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Committee Agenda

Title:	**Pension Fund Committee**
Meeting Date:	**Thursday 19th October, 2023**
Time:	**6.30 pm**
Venue:	**18.01 - 18.03, 18th Floor, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:** Robert Eagleton (Chair) Ed Pitt Ford Ryan Jude Maggie Carman

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

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

An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Jack Robinson-Young: Cabinet and Committee Coordinator.

Email: jrrobinson@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 Director of Law in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

Stuart Love
Chief Executive
11th October

MINUTES

CITY OF WESTMINSTER

Pension Fund Committee
MINUTES OF PROCEEDINGS

Minutes of a hybrid meeting of the **Pension Fund Committee** held on **Thursday the 29th of June 2023**, Room 18.01 - 18.03, 18th Floor, 64 Victoria Street, London, SW1E 6QP and via Microsoft Teams.

Members Present: Councillors Robert Eagleton, Maggie Carman, Ryan Jude, Ed Pitt Ford.

Also Present: Mathew Dawson (Strategic Investment Manager), Billie Emery (FM Pensions), Sarah Hay (Strategic Pension Lead), Kevin Humpherson (Deloitte), Diana McDonnell-Pascoe (Pension Project and Governance Lead), Jonny Moore (Deloitte), Jack Robinson-Young (Cabinet and Councillor Coordinator), Katherine Stagg (Committee and Councillor Coordinator) Phil Triggs (Tri-Borough Director of Treasury and Pensions)

1 MEMBERSHIP

1.1 There were no changes to the membership.

1.2 The Chair of the Pension Fund Committee welcomed Councillor Maggie Carman to the Committee as a new permanent member.

2 DECLARATIONS OF INTEREST

2.1 Councillor Pitt Ford declared that with regards to Item 13, Asset Allocation Review, that he holds shares with the company Octopus Group Holdings Ltd and would therefore not be present for that agenda item.

3 MINUTES

3.1 The Committee approved the minutes of its meeting on the 9th of March 2023.

3.2 **RESOLVED**

That the minutes of the meeting held on Thursday the 9th of March be signed as a correct record of proceedings.

4 LOCAL GOVERNMENT PENSION SCHEME PROJECTS & GOVERNANCE UPDATE

4.1 The Pension Project & Governance Lead, Diana McDonnell-Pascoe, presented her report outlining the current position of the Guaranteed Minimum Pension (GMP), McCloud, Pensions Dashboard, Pension Website Review and the Internal and External Audit.

4.2 The GMP has had full engagement from all parties and Ms McDonnell-Pascoe foresaw future governance running smoothly. As of the end of May this year all post-PI data had been sent from Hampshire Pension Services to Mercer who were processing this in line with the project plan.

4.3 The McCloud data sets are still being compiled to be sent on to Hampshire and the Pension Project & Governance Lead reported that they had successfully engaged with Oracle and a third-party supplier, Claremont, to access the final part of the data. Hampshire are drafting a proposal based on the Scheme Advisory Board guidance on how to apply the remedy to poor data sets, or instances of no data sets, from employers.

4.4 The Pensions Dashboard programme deadline has now been extended to the 31st of October 2023 and Hampshire have engaged Civica to be the integrated service provider for the project.

4.5 The Pension Project & Governance Lead informed the Committee that the External Audit is expected in July, and that she expects greater collaboration with the auditors, Grant Thornton.

4.6 The Internal Audit has been completed for the fourth of the four quarters in FY2022 / 23 and the governance piece is still being developed, the Pension Project & Governance Lead informed the Committee that she is happy with the progress to date.

5 PENSION ADMINISTRATION UPDATE

5.1 The Pensions Officer People Services, Sarah Hay, introduced her report outlining the performance of Hampshire Pension Services (HPS). This covered KPI data for the period January 2023 to May 2023 which she informed the Pension Fund Committee was 100% within target.

5.2 The Committee received an update on complaints received and were informed that two related to transfers out of the Fund and another that has progressed to an IDRP stage one. She further informed the Committee that she is now working with HPS to ensure the other transfer is resolved.

5.3 The Committee were informed that the annual returns were positive, and the annual returns have been submitted with queries seemingly lower than last year. The Committee were informed that the PAS changes in relation to missing data will be checked to make sure the quality of data does not go backwards.

5.4 The Committee were informed that the number of deferred fund member statements were high at 99.38% for 2022 / 23. The Pensions Officer People Services said it was her aim to produce active member statements in line with the deadline of 31st August 2023.

5.5 The Committee questioned the £25,000 for an uptick in administration costs, and were informed that as membership figures rose, so did the cost of administrating them. The Pensions Officer People Services believed this is worth the cost due to the good service being received.

5.6 The Committee asked for clarity on what a reserve refund was and were informed that these were people in the fund with less than 2 years' service.

5.7 The Committee asked for further information on one of the complaints and were informed by the Pension Project & Governance lead that this was due to a person leaving local government and moving into the private sector and the governance issues around this.

6 FUND FINANCIAL MANAGEMENT

6.1 The Tri-Borough Director of Treasury and Pensions addressed the Pension Fund Committee and spoke briefly on current risks to the governance outlook.

6.2 The Tri-Borough Director of Treasury and Pensions informed the Committee that at March 31 2023, the balance in the Pension Fund's Lloyds bank account was £774k. The Committee were informed that over the past 12 months, payments and receipts have remained steady. Fund officers monitor the cash balance closely and take necessary measures to ensure adequate liquidity.

6.3 As of March 31 2023, the Committee were informed that the Fund held £19.4m in cash with Northern Trust.

6.4 The Committee asked why the trend on liability risk had not been judged as a downward trend and remaining static, the Tri-Borough Director of Treasury and Pensions replied informing Members that this paper was written before the most recent announcement of CPI inflation and subsequent interest rate rises.

6.5 The Committee asked how high the risk was in relation to the Task Force on Climate-related Financial Disclosure regulations, in reply, the Tri-Borough Director of Treasury and Pensions stated that the Fund has been monitoring the carbon impact on equities for the past 4/5 years and there has been a 75% reduction in that time.

6.6 **RESOLVED**

That the Committee noted the top five risks for the Pension Fund

That the Committee noted the cashflow position for the Pension Fund bank account and cash held at custody, the rolling twelve-month forecast and the rolling three-month forecast.

7 IMC REVIEW & BUSINESS PLAN

7.1 Phil Triggs, the Tri-Borough Director of Treasury and Pensions, introduced the paper which recommended that Local Authority pension funds create an annual business plan outlining their objectives for the next one to three years. The business plan discussed in this document includes objectives in various areas such as administration, communication, actuarial/funding, pension fund committee members, financial and risk management, investment, and the local pension board.

7.2 The forecast budget for 2023/24 provided details on the Fund's expenses categorised into administration, oversight and governance, and investment management. The Committee were informed that administration expenditure fees are expected to be slightly higher due to increased Hampshire staffing costs and Westminster membership data. Additionally, project costs related to the McCloud project and guaranteed minimum pension rectification are anticipated to increase. Governance and oversight expenses were also expected to be slightly higher compared to previous years due to an increase in Finance employee recharge and investment advisory costs following an asset allocation review based on the triennial valuation.

7.3 The Tri-Borough Director of Treasury and Pensions informed the Committee that investment management costs were projected to increase further in 2023/24 due to the LGPS Cost Transparency Code, increased asset market values, and a transition to more complex asset classes that attract higher management fees.

7.4 The Committee were informed that an outturn report will be presented to a future meeting providing updates on progress, the outcomes of the Pension Fund business plan, and a summary of expenditure.

7.5 The Committee asked if training could be arranged on the London CIV, and the Tri-Borough Director of Treasury and Pensions confirmed this could be arranged.
ACTION: That Officers will arrange for training to be scheduled for Members of the Pension Fund Committee in relation to the London CIV.

7.6 The Committee asked why the training budget had increased, while also welcoming the additional training. In reply, Members were informed that there are numerous training days throughout the year, and it was anticipated that the increased provision of £5,000 was an adequate sum.

7.7 The Committee welcomed that there was only one CMA assessment performance rating identified as “yellow” tracking for good, with all others excellent.

7.8 **RESOLVED**

That the Committee commented on and approved the business plan and budget for 2023/24 (Appendix 1).

That the Committee approved that Appendix 3 to this report was not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

8 RESPONSIBLE INVESTMENT STRATEGY

8.1 The Tri-Borough Director of Treasury and Pensions introduced the report and informed the Committee that as of February 2023, the Fund has become a signatory to the Financial Reporting Council's UK Stewardship Code, an achievement held by only a few LGPS Funds.

8.2 The Committee were informed that this statement provides detailed coverage on various topics, including the investment journey, carbon reduction efforts, alignment with the United Nations Sustainable Development Goals (SDGs), and voting and engagement strategies to encourage sustainable business practices.

8.3 The Committee were informed that the Fund has made conscious investment decisions since 2019 to enhance the ESG impact of its investments. These decisions include transitioning equities into ESG tilted mandates, investing in renewable infrastructure, and supporting affordable and socially responsible housing.

8.4 The Committee were informed that the Fund has taken significant steps to reduce its carbon footprint, resulting in approximately a 75% decrease in CO2 emissions by December 2022. The RI Statement also highlighted how the Pension Fund contributes to the United Nations SDGs through its investment assets, aligning with the goals established by the international community. Collaboration with key stakeholders in the investment community is emphasised as a means to influence companies to operate their businesses more sustainably, including active voting and engagement practices.

8.5 The Committee asked if there was anything more that should be done for sustainable investments. In reply, Officers said this would come through in a general strategy review, which came before Members at the March meeting. Anything further could of course be looked into on a rolling basis.

8.6 **RESOLVED**

That the Committee approved the updated RI Statement to be published on the Council’s website

9 SUSTAINABLE DEVELOPMENT GOALS

9.1 The Tri-Borough Director of Treasury and Pensions introduced his report, outlining that during 2015 all UN members adopted the 2030 Agenda for Sustainable Development with 17 goals. The Committee were informed that the Fund’s asset managers already meet a number of the SDGs as set out by the United Nations. These include significant work towards addressing the gender pay gay, reducing deaths and illness from air pollution, developing reliable renewable infrastructure, efficient use of natural resources and improving impact on climate change mitigation.

9.2 The Fund's renewable infrastructure manager, Macquarie, holds a number of assets within its portfolio including onshore and offshore wind and solar. The manager meets a number of the UN SDGs, set out in the report.

9.3 The Committee were informed that the Pension Fund's affordable housing manager, Man Group, has a long-term goal of providing 13,000 new homes that cost no more than 35% of an average household's gross income. They have demonstrated achievement of a number of UN SDGs, set out in the report.

9.4 The Committee were informed that the Pension Fund's second renewables manager, Quinbrook, invests solely in UK assets at both the development and operational stage. Target assets include solar PV and onshore wind, alongside supporting infrastructure such as battery storage and connection assets.

9.5 The Committee were informed that Abrdn manage the Fund's allocation to long lease property, which aims to provide long-term and inflation-linked income through UK property investments.

9.6 **RESOLVED**

That the Committee noted the progress the Fund's asset managers have made in meeting the UN's 17 SDGs.

10 ANNUAL REPORT & ACCOUNTS

10.1 The Committee were presented to by the Tri-Borough Director of Treasury and Pensions and informed that the Fund's Annual Statement of Accounts for 2022/23 were prepared ahead of schedule and are awaiting external audit, with no significant findings anticipated. The draft Statement of Accounts will be presented at the Audit and Performance Committee, and the final version will be presented after the completion of the external audit.

10.2 Turning to the Annual Report overview, the Tri-Borough Director of Treasury and Pensions informed Committee Members that the Fund's net assets decreased by £81.8 million to £1.794 billion at the end of March 2023. It was outlined that the decline is attributed to poorer performance in equities, long lease property, and fixed income assets during the year.

10.3 The Committee were informed that the Fund's overall return for the financial year ending March 2023 was -3.4%, underperforming its benchmark by -0.9% net of fees. This underperformance was primarily due to weak performance in long lease property, global equities, and fixed income portfolios. Some funds, such as Pantheon infrastructure, Macquarie renewables, and Quinbrook impact, performed well with net returns of 22.6%, 21.2%, and 30.6% respectively, after accounting for fees.

10.4 The Tri-Borough Director of Treasury and Pensions said that the funding level for the Westminster Pension Fund had increased by 5% to 149% as of March 2023, compared to 144% at the end of December 2022.

10.5 The Tri-Borough Director of Treasury and Pensions informed the Committee that during the financial year 2022/2023, HPS had achieved 100% performance across various administration key performance indicators, with a reduction in administration costs since the transition from Surrey CC.

10.6 **RESOLVED**

That the Committee approved the draft Pension Fund Annual Report for 2022/23.

That the Committee delegated completion and approval of the final document to the Tri-Borough Director of Treasury and Pensions in consultation with the Chair.

That the Committee noted the Pension Fund accounts for 2022/23.

11 QUARTERLY PERFORMANCE

11.1 The Committee were updated on the performance of the Fund by the Tri-Borough Director of Treasury and Pensions and that the current target asset allocation for the fund is 60% in equities, 19% in fixed income, 6% in renewable infrastructure, 5% in infrastructure, 5% in property, and 5% in affordable and socially supported housing.

11.2 During the quarter ending 31 March 2023, capital calls had been made for the Quinbrook Renewables Impact mandate, Man Group Community Housing fund, and CVC Credit Private Debt fund. Sales were executed within the NT Ultra Short Bond fund and LCIV Absolute Return mandate to fund these capital calls.

11.3 Turning to the London CIV, the Tri-Borough Director of Pensions and Treasury informed the Committee that as of March 31 this year, the Fund had £872 million (of which, 49% were investment assets) directly managed by the

London CIV. An additional £408 million continues to benefit from reduced management fees due to Legal and General matching the fees available through the London CIV. The London CIV had £26.8 billion of assets under management as of March with £14.3 billion directly managed by the London CIV. All funds in which Westminster is invested were under normal monitoring at the end of the quarter. During the quarter, the London CIV held 76 meetings/engagements with Client Funds.

11.4 The Committee asked on the London CIV report, with the MAC and Absolute Return funds having carbon exposure if they counted as being actively managed and what can be done about carbon exposure. In reply the Tri-Borough Director of Treasury and Pensions said that these funds are actively managed but not to same extent as active equities, being they are a different asset class.

11.5 **ACTION:** That Officers will speak to the CIV regarding the carbon exposure and report back to the Pension Fund Committee.

11.6 **RESOLVED**

That the Committee noted the performance of the investments and the updated funding level as at 31 March 2023

That the Committee approved all appendices 1, 2 and 4 to this report are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended)

12 **ASSET ALLOCATION FOLLOW UP**

12.1 The Tri-Borough Director of Treasury and Pensions introduced his report which outlined to the Committee that the current strategic asset allocation of the Fund is as follows: 60% in equities, 19% in fixed income, 6% in renewable energy infrastructure, 5% in infrastructure, 5% in property, and 5% in affordable housing.

12.2 The Committee were informed that the Fund's funding position has significantly improved since the 2019 actuarial valuation, increasing from 99% to 149% as of March 31, 2023. With the stronger funding position, there is an opportunity to reduce investment risk in the portfolio, considering the broader dynamics of the investment market.

12.3 The Committee were updated on the equities allocation, which is currently the biggest contributor to funding risk. Additionally, the 2.5% target allocation to affordable housing has not been allocated yet. The Fund is cashflow neutral and there is no immediate concern for having to generate additional income. However, the Committee were informed that the infrastructure mandates are expected to generate supplementary income in the future.

12.4 During the investment strategy review, Isio recommended transferring 5% of the Fund's global equities into the Insight Buy and Maintain Bond fund. This shift was expected to decrease the Fund's volatility from 12.0% to 11.0% per annum and enhance risk-adjusted returns by 0.3% annually. The primary motivation behind this proposal was to ensure that member benefits can be met on time and fulfil the fiduciary duty of the Pension Fund Committee.

12.5 The Committee were informed that as funding levels generally increase, pension schemes will usually reduce investment and funding risks by transitioning into less volatile asset classes. Introducing higher risk at this stage could jeopardize the funding gains and surpluses achieved since the 2019 valuation, potentially leading to reductions caused by negative market movements.

12.6 The Committee were informed that Isio's had maintained their view that the most appropriate strategy going forward would be to reduce risk by increasing the Pensions Fund's fixed income allocation by 5%, funded by a reduction in equity mandates. Additionally, Isio suggested considering renewable infrastructure as a replacement for parts of the fixed income allocation if it meets the lower-risk criteria. The Tri-Borough Director of Treasury and Pensions informed Members that Officers were supportive of this approach.

12.7 The Tri-Borough Director of Treasury and Pensions informed the Committee that the source of the 5% reduction in equity allocated needed to be considered, with 1/3 managed passively by LGIM and the remaining 2/3 held in active portfolios. Isio put the following recommendations to the Committee:

Rebalance: to rebalance the overweight and underweight allocations within the equity and fixed income mandates. With any excess cash held for the purpose of illiquid fund draw down requests.
De-risk: to transition 5% from the active global equity mandates into the Quinbrook Renewable Energy Infrastructure. The Committee was recommended to take 2.5% from each of the two active global equity funds.
Affordable housing: to allocate 2.5% to the LCIV affordable housing sub-fund.

12.8 **RESOLVED**

That the Committee discussed the recommendations, as set out within Isio's investment strategy review follow up, and agree an appropriate strategic asset allocation as set out above for the Fund going forward.

That the Committee approved that Appendices 1 and 2 to this report are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended)

13 AFFORDABLE HOUSING SHORTLIST

13.1 Before discussion on this item took place, Councillor Ed Pitt Ford recused himself due to a conflict of interest. He was not present for this item and did not return to the Committee as this was the last item on the agenda.

13.2 At the June meeting of 2021, the Committee received a report from the investment advisor (which was at the time Deloitte) regarding the residential property asset class. The aim was to explore options for an inflation protection mandate. The committee decided to proceed with a manager shortlist and selection process for an affordable housing investment manager. They allocated 5% of assets to the affordable housing asset class, with funding to come from the equity allocation. Initially, 2.5% was allocated to the Man Group Community Housing Fund, leaving 2.5% as of yet unallocated.

13.3 Turning to the Fund Manager Shortlisting Process, the Committee were informed that Isio (the Fund's investment advisor) had conducted a shortlist selection process researching a longlist of managers offering affordable housing strategies in the market. Basing this on key criteria such as investment managers targeting affordable housing, strategies currently raising capital, and strategies with strong expected cash yields and quick distribution. Isio has now proposed a shortlist of managers for consideration by the Committee.

13.4 **RESOLVED**

The Committee agreed to allocate the 2.5% remaining affordable housing allocation to the London CIV UK Housing Fund.

That the Committee approved Appendix 1 to this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

The meeting ended at 20:33

CHAIR: ________________ **DATE: ________________**

City of Westminster

Pension Fund Committee

Date:	**19th October 2023**
Classification:	**General Release**
Title:	**Pension Administration Update**
Report of:	**Sarah Hay, Pensions Officer People Services**
Wards Involved:	**All**
Policy Context:	**Service Delivery**
Financial Summary:	**£**

1. Introduction

1.2 This report provides a summary of the performance of Hampshire Pension Services (HPS) with the Key Performance Indicators (KPIs) for the month of June 2023 through to September 2023.In Section 3 I update the Committee on the ongoing data work and on the fund employer scores that have been produced for the first time this year. Lastly I update the Committee on fund engagement activities that have taken place.

2.1 KPI Performance

2.2 The scope of the KPIs in this report have been agreed between WCC and HPS in our agreement.

2.3 This paper covers the period of June 2023 to September 2023.

2.4 KPI performance for each month is within each partnership report. HPS report 100% compliance within the agreed KPI in each month. The majority of our KPIs require cases to be completed within 15 days. HPS do provide a breakdown for each category that shows the number of cases processed in each 5-day block.

2.5 Below I have summarised the cases completed in each category in the month.

KPI	Target Days	Jun-23	Jul-23	Aug-23	Sep-23
Active Retirement	15 days	5	9	6	11
Deferred Retirement	15 days	19	18	31	25
Estimates	15 days	27	74	24	57
Deferred Benefits	30 days	44	26	29	66
Transfers In & Out	15 days	1	1	16	2
Divorce	15 days	5	1	2	3
Refunds	15 days	10	14	13	5
Rejoiners	20 days	4	0	3	2
Interfunds	15 days	22	24	0	34
Death Benefits	15 days	9	12	15	8
Grand Total		**146**	**179**	**139**	**213**
		100%	**100%**	**100%**	**100%**

2.6 I am pleased to say that BAU work progresses well, and I have no general concerns. There are currently 182 business as usual cases pending action at the end of September. I am comfortable with that number of cases in the workflow.

2.7 We have been working with HPS since November 2021 and have established a positive working relationship with a stable core service. I have agreed with HPS that we will meet with their management from April 2023 onwards on a bimonthly basis instead of every month. The fund will still receive a monthly partnership report with full details of the service, and we can request meetings if there is anything we need to discuss. With the service in such a strong position I feel our time can be spent more productively than meeting every month.

2.8 The fund strategy working with HPS is to increase the interaction the fund has with members via the member portal. In the last Committee report I updated that at the end of May 2023 we had 35.50% of members signed up to the member portal. This has now increased to 40.19 % as at the end of September 2023 as broken down below. We are steadily increasing portal access; I am really pleased with the growth in portal access over the summer months. This I believe is particularly linked to the funds promotion to active members to review their annual benefit statement.

Portal	Opted IN
Active	49.79%
Deferred	30.74%
Pensioner	43.53%
TOTAL	40.19%

2.9 The fund had no complaints during the reporting period. I am pleased to say that HPS received two compliments in June, one in July, two in August and one in September from our members as below:

"Thank you so much for your email and the news that Utmost has now released my AVC fund. As I've said to a few of your colleagues over the past few months, if I had my time again, I'd remember to transfer my AVC when I transferred my main pension! Thanks also for your apology. However, I do realise that an awful lot of the delay has been down to Utmost and please accept my thanks to whoever kept chipping away at them! Could you please also pass on my thanks to everyone in the Hampshire team who has helped me - along with my apologies for having mithered them so much over the past few months. Everyone I've dealt with has been extremely polite and prompt in dealing with all my phone calls and emails."

“Everything was perfect, and Carla was very friendly and professional and very good at explaining all.”

“Answered questions clearly”.
“Prompt Response”
“It was explained to me that the login system changed in June.”
“Easy and clear information”

2.10 As an update the two transfer cases referenced in the last admin update have now been settled. In one case the member re-entered the LGPS with our fund is backdating membership and has settled at IDRP stage two. In the second case the transfer to the other Local Authority is now completed.

3. Data Work

3.1 We are making steady in roads to our remaining backlog cases. Of the 43 cases that we had left when I last updated the Pension Committee, we are now down to 22 cases. I believe that number will reduce further in the next few weeks.

3.2 Clearing these last backlog cases is proving difficult due in part to employers not having the correct data and sometimes knowledge to provide the fund with the correct information. We also have some cases where the fund is waiting for data from other funds for transfers in before we can complete a deferment. Engagement with employers has taken place and I am now reaching out to funds as well to try and clear the remaining cases.

3.3 I am pleased to advise the Pension Committee that we had 455 queries in total from this years annual returns. The vast majority of these queries have been resolved the few remaining are primarily linked to one employer, but we are working to clear these up. You will note below the excellent Annual Benefit

Statement (ABS) rates which is only possible because the queries have been closed down quickly.

3.4 The production of the deferred Annual Benefit Statements (ABS) has continued with the deferred membership now at 99.94% production with only 4 now outstanding. The active ABS statements have also been produced at a rate of 99.51% with 24 currently outstanding. The 24 cases will be related to data issues still outstanding from the backlog work and from queries with the annual returns but we are getting these slowly cleared.

3.5 The fund for the first time this year have had results back from Hampshire Pension Services (HPS) that rate our employers performance following the annual return exercise. Below I have provided you with a table that sets out our fund employer results in three key areas, Timeliness, Financial Control and Data Quality. The table includes the fund position in 2022 and in 2023 and you can see the general improvement we have made in the year. The scoring mechanism puts each employer into a coloured traffic light zone. The employers in the red zone are the lowest performing in that area.

Timeliness	2023			2022		
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 employers	21	13	0	22	13	0
% represented	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%

3.6 Timeliness is measuring if the employers submitted their returns by the deadline that is the 30th of April each year. You will note that there has not been much change in the percentage of employers submitting their returns by the deadline but I can advise you that those that did send in their returns late generally did so early in May and we did not have to chase as much this year. No one is in the red failure zone for this measure.

3.7 Financial Control is measuring if the returns match what the employer paid us in the year and do the rates applied by the employers look correct. I am pleased that this year there were no significant reconciliation issues for us to clear up with fund employers.

3.8 Data Quality is measuring how good the data quality is and how quickly employers respond to queries raised by HPS. You will note a significant reduction in employers failing the data quality test although it looks like they have tended to move from red fail to the amber warning zone. Employers who are in the red zone in 2023 for data quality will be asked to send in a data reconciliation exercise ahead of the 23/24 returns.

3.9 Letters will be going out to employers to advise them of their performance shortly. You will also want to note that the overall number of queries from the 22/23 return at 455 is significantly less than last year with 775 queries.

4 Member Engagement

4.1 The Internal team have attended a couple of events in 2023, organised by the Westminster Women's network to support members to understand their pension. The first was on the 18th of May 2023 on the Pensions Journey. The second was a follow up event on the 5th of September 2023 to help members understand their annual benefit statements and to answer questions members had in relation to a range of issues in relation to the Local Government Pension Scheme. I would hope that with the delivery of key projects in the coming months we will be able to provide more individual support to members of the fund across all employers.

5. Summary

5.1 In Section 2, I covered the KPI data for the period June 2023 through to September 2023 is 100% within the agreed target.

5.2 I have updated the Committee in relation to several compliments received in the period.

5.3 In section 3, I update the Pension Committee on the good news that our backlog cases have reduced to 22 outstanding on the 1st of October. I also advise that we have few queries remaining from this years annual returns exercise.

5.4 I update the Committee on the high percentage 99.94% of deferred member statements already produced for 22/23. In addition, we have produced 99.51% of active benefit statements.

5.5 I have updated the Committee on the employer scoring following this years annual returns exercise and the improvement from 2022 to 2023.

5.6 I outlined in section 4 some of the engagement work undertaken by the team this year.

City of Westminster

Pension Fund Committee

Date:	**19th October 2023**
Classification:	**GENERAL**
Title:	**LGPS Projects & Governance 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 Committee on the various projects and governance activities being undertaken by the Pensions and Payroll Team to improve the administration of the City of Westminster Pension Fund (COWPF) Local Government Pension Scheme (LGPS).

2. Projects and Governance Summary

2.1. The Guaranteed Minimum Pension project is running to planned project time and we expect to receive our data and the accompanying report in early October. We have agreed with Mercer to descope a portion of the member records from the project as they require manual review by Westminster and Hampshire Pension Services. The Comms planning phase commenced on 11th September 2023.

2.2. The McCloud data sets from Westminster City Council have been submitted to HPS on time with a minor set having further review before submission. August data shows a return rate of ~64% of all data sets from all employers and we expect this to improve in September's data. Nevertheless, all data sets will be reviewed by HPS for data quality, and they will use Scheme guidance to manage poor data sets in order to complete the project.

2.3. The Pensions Dashboard programme deadline has been extended to 31st October 2024. HPS have engaged Civica to be their integrated service provider for the project. This is the same update as last month and there are no material changes. We expect some further information from HPS in September's partnership report.

2.4. The Pension Website is still in the user research / early design phase. The decision was made to extend the UX phases to be more inclusive of employers in the COWPF LGPS and to also allow time for disabled members to be heard and their experiences and wants to be included. This extension of the research and design phase will not materially impact the project.

2.5. Our external audit with Grant Thornton started in August and completed in September 2023. They are preparing their draft report.

2.6. Internal Audit have completed their second of four quarterly audits with us in August. Specific audit areas have been chosen for the remaining two audit meetings. Q3 – Contract Management processes and controls and Q4 – Project Management processes and controls.

3. Current Projects

3.1. Statutory Projects

3.1.1. Guaranteed Minimum Pension (GMP)

I am pleased to tell the Committee that the project is currently running to timetable, and we expect to complete, as planned, in early October. We have hit all milestones to date, and we have also received the relevant signed off milestone certificates. We have successfully tied the remaining contract payments to the milestone achievements and Mercer have complied with our requirements which has allowed us to track spend against progress.

We have agreed with Mercer to descope a portion of the member records from the project as they require manual review by Westminster and Hampshire Pension Services. We will undertake this in the next financial year as we wish to examine them in detail.

The next phase we are planning for is the Comms phase which is between Westminster and Hampshire and started on 11th September 2023. We will be co-creating a Comms strategy to tailor the type and timing of our communications to each category of member and their situation. We will continue the Project Board to manage this aspect of the project and we have engaged WCC's comms and media teams to support us.

3.1.2. McCloud

Westminster City Council as an Employer in the COWPF LGPS

I am pleased to tell the Committee that Westminster City Council has submitted the majority of its McCloud employer data.

As I previously advised the Committee, we were having concerns about our ability to obtain our historic HR data from the legacy Oracle Software. The Committee may remember that I had been engaging with Oracle directly but unsuccessfully for many months however, our collaboration with the appointed third-party provider, Claremont, was fruitful and we managed to obtain all the necessary Oracle data quickly and easily. The quality of the data provided was so good we completed our data check review with Hampshire Pensions Services within thirty minutes which was an outstanding achievement considering some of the other reviews took hours and needed repeated corrections and additional reviews. I would like to thank David Liu, Head of IT Infrastructure for WCC and Ceri Morgan, HCM Consultant from Claremont for their excellent collaboration and expertise in getting this resolved quickly and inexpensively.

I would also like to commend the Payroll and Pensions team, namely Sarah Hay, Zuzana Fernandes, and Tracey Fuller for working so hard for many months manually reviewing, collating, and checking the IBC, Agresso and CityWest Homes data sets. It was a mammoth task requiring an enhanced attention to detail and due to their hard work, we have submitted all the main WCC HR data within the final deadline. There are outliers that need final verification, but these are in the minority and will be completed soon.

City of Westminster Pension Fund LGPS Employers (All)

The current statistics on data set submission to Hampshire Pensions Services for the employers in the Fund LGPS are for August and will be slightly out of date with many submissions happening in September.

Nevertheless, August data shows that of the 37 returns expected, 24 employers had submitted their data. This is a return rate of 64.86%. We expect this figure to be improved on come September’s data which we will receive in October and after the submission of this paper. I will verbally update the Committee with the new data.

However, and despite this, Hampshire Pensions Services will use official guidance to complete the returns where gaps remain. Due to the complexity of the project and the availability of historic data after many payroll provider changes during the data requirement period, we had expected there to be some gaps which would need rectifying through guidance, so this is as per expectations.

3.1.3. **Pensions Dashboard Programme (PDP)**

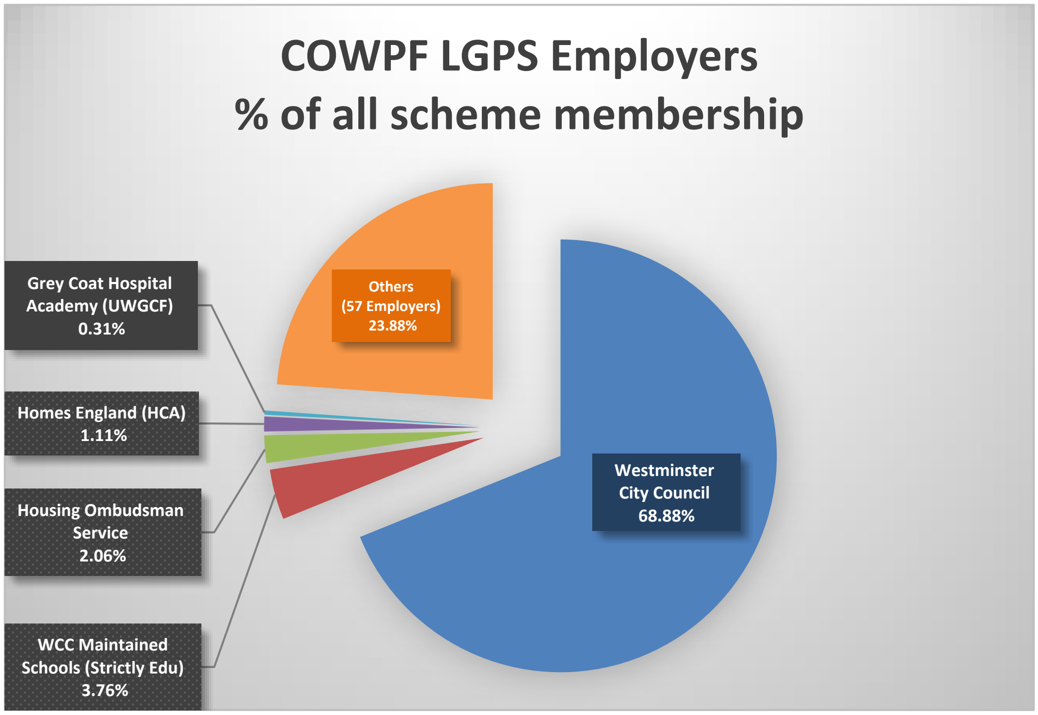
There has been no material update in respect of the PDP, however HPS have been working through the dashboard readiness checklist and will be sharing a copy of this with an updated PDP report, alongside September's partnership report.

3.2. Non-Statutory Projects

3.2.1. **Pension Website Review**

There have been further very positive developments since the last Committee meeting, and I am pleased to tell the Committee that, in addition to participants from Westminster City Council, we have successfully engaged with several Scheme Employers in the Fund to take part in the website user research which is excellent because, as part of our commitment to developing the website to be accessible, easy to understand and user friendly, we had sought a diverse and substantial range of views so that we could understand what our users need to be able to use the site with confidence.

We chose Scheme Employers that made up the biggest percentages of the scheme after Westminster which were the Housing Ombudsman, Homes England (formerly HCA), Greycoat Academy and Hallfield School*.



**Hallfield School is one of several schools with Strictly Education which makes up the 3.76%.*

In terms of overall research participation, we sent out invites to 25-30 WCC and Scheme Employer staff and had 14 participants which is an excellent result as we had an objective to achieve 10-12 participants. We had a ratio of approx. 70:30 WCC to Scheme Employer participants which was a good representation of both scheme segments. We have also conducted research interviews with neurodiverse and visually impaired members of the ABLE network which was a very rich and inclusive experience.

What we learned was that there were several main themes that appeared across all the participants' interviews which has allowed us to create a coherent plan to design the website with user requirements in mind. As you will see from the User Research report, there has been a significant amount of work completed on the user research aspect of the project and I would like to thank Rhea Ebanks-Simpson, our user researcher, for her time and expertise in bringing our user stories to life. Her report is in Appendix 2 for your review.

In terms of next steps and project delivery, we will be moving into the User Design and Testing phase. This is slightly later than originally planned due to a decision I made to extend the timeframe of the user research to include more Scheme Employers. I made this decision to ensure that there was balance in our approach and that the website was not accidentally biased towards Westminster staff to the exclusion of our Scheme Employers.

Additionally, another user specialist (Alex Kulup - Content and Interaction Designer) has joined the project team so we are adding a dedicated Content Management review phase to the project to run simultaneously with the User Design and Testing phase.

As this project has developed quite considerably during the summer, there has also been a significant review of the timeline for project delivery on this project to redistribute the work more evenly between the various user teams (user research, user content and user design) and the website development team.

Thankfully, because the website licence will be extended for a further year, we have had the scope to do this without causing a critical delay or project over-run and the redistribution of work has made the project more balanced and considered and has allowed more time for content redesign which had been identified as an area for development. I have written a more substantial project update, including detailed timeline, which is in Appendix 1 for your review.

4. Governance

4.1. External Audit

Grant Thornton (GT) commenced the Pension Fund audit in August and are completing their draft papers for internal review currently. It was a better experience this time as we held introduction and planning meetings and had a timetable of events as well as weekly meetings between us, Grant Thornton, and Hampshire Pension Services. We expect to resolve any final queries quickly.

4.2. Internal Audit

We had our second of the four quarterly Internal Audit meetings with Moira Mackie of the Internal Audit Team in August. Moira is broadly pleased with our increased governance and the performance of Hampshire Pension Services and is now starting to pick specific areas to audit further. At our third Audit meeting in October, our specific audit topic will be contract management processes and controls and at our fourth and final Audit meeting in Q4 of FY23/24 our specific audit topic will be our project management process and controls.

PAYROLL AND PENSIONS

Appendix 1 - Pension Fund Website update for Pension Committee

19th October, 2023

Presented by:

Diana McDonnell-Pascoe

HAMPSHIRE PENSION SERVICES

Westminster Way

City of Westminster

User Research

Progress to date

- As part of our commitment to developing the website to be accessible, easy to understand and user friendly, we sought a diverse and substantial range of views so that we could understand what our users need to be able to use the site with confidence.
- We sent out invites to 25-30 people based on our stakeholder identification. We invited people from the following groups:
  - **Westminster City Council**: *Staff Networks, GMB and Unison Unions, HR Senior Leadership Team, Sayers Croft, WAES, Media Team & Press Office, Strategy & Intelligence, Finance & Resources, Pension Fund Committee and Pension Fund Board*.*
  - **Scheme Employers**: *Greycoat School*, Hallfield School, Homes England (formerly HCA) and the Housing Ombudsman*
- Each research session comprised of an interview with the interviewee and a card sort of their priorities in terms of content and website structure and we had the following statistics of participation:
  - **15 session participants and 2 consultations** = *17 people* (WCC: 13 / Scheme Employer: 4)
  - **Women**: 3 *x late career, 5 x mid-career, 1 x early career /* **Men**: 8 *x mid-career*
  - **Diversity**: *White, Asian, Black, Muslim, Jewish, Christian, Neurodiverse & Visually Impaired*
- What we learned was that there were several main themes that appeared across all participants (details on following slide) which has allowed us to create a coherent plan to design the website with user requirements in mind.

User Research

Main Themes discovered

- There is a requirement for **different demographic and audience "pathways"** to information e.g., Member information versus Employer information etc. and there is a wish for different career stage "lanes" for those starting their career, early career, mid-career and late career
- **Focus on language and content**: Make content unambiguous and also consider changing pensioner to "member in receipt of pension" given the rise of flexi-retirement and post-retirement careers and focus on more examples with clear workings out to help members do calculations and there is a wish for additional functionality with respect to rough estimating pension i.e., create a calculator that allows them to play with numbers and life variables such as maternity, paternity and top ups like AVCs. *(We would caveat this heavily)*
- **Feeling of solidarity to Westminster** and the preference was to have Westminster pages rather than go to Hampshire Pension Services. Have a link to HPS/Member Portal/ Employer Hub at the end of information
- **Confusion and conflation between City of Westminster Pension Fund and Westminster City Council and Hampshire IBC and Hampshire Pension Services** because it's not clear that the PF and HPS are separate entities from the Council and Hampshire IBC and what that means in practice.
- URL is www.wccpensionfund.co.uk yet it is COW Pension Fund, and **all branding is City of Westminster branding that is used as WCC branding**. Neither is there content that explains the setup of the PF and LGPS and the Administering Authority arrangement with WCC.
- **Site talks about the LGPS, yet actual PF information is on main WCC Site as it needs to be there statutorily – obvious disconnect**.
- There is **no content explaining the difference between the IBC and HPS Member Portal for WCC Employees** *(this may need to be on The Wire)*
- There is **no media friendly content on the current promoting the Fund** – all media is managed by WCC

New Website

Plans for moving forward

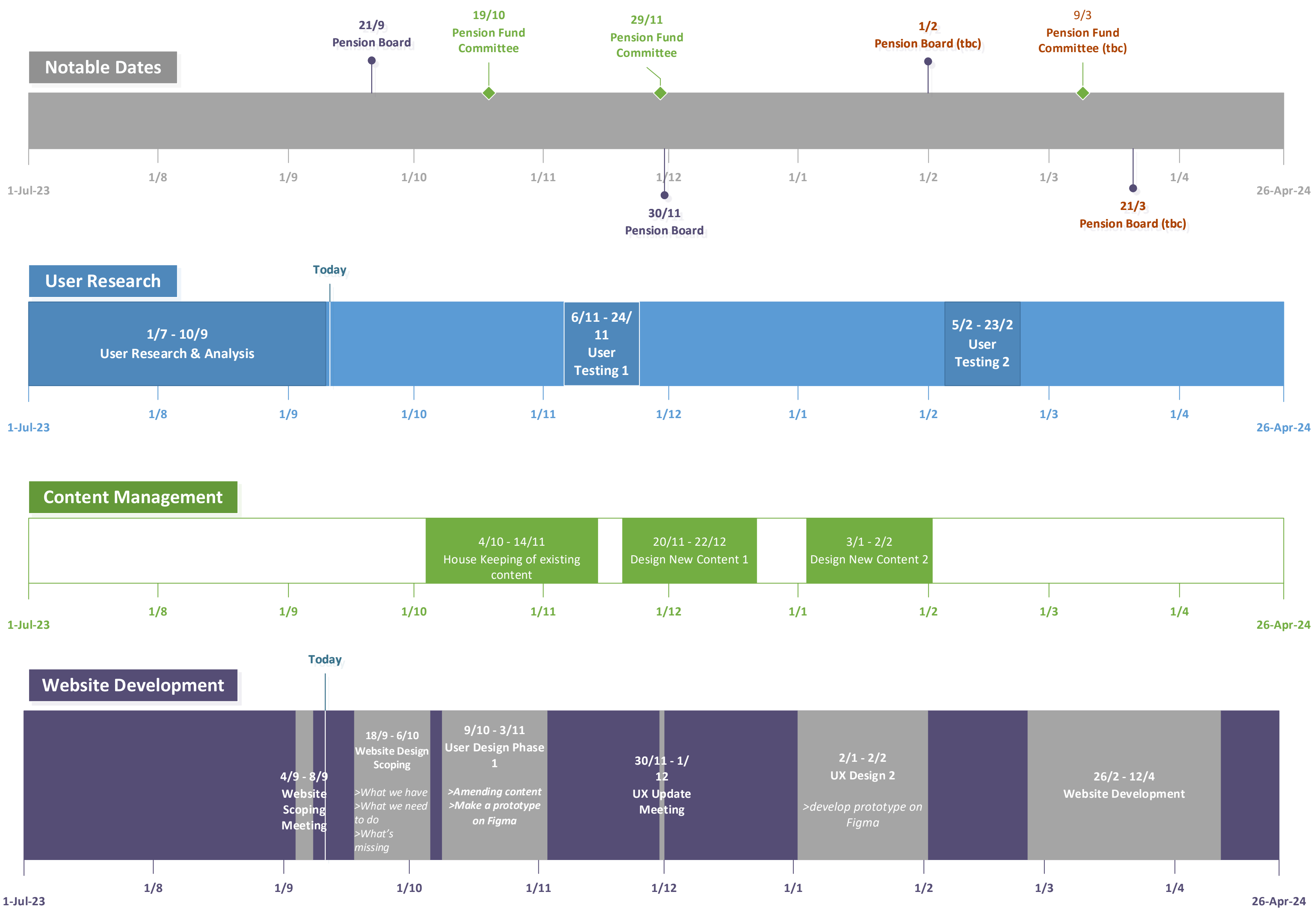
- **User design and then User Testing (additional research) – 2 iterations**
  - Pensions Calculator – **this is new functionality**
  - Improve existing content with more examples and integrate existing PF page on WCC site into combined PF and LGPS site.
  - Need new structure on the site based on creating different user pathways – **this is new site infrastructure**
  - Create City of Westminster Pension Fund branding – need to delineate between WCC and COWPF – **this is new design**
  - Create area promoting PF, LGPS as a positive option and "Good News" stories. – **this is new content**
  - Provide annual and triennial timetables including Annual Statements, Auto Enrolment etc. – **this is new functionality**
  - Link the website to The Wire for WCC Staff – **this is new functionality**
- **Communications and Logistics**
  - Create Comms Strategy to promote new site - each group of users will need to be considered for messaging and message delivery.
  - Run old and new sites in parallel – monitor analytics and obtain current URL and maintain it until concern of appropriation by potential scammers has minimised.

New Website

Project Delivery Timeline

With respect to delivering this project, the new timeline is in summary:

- **August 2023 to April 2024** – website design and development including further user research as needed and user testing.
  - User Research Results to Pension Board on 21st September and Pension Fund Committee on 19th October 2023.
  - First look demo to Pension Fund Committee on 29th November and Pension Board on 30th November 2023.
  - Second look (penultimate draft) demo to Pension Fund Committee and Pension Board in Q4 FY23-24.
- **April to October 2024** – soft launch of new website, comms to members and pensioners, formal launch and landing page change on old website.
  - April 2024 – Website finalised and signed off ready to launch.
  - April 2024 – Soft launch of website, start of Comms campaign, start of Google Analytics (or equivalent)
  - April 2024 – HPS aid Comms with website info on Pension Payslips
  - May/June 2024 – Launch website demo at Pension Committee and Pension Board, update on campaign / analytics since launch.
  - May – September 2024 – review of website traffic to both sites – ideally reduced traffic to old website.
  - October 2024 – old website turned off; URL redirected to new site.


Notable Dates
21/9
Pension Board
19/10
Pension Fund
Committee
29/11
Pension Fund
Committee
1/2
Pension Board (tbc)
9/3
Pension Fund
Committee (tbc)
1-Jul-23
1/8
1/9
1/10
1/11
1/12
1/1
1/2
1/3
1/4
26-Apr-24
30/11
Pension Board
21/3
Pension Board (tbc)
User Research
Today
1/7 - 10/9
User Research & Analysis
6/11 - 24/11
User Testing 1
5/2 - 23/2
User Testing 2
Content Management
4/10 - 14/11
House Keeping of existing content
20/11 - 22/12
Design New Content 1
3/1 - 2/2
Design New Content 2
Website Development
Today
4/9 - 8/9
Website Scoping Meeting
18/9 - 6/10
Website Design Scoping
>What we have
>What we need to do
>What's missing
9/10 - 3/11
User Design Phase 1
>Amending content
>Make a prototype on Figma
30/11 - 1/12
UX Update Meeting
2/1 - 2/2
UX Design 2
>develop prototype on Figma
26/2 - 12/4
Website Development

Westminster City Council
westminster.gov.uk

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Research for the City of Westminster's Pension Fund – Appendix 2

User research report – Discovery

Rhea Ebanks Simpson – August 2023
User researcher

City of Westminster

Agenda

Background

Objectives

High level findings

Detailed findings

Jobs to be done on the pension fund website

Recommendations

Research Background

Currently information about the City of Westminster Pension Fund sits across three websites. One of the sites costs £5,000 PA to host, which could be migrated to our corporate website and provide better value for money.

We conducted 1-2-1 interviews with Westminster-affiliated and non-Westminster users, lasting 45 minutes.

Participants included: Fund board members, Heads of service, finance and investment, delivery specialists and Councillors

**WCC = Westminster City Council*
**COWPF = City of Westminster Pension Fund*

Objectives

1. To understand key informational and transactional needs

2. To understand common pension queries so these can be addressed with a new website

3. To provide recommendations about the look and feel, tone, content and navigation of a new pensions site

High level findings

1. The participants typically **disliked links sending them to Hampshire's pension** website because they expected transactions to be completed on the COWPF site. There was **confusion around the differences between the City of Westminster Pension Fund and Hampshire sites**.
2. Similarly, there was also **confusion from some Westminster City Council staff about the ownership of the COWPF.** They assumed that the fund was a WCC product, rather than its own entity. In turn, they became confused when the website displayed content that advised them to speak to their employer.
3. The participants expected to see a **calculator on the site that allows them to get an estimate of their pension at retirement**. Participants that were new to pensions were typically less interested in information-based content and more interested in their pension details.
4. Some participants expected to see more content that explains where their pension is being invested and more guidance on pensions.
5. The participants had an **'audience' based mental model** when it came to the website structure. They typically expected sitewide navigation and content to be organised by users' needs at different stages of their pension journey (early career, retiree etc.).
6. The participants generally **liked the look and feel of the website** and praised its 'clean' design which reminded them of WCC. They also praised the layout of the content and examples, which they said was easy for beginners to understand.

Detailed findings

Being sent to Hampshire is disorientating

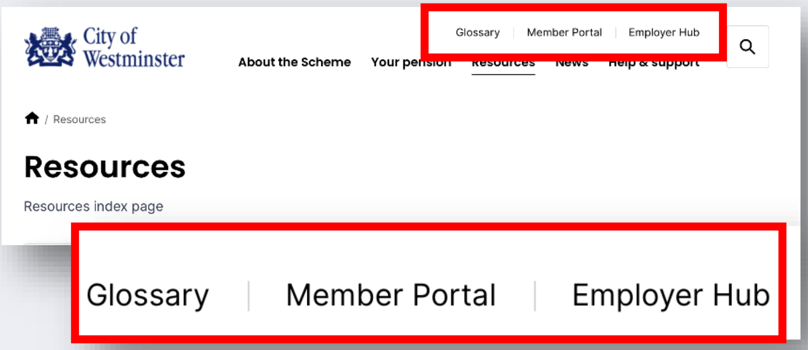
The participants felt disoriented when clicking a link that sent them to Hampshire because they expected to complete most transactional tasks on the COWPF website.

- The most important tasks on the COWPF website were updating their pension details in some way.
- The participants assumed there would be a way to log into their pension account on the COWPF site.

"I would use [the COWPF site] to update the nominations form for the death benefit and keep it updated. I'd use it to change my address."

- However, when they clicked on the member portal link it directed them to Hampshire to update their details, causing the participants to become disappointed and frustrated.

"The top link is a bit disappointing [member portal login]; it took me to a completely different website and that's a complete interruption of my experience. It looks clunky on Hampshire"



Member portal link

Being sent to Hampshire is disorientating

Others were confused because they assumed the COWPF website was the same as Hampshire's and became disoriented when they saw the Hampshire logo and a different interface.

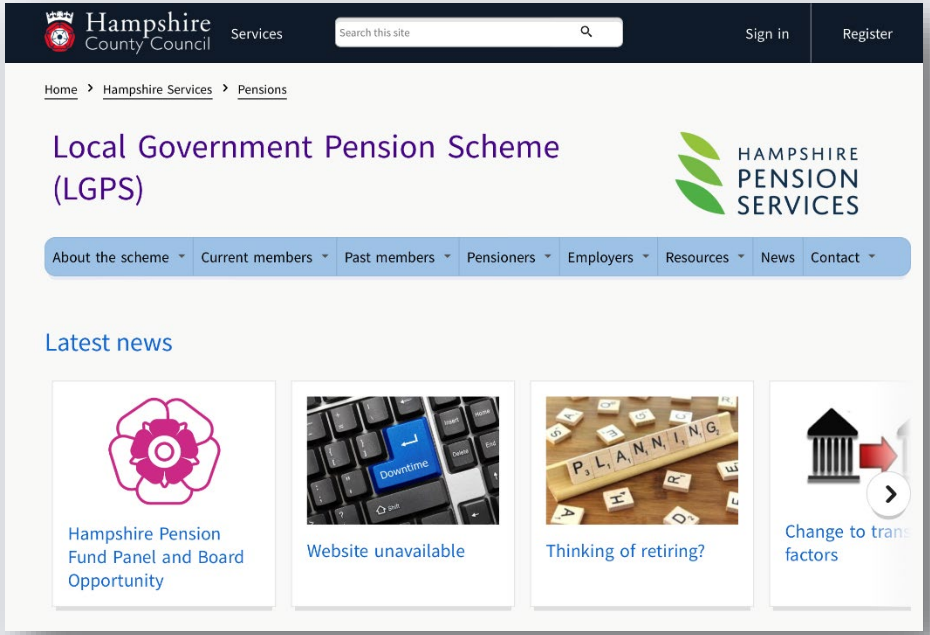
- The disappointment could be due to a general confusion around the difference between COWPF and Hampshire.

"Confusing that you have the LGPS website and then the member portal that takes you to Hampshire; they seem separate but confusing"

- Similarly, there was confusion around the differences between Westminster City Council and COWPF. Some Westminster-affiliated participants assumed that COWPF is a Westminster City Council-specific scheme.

Opportunity: users would benefit from an explanation on the landing page when migrated to WCC, that explains the relationship between COWPF, WCC, and Hampshire.

Risk: migrating the COWPF to WCC may further the assumption that COWPF is a Westminster product.



Hampshire

Users want to calculate their pensions.

Participants wanted a function that allows them to get an estimate of their pension at retirement.

One participant said that they would expect to see: "A forecast of what it may look like when you are retired"

- Participants expected to see how their pension benefits would be calculated and the impact of lump sums.
- They just want to quickly find what it is that they are expecting at the point of retirement, particularly mid/early-career lay users who are less interested in the informational content on the website.

Risk: There is also no reference to a pension calculator on the COWPF website. Without linking to Hampshire's calculator, we risk users taking circular journeys attempting to find it, which could cause them to become frustrated.

Users would benefit from being signposted to the LGPS Pension account modeller.

Example calculator from LGPS

Where is the COWPF being invested?

Participants wanted more basic information explaining what the COWPF is and what it consists of.

- Some participants wanted more information that explains where the pension is being **invested** and **where the money goes**.

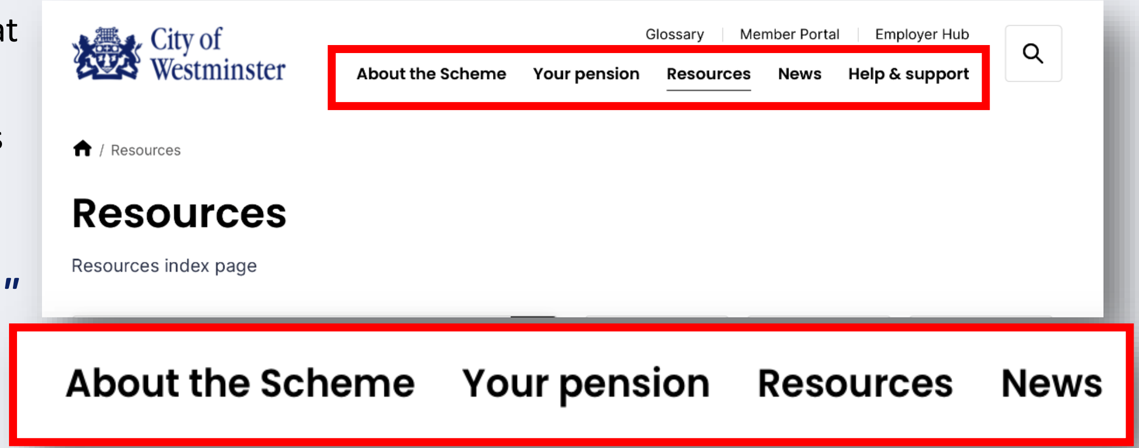
"Maybe we could have a page on the investment side, and what the fund invests in. [We could] Link to the investment fund finance page."

"[I want] to be able to know where my money goes and know my pension in detail."

- The fund does have a section that explains "About the scheme", which indicates that the heading doesn't set expectations that they would find information about the detail of their pension.

Risk: COWPF does not say where pensions are invested, and the investment content on WCC is long and difficult to skim.

If we do not create content on WCC that explains where peoples' pensions are going in a simple, bullet-pointed way it could cause users to become confused.



Content headings

Site structure (card sort)

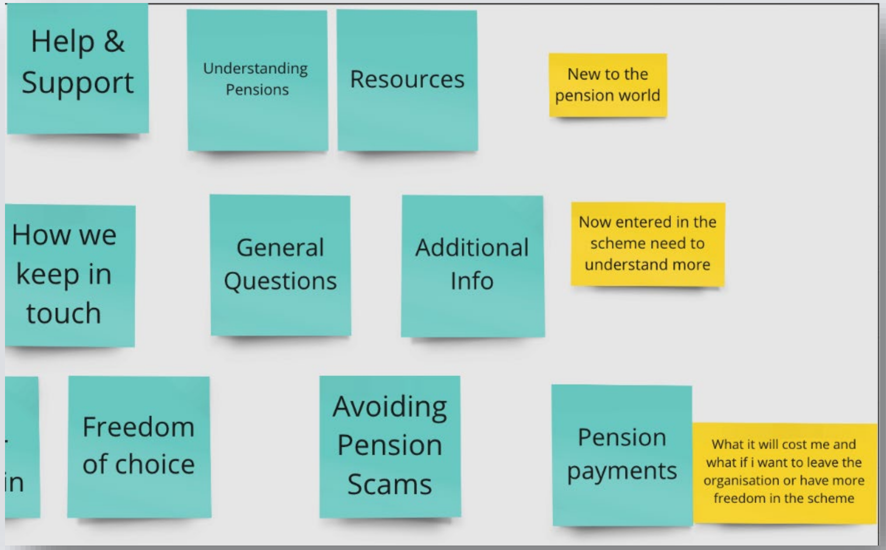
We asked the participants to organise cards that represented the COWPF site structure in a way that made sense to them. They typically organised the site by needs at different stages of the pension journey.

- They organised groups of COWPF content and labelled them: "How it works now that I am beginning to think about retirement", "New to the pension world", and "When I have left WCC".
- **Participants typically displayed an audience-based mental model, whereby they intuitively thought that the website should be navigated depending on a user's circumstance.**
- Currently, the website is navigated by types of information such as paying in, not paying in, retirement, and auto-enrolment.

"[You want] to be able to learn about your pension depending on your situation"

Risk: If we do not structure the site by audience type, users who are unfamiliar with their pensions will struggle to identify themselves and find relevant content.

The current site structure assumes that the users have pension knowledge.



Card sort from one participant

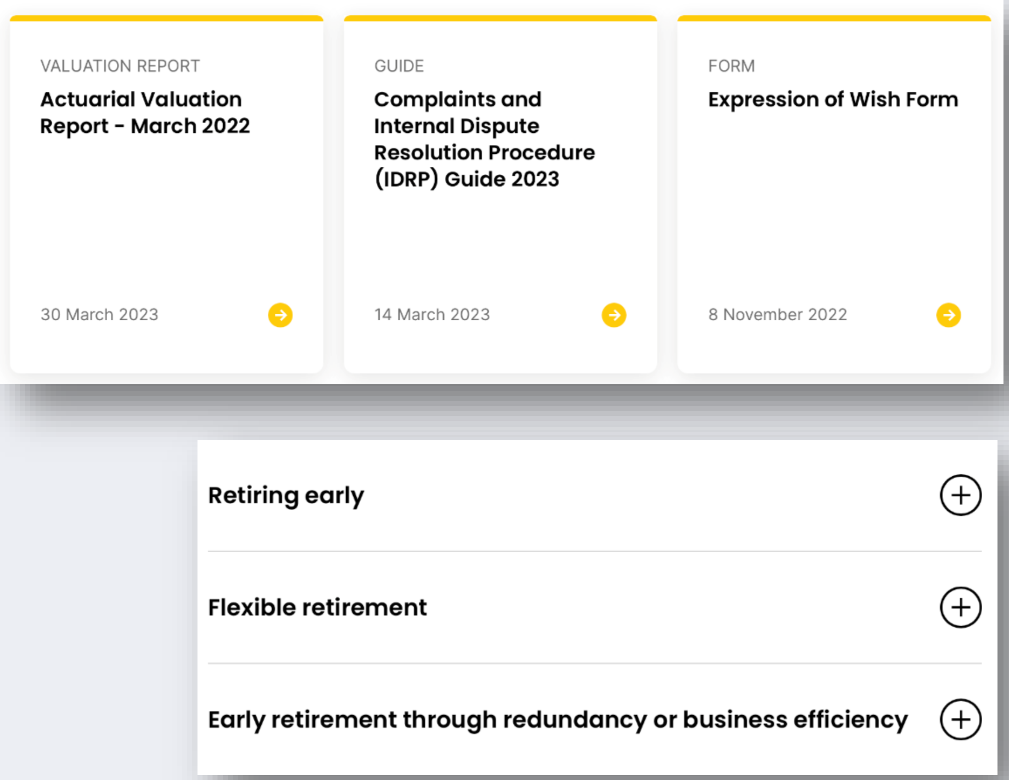
Positive feedback about the design

- Participants generally liked the look and feel of the website and praised its simplicity and 'clean' design.
- They specifically noted the **'tiles'** used on the resources page and the **accordions** used for more information.

Additionally, some WCC-affiliated participants appreciated that the website looked visually like WCC's.

"The look and feel is very much Westminster, so it gives me confidence. It's straight-forward and has clean text "

Success: there may be minimal impact for Westminster City Council-affiliated employees if we migrate the COWPF to the main Westminster site because it looks visually similar.



Accordions and 'tiles'

Feedback about content layout

Participants found the layout of the content easy to follow. For instance, some participants said that the content signposted them to important information.

"It is easy to understand the stuff under the accordions – the example given is a nice simple example that demonstrates not paying tax"

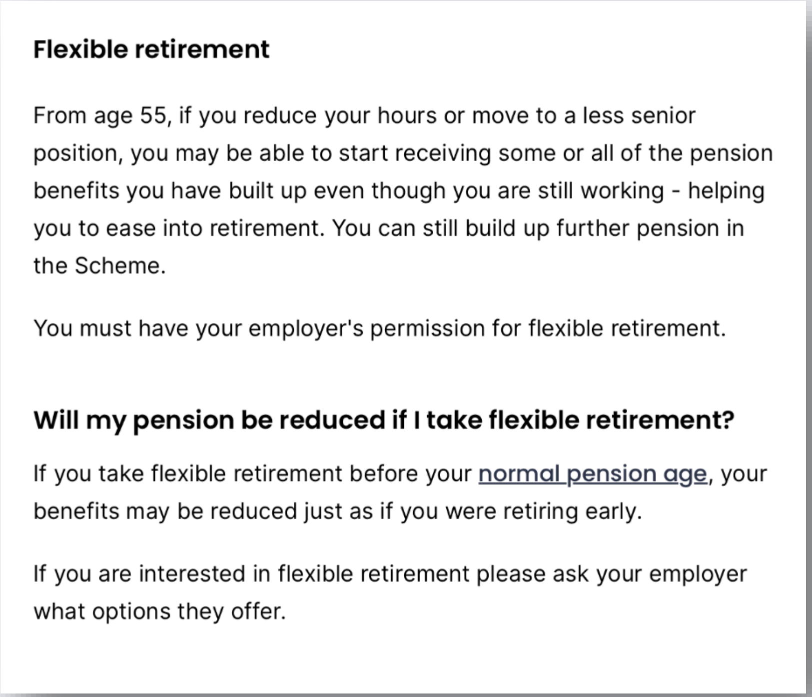
- The participants like the design and being able to click open a heading to unfold more information. However, the lack of links to transactions within this information negatively impacted the user experience.

"There should be a link to get the form [in the accordions]"

- Similarly, while the content layout was praised by the participants, there were some headings that they said were confusing:
    - **Freedom of choice, auto-enrolment, and 50/50**. The term 'pensioner' also came up as a word that some participants did not like.

Risk: If we do not review terms such as 'pensioner' with the staff networks when migrating to WCC, some users may be offended by the language.

If we do not link to transactions mentioned in the accordions, it could cause users to become confused about their next steps and get lost on the site while looking for the transaction.



Content layout

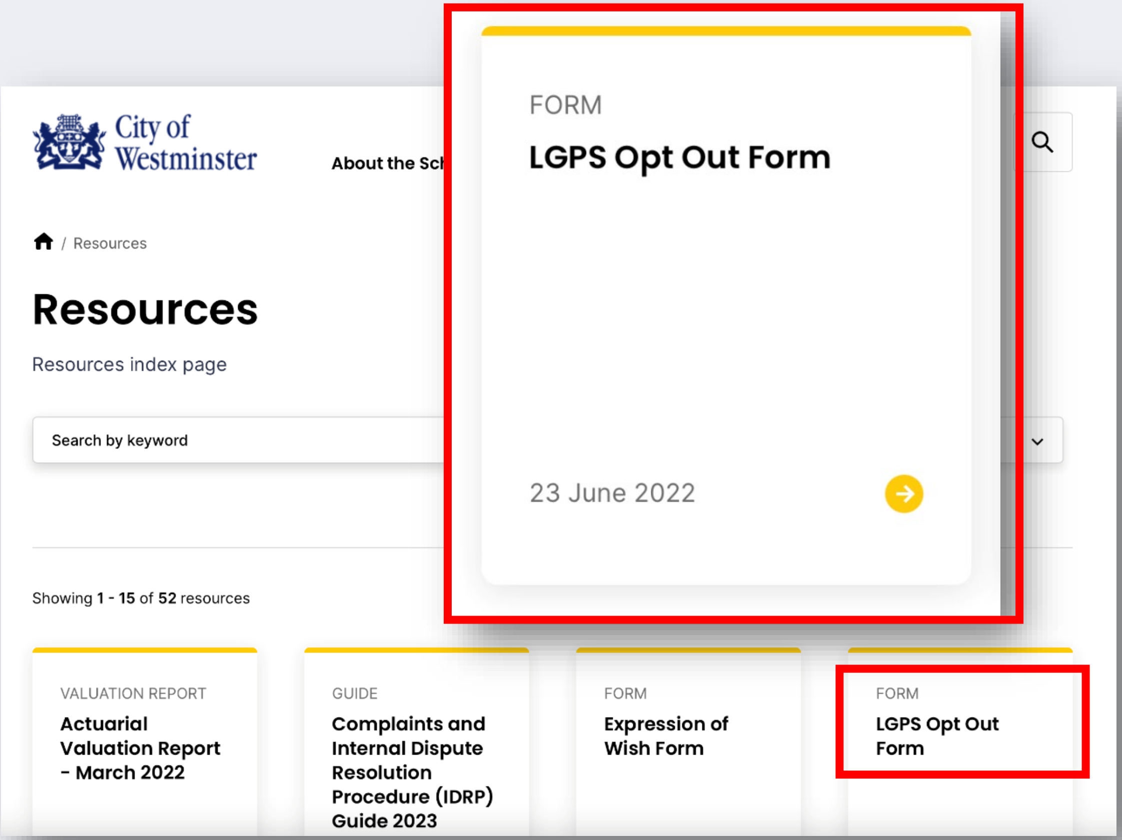
Findability of Opt out form

Analytics shows that the "Opt-out" form was the most downloaded PDF from Jan-June 2023 with around 40% of all downloads.

- When we tested the page in user research, the participants were generally able to get to the page with the form, however, they typically found it difficult to find and it took them a while to locate it.
- Currently, users must go to the resources section to find the opt-out form. The 'No longer paying in' section in the menu bar does not direct users to the opt-out information.

"I didn't expect [Opt-out] to be in resources, I'd expect updates and strategy. The fact [Opt-out] is dated on the form... I don't think it naturally intuitive to go on resources to get forms like that"

Opportunity: Given that it is a top task on the site, users would benefit from us making the Opt-out section more prominent in the menu bar and higher up in the site hierarchy, so it is easier to navigate.



Opt-out

Jobs to be done when visiting the Pension Fund website

Jobs that people do on the pension fund website:

1. Respond to a change in situation

2. Looking for guidance

Users that respond to a change in situation

E.g., receiving their annual pension statement or increased contributions on their payslip

The responder, aged 45

The responder is a busy mid-career colleague who works in finance and is employed with Westminster City Council.

They never really look for information about their pension because it doesn't tend to interest them; they only know how much they contribute because they can see it on their payslip.

They normally visit the Hampshire website to look for their pension contributions, which has made them confused about the difference between Hampshire and COWPF. They believe that COWPF is a Westminster City Council owned product.

For the responder, pensions are at the back of their mind, and they have only been on the COWPF website a handful of times but can't remember what they did on there.

When they do visit the site, they expect to be able to log into an account and access their pension details. They tend to visit COWPF after receiving their annual statement.

Users that come to find guidance

E.g., finding information about lump sum payments and preparing for retirement

Guidance seeker, aged 59

The guidance seeker is a late-career colleague who is beginning to think about retirement. They are a deputy-head teacher based in a Westminster grammar school.

They've come to the COWPF site to look for guidance and to research specific parts of their pension. They have been on the site before a handful of times but now want to gather all the important resources.

They haven't kept up to date with information about their pension before, so they want to know what to expect when they come to retire.

Recommendations

Recommendation	Priority	Impact	Effort	MoSCoW
Clearly signpost users to Hampshire's calculator to meet expectations	High	High	High	Must have
Information architecture and site navigation based on the stage you're at with your pension. To allow users to quickly identify relevant content.	High	High	Medium	Must have
Make the relationship between WCC, COWPF and Hampshire clear on the COWPF landing page, once we have migrated.	High	High	Low	Must have
Get the URL so users can log into their account to change their details, directly from COWPF	Medium	High	Low	Must have
Reviewing the word 'pensioner' and changing it to ‘pension recipient’. Reviewing the site for other potentially pejorative terms.	Low	Low	Low	Should have

Recommendation	Priority	Impact	Effort	MoSCoW
Accessibility review	Medium	High	Medium	Should have
More research with Non-WCC staff to shed light on how they will be affected by the migration to WCC.	Medium	Medium	Medium	Should have
Wider comms to educate younger people about pensions as many apprentices end up opting out, including a section on the site.	Low	Medium	Medium	Could have
A section on website based on how you may be impacted if you have children, different faiths, ethics	Low	Medium	Medium	Could have
Guidance on how to use the website/introduce information icons across the site	Low	Medium	Low	Could have

Update: Additional research with non-Westminster City Council employees

We spoke to an additional three participants from WAES, Homes England and a school to understand how they perceive COWPF.

We also wanted to know before the Alpha (design) phase, what might be the impact of moving COWPF information onto the Westminster Corporate site for non-Westminster staff?

New insights

- The participants had a correct understanding of what the COWPF is and correct expectations for what to find on the site.

- The ‘Resources’ section typically did not meet participants' expectations. They did not expect to find forms there and instead, expected to find them in the accordions that referred to a transaction. They also said that resources had too many pages because there was a lot of content. If the participants can’t find the forms in transactions, they might get lost in circular journeys trying to find them and exit the site.

- When it came to moving the site to the WCC corporate site, the participants generally had mixed opinions. One participant from Homes England mentioned that it might confuse non-Westminster staff because they may assume the fund is not related to the Council. Overall, the participants felt that users would need a clear explanation of who the fund is for if we migrate the site.

Update: Additional research with the ABLE Network

ABLE Network

We spoke to an additional three participants from the ABLE Network to understand whether the website is accessible.

New insights

• The participants felt that captions for key terms, such as Gross pay, would help them understand the information more clearly. They emphasised the need for simple information that doesn't increase cognitive load. The participants noted the Resources page and the ribbon menu as needing more explanations/subheadings with explanations of what they mean. The participants felt that the headings were not clear throughout the website.

• Similarly, the participants expected to see a summary of instructions that would explain where to go for key information and transactions, such as the pension calculator.

• One participant expected to find information that helps people with health issues (for instance, a long-term illness) more clearly, particularly because these users will get paid half of their wages for the first six months. Without putting information helping people with health issues higher up in the site hierarchy it could cause these users to become frustrated or disheartened if they cannot find relevant information.

•The participants pointed out the colour used on the pension website, particularly around the use of black copy on a white background because it could be visually harsh. If we continue to use harsh contrasts when migrating to the Westminster corporate site, it could exclude those who have visual stress.

- The content and guidance on the pension website were clear for users with neurodiversity. The participants felt that the guidance was simple and easy to understand, particularly the examples used in the accordions.

- The accordions were received well by the participants because they gave them a choice to decide what they wanted to expand and read in more detail, which meant that they were not overwhelmed by the information on the page, and it was easier to digest.

- When we showed the participants the Westminster corporate site it seemed to work well with screen layovers (colour changing and reading ruler), however, one participant who uses a screen reader said they avoid the site because the headings can make it difficult to navigate around given that there are so many. Comparatively, the same participant said that the current pension fund website worked very well with their screen reader.

- If we do not consider carefully our approach to migrating content and continue to test our designs, we risk excluding users who are overwhelmed by lots of content when migrating to the corporate site and giving them a bad user experience.

- To make sure we are continuing the same good practice, we should find out from Hyman Roberts how they made the pension fund site so accessible.

Questions?

Thanks!

Rhea Ebanks Simpson – June 2023
User researcher

City of Westminster

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City of Westminster

Pension Fund Committee

Date:	**19th October 2023**
Classification:	**General Release**
Title:	**London Diocesan Board of Schools**
Report of:	**Sarah Hay, Pensions Officer People Services**
Wards Involved:	**All**
Policy Context:	**Service Delivery**
Financial Summary:	**£ unknown**

1. Introduction

1.2 This report provides a brief outline of the request from the London Diocesan Board of Schools (LDBS) to be granted access to the Westminster Pension Fund.

2. London Diocesan Board of Schools

2.1 On the 6th of December 2022, I submitted a paper to the prior Pension Committee on a request received from, Terri Patterson, Head of People and Culture at the LDBS asking if they could become an admitted body in the City of Westminster Pension Fund.

2.2 The report confirmed that LDBS is a charitable organisation working with local authorities to improve education standards. They have a working relationship with 26 Westminster Schools of a faith origin. LDBS are currently part of the Church of England defined benefit scheme which we have now been advised is due to close by the 31st of March 2024. LDBS have been advised that they need to find alternative pension provision and would like to retain a similar scheme to their current pension arrangement and help them to retain their staff.

2.3 LDBS, which is a registered charity, is not a scheduled body therefore it is entirely up to the fund if we grant access and if we do to set criteria for access to our pension fund. The Pension Committee can reject this request if you are not comfortable on the merits of the application or have concerns over the general security of the fund if access is granted.

2.4 Generally I would not suggest to the Pension Committee, we accept a new employer unless one of our existing fund employers is tupe transferring staff to them or they are a scheduled body with entitlements to access the fund. LDBS meets neither requirement, but they are working in Westminster and supporting Westminster schools. In addition to this Sarah Newman the Executive Director, Bi-Borough Children's Services has expressed her support for their application into our LGPS fund in recognition of the work that they do in the borough.

2.5 The LDBS have provided the fund with some provisional membership data for 11 staff, which I have asked the funds actuary to review. The LDBS had initially asked the fund to consider an open admission agreement. This would allow LDBS to enter new members into the pension fund from their date of entry into the fund on a continuing basis as new people joined the employer.

2.6 Following discussion with the actuary and the Tri Borough Treasury and Pensions, I concluded that the risk of an open admission agreement with a charitable organisation and no ceding employer to guarantee their liabilities would not be in the fund's interests.

2.7 I requested the actuary to calculate a rate for a potential LDBS admission into the scheme based on closed admission agreement and on a very risk averse funding strategy. This in essence means that LDBS will only be allowed to transfer staff into our fund who are in the Church of England defined benefit scheme on the 31st of March 2024 and any new staff will have to join a new scheme. The risk averse funding strategy assumes that the fund is likely to make lower returns going forward and as a result the employer rate that has come back for LDBS is 42.5% and as I understand significantly higher than they are currently paying in the Church of England Pension scheme.

2.8 The actuary has indicated that the above employer rate percentage would give a 90% likelihood of success i.e. of the employer being fully funded in the scheme in 17 years' time. If returns were higher than assumed, they could potentially be over funded, but it should be noted that other factors including ill health retirements and transfers into the fund that the members elect to make could impact future funding. The population of staff involved is small a single tier 1 ill health retirement would have a significant impact.

2.9 Whilst we could request a bond as a part of allowing membership of our fund that would cover us if LDBS became insolvent. it should be noted that bonds are normally for a limited period. It is possible that LDBS is able to get a bond in 2024 but cannot in 2030 which would be an issue if the employer were less than 100% funded then. Our approach has been to try and ensure if LDBS is allowed into the pension fund that they are highly likely to be as funded as possible in the event of any financial issues in the future.

2.9 I have not engaged with legal on an admission agreement and await the direction of the Pension Committee.

2.10 The LDBS have shared their last funding statement and accounts that shows a healthy balance sheet. I have asked finance for a credit report on LDBS and will update you as soon as I am able to do so.

3. Summary

3.1 I am asking the Pension Committee to decide if they are agreeable to LDBS joining the WCC Pension Fund on a closed admission basis from the 1st of April 2024.

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City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**19 October 2023**
Classification:	**Public**
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 30 September 2023 for the Pension Fund bank account and cash held at custody (Northern Trust). The bank/cashflow position continues to be stable.

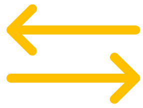
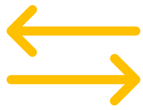
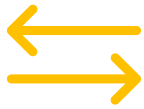
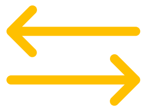
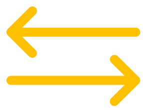
2. Recommendations

2.1 The Committee is asked to note the top five risks for the Pension Fund.

2.2 The Committee 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

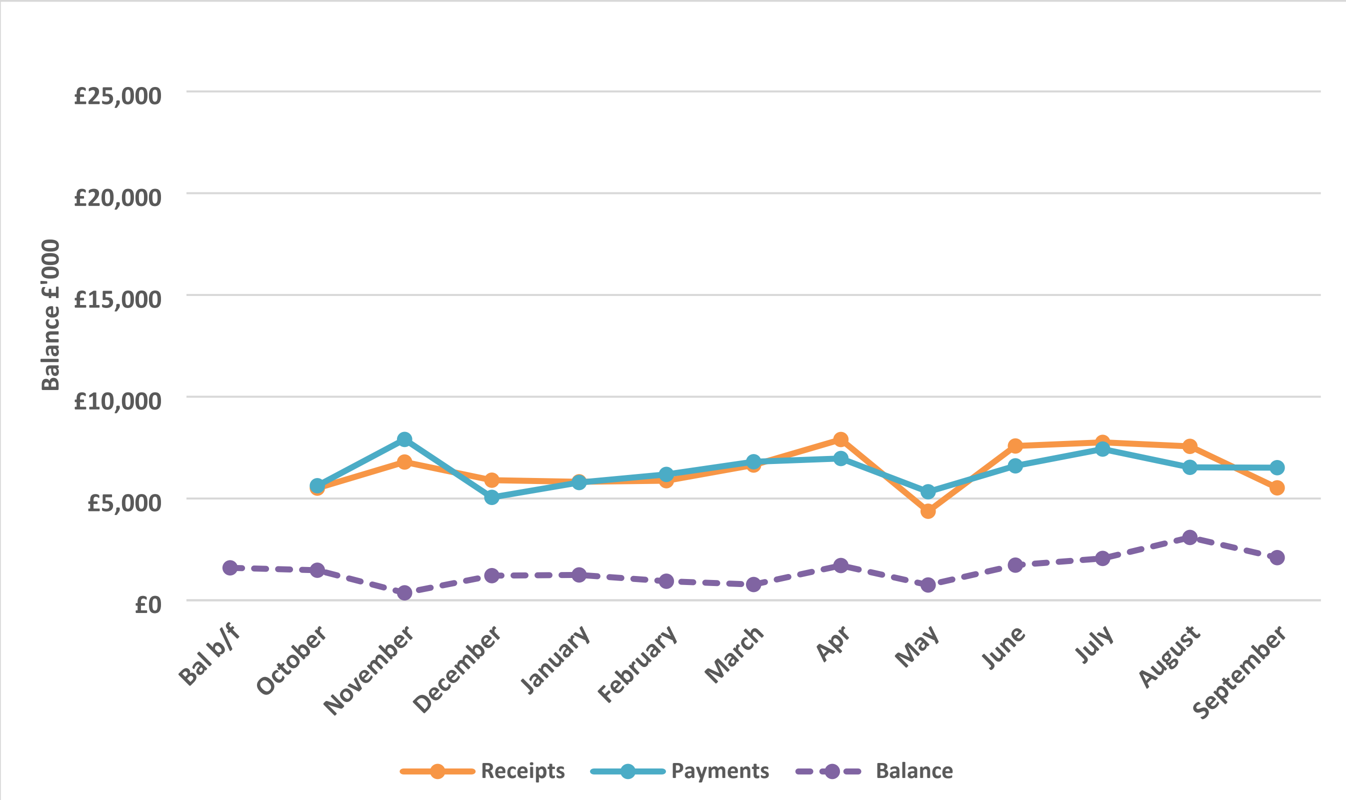
3.1 The risk register is divided into two sections: investment and pensions administration. The risk groups have been updated to reflect the CIPFA guidance on risk categories. The current top five risks to the Pension Fund, as updated in September 2023, are highlighted in the table below:

CIPFA Risk Group	Risk Rank	Risk Description	Trending
Liability Risk	1st/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. CPI inflation was 6.7% as at August 2023, down from the peak of 11.1% in October 2022.	
Asset and Investment Risk	2nd/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 3.21% net of fees in the year to 31 August 2023, underperforming the benchmark by -2.50% net of fees.	
Asset and Investment Risk	3rd/42	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.	
Regulatory and Compliance Risk	4th/42	The Department for Levelling Up, Housing and Communities (DLUHC) 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	5th/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 30 September 2023 was £2.1m. 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 October 2022 to 30 September 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 £6.0m from cash at custody to maintain a positive cash balance.

4.4 The Pension Fund held £40.6m in cash with Northern Trust as at 30 September 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 July 2023 to 30 September 2023.

Cash at Custody	Jul	Aug	Sep
	£000	£001	£002
	Actual	Actual	Actual
Balance b/f	**11,540**	**19,425**	**17,208**
Distributions	3,294	700	6,411
Sale of assets	90,000	142	17,058
Interest	(4,548)	134	1,445
Cash withdraw	(3,000)	(3,000)	0
Foreign Exchange Gains/Losses	(178)	(77)	69
Purchase of Assets	(75,349)	0	(1,420)
Miscellaneous	0	0	(0)
Management fees	(2,334)	(116)	(207)
Balance c/f	**19,425**	**17,208**	**40,564**

4.5 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.

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 July 2023 to 30 September 2023. The total cash balance as at 30 September 2023 was £42.7m.

Cash at custody & Bank account	Jul	Aug	Sep
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	**13,266**	**21,481**	**20,294**
Cash outflows	(89,838)	(6,725)	(8,142)
Cash inflows	98,053	5,538	30,506
(Withdraw)/Deposit from custody to bank account	(3,000)	(3,000)	0
Withdraw/(Deposit) from bank account to custody	3,000	3,000	0
Balance c/f	**21,481**	**20,294**	**42,658**

4.7 The following table illustrates the expected 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. Pension payments are linked to CPI-inflation.

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**	***F'cast***	***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***	***2,513***	***1,931***	***2,349***	***2,767***	***2,185***	***£000s***
Contributions	6,298	993	3,970	3,810	3,795	4,050	*3,759*	*3,759*	*3,759*	*3,759*	*3,759*	*3,759*	*45,473*
Various Receipts[1]	601	380	611	948	767	1,473	*872*	*872*	*872*	*872*	*872*	*872*	*10,014*
Pensions	(3,813)	(3,923)	(3,913)	(3,977)	(3,964)	(3,956)	*(3,767)*	*(3,767)*	*(3,767)*	*(3,767)*	*(3,767)*	*(3,767)*	*(46,149)*
HMRC Tax Payments	(744)	(795)	(916)	(890)	(853)	(1,192)	*(681)*	*(681)*	*(681)*	*(681)*	*(681)*	*(681)*	*(9,474)*
Transfers out, lump sums, death grants, refunds & misc. payments	(2,164)	(455)	(1,744)	(2,552)	(1,530)	(1,349)	*(1,572)*	*(1,572)*	*(1,572)*	*(1,572)*	*(1,572)*	*(1,572)*	*(19,226)*
Expenses	(245)	(157)	(32)	(9)	(185)	(18)	*(194)*	*(194)*	*(194)*	*(194)*	*(194)*	*(194)*	*(1,811)*
Net cash in/(out) in month	**(67)**	**(3,956)**	**(2,024)**	**(2,670)**	**(1,969)**	**(991)**	***(1,582)***	***(1,582)***	***(1,582)***	***(1,582)***	***(1,582)***	***(1,582)***	***(21,171)***
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**	***2,513***	***1,931***	***2,349***	***2,767***	***2,185***	***2,602***	

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 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**	**2,601**	**2,008**
Contributions	45,473	46,383	47,311
Transfers in, overpayments, VAT reclaim, recharges & misc. receipts	10,014	10,515	10,725
Pensions	(46,149)	(48,456)	(49,426)
HMRC Tax	(9,474)	(9,947)	(10,146)
Transfers out, lump sums, death grants, refunds & misc. payments	(19,226)	(20,187)	(20,591)
Expenses	(1,811)	(1,901)	(1,939)
Net cash in/(out) in year	**(21,173)**	**(23,593)**	**(24,066)**
Withdrawal/(deposit) from custody cash	23,000	23,000	23,000
Deficit Recovery Contributions	0	0	0
Balance c/f	**2,601**	**2,008**	**942**

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.

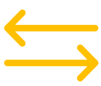
APPENDICES:

Appendix 1: Tri-Borough Risk Management Scoring Matrix
Appendix 2: Pension Fund Risk Register Review at September 2023

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

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

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.

Symbol Key	
Trending upwards	 Risk is assessed to be generally trending upwards
Trending downwards	 Risk is assessed to be generally trending downwards
No change	 Risk is assessed to be generally staying the same

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Pension Fund Risk Register - Administration Risk													
Risk Group	Risk Ref.	Trending	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Administrative and Communicative Risk	1		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 part of the actuarial valuation, which took place on 31 March 2022. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	**18**	28/09/2023
Administrative and Communicative Risk	2		The increase in online hacking poses a continual risk to members personal data, as well as potential disruption issues for members accessing the online pension portal. In these instances, Hampshire Pension Services would need to take the portal offline to ensure the system and data is secure.	2	2	3	7	3	**21**	**TREAT:** 1) The Hampshire Pension Portal has several layers of security in place to ensure the security of member data and access to the portal. 2) HPS undertake penetration testing on a regular basis (at least twice a year), in conjunction with Civica to ensure any risks/weaknesses in the systems security is identified and rectified. 3) Civica undertake upgrades and maintenance to the pension portal on a continual basis.	2	**14**	28/09/2023
Resource and Skill Risk	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**	28/09/2023
Administrative and Communicative Risk	4		Failure of securely sent sensitive data and any unidentified data flows being sent insecurely.	4	3	5	12	2	**24**	**TREAT:** 1) Active member data is sent on secure platforms between all parties 2) Including "Encrypted" in email subject allows schools and academies to send data to pension admin team securely. 3) Data sent to the actuary using secure portal. 4) The employer portal used by HPS should offer increased security for member data from all employers.	1	**12**	28/09/2023
Administrative and Communicative Risk	5		Failure of cyber security measures, including information technology systems and processes, leading to loss, disruption or damage to the scheme or its members.	4	2	5	11	2	**22**	**TREAT:** 1) Council has a data recovery plan in place, with files uploaded to the cloud every night. 2) . As a Council we are continuing to invest in technologies to block and filter phishing emails as well as ensuring our systems are up to date to protect us and our devices against these threats. 3) The IT team continuously review and update the cyber security policies, including the Information Security policy, Acceptable Use policy, Email and Internet policy, Social Media policy, Password Management policy and Data Disposal policy. All of which can be found on the Wire.	1	**11**	28/09/2023
Administrative and Communicative Risk	6		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 pension admin strategy to assure employer reporting compliance.	1	**11**	28/09/2023
Administrative and Communicative Risk	7		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 undertaken during 2022/23 showed substantial assurance with only two recommendations, which have since been fully/partially implemented.	1	**10**	28/09/2023
Administrative and Communicative Risk	8		Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	1	4	3	8	3	**24**	**TREAT:** 1) The pensions administration service provided by Hampshire CC since 8 November 2021. 2) Officers will continue to support the admin team with regular meetings and conversation on cases. 3) Ongoing monitoring of contract and KPIs.	1	**8**	28/09/2023
Administrative and Communicative Risk	9		Failure of financial system leading to benefits 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) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	**8**	28/09/2023

Administrative and Communicative Risk	10		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 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**	28/09/2023
Administrative and Communicative Risk	11		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.	2	**8**	28/09/2023
Administrative and Communicative Risk	12		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. HPS have their own COWPF Bank Account which is reconciled. COWPF transferred to HPS on the 8th of November 2021 there have never been any issues in running the pension payroll or paying the pensions on time.	1	**7**	28/09/2023
Administrative and Communicative Risk	13		Possibility of members opting out of the pension scheme, following concerns around inflation and the cost of living crisis.	2	3	1	6	2	**12**	TREAT: 1) Auto-enrolment of the pension scheme takes place every 3 years. 2) The Fund offers members the flexibility to pay half their normal contribution rate and build up half their normal pension. This is designed as a short term option and employees are automatically transferred back into the main scheme every 3 years. Members keep their full life and ill-health cover they join the 50/50 section.	1	**6**	28/09/2023
Administrative and Communicative Risk	14		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 Hampshire 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**	28/09/2023
Administrative and Communicative Risk	15		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**	28/09/2023
Administrative and Communicative Risk	16		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**	28/09/2023
Administrative and Communicative Risk	17		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 Hampshire County Council, with minimal effect on the Fund.	1	**4**	28/09/2023

Pension Fund Risk Register - Investment Risk													
Risk Group	Risk Ref.	Trending	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Liability Risk	1		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. CPI inflation was 6.7% as at August 2023, down from the peak of 11.1% in October 2022.	5	3	3	11	4	**44**	**TREAT:** 1) The Fund holds investments in bonds, inflation linked long lease property, private debt and infrastructure to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) The Pension Fund has increased its holdings within infrastructure and intends to increase allocations to property into 2023. 3) Officers continue to monitor the increases in CPI inflation on an ongoing basis. 4) Short term inflation is expected due to a number of reasons on current course.	3	**33**	28/09/2023
Asset and Investment Risk	2		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 3.21% net of fees in the year to 31 August 2023, underperforming the benchmark by -2.50% net of fees.	5	3	3	11	4	**44**	**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.	3	**33**	28/09/2023
Asset and Investment Risk	3		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.	3	4	3	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) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes. 4) The City of Westminster Pension Fund can report that as at January 2023, the value of investments to Russia or Ukraine within the Pension Fund's asset classes is valued at zero. 5) Currency hedging takes place within the LGIM Future World Fund and LCIV Absolute Return Fund, this will offer some protection against the weakening of the pound. 5) Officers have assessed any exposures to SVB, with minimal direct exposure within the Fund.	3	**30**	28/09/2023

Regulatory and Compliance Risk	4		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.	3	1	4	8	4	**32**	**TREAT:** 1) The Pension Fund's investment consultant has already started work on identifying the climate risks to the Fund, and how these can be assessed and reported on. 2) The Pension Fund already collects and reports on carbon emission data, which will form part of the TCFD metrics and targets. This data can currently be found in the Responsible Investment Statement. 3) Officers attend training sessions and conferences on TCFD reporting, including London Pension Fund Officers Forum, where there is an open arena for discussions. 4) The City of Westminster Pension Fund has submitted a response to the DLUHC consultation on the proposed climate reporting regulations, with the regulations still outstanding.	3	**24**	28/09/2023
Liability Risk	5		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.	5	3	3	11	3	**33**	**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.	2	**22**	28/09/2023
Liability Risk	6		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	**22**	**TOLERATE:** 1) 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**	28/09/2023
Asset and Investment Risk	7		Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in September 2019.	3	1	3	7	4	**28**	**TREAT:** 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) and Pensions and Lifetime Savings Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 4) The Pension Fund has committed 6% towards renewables and 5% to affordable and social supported housing, alongside moving equities into ESG-tilted mandates. 5) An ESG and RI Policy was drafted for the Pension Fund as part of the ISS and a Responsible Investment Statement has been drafted for 2023. 6) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance.	3	**21**	28/09/2023

Asset and Investment Risk	8		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	3	**30**	**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.	2	**20**	28/09/2023
Liability Risk	9		Employee pay increases are significantly more than anticipated for employers within the Fund. Persistently high inflation will potentially lead to unexpectedly high pay awards.	4	4	2	10	3	**30**	**TREAT** 1) Fund employers should monitor own experience. 2) 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. 3) 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). 4) Employee pay rises currently remain below inflation.	2	**20**	28/09/2023
Asset and Investment Risk	10		That the London Collective Investment Vehicle (LCIV) fails to produce proposals/solutions deemed sufficiently ambitious.	4	3	3	10	2	**20**	**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. 2) Member presence on Shareholder Committee and officer groups. 3) The LCIV has recently bolstered its investment team with the successful recruitment of a permanent CIO, Head of Responsible Investment & Client Relations Director. 4)Fund representation on key officer groups. 5) Ongoing Shareholder Issue remains a threat.	2	**20**	28/09/2023
Resource and Skill Risk	11		Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	3	**27**	**TREAT:** 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval) 2) Comprehensive training packages will be offered to members.	2	**18**	28/09/2023

Regulatory and Compliance Risk	12		Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales. Consultation on Next Steps on Investments released during July 2023, the Fund has submitted a response.	3	2	1	6	3	**18**	**TOLERATE:** 1) Officers consult and engage with the Department for Levelling Up, Housing and Communities (DLUHC), 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 DLUHC pooling guidance, expected sometime during 2023/24, following consultation.	3	**18**	28/09/2023
Resource and Skill Risk	13		The Stewardship Code is a set of principles set out by the Financial Reporting Council. To become a signatory of the Code, applicants must submit a Stewardship Report to the FRC demonstrating how the principles of the Code have been applied during the previous 12 months. Once accepted onto the signatories list, organisations must reapply annually. Due to the significant work required in this area this may pose a challenge for submission annually, without any additional resource, and the risk of subsequent submissions being rejected.	3	1	4	8	3	**24**	**TREAT: 1)** Use of asset manager and pool company resources in the annual review and update of the stewardship submissions. **2)** Officers attending training events and conferences on ESG reporting. **3)** Consider appointment of a Tri-Borough Responsible Investment (RI) officer to cover ESG and RI areas, including stewardship and TCFD reporting.	2	**16**	28/09/2023
Asset and Investment Risk	14		Volatility in investment markets caused by government decisions.	4	2	2	8	3	**24**	**TREAT: 1**) The Fund's investment management structure is highly diversified, which lessens the impact of market risk compared with less diversified structures. 2) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 3) The City of Westminster Pension Fund's strategic asset allocation was reviewed during 2023.	2	**16**	28/09/2023
Asset and Investment Risk	15		The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	4	3	1	8	3	**24**	**TREAT:** 1) Officers will continue to monitor the impact lockdown measures have had on the fund's underlying investments and the wider economic environment. 2) The Fund holds a diversified portfolio, which should reduce the impact of stock market movements. 3) Asset allocation was reviewed during 2023, a new strategy was agreed to reduce equities by 5% and move into renewable infrastructure. 4) Pension Fund Officers in frequent contact with Fund Managers and the Funds investment advisor.	2	**16**	28/09/2023

Asset and Investment Risk	16		Volatility caused by uncertainty regarding the withdrawal of the UK from the European Union. Supply chain shortages disrupting the economy. Uncertainty remains regarding the Northern Ireland Protocol.	4	3	1	8	3	**24**	**TREAT:** 1) Officers to consult and engage with advisors and investment managers. 2) Possibility of hedging currency and equity index movements. LGIM and LCIV Absolute Return mandates are currently GBP hedged. 3) The UK has exited the EU and the transition period has come to an end. There is still the potential for volatility implementing some of the post-Brexit agreements.	2	**16**	28/09/2023
Asset and Investment Risk	17		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**	**TREAT:** 1) Member presence on 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) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	**16**	28/09/2023
Liability Risk	18		Impact of economic and political decisions on the Pension Fund's employer workforce. Government funding level affecting the Councils spending decisions.	5	2	1	8	3	**24**	**TREAT:** 1) Actuary 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, next valuation to take place at 31 March 2025.	2	**16**	28/09/2023
Resource and Skill Risk	19		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.	3	**15**	28/09/2023
Liability Risk	20		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:** 1) 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**	28/09/2023
Liability Risk	21		Impact of increases to employer contributions following the actuarial valuation, next valuation to take place on 31 March 2025.	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**	28/09/2023

Liability Risk	22		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. The Fund currently has £100m in cash held within a short duration bond fund and LCIV Absolute Return Fund, which allows access at short notice.	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, Fund is expected to be c.£25m cashflow negative per annum. However, going forward income distributions are expected to offset this.	1	**12**	28/09/2023
Regulatory and Compliance Risk	23		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**	28/09/2023
Regulatory and Compliance Risk	24		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. 4) Pension administration transition project team in place.	1	**11**	28/09/2023
Liability Risk	25		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 affordable/social housing. 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**	28/09/2023
Reputational Risk	26		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**	28/09/2023
Reputational Risk	27		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**	28/09/2023
Asset and Investment Risk	28		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**	28/09/2023

Liability Risk	29		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	4	4	2	10	2	**20**	**TREAT:** 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 2023/24 of members transferring out to DC schemes.	1	**10**	28/09/2023
Liability Risk	30		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**	28/09/2023
Asset and Investment Risk	31		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**	28/09/2023
Asset and Investment Risk	32		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**	28/09/2023
Asset and Investment Risk	33		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**	28/09/2023
Resource and Skill Risk	34		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**	28/09/2023
Regulatory and Compliance Risk	35		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**	28/09/2023
Reputational Risk	36		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**	28/09/2023
Liability Risk	37		Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	**10**	**TOLERATE:** 1) Political power required to effect the change.	1	**10**	28/09/2023

Liability Risk	38	⇆	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**	28/09/2023
Regulatory and Compliance Risk	39	⇆	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**	28/09/2023
Regulatory and Compliance Risk	40	⇆	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**	28/09/2023
Regulatory and Compliance Risk	41	⇆	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. 2) Pooled funds are not subject to OJEU rules.	1	**7**	28/09/2023
Regulatory and Compliance Risk	42	⇆	Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	**14**	**TREAT:** 1) Maintain links with central government and national bodies to keep abreast of national issues. 2) Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**7**	28/09/2023

City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**19 October 2023**
Classification:	**Public (Appendix 1 is Exempt)**
Title:	**UK Stewardship Code 2020**
Wards Affected:	**None**
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 purpose of this report is to present the City of Westminster Pension Fund's annual submission to the Financial Reporting Council's (FRC) UK Stewardship Code (the Code) 2020 signatory list. This follows the Fund successfully being accepted as a signatory during early 2023.

2 Recommendation

2.1 The Pension Fund Committee is requested to:

- Note and comment on the attached (appendix 1) submission to the FRC UK Stewardship Code 2020.

- Approve that Appendix 1 to this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person, including the authority holding that information, as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

3 Background

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

3.2 The UK Stewardship Code 2020 sets high stewardship standards for asset owners and asset managers, and for service providers that support them. 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.

3.3 To become a signatory of the Code, applicants must submit a Stewardship Report to the FRC demonstrating how the principles of the Code have been applied during the previous 12 months. The FRC reviews applications to assess whether they meet its expected reporting standards, and successful organisations are listed as a signatory to the Code. Once accepted onto the signatories list, organisations must reapply annually.

3.4 As detailed in the submission, attached at appendix 1, the Pension Fund has made great strides during the year in relation to responsible investment and stewardship of the Fund's assets. As at 31 August 2023, the Fund had circa £166m invested within renewable infrastructure with a further circa £34m to be drawn. Assets are targeted to solar power, onshore and offshore wind, alongside supporting infrastructure such as battery storage and connection assets.

3.5 During 2023, the Pension Fund allocated 2.5% to the London CIV UK Housing Fund, with a total allocation to affordable housing at 5%. The allocation has a long-term goal of providing 13,000 new homes that cost no more than 35% of an average household's gross income and across sectors, including children's services housing, specialised supported housing and older person supported housing within the supported living market.

3.6 In addition to this, during late 2022, the Pension Fund Committee elected to transition the Pension Fund's holdings in the Baillie Gifford Global Alpha Growth mandate into the BG Paris Aligned version. The Paris Aligned Fund has a quantitative assessment process to screen out companies with particular levels of exposure to the fossil fuels industry, plus a qualitative one to screen out companies that will not play a role in the future transition to a low carbon environment.

3.7 As per the most recent update to the signatories, on 30 August 2023, the Westminster Pension Fund is amongst only a handful of LGPS funds in London to achieve signatory status. The next deadline for submission is 31 October

2023, with a decision on whether it has been successful expected during March 2024.

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: FRC UK Stewardship Code 2020 Westminster Application (Exempt)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**19 October 2023**
Classification:	**General Release**
Title:	**Next Steps on Investment Consultation Response**
Wards Affected:	**All**
Policy Context:	**Effective control over council activities**
Financial Summary:	**There are no direct 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 LGPS Consultation was released by the Department for Levelling Up, Housing and Communities (DLUHC), seeking views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

1.2 The consultation response was submitted on 29 September 2023.

2. RECOMMENDATIONS

2.1 The Committee is recommended to:

- note the City of Westminster Pension Fund's response to the consultation.

3. INTRODUCTION

3.1 DLUHC released their consultation relating to investments of the LGPS and can be found in its entirety on the government website.

3.2 The consultation seeks views on proposals in five key areas:

- **Accelerate and expand pooling**. The government has proposed a deadline for asset transition by 31 March 2025, noting that it will consider action if progress is not seen, including making use of existing powers to direct funds. Going forward, it wants to see a transition towards fewer pools to maximise benefits of scale.
- **Levelling up.** Have a plan to invest up to 5% of assets to support levelling up in the UK.
- **Increase investment into high growth companies** via unlisted equity, including venture capital and growth equity.
- **Amendments to the LGPS's regulations** to implement requirements on pension funds that use investment consultants.
- **Technical change** to the definition of investments within LGPS regulations.

3.3 Funds have been asked to respond to 15 questions which have been highlighted below:

1. Do you consider that there are alternative approaches, opportunities, or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

2. Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

3. Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

4. Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

5. Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

6. Do you agree with the proposals for the Scheme Annual Report?

7. Do you agree with the proposed definition of levelling up investments?

8. Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

9. Do you agree with the proposed requirements for the levelling up plan to be published by funds?

10. Do you agree with the proposed reporting requirements on levelling up investments?

11. Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

12. Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

13. Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

14. Do you agree with the proposed amendment to the definition of investments?

15. Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so, please provide relevant data or evidence.

4. RESPONSE

4.1 Officers compiled a response for the Fund (shown in Appendix 1) and submitted this response to DLUHC on 29 September 2023.

4.2 On the whole, the Fund is partially in favour of the proposals set out by the government. However, the response has highlighted that a cautious approach needs to be taken, i.e., by implementing longer timelines, considering the nature of each individual fund and the risk element, especially with certain asset classes.

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

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BACKGROUND PAPERS:

None.

APPENDICES:

Appendix 1: Next Steps on Investment Consultation Response

Local Government Pension Scheme (England and Wales): Next Steps on Investments Consultation

City of Westminster Pension Fund Response

The Westminster City Council Pension Fund welcomes central government's further guidance on the next steps on investment within the public sector. The Westminster Pension Fund is one of the largest supporters of the London CIV asset pool, with over 70% of assets pooled. Therefore, to have increased clarity on the relationship between clients and asset pools would be of significance. However this should be approached with caution. Westminster City Council Pension Fund is supportive of the government's approach to levelling up investments, and already has more than 5% committed to various initiatives. The Fund is however very cautious of the 10% target to private equity, alongside the government's ambition for 5% within infrastructure and 5% to levelling up.

<u>Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?</u>

The Westminster Pension Fund agrees that pooling is an appropriate strategy to achieve economies of scale and value for money. There is also further scope for increased pooling of assets, collaboration between pools and sharing of skills and knowledge.

In addition, it should be noted that there are challenges within pooling that impact LGPS's ability to fully transition assets into the pool companies. LGPS Funds invest in a wide variety of assets, some of which are very specialised and long term focused. Thus, pool companies may not always offer suitable or viable investment solutions. While it is noted that the government is keen to focus on fee reduction, the Fund believes that the focus should be on investment outperformance against a relevant benchmark net of fees. Focusing on the absolute fees may provide some assistance but the value added to Funds should be considered as more relevant and useful information. In some cases, the costs of an asset class/manager may be greater, but these may be justified by the higher returns. Therefore, it would seem counterintuitive to transition those assets into pools at the expense of performance.

The Fund acknowledges that some pools may have fallen short of the government's pooling targets. However, in the case of illiquid long term assets, this may not always be possible or practical to transition. Since the introduction of pooling, many Funds have made great strides towards transitioning of assets, and this is evident in the cost savings made.

<u>Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?</u>

Not agreed - March 2026 is a more reasonable deadline for transitioning listed assets into pool companies, where possible.

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

The Westminster Fund believes the strengthening of relationships between pool companies and clients is key to successful pooling. With funds responsible for setting their own strategic asset allocations, the pool companies may not always have suitable strategies/sub-funds on offer on their platforms, or the time taken to source these strategies. There is concern that the increased demand on the pool companies may be significant, especially those with a large number of clients.

Scheme Funds have their own investment advisors so consequently there is potential for conflict between advice received from a consultant and a pool. Effective collaboration between a fund and a pool companies should be possible, but we do not see the need for guidance on how interaction should take place.

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Agree - Westminster believes it essential that Committee members have the required skills and knowledge required to make investment decisions, with a mandatory framework in place to achieve this. Pension Fund Committee members are not currently mandated by legislation to undertake training and new legislation to enforce it would improve the level of expertise and knowledge across committees.

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

Disagree - LGPS Pension Funds are already under considerable pressure with current reporting requirements, and this is expected to increase further with the introduction of climate risk reporting in 2024/25. Current reporting requirements within the pension fund annual reports include a section on pool companies which incorporates performance, returns, costs and net savings. It should be acknowledged that there are already significant time constraints in this area and additional reporting requirements may lead to a delay in external audit signing off of the pension fund annual pension fund report and accounts.

If this reporting requirement were to be implemented, any guidance from the SAB would be welcomed.

Question 6: Do you agree with the proposals for the Scheme Annual Report?

Agreed - this is sensible. If the changes to reporting in question 5 were to be implemented, it would be reasonable to have a uniform set of statistics, so comparability is achievable.

Question 7: Do you agree with the proposed definition of levelling up investments?

The current definition makes it unclear whether the investments must be direct or whether the UK as whole is classed as local. It is also important to consider the size of individual Pension Funds and their scope to access these types of investment.

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Agree - some asset pools do not have the size or expertise to invest within all asset classes, particularly private markets. Therefore, it would make sense for pools to collaborate with other asset pools to offer those broader asset ranges to clients. Although client assets should be unitised and held within their respective asset pools.

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

Disagree - it should be acknowledged that LGPS Pension Funds are already under considerable pressure with current reporting requirements and additional reporting requirements may not be practical for all Funds.

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

Disagree – as per answer to question 9 above.

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

Disagree – a 10% allocation to private equity, alongside the government's ambition of 5% within infrastructure and 5% in levelling up investments, undermines the LGPS schemes autonomy to make their own investment decisions. While a 10% allocation to private equity may be appropriate for some funds, it will not fit all investment strategies and future funding and pensions outflow requirements. It is important to emphasise that the LGPS's overriding duty is to pay pensions in full and on time, and ulterior agendas should not be pursed at this expense. The Westminster Fund believes the following factors bring challenges to investment within this asset class:

- Complexity and specialism: private equity investments, particularly venture capital, is an asset class where the Pension Fund may not have specialism. LGPS funds may incur significant cost reference the use of external advisors.
- Cost: typically the cost of managing private asset classes is more than listed asset classes, and there would need to be appropriate returns to justify it.
- Liquidity: private equity assets are illiquid and if funds lock too much of their portfolio into these asset classes, liquidity issues may arise in the future.

- Risk/returns: private equity assets hold significantly more risk than traditional asset classes, and the return must justify the level of risk taken. The majority of LGPS schemes are now fully funded and this seems a sensible time to de-risk rather than to increase.
- Interest rates: current high interest rates make less risky asset classes more viable and appropriate.

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

Westminster would assess this opportunity, alongside other investment opportunities, although we do not believe this collaboration would be feasible on an individual fund level. This would be a more appropriate discussion for the pool companies.

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Agree - Funds should already be setting these objectives, as per the requirements of the Competition and Markets Authority (CMA).

Question 14: Do you agree with the proposed amendment to the definition of investments?

Agree.

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

The levelling up initiatives should have a positive impact on the whole, although we are conscious that it should not be too prescriptive as to exclude any individuals. In addition, appropriate reporting should be designed in such a way in that they will be accessible for all users: this follows accessibility regulations in Public Sector Bodies (Websites and Mobile Applications) (No. 2) which came into force during September 2018.

Committee Report

City of Westminster

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**19 October 2023**
Classification:	**Public**
Title:	**Updated Investment Strategy Statement**
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 the latest version of the updated ISS which sets out the Pension Fund's policy on investment, risk management, LGPS pooling and environmental, social and governance (ESG) issues, for both its own investments and those being managed through the London Collective Investment Vehicle (LCIV).

2. RECOMMENDATIONS

2.1 The Committee is requested to:

- approve the updated Investment Strategy Statement and delegate authority to the Tri-Borough Director of Treasury and Pensions to publish the final ISS.

3. INVESTMENT STRATEGY STATEMENT

3.1 The Investment Strategy Statement 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 government guidance on Preparing and Maintaining an Investment Strategy Statement.

3.2 The six main objectives of the legislation are 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 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 as 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. 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.

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

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BACKGROUND PAPERS:

None.

APPENDICES:

Appendix 1: Investment Strategy Statement

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City of Westminster Pension Fund Investment Strategy Statement 2023

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 dl- 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 should reflect a growing recognition in the Committee of the urgency required in its decision-making processes 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.
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.
- Adaptability to be able to maintain liquidity for the Fund.

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. 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 Suitability is a critical test for whether or not a particular investment should be made. When assessing the suitability of investments, the Committee takes into account the following from its due diligence:

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

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

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

3.4 The Committee 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.

3.5 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' assess 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 Fund's 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 has £26.6bn under direct management, with 21 funds launched as of 2022/23.

5.4 The Fund has transitioned c. 50% of assets into the London CIV as of 31 March 2023, with a further 2.5% of assets committed. 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 options 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 c. 23% of its assets within a passive equity fund 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. However, the Fund benefits from reduced management fees, with Legal & General Investment Management having reduced their fees to match those available through the London CIV. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool.

5.7 The remaining c. 27% of Fund is held within investment assets including property, bonds, private debt, infrastructure and renewable infrastructure, and these will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

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 if the funds have been transferred.

City of Westminster Fund	Available on the LCIV	Transferred to LCIV
Listed Equities		
Passive Equities: LGIM	Yes	Yes*
Global: Baillie Gifford	Yes	Yes
Global: Morgan Stanley	Yes	Yes
Cash		
At Custody	No	
Fixed Income		
Multi Asset Credit: CQS & PIMCO	Yes	Yes
Global Bonds: Insight	No	
Short Term Bonds: NT	No	
Private Debt: CVC Credit	No	
Alternatives		
Infrastructure: Pantheon	No	
Renewable Infrastructure: Quinbrook	No	
Renewable Infrastructure: Macquarie	No	
Affordable Housing: Man Group	No	
Property		
Property: Abrdn	No	
UK Housing Fund: CBRE	Yes	
Multi Asset		
Absolute Return: Ruffer	Yes	Yes

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 DLUHC.

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 Annually the Pension Fund produces a Responsible Investment Statement, which can be found on the *website*. Alongside this, the RI and ESG polices outline the approach to the management of Environmental, Social and Governance (ESG) issues within the investment portfolio. The ESG policy can be found below and the RI Policy can be found 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 The Pension Fund Committee 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 **gain the confidence of members** in 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 11% allocation to renewable infrastructure, where the asset managers invest solely within renewables including solar, wind, transmission and storage.

Alongside this, the Fund has transitioned equities into the LCIV Global Sustain Fund, LGIM Future World Fund and LCIV Paris Aligned Alpha Growth Fund. The Global Sustain Fund seeks to provide a concentrated high-quality global portfolio of companies, however, excludes tobacco, alcohol, adult entertainment, gambling, civilian weapons, fossil fuels, and gas or electrical utilities. The LGIM Future World Fund tracks the L&G ESG Global Markets Index, whereby an Environmental, Social and Governance screening of companies takes place to remove those companies which do not meet the required ESG criteria. The Paris Aligned Fund has a quantitative assessment process to screen out companies with particular levels of exposure to the fossil fuels industry, plus a qualitative one to screen out companies that will not play a role in the future transition to a low carbon environment.

During 2021, the Fund commissioned a review of its property mandates with a view to investing within social supported or affordable housing. Man Group and London CIV have each been appointed to manage a 2.5% allocation to affordable and social supported housing. These investments are expected to continue to drawdown during 2023.

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 72% of assets pooled, including passive equities.

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: gaining our members confidence

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

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

Investment Strategy Statement: Appendix A

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. 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 taxpayers, 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 2022. 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 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 Isio, 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.

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 City of Westminster Pension Fund was accepted as a signatory to the Stewardship Code during February 2023. The Fund’s Stewardship Report can be found *here*. The Fund encourages any directly appointed fund managers and the pool company (London CIV) to comply and this is monitored on an annual basis.

Fund Manager	Signatory?
Abrdn	Yes
CVC Credit*	No
Insight	Yes
LGIM	Yes
London CIV	Yes
Macquarie	Yes
Man Group	Yes
Northern Trust	Yes
Pantheon**	No
Quinbrook	Yes

* CVC Credit is not currently planning to become a signatory to the UK Stewardship Code, but this is something they will look into internally.
** Although not currently a signatory to the UK Stewardship Code, Pantheon have done a significant amount of work in this area and are actively working towards becoming a signatory in the future.

Information on London CIV

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.

The London CIV Responsible Investment and Stewardship Outcomes Report for 2022 can be found using the following *link*.

Responsible Investment Policy

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 taxpayers.

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. With these noble objectives at the forefront, 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 is aware of the nature of the index construction in the investment selection process places and the proximity of ESG issues in comparison with an active portfolio, but still hold ESG issues in its responsible investment policy as the passive manager actively 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. Investee 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 84 LGPS member funds and 7 asset pool companies).

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

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	20.0%	
Global – Active	35.0%	
Cash	**0.0%**	**+/-0.0%**
Cash	0.0%	
Fixed Income	**19.0%**	**+/-1.9%**
Global Bonds	7.0%	
Multi Asset Credit	6.0%	
Private Debt	6.0%	
Alternatives	**16.0%**	**+/-1.6%**
Infrastructure	5.0%	
Renewable Infrastructure	11.0%	
Property	**10.0%**	**+/-1.0%**
Affordable Housing	5.0%	
Property	5.0%	
Total	**100.0%**	

Investment & Administration Risk Registers

Pension Fund Risk Register - Administration Risk

Risk Group	Risk Ref.	Trending	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Administrative and Communicative Risk	1		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 part of the actuarial valuation, which took place on 31 March 2022. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	18	02/05/2023
Administrative and Communicative Risk	2		The increase in online hacking poses a continual risk to members personal data, as well as potential disruption issues for members accessing the online pension portal. In these instances, Hampshire Pension Services would need to take the portal offline to ensure the system and data is secure.	2	2	3	7	3	21	**TREAT:** 1) The Hampshire Pension Portal has several layers of security in place to ensure the security of member data and access to the portal. 2) HPS undertake penetration testing on a regular basis (at least twice a year), in conjunction with Civica to ensure any risks/weaknesses in the systems security is identified and rectified. 3) Civica undertake upgrades and maintenance to the pension portal on a continual basis.	2	14	02/05/2023
Resource and Skill Risk	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	02/05/2023
Administrative and Communicative Risk	4		Failure of securely sent sensitive data and any unidentified data flows being sent insecurely.	4	3	5	12	2	24	**TREAT:** 1) Active member data is sent on secure platforms between all parties 2) Including "Encrypted" in email subject allows schools and academies to send data to pension admin team securely. 3) Data sent to the actuary using secure portal. 4) The employer portal used by HPS should offer increased security for member data from all employers.	1	12	16/06/2023
Administrative and Communicative Risk	5		Failure of cyber security measures, including information technology systems and processes, leading to loss, disruption or damage to the scheme or its members.	4	2	5	11	2	22	**TREAT:** 1) Council has a data recovery plan in place, with files uploaded to the cloud every night. 2) . As a Council we are continuing to invest in technologies to block and filter phishing emails as well as ensuring our systems are up to date to protect us and our devices against these threats. 3) The IT team continuously review and update the cyber security policies, including the Information Security policy, Acceptable Use policy, Email and Internet policy, Social Media policy, Password Management policy and Data Disposal policy. All of which can be found on the Wire.	1	11	16/06/2023
Administrative and Communicative Risk	6		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 pension admin strategy to assure employer reporting compliance.	1	11	16/06/2023
Administrative and Communicative Risk	7		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 undertaken during 2022/23 showed substantial assurance with only two recommendations, which have since been fully/partially implemented.	1	10	16/06/2023
Administrative and Communicative Risk	8		Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	1	4	3	8	3	24	**TREAT:** 1) The pensions administration service provided by Hampshire CC since 8 November 2021. 2) Officers will continue to support the admin team with regular meetings and conversation on cases. 3) Ongoing monitoring of contract and KPIs.	1	8	16/06/2023
Administrative and Communicative Risk	9		Failure of financial system leading to benefits 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) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	8	16/06/2023

Administrative and Communicative Risk	10		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 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	16/06/2023
Administrative and Communicative Risk	11		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.	2	8	16/06/2023
Administrative and Communicative Risk	12		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. HPS have their own COWPF Bank Account which is reconciled. COWPF transferred to HPS on the 8th of November 2021 there have never been any issues in running the pension payroll or paying the pensions on time.	1	7	16/06/2023
Administrative and Communicative Risk	13		Possibility of members opting out of the pension scheme, following concerns around inflation and the cost of living crisis.	2	3	1	6	2	12	TREAT: 1) Auto-enrolment of the pension scheme takes place every 3 years. 2) The Fund offers members the flexibility to pay half their normal contribution rate and build up half their normal pension. This is designed as a short term option and employees are automatically transferred back into the main scheme every 3 years. Members keep their full life and ill-health cover they join the 50/50 section.	1	6	16/06/2023
Administrative and Communicative Risk	14		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 Hampshire 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	16/06/2023
Administrative and Communicative Risk	15		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	16/06/2023
Administrative and Communicative Risk	16		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	16/06/2023
Administrative and Communicative Risk	17		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 Hampshire County Council, with minimal effect on the Fund.	1	4	16/06/2023

Pension Fund Risk Register - Investment Risk													
Risk Group	Risk Ref.	Trending	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Liability Risk	1		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. CPI inflation was 8.7% as at April 2023, down from the peak of 11.1% in October 2022.	5	3	3	11	4	44	**TREAT:** 1) The Fund holds investments in bonds, inflation linked long lease property, private debt and infrastructure to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) The Pension Fund has increased its holdings within infrastructure and intends to increase allocations to property into 2023. 3) Officers continue to monitor the increases in CPI inflation on an ongoing basis. 4) Short term inflation is expected due to a number of reasons on current course.	3	33	16/06/2023
Asset and Investment Risk	2		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 0.47% net of fees in the year to 30 April 2023, underperforming the benchmark by -0.65% net of fees. Much of this underperformance can be attributed to the long lease property and fixed income mandates.	5	3	3	11	4	44	**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.	3	33	16/06/2023
Asset and Investment Risk	3		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.	3	4	3	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) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes. 4) The City of Westminster Pension Fund can report that as at January 2023, the value of investments to Russia or Ukraine within the Pension Fund's asset classes is valued at zero. 5) Currency hedging takes place within the LGIM Future World Fund and LCIV Absolute Return Fund, this will offer some protection against the weakening of the pound. 5) Officers have assessed any exposures to SVB, with minimal direct exposure within the Fund.	3	30	16/06/2023

Regulatory and Compliance Risk	4		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.	3	1	4	8	4	32	**TREAT:** 1) The Pension Fund's investment consultant has already started work on identifying the climate risks to the Fund, and how these can be assessed and reported on. 2) The Pension Fund already collects and reports on carbon emission data, which will form part of the TCFD metrics and targets. This data can currently be found in the Responsible Investment Statement. 3) Officers attend training sessions and conferences on TCFD reporting, including London Pension Fund Officers Forum, where there is an open arena for discussions. 4) The City of Westminster Pension Fund has submitted a response to the DLUHC consultation on the proposed climate reporting regulations, with the regulations still outstanding.	3	24	16/06/2023
Liability Risk	5		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.	5	3	3	11	3	33	**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.	2	22	16/06/2023
Liability Risk	6		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	22	**TOLERATE:** 1) 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	16/06/2023
Asset and Investment Risk	7		Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in September 2019.	3	1	3	7	4	28	**TREAT:** 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) and Pensions and Lifetime Savings Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 4) The Pension Fund has committed 6% towards renewables and 5% to affordable and social supported housing, alongside moving equities into ESG-tilted mandates. 5) An ESG and RI Policy was drafted for the Pension Fund as part of the ISS and a Responsible Investment Statement has been drafted for 2023. 6) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance.	3	21	16/06/2023

Asset and Investment Risk	8		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	3	30	**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.	2	**20**	16/06/2023
Liability Risk	9		Employee pay increases are significantly more than anticipated for employers within the Fund. Persistently high inflation will potentially lead to unexpectedly high pay awards.	4	4	2	10	3	30	**TREAT** 1) Fund employers should monitor own experience. 2) 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. 3) 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). 4) Employee pay rises currently remain below inflation.	2	**20**	16/06/2023
Asset and Investment Risk	10		That the London Collective Investment Vehicle (LCIV) fails to produce proposals/solutions deemed sufficiently ambitious.	4	3	3	10	2	**20**	**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. 2) Member presence on Shareholder Committee and officer groups. 3) The LCIV has recently bolstered its investment team with the successful recruitment of a permanent CIO, Head of Responsible Investment & Client Relations Director. 4)Fund representation on key officer groups. 5) Ongoing Shareholder Issue remains a threat.	2	**20**	16/06/2023
Resource and Skill Risk	11		Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	3	27	**TREAT:** 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval) 2) Comprehensive training packages will be offered to members.	2	**18**	16/06/2023

Regulatory and Compliance Risk	12		Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales. Still awaiting updated pooling guidance from DLUHC.	3	2	1	6	3	**18**	**TOLERATE:** 1) Officers consult and engage with the Department for Levelling Up, Housing and Communities (DLUHC), 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 DLUHC pooling guidance, expected sometime during 2022.	3	**18**	16/06/2023
Resource and Skill Risk	13		The Stewardship Code is a set of principles set out by the Financial Reporting Council. To become a signatory of the Code, applicants must submit a Stewardship Report to the FRC demonstrating how the principles of the Code have been applied during the previous 12 months. Once accepted onto the signatories list, organisations must reapply annually. Due to the significant work required in this area this may pose a challenge for submission annually, without any additional resource, and the risk of subsequent submissions being rejected.	3	1	4	8	3	**24**	**TREAT: 1)** Use of asset manager and pool company resources in the annual review and update of the stewardship submissions. **2)** Officers attending training events and conferences on ESG reporting. **3)** Consider appointment of a Tri-Borough Responsible Investment (RI) officer to cover ESG and RI areas, including stewardship and TCFD reporting.	2	**16**	16/06/2023
Asset and Investment Risk	14		Volatility in investment markets caused by government decisions. There was heightened market volatility following the unveiling of the Chancellor's mini budget on 23 September and Bank of England interventions in the UK Gilts market.	4	2	2	8	3	**24**	**TREAT: 1)** The Fund's investment management structure is highly diversified, which lessens the impact of market risk compared with less diversified structures. 2) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 3) The City of Westminster Pension Fund's strategic asset allocation will be reviewed following the 2022 actuarial valuation.	2	**16**	16/06/2023
Asset and Investment Risk	15		The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	4	3	1	8	3	**24**	**TREAT:** 1) Officers will continue to monitor the impact lockdown measures have had on the fund's underlying investments and the wider economic environment. 2) The Fund holds a diversified portfolio, which should reduce the impact of stock market movements. 3) Asset allocation was reviewed during 2021, a new strategy was agreed to include private debt and affordable/social housing mandates. 4) Pension Fund Officers in frequent contact with Fund Managers and the Funds investment advisor.	2	**16**	16/06/2023

Asset and Investment Risk	16		Volatility caused by uncertainty regarding the withdrawal of the UK from the European Union. Supply chain shortages disrupting the economy. Uncertainty remains regarding the Northern Ireland Protocol.	4	3	1	8	3	**24**	**TREAT:** 1) Officers to consult and engage with advisors and investment managers. 2) Possibility of hedging currency and equity index movements. LGIM and LCIV Absolute Return mandates are currently GBP hedged. 3) The UK has exited the EU and the transition period has come to an end. There is still the potential for volatility implementing some of the post-Brexit agreements.	2	**16**	16/06/2023
Asset and Investment Risk	17		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**	**TREAT:** 1) Member presence on 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) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	**16**	16/06/2023
Liability Risk	18		Impact of economic and political decisions on the Pension Fund's employer workforce. Government funding level affecting the Councils spending decisions.	5	2	1	8	3	**24**	**TREAT:** 1) Actuary 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, next valuation to take place at 31 March 2022.	2	**16**	16/06/2023
Resource and Skill Risk	19		Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding. Following local elections, which took place in May 2022, the composition of the Committee has changed.	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.	3	**15**	16/06/2023
Liability Risk	20		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:** 1) 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**	16/06/2023
Liability Risk	21		Impact of increases to employer contributions following the actuarial valuation, next valuation to take place on 31 March 2025.	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**	16/06/2023

Liability Risk	22		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. The Fund currently has £100m in cash held within a short duration bond fund and LCIV Absolute Return Fund, which allows access at short notice.	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, Fund is expected to be c.£25m cashflow negative per annum. However, going forward income distributions are expected to offset this.	1	**12**	16/06/2023
Regulatory and Compliance Risk	23		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**	16/06/2023
Regulatory and Compliance Risk	24		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. 4) Pension administration transition project team in place.	1	**11**	16/06/2023
Liability Risk	25		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 affordable/social housing. 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**	16/06/2023
Reputational Risk	26		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**	16/06/2023
Reputational Risk	27		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**	16/06/2023
Asset and Investment Risk	28		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**	16/06/2023

Liability Risk	29		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	4	4	2	10	2	20	**TREAT:** 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 2022/23 of members transferring out to DC schemes.	1	10	16/06/2023
Liability Risk	30		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	16/06/2023
Asset and Investment Risk	31		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	16/06/2023
Asset and Investment Risk	32		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	16/06/2023
Asset and Investment Risk	33		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	16/06/2023
Resource and Skill Risk	34		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	16/06/2023
Regulatory and Compliance Risk	35		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	16/06/2023
Reputational Risk	36		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	16/06/2023
Liability Risk	37		Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	10	**TOLERATE:** 1) Political power required to effect the change.	1	10	16/06/2023

Liability Risk	38		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	16/06/2023
Regulatory and Compliance Risk	39		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	16/06/2023
Regulatory and Compliance Risk	40		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	16/06/2023
Regulatory and Compliance Risk	41		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. 2) Pooled funds are not subject to OJEU rules.	1	7	16/06/2023
Regulatory and Compliance Risk	42		Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	14	**TREAT:** 1) Maintain links with central government and national bodies to keep abreast of national issues. 2) Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	7	16/06/2023

City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**19 October 2023**
Classification:	**Public**
Title:	**Investment Consultant Aims and Objectives Review**
Wards Affected:	**None**
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 This paper provides the Pension Fund Committee with an update of the Investment Management Consultant (IMC) aims and objectives for the Fund's consultant, Isio, as per the requirements of the Competition and Markets Authority (CMA).

2. RECOMMENDATIONS

2.1 The Committee is requested to note and comment on the attached IMC aims and objectives with a view to approving for the Pension Fund's investment consultant, Isio.

3. BACKGROUND

3.1 As per the requirements of the Competition and Markets Authority (CMA), the Pension Fund must establish aims and objectives for its investment consultant. After conducting an extensive review into the pension fund consultancy and fiduciary management industry, the CMA produced a report, detailing a number of recommendations to improve pension fund governance, with a number of concerns expressed around fees and conflicts of interest.

3.2 The Pensions Regulator (tPR) welcomed the review by the CMA and produced guidance on setting aims and objectives. The Regulator's view is that it is good practice for Pension Funds, including the LGPS, to set aims and objectives for investment consultants and advisors in order to achieve better outcomes and manage areas of underperformance.

3.3 A set of consultant objectives were originally drawn up for the Pension Fund investment advisor and approved by Committee on 23 October 2019. In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years or when there has been a material change in investment approach.

3.4 Within Appendix 1, a set of updated investment consultant aims and objectives can be found for review, comment and approval by the Pension Fund Committee.

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: Updated Investment Consultant Aims and Objectives

Investment Consultant Aims and Objectives 2023: **Appendix 1**

1. Performance Against Aims and Objectives

1.1 In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years or when there has been a material change in investment approach.

1.2 In the tables below are the agreed objectives and aims for the investment consultant, against which the consultant performance will be reviewed. Each objective will be assessed individually and assigned a rating as follows:

Performance Rating	Key
Excellent	
Good	
Satisfactory	
Unsatisfactory	

1. Assistance in achieving the Fund’s objectives			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	Any proposed changes in investment strategy or investment managers have a clear rationale linked to the Fund’s objectives with specific reference to improving the efficiency of the investment strategy in terms of risk adjusted returns.		
b)	All advice considers funding implications and the ability of the Fund to meet its long-term objectives.		
c)	The investment consultant has an appropriate framework in place to recognise opportunities to reduce risk.		
d)	The investment consultant has contributed to the Fund’s cashflow management process ensuring that the Fund’s benefit obligations are met in a cost-efficient manner.		
e)	The investment consultant undertakes specific tasks such as the selection of new managers and asset liability studies as commissioned.		
f)	The investment consultant has complied with prevailing legislation, the constraints imposed by the Investment Strategy Statement, the detailed Investment Management Agreements and the policy agreed with the Committee when considering the investment of the Fund’s assets.		
g)	The investment consultant has assisted the Committee in implementing an investment strategy which adds value through the integration of environmental, social and governance (ESG) factors, stewardship and wider sustainability considerations, into their investment and risk management arrangements.		

2. Governance and Costs			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	Assist the Committee to implement the Fund’s investments on a more competitive fee basis, through negotiation and periodic benchmarking of fees.		
b)	Cost implications, both in terms of investment management expenses and implementation costs, are considered as part of investment strategy advice.		
c)	The investment consultant has demonstrated an understanding and appreciation of governance requirements, in particular, the investment consultant has avoided complexity where simpler, more cost-effective solutions may be available.		
d)	The investment consultant has ensured that investments are in accordance with the current regulatory and compliance requirements relevant for the LGPS.		
e)	The investment consultant has taken into account the necessity for all investment funds within the portfolio, with few exceptions, to utilise one of the pools.		

3. Proactivity/Keeping informed			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	Advise the Committee on appropriate new investment opportunities and emerging risks, including ESG or sustainability related.		
b)	Recognition of the dynamism of investment markets, recognising opportunities to crystallise gains or emerging risks which require immediate attention.		
c)	The investment consultant has highlighted areas that the Committee may wish to focus on in the future.		
d)	The investment consultant should be generally available for consultation on fund investment matters.		

4. Monitoring			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	The investment consultant provides insightful monitoring focused on the reasoning behind performance.		
b)	The Committee has been kept abreast of investment market developments and their implications for the Fund's investment strategy.		
c)	Monitoring is integrated with funding and risk.		
d)	Particular focus on the continued merits of active management. The investment consultant considers the value added by active management on a net of fees basis.		

5. Delivery			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	The investment consultant has formed a strong working relationship with the Committee, Council Officers and other key stakeholders.		
b)	Reports and educational material are pitched at the right level, given the Committee's understanding.		
c)	Provides training/explanation which aids understanding and improves the Committee's governance.		
d)	Meeting papers are provided in a timely fashion, with all required detail and accuracy.		
e)	The investment consultant works within agreed budgets and is transparent with regard to advisory costs, itemising additional work with fees in advance.		
f)	The investment consultant works collaboratively with the scheme's actuary and other advisors or third parties including the global custodian.		

City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**19 October 2023**
Classification:	**General Release (Appendix 1 Exempt)**
Title:	**CVC Credit European Direct Lending Fund IV**
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 (the Fund) and this is a charge to the General Fund.**
Report of:	**Phil Triggs** ***Tri-Borough Director of Treasury and Pensions*** **ptrigs@westminster.gov.uk** **020 7641 4136**

1. EXECUTIVE SUMMARY

1.1 This paper provides a summary of the CVC Credit European Direct Lending Fund IV and provides an analysis of options should the Committee wish to maintain the current 6% strategic asset allocation to CVC Credit.

2. RECOMMENDATIONS

2.1 That the Pension Fund Committee:

- consider the views outlined by Isio, attached at Appendix 1, and agree on a suitable strategy for the private debt allocation going forward.

- approve that Appendix 1 to this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person, including the authority holding that information, as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

3. BACKGROUND

3.1 At the Pension Fund Committee meeting on 10 March 2022, the Committee agreed to commit a 6% / £110m allocation to the CVC Credit European Direct Lending Fund III (EDL III), across its main and co-invest funds. The portfolio invests across sectors including media, healthcare, consumer, financial services, telecommunications, business services and technology.

3.2 Private debt strategies provide loans direct to businesses requiring capital, typically mid-market companies who are unable to raise debt through bond markets. The returns typically consist of an upfront fee and floating rate interest payments, which are usually priced at the Sterling Overnight Index Average (SONIA) rate plus a margin. Private debt instruments usually offer higher yields than traditional fixed income investments. The asset class also provides additional diversification within the fixed income allocation, with returns displaying a low correlation to traditional markets.

3.3 Generally, direct lending can be either secured, unsecured or unitranche:

- Secured debt is backed by an asset, whereby the lender takes ownership of the asset if a default occurs.
- Unsecured debt is not asset backed and therefore, in the event of default, the lender's recovery will depend on the debt seniority.
- Unitranche debt combines a mix of both secured and unsecured debt into one single loan term.

3.4 As at 30 June 2023 the EDL III fund was 64% drawn with the remaining commitment expected to be called by Q3 2025. The EDL III fund has a close-ended structure with the investment period to finalise during Q4 of 2025. From 2026 onwards, EDL III will begin to return capital to investors as the underlying assets are realised. Therefore, the allocation will continue to reduce and CVC expects to return all capital to investors by Q3 2028.

4. CVC CREDIT EUROPEAN DIRECT LENDING FUND IV

4.1 The CVC Credit European Direct Lending Fund IV (EDL IV) broadly exhibits the same characteristics as EDL III, with a similar investment process. The fund has a six-year, close-ended structure, investing primarily within senior secured loans, including unitranche, and capped junior debt. As with the EDL III fund, CVC Credit have confirmed that a co-investment vehicle will also be made available for EDL IV. The co-investment vehicle consists largely of the same investments as the main fund, but without the position concentration restriction and on a no-fee basis, therefore diluting the total management fees payable.

4.2 CVC Credit has provided modelling to set out the expected drawdown and run-off timelines for both EDL III and EDL IV. As part of this analysis, Isio have proposed two scenarios:

- **Scenario 1: No Growth Assumption**
  Maintain a net asset value of 6% (£110m) across EDL III and EDL IV, assuming the Fund's investment portfolio valuation remains relatively static; and

- **Scenario 2: 5% p.a. Investment Portfolio Growth**
  Maintain a net asset value of 6% across EDL III and EDL IV, assuming a 5% annual growth rate of the Fund's investment portfolio valuation.

4.3 To avoid being under or over exposed to the Fund's 6% allocation range over a long period of time, Isio have set out three potential commitment amounts:

- **£110m:** 6% of the current total Fund value.

- **£150m:** reflects the smallest commitment that would improve the projected time to reach the 6% target allocation under scenario 1, across EDL III and EDL IV.

- **£220m:** reflects the smallest commitment that would improve the projected time to reach the 6% target allocation under scenario 2, across EDL III and EDL IV.

4.4 Under each of the proposed commitments, the combined allocation is expected to exceed the target allocation by mid-20025 for all scenarios. Therefore, the Committee should consider both the time spent above target allocation, and the extent to which the Fund may be over exposed.

NEXT STEPS AND RECOMMENDATIONS

5.1 Isio has prepared a report, attached at Appendix 1, which outlines the EDL IV fund, including return objectives, fee structure, track record, ESG credentials and scenario modelling.

5.2 The Pension Fund Committee is recommended to:

- Discuss the proposals, as set out within Appendix 1, and the suitability of EDL IV, alongside the investment strategy and actuarial funding level; and

- Agree a suitable strategy going forward for the private debt allocation, with Isio recommending the Committee commit a further £110m to EDL IV, to maintain the 6% strategic asset allocation.

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

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BACKGROUND PAPERS: None

APPENDICES:
Appendix 1: Isio CVC Credit European Direct Lending Fund IV (Exempt)

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of the Local Government Act 1972.

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City of Westminster

Committee Report

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**19 October 2023**
Classification:	**Public (Appendices 1, 2 and 4 Exempt)**
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 June 2023, together with an update on the London CIV and funding level.

1.2 The Fund returned 2.5% net of fees over the quarter to 30 June 2023, performing broadly in line with the benchmark.

2. RECOMMENDATION

2.1 The Committee is asked to:

- Note the performance of the investments and the updated funding level as at 30 June 2023.

- Approve that Appendices 1, 2 and 4 to this report are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

3. BACKGROUND

3.1 This report presents a summary of the Pension Fund's performance to 30 June 2023. The investment performance report (Appendix 1) has been prepared by Isio, the Fund's investment advisor.

3.2 The market value of investments increased by £38.0m to £1.829bn over the quarter to 30 June 2023, with the Fund returning 2.5% net of fees. The Fund slightly underperformed the benchmark by -0.1% net of fees, with the Ruffer Absolute Return mandate being the main detractor to performance, primarily due to the portfolio's defensive positioning. The Fund's underperformance was partially offset by outperformance within the CVC Credit Private debt mandate and Abrdn Long Lease Property, which outperformed their benchmarks by 2.5% and 4.2% net of fees respectively.

3.3 Over the 12-month period to 30 June 2023, the Fund underperformed its benchmark net of fees by -1.0% returning 7.2%. This underperformance can be largely attributed to the Abrdn Long Lease Property, which underperformed its benchmark by -11.7%, owing to the detraction in long-dated property over the year. Over the longer three-year period to 30 June 2023, the Westminster Fund underperformed the benchmark net of fees by -1.1%.

3.4 It should be noted that Isio continues to rate the fund managers favourably.

3.5 Isio Group acquired Deloitte Total Reward and Benefits during May 2023, with the businesses fully integrated from 1 October 2023. There is no change to the current terms and conditions of our existing agreement. However, all rights and obligations have transferred to Isio Group Limited.

3.6 Please note during September 2023, the Fund's longstanding investment advisor, Kevin Humpherson, left Isio Group to join Ernest and Young. Kevin had been the Fund's primary investment consultant since 2015 and was instrumental in the Pension Fund's funding level rising from 80% during 2016 to 161% at 30 June 2023. Following Kevin's departure, Jonathan Moore and Andrew Singh will be the Fund's main contacts at Isio.

3.7 The Fund's existing contract with Isio Group will expire on 30 September 2024, with an option to extend a further two years to 30 September 2026. Given the acquisition of Deloitte Total Reward and Benefits by Isio Group and the key staff turnover since the contract was awarded, officers feel it may be necessary to launch a tender process during 2024. The investment consultant tender process could commence during June 2024, with appointment prior to the contract expiration date of 30 September 2024.

3.8 Since Q1 of 2023, the Fund's officers have engaged with asset managers and other related parties on a number of issues as follows:

- **Exposure to China:** following a Pension Board member query, as at February 2023, the Fund had 1.5% exposure to the China region, including within the LCIV Multi Asset Credit mandate, Baillie Gifford Global Alpha Equity mandate and the LGIM Future World Equity fund.

- **Controversial exposures:** following a scheme member query, officers ascertained the Fund's exposure to sectors including tobacco, alcohol, gambling, adult entertainment and weapons, with very small exposures (<1% of total Fund value) to tobacco, gambling and alcohol reported within the LGIM Future World Fund and Baillie Gifford Global Alpha Fund.

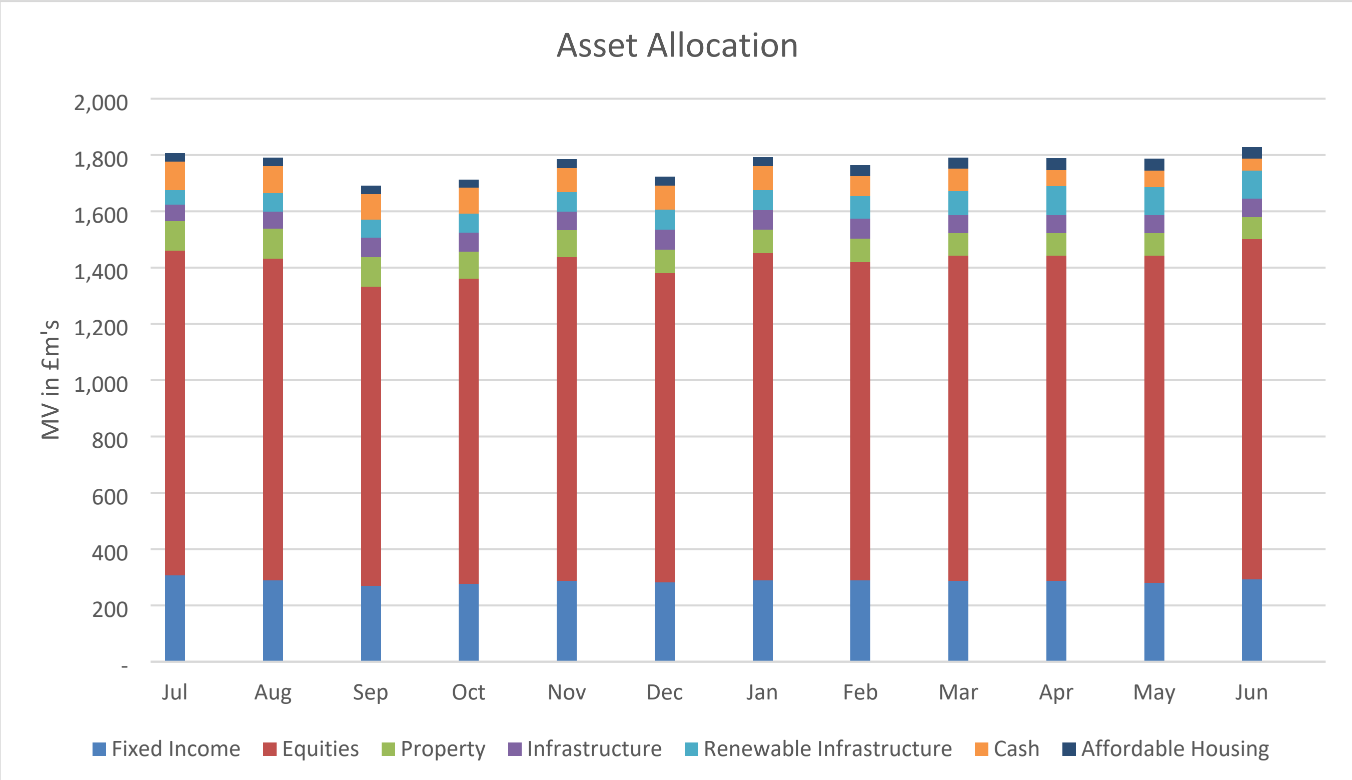
- **ShareAction Healthy markets Initiative:** as part of the healthy markets working group, officers had the opportunity to attend meetings and ask questions with a number of large retailers and manufacturers, including Tesco, Unilever, Nestle and Coca-Cola.

- **Silicon Valley Bank (SVB) and Signature Bank:** during March 2023, SVB and Signature Bank collapsed following large losses as a result of increases in interest rates and a major downturn in growth of the technology industry. The Pension Fund had direct exposure through its Legal & General passive equity mandate of 0.03% to SVB, with the asset manager subsequently writing the position down to zero value. Baillie Gifford had an exposure of 0.42% to Signature Bank, also subsequently revalued to zero and the position sold.

3.9 The estimated funding level for the Westminster Pension Fund has increased to 161% at 30 June 2023 (149% at 31 March 2023). This is largely as a result of an increase in the expected discount rate, which is linked to UK gilts. Please see Appendix 3 for the actuary funding level report.

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The chart shows the changes in asset allocation of the Fund from 1 July 2023 to 30 June 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 June 2023, capital calls relating to the Quinbrook Renewables Impact mandate, Macquarie Renewable Infrastructure, Man Group Community Housing fund and CVC Credit Private Debt fund took place.

4.4 During the quarter, sales took place within the NT Ultra Short Bond fund and Insight Buy and Maintain Bond mandate to fund these capital calls.

5. LONDON CIV UPDATE

5.1 The value of Westminster Pension Fund investments directly managed by the London CIV as at 30 June 2023 was £896m, representing 49% of Westminster's investment assets. A further £435m 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 June 2023, the London CIV had £27.8bn of assets under management of which £15.1bn are directly managed by the London CIV. All

London CIV funds, that Westminster are invested in, were on normal monitoring at quarter end.

5.3 During the quarter, the London CIV undertook 54 meetings/engagements with Client Funds, including seed investor groups, investment consultant updates, specific pooling opportunities and monthly business updates.

5.4 The London CIV aims to launch its Buy and Maintain Credit strategy by the end of 2023, with the London CIV investment team conducting in-depth assessments of four short-listed investment managers. The new fund will offer distinct long and short duration profiles to provide flexibility to target specific levels of duration.

5.5 During the quarter, the London CIV announced that the Chief Investment Officer (CIO), Jason Fletcher, would be leaving the company in October 2023. The London CIV are currently conducting a recruitment exercise to appoint a replacement CIO.

5.6 Please see the London CIV quarterly investment report as at 30 June 2023, attached at Appendix 4.

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

Billie Emery pensionfund@westminster.gov.uk

Background Papers:

None.

Appendices:

Appendix 1: Isio Investment Report, Quarter Ending 30 June 2023 (exempt)
Appendix 2: Isio Investment Report, Fee Benchmarking (exempt)
Appendix 3: Hymans Robertson Funding update report at 30 June 2023
Appendix 4: London CIV Quarterly ACS Investment Report at 30 June 2023 (exempt)

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