



City of Westminster

Committee Agenda

Title:

Pension Board

Meeting Date:

Thursday 30th November, 2023

Time:

6.30 pm

Venue:

Rooms 18.06, 18.07 and 18.08 - 18th Floor, 64 Victoria Street, London, SW1E 6QP

Members:

Councillors:

Christopher Smith (Chair)
Matt Noble (Vice-Chair)
Terry Neville

Barbara Arzymanow
Marie Holmes



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, Sarah Craddock, Committee and Councillor Liaison Officer.

scraddock@westminster.gov.uk

Corporate Website: www.westminster.gov.uk

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

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

To note any changes to the membership.

2. DECLARATIONS OF INTEREST

To receive declarations of interest by Members and Officers of any pecuniary interest or any significant interest in matters on this agenda.

3. MINUTES

To approve the minutes of the Pension Board meeting held on 21 September 2023.

(Pages 3 - 8)

4. UPDATE ON PENSION ADMINISTRATION STRATEGY

Report of the Director of People Services.

(Pages 9 - 38)

5. LGPS PROJECTS AND GOVERNANCE UPDATE

Report of the Director of People Services.

(Pages 39 - 50)

6. FUND FINANCIAL MANAGEMENT

Report of the Tri-Borough Director of Treasury and Pensions.

(Pages 51 - 56)

7. PERFORMANCE OF THE COUNCIL'S PENSION FUND

Report of the Tri-Borough Director of Treasury and Pensions.

(Pages 57 - 60)

8. ANY OTHER BUSINESS

**Stuart Love
Chief Executive
21 November 2023**



CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Thursday 21 September 2023** at **6.30pm** in **Room 18.07 -18.08, 18th Floor, 64 Victoria Street, SW1E 6QP** and via **Microsoft Teams**

Members Present: Mr Chris Smith (Chair and Scheme Member Representative), Councillor Matt Noble (Vice- Chair and Employer Representative), Mr Terry Neville OBE (Scheme Member Representative), Councillor Barbara Arzymanow (Employer Representative) and Marie Holmes (Employer Representative).

Officers Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Andrew Lowe (Assistant Director, Pensions, Hampshire Country Council), Patrick Rowe (Senior Finance Manager, Tri-Borough Treasury and Pensions), Billie Emery (FM Pensions), Sarah Hay (Senior Pensions and Payroll Officer), Diana McDonnell-Pascoe (Project Manager), and Sarah Craddock (Committee and Councillor Co-ordinator).

1. MEMBERSHIP

1.1 There were no changes to the Membership.

2. DECLARATIONS OF INTEREST

2.1 There were no declarations of interest, other than the standing declarations already made by Members.

3. MINUTES

3.1 **RESOLVED:** That the minutes of the meeting held on 6 July be approved as an accurate record of proceedings with the following amendments:

- All Members of the Board be listed under Members Present.
- Paragraph 1.2: Amend to read: Councillor Matt Noble was elected as Vice-Chair and not Terry Neville.
- Paragraph 4.5: Add the words Outline Business Case before (OBC).
- Paragraph 5.2: Add the words Guaranteed Minimum Person before (GMP).
- Paragraph 5.4: Change 2023 to 2024.
- Paragraph 5.8: Remove the words 'The Vice Chair of the Board'.
- Paragraph 6.8: Change affect to effect.

3.2 In response to questions, Sarah Hay (Senior Pensions and Payroll Officer) advised that under paragraph 4.2 the second transfer out of the Fund had been made and the Internal Dispute Resolution Procedure (IDRP) was settled at stage 2.

4. UPDATE ON CYBER SECURITY FOR PENSION ADMINISTRATION (Agenda Item 9 on the Agenda Pack)

4.1 The Board received a report that provided an update on cyber security relating to Hampshire Pension Services (HPS) who provide LGPS administration for the City of Westminster Pension Fund (COW).

4.2 The Board heard how Hampshire Pension Services (HPS) were committed to cyber security and considered the robust cyber security processes, different types of data leaks (human error and criminal activity) and the statement of controls in place and monthly reporting to partners.

4.3 The Board discussed HPS's Business Continuity Plan detailing the actions which would be taken in the event of an incident and how it had been further strengthened to build greater resilience to help mitigate the impact of a successful cyber-attack.

4.4 **RESOLVED:** That the report be noted.

5. PENSION ADMINISTRATION UPATE (Agenda Item 4 on the Agenda Pack)

5.1 The Board received an update on the Key Performance Indicator (KPI) data from Hampshire Pension Services (HPS) from June 2023 to August 2023 and the compliments and complaints received by HPS. The Board heard that the KPIs data provided showed 100% compliance with the agreed KPI standards and that there had been an increase in members signing up to the Members Portal to 38.82% which included take up across all areas of the membership.

5.2 The Board heard that the backlog project continued to make progress and how out of the 611 cases in scope, HPS had now completed 577, with 34 remaining as of 6 September 2023. The Board were pleased to hear that there were only 18 queries (down from 469 member queries) remaining from the 2022/2023 Annual Returns and that work was being carried out to reduce the number of future queries particularly in relation to missing new starters and leavers.

5.3 The Board noted that the first Employer Performance Scores had been received (measured using three areas: timeliness; financial control and data quality and graded using a traffic light colour) and these would be shared with the Board shortly. The Board further noted the excellent production rate (99.38%) of Annual Benefit Statements (ABS) that had been produced by the deadline which indicated the overall quality of the member data.

5.4 The Board discussed how the internal team had attended a number of events to support members to understand their pensions and encouraged them to provide more individual support across all employers because of the importance of improving people's knowledge of their pension early in their careers instead of just at the time of their retirement. The Board noted the benefits of the future Pension Dashboards which would alert members to all their pensions held in different places.

5.5 **ACTION:** That an AGM be held in December 2023 and/or in the near future.

5.6 **RESOLVED:** That the report be noted.

6. **LGPS PROJECTS AND GOVERNANCE UPDATE Projects (Agenda Item 5 on the Agenda Pack)**

6.1 The Board received an update on the various projects and governance activities being undertaken by the Pension and Payroll Team to improve the administration of the COWPF LGPS.

6.2 The Board were pleased that the Guaranteed Minimum Person (GMP) Project with Mercer was on target and scheduled to be completed on 8 October and that the Comms phase was about to start to tailor the type and timing of the communication to each category of member and their situation. The Board were also pleased that the Council had submitted the majority of its McCloud employer data.

6.3 The Board were updated on the Pension Website Review and how several main themes had appeared across all the participants' interviews which had allowed the team to create a coherent plan to design the website with user requirements in mind. The Board noted that there had been a significant review of the timeline for project delivery in order to redistribute the work more evenly between the various user teams and the website development team.

6.4 The Board discussed how the opt out form was one of the most downloaded forms because everyone was automatically enrolled into the pension scheme and how many young people then left the scheme to spend their funds elsewhere. The Board considered the benefits of when the Pension Scheme was a statutory scheme and how young people could be made aware of the advantages of investing in the Fund. The Board suggested lobbying the government to have a phrased/low contribution rate for young people to encourage them to remain in the Pension Scheme.

6.5 The Board noted that the Pensions Dashboard had been extended to 31 October 2024.

6.6 **ACTION:** That the Pension Fund be discussed during a LOOP LIVE.

6.7 **RESOLVED:** That the report be noted.

7. FUND FINANCIAL MANAGEMENT (Agenda Item 6 on the Agenda Pack)

- 7.1 The Board discussed the report which outlined the top five risks for the governance and pension administration fund which were set out in the report.
- 7.2 The Board had detailed discussions over the identified risks, that the significant price inflation was more than anticipated in the actuarial assumptions, the continuation of the global economic stability following Russia invading Ukraine and the implications of the proposed new regulations for Local Government Pension Scheme (LGPS) administration authorities in England and Wales to assess, manage and report on climate-related risks.
- 7.3 The Board discussed the successful transfer of the 5% equities into renewable infrastructure during July 2023, that being cash-flow negative was not a concern and how moving quickly within the marketplace was paramount to the investment and growth of the Pension Fund. The Board noted the valuable expert advice that had been received from Deloitte.
- 7.4 **RESOLVED:**
- 1) That the top five risks for the Pension Fund be noted.
 - 2) That the cashflow position for the pension fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast be noted.

8. PERFORMANCE OF THE COUNCIL'S PENSION FUND (Agenda Item 7 on the Agenda Pack)

- 8.1 The Board received a report setting out the performance of the Pension Fund's investments to 31 July 2023, together with an update on the London CIV. The Board discussed and noted that the Fund returned 3.34% net of fees to 31 July 2023, performing broadly in line with the benchmark.
- 8.2 The Board discussed the effects of the global economic stability on interest rates and inflation and hence the investments made on behalf of the Pension Fund. The Board discussed how renewables were important in the USA and how it was a good time to purchase high quality commercial properties (as there was high demand/low supply) in good locations in the UK for the rental market. The Board noted that this would have a huge impact on the investment and cash flow of Pension Funds.
- 8.3 **RESOLVED:** That the performance of the investments and the updated funding levels at July 2023 be noted.

**9. LGPS Consultation
(Agenda Item 8 on the Agenda Pack)**

- 9.1 The Board considered the Council's draft response to the Department for Levelling Up, Housing and Communities (DLUHC) who were seeking views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). The Board noted that the consultation sought views in the following five key areas: Accelerate and expand pooling, Levelling up, Increase investments into high growth companies, amendments to the LGPS's regulations and technical changes.
- 9.2 The Board commented on how impressive the document was and appreciated the amount of work that had gone in to producing it. The Board considered it was a robust document and discussed how the Council did not currently invest in private equity and how people should be properly trained before being allowed to sit on Pension Boards/the Pension Fund Committee. The Board noted that the document would be submitted (including any further amendments) to DLUHC on the 2 October 2023.
- 9.3 **RESOVLED:** That the response to the DLUHC be noted.

10. ANY OTHER BUSINESS

10.1 ACTIONS:

1. That Pension Board Members be invited to all future Pension Fund Committees and be sent the Agenda Pack.
2. That recruitment for new Members to sit on the Board be arranged in the near future.
3. That consideration be given on how the Board can more effectively oversee and scrutinise the recommendations/decisions of the Pension Fund Committee.

11. TERMINATION OF MEETING

- 11.1 The meeting ended at 8.43pm.

Chair _____ Date _____

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Pension Fund Board

Date:	30th November 2023
Classification:	General Release
Title:	Update on Pension Administration Strategy (PAS)
Report of:	Strategic Pension Lead Sarah Hay
Wards Involved:	All
Policy Context:	
Financial Summary:	N/A

1. Introduction

1.2 This report summarises the proposal to update the City of Westminster Pension Fund (COWPF) Pension Administration Strategy with effect from April 2024.

2. Pension Administration Strategy (PAS)

2.1 Pension Administration Strategies are recommended Local Government Pension Scheme (LGPS) documents as covered by Regulation 59 of the 2013 LGPS regulations. The PAS should set out the roles and responsibilities of both the Administering Authority and the Fund employers.

2.2 The COWPF has had a PAS for several years, and this was last revised when we moved our pension fund administration to Hampshire Pension Services (HPS) in November 2021.

2.3 The PAS we have has allowed us to fine employers when they have been slow to submit member data including missing leaver data. In addition, we have also used our PAS to fine employers where they were not sending us the relevant remittance and schedule information or not correcting errors with payments in a timely manner.

2.4 The PAS has been an important tool in the Fund eliminating the backlog of over 611 cases that came with us from our prior administration partner until now. With our data much improved now appears to be the time to revise the PAS increases the scope of potential PAS charges as an added incentive for employers to ensure that they build on the progress made in the last couple

of years.

- 2.5 The revised PAS is included as an attachment with this report.
- 2.6 Some of the main changes are an increase in the PAS charge for the submission of starters and leavers to £100 per case from £50. It should be noted that following last year's annual return the fund still had 75 missing starters and 90 missing leavers plus 178 members with missing data many of which would have been leavers identified when we processed the 22/23 annual returns. Although the Funds employers have cleared up most of the data issues and the number of queries had reduced from the prior year, we need to make sure employers are fully on board sending us data in a timely manner for the sake of members. If we don't control the data coming into us going forward, we could accrue another backlog.
- 2.7 In addition I have increased the PAS charge to £250 for retirements and leavers where the member is immediately entitled to payment of their benefits. This is to represent the risks to the fund in this data being delayed and the impact it may have on members who could be relying on their pension.
- 2.8 The charge for late or inaccurate remittance and schedules has increased to £100 per document. We have a common ongoing issue with some employers that payment is a day or so late, they send in remittance documents that don't match payments. The remittance and schedule don't match, whilst we do work very closely with employers and with one of the bulk payrolls providers, we have monthly meetings to resolve issues we need to add some more incentives to employers to get what I consider the basics correct particularly when we have had multiple discussions. I have therefore also added a potential additional PAS penalty of £500 if there were multiple issues in a 12-month period.
- 2.9 Finally the Pension Board has been advised that we have for the first year advised our employers under the HPS Employer Benchmarking System of their scores. You can see below we have scores for 21/22 but these were not shared as we concentrated on backlog work.

Timeline ss	2023			2022		
	30 April or before	Between 1 and 31 May	1 June or after	30 April or before	Between 1 and 31 May	1 June or after
Return received	30 April or before	Between 1 and 31 May	1 June or after	30 April or before	Between 1 and 31 May	1 June or after
Rating	Green	Amber	Red	Green	Amber	Red
No. of employe rs	21	13	0	22	13	0
% represe nted	62%	38%	0%	63%	37%	0%

Financial Control	2023			2022		
	No reconciliation issues	Minor reconciliation issues/quickly resolved	Major reconciliation issues and/or slow/failed to respond	No reconciliation issues	Minor reconciliation issues/quickly resolved	Major reconciliation issues and/or slow/failed to respond
Rating	Green	Amber	Red	Green	Amber	Red
No. of employers	33	1	0	31	1	3
% represented	97%	3%	0%	89%	3%	8%
Data Quality	2023			2022		
	Data quality good	Minor data quality issues, quickly resolved	Major data quality issues and/or slow/failed to respond	Data quality good	Minor data quality issues, quickly resolved	Major data quality issues and/or slow/failed to respond
Rating	Green	Amber	Red	Green	Amber	Red
No. of employers	6	18	10	6	11	18
% represented	18%	53%	29%	17%	32%	51%

2.10 The Board can see that there was an improvement between 21/22 and 22/23. In the most important category data quality, we had 18 employers with major data quality issues in 21/22 and that had reduced to 10 employers in 22/23 although it appears there is still work to do.

2.11 In the PAS I have introduced a fine of £1000 for an employer that has three years of red or failing data quality in a row from the year 22/23. I would point out that any employer in that position would have had already accrued PAS charges for missing joiners and leavers likely and we do warn employers before the submission on the annual return to make sure their data is accurate. Three years effectively gives any employer the chance to remedy the situation before this penalty would be imposed.

2.12 The long-term aim would be to further develop the PAS and build out the Administering Authority roles and responsibilities. However, for now I would like to go out to the employers and consult with them on going live with this updated PAS with effect from the 1st of April 2024.

3. Summary

3.1 I am asking the Pension Board to decide if they are agreeable to the approach of the revised PAS with increased potential charges.

3.2 Any suggestions the Board would like to the PAS will be considered and I welcome your suggestions.



City of Westminster

Pension Administration Strategy City of Westminster Pension Fund

Effective from 1st April 2024

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5. Communication, Resources and Available Support

6. Feedback and Review Process

Appendix A – Performance Standards - The City of Westminster Pension Fund Employer Targets and PAS Charges

Appendix B – Performance Standards - The Administering Authority's Roles and Responsibilities

Appendix C – Performance Standards - Employer Performance Benchmarking Guide

1. Introduction

This is the Pension Administration Strategy of the City of Westminster Pension Fund (COWPF “the Fund”) about the Local Government Pension Scheme (LGPS) Fund.

The administration of the Fund has primarily been outsourced to Hampshire Pension Services (HPS) from the 8th of November 2021. It’s important to note that whilst some administration documents and guides are in common with HPS, this PAS is specifically for COWPF. COWPF as an LGPS Administering Authority (AA) determines our PAS and its application.

This document:

- Confirms the purpose of the strategy and says what it is intended to achieve.
- Outlines the role of COWPF scheme employers and sets out their expected levels of performance.
- Outlines the role of COWPF and sets out its expected levels of performance.
- Explains how the performance of COWPF and its employers will be monitored.
- Explains what actions might be taken when employers do not meet the requirements.
- Confirms how COWPF will communicate with its employers.
- Details the resources and support that is available for employers to access the - Employer Hub Portal

The LGPS is a statutory scheme, established by an Act of Parliament. Regulation 59 of the LGPS Regulations outline the key responsibilities of administering authorities and fund employers. The regulations include specific provisions recommending the fund develops a Pensions Administration Strategy (PAS). The COWPF has had an agreed PAS for a number of years, and this is periodically reviewed by the Fund in consultation with the employers to ensure that the PAS remains fit for purpose.

The PAS includes a schedule of additional administrative costs under Regulation 70 of the LGPS Regulations 2013, which provides scope for pension funds to recover costs where additional costs are being incurred due to an employer’s level of performance.

The PAS is linked to the following statutory documents of the Fund which are available on COWPF website www.wccpensionfund.co.uk

- Retention Policy and Full Privacy Notice
- Communications Policy
- Annual Report
- Statement of Investment Principles

Under no circumstances does the PAS override any provision or requirement of the LGPS regulations nor is it intended to replace the more extensive guide provided by the Employers’ Guide available on the Hampshire Pension Services website [Employer Administration Tools and Guidance | Hampshire County Council \(hants.gov.uk\)](http://Employer Administration Tools and Guidance | Hampshire County Council (hants.gov.uk)) for day-to-day operations.

2. Purpose of the Pension Administration Strategy

The purpose of the PAS is to set out the relationship between the Fund and its member employers so that together we can meet our statutory obligations for members and beyond that gives members comfort in their pension with us. The PAS is being amended from April 1, 2024, following excellent work by our fund employers and administrators to clean COWPF data since we moved to HPS in November 2021. The COWPF is now in a position to broaden the PAS and to ensure progress made by everyone is maintained. The purpose of the PAS Summary is below.

- ❖ Provides clarity on the key roles and responsibilities of COWPF and its employers.
- ❖ Sets expectations and confirms the targets that COWPF and its employers need to work to
- ❖ Helps all parties to achieve regulatory compliance by providing a framework that is clear and user-friendly.
- ❖ Assists COWPF and its scheme employers in adhering to the Pensions Regulator's Codes of Practice
- ❖ Complements procedures that help all parties to meet their data protection and data quality responsibilities.
- ❖ Helps to ensure all parties provide the best possible service to scheme members and other relevant stakeholders.
- ❖ Emphasises the importance of the shared role that COWPF and its scheme employers have in ensuring excellent service delivery to scheme members.
- ❖ Promotes efficient working practices, hand in hand partnership with transparency and a culture of continual improvement.

3. Roles and Responsibilities

The purpose of the strategy set out in Section 2 will be achieved by:

- ❖ Clearly defining the respective roles of Scheme Employers and the Administering Authority
- ❖ Setting clear and achievable standards of service levels for the functions carried out by Scheme Employers and the Administering Authority
- ❖ Setting out clear procedural guidance for the secure and effective exchange of information between Scheme Employers and the Administering Authority
- ❖ Monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required.
- ❖ Continuous development of resources via the use of digital technology and staff training for both the Fund and its employers
- ❖ Applying charges where an employer consistently fails to meet deadlines to ensure the resulting additional administrative strain is not a burden on all employers.

3.1 The Employer's Roles and Responsibilities

The primary responsibilities for the employer are to:

- ❖ Communicate the entitlement to benefit from the LGPS to all eligible staff who can join the COWPF.
- ❖ Communicate to new members of the Fund the Pension Portal address and how they can access information on their pension.
- ❖ Communicate to new members of the scheme that transfer requests must be made within 12 months of joining the Fund.

- ♣ Apply the scheme via the collection and payment of the correct levels of pension contributions.
- ♣ Report information and data to the COWPF as set out in this strategy.
- ♣ Determine and publish relevant employer discretions as required in the LGPS Regulations.

3.2 The Administering Authority's Roles and Responsibilities

The City of Westminster is an Administering Authority (AA) responsible for the provision of our own Local Government Pension Scheme Fund. The COWPF is invested for the benefit of all members as instructed by the COWPF Committee. The Pension Fund Committee has the support of internal AA Officers and qualified external advisors to ensure that the Fund is able to meet all future pension promises. The Pension Fund Committee is also supported by a separate Pension Board that has both employer and member representatives.

COWPF is responsible for ensuring that our appointed administration partner HPS is performing to our agreed contractual standards and is providing a reliable pension administration service to our members. Internal administration officers will support both HPS as our administrators and the funds employers to meet our high standards for members and ensure their expectations are met and exceeded where possible.

COWPF will ensure that any other third party engaged on behalf of the Fund is properly monitored to ensure our Fund remains strong.

The key responsibilities for the Administering Authority are to:

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- ♣ Administer the LGPS in respect of all scheme members (Active, Deferred and Pensioner members) in accordance with this Strategy and in line with the LGPS and other regulatory requirements.
- ♣ Maintain and review the Fund's Statements, Policies and Reports and all other matters relating to the Governance of the scheme.
- ♣ Communicate and engage with employers on LGPS matters.
- ♣ Provide support/training to scheme employers.
- ♣ Maintain and develop an effective web presence for the benefit of members and scheme employers.

HPS have invested in an Employer Hub Portal which links into the pensions administration system. This portal empowers employers to conveniently submit data online, facilitating the review and update of their members' individual records and the prompt notification of employment-related changes to the COWPF.

Employers can submit various notifications and requests online. These include new starters, transitioning to the 50/50 scheme, updates to addresses, changes in personal circumstances, adjustments in work hours and breaks in service, leavers, opt-outs within a three-month period, and submission of ill health certificates.

COWPF expects all employers to sign up and use the Employer Hub. HPS offers regular training on various pensions subjects and in using the Employer Hub. Employers can request support from the Employer Pension Team pensions.employer@hants.gov.uk

A summary of the main roles and responsibilities of employers in the Fund are set out in Appendix A with the applicable PAS charge the fund can apply in each case. The summary is not intended to set out every employer responsibility or to override any employer responsibility as set out within the LGPS regulations or other statute.

Appendix B sets out the main summary of duties for the Administering Authority, defining the main functions, which enable the Pension Fund to deliver an efficient, accurate and high-quality pension service to scheme members.

4. Performance Monitoring

The strategy recognises that there is a shared responsibility for ensuring compliance with the LGPS regulations and the PAS.

COWPF will monitor employer performance across the following key areas:

- ♣ The submission of monthly data returns
- ♣ The payment of contributions and other payments due
- ♣ The number of queries, along with the rate and quality of responses
- ♣ The number of complaints received and IDRPs upheld against the employer and the COWPF where applicable.
- ♣ The annual return employer performance (A summary to Annual Return Employer Performance Benchmarking is set out in Appendix C)

The LGPS regulations grant pension funds the authority to recover administration costs incurred due to a scheme employer's underperformance from that employer. The COWPF has applied some PAS charges to employers following our move to HPS in November 2021 as we worked to remove a backlog of unprocessed leaver cases. The Fund has also applied PAS charges for the late submission of remittance and contribution data on a few occasions. The COWPF has centrally covered the administration costs of clearing administration backlogs to date and not recharged these directly to employers.

From April 2024 onwards any backlog of work that is directly related to any employer not fulfilling their duties and responsibilities as outlined in this PAS, will result in that employer specifically being PAS charged for the administration costs to deal with that backlog. The costs will be determined at the time of assessment of any backlog and advised to the employer at the time. This change is to ensure that fund employers who comply with the PAS are not contributing to the cost of dealing with any that do not.

If there were an administration backlog that was caused because of issues outside the control of an individual employer, the COWPF would cover those costs centrally.

COWPF, in partnership with our administration associate in HPS, will extend support to employers to fulfil our shared responsibilities to members. We appreciate and are open to feedback to improve services for both employers and members.

If you represent an employer struggling to meet the terms of this PAS, please contact us promptly so we can work together and avoid additional charges if we can resolve outstanding issues through mutual agreement between COWPF and the employer.

In cases of persistent employer failure to improve performance, we will take the following steps:

- ♣ The COWPF will engage with the employer to discuss areas of poor performance.
- ♣ An improvement plan with required changes and a timeline will be agreed upon if possible.
- ♣ If no improvement occurs within the agreed time frame, or if the employer fails to take action, a formal written notice will be issued, outlining identified issues and possible cost recovery.
- ♣ The Fund employer may be required to exit the COWPF for further accrual by their members. The COWPF would expect the employer to advise those members affected.
- ♣ Detailed calculations of losses or additional costs incurred in resolving poor performance will be provided.
- ♣ The COWPF may have to report the employer to The Pensions Regulator (TPR) for noncompliance with the TPR code. The COWPF will advise the employer if this action is being taken. The TPR may apply their own penalties separate to COWPF.

For more information about the work of The Pensions Regulator, you can visit the following link: <https://www.thepensionsregulator.gov.uk/en>

A schedule of charges is detailed in table below.

5. Communication, Recourses and Available Support

The various channels of communication employed by the fund include:

1. The **Westminster City Council Pension Fund** website is the main communication tool for both employers and scheme members.

- ♣ **Employers** – a dedicated and secure employer section where employers can access procedure guides, information on courses run by the Fund. All employers are required to provide data through the UPM - Civica Employer Hub Portal.
- ♣ **Scheme members** – access to up-to-date information about all aspects of the LGPS and the Member Self Service area where members can update personal details, review annual benefit statements, complete their own pensions estimates and access online tutorials.
- ♣ **Contact Details** – Westminster City Council Retained Payroll and Pension contact information are available on the website, together with contact details for the Hymans Robertson Team, Investment and Pension Fund Committee and Pension Board.

2. **Scheme members** who have chosen to opt out of the Member Self Service will continue to receive postal communication. They will still be able to access up-to-date information about all aspects of the LGPS via our website.

3. **Employer newsletters** are issued to scheme members and all employing authorities and published on the COWPF website.

4. **Pension surgeries** may be arranged to support individuals or groups of individuals who need support with particular pension issues. Employers can contact the WCCCPF administration team to discuss the needs of members.

5. **Regular feedback** sent directly to employer representatives to provide notification of any scheme / administrative updates and developments.

6. **Employer workshops** to review scheme developments, and/or to resolve any training needs that employers may have.

For further information regarding our methods of communication, please see our Communications Policy which is located on our website.

6. Feedback and Review Process

COWPF is also accountable for its performance and we welcome feedback from our Employers regarding the performance of the Fund against the standards in this administration strategy, as set out in Section 3. Comments should be sent to the Strategic Pension Lead Sarah Hay shay@westminster.gov.uk . Any feedback received will be incorporated into the quarterly reports provided to the Pension Board.

You should send any questions about this Pension Administration Strategy to the Strategic Pension Lead Sarah Hay.

Sarah Hay
 Strategic Pension Lead
 Westminster City Council
 11th Floor
 64 Victoria Street
 London
 SW1E 6QP
 E-mail: shay@westminster.gov.uk

Westminster City Council Pension Fund is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme. This responsibility rests with the employer.

Regulation 59 of the Local Government Pension Scheme (LGPS) Regulations 2013 is the regulation that allows WCCPF to create this strategy.

Regulation 59 states that on creating or revising its strategy, the administering authority must consult with its employers.

The WCCPF Pensions Committee approved this strategy on **xx/xx/xx Date.**

It is effective from 1st April 2024 and we will keep it under review to ensure it remains up to date and meets the necessary regulatory requirements.

In preparing this pension administration strategy, we have consulted with our Fund employers and our third-party administrator. If we need to revise this strategy, we will notify our Fund employers and our third party administrator.

We will publish the current version of the strategy statement on our website at www.wccpensionfund.co.uk and will make paper copies available on request.

Appendix A	City of Westminster Pension Fund Employer Performance Targets and PAS Charges	
Administration Description	Performance Targets	Non-Compliance Charge

New Scheme Member		
Employer to send to the Administrating Authority the details of the new member.	Within 30 working days after the start of membership.	£100
Employers must enrol eligible staff into the LGPS when they reach their staging date or when members meet their eligible enrolment criteria	Advise COWPF of the new starter as per the standard fund process within 30 working days of the start of membership. Failure to comply with auto enrolment is a breach of the Pension Regulator code.	£100
Leavers		
Employer to send the Administrating Authority a completed leaver notification.	Within 30 working days after the end of membership. Except in retirement or death in service cases	£100
Refund contributions following opt out with less than 3 months scheme membership.	The employers payroll should refund the member any LGPS contributions in the month the opt out is processed. The employer then has the standard 30 working days to update the fund of the leaver and provide a copy of the validated opt out election to the pensions administration team.	£100
Retirements and Death in Service.		

Notification of retirement via online portal	no later than 10 working days after the member's final payroll has run.	£250
Ill Health Retirement notification notify the Fund via Ill Health Retirement (medical certificate) form or via online portal Ill-Health Retirement (Deferred members)	no later than 10 working days after the member's final payroll has run.	£250
	No later than 10 working days after the decision has been taken to grant ill health retirement.	£250
Death in Service	Provide an initial notification within 5 working days of the employer being informed of the death of the employee	No PAS charge determined.
Review payment of Tier 3 ill-health benefits	Within 3 months of being notified by the administrators to review.	No PAS charged determined but note failure to complete may result in the members pension being suspended until the review is complete
Flexible retirement notification	no later than 10 working days after the member's final payroll has run accompanied by confirmation of the number of hours per week to be worked in the continuing job role.	£250
Contracting Out of Services		

<p>Notify COWPF of an Outsourcing of staff in the LGPS</p>	<p>COWPF should be advised of any contracting out prior to the award of any contract. The Fund requires notification no later than the day of transfer to a new employer.</p>	<p>PAS charge no less than £250 from the 1st of April 2024. The COWPF reserves an entitlement to increase that charge should the transfer involve more than ten people or there be a delay in advising the fund exceeding three months.</p>
<p>Contributions and Other Payments Due</p>		
<p>Apply the applicable employee contribution rate to eligible members salary as determined by the LGPS Regulations and review at least annually and whenever their salary rate is adjusted.</p>	<p>Payment date - payment must credit the pension fund bank account on or before 19th of the month following the month to which deductions relate (or previous working day if 19th is a weekend or public holiday)</p>	<p>£100 for receipt of late payment for each monthly payment. COWPF may seek recovery of under deducted LGPS employee contributions from an employer if the fund identifies an issue. The Fund may in exceptional circumstances PAS fine additionally employers to recover COWPF officer time to review complex contribution issues.</p>

<p>Apply the employer contribution rate agreed with the Fund on becoming a scheme employer and adjust as instructed by the Fund from a date determined by the Fund. and Complete monthly remittance form containing detail of the contribution's payment</p>	<p>Payment date - payment must credit the pension fund bank account on or before 19th of the month following the month to which deductions relate (or previous working day if 19th is a weekend or public holiday)</p>	<p>£100 for receipt of late payment for each monthly payment. COWPF will seek recovery of under deducted LGPS employer contributions from an employer if the fund identifies an issue. The Fund may in exceptional circumstances PAS fine additionally employers to recover COWPF officer time to review complex contribution issues,</p>
<p>Remittances and schedules</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 25</p>	<p>Remittances - a copy of the monthly remittance and schedule must be sent 3 working days prior to the date that payments are credited to the fund, to the following email addresses: WCCIMSupport@westminster.gov.uk and PensionFund@westminster.gov.uk</p>	<p>£100 per late remittance and £100 per late schedule. The COWPF may also PAS charge an additional £500 if there are three or more months in the prior 12 months where either payment, remittance or Schedule are late or inaccurate.</p>

<p>AVC</p>	<p>AVCs payments - should be paid monthly by 19th of the following month of deduction. AVC payments should be made directly to the COWPF AVC provider AEGON</p>	<p>Please note that if payment is made after the 19th day of the month following deduction, then the Fund may charge a PAS charge of £100 per late payment. In addition, the Fund expects the employer to meet any lost return as a result of late payment and credit that to the members AVC pot. Also in addition, meet the costs from the AVC provider for calculating those additional returns and pay the provider invoice.</p>
<p>APC, ARC, Added Year Contributions</p>	<p>deductions should be applied as applicable in the LGPS regulations and notified to the employer by the member or COWPF.</p>	<p>Payment should be received with the next contribution payment as above received by the 19th day of the month following deduction.</p>

<p>Make additional fund payments in relation to early payment of benefits from flexible, redundancy or business efficiency retirement or where a member retires early with employer's consent, or the employer 'switches on' the 85 year rule, and a financial strain cost arises</p>	<p>Within 30 days of date of invoice from the Fund</p>	<p>The Fund will PAS Charge an additional £250 per invoice received more than 60 days after the deadline.</p>
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<p>General Information</p>		
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<p>Page 27 Move members between the main scheme and the 50 50 scheme.</p>	<p>The employer is expected to move members into the relevant section of the scheme following receipt of the relevant certified election form. The administrator must then be advised within working 30 days of that change with a copy of the relevant election form.</p>	<p>No PAS charge determined. Compliance will help ensure data quality.</p>
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<p>Methods of data exchange</p>	<p>All employers should use the Employer Hub transfer system, UPM, to submit data every month. All forms should be submitted using a secure method of data transfer via online portal. Additional information can also be supplied by email. However, employers must consider data protection when sending information by email and take appropriate steps to ensure data breaches do not occur.</p>	<p>No PAS charge determined but note employers will need to ensure that the administrator does have relevant data sent via other methods or PAS charges could be applied to missing data.</p>
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<p>Control of System Access</p>	<p>Each employer must provide COWPF and our admin with a completed employer contact form. That form will provide and administration contact or contacts for day-to-day administration queries. A nominated payroll contact who will provide the authorised payroll users list and a finance contact responsible for the submission of monthly postings and coordination of the exception's reports. The employer or relevant representative must advise the administration team within 5 working days that a nominated contact who would have access to the employer hub has left the employer. This is to help maintain correct control of the system.</p>	<p>PAS Charge £100 if notified after 5 working days.</p>
<p>Additional responsibilities (optional) of those using an external payroll provider.</p> <p>Page 28</p>	<p>Any COWPF Employer that moves or outsources their payroll provider must advise the administration team of the change of payroll at the earliest opportunity and no later than the day prior to the change of payroll service. The employers existing and new payroll providers will be expected to provide relevant data to ensure that the fund can account for all members.</p>	<p>PAS fine of £250 if advised of the transfer after the move to a new payroll provider. The existing payroll provider has 30 working days from the end of their last payroll period to provide their data and the new payroll provider has 30 working days from the last day of their first payroll period to</p>

		provide the administrator with relevant data to complete the reconciliation exercise. Failure to comply would result in a PAS fine of £100 per member up to a maximum £500 .
End of Year Data Return	The deadline for submitting the end of year return is the 30th of April every year or the last working day in April prior to the 30th	PAS fine of £100 if received after the deadline but before the 31st of May. PAS fine of £250 if received from the 1st of June.
Employer Performance Scoring Data Quality	Less than 2% of queries on active membership following the annual return processing with responses received to any queries raised by our administrators within 30 working days. More information on the Annual Performance Scoring is included in Appendix C.	PAS fine of £1000 is being introduced from the 1st of April 2024 for any employer that has had reported to them poor data quality for three years in a row going back to the performance year 22/23 moving forward. Poor data quality is defined as having queries on 5% of active membership or more and being slow
		to respond to administrator queries.

Governance		
Employers must nominate an adjudicator to deal with appeals at stage one of the IDRPs where the dispute is against a decision the employer has made or is responsible for making. Employers are responsible for providing details of the IDRPs and the adjudicator in writing to members when informing them of decisions they have made	Within 20 days of change or becoming a scheme employer.	No PAS fine determined.
The employer is responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for compiling, reviewing and publishing its policy in respect of the key discretions as required by the regulations to its employees.	A copy of the policy document is to be submitted to the Fund within 20 days of the change in policy	No PAS fine determined.
Distribute any information provided by the Fund to scheme members/potential scheme members (e.g. scheme benefits or benefit statement production)	In a timely manner as required	No PAS fine determined.

Appendix B

Summary of The Administering Authority's Roles & Responsibilities

Appendix B	City of Westminster Pension Fund Administering Authority Roles and Responsibilities		
Administration Description	Performance Targets		KPI Target
New Scheme Member			
Member to be set up on the UPM Pensions software	Within 15 days after the receipt of completed information from the employer		100%
Beavers			

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<p>Retirements to be Processed from both active and deferred status.</p> <p>This includes all types of retirement, ill health, voluntary, redundancy and flexible retirement.</p>	<p>Within 15 days after receipt of all relevant information. This includes employer leaver information if retiring from active status at a fund employer.</p> <p>Members also need to complete the retirement declaration form which can be located on the member portal.</p>	<p>100%</p>
<p>Deferred Benefits</p>	<p>30 days from receipt of all relevant information from the employer.</p>	<p>100%</p>

Reviews, Estimates and Transfers

Tier 3 Ill Health Review	Reminder to be sent to the employer three months before review is due. Upon receipt of notification to suspend a tier 3 pension enact in the next within the next payroll period. Upon notification to amend a Tier 3 ill health retirement enact within 20 days as per the original retirement. Suspend pension if no response from employer three months after the review date.	100%
Employer Estimate Requests	20 days from receipt of all relevant information from the employer. Employers can request 2 estimates per individual in any 12-month period within our agreed costs. Additional estimates must be paid for and we ask employers to only request multiple estimates if there is a significant change in leaving date or member pay.	100%
Member Estimate Requests	20 days from receipt of all relevant information from the employer/ member. Most members can run accurate retirement estimates by accessing the facility on the member portal which is user friendly and the Annual Benefit Statement (ABS) available on the portal will provide an estimate of pension each year. Members can request 1 estimate per year by completing a request form available from our administrators Hampshire Pension Services (HPS). If active members of staff the employer will need to confirm the members pay before submitting to HPS to complete and return.	100%

Cash Equivalent Transfer Value (CETV) Request	CETV requests within 20 days although these could soon be run on the member portal. Where the member is still actively contributing to the scheme, the employer will need to confirm the salary details. A CETV specifically for divorce proceedings has to be run by the pensions administration team.	100%
Death in Service	Provide an initial notification to the next of kin within 5 working days of the employer advising the administrator of the death and providing the relevant final pay and contact information. Payment of any dependent pension benefits due will be processed within 5 days of receipt of relevant forms with payment in the next available pension payroll run.	100%
Death from deferred status	Initial contact will be made within 5 days of notification with the next of kin or appointed representative where known to the Fund.	100%
Death of a member in receipt of pension. Payments	Initial contact will be made within 5 days of notification with the next of kin or appointed representative where known to the Fund.	100%

Payment of Pension Lump Sums	Pension Lump Sums will be processed for payment within the 15 days retirement processing deadline with payment processing via BACS to normally take no more than 5 working days.	100%
Contribution Requirements	The COWPF will hold a pension fund valuation every three years to determine each employers contribution rate. The Fund will consult with employers on their rate. The Fund aims to be more than 100% funded for all employers.	
Other Payments	The COWPF will pay other payments due on behalf of members within the agreed timescale for that payment type. This include payments to HMRC.	100%
Contracts and Governance		
Appoint and monitor third party Contactors	The COWPF will appoint and monitor the performamce off all relevant third party contractors operating on behalf of the Fund. This includes the administrator Hampshire Pension Services and the Pension Fund Auditors	100%

Data Quality	The COWPF will constantly measure and monitor the quality of members data to ensure the fund is able to provide accurate information to members and pay members benefits as per our agreed timescales when due. Where an area for improvement is identified the Fund will take all reasonable steps to improve that data with consideration to the benefit from improvement and the cost.	
Reports to the The Pension Regulator and other Returns	The COWPF will complete any statutory return on behalf of the Fund. This includes the Pension Regulator	
Discretions	Will publish a policy outline it's Administering Authority Discretions COWPF will maintain links to these discretions on WCC website https://www.wccpensionfund.co.uk	
Policies	Arrange for the reports and policies to be provided to all employers requiring such a information. WCCPF regularly review the Fund's policies: • Retention Policy and Full Privacy Notice • Communications Policy • Annual Report • Statement of Investment Principles WCCPF will maintain links to these policies on WCC website https://www.wccpensionfund.co.uk	
Security		
Cyber and Data security	Will be working with our administration partners and our Fund employers to ensure maximum security for our members data. This includes regular cyber security updates on the pension software and monitoring access via the employer hub.	
Employer and Member Support		
HPS Telephone Helpline	HPS will provide a helpline open between 8 am and 4pm Monday to Friday Telephone: 01962 845588	
HPS Email	E - mail: pensions.employer@hants.gov.uk Employers have a dedicated employer team to help them with any pension issue related to the LGPS	

Regular Training	Regular Training is offered by HPS to Westminster Pension Fund employers on a variety of areas. This training will be promoted throughout the year to employers but can be located per this link https://www.hants.gov.uk/hampshire-services/pensions/local-government/employers/training	
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Appendix C

Employer Performance Benchmarking Guide

When we transitioned our pension administration service to Hampshire Pension Services (HPS) in November 2021, it was agreed to incorporate employer performance benchmarking into the annual returns process.

Hampshire Pension Services assesses Scheme Employers for timeliness, financial control, and data quality.

Timeliness - The deadline for submitting a complete and accurate annual return to Hampshire Pension Services is April 30th.

Financial control - The pension contributions from both employees and employers, as outlined in the annual return, should align with the contributions received by the WCCPF, which are reported during the monthly reconciliation process. In the event of genuine reasons for any discrepancies, these reasons should be documented in the return to facilitate the reconciliation of contributions.

Data quality - The data provided in the annual return should align with the member records maintained by Hampshire Pension Services for the respective employer. This includes details regarding new starters, leavers, and any modifications to the records.

The benchmarking scores are provided in the following section:

	Timeliness	Financial control	Data quality
No issue	Return received before 30 April	No reconciliation issues	No or very minor data quality issues (below 2% of active membership)
Minor concern	Return received between 1 May and 31 May	Minor reconciliation issues and quickly resolved	Some data quality issues (between 2 and 5% of active membership)
Significant Concern	Return received more than a month late	Major reconciliation issues and/or slow/failed to respond	Major data quality issues (more than 5 queries or 5% of membership, whichever is higher) and/or slow/failed to respond

In our continuous commitment to upholding the utmost data quality standards for our WCCPF members, we conduct an evaluation of Scheme Employer performance as a part of the annual return process.

For the financial year 2022-2023, we initiated the distribution of our first round of employer performance letters. During the previous financial year 2021-2022, WCCPF assessed employer and payroll provider data and responses. However, at that time, we refrained from sending letters to employers or schools as our focus was on resolving historical queries and ensuring that employers and payroll providers understood the various requirements inherited by Hampshire Pension Services from the previous administrator.

For the financial year 2023-2024, we are currently in the process of dispatching our second round of employer performance letters.

Looking ahead to the financial year 2024-2025, we will be introducing a **£1000** charge to employers for insufficient data quality, provided they have experienced issues in the three preceding years. This fee will serve as additional evidence of costs that the COWPF can provide in its efforts to address data quality concerns.

As part of these initiatives, all scheme employers rated "red" in one or more areas during annual return benchmarking will receive a letter, requesting a review of their processes to improve future performance.

Employers with "red" ratings for data quality will undergo a data validation exercise to update information and ensure timely notifications for starters and leavers since April 1, 2023.

Hampshire Pension Services will collaborate with payroll providers and employers to enhance their understanding of returns and address identified reporting issues.

Pensions Matters will raise employer awareness about the importance of notifying opt-outs and scheme section changes, particularly during re-enrolment.

Additionally, employer training for annual returns will be reviewed to highlight key checks before submission, and awareness and promotion of using Employer Forms and document uploads in the Employer Hub will be encouraged. Consideration will be given to potential charges for scheme employers who fail to provide necessary notifications, changes, or respond to queries.



Pension Fund Board

Date:	30th November 2023
Classification:	GENERAL
Title:	LGPS Projects – GMP Project Update
Report of:	Diana McDonnell-Pascoe Pension Project and Governance Lead, People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	None

1. Introduction

The purpose of this paper is to update the Pension Board on the Guaranteed Minimum Pension Project with respect to the rectification calculation results, the financial impacts of rectification on the Fund and pension recipients as well as to explain the options for consideration for the Pension Fund Committee.

In order to effect the changes to our members, we not only need to understand how our members and the Fund are both individually and generally affected by the changes; we also need to be aware of the wider national picture (this is a statutory project affecting all LGPS schemes in England and Wales), how other Funds may decide to effect the changes, the potential impact of decisions with LGPS Scotland and requests for guidance and appeal to the Department for Levelling Up, Housing and Communities (DLUHC) and how our decisions may be received by the Pensions Ombudsman as well as the Media should there be widespread coverage of the project and negative impacts to members in receipt of their pension.

Therefore, I have set out this paper into sections explaining the data, how it is presented, what our initial findings through analysis are, what we know and don't know, and what we consider are the options to proceed.

2. Guaranteed Minimum Pension Project (GMP)

2.1. End of Mercer Rectification Calculations

I am pleased to tell the Board that we have received the rectification data from Mercer Ltd and Hampshire Pension Services (HPS) have commenced their data validation exercise. I am also pleased to tell the Board that Mercer have praised the Project Board format and have agreed that having a structured project was to the benefit of all.

As per my previous paper, I would like to highlight to the Board that there are still rectification calculations to be completed on circa 400 member records that need manual review due to inconsistencies in and/or missing administration data. These records were descoped with agreement between Westminster, HPS and Mercer. I will be presenting a paper with costs on this at the Q4 Board Meeting as we intend to review these in the next financial year after April 2024 pension increases.

Note on calculations

It is important to note that what is being rectified is only **one element** of the affected members' pensions i.e., the guaranteed minimum pension (GMP) element. What this means is that any changes to the GMP element may or may not result in an overall increase or decrease to pensions in payment.

Additionally, the changes will not be one common single value or percentage (e.g., they all receive a 10% increase or decrease) as each member will have an increase or decrease calculated on their specific record.

Therefore, to understand the impacts of this rectification exercise, we need to present the data (and the member records) in groupings so that we can make decisions depending on the significance of the changes.

2.2. How the Calculations are presented

As per their protocol, HPS have organised the data into groups by creating seven bands of changes.

We are aiming, where possible, to align our approaches with HPS and their methodology for their Fund scheme and the other Fund schemes they administrate for. The reasoning for this is twofold; we want to follow best practice where possible and eliminate the need for bespoke management of cases which could make administration more complex, and therefore costly, in the future.

Group	Group Description	# Members
Group 1a	No change	365
Group 1	Decrease of £1 or less	4
Group 2	Decrease between £1.01 and £5	32
Group 3	Increase	45
Group 4	Decrease between £5.01 and £15	45
Group 5	Decrease between £15.01 and £50	58
Group 6	Decrease of more than £50	60
		609

The purpose of these groupings is to easily identify members who will have ...

a) *no change to their records (i.e., their pension payments won't change).*

➤ ***Group 1a***

For Group 1a, there will be no changes applied to the members' pension payments and the group will be exempt from further work although the member records will be updated show they were part of the rectification exercise.

b) been *underpaid* (i.e., the Fund owes them money) and will receive an increase in their pension payments as well as a single arrears payment.

➤ ***Group 3***

Group 3 will have their member records adjusted to the new value and will receive their increased pension payment and arrears payment with Pensions Increases (PI) in April 2024.

c) been *overpaid* (i.e., they owe the Fund money) and will receive a decrease in their pension payments to a lesser or greater degree.

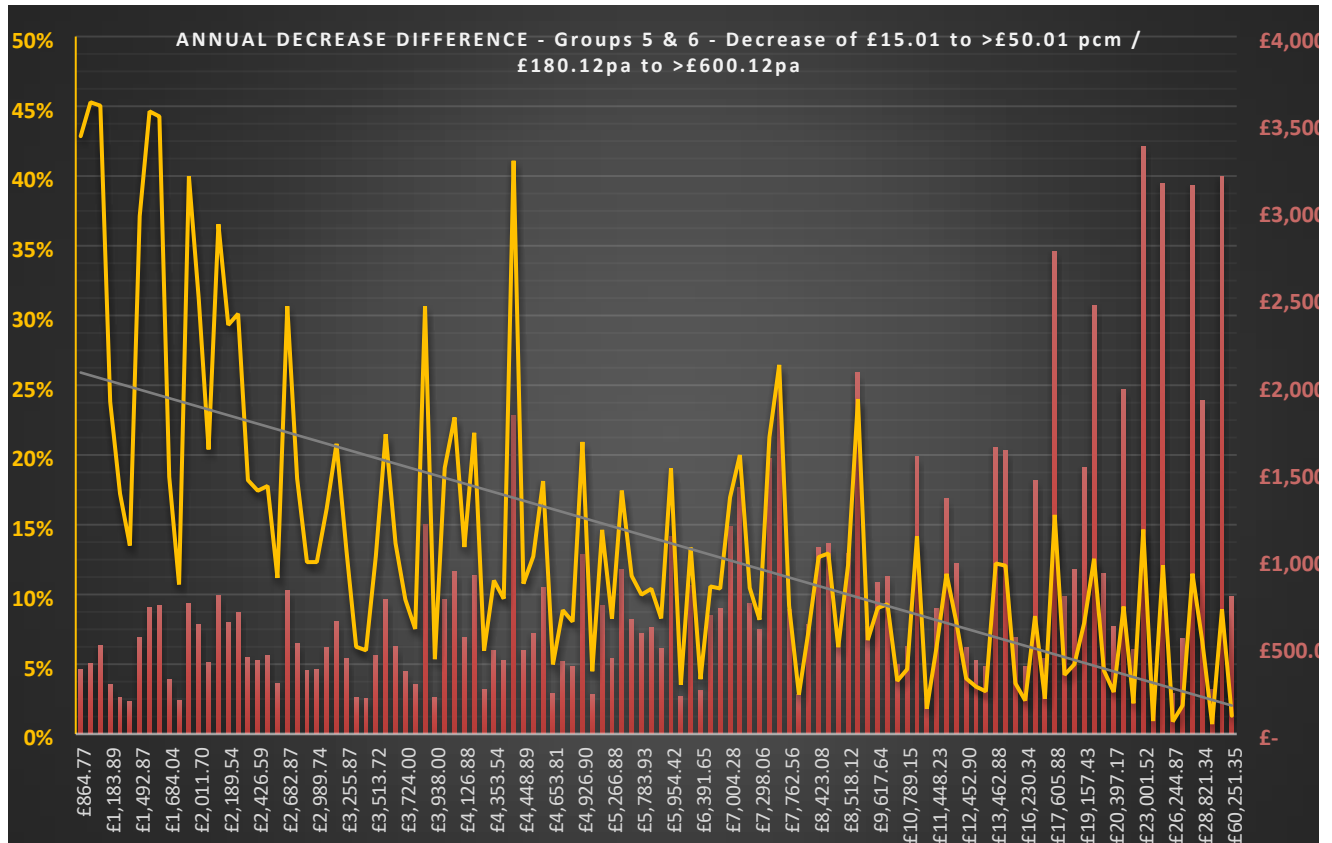
➤ ***Groups 1, 2, 4, 5 & 6***

We have taken the position that we will not ask members who have been overpaid for reimbursement of historic overpayments. This is because any GMP errors are an administrative error dating back many years, not a member error, and the member could have not known they were being overpaid their pension. This position also mitigates the fact that in some cases, the decrease in the pension in payment is approx. 45%.

2.3. Initial Analysis of Rectification Calculations

Initial analysis of the rectification shows that, in the groups with the biggest monthly decreases, the greatest proportional reduction is in the pensions of the members with the smallest pensions in payment, i.e., a member with an annual pension of £ 889.36 has the greatest reduction proportion of 45.29% compared to a member with an annual pension of £ 60,251.35 who has a proportional reduction of 1.31%.

However, **this is a trend** and not a linear decrease (e.g., there are two members with a pension of approx. £30k (midway between the smallest pension and the biggest pension) each receiving a decrease of less than 10% and not 20% or more as you would expect if the decrease was linear).



2.3.1. Impact on Members in Receipt of Pension

To better understand the impact on our members, the financial and proportional impacts on the various groups are presented in the following tables. Please note that Groups 1a and 3 are effectively excluded from the tables because Group 1a are the group with no change to their pension payments and Group 3 are recipients of an increase not a decrease as shown.

Please also note that the financial and percentage figures are independent of each other e.g., the max annual financial figure in Group 6 – £3,369.91 does not represent the decrease of 46% in the percentage table.

While I accept that this is confusing, there has been little time since receipt of the initial analysis to conduct and write up a detailed scrutiny ahead of writing this paper. I will verbally update the Board with more analysis on the impact to members.

Nevertheless, while perhaps the percentage table better informs us of the impact on the member in receipt of their pension, the financial table informs us of the sums involved which relates to the overall cost to the Fund in the next section.

Decreases in Pensions £				
Group	Min Monthly £	Average Monthly £	Max Monthly £	Max Annual £
Group 1a	£ -	£ -	£ -	£ -
Group 1	£ -	£ 0.01	£ 0.85	£ 10.25
Group 2	£ 1.25	£ 2.42	£ 4.58	£ 55.01
Group 3	£ -	£ -	£ -	£ -
Group 4	£ 5.95	£ 9.42	£ 14.21	£ 170.49
Group 5	£ 15.67	£ 32.01	£ 49.80	£ 597.59
Group 6	£ 50.89	£ 102.62	£ 280.83	£ 3,369.91

Decreases in Pensions %				
Group	Min Monthly %	Average Monthly %	Max Monthly %	Max Annual %
Group 1a	-	-	-	-
Group 1	<0.5%	<0.5%	<1%	<1%
Group 2	<0.5%	<1.5%	<13%	<13%
Group 3	-	-	-	-
Group 4	<0.5%	<6%	<30%	<30%
Group 5	<1%	<12%	<46%	<46%
Group 6	<1.5%	<17%	<46%	<46%

2.3.2. Financial Impact on Fund

Based on the figures received, I have created two tables. The first table gives monthly and annual costs to the Fund (without calculations for Pensions Increase which would increase the figures for the next Financial Year and beyond) should we continue paying the overpayments to the members whose rectification requires a decrease in their GMP element. As per the other tables, Groups 1a and 3 are not shown as they either represent no change or an increase in pension payments.

Group	Cost to the Fund (Overpayments) if pension not decreased		Comment
	Total Monthly Cost	Total Annual Cost	
Group 1a	£ -	£ -	No Cost
Group 1	£ 2.22	£ 26.61	
Group 2	£ 77.28	£ 927.36	
Group 3	£ -	£ -	See table below
Group 4	£ 423.79	£ 5,085.50	
Group 5	£ 1,856.63	£ 22,279.54	
Group 6	£ 6,157.39	£ 73,888.70	
	£ * 8,517.31	£ * 102,207.71	

**This figure is subject to pensions increases (PI) annually and would increase annually.*

The second table is solely on Group 3 – the group that have been underpaid and require an increase in their pension payment and arrears due to their underpayment. The arrears payment is a single payment to the members that will be paid once in the next financial year.

Group	Cost to the Fund (Underpayments) for pensions increased		Comment
	Total Monthly Cost	Total Annual Cost	
Group 3	£ *2,009.99	£ * 24,119.83	
		£ ** 275,279.78	This is a one-off
	£ 2,009.99	£ 299,399.61	

** This figure is subject to pensions increases (PI) annually and will increase annually.*

***This is the total combined one-off arrears (underpayment) payment to members.*

2.3.3. Considerations

The purpose of the GMP project was to rectify erroneous GMP elements on members' records and ensure members received their correct pension payments for their retirements. It was always understood that some members' records would not change meaning their pension payments would remain the same, some members would be due an increase plus underpayment arrears and the remaining members would receive a reduced pension payment because they had been overpaid to date and that we would not claim overpayments arrears as a gesture of goodwill.

Having conducted the initial analysis on the rectification calculations, it is evident that the overpayments are costing the Fund a large sum of money each year. Equally, this is a statutory project to correct data quality in pension records and as such we must make the rectifications. However, and just as importantly, it is also right to acknowledge that the reductions required will, in general, significantly impact members in receipt of smaller pensions and greatly reduce their income which may in turn substantially reduce their circumstances.

With that in mind, some points for consideration include:

1. Depending on their circumstances, a large decrease in pension could push some of our members into poverty. However, without speaking individually to each member, we cannot confirm that this would happen as all member finances are personal to them and they may have other income from elsewhere.
2. We cannot assume all members are or have been Westminster residents. We know that some will have been and may still be, but this will not be true of all members. We can check addresses where required.
3. LGPS Scotland are requiring Funds to make a balancing shortfall payment to pensioners who have had a decrease after GMP rectification to ensure their overall pension payments don't change and they receive PI as normal.

4. One or more Funds are in the process of writing or have written to DLUHC for clarification and guidance on balancing payments for LGPS England and Wales. It may be that DLUHC legislate the same as LGPS Scotland.
5. Funds may receive complaints which could go on to the Ombudsman who may make recommendations for all LGPS Funds.
6. It is possible that the project in general will become newsworthy, particularly if there are large numbers of complaints to the Ombudsman from various Fund schemes and/or the media and consequently our Fund and Fund decisions may receive enhanced scrutiny.

There may be other considerations that will develop as we conduct further analysis but any more would be further speculation at this point.

2.3.4. Options

As per our discussions with HPS, we are proposing some options for consideration.

1. **Do not make any changes to the member records and knowingly pay incorrect pensions.** We do not advise this course of action.
2. **Correct the member records but put in place a balancing shortfall payment which will ensure the member continues receiving their payments as if nothing has changed.** This course of action will perpetuate the cost of overpayments to the Fund for each member until the member deceases. The cost will increase each year with Pension Increases. With this course of action, we would need to do further investigation as to the longer-term costs to the Fund and discuss with the Actuary how this would impact the Fund with respect to longevity and mortality and if it would affect Valuation.

3. **Correct the member records but keep the current pension amount in payment. Calculate Pensions Increases (PI) each year as normal but retain the PI amount until the shortfall is made up.** This course of action will cease any future overpayment and ensures the member does not receive a decrease in their pension payment immediately thereby not impacting their circumstances negatively. Although the current overpayment is retained, we recoup monies owed by retaining their PI each year until their account “breaks even” (i.e., until the total PI retained equals the overpayment) at which point we cease withholding PI, and it is added as normal and the pension in payment increases. This is our preferred course of action; however, we would need to investigate further to ensure it is lawful and practicable. Additionally, we would need to work out an estimate of the costs involved.

4. **Correct the member records and reduce the pension in payment.** This is the straightforward outcome from the results of the rectification calculations but doesn't mitigate any significant reductions to the member.

2.4. Next Steps

We have completed our contract with Mercer Ltd, subject to Hampshire Pension Services (HPS) signing the milestone achievement to say that they are satisfied with the data provided. We will conclude our business with Mercer on 12th December 2023 at the November GMP Project Board (held in December to accommodate annual leave at Mercer Ltd).

We will conduct further analysis with HPS on the calculation data and the impact that will have on our members, particularly those members with significant reductions in their pension payment which may make them vulnerable. I would like to highlight to the Board that although we will be able to get some extra data such as date of birth, address etc., we will only be able to create sets of data with potential indicators of

vulnerability due to the fact that we will not know our members' finances in detail, and we will not be able to say categorically who will be pushed into poverty if their pension payment is decreased substantially.

The GMP Project Boards will continue monthly from December with particular emphasis on our Communications and Media strategy and detailed focus on how we will be communicating with members with changes. We will also be creating a timeline of payments so that we ensure we give sufficient notice to groups before we make any changes to their pensions in payment. We have invited Comms and Media teams from Westminster City Council (internal Comms, External Comms, Strategic Comms and the Press and Media office) and Hampshire Pension Service to join the Project Board so that we can craft and evaluate our communications appropriately.

Subject to the Pension Fund Committee's agreement on which option we pursue, we intend to push forward with contacting groups 1, 2, 3 and 4, in either December or January to let them know that their pension payments will be changed and why and then the changes will be put into effect on their records during the February 2024 payroll run so that the correct Pensions Increases (PI) can be calculated for April 2024.

For groups 5 and 6, we will pause any changes until after April 2024 PI so that we can give either give enough time to members to prepare for their decreases (if we just implement the reductions) and/or give enough time to HPS to conduct any calculations for either retaining PI going forward or making a balancing shortfall payment. Either way, these two groups will require specific monitoring and we need to implement any changes carefully.

In summary, this project will continue into next year, but we can finally make decisions with clean data, move forward with the rectifications, and correct our member records. This is a very positive move for the scheme, and we look forward to putting the solutions in place.

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City of Westminster

Pension Board

Date:	30 November 2023
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 pdriggs@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 October 2023 for the Pension Fund bank account and cash held at custody (Northern Trust). The bank/cashflow position continues to be stable.

2. Recommendations

- 2.1 The Board is asked to note the top five risks for the Pension Fund.
- 2.2 The Board is asked to note the cashflow position for the Pension Fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast.

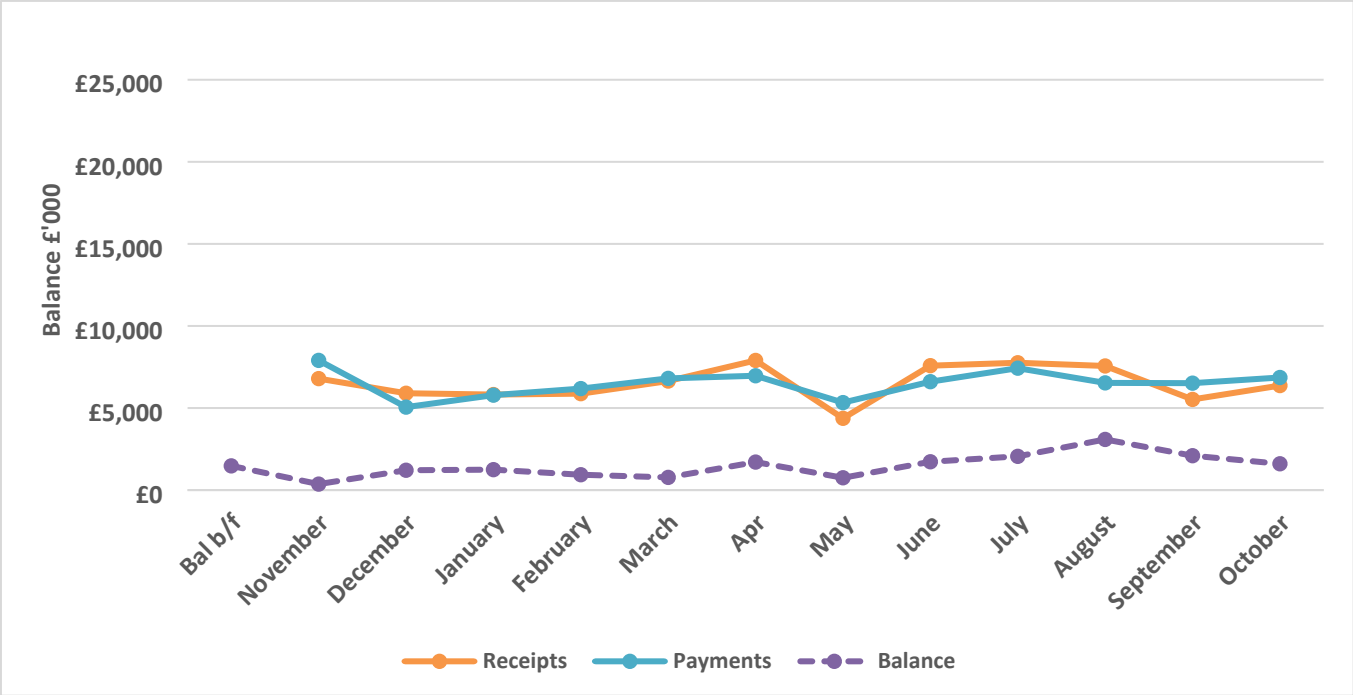
3. Risk Register Monitoring

3.1 The risk register is divided into two sections: investment and pensions administration. The risk groups have been updated to reflect the CIPFA guidance on risk categories. The current top five risks to the Pension Fund, as updated in November 2023, are highlighted in the table below:

CIPFA Risk Group	Risk Rank	Risk Description	Trending
Liability Risk	1 st /42	Price inflation is significantly more than anticipated in the actuarial assumptions. Inflation continues to remain high in the UK and globally due to labour shortages, supply chain issues, and the ongoing Russia-Ukraine conflict, as well as the conflict in the middle East. CPI inflation was 4.6% as at October 2023, down from the peak of 11.1% in October 2022.	
Asset and Investment Risk	2 nd /42	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty, including the conflict between Russia and Ukraine, and Israel and Gaza. Increased risk to global economic stability, with the collapse of a number of banks since March 2023. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with volatility in oil and commodity prices, as well as the weakening of the pound. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.	
Asset and Investment Risk	3 rd /42	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 £1.8m. The Fund returned 7.5% net of fees in the year to 30 September 2023, underperforming the benchmark by 2.7% net of fees.	
Regulatory and Compliance Risk	4 th /42	The Department for Levelling Up, Housing and Communities' (DLUHC's) has proposed new regulations for Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD). The first reporting year is now expected to be the financial year 2024/25, with the regulations now delayed. Therefore, the first reports will be required by December 2025.	
Liability Risk	5 th /42	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others. Current economic conditions will cause strain on smaller employers.	

4. Cashflow Monitoring and Forecasted Cashflows

- 4.1 The balance on the Pension Fund’s Lloyds bank account as at 31 October 2023 was £1.6m. This account is the Fund’s main account for day-to-day transactions, including member contributions and pension payments. Payments from the bank account will continue to exceed receipts on an annual basis. During the year, withdrawals from cash at custody are expected to take place to maintain a positive cash balance.
- 4.2 The graph shows changes in the bank balance from 1 November 2022 to 31 October 2023.



- 4.3 Payments and receipts have remained stable over the last 12 months. Officers continue to keep the cash balance under review and take action to maintain necessary liquidity. During the quarter, the Fund withdrew £5.0m from cash at custody to maintain a positive cash balance.
- 4.4 The Pension Fund held £46.4m in cash with Northern Trust as at 31 October 2023. Fund manager distributions and proceeds/withdrawals from the sale of assets and purchases of assets take place within the Fund’s custody account at Northern Trust. The following table shows the cash inflows and outflows within cash at custody for the three-month period from 1 August 2023 to 31 October 2023.

Cash at Custody	Aug	Sep	Oct
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	19,349	17,187	40,537
Distributions	699	6,411	902
Sale of assets	116	17,058	20,531
Interest	134	1,445	1,774
Cash withdraw	(3,000)	0	(2,000)
Foreign Exchange Gains/Losses	6	69	2
Purchase of Assets	(1)	(1,426)	(15,357)
Miscellaneous	(0)	0	0
Management fees	(116)	(207)	12
Balance c/f	17,187	40,537	46,401

4.5 During the quarter, equalisations took place within the Quinbrook renewable infrastructure fund, as well as further capital calls within the Macquarie, Quinbrook and Pantheon infrastructure funds. The Fund also received distributions of £8m from asset managers over the quarter to 31 October 2023.

4.6 The total cash balance, including the Pension Fund Lloyds bank account and cash at custody, is shown below for the period from 1 August 2023 to 31 October 2023. The total cash balance as at 31 October 2023 was £48m.

Cash at Custody & Bank account	Aug	Sep	Oct
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	21,406	20,275	42,633
Cash outflows	(6,649)	(8,148)	(22,217)
Cash inflows	5,518	30,506	27,590
(Withdraw)/Deposit from custody to bank account	(3,000)	0	(2,000)
Withdraw/(Deposit) from bank account to custody	3,000	0	2,000
Balance c/f	20,275	42,633	48,006

4.7 The following table illustrates the rolling cashflow for the 12-month period from 1 April 2023 to 31 March 2024 for the Pension Fund Lloyds bank account. Forecast cashflows are estimated using the previous year's actual cashflows, which are inflated and then divided equally over the 12 months.

Current Account Cashflows for period April 2023 - March 2024:

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Rolling Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	
Balance b/f	774	1,707	751	1,726	2,056	3,087	2,095	1,603	1,021	1,439	1,857	1,275	£000s
Contributions	6,298	993	3,970	3,810	3,795	4,050	3,849	3,759	3,759	3,759	3,759	3,759	45,563
Various Receipts ¹	601	380	611	948	767	1,473	519	872	872	872	872	872	9,661
Pensions	(3,813)	(3,923)	(3,913)	(3,977)	(3,964)	(3,956)	(3,992)	(3,767)	(3,767)	(3,767)	(3,767)	(3,767)	(46,374)
HQRC Tax Payments	(744)	(795)	(916)	(890)	(853)	(1,192)	(927)	(681)	(681)	(681)	(681)	(681)	(9,720)
Transfers out, lump sums, death grants, refunds & misc. payments	(2,164)	(455)	(1,744)	(2,552)	(1,530)	(1,349)	(1,764)	(1,572)	(1,572)	(1,572)	(1,572)	(1,572)	(19,419)
Expenses	(245)	(157)	(32)	(9)	(185)	(18)	(176)	(194)	(194)	(194)	(194)	(194)	(1,793)
Net cash in/(out) in month	(67)	(3,956)	(2,024)	(2,670)	(1,969)	(991)	(2,492)	(1,582)	(1,582)	(1,582)	(1,582)	(1,582)	(22,081)
Withdrawal/(deposit) from custody	1,000	3,000	3,000	3,000	3,000	0	2,000	1,000	2,000	2,000	1,000	2,000	23,000
Balance c/f	1,707	751	1,726	2,056	3,087	2,095	1,603	1,021	1,439	1,857	1,275	1,693	

- 4.8 The three-year cashflow forecast for 2023/24 to 2025/26 for the Pension Fund's Lloyds bank account is shown below. The 2023/24 forecasted cashflows are linked to the rolling cashflow. The following years forecasts' are calculated using the previous year's cashflows which are then inflated, with pensions payable linked to CPI-inflation.

Three Year Cashflow Forecast for 2023/24 to 2025/26

	2023/24	2024/25	2025/26
	£000	£000	£000
	F'cast	F'cast	F'cast
Balance b/f	774	1,692	989
Contributions	45,563	46,475	47,404
Transfers in, overpayments, VAT reclaim, recharges & misc. receipts	9,661	9,854	10,051
Pensions	(46,374)	(49,481)	(50,471)
HMRC Tax	(9,720)	(9,915)	(10,113)
Transfers out, lump sums, death grants, refunds & misc. payments	(19,419)	(19,807)	(20,203)
Expenses	(1,793)	(1,829)	(1,865)
Net cash in/(out) in year	(22,082)	(24,703)	(25,197)
Withdrawal/(deposit) from custody cash	23,000	24,000	25,000
Deficit Recovery Contributions	0	0	0
Balance c/f	1,692	989	792

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

BACKGROUND PAPERS: None.

APPENDICES: None.

ACRONYMS:

CIPFA: Chartered Institute of Public Finance and Accountancy

CPI: Consumer Prices Index



City of Westminster

Pension Board

Date:	30 November 2023
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 30 September 2023, together with an update on the London Collective Investment Vehicle (LCIV) and funding level.
- 1.2 The Fund returned -1.5% net of fees over the quarter to 30 September 2023, underperforming the benchmark by 1.9%.

2. RECOMMENDATION

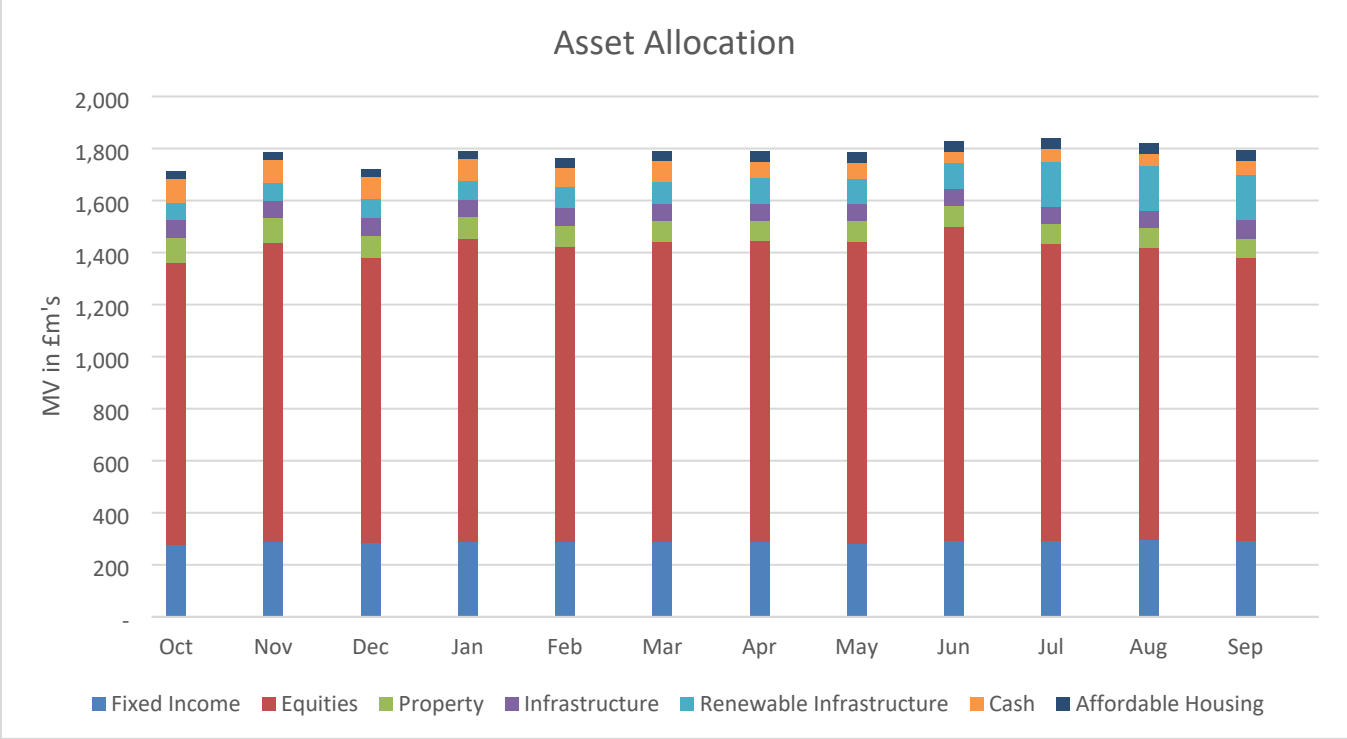
- 2.1 The Board is asked to:
 - Note the performance of the investments and the updated funding level as at 30 September 2023.

3. BACKGROUND

- 3.1 This report presents a summary of the Pension Fund's performance to 30 September 2023.
- 3.2 The market value of investments decreased by £34.0m to £1.795bn over the quarter to 30 September 2023, with the Fund returning -1.5% net of fees. The Fund underperformed the benchmark by 1.9% net of fees, with the Baillie Gifford Global Alpha Growth Paris Aligned Fund's growth orientated portfolio proving detrimental against a backdrop of macroeconomic uncertainty. The Fund's underperformance was partially offset by outperformance within the Macquarie Renewable Infrastructure and Pantheon Global Infrastructure mandates, which outperformed their benchmarks by 2.7% and 1.9% net of fees respectively.
- 3.3 Over the 12-month period to 30 September 2023, the Fund underperformed its benchmark net of fees by 2.7% returning 7.5%. This underperformance can be largely attributed to the Abrdn Long Lease Property, which underperformed its benchmark by 23.5%, owing to the detraction in long-dated property over the year. Over the longer three-year period to 30 September 2023, the Westminster Fund underperformed the benchmark net of fees by 2.0%, returning 3.5% net of fees.
- 3.4 It should be noted that Isio continues to rate the fund managers favourably.
- 3.5 During the quarter, the London CIV transitioned the underlying sub fund of the London CIV Absolute Return Fund from the Ruffer Absolute Return Fund into the LF Ruffer Thames Absolute Return Fund. Isio is satisfied that this transition does not impact the investment objectives of the sub fund or the team managing the product. However, they will monitor as to whether the changes to the environmental, social and governance (ESG) and responsible investment parameters impact the underlying investment portfolio over the long term.
- 3.6 In addition to this, a decision was taken by the Committee during October 2023 to top-up the CVC Credit Private debt mandate, to ensure the allocation remains in line with the 6% strategic asset allocation. Private debt strategies provide loans direct to businesses requiring capital, typically mid-market companies who are unable to raise debt through bond markets. Investing within a Private Debt mandate provides diversification from mainstream asset classes, access to higher yields and stable performance throughout market cycles.
- 3.7 The estimated funding level for the Westminster Pension Fund has remained stable at 160% at 30 September 2023 (161% at 30 June 2023).

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The following chart shows the changes in asset allocation of the Fund from 1 October 2023 to 30 September 2023. Please note asset allocations may vary due to changes in market value.



*Fixed Income includes bonds, multi asset credit (MAC) and private debt
 **Cash includes the NT ESG Ultra Short Bond Fund and Ruffer (LCIV) Absolute Return Fund

4.2 The current Westminster Pension Fund target asset allocation is 55% of assets within equities, 19% in fixed income, 11% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and socially supported housing.

4.3 Over the quarter to 30 September 2023, capital calls relating to the Quinbrook Renewables Impact mandate, Macquarie Renewable Infrastructure and Pantheon Global Infrastructure. At the Committee meeting on 29 June 2023, the Committee elected to transition 5% from equities into renewable infrastructure. This transition took place during July 2023.

5. LONDON CIV UPDATE

5.1 The value of Westminster Pension Fund investments directly managed by the London CIV as at 30 September 2023 was £786m, representing 44% of Westminster’s investment assets. A further £423m continues to benefit from reduced management fees, through Legal and General having reduced its fees to match those available through the LCIV.

5.2 As at 30 September 2023, the London CIV had £27.4bn of assets under management of which £14.8bn are directly managed by the London CIV. All London CIV funds, that Westminster are invested in, were on normal monitoring at quarter end.

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

BACKGROUND PAPERS: None.

APPENDICES: None.

ACRONYMS:

LCIV/ London CIV: London Collective Investment Vehicle

ESG: Environmental, Social and Governance