vulnerable to downside risk and may therefore produce higher returns over the long term.
c. In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they invest in.
d. Environmental considerations form a part of the Committee's decision-making process when making investment allocations
e. If an investment manager fails to adequately consider ESG issues, the Committee is prepared to disinvest assets from that manager.

4 Asset allocation

a. Allocations to asset classes other than equities and government bonds (e.g., corporate bonds, private markets and property) offer the Fund other forms of risk premia (e.g., additional solvency risk/illiquidity risk).
b. Diversification across asset classes and asset types that have low correlation with each other will tend to reduce the volatility of the overall Fund return.
c. In general, allocations to bonds and alternatives are made to achieve additional diversification. As the funding level improves, the Committee may look to certain lower risk strategies to mitigate liability risks and thus dampen the volatility of the Fund's actuarial funding level.

5 Management Strategies

a. A well-balanced portfolio has an appropriate mix of passive and active investments.
b. Passive, index-tracker style management provides low cost exposure to equities and bonds, and is especially attractive in efficient markets.
c. Active management will typically incur higher investment management fees but can provide additional return. Fees should be aligned to the interests of the Fund rather than performance of the market.
d. Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.
e. Employing a range of management styles can reduce the volatility of overall Fund returns but can also reduce long term outperformance.

Deloitte Total Reward and Benefits Limited
February 2020

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.

Deloitte.

City of Westminster

Pension Board

Date:	**3 March 2020**
Classification:	**General Release**
Title:	**Draft Funding Strategy Statement**
Wards Affected:	**None**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no immediate financial implications arising from this report, although the outcome of the valuation 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 Following the 2019 triennial valuation, the Fund Actuary (Barnett Waddingham) have produced a draft Funding Strategy Statement (FSS). The purpose of the FSS is to establish a clear and transparent strategy on how to meet pension liabilities going forward.

2 Recommendation

2.1 The Board is requested to note the attached draft Funding Strategy Statement.

2.2 At the Pension Fund Committee on 23 January 2020 the draft FSS was approved, pending consultation with the employers, and authority delegated to the Director of Treasury and Pensions in consultation with the Chairman to publish the final FSS.

3 Reasons for Decision

3.1 The Fund is required to regularly review the FSS and to have regard to CIPFA 2016 guidance, Preparing and Maintaining a funding strategy statement in the Local Government Pension Scheme (LGPS).

4 Proposals and Issues

4.1 Regulation 58 of the LGPS Regulations 2013 sets out the requirement for every LGPS fund to maintain a Funding Strategy Statement. The regulation requires the Fund to have regard to the guidance published by CIPFA and to consult with parties it considers appropriate when updating it. The current version of the statement was approved by the Pension Fund Committee in March 2017. Attached at Appendix 1 is a draft Funding Strategy Statement for 2020, which reflect the results of the 2019 actuarial valuation.

4.2 The financial assumptions adopted for the 2019 valuation show a decrease in the discount rate applied and an increase in the inflation rate compared to 2016. It should also be noted that long-term salary increases have decreased from 2016, along with a slow-down in the long-term longevity rate of improvement. The actuarial assumptions applied during the 2019 valuation result in the funding level increasing from 80% in 2016 to 100% as at 31 March 2019.

4.3 The FSS incorporates the funding approach of the admitted and scheduled bodies including admissions, new academies, bulk transfers and cessations. The strategy also takes in to consideration the impact which the McCloud judgement may have on the pension liabilities, although still uncertain this is anticipated to be less than reducing the discount rate assumption by 0.05%.

4.4 The major risks to the funding strategy are financial, although there are other external factors including maturity risks, demographic risks, employer risks, regulatory risks and governance risks. Whilst the FSS attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that these risks may impact on the ability of the strategy to meet the funding objectives.

4.5 A final version of the actuarial valuation report and the FSS will be presented to the Pension Fund Committee for approval at the next meeting on 19 March 2020.

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

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 Draft Funding Strategy Statement

This page is intentionally left blank

City of Westminster Pension Fund Funding Strategy Statement

Contents

Introduction

This is the Funding Strategy Statement for the City of Westminster Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes Westminster City Council's strategy, in its capacity as administering authority, for the funding of the City of Westminster Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as required by Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

Key parties

The key parties involved in the funding process and their responsibilities are set out below.

The administering authority

The administering authority for the Fund is Westminster City Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Ministry of Housing, Communities and Local Government (MHCLG).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent valuation of the Fund was as at 31 March 2019.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example the Council, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is used as this is consistent with the average duration of an LGPS Fund.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 1.0% p.a. is therefore made from the RPI assumption to derive the CPI assumption.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is adopted will depend on the funding target adopted for each Scheme employer.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:

Financial assumptions as at 31 March 2019	
RPI inflation	3.6% p.a.
CPI inflation	2.6% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate – Scheduled bodies Discount rate – Admitted bodies	4.8% p.a. 3.3% p.a.

Admitted bodies

A more prudent discount rate is adopted for admitted bodies in the Fund, resulting in a higher level of contributions being required from these bodies. This is in recognition of the fact that such employers may typically be expected to participate in the Fund for a limited period of time and so the aim is to increase the likelihood of sufficient assets being available to fund their employees' past service benefits by the time they cease participation in the Fund. In this way, the risk of deficits arising after the termination date and thus needing to be met by other employers in the Fund is reduced. Some admitted bodies may also be deemed to have a weaker covenant than other employers and so a higher contribution requirement reflects the increased risk that these employers present to the Fund.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated in a consistent way to the valuation of the liabilities.

The Fund's assets are allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

McCloud/Sargeant judgements

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

Further details of this can be found below in the Regulatory risks section.

At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than, the impact of reducing the discount rate assumption by 0.05%.

Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found here.

On 22 January 2018, the government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found here.

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 19 years. The adjustment will usually be set as a fixed monetary amount.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise a proportion of the surplus.

The deficit recovery period or amortisation period that is adopted, and the proportion of any deficit/surplus that is recovered/amortised, for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances. Pooling of individual employers may be considered in exceptional circumstances if deemed appropriate by the administering authority and Fund Actuary.

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities.

Contribution rate

The total contribution rate for new academies will be chosen to meet both the costs of benefits accruing to the existing active members in the future, and to try to restore the funding level to 100% over the Fund's maximum deficit recovery period.

Cessation valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations, the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future.

If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position, but additional prudence will be included in order to take potential uncertainties and risk into account e.g. due to market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The additional level of prudence will be set by considering the distribution of funding levels under a large number of economic scenarios, with the aim being to gain a reasonable level of confidence that the Fund will be able to meet its benefit obligations to the relevant members in future.

Regulatory factors

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the regulations surrounding an employer's exit from the Fund. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the Regulatory risks section below.

Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Links with the Investment Strategy Statement (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

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

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.1% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by around 2%, and decrease/increase the required employer contribution by around 0.7% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase in the long-term rate of mortality improvement of 0.25% p.a. will increase the liabilities by around 1%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

The administering authority is currently implementing an ill-health self-insurance pool within the Fund whereby a portion of all employers' contributions into the Fund are allocated to a segregated ill-health section of the Fund. When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are

transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments. The Fund may carry out cash flow modelling to assess if, when and in what circumstances the Fund will become cash flow negative and options to address this.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected

changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. This FSS will be revisited once the outcome is known and reviewed where appropriate.

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. This results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

Managing employer exits from the Fund

The consultation covers:

- Proposals for flexibility on exit payments. This includes:
  - Formally introducing into the Regulations the ability for the administering authority to allow an exiting employer to spread the required exit payment over a fixed period.
  - Allowing employers with no active employers to defer payment of an exit payment in return for an ongoing commitment to meeting their existing liabilities (deferred employer status).
- Proposals for further policy changes to exit credits. The proposed change would require the exiting employer's exposure to risk to be taken into account in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations).

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. This could impact on the level of maturity and the cashflow profile for these employers. As described earlier this may increase the risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

There are very few employers of this type currently participating in the Fund and so the risks are considered relatively low at present.

Employer risks

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

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

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In particular, the Fund regularly commissions an employer risk review from the Fund Actuary to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

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

Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

City of Westminster

Pension Board

Date:	**3 March 2020**
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 is divided into two sections: governance (investment and funding) and pensions administration. The top five risks are highlighted in the report below.

1.2 The cashflow forecast for the next three years has been updated with actuals to 31 December 2019. The bank position continues to be stable.

1.3 The forward plans for 2019/20 – 2020/21 for the Pension Fund Committee and Pension Board are attached.

2. Recommendations

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

2.2 The Board is asked to note the cashflow position, the rolling 12-month forecast and the three-year forecast.

2.3 The Board is asked to note the attached forward plans for 2019/20 – 2020/21.

3. Risk Register Monitoring

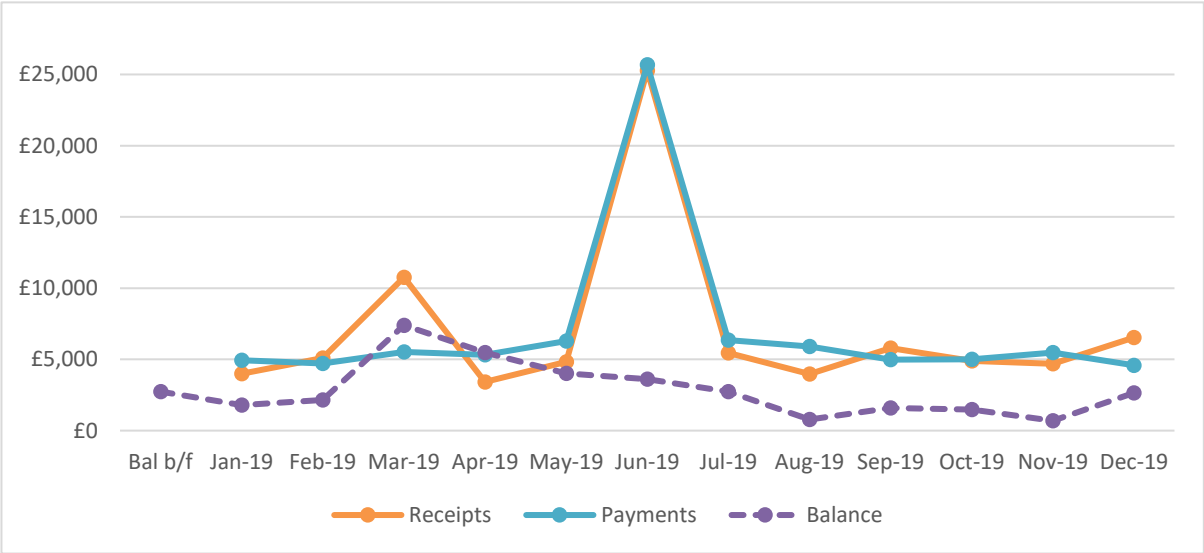
3.1 The risk register is divided into two sections: governance (investment and funding) and pensions administration. The current top five risks to the Pension Fund are highlighted below:

- The London CIV disbands or fails to produce proposals deemed sufficiently ambitious (governance risk).
- Significant volatility and negative sentiment in global investment markets following disruptive geo-political uncertainty caused by the conflict between the US and Iran, as well as the ongoing trade war with China (governance risk).
- Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union, lack of any trade deal and the economic after effects (governance risk).
- Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints (administration risk).
- Scheme members live longer than expected leading to higher than expected liabilities. (governance risk).

4. Cashflow Monitoring and Forecasted Cashflows

4.1 The balance on the pension fund bank account as at 31 December 2019 was £2.648m. Payments from the bank account will continue to exceed receipts on a monthly basis. During the year, cash withdrawals from Fund Managers are expected to take place to maintain a positive cash balance.

4.2 The table below shows changes in the bank balance from 1 January 2019 to 31 December 2019.



4.3 The peak in receipts during March 2019 and June 2019 include a £10m and £22m deficit recovery receipt, as per the Council's approved budgeted deficit recovery plan. Payments out of the Pension Fund bank account have remained stable over the year, with the exception of June 2019, when a £20m investment was made to the Insight Buy and Maintain portfolio as per the Investment Strategy Consideration paper.

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

4.5 The following table illustrates the expected rolling cashflow for the 12-month period from 1 April 2019 to 31 March 2020. Actuals have been used for the period to 31 December 2019 with a forecast used for the remainder of the year. Forecasted cashflows are calculated using the previous year's actual monthly cashflows which are then inflated by 2%.

Current Account Cashflows Actuals and Forecast for period April 2019- March 2020:

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	*Jan-20*	*Feb-20*	*Mar-20*	*Forecasted Rolling Total*
	£000	£000	£000	£000	£000	£000	£000	£000	£000	*£000*	*£000*	*£000*	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	*F'cast*	*F'cast*	*F'cast*	
Balance b/f	**7,397**	**5,486**	**4,021**	**3,620**	**2,727**	**791**	**1,580**	**1,469**	**692**	***2,648***	***2,203***	***3,072***	***£000s***
Contributions	2,881	4,022	3,157	3,509	3,698	3,500	3,469	3,382	3,710	*3,792*	*3,624*	*3,772*	*42,516*
Misc. Receipts[1]	539	780	113	1,766	268	282	1,421	1,317	831	*711*	*1,977*	*490*	*10,495*
Pensions	(3,323)	(3,347)	(3,386)	(3,397)	(3,398)	(3,388)	(3,364)	(3,428)	(3,403)	*(3,288)*	*(3,268)*	*(3,287)*	*(40,280)*
HMRC Tax Payments	(590)	(566)	(569)	(588)	(607)	(563)	(574)	(570)	(581)	*(583)*	*(605)*	*(565)*	*(6,960)*
Misc. Payments[2]	(1,243)	(1,599)	(1,673)	(2,329)	(1,850)	(982)	(1,033)	(1,316)	(550)	*(999)*	*(812)*	*(1,167)*	*(15,552)*
Expenses	(175)	(785)	(52)	(30)	(47)	(61)	(30)	(161)	(52)	*(78)*	*(47)*	*(511)*	*(2,028)*
Net cash in/(out) in month	**(1,911)**	**(1,495)**	**(2,410)**	**(1,069)**	**(1,938)**	**(1,212)**	**(111)**	**(776)**	**(44)**	***(445)***	***869***	***(1,268)***	***(11,810)***
Withdrawal/deposit with Fund Managers	0	0	(20,000)	0	0	2,000	0	0	2,000	*0*	*0*	*1,000*	*(15,000)*
Special Contributions*	0	31	22,008	177	2	0	0	0	0	*0*	*0*	*0*	*22,218*
Balance c/f	**5,486**	**4,021**	**3,620**	**2,727**	**791**	**1,580**	**1,469**	**692**	**2,648**	***2,203***	***3,072***	***2,805***	

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

4.6 Actual cashflows against the forecast for the quarter ending 31 December 2019 is shown below. There may be monthly variances between the actual and forecasted amounts due to timing differences, e.g., transfer values in and out, payment of lump sums, retirement benefits and death grants.

Cashflows Actuals Compared to Forecast for October to December 2019:

	Oct-19			Nov-19			Dec-19		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
	F'cast	Actual	Var	F'cast	Actual	Var	F'cast	Actual	Var
Balance b/f	**2,783**	**1,580**	**1,203**	**2,930**	**1,469**	**1,462**	**2,336**	**692**	**1,644**
Contributions	2,902	3,469	(566)	3,091	3,382	(291)	3,192	3,710	(519)
Misc. Receipts[1]	665	1,421	(756)	333	1,317	(983)	61	831	(770)
Pensions	(3,265)	(3,364)	99	(3,240)	(3,428)	188	(3,298)	(3,403)	105
HMRC Tax Payments	(565)	(574)	9	(565)	(570)	5	(565)	(581)	16
Misc. Payments[2]	(1,505)	(1,033)	(472)	(535)	(1,316)	781	(817)	(550)	(267)
Expenses	(85)	(30)	(55)	(678)	(161)	(517)	(378)	(52)	(326)
Net cash in/(out) in month	**(1,852)**	**(111)**	**(1,741)**	**(1,594)**	**(776)**	**(818)**	**(1,805)**	**(44)**	**(1,761)**
Withdrawal/deposit with Fund Managers	2,000	0	2,000	1,000	0	1,000	2,000	2,000	0
Special Contributions*	0	0	0	0	0	0	0	0	0
Balance c/f	**2,930**	**1,469**	**1,462**	**2,336**	**692**	**1,644**	**2,532**	**2,648**	**(117)**

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

Variances during the quarter to 31 December 2019:

- Higher contributions going forward on a monthly basis due to the transfer of City West Homes employees in to the Council, whereby a higher contribution rate is payable.
- There was a large transfer value in during October and a large volume of transfers in during November and December.
- There was a large volume of transfers out and lump sums in November, and a lower value of transfers out and lump sums during October.
- Due to the unanticipated higher contributions and miscellaneous receipts during the quarter there was no need to withdrawal cash from managers until December.

4.7 The three-year cashflow forecast for 2019/20 to 2021/22 is shown below. Forecasted cashflows are calculated using the previous year's cashflows which are then inflated by 2%. Please note this will not match the rolling cashflow.

Three Year Cashflow Forecast for 2019/20 - 2021/22:

	2019/20	2020/21	2021/22
	£000	£000	£000
	F'cast	F'cast	F'cast
Balance b/f	**7,397**	**3,188**	**6,774**
Contributions	43,330	44,196	45,080
Misc. Receipts[1]	7,686	7,840	7,997
Pensions	(38,964)	(39,744)	(40,538)
HMRC Tax	(6,964)	(7,103)	(7,245)
Misc. Payments[2]	(12,870)	(13,128)	(13,390)
Expenses	(2,427)	(2,476)	(2,525)
Net cash in/(out) in year	**(10,209)**	**(10,414)**	**(10,622)**
Withdrawal/(deposit) with Fund Managers	(16,000)	0	(100,000)
Special Contributions*	22,000	14,000	110,000
Balance c/f	**3,188**	**6,774**	**6,152**

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

4.8 The deficit recovery receipt expected during 2020/21 comprises of a £14m lump sum and £8m within contributions spread evenly across the year. A final deficit recovery lump sum of £110m is expected to be received during April 2021.

5. Forward Plan

5.1 The rolling forward plans for the Pension Fund Committee and Pension Board are attached for 2019/20 – 2020/21.

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

Billie Emery pensionfund@westminster.gov.uk or 0207 641 7062

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Tri-Borough Risk Management Scoring Matrix
Appendix 2 – Pension Fund Risk Register Review at January 2020
Appendix 3 – Pension Fund Committee Forward Plan: 2019/20 – 2020/21
Appendix 4 – Pension Board Forward Plan: 2019/20 – 2020/21

This page is intentionally left blank

Appendix 1 - Tri Borough Pension Fund 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

Control		Details required
Terminate	Stop what is being done.	A clear description of the specific actions to be taken to control the risk or opportunity
Treat	Reduce the likelihood of the risk occurring.	
Take	Circumstances that offer positive opportunities	
Transfer	Pass to another service best placed to deal with mitigations but ownership of the risk still lies with the original service.	The name of the service that the risk is being transferred to and the reasons for the transfer.
Tolerate	Do nothing because the cost outweighs the benefits and/or an element of the risk is outside our control.	A clear description of the specific reasons for tolerating the risk.

This page is intentionally left blank

Pension Fund Risk Register - Administration Risk													
Risk Group	Risk Ref.	Movement	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Admin	1		Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints. There is a concern regarding the high level of senior management departures.	1	4	3	8	4	**32**	TREAT 1) Surrey CC administers pensions for Surrey, East Sussex, LB Hillingdon and the Tri-Borough. 2) Officers will continue to monitor ongoing staffing changes at Surrey CC. 3) Ongoing monitoring of contract and KPIs.	3	**24**	08/01/2020
Admin	2		Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	**27**	TREAT 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers planned to be part of 2019 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	**18**	08/01/2020
Admin	3		Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	**21**	TREAT 1) Practice notes in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	**14**	08/01/2020
Admin	4		Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	**22**	TREAT 1) Update and enforce admin strategy to assure employer reporting compliance. 2) Implementation and monitoring of a Data Improvement Plan as part of the Service Specification between the Fund and Orbis. TREAT 1) Northern Trust provides 3rd party validation of performance and valuation data. Admin team and members are able to interrogate data to ensure accuracy.	1	**11**	08/01/2020
Admin	5		Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	**20**	TREAT 1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place. 2) Review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams. 5) Internal Audits during 2018/19 showed satisfactory assurance with recommendations implemented during the year.	1	**10**	08/01/2020
Admin	6		Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	5	2	2	9	2	**18**	TREAT 1) Contract monitoring in place with all providers. 2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action. 3) Take advice from the investment advisor on manager ratings to inform decisions on asset managers.	1	**9**	08/01/2020
Admin	7		Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	3	3	2	8	2	**16**	TREAT 1) The Fund has generally good internal controls with regard to the management of the Fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches. 3) Staff have had more time to work on the implementation of GDPR.	1	**8**	08/01/2020
Admin	8		Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	**16**	TREAT 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Process in place for Surrey CC to generate lump sum payments to members as they are due. 3) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	**8**	08/01/2020

Admin	9		Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	**16**	TREAT 1) Disaster recovery plan in place as part of the Service Specification between the Fund and Surrey County Council 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance.	1	**8**	08/01/2020
Admin	10		Poor reconciliation process leads to incorrect contributions.	2	1	1	4	3	**12**	TREAT 1) Ensure reconciliation process notes are understood by Pension Fund team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process. 3) Contributions reconciliation is undertaken by the pensions team.	2	**8**	08/01/2020
Admin	11		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	**14**	TREAT 1) In the event of a pension payroll failure, we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	1	**7**	08/01/2020
Admin	12		Failure to detect material errors in the bank reconciliation process.	2	2	2	6	3	**18**	TREAT 1) Bank reconciliation carried out in-house by the pensions team, alongside the WCC income management team.	1	**6**	08/01/2020
Admin	13		Failure to pay pension benefits accurately leading to under or over payments.	2	2	2	6	2	**12**	TREAT 1) There are occasional circumstances where under/over payments are identified. Where underpayments occur, arrears are paid as soon as possible, usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted and the pension corrected in the next month. Repayment is requested and sometimes we collect this over a number of months.	1	**6**	08/01/2020
Admin	14		Unstructured training leads to under developed workforce resulting in inefficiency.	2	2	2	6	2	**12**	TREAT 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and Surrey County Council. 2) Officers regularly attend training events and conferences. 3) Officer in place to record and organise training sessions for officers and members.	1	**6**	08/01/2020
Admin	15		Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	3	**9**	TREAT 1) Pension administration records are stored on the Surrey CC servers who have a disaster recovery system in place and records should be restored within 24 hours of any issue, All files are backed up daily.	2	**6**	08/01/2020
Admin	16		Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	**10**	TREAT 1) Ensure process notes are compiled and circulated in Pension Fund and Administration teams.	1	**5**	08/01/2020
Admin	17		Lack of productivity leads to impaired performance.	2	2	1	5	2	**10**	TREAT 1) Regular appraisals with focused objectives for pension fund and admin staff.	1	**5**	08/01/2020
Admin	18		Rise in ill health retirements impact employer organisations.	2	2	1	5	2	**10**	TREAT 1) Engage with actuary re assumptions in contribution rates.	1	**5**	08/01/2020
Admin	19		Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	2	**10**	TREAT 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	**5**	08/01/2020
Admin	20		Failure to identify GMP liability leads to ongoing costs for the pension fund.	1	2	1	4	1	**4**	TREAT 1) GMP identified as a Project as part of the Service Specification between the Fund and Surrey County Council, with minimal effect on the Fund.	1	**4**	08/01/2020

Pension Fund Risk Register - Investment Risk													
Risk Group	Risk Ref.	Movement	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Governance	1		That the London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious	5	4	3	12	3	**36**	TOLERATE - 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives. Member presence on Shareholder Committee and officer groups. 2) Following the commencement of his role as CIO during September 2019 Mark Thompson announced his resignation from the position citing that he could not commit to the demands of the role. In the interim Kevin Corrigan has joined the LCIV team as CIO, he has over twenty-five years' experience in the financial services industry and was formerly CIO at Sandaire. In addition to this, Kevin Cullen (Client Relations Director) has announced his decision to retire next year. He will be helping the London CIV with succession arrangements between now and his intended retirement date of the end March 2020. Larissa Benbow, Head of Fixed Income, has also announced her resignation for the end of February.	3	**36**	08/01/2020
Investment	2		Significant volatility and negative sentiment in global investment markets following disruptive geo-political uncertainty caused by the conflict between the US and Iran, as well as the ongoing trade war with China.	5	4	1	10	4	**40**	TREAT- 1) Continued dialogue with investment managers re management of political risk in global developed markets. 2) Investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will follow post actuarial 2019 valuation.	3	**30**	08/01/2020
Investment	3		Volatility caused by uncertainty with regard to the UK's exit from the European Union, lack of trade deal and the economic after effects. There will be a transition period until the end of 2020, during which time the UK and EU will negotiate new arrangements from 2021.	4	4	1	9	3	**27**	1) Officers to consult and engage with advisors and investment managers. 2) Future possibility of looking at move from UK to Global benchmarks on UK Equities and UK Property. 3) Possibility of hedging currency and equity index movements. 4) The UK exited the EU on 31 January 2020, there is now a transition period until the end of 2020. During this time current rules on trade, travel and business for the UK and EU will apply.	3	**27**	18/02/2020
Funding	4		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	**22**	TOLERATE: The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	**22**	08/01/2020

Funding	5		Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%.	5	3	2	10	3	**30**	TREAT- 1) Actuarial valuation results show an increase in the CPI assumption of 0.2% from the 2016 valuation. 2) The fund holds investment in index-linked bonds (RPI protection which is higher than CPI and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection.	2	**20**	08/01/2020
Funding	6		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	4	4	2	10	2	**20**	1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 2) No evidence in 2018/19 of members transferring out to DC schemes.	2	**20**	08/01/2020
Funding	7		Employee pay increases are significantly more than anticipated for employers within the Fund.	4	4	2	10	2	**20**	TOLERATE - 1) Actuarial valuation assumptions show a decrease in salary increases by 0.3% from 2016. 2) Fund employers should monitor own experience. 3) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 4) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014).	2	**20**	08/01/2020
Funding	8		Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	2	**20**	TOLERATE - 1) Political power required to effect the change.	2	**20**	08/01/2020
Investment	9	NEW	Outbreak of coronavirus within China and the rest of the world impacting stock markets globally.	4	4	1	9	3	**27**	TREAT - 1) The officers will continue to monitor the impact on an ongoing basis. 2) The Fund holds a diversified portfolio, which should reduce the impact of stock market movements. 3) Asset allocation will be reviewed during March 2020 committee meeting.	2	**18**	28/01/2020
Investment	10		Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.5m.	5	3	1	9	3	**27**	TREAT- 1) The Investment Management Agreements (IMAs) clearly state WCC's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	2	**18**	08/01/2020

Operational	11		Insufficient attention paid to environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in September 2019, how this will effect the Pension Fund going forward is currently unknown.	3	2	4	9	3	**27**	1) Review ISS in relation to published best practice (e.g. Stewardship Code) 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 4) Following a carbon review of the Pension Fund investments, the Fund may consider investing in low carbon assets. 5) An ESG and RI Policy has been drafted for the Pension Fund pending a review of the ISS.	2	**18**	08/01/2020
Governance	12		Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales.	3	2	1	6	3	**18**	1) Officers consult and engage with MHCLG, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new MHCLG pooling guidance.	3	**18**	08/01/2020
Investment	13		Increased risk to global economic stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks. Geo-political risk as a result of events and political uncertainty.	4	3	1	8	3	**24**	TREAT- 1) Increased vigilance and continued dialogue with managers as to events on and over the horizon. 2) Continued investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will follow post actuarial 2019 valuation.	2	**16**	08/01/2020
Governance	14		London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	3	**24**	1) Pension Fund Committee Chair is a member of the shareholder Committee responsible for the oversight of the CIV and can monitor and challenge the level of resources through that forum. Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV. 2) Following the commencement of his role as CIO during September 2019 Mark Thompson announced his resignation from the position citing that he could not commit to the demands of the role. In the interim Kevin Corrigan has joined the LCIV team as CIO, he has over twenty-five years' experience in the financial services industry. In addition to this, Kevin Cullen (Client Relations Director) has announced his decision to retire next year. Officers will continue to monitor the ongoing staffing issues at the LCIV.	2	**16**	08/01/2020

Funding	15		Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	**16**	1) Barnet Waddingham uses prudent assumptions on future of employees within workforce. Employer responsibility to flag up potential for major bulk transfers outside of the Westminster Fund. The potential for a significant reduction in the workforce as a result of the public sector financial pressures may have a future impact on the Fund. 2) Need to make prudent assumptions about diminishing workforce when carrying out the triennial actuarial valuation.	2	**16**	08/01/2020
Funding	16		Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	**14**	TOLERATE: Review "budgets" at each triennial valuation and challenge actuary as required. Charge capital cost of ill health retirements to admitted bodies at the time of occurring. Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	**14**	08/01/2020
Funding	17		Impact of increases to employer contributions following the actuarial valuation	5	5	3	13	2	**26**	TREAT- 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	1	**13**	08/01/2020
Funding	18		There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	5	4	3	12	2	**24**	TREAT: 1) Cashflow forecast maintained and monitored. 2) Cashflow position reported to committee quarterly. 3) Cashflow requirement is a factor in current investment strategy review.	1	**12**	08/01/2020
Governance	19		Failure to take difficult decisions inhibits effective Fund management	5	3	4	12	2	**24**	TREAT-1) Officers ensure that governance process encourages decision making on objective empirical evidence rather than emotion. Officers ensure that the basis of decision making is grounded in the Investment Strategy Statement (ISS), Funding Strategy Statement (/FSS), Governance policy statement and Committee Terms of Reference and that appropriate advice from experts is sought.	1	**12**	08/01/2020
Governance	20		Changes to LGPS Regulations	3	2	1	6	3	**18**	TREAT - 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will considered during the 2016 actuarial valuation process. 3) Fund will respond to consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	**12**	08/01/2020
Funding	21		Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	5	3	3	11	2	**22**	TREAT- 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Investment strategy review is currently underway with an approved switch from equities to fixed income. 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 4) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	1	**11**	08/01/2020

Financial	22		Financial loss of cash investments from fraudulent activity.	3	3	5	11	2	**22**	TREAT - 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	**11**	08/01/2020
Operational	23		Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	3	3	5	11	2	**22**	TREAT - 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2)WCC IT data security policy adhered to. 3) Implementation of GDPR.	1	**11**	08/01/2020
Governance	24		Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	**22**	TREAT: 1) Officers maintain knowledge of legal framework for routine decisions. 2) Eversheds retained for consultation on non-routine matters.	1	**11**	08/01/2020
Funding	25		Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	5	3	3	11	2	**22**	TREAT: 1) Transferee admission bodies required to have bonds or guarantees in place at time of signing the admission agreement. Regular monitoring of employers and follow up of expiring bonds.	1	**11**	08/01/2020
Regulation	26		A change in government may result in new wealth sharing policies which could negatively impact the value of the pension fund assets.	5	5	1	11	2	**22**	TREAT: 1) Maintain links with central government and national bodies to keep abreast of national issues. Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**11**	08/01/2020
Governance	27		Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	2	2	1	5	4	**20**	TREAT - 1) Succession planning process in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	2	**10**	08/01/2020
Governance	28		Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	**20**	TREAT: 1) At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Committee and officers scrutinise and challenge advice provided.	1	**10**	08/01/2020
Operational	29		Financial failure of third party supplier results in service impairment and financial loss	5	4	1	10	2	**20**	TREAT - 1) Performance of third parties (other than fund managers) regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	1	**10**	08/01/2020
Investment	30		Failure of global custodian or counterparty.	5	3	2	10	2	**20**	TREAT: 1) At time of appointment, ensure assets are separately registered and segregated by owner. 2) Review of internal control reports on an annual basis. 3) Credit rating kept under review.	1	**10**	08/01/2020

Operational	31		Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	**20**	TREAT - 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant upon alternative suppliers at similar price being found promptly. 3) Fund is reliant on LGIM as transition manager. 4) Fund has the services of the London Collective Investment Vehicle (LCIV).	1	**10**	08/01/2020
Investment	32		Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	2	**20**	TREAT- 1) Proportion of total asset allocation made up of equities, bonds, property funds, infrastructure and fixed income, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.	1	**10**	08/01/2020
Governance	33		Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	**20**	TREAT: 1) Person specifications are used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge. 4) Officers maintain their CPD by attending training events and conferences.	1	**10**	08/01/2020
Governance	34		Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	3	3	4	10	2	**20**	TREAT - 1) Publication of all documents on external website. 2) Managers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.	1	**10**	08/01/2020
Operational	35		Inaccurate information in public domain leads to damage to reputation and loss of confidence.	1	1	3	5	3	**15**	Treat: 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies to ensure that news is well managed. 3) Stage AGM every year.	2	**10**	08/01/2020
Funding	36		Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	3	1	9	2	**18**	TREAT: 1) Review maturity of scheme at each triennial valuation. Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. 2) Cashflow position monitored monthly.	1	**9**	08/01/2020
Governance	37		Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	2	**18**	TREAT: 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval).	1	**9**	08/01/2020

Governance	38		Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	3	5	9	2	**18**	TREAT - 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	**9**	08/01/2020
Regulation	39		Loss of flexibility to engage with Fund Managers and loss of elective professional status with any or all of the existing Fund managers and counterparties resulting in reclassification. (The Fund is a retail client to counterparties unless opted up).	3	2	2	7	2	**14**	TREAT: 1) More reliance on investment advisor to keep Officers and Committee updated. Officers are considering other financial institution outside of the current mandates to 'opt up' with. 2) Maintaining up to date information about the fund on relevant platforms. 3) Fund can opt up with prospective clients. 4) Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. There is a training programme and log in place to ensure knowledge and understanding is kept up to date. 5) Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	**7**	08/01/2020
Operational	40		Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process.	2	2	3	7	2	**14**	TREAT - 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.	1	**7**	08/01/2020
Funding	41		The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	4	2	1	7	2	**14**	TREAT: 1) Review at each triennial valuation and challenge actuary as required. Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	1	**7**	08/01/2020

This page is intentionally left blank

Appendix 3

PENSION FUND COMMITTEE **Forward Plan – 2019/20 - 2020/21**

Area of work	Jan 2020	Mar 2020	Jun 2020	Oct 2020
Standing Items	Pension Fund Committee minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Fund Committee minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Fund Committee minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Fund Committee minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan
Governance	Succession Planning – Training Update Draft Responsible Investment and ESG Policies	Investment Strategy Statement Review Briefing on Triennial Valuation	Pension Fund Annual Report and Accounts 2019/20 Review of Governance Compliance Statement Business Plan Pension Fund Costs 2019/20	Training Plan London CIV governance update
Investments	MiFID II annual review Draft Investment Strategy Review Asset Allocation Review Investment Beliefs	Pooling and CIV update Investment Strategy Review	Pooling and CIV update Annual report to Scheme Advisory Board re pooling arrangements	Pooling and CIV update

Area of work	Jan 2020	Mar 2020	Jun 2020	Oct 2020
	Funding Strategy Statement			
Administration	Hampshire Project. First Months Issues for Pension Administration. Pension Administration Strategy (PAS) – update Initial Audits			

Appendix 4

PENSION BOARD **Forward Plan – 2019/20 - 2020/21**

Area of work	Mar 2020	June 2020	Sep 2020	Dec 2020
Standing Items	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Fund Committee minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Fund Committee minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Fund Committee minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan
Governance	London CIV update	Investment Strategy Statement Review Briefing on Triennial Valuation	Pension Fund Annual Report and Accounts 2019/20 Review of Governance Compliance Statement Business Plan Pension Fund Costs 2019/20	Training Plan London CIV governance update
Investments	Draft Investment Strategy Statement Investment Beliefs Funding Strategy Statement	Pooling and CIV update Investment Strategy Review	Pooling and CIV update Annual report to Scheme Advisory Board re pooling arrangements	Pooling and CIV update

Area of work	Mar 2020	June 2020	Sep 2020	Dec 2020
Administration	Pension administration update	Pension administration update	Pension administration update	Pension administration update

City of Westminster

Pension Board

Date:	**3 March 2020**
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 to 31 January 2020, together with an update of the funding position.

1.2 The Fund outperformed the benchmark gross of fees by 0.63% over the 3 months to 31 January 2020 and the estimated funding level following the triennial actuarial valuation has risen to 100% from the 80% level in 2016.

2. Recommendation

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

3. Background

3.1 This report presents a summary of the Pension Fund's performance to 31 January 2020 and estimated funding level following the actuarial valuation. The

investment performance report (Appendix 1) has been prepared by Northern Trust, the Fund's custodian.

3.1 The investment performance report shows that over the 3 months to 31 January 2020, the Fund outperformed the benchmark gross of fees by 0.63%. During this period the market value of the assets increased by £51m to £1.546bn. All mandates provided a positive return during the quarter, with the exception of Pantheon which returned -1.88% which was as a result of a cash transfer from the Pantheon custody account. It should be noted that the Pantheon fund is not fully drawn down and performance data will only be available once fully drawn down. Baillie Gifford performed particularly well during the 3-month period outperforming their benchmark gross of fees by 2.99%.

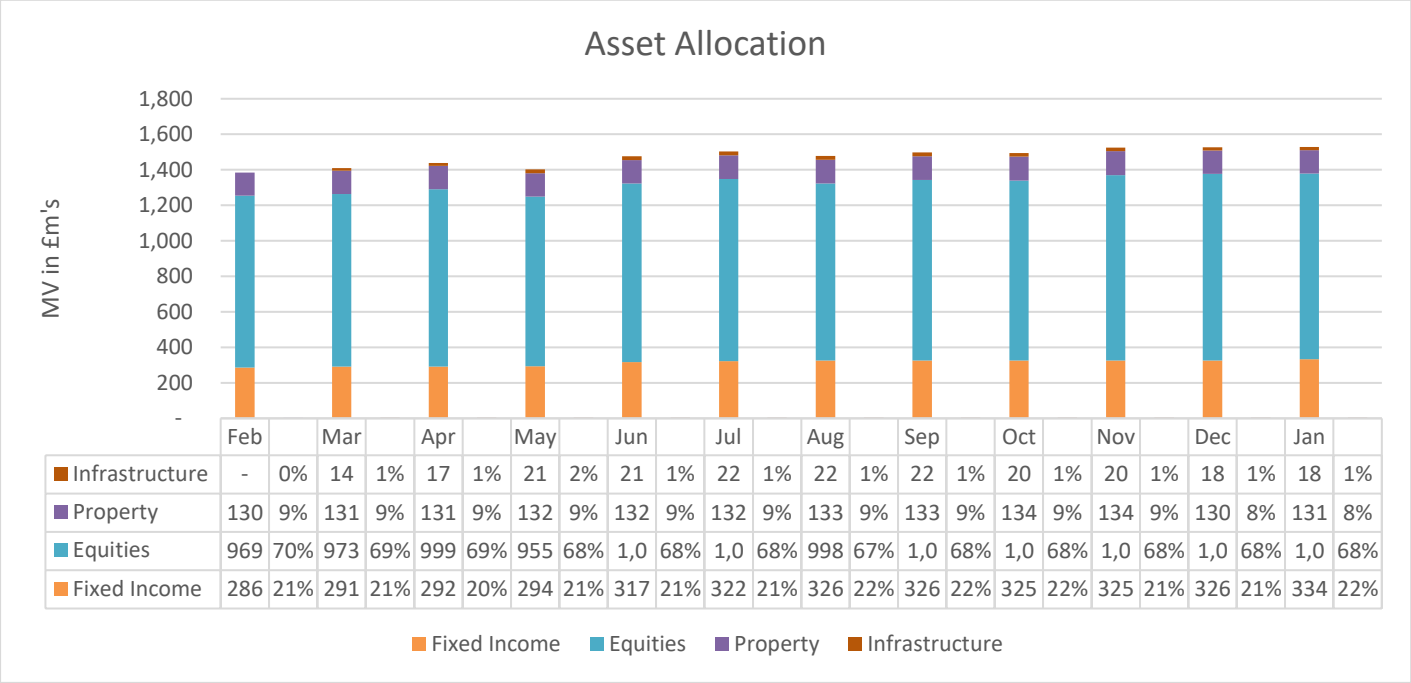
3.2 Over the year the Fund underperformed its benchmark gross of fees by 0.39%, largely as a result of underperformance within the Longview and Standard Aberdeen mandates. It should be noted that the Aberdeen Standard Long Lease Property Fund is benchmarked against FTSE Gilts All Stocks +2.0% and over the year provided a positive contribution of 5.85% gross of fees. Over the longer three-year period to 31 January 2020, the Fund outperformed the benchmark gross of fees by 0.06%, with Aberdeen Standard and Baillie Gifford being the major contributors.

3.3 Over the 3-month period, Larissa Benbow, Head of Fixed Income at the London CIV, announced her resignation from the LCIV with effect from 28 February. Azim Meghji, formerly Head of Credit at Santander Asset Management who joined the team in December, will take responsibility for the relationships with fixed income managers. In addition to this, Kevin Cullen (Client Relations Director) has announced his decision to retire. He will be helping the London CIV with succession arrangements between now and his intended retirement date of the end of March 2020.

3.4 Following the 2019 triennial actuarial valuation, the estimated funding level for the City of Westminster Pension Fund has risen to 100% (80% in 2016). This can be attributed to excellent investment returns during this period with global equities performing particularly well. The funding level for Westminster City Council as an employer has risen by 16% to 86% in 2019 from 70% in 2016, this is in part due to the Council's deficit recovery payments made to the Pension Fund during this period.

4. Asset Allocation and Summary of Changes

4.1 The chart below shows the changes in asset allocation of the Fund from 1 February 2019 to 31 January 2020. Asset allocations may vary due to changes in market value.



	Feb		Mar		Apr		May		Jun		Jul		Aug		Sep		Oct		Nov		Dec		Jan	
Infrastructure	-	0%	14	1%	17	1%	21	2%	21	1%	22	1%	22	1%	22	1%	20	1%	20	1%	18	1%	18	1%
Property	130	9%	131	9%	131	9%	132	9%	132	9%	132	9%	133	9%	133	9%	134	9%	134	9%	130	8%	131	8%
Equities	969	70%	973	69%	999	69%	955	68%	1,0	68%	1,0	68%	998	67%	1,0	68%	1,0	68%	1,0	68%	1,0	68%	1,0	68%
Fixed Income	286	21%	291	21%	292	20%	294	21%	317	21%	322	21%	326	22%	326	22%	325	22%	325	21%	326	21%	334	22%

*Fixed Income includes bonds and Multi Asset Credit

4.2 The Westminster Pension Fund target asset allocation is 65% of assets within equities, 20% in fixed income, 5% within infrastructure and 10% within property.

4.3 In December 2018, following a manager selection process, the Pension Fund Committee selected Pantheon Asset Management as the Fund's Infrastructure Manager. The remainder of the portfolio held with Longview will be sold and £70m transitioned in to the Pantheon Global Infrastructure Fund III. The first drawdown took place on 20 March 2019, with £14m in cash held within the global custodian transferred to Pantheon.

4.4 On 16 April 2019 a further Pantheon drawdown took place, with £2.2m transitioned from the Longview equity fund in to the Pantheon Global Infrastructure fund. During May 2019, an additional £3.4m was transferred from the Longview portfolio to Pantheon following another capital call notice.

4.5 During June 2019 £22m in deficit recovery receipts was received, £20m of this was invested within the Insight Buy and Maintain bond fund.

4.6 On 24 July 2019 a negative capital call totalling £4.1m took place within the Pantheon Global Infrastructure Fund, this was as a result of an equalisation following new partners entering the strategy. Following this capital calls of £0.9m and £1m took place on 20 August 2019 and 18 September 2019, using the cash received from the capital equalisation.

4.7 At the 23 October 2019 meeting, the Pension Fund Committee committed to transfer its existing UK equity allocation with Majedie to Legal and General's global passive equity portfolio on a temporary basis, pending an asset allocation review. The legacy assets were transferred into the transition account on 20 November 2019 and trading into the LGIM global passive mandate was completed on 13 December 2019.

4.8 The value of pension fund investments transferred to the LCIV as at 31 January 2020 was £414m. This represents 27% of Westminster's investment assets. A further £657m continues to benefit from reduced management fees, Legal and General having reduced their fees to match those available through the LCIV.

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

Billie Emery pensionfund@westminster.gov.uk or 0207 641 7062

Background Papers: None

Appendices:

Appendix 1: Northern Trust Investment Report, Quarter Ending 31 January 2020

NORTHERN TRUST

City of Westminster Total Fund

Investment Risk & Analytical Services

January 31, 2020

Table of Contents

SECTION 1

City of Westminster Total Fund

Investment Risk & Analytical Services

January 31, 2020

Investment Hierarchy

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return							Inception Date
			One Month	Three Months	One Year	Three Years	Five Years	Ten Years	Inception to Date	
City of Westminster Total Fund	**1,545,925,306**	**100.00**	**0.15**	**3.63**	**12.17**	**7.66**	**8.45**	**9.62**	**9.49**	**30/09/2009**
City of Westminster Total BM			*0.13*	*2.99*	*12.56*	*7.60*	*7.75*	*8.99*	*8.79*	*30/09/2009*
Excess Return			*0.02*	*0.63*	*-0.39*	*0.06*	*0.70*	*0.64*	*0.69*	*30/09/2009*
Equities	**1,045,964,339**	**67.66**	**-0.49**	**4.40**	**14.21**	**8.43**	**9.60**	**-**	**9.91**	**30/09/2014**
UK Equities	**3,588**	**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30/09/2014**
Majedie	**3,588**	**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30/09/2011**
FTSE ALL Share GBP			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30/09/2011*
Excess Return			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30/09/2011*
FTSE All Share GBP + 2%pa			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30/09/2011*
Excess Return			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30/09/2011*
Global Equities	**1,045,960,751**	**67.66**	**-0.49**	**5.18**	**17.75**	**11.41**	**11.70**	**-**	**11.88**	**30/09/2014**
Baillie Gifford	**318,785,811**	**20.62**	**0.05**	**6.34**	**20.02**	**13.16**	**14.69**	**-**	**14.65**	**18/03/2014**
MSCI AC World GBP Net			*-0.61*	*2.95*	*15.79*	*9.31*	*11.38*	*-*	*11.92*	*18/03/2014*
Excess Return			*0.67*	*3.39*	*4.23*	*3.85*	*3.31*	*-*	*2.73*	*18/03/2014*
MSCI AC World GBP Net +2%pa			*-0.45*	*3.35*	*17.71*	*11.31*	*13.38*	*-*	*13.93*	*18/03/2014*
Excess Return			*0.50*	*2.99*	*2.31*	*1.85*	*1.31*	*-*	*0.72*	*18/03/2014*
LGIM	**657,341,870**	**42.52**	**-0.54**	**4.79**	**16.74**	**10.32**	**8.81**	**-**	**11.36**	**31/10/2012**
FTSE World GBP Hedged			*-0.56*	*4.84*	*16.75*	*10.29*	*8.80*	*-*	*11.36*	*31/10/2012*
Excess Return			*0.02*	*-0.05*	*-0.01*	*0.03*	*0.01*	*-*	*0.00*	*31/10/2012*
Longview Partners	**69,833,070**	**4.52**	**-2.46**	**1.81**	**12.94**	**10.60**	**13.10**	**-**	**13.39**	**20/01/2015**
MSCI World TR Net (GBP)			*-0.11*	*3.29*	*17.49*	*9.73*	*11.89*	*-*	*11.96*	*20/01/2015*
Excess Return			*-2.35*	*-1.48*	*-4.54*	*0.87*	*1.22*	*-*	*1.42*	*20/01/2015*
MSCI World TR Net (GBP) +2% pa			*0.05*	*3.69*	*19.41*	*11.74*	*13.89*	*-*	*13.97*	*20/01/2015*
Excess Return			*-2.51*	*-1.88*	*-6.47*	*-1.14*	*-0.79*	*-*	*-0.58*	*20/01/2015*
Fixed Income	**333,569,966**	**21.58**	**2.17**	**2.62**	**9.94**	**4.60**	**3.85**	**-**	**4.96**	**30/09/2014**
Insight IM (Core)	**238,078,348**	**15.40**	**2.83**	**2.79**	**11.74**	**5.54**	**4.47**	**-**	**6.70**	**30/09/2011**
iBoxx £ Non-Gilts 1-15			*1.74*	*1.65*	*7.62*	*4.03*	*3.47*	*-*	*5.50*	*30/09/2011*
Excess Return			*1.09*	*1.14*	*4.11*	*1.52*	*1.00*	*-*	*1.20*	*30/09/2011*
iBoxx £ Non-Gilts 1-15 +0.9%pa			*1.82*	*1.87*	*8.53*	*4.93*	*4.37*	*-*	*6.08*	*30/09/2011*
Excess Return			*1.02*	*0.92*	*3.21*	*0.61*	*0.10*	*-*	*0.62*	*30/09/2011*
Insight IM (Gilts)	**0**	**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30/09/2011**
FTSE Gilts Up to 15 Yrs			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30/09/2011*
Excess Return			*-*	*-*	*-*	*-*	*-*	*-*	*-*	*30/09/2011*

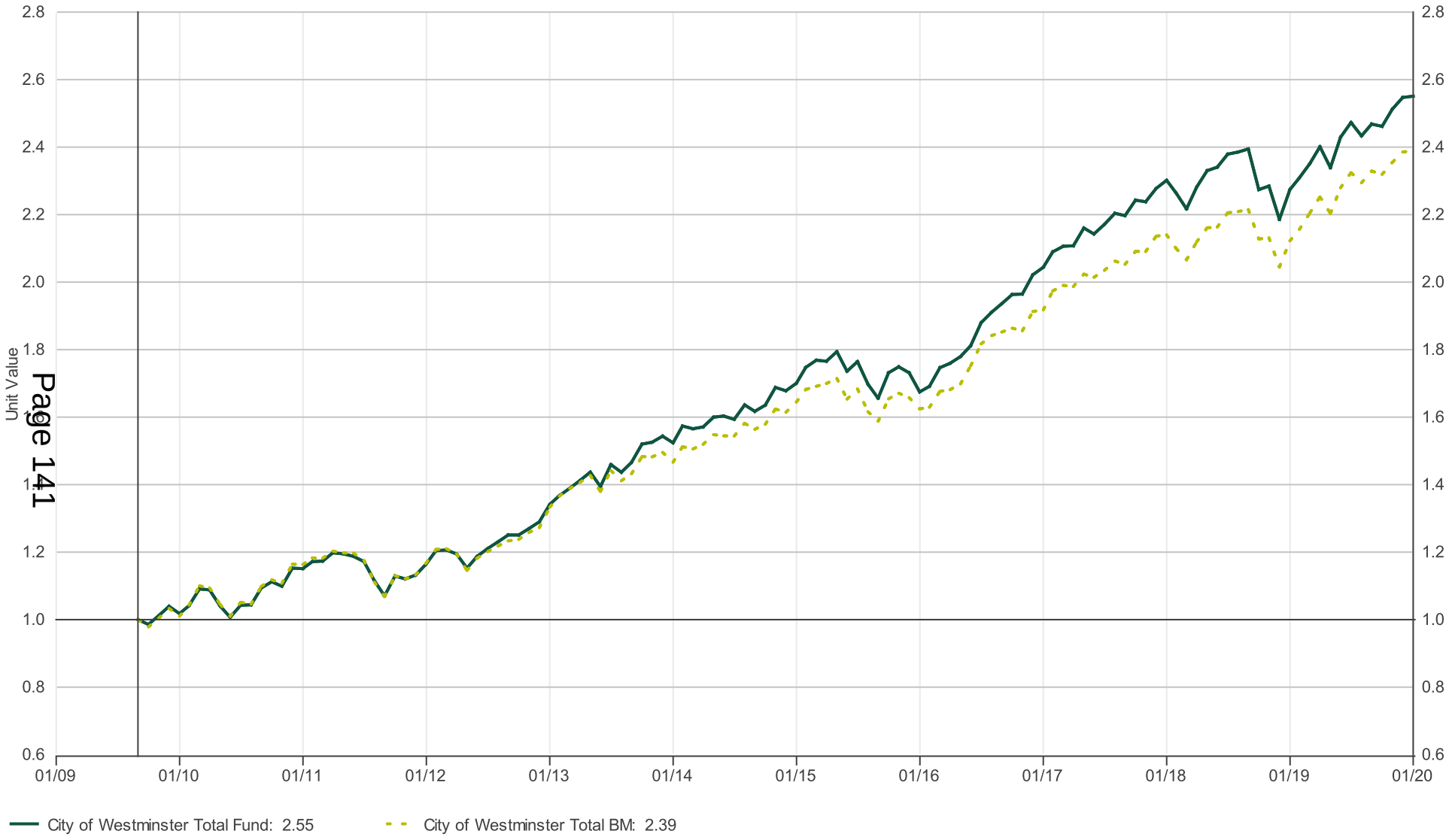
Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return							Inception Date
			One Month	Three Months	One Year	Three Years	Five Years	Ten Years	Inception to Date	
LCIV Global MAC	**95,491,618**	**6.18**	**0.57**	**2.21**	**5.90**	**-**	**-**	**-**	**4.01**	**30/10/2018**
3 Month Libor + 4%			*0.41*	*1.21*	*4.96*	*-*	*-*	*-*	*5.00*	*30/10/2018*
Excess Return			*0.16*	*1.00*	*0.94*	*-*	*-*	*-*	*-0.99*	*30/10/2018*
Real Estate	**130,650,685**	**8.45**	**0.22**	**1.13**	**4.14**	**7.56**	**7.82**	**-**	**8.31**	**30/09/2014**
Hermes Property	**62,803,075**	**4.06**	**-0.10**	**0.68**	**2.43**	**7.13**	**8.08**	**-**	**9.01**	**30/09/2011**
IPD UK PPFI Balanced PUT			*0.00*	*0.31*	*2.08*	*6.71*	*7.33*	*-*	*7.78*	*30/09/2011*
Excess Return			*-0.10*	*0.36*	*0.35*	*0.42*	*0.75*	*-*	*1.23*	*30/09/2011*
IPD UKPPFI Balanced PUT+0.5%pa			*0.04*	*0.44*	*2.58*	*7.21*	*7.83*	*-*	*8.10*	*30/09/2011*
Excess Return			*-0.14*	*0.24*	*-0.15*	*-0.08*	*0.25*	*-*	*0.91*	*30/09/2011*
Standard Life Property	**67,847,610**	**4.39**	**0.53**	**1.54**	**5.85**	**7.97**	**7.55**	**-**	**8.38**	**14/06/2013**
FTSE Gilts All Stocks + 2.0%pa			*3.70*	*1.86*	*11.57*	*6.91*	*5.72*	*-*	*7.07*	*14/06/2013*
Excess Return			*-3.17*	*-0.32*	*-5.71*	*1.05*	*1.84*	*-*	*1.30*	*14/06/2013*
FTSE Gilts All Stock Index			*3.54*	*1.35*	*9.52*	*4.88*	*3.72*	*-*	*5.05*	*14/06/2013*
Excess Return			*-3.01*	*0.19*	*-3.67*	*3.09*	*3.83*	*-*	*3.32*	*14/06/2013*
Cash	**18,182,899**	**1.18**	**0.10**	**0.09**	**-15.05**	**-1.28**	**-0.09**	**-**	**-0.01**	**30/09/2014**
In-House Cash	**18,182,899**	**1.18**	**0.10**	**0.09**	**-15.05**	**-1.28**	**-0.09**	**-**	**-0.01**	**31/08/2014**
Infrastructure	**17,557,417**	**1.14**	**0.50**	**-1.88**	**-**	**-**	**-**	**-**	**-1.68**	**15/04/2019**
Pantheon Global Infrastructure	**17,557,417**	**1.14**	**0.50**	**-1.88**	**-**	**-**	**-**	**-**	**-1.68**	**15/04/2019**
3 Month Libor + 8%			*0.73*	*2.18*	*-*	*-*	*-*	*-*	*8.80*	*15/04/2019*
Excess Return			*-0.23*	*-4.07*	*-*	*-*	*-*	*-*	*-10.48*	*15/04/2019*

Market Value Summary - One Month

Account/Group	31/12/2019 Market Value	Net Contribution*	Income	Fees	Appreciation	31/01/2020 Market Value
City of Westminster Total Fund	**1,544,625,738**	**-1,008,428**	**10,974**	**8,428**	**2,297,022**	**1,545,925,306**
Equities	**1,051,164,398**	**-13,541**	**-12**	**13,541**	**-5,186,505**	**1,045,964,339**
UK Equities	**3,600**	**0**	**-12**	**0**	**0**	**3,588**
Majedie	3,600	0	-12	0	0	3,588
Global Equities	**1,051,160,797**	**-13,541**	**0**	**13,541**	**-5,186,505**	**1,045,960,751**
Baillie Gifford	318,612,086	0	0	0	173,725	318,785,811
LGIM	660,951,238	-13,541	0	13,541	-3,595,828	657,341,870
Longview Partners	71,597,473	0	0	0	-1,764,403	69,833,070
Fixed Income	**326,474,072**	**0**	**0**	**0**	**7,095,894**	**333,569,966**
Insight IM (Core)	231,521,446	0	0	0	6,556,901	238,078,348
Insight IM (Gilts)	0	0	0	0	0	0
LCIV Global MAC	94,952,625	0	0	0	538,993	95,491,618
Real Estate	**130,352,939**	**5,114**	**0**	**-5,114**	**292,633**	**130,650,685**
Hermes Property	62,867,948	0	0	0	-64,873	62,803,075
Standard Life Property	67,484,991	5,114	0	-5,114	357,505	67,847,610
Cash	**18,850,740**	**-687,005**	**10,973**	**0**	**8,191**	**18,182,899**
In-House Cash	18,850,740	-687,005	10,973	0	8,191	18,182,899
Infrastructure	**17,783,589**	**-312,995**	**14**	**0**	**86,809**	**17,557,417**
Pantheon Global Infrastructure	17,783,589	-312,995	14	0	86,809	17,557,417

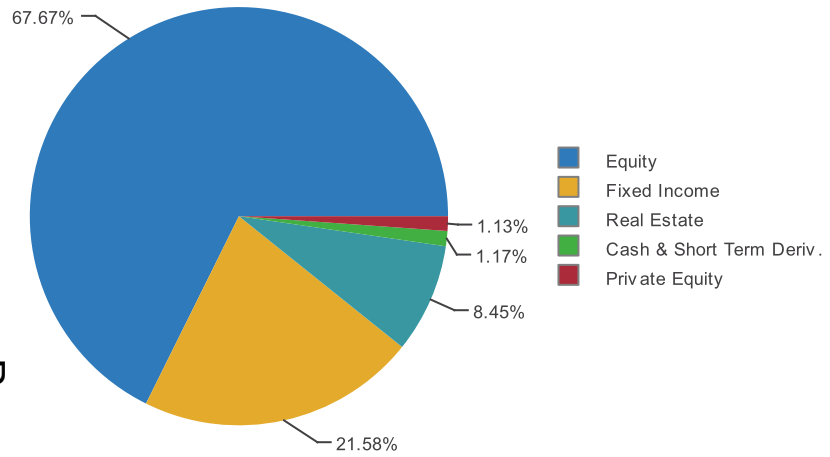
**Net Contributions include Cash Contributions/Distributions, Security Deliveries/Receipts, Fees/Fee Rebates, Inter Account transfers for Consolidations & Benefits Payments.*
Copied History or Backloaded Data may not display the correct Contributions/Withdrawals creating misrepresentation.

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	1,544,626
Net Contribution	-1,008
Income	11
Fees	8
Appreciation	2,297
Ending Market Value	1,545,925

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Equity	**1,046,130,501**	**67.67**	**-0.49**	**4.44**	**-0.49**	**14.33**	**8.42**	**9.59**	
Common Stock	1,046,130,501	67.67	-0.49	4.44	-0.49	14.33	8.42	9.59	
Fixed Income	**333,569,957**	**21.58**	**2.17**	**2.62**	**2.17**	**9.94**	**4.61**	**3.92**	
Marketable Bonds	238,078,348	15.40	2.83	2.79	2.83	11.74	5.35	4.65	
Collateralized Mortgage Oblig.	95,491,609	6.18	0.57	2.21	0.57	5.90			
Real Estate	**130,650,325**	**8.45**	**0.22**	**1.14**	**0.22**	**4.22**	**7.67**	**7.92**	
Private Equity	**17,455,157**	**1.13**	**0.50**	**-1.92**	**0.50**				
Cash & Short Term Deriv.	**18,119,367**	**1.17**	**0.10**	**0.10**	**0.10**	**-4.50**	**-1.29**	**-0.57**	
Pending Cash	**0**	**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Fund Gross of Fees	**1,545,925,306**	**100.00**	**0.15**	**3.63**	**0.15**	**12.17**	**7.66**	**8.45**	**9.49**
City of Westminster Total BM			0.13	2.99	0.13	12.56	7.60	7.75	8.79
Excess Return			*0.02*	*0.63*	*0.02*	*-0.39*	*0.06*	*0.70*	*0.69*

Excess is calculated using arithmetic methodology

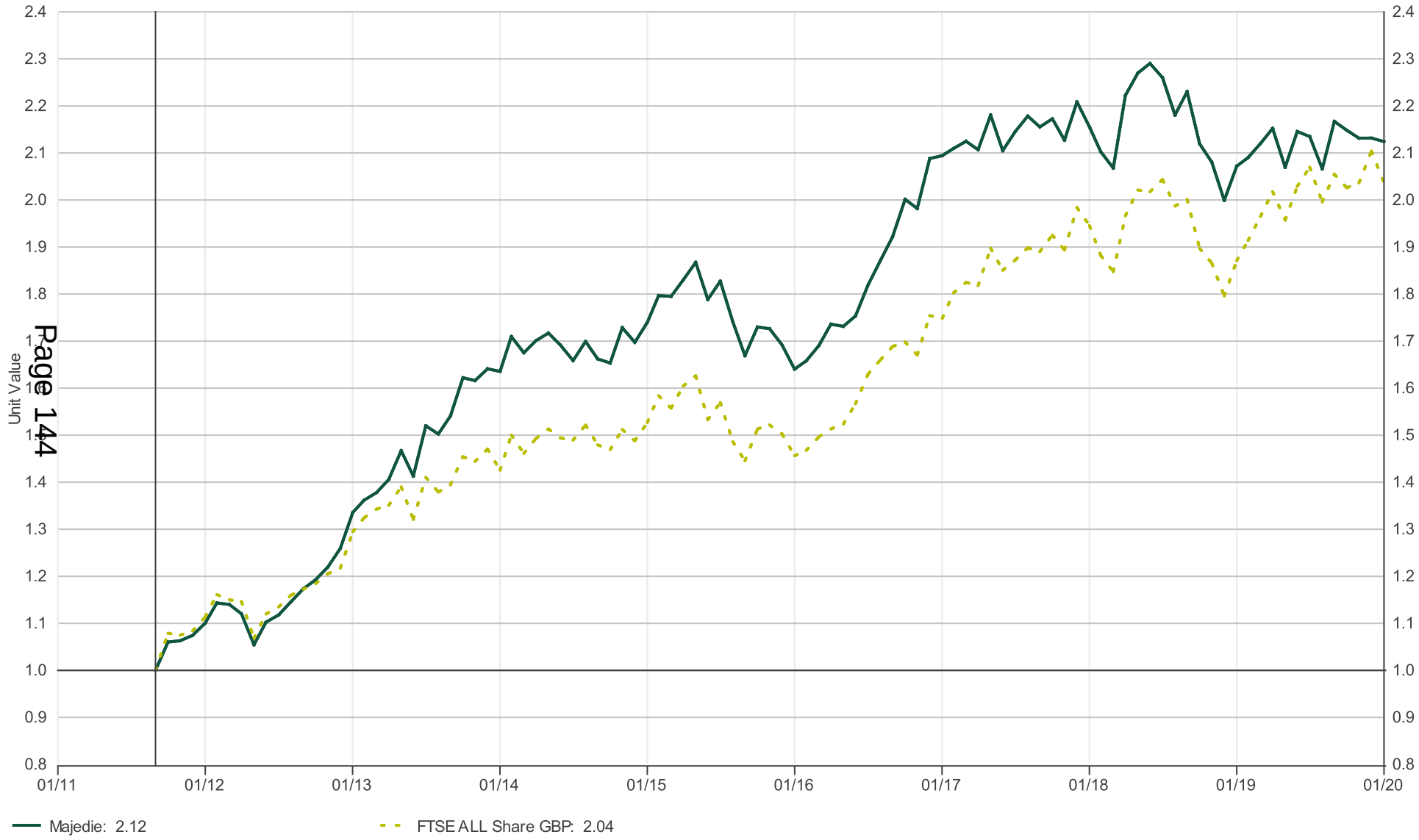
SECTION 2

Majedie

Investment Risk & Analytical Services

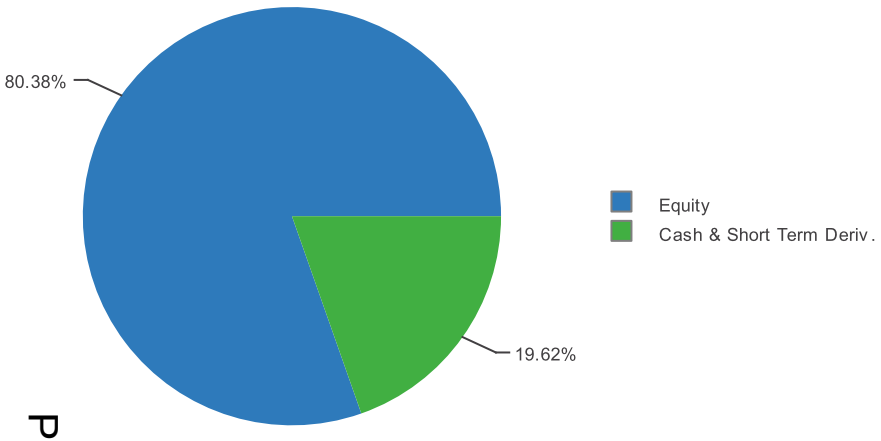
January 31, 2020

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	4
Net Contribution	0
Income	-0
Fees	0
Appreciation	0
Ending Market Value	4

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Equity	**2,884**	**80.38**							
Common Stock	2,884	80.38							
Cash & Short Term Deriv.	**704**	**19.62**							
Total Fund Gross of Fees	**3,588**	**100.00**							

Excess is calculated using arithmetic methodology

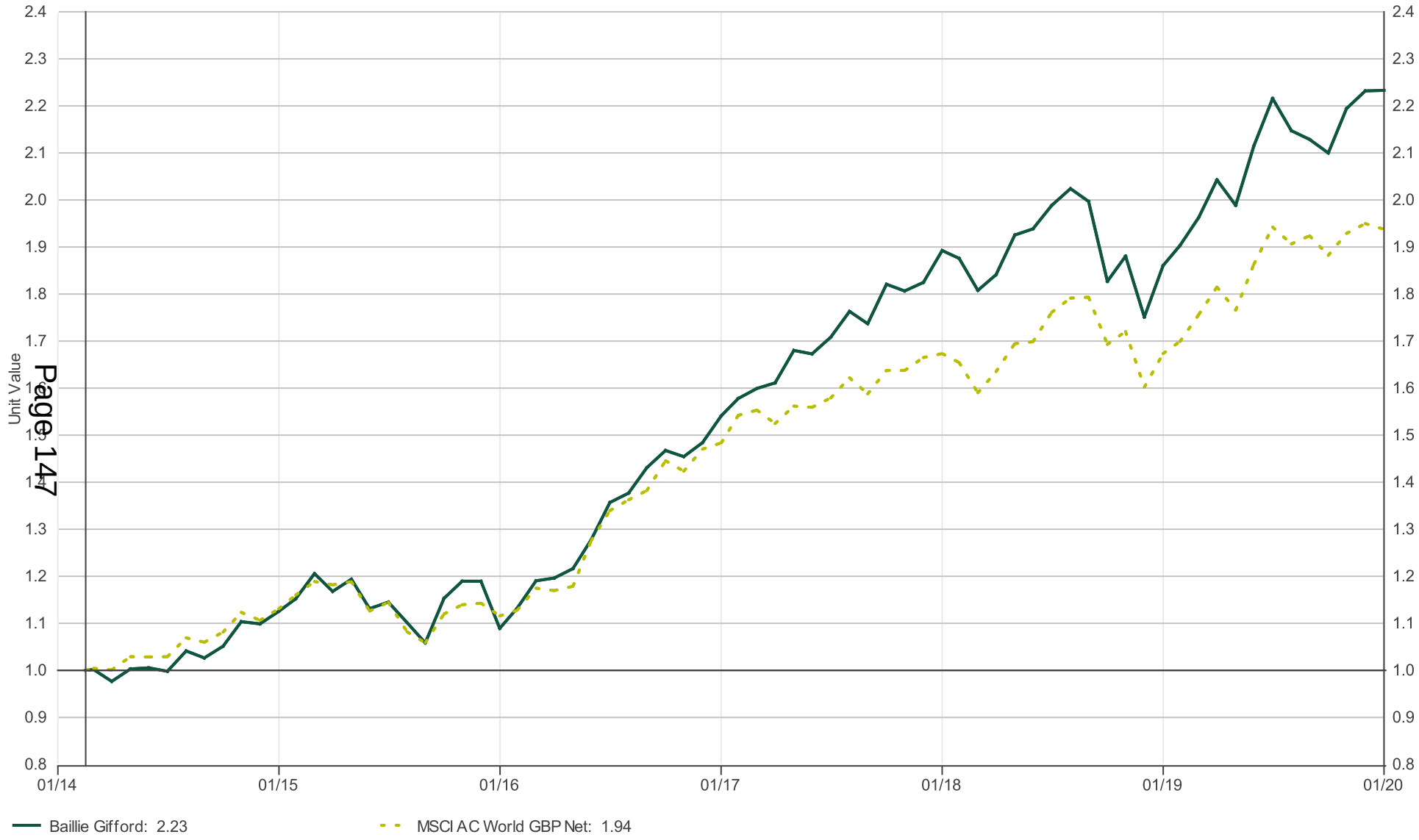
SECTION 3

Baillie Gifford

Investment Risk & Analytical Services

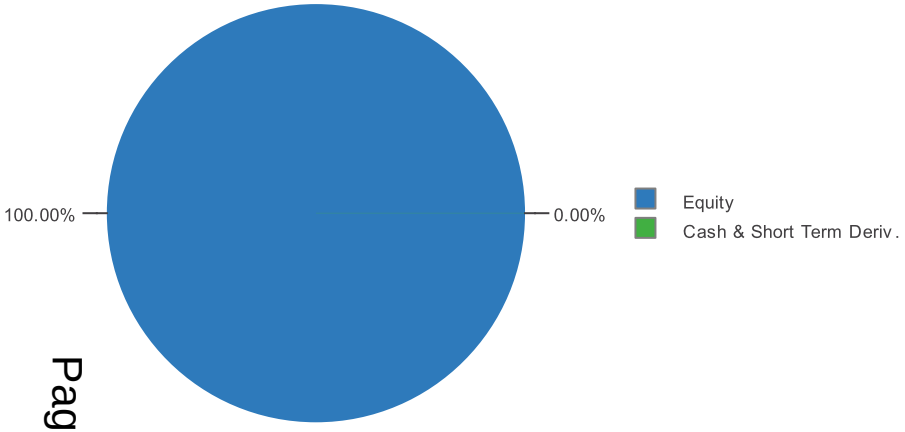
January 31, 2020

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	318,612
Net Contribution	0
Income	0
Fees	0
Appreciation	174
Ending Market Value	318,786

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Equity	**318,785,478**	**100.00**	**0.05**	**6.40**	**0.05**	**20.21**	**13.24**	**14.70**	
Common Stock	318,785,478	100.00	0.05	6.40	0.05	20.21	13.24	14.70	
Cash & Short Term Deriv.	**333**	**0.00**	**0.00**	**0.06**	**0.00**	**0.49**	**0.34**		
Total Fund Gross of Fees	**318,785,811**	**100.00**	**0.05**	**6.34**	**0.05**	**20.02**	**13.16**	**14.69**	**14.65**
MSCI AC World GBP Net			-0.61	2.95	-0.61	15.79	9.31	11.38	11.92
Excess Return			*0.67*	*3.39*	*0.67*	*4.23*	*3.85*	*3.31*	*2.73*

Excess is calculated using arithmetic methodology

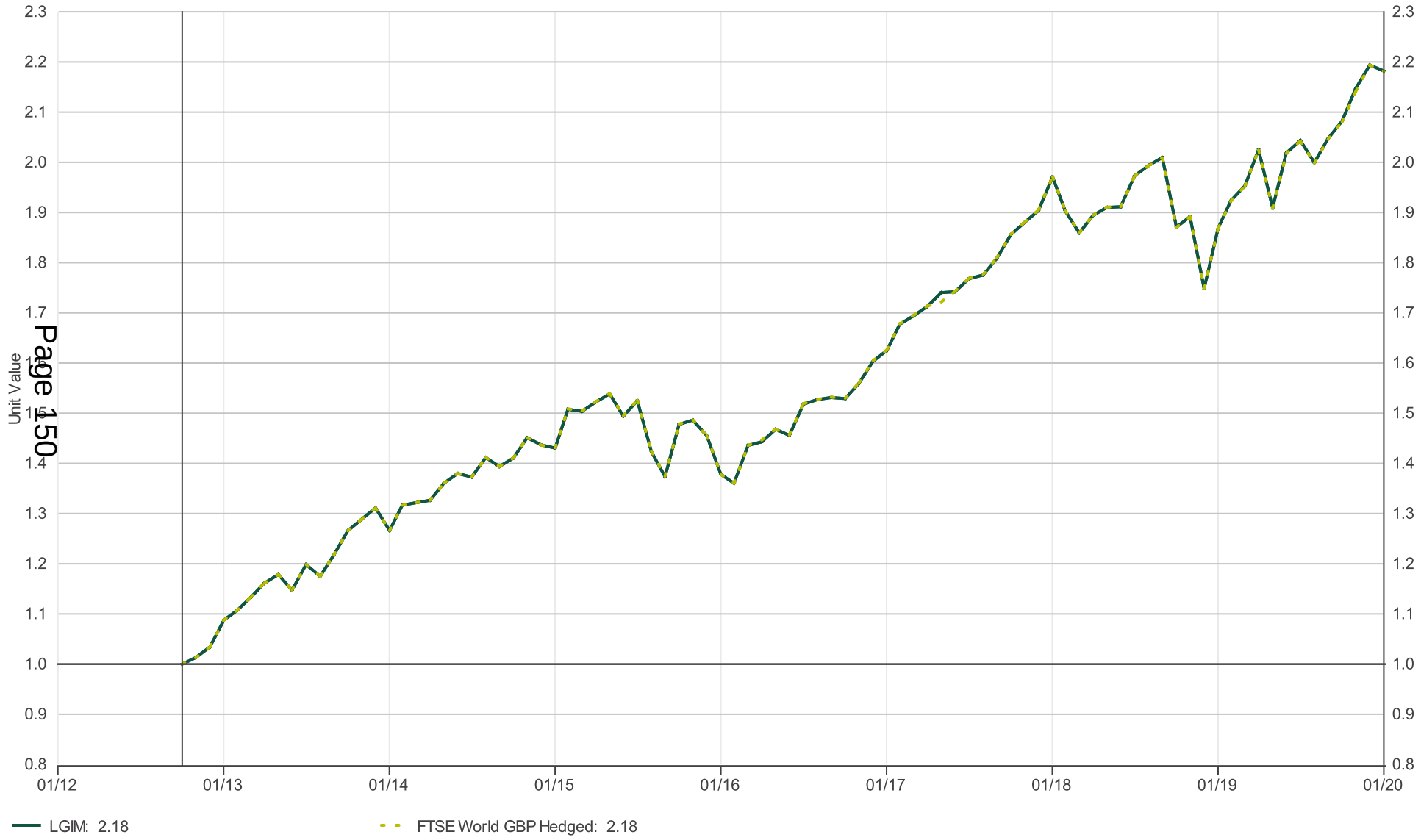
SECTION 4

LGIM

Investment Risk & Analytical Services

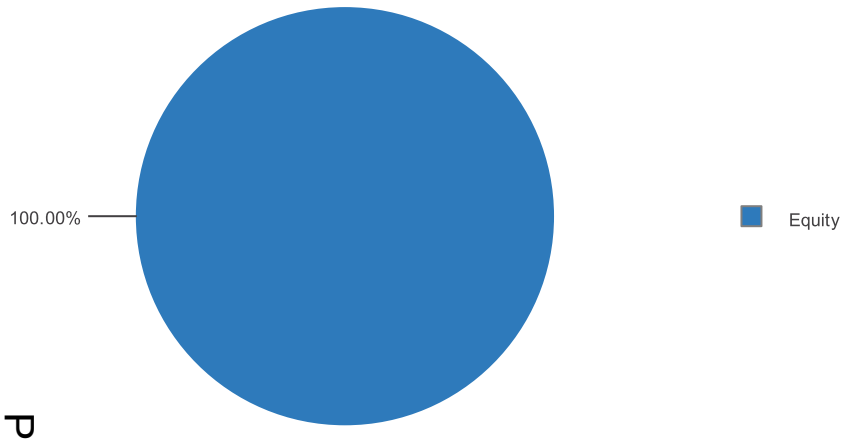
January 31, 2020

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	660,951
Net Contribution	-14
Income	0
Fees	14
Appreciation	-3,596
Ending Market Value	657,342

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Equity	**657,341,870**	**100.00**	**-0.54**	**4.79**	**-0.54**	**16.74**	**10.32**	**8.81**	
Common Stock	657,341,870	100.00	-0.54	4.79	-0.54	16.74	10.32	8.81	
Cash & Short Term Deriv.	**0**	**0.00**							
Pending Cash	**0**	**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Fund Gross of Fees	**657,341,870**	**100.00**	**-0.54**	**4.79**	**-0.54**	**16.74**	**10.32**	**8.81**	**11.36**
FTSE World GBP Hedged			-0.56	4.84	-0.56	16.75	10.29	8.80	11.36
Excess Return			*0.02*	*-0.05*	*0.02*	*-0.01*	*0.03*	*0.01*	*0.00*

Excess is calculated using arithmetic methodology

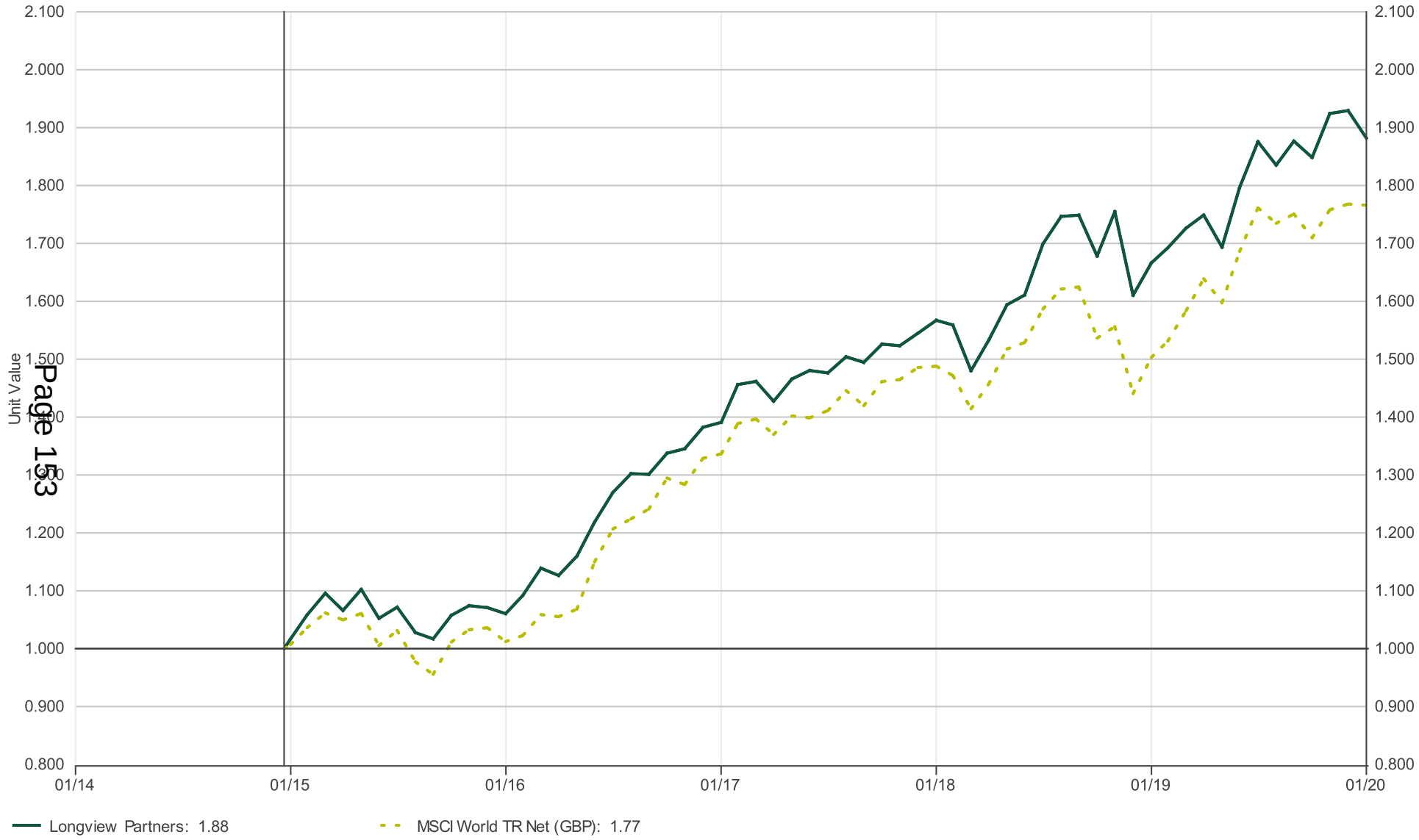
SECTION 5

Longview Partners

Investment Risk & Analytical Services

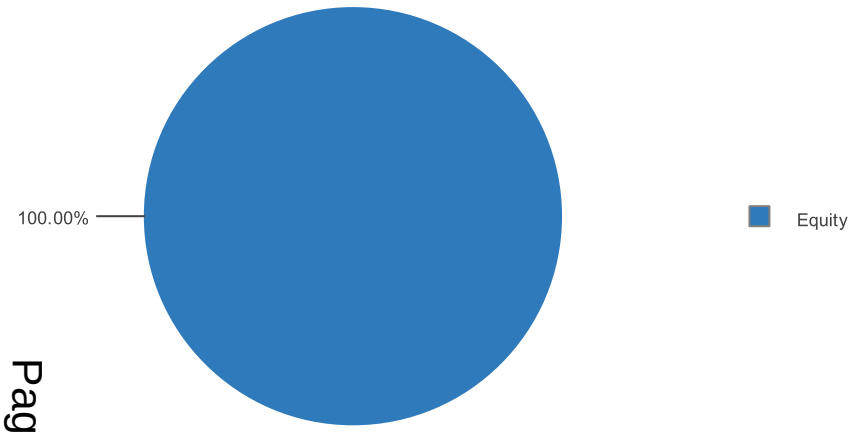
January 31, 2020

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	71,597
Net Contribution	0
Income	0
Fees	0
Appreciation	-1,764
Ending Market Value	69,833

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Equity	**69,833,070**	**100.00**	**-2.46**	**1.81**	**-2.46**	**12.94**	**10.60**	**13.10**	**13.39**
Common Stock	69,833,070	100.00	-2.46	1.81	-2.46	12.94	10.60	13.10	13.39
Total Fund Gross of Fees	**69,833,070**	**100.00**	**-2.46**	**1.81**	**-2.46**	**12.94**	**10.60**	**13.10**	**13.39**
MSCI World TR Net (GBP)			-0.11	3.29	-0.11	17.49	9.73	11.89	11.96
Excess Return			*-2.35*	*-1.48*	*-2.35*	*-4.54*	*0.87*	*1.22*	*1.42*

Excess is calculated using arithmetic methodology

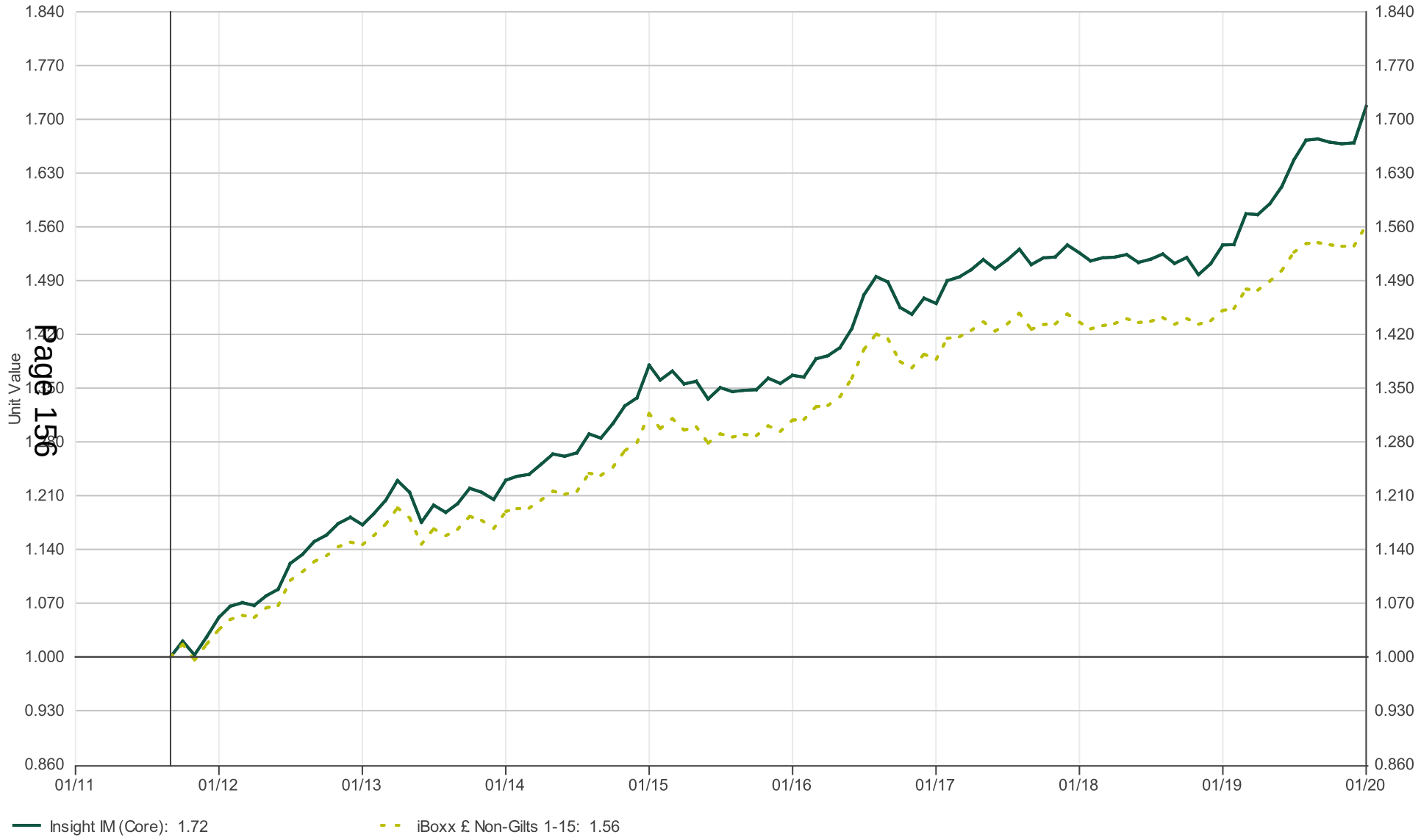
SECTION 6

Insight IM (Core)

Investment Risk & Analytical Services

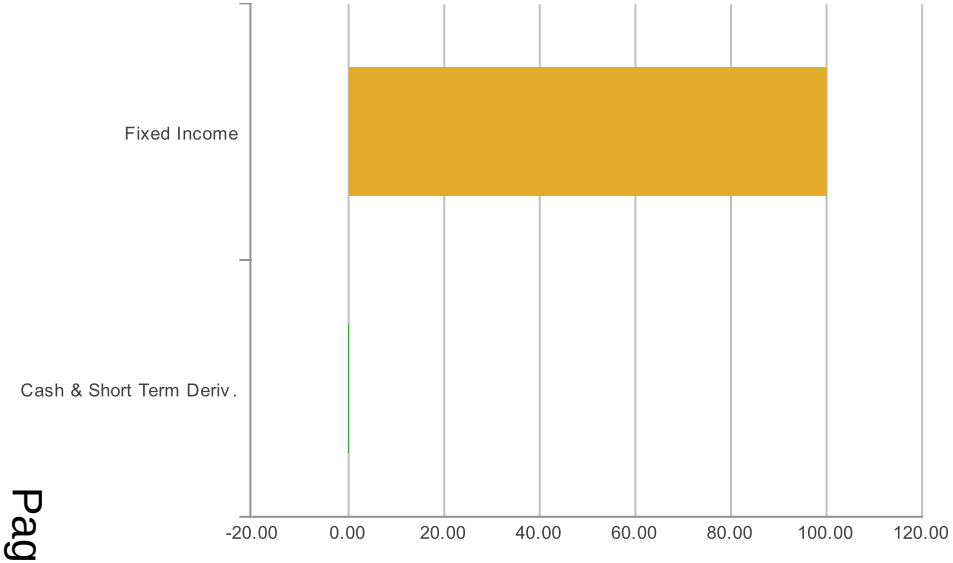
January 31, 2020

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	231,521
Net Contribution	0
Income	0
Fees	0
Appreciation	6,557
Ending Market Value	238,078

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Fixed Income	**238,078,348**	**100.00**	**2.83**	**2.79**	**2.83**	**11.74**	**5.52**	**4.51**	
Marketable Bonds	238,078,348	100.00	2.83	2.79	2.83	11.74	5.47	4.80	
Cash & Short Term Deriv.	**-0**	**-0.00**							
Total Fund Gross of Fees	**238,078,348**	**100.00**	**2.83**	**2.79**	**2.83**	**11.74**	**5.54**	**4.47**	**6.70**
iBoxx £ Non-Gilts 1-15			1.74	1.65	1.74	7.62	4.03	3.47	5.50
Excess Return			*1.09*	*1.14*	*1.09*	*4.11*	*1.52*	*1.00*	*1.20*

Excess is calculated using arithmetic methodology

Greatest Asset Impact - One Month

TOP LARGEST HOLDINGS

Asset Description	Sector/Industry	Country	31/01/2020 Market Value	Gain/Loss	31/01/2020 Weight	Base Return	Contribution to GOF
INSIGHT GLOBAL FUNDS II BUY AND ...	Corporates	Ireland	238,078,348	6,556,901	100.00	2.83	2.83
UNITED STATES DOLLARS	Cash & Short Term Deriv.	United States	-0	0	-0.00	0.00	0.00
SubTotal			238,078,348	6,556,901	100.00		2.83

LARGEST POSITIVE IMPACT

Asset Description	Sector/Industry	Country	31/01/2020 Market Value	Gain/Loss	31/01/2020 Weight	Base Return	Contribution to GOF
INSIGHT GLOBAL FUNDS II BUY AND ...	Corporates	Ireland	238,078,348	6,556,901	100.00	2.83	2.83
UNITED STATES DOLLARS	Cash & Short Term Deriv.	United States	-0	0	-0.00	0.00	0.00
SubTotal			238,078,348	6,556,901	100.00		2.83

LARGEST NEGATIVE IMPACT

Asset Description	Sector/Industry	Country	31/01/2020 Market Value	Gain/Loss	31/01/2020 Weight	Base Return	Contribution to GOF
UNITED STATES DOLLARS	Cash & Short Term Deriv.	United States	-0	0	-0.00	0.00	0.00
INSIGHT GLOBAL FUNDS II BUY AND ...	Corporates	Ireland	238,078,348	6,556,901	100.00	2.83	2.83
SubTotal			238,078,348	6,556,901	100.00		2.83

BEST PERFORMERS

Asset Description	Sector/Industry	Country	31/01/2020 Market Value	Gain/Loss	31/01/2020 Weight	Base Return	Contribution to GOF
INSIGHT GLOBAL FUNDS II BUY AND ...	Corporates	Ireland	238,078,348	6,556,901	100.00	2.83	2.83
UNITED STATES DOLLARS	Cash & Short Term Deriv.	United States	-0	0	-0.00	0.00	0.00
SubTotal			238,078,348	6,556,901	100.00		2.83

WORST PERFORMERS

Asset Description	Sector/Industry	Country	31/01/2020 Market Value	Gain/Loss	31/01/2020 Weight	Base Return	Contribution to GOF
UNITED STATES DOLLARS	Cash & Short Term Deriv.	United States	-0	0	-0.00	0.00	0.00
INSIGHT GLOBAL FUNDS II BUY AND ...	Corporates	Ireland	238,078,348	6,556,901	100.00	2.83	2.83
SubTotal			238,078,348	6,556,901	100.00		2.83
Total Fund Gross of Fees			238,078,348			2.83	

SECTION 7

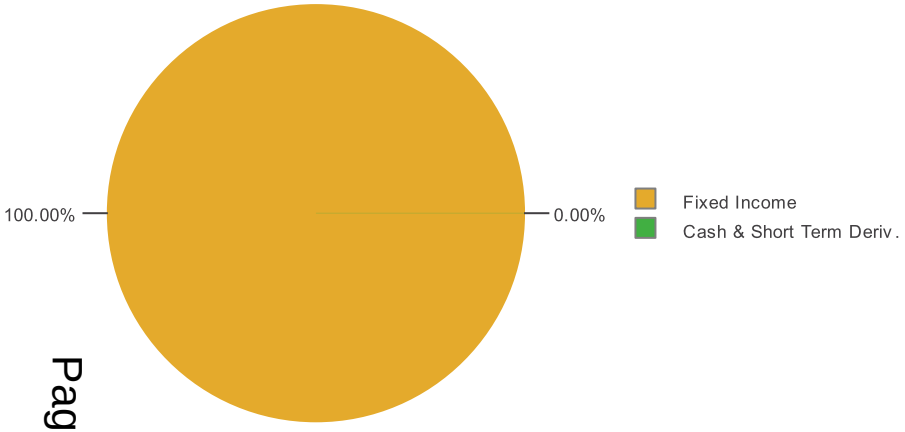
LCIV Global MAC

Investment Risk & Analytical Services

January 31, 2020

Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

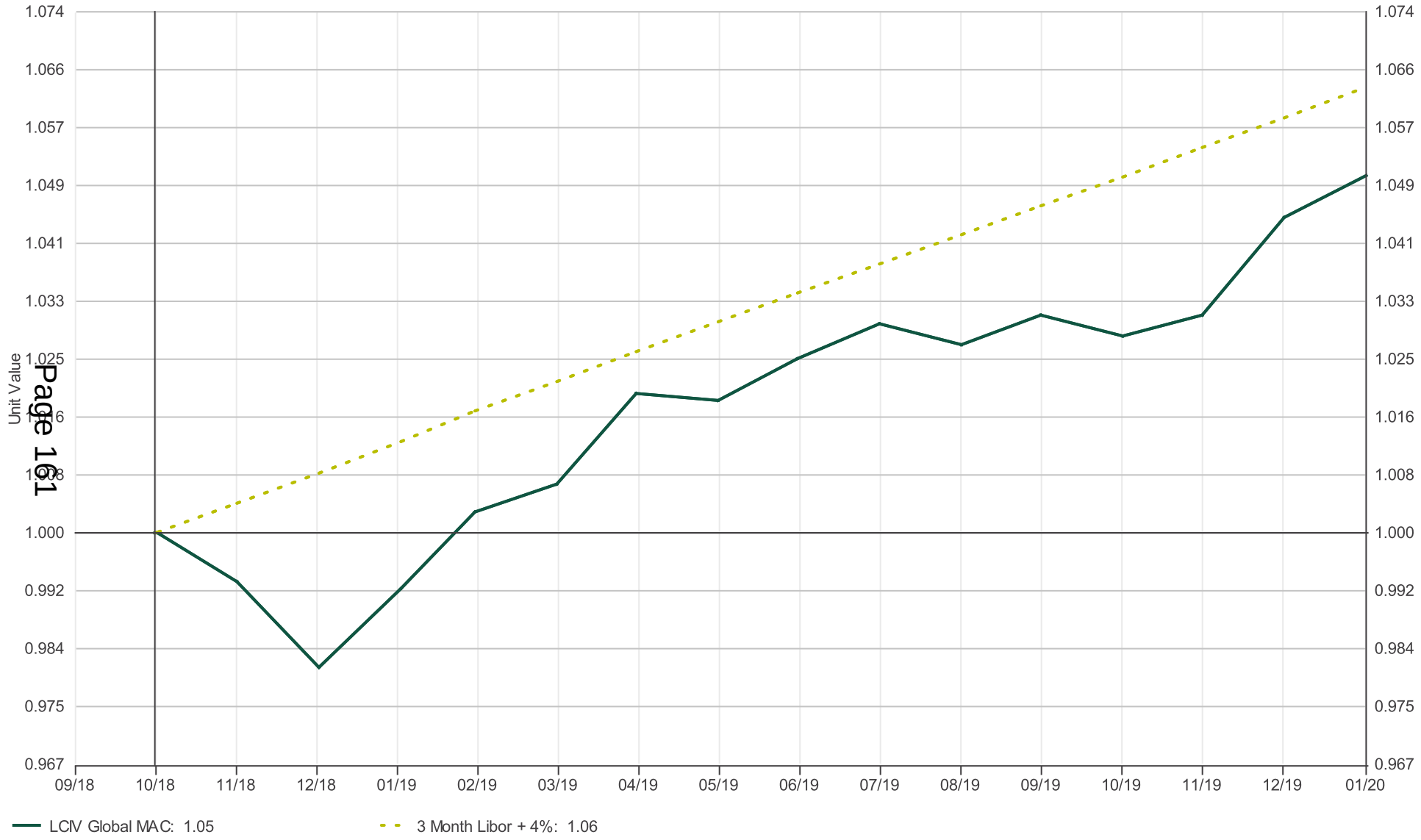
	1 Mo
Beginning Market Value	94,953
Net Contribution	0
Income	0
Fees	0
Appreciation	539
Ending Market Value	95,492

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Fixed Income	**95,491,609**	**100.00**	**0.57**	**2.21**	**0.57**	**5.90**			**4.01**
Collateralized Mortgage Oblig.	95,491,609	100.00	0.57	2.21	0.57	5.90			4.01
Cash & Short Term Deriv.	**9**	**0.00**	**0.00**	**0.06**	**0.00**				
Total Fund Gross of Fees	**95,491,618**	**100.00**	**0.57**	**2.21**	**0.57**	**5.90**			**4.01**
3 Month Libor + 4%			0.41	1.21	0.41	4.96			5.00
Excess Return			*0.16*	*1.00*	*0.16*	*0.94*			*-0.99*

Excess is calculated using arithmetic methodology

Growth Over Time - Inception to Date



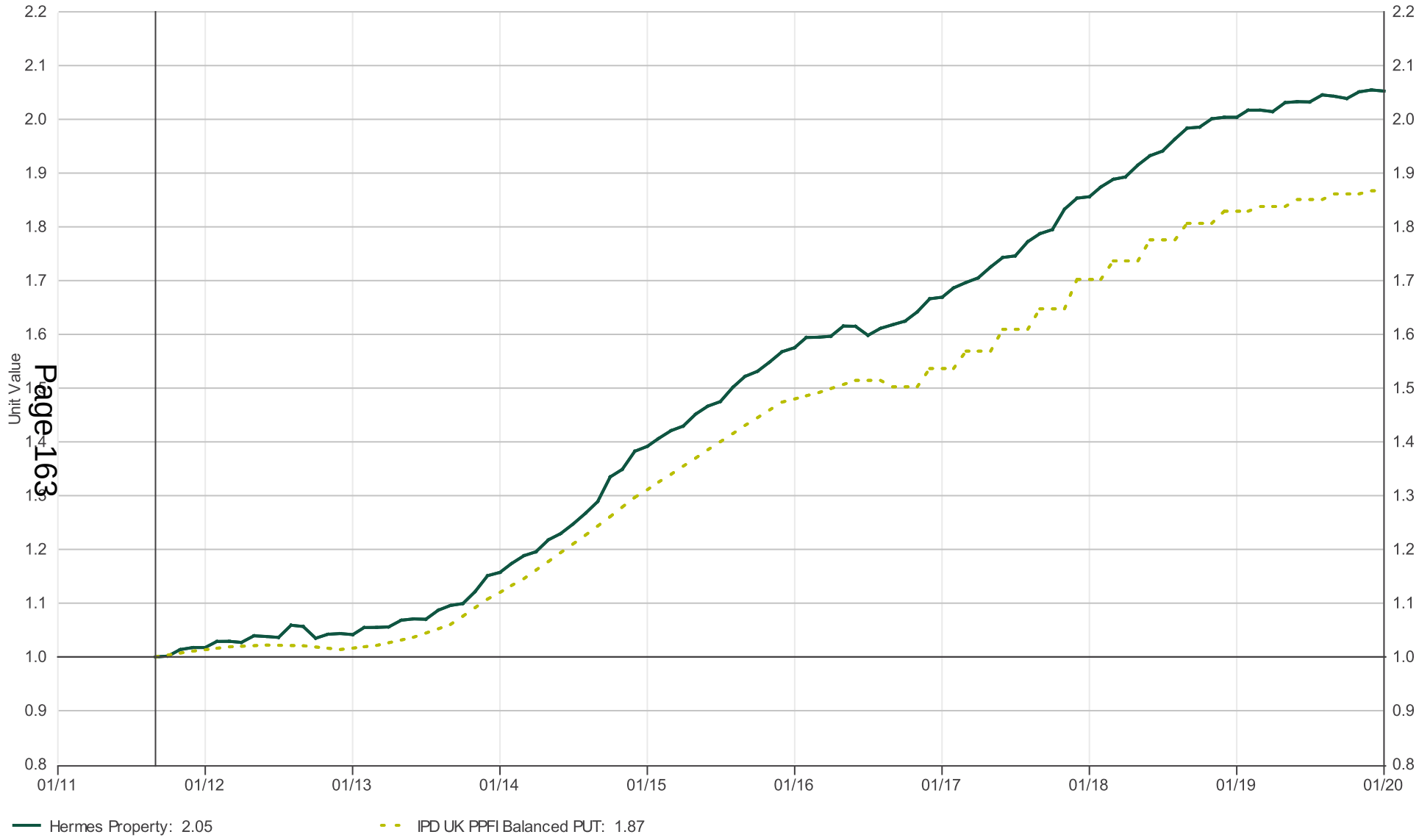
SECTION 8

Hermes Property

Investment Risk & Analytical Services

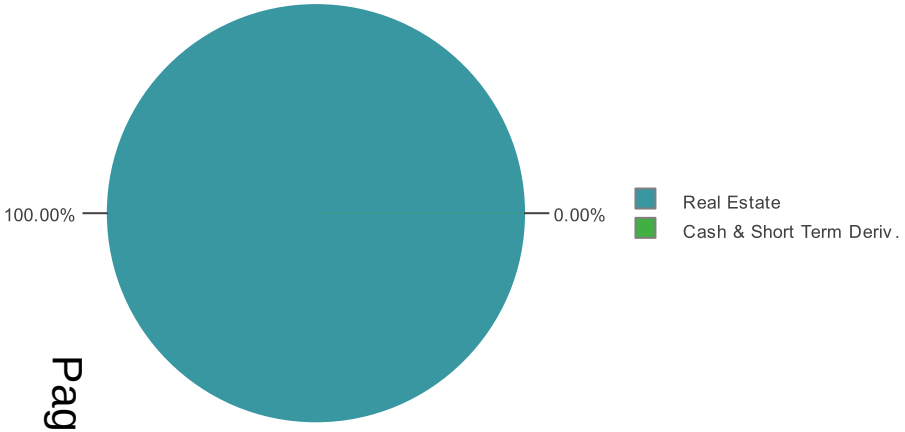
January 31, 2020

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	62,868
Net Contribution	0
Income	0
Fees	0
Appreciation	-65
Ending Market Value	62,803

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Real Estate	**62,802,715**	**100.00**	**-0.10**	**0.72**	**-0.10**	**2.53**	**7.35**	**8.28**	
Cash & Short Term Deriv.	**360**	**0.00**	**0.00**	**0.06**	**0.00**	**0.49**	**0.35**	**0.32**	
Total Fund Gross of Fees	**62,803,075**	**100.00**	**-0.10**	**0.68**	**-0.10**	**2.43**	**7.13**	**8.08**	**9.01**
IPD UK PPFI Balanced PUT			0.00	0.31	0.00	2.08	6.71	7.33	7.78
Excess Return			*-0.10*	*0.36*	*-0.10*	*0.35*	*0.42*	*0.75*	*1.23*

Excess is calculated using arithmetic methodology

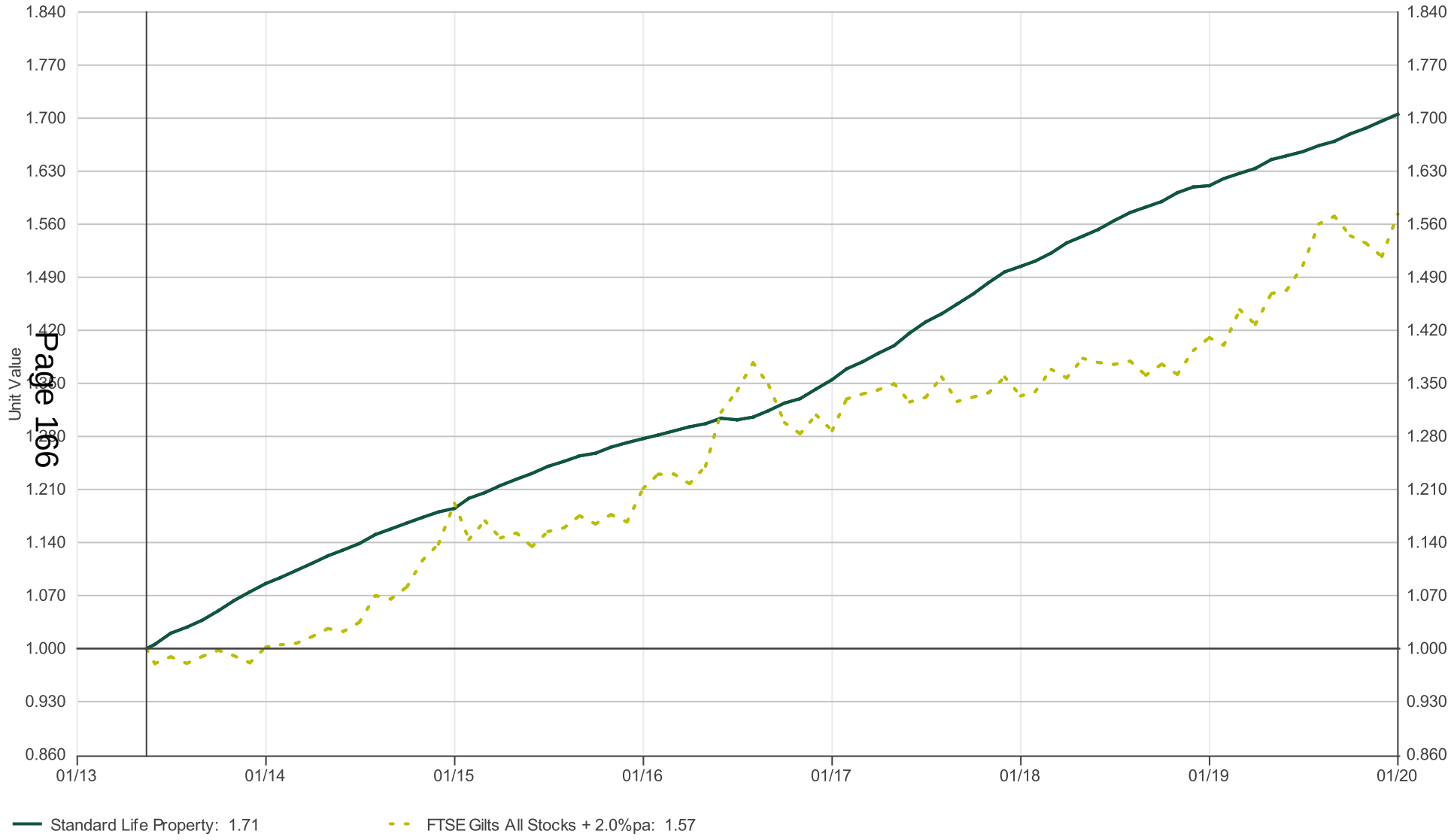
SECTION 9

Standard Life Property

Investment Risk & Analytical Services

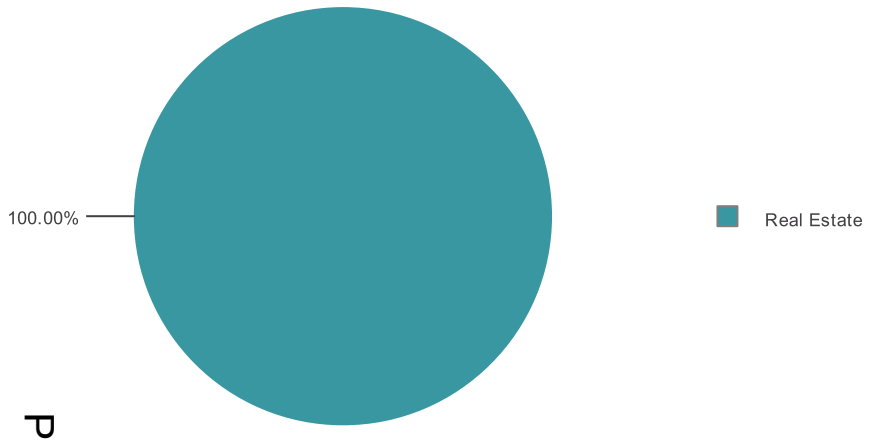
January 31, 2020

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	67,485
Net Contribution	5
Income	0
Fees	-5
Appreciation	358
Ending Market Value	67,848

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Real Estate	**67,847,610**	**100.00**	**0.53**	**1.54**	**0.53**	**5.85**	**7.97**	**7.55**	
Cash & Short Term Deriv.	**0**	**0.00**							
Pending Cash	**0**	**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Fund Gross of Fees	**67,847,610**	**100.00**	**0.53**	**1.54**	**0.53**	**5.85**	**7.97**	**7.55**	**8.38**
FTSE Gilts All Stocks + 2.0%pa			3.70	1.86	3.70	11.57	6.91	5.72	7.07
Excess Return			*-3.17*	*-0.32*	*-3.17*	*-5.71*	*1.05*	*1.84*	*1.30*

Excess is calculated using arithmetic methodology

SECTION 10

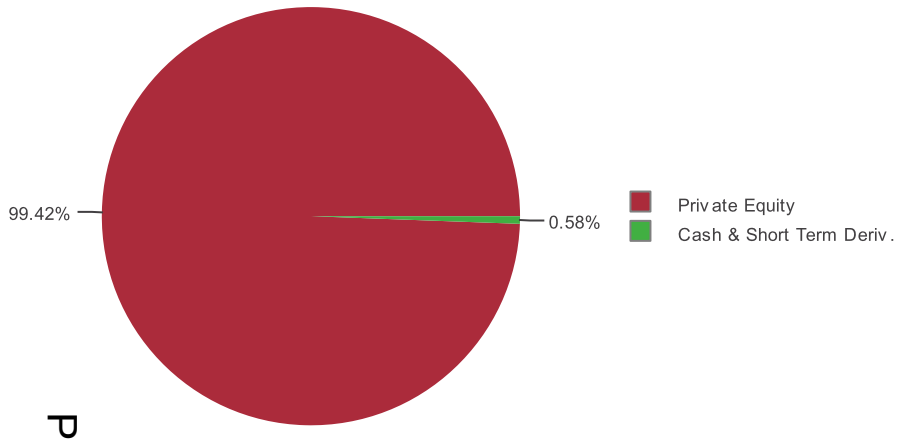
Pantheon Global Infrastructure

Investment Risk & Analytical Services

January 31, 2020

Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

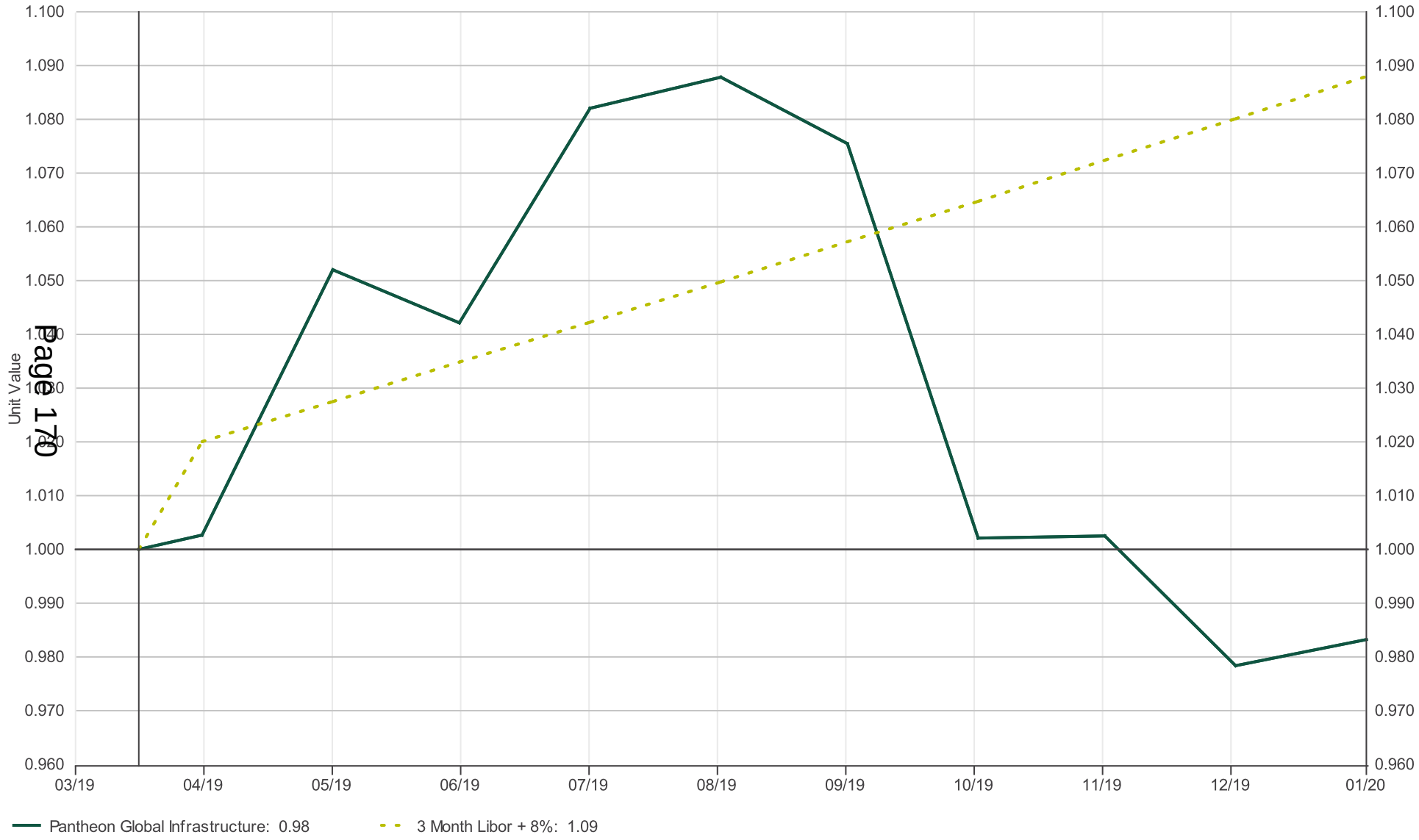
	1 Mo	3 Mos	1 Yr
Beginning Market Value	17,784	20,076	
Net Contribution	-313	-2,167	
Income	0	135	
Fees	0	0	
Appreciation	87	-487	
Ending Market Value	17,557	17,557	17,557

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Private Equity	**17,455,157**	**99.42**	**0.50**	**-1.92**	**0.50**				
Cash & Short Term Deriv.	**102,261**	**0.58**	**0.43**	**-1.87**	**0.43**				**-25.30**
Total Fund Gross of Fees	**17,557,417**	**100.00**	**0.50**	**-1.88**	**0.50**				**-1.68**
3 Month Libor + 8%			0.73	2.18	0.73				8.80
Excess Return			*-0.23*	*-4.07*	*-0.23*				*-10.48*

Excess is calculated using arithmetic methodology

Growth Over Time - Inception to Date



Category: **Total Fund Gross of Fees**

SECTION 11

Appendix

Investment Risk & Analytical Services

January 31, 2020

Disclaimer(s)

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc.("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc.("S&P") and is licensed for use by The Northern Trust Corporation and its wholly owned subsidiaries. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

The Dow Jones Wilshire Indexes are calculated, distributed and marketed by Dow Jones & Company, Inc. pursuant to an agreement between Dow Jones and Wilshire and have been licensed for use. All content of the Dow Jones Wilshire Indexes © 2005 Dow Jones & Company, Inc. & Wilshire Associates Incorporated.

Standard and Poor's including its subsidiary corporations ("S&P") is a division of the McGraw-Hill Companies, Inc. Reproduction of S&P Index Alerts in any form is prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P sources, S&P or others, S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P gives not express or implied warranties, including, but not limited to, any warranties or merchantability or fitness for a particular purpose or use. In no event shall S&P be liable for any indirect, special or consequential damages in connection with subscriber's or others' use of S&P Index Alerts.

All MSCI equity characteristic results except for Dividend Yield, Price to Book Value, Price to Cash Earnings and Price Earnings Ratio were calculated by The Northern Trust Company.

FTSE ® is a trade mark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under license. All rights in the FTSE Indices vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE Indices or underlying data.

The Merrill Lynch Indices are used with permission. Copyright 2007, Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. The Merrill Lynch Indices may not be copied, used, or distributed without Merrill Lynch's prior written approval.

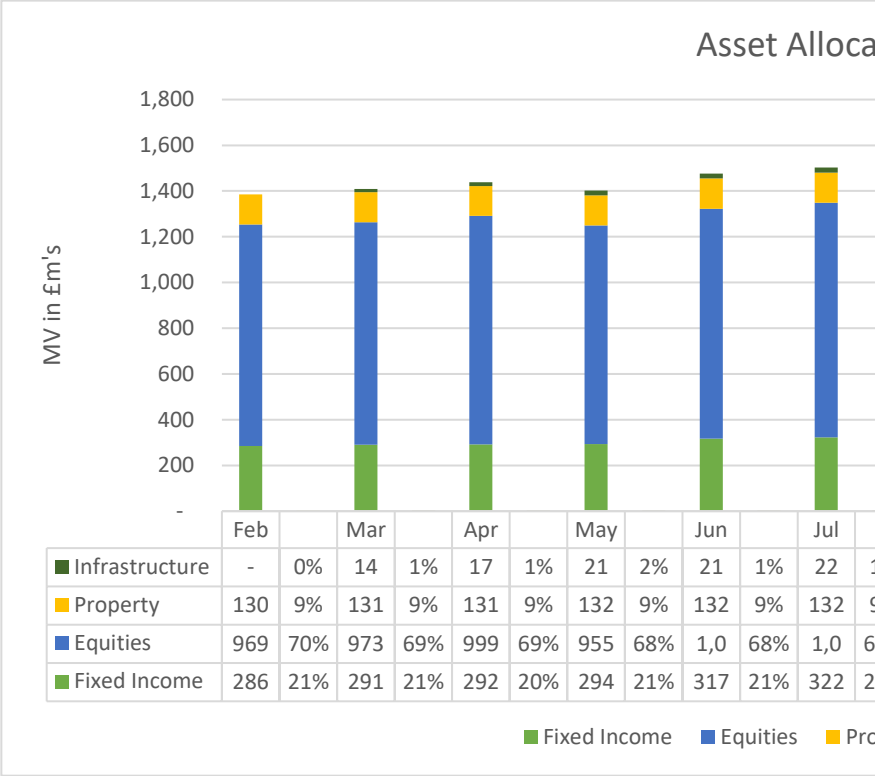
The Citi Index data is provided to you on an "AS IS" basis and you agree that use of the index data is at your sole risk. Citi Index makes no representations or warranties, express or implied, to you or any other person or entity, including without limitation any warranty of merchantability, originality, suitability or fitness for a particular purpose of the index data or any other matter and no warranty is given that the index data will conform to any description thereof or be free of omissions, errors, interruptions or defects. 4. In no event shall Citi Index be liable to you or any other person or entity for any direct, incidental, indirect, special or consequential damages (including, without limitation, lost profits or revenues, loss of data, loss of use or claims of third parties), arising out of or in any manner in connection with your use of (or inability to use) the index data, whether or not you have been advised of, or otherwise might have anticipated the possibility of, such damages. Without limitation on the foregoing, you acknowledge that the index data may be incomplete or condensed, is for information purposes only and is not intended as, and shall not be construed to be, an offer or solicitation with respect to the purchase or sale of any security. All opinions and estimates provided constitute judgments as of their respective dates and are subject to change without notice. Such data, information, opinions and estimates are furnished as part of a general service, without regard to your particular circumstances, and Citi Index shall not be liable for any damages in connection therewith. Citi Index is not undertaking to manage money or act as a fiduciary with respect to your accounts or any of your managed or fiduciary accounts and you acknowledge and agree that the index data does not and shall not serve as the primary basis for any investment decisions made with respect to such accounts.

iShares® and BlackRock® are registered trademarks of BlackRock, Inc. and its affiliates ("BlackRock") and are used under license. BlackRock has licensed certain trademarks and trade names of BlackRock to The Northern Trust Company. The Northern Trust Company's products and services are not sponsored, endorsed, sold, or promoted by BlackRock, and BlackRock makes no representations or warranties related to such products or services either to The Northern Trust Company or any other person or entity, including but not limited to the advisability of investing in the products of The Northern Trust Company. BlackRock has no obligation or liability in connection with the operation, marketing, trading or sale of the products or services from The Northern Trust Company.

Please note that this report has been prepared using best available data. This report may also contain information provided by third parties, derived by third parties or derived from third party data and/or data that may have been categorized or otherwise reported based upon client direction - Northern Trust assumes no responsibility for the accuracy, timeliness or completeness of any such information. If you have questions regarding third party data or direction as it relates to this report, please contact your Northern Trust relationship team.

INVESTMENT ADVICE NOTICE: The data and analysis contained in this report is for informational purposes only. In providing the information contained herein, The Northern Trust Company is not undertaking to provide “investment advice” or to give advice in a fiduciary capacity for purposes of the Employee Retirement Income Security Act of 1974, as amended. Nothing in this report is intended as, or should be understood as, a recommendation to hire, retain, or terminate an investment manager or engage in any purchase or sale transaction with such a manager or any fund that it manages. The Northern Trust Company and/or its affiliates may have business relationships with one or more investment managers or funds for included in this report, and may receive compensation for providing custody, administration, banking, brokerage, foreign exchange or other services to such investment managers or funds. The Northern Trust Company and its affiliates shall have no responsibility for the consequences of investment decisions made in reliance on information contained in this report.

Asset Allocation	Feb		Mar		Apr		May		Jun		Jul	
Fixed Income	286	21%	291	21%	292	20%	294	21%	317	21%	322	21%
Equities	969	70%	973	69%	999	69%	955	68%	1,006	68%	1,026	68%
Property	130	9%	131	9%	131	9%	132	9%	132	9%	132	9%
Infrastructure	-	0%	14	1%	17	1%	21	2%	21	1%	22	1%
Cash	0	0%	1	0%	1	0%	1	0%	1	0%	1	0%
Total	**1,385**	**100%**	**1,410**	**100%**	**1,440**	**100%**	**1,403**	**100%**	**1,477**	**100%**	**1,504**	**100%**



Aug		Sep		Oct		Nov		Dec		Jan	
326	22%	326	22%	325	22%	325	21%	326	21%	334	22%
998	67%	1,017	68%	1,015	68%	1,045	68%	1,051	68%	1,046	68%
133	9%	133	9%	134	9%	134	9%	130	8%	131	8%
22	1%	22	1%	20	1%	20	1%	18	1%	18	1%
1	0%	1	0%	1	0%	1	0%	19	1%	18	1%
1,480	**100%**	**1,499**	**100%**	**1,495**	**100%**	**1,525**	**100%**	**1,545**	**100%**	**1,546**	**100%**