



City of Westminster

**City of Westminster Superannuation Fund  
Annual Report  
2013-2014**



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## Chairman's Report

The Superannuation Committee is responsible for overseeing the management of the City of Westminster Pension Fund including investment management and pension administration issues. As the current Chairman of this Committee, I am pleased to introduce the Pension Fund's Annual Report for the year 2013-14.

During the year, the value of the Fund rose by £91m following positive absolute investment returns over the year. The Fund's total investment return outperformed the target return by 3%. The Committee has continued to monitor the Fund closely at every meeting and challenged the investment advisers as necessary to ensure the Fund's investments are being managed effectively.

Reviewing the asset allocation of the Fund led to some changes being made during the year to the type of mandates held and the fund managers invested with. Baillie Gifford were appointed as the new core equity manager and funds were moved from State Street Global Advisors into this new mandate.

The final report of the actuarial valuation of the Fund as at 31 March 2013 was published in March 2014. The report showed that the past service funding level as a whole has increased from 73.8% to 74.5% between 31 March 2010 and 31 March 2013. Reasons for this improvement

included slightly higher than expected investment returns, lower than expected pay increases and a decrease in the discount rate which is used to project future cashflows for the value of past service liabilities. As part of the valuation process, the Committee also reviewed the Funding Strategy Statement to ensure it remains relevant going forward.

In April 2014 the new Local Government Pension Scheme was implemented and the scheme changed from a final salary based scheme to a career average scheme. It is envisaged that the new scheme will be more cost effective and fairer to all scheme members in the long term. Further details of the new scheme are included in the next section of this report.

I would like to thank all those involved in the management of the Pension Fund during the year, especially those who served on the Committee during 2013-14, as well as officers, advisers and investment managers.



**Councillor Suhail Rahuja**  
**Chairman of Superannuation Committee**

## Introduction

The Superannuation Fund is part of the national Local Government Pension Scheme (LGPS) and is administered by Westminster Council. It is a contributory defined benefit pension scheme established by the Superannuation Act 1972, which provides for the payment of benefits to employees and former employees of the City of Westminster Council and the admitted and scheduled bodies in the Fund.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and returns from the Fund's investments. The contributions are set by the Fund's actuary at the actuarial valuation which is carried out every three years.

A new LGPS scheme was introduced with effect from 1<sup>st</sup> April 2014. One of the main changes is that a scheme member's pension is no longer based on their final salary but on their earnings throughout their career. This is known as a Career Average Revalued Earnings (CARE) scheme. Everything built up in the Scheme before 1<sup>st</sup> April 2014 is protected so benefits up to that date will be based on the scheme member's final year's pay. The revised benefits payable from the Fund are set out in the Local Government Pension Scheme regulations and in summary are:

- A pension based on career average earnings (revalued in line with the Consumer Prices Index)
- Pensionable pay to include non-contractual overtime and additional hours
- Flexibility for member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health

This annual report starts with the Management and Performance section which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.

The Investment section follows and details the Fund's investment strategy, arrangements and performance. This is followed by Scheme Administration which sets out how the administration of the scheme's benefits and membership is undertaken. Section 4 outlines the funding position of the Fund with a statement from the Fund's actuary and section 5 provides a summary of the Fund's annual accounts.

The report concludes with a list of contacts in section 6 and a glossary of some of the more technical terms in section 7.

## Section 1: Management and Performance

### Governance Arrangements

Westminster Council has delegated decision making powers in respect of pension matters to the Superannuation Committee (the Committee). Since May 2014, the Committee is made up of four elected Members of the Council (three from the administration and one minority party representative). Members of the admitted bodies, representatives of the Trade Unions and one co-opted member may attend the committee meetings but have no voting rights.

The Committee meets at least four times a year and has the following terms of reference:

- To agree the investment strategy having regard to the advice from the Fund Managers and the independent adviser;
- To monitor performance of the Fund and of the individual Fund Managers;
- To determine the Fund management arrangements, including the appointment and termination of the appointment of the Fund Managers, Custodians and Fund Advisers;
- To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these;
- To approve and publish the pension fund annual report;
- To prepare and publish a pension administration strategy;
- To make an admission agreement with any admission body;
- To ensure compliance with all relevant statutes, regulations and best practice within both the public and private sectors;
- To determine questions and disputes pursuant to the Internal Disputes Resolution Procedures.

The following decisions are to be made 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 the compensation policy on termination of employment;
- To determine policy on the award of additional membership of the Pension Fund;
- To determine policy on the award of additional pension;
- To determine policy on retirement before the age of 60;
- To determine a policy on flexible retirement;
- To determine any other investment or pension policies that may be required from time to time so as to comply with Government regulations.

The Committee obtains and considers advice from the Director of Corporate Finance & Investments, the Section 151 Officer and as necessary from the Fund's appointed actuary, advisors and investment managers.

The current membership of the Superannuation Committee is as follows:

Councillor Suhail Rahuja (Chairman)  
Councillor Antonia Cox  
Councillor Patricia McAllister  
Councillor Ian Rowley

The membership of the Superannuation Committee during the 2013/14 year also included:

Councillor Edward Baxter  
Councillor Dr. Cyril Nemeth

### **Governance Compliance Statement**

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure its governance arrangements against a set of best practice principles. This measurement should result in a statement of full, partial or non compliance with a further explanation provided for any non- or partial-compliance.

The key issues covered by the best practice principles are:

- Formal committee structure;
- Committee membership and representation;
- Selection and role of lay members;
- Voting rights;
- Training, facility time and expenses.

The Fund's published statement can be found in the Pension Fund section of the following website: <http://www.westminster.gov.uk/pensionfund>

### **Scheme Management and Advisers**

The City of Westminster, the London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea councils have combined certain parts of their operational areas to provide a more efficient service and greater resilience. One of the areas that have joined together is the treasury and pension teams of the three boroughs.

The combined team was formed in February 2012 and is responsible for the management of the pension fund investments and the treasury operations across the three boroughs. The team is based at Westminster's offices.

The three pension funds continue to be managed separately in accordance with each Council's strategy and so each continues to have sovereignty over decision making. However, officers

are continually seeking to improve efficiency and resilience and to minimise the cost of running the Pension Funds, in line with the tri-borough working aims.

### Officers

|  |   |
|--|---|
| City Treasurer and Section 151 Officer | Steven Mair   |
| Tri-Borough Pensions Team              | Jonathan Hunt<br>Nikki Parsons<br>Alex Robertson<br>Nicola Webb |
| Pensions and Payroll Officer           | Sarah Hay   |

Contact details are provided in section 6 of this document.

### External Parties (as at 31 March 2014)

|                       |   |
|-----------------------|---|
| Investment Adviser    | Deloitte  |
| Investment Managers   | <b>Equities (Active)</b><br>Baillie Gifford & Co<br>Majedie Asset Management<br><b>Equities (Passive)</b><br>Legal and General Investment Management<br>State Street Advisers UK<br>State Street Global Advisers International<br><b>Fixed Income</b><br>Insight Investment<br><b>Property</b><br>Hermes Investment Management Ltd<br>Standard Life Investments |
| Custodian             | Bank of New York Mellon   |
| Banker                | Lloyds Bank   |
| Actuary               | Barnett Waddingham  |
| Auditor               | KPMG  |
| Legal Adviser         | Eversheds   |
| Scheme Administrators | LPFA <sup>1</sup>   |
| AVC Providers         | Aegon<br>Equitable Life Assurance Society   |

<sup>1</sup> Surrey County Council were appointed Scheme Administrators with effect from 1<sup>st</sup> September 2014

## Financial Summary and Performance

The investment return in 2013/14 was positive both in absolute terms and relative to the Fund's benchmark. The return was 12.7%, which was 3% above the benchmark set for the Fund. During the year, Baillie Gifford was appointed as the new core equity fund manager. The decision was taken by the Committee to transfer out of the passively managed State Street funds into this new mandate and the existing one held with Legal and General. The Investment Policy and Performance report in section 2 provides more detail on the Fund's investments and performance.

The table below summarises the investment performance of the total Fund and individual managers for the one and three year periods to 31 March 2014 (gross and net of fees). It is too soon to report on the performance of the newly opened mandate held with Baillie Gifford.

|                            | Last Year (%) |                  |            |            | Last 3 Years (% p.a.) <sup>1</sup> |                  |            |            | Since inception (% p.a.) <sup>1</sup> |                  |            |            |
|----------------------------|---------------|------------------|------------|------------|------------------------------------|------------------|------------|------------|---------------------------------------|------------------|------------|------------|
|                            | Fund          |                  | B'mark     | Net        | Fund                               |                  | B'mark     | Net        | Fund                                  |                  | B'mark     | Net        |
|                            | Gross         | Net <sup>2</sup> |            | Relative   | Gross                              | Net <sup>1</sup> |            | Relative   | Gross                                 | Net <sup>1</sup> |            | Relative   |
| Majedie <sup>3</sup>       | 21.6          | 21.2             | 8.8        | 12.4       | 16.0                               | 15.6             | 8.8        | 6.8        | 11.7                                  | 11.3             | 6.2        | 5.1        |
| SSgA UK <sup>4</sup>       | 7.5           | 7.4              | 7.4        | 0.0        | 8.5                                | 8.4              | 8.4        | 0.0        | 6.2                                   | 6.1              | 6.0        | 0.1        |
| SSgA Overseas              | 12.6          | 12.5             | 13.1       | -0.6       | 9.3                                | 9.2              | 9.5        | -0.3       | 9.4                                   | 9.3              | 9.6        | -0.3       |
| LGIM <sup>5</sup>          | 16.9          | 16.8             | 16.9       | -0.1       | n/a                                | n/a              | n/a        | n/a        | 0.9                                   | 0.8              | 0.9        | -0.1       |
| Insight – Non Gilt         | 2.7           | 2.5              | 1.8        | 0.7        | 7.8                                | 7.6              | 6.7        | 0.9        | 5.8                                   | 5.6              | 5.3        | 0.3        |
| Insight – Gilts            | -2.0          | -2.1             | -2.2       | 0.1        | 3.8                                | 3.7              | 3.8        | -0.1       | 5.4                                   | 5.3              | 5.5        | -0.2       |
| Hermes <sup>6</sup>        | 13.9          | 13.5             | 12.2       | 1.3        | 8.4                                | 8.0              | 5.8        | 2.2        | 6.6                                   | 6.2              | 6.2        | 0.0        |
| Standard Life <sup>7</sup> | n/a           | n/a              | n/a        | n/a        | n/a                                | n/a              | n/a        | n/a        | 9.8                                   | 9.4              | 2.8        | 6.6        |
| <b>Total Fund</b>          | <b>12.7</b>   | <b>12.5</b>      | <b>9.7</b> | <b>2.8</b> | <b>10.1</b>                        | <b>9.9</b>       | <b>8.5</b> | <b>1.4</b> | <b>5.7</b>                            | <b>5.4</b>       | <b>5.2</b> | <b>0.2</b> |

Source: Deloitte Investment Performance Report to 31 March 2014

The Fund Account and Net Assets Statement set out in section 5 provide more detail about the financial transactions during the year and the value of assets at the end.

<sup>2</sup> Estimated by Deloitte

<sup>3</sup> Majedie's fee is a combination of a base fee and performance fee

<sup>4</sup> Performance is to 24 March 2014 when assets were disinvested

<sup>5</sup> Since inception performance of LGIM is measured from 1 November 2012

<sup>6</sup> Since inception performance of Hermes property fund is measured from 26 October 2010

<sup>7</sup> Since inception performance of Standard Life property fund is measured from 14 June 2013



## Risk Management

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

Responsibility for the Fund's risk management strategy rests with the Superannuation Committee. It receives advice from the Director of Corporate Finance & Investment and as necessary from the Fund's appointed actuary, investment managers, custodian and investment advisor(s).

The Investment Advisor carries out the following evaluations which are reviewed by the Committee on a quarterly basis:

- independent evaluation and analysis of fund performance;
- reviewing benchmarks and asset allocation; financial markets review; and,
- Reviewing changes in the Investment Manager's business.

Investments are monitored to ensure they are in accordance with the current requirements of the LGPS Regulations, which specify certain limitations on investments. Principally, these place a limit of 10% of the total value of the fund in any single holding, or deposits with a single bank or institution, or investments in unlisted securities, and not more than 35% of a portfolio can be invested in collective investment schemes managed by a single manager.

All of the Fund's assets are managed by external investment managers. They are required to provide an audited internal controls report regularly to the Fund, which sets out how they ensure the Fund's assets are managed in accordance with the Investment Management Agreement the Council has signed with each fund manager. A range of investment managers are used to diversify manager risk. All the Fund's assets are held for safekeeping by the custodian, who is independent of all the investment managers. They are also required to provide an audited internal controls report to the Fund on a regular basis.

The Funding Strategy Statement sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently if required.

## 2. Investment Policy and Performance

One of the Fund's key objectives is to manage employers' liabilities effectively and one of the key risks for the Fund is that the assets will fall short of the liabilities. As a result the investment policy is set and performance measured by reference to a benchmark. The Superannuation Committee keeps under review the suitability of the Fund's benchmarks and its investment asset allocation strategy.

### Investment Benchmark and Objective

The Fund's benchmarks at 31st March 2014 were:

| Asset Class            | Benchmark                                |
|------------------------|--|
| UK Equity              | FTSE All-Share Index                     |
| Overseas Equity        | FTSE World (GBP Hedged)                  |
| Global Equity          | FTSE World (GBP Hedged)                  |
| Fixed Interest Gilts   | FTSE Gilts up to 15 Years Index          |
| Sterling Non- Gilts    | iBoxx Sterling Non-Gilt 1-15 Years Index |
| Standard Life Property | FTSE Gilts All Stocks Index +2%          |
| Hermes Property        | IPD UK PPFI Balanced PUT Index           |

The Fund's Policy on risk dictates that the Fund Managers are required to implement risk management measures and to operate in such a way that the possibility of undershooting the performance target is kept within acceptable limits. Each fund manager is set certain risk boundaries depending upon their strategy, asset class and the markets they operate in having due regard to the overall fund risk. Fund Managers are required to report quarterly and to seek approval for any positions that go beyond the agreed risks parameters set for their strategies.

### Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require Pension Funds to prepare, maintain and publish a statement setting out the investment policy of the Fund. In addition Pension Funds are required to demonstrate compliance with the "Myners Principles".

The "Myners Principles" are a set of recommendations relating to the investment of pension funds which were originally prepared by Lord Myners in 2001 at the request of the Chancellor of the Exchequer and which were subsequently endorsed by Government. The current version of the principles covers the following areas:

- Effective decision making;
- Clear objectives;
- Risk & liabilities;
- Performance Measurement;
- Responsible ownership;
- Transparency and reporting.

The Fund's published statement can be found in the Pension Fund section of the following website: <http://www.westminster.gov.uk/pensionfund>

### Investment Strategy

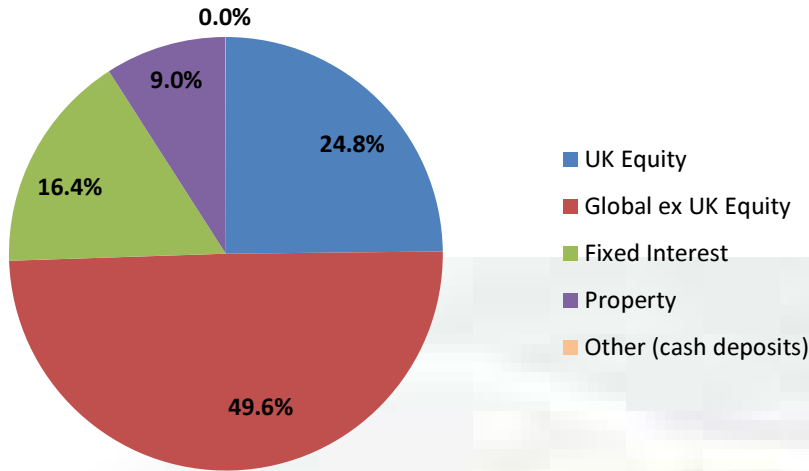
The investment objective is to ensure that the Fund's investments maximise the likelihood that benefits will be paid to members as they fall due and to ensure the continued long-term financial support from the sponsoring employer.

The Fund's strategic allocation during the year to 31 March 2014 comprised approximately 15% in assets more closely reflecting the nature of the liabilities and 85% in return seeking assets, split between UK and International equities and property.

The investment strategy of the Fund is to invest across three main asset classes – equities, fixed income and property. The investment strategy is designed to provide diversification and specialisation to reduce exposure to market risk and achieve optimum return against an appropriate benchmark.

The table and graph below shows how the Fund was split between the three main asset classes at 31/03/14. The split at 31/03/13 is shown in the table for comparison.

| Portfolio                        | % Benchmark at 31/03/2014 | Market Value at 31/03/2014 (£m) | % of Fund at 31/03/2014 | Market Value at 31/03/2013 (£m) | % of Fund at 31/03/2013 |
|----------------------------------|---------------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|
| UK Equity                        | 33.8                      | 239                             | 24.8                    | 313                             | 36.4                    |
| Global ex UK Equity              | 41.2                      | 479                             | 49.7                    | 321                             | 37.5                    |
| Fixed Interest                   | 15.0                      | 159                             | 16.5                    | 186                             | 21.6                    |
| Property                         | 10.0                      | 87                              | 9.0                     | 39                              | 4.5                     |
| Other (cash and cash equivalent) |                           |                                 |                         | 14                              |                         |
| <b>TOTAL</b>                     | <b>100.0</b>              | <b>964</b>                      | <b>100.0</b>            | <b>873</b>                      | <b>100.0</b>            |



The main change to the split of the portfolios in the year 2013/14 is an increase in the allocation to equity as a proportion of the total assets of the Fund and a reduction in the allocation for fixed interest and property. The “Other” category is made up mainly of cash and cash equivalents.

### Investment Managers

The Fund has appointed external investment managers within the three main asset classes. Each fund manager is set certain risk boundaries depending upon their strategy, asset class and the markets they operate in having due regard to the overall fund risk. The table below shows how the Fund’s assets were allocated between the investment managers at 31/03/14, and at 31/03/13 for comparison.

| Asset class                     | Investment Manager                    | Market Value at 31/03/2014 (£m) | % of Fund at 31/03/2014 | Market Value at 31/03/2013 (£m) | % of Fund at 31/03/2013 |
|---------------------------------|---------------------------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|
| <b>UK Equity</b>                | Majedie Asset Management              | 239                             | 24.8                    | 197                             | 22.9                    |
|                                 | State Street Global Advisors UK       | 0                               | 0                       | 115                             | 13.5                    |
| <b>Global Equity</b>            | Legal & General Investment Management | 349                             | 36.2                    | 159                             | 18.5                    |
|                                 | Baillie Gifford & Co                  | 130                             | 13.5                    | 0                               | 0                       |
| <b>Global (ex UK) Equity</b>    | State Street Global advisors Int'l    | 0                               | 0                       | 163                             | 19.0                    |
| <b>Fixed Income - Gilts</b>     | Insight Investment Management         | 17                              | 1.7                     | 48                              | 5.5                     |
| <b>Fixed Income – non-Gilts</b> | Insight Investment Management         | 142                             | 14.7                    | 138                             | 16.1                    |
| <b>Property</b>                 | Hermes                                | 43                              | 4.5                     | 39                              | 4.5                     |
|                                 | Standard Life                         | 44                              | 4.6                     | 0                               | 0                       |
| <b>Other</b>                    | In-house cash                         | 0                               | 0                       | 14                              | 0                       |
|                                 | <b>TOTAL</b>                          | <b>964</b>                      | <b>100.0</b>            | <b>873</b>                      | <b>100.0</b>            |

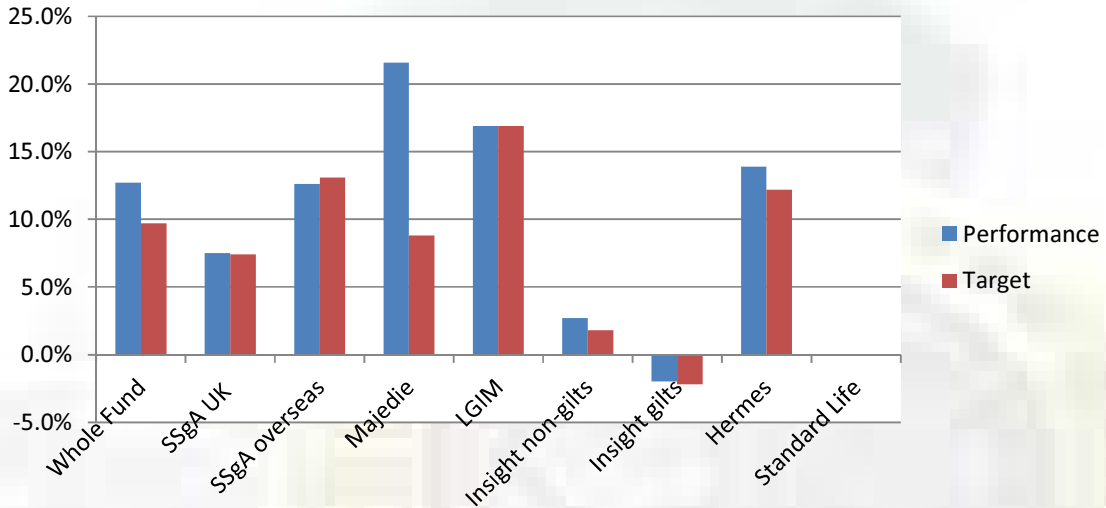
### Investment Performance

The table below shows the performance of the Fund against the target in 2013/14, the previous financial year, and the annualised performance over three and since inception.

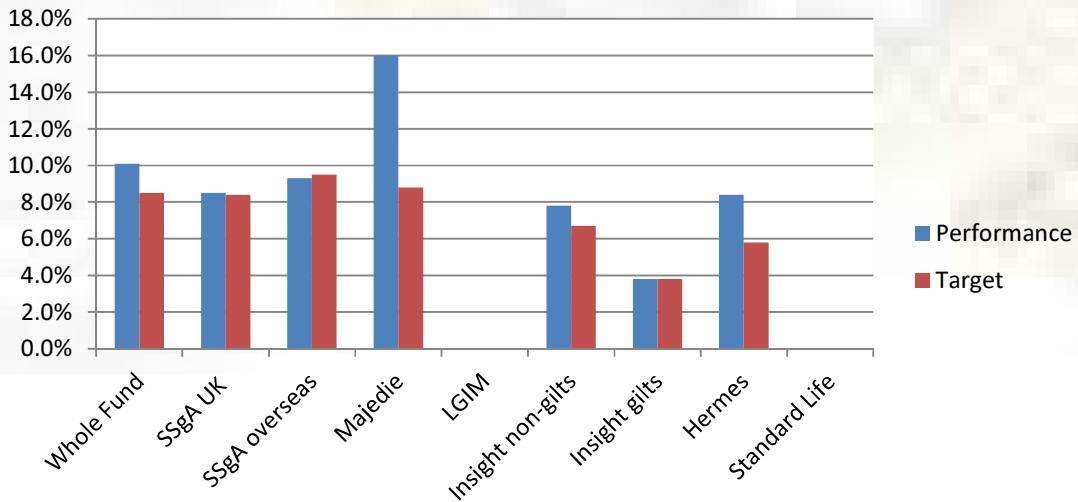
|   | 2013/14     | 2012/13     | 3 years     | Since Inception |
|---|-------------|-------------|-------------|-----------------|
| Performance (gross of fees)                     | 12.7%       | 15.2%       | 10.1%       | 5.7%            |
| Benchmark                                       | 9.7%        | 13.5%       | 8.5%        | 5.2%            |
| <b>Out / (under) performance against Target</b> | <b>3.0%</b> | <b>1.7%</b> | <b>1.6%</b> | <b>0.5%</b>     |

Each of the investment managers has a benchmark set within their Investment Management Agreements with the Fund. Fund Managers are required to report quarterly and to seek approval for any positions that go beyond the agreed risks parameters set for their strategies. The graphs below show the performance of the investment managers against their targets over 2013/14 and annualised over three years.

2013/14 Performance Against Benchmarks



Since Inception Annualised Performance Against Benchmarks



The graph shows that Majedie Asset Management significantly outperformed their benchmark in 2013/14 which mainly contributed to the outperformance against benchmark for the Fund as a whole over the year. The Superannuation Committee keeps under review the Fund’s benchmarks and its investment asset allocation strategy.

### **Responsible Investment**

The Fund recognises that the neglect of corporate governance and corporate social responsibility may lead to poor or reduced shareholder returns. Following consideration of how to address the issue, in the light of the resources available to the Fund, it has been decided to delegate responsibility for the consideration of responsible investment matters to the Fund's investment managers. The Committee believes this is the most efficient approach for a Fund of this size.

### **Custody and Banking**

The Fund has appointed a global custodian, independent to the investment managers, to be responsible for the safekeeping of all of the Fund's investments. They are also responsible for the settlement of all investment transactions and the collection of income. During the period this report covers, the custodian was Bank of New York Mellon. The Fund's bank account is held with Lloyd's Bank. Funds not immediately required to pay benefits are held as interest bearing operational cash with Lloyds Bank.

### 3. Scheme Administration

The Local Government Pension Scheme (“LGPS”) is a statutory pension scheme whose regulations are made by the government in accordance with the Superannuation Act 1972. It is a defined benefit pension scheme and the benefits are currently based on final salary and length of scheme membership.

#### Service Delivery

Although the LGPS is a national scheme, it is administered locally. Westminster City Council has a statutory responsibility to administer the pension benefits payable from the Pension Fund on behalf of the participating employers and the past and present members and their dependents. During the period covered by this report, London Pension Fund Authority was contracted to perform the pension administration service for Westminster City Council.

#### Key Service Standards

The London Pension Fund Authority work to an agreed set of targets based on the number of working days from the date all of the required information is available to them. The following table sets out their performance during 2013/14.

| Work area                   | Target Days | Total Number | Within Target | % Within Target | Average Days |
|-----------------------------|-------------|--------------|---------------|-----------------|--------------|
| Starters                    | 10          | 710          | 710           | 100             | 5.5          |
| Transfer Value In (Quote)   | 10          | 171          | 171           | 100             | 180.04       |
| Transfer Value In (Actual)  | 10          | 137          | 137           | 100             | 78.98        |
| Transfer Value Out (Quote)  | 15          | 159          | 159           | 100             | 45.01        |
| Transfer Value Out (Actual) | 12          | 68           | 68            | 100             | 43.18        |
| Refund                      | 10          | 109          | 109           | 100             | 102.48       |
| Preserved Benefit           | 15          | 520          | 520           | 100             | 72.51        |
| Estimate (Benefit)          | 10          | 365          | 365           | 100             | 7.03         |
| Retirement                  | 5           | 291          | 291           | 100             | 78.88        |
| Death in Service            | 5           | 12           | 12            | 100             | 185.26       |
| Death on Pension            | 5           | 202          | 202           | 100             | 124.10       |
| Quote AVCs                  | 5           | n/a          | n/a           | n/a             | n/a          |
| Quote ARCs                  | 10          | 34           | 34            | 100             | 72.04        |

#### Membership of the Fund

The Fund provides pensions not only for employees of Westminster City Council, but also for the employees of a number of scheduled and admitted bodies. Scheduled Bodies are organisations which have the right to be a member of the Local Government Pension Scheme



under the regulations e.g. academies. Admitted bodies participate in the scheme via an admission agreement, which is a legal document made between the Council and the organisation. Examples of admitted bodies are not for profit organisations with a link to the Council and contractors who have taken on the Council's services and therefore staff have been transferred.

The number of employers has been growing over the last five years. This is in part due to an increase in academies and free schools and partly due to outsourcing of Council services.

A full list of the Fund's current active contributing employers is set out at the end of this section below.

The table below shows the Fund's membership over the last five years<sup>8</sup>. It demonstrates how the number of active contributing members in the Pension Fund has been falling over the last five years and the number of pensioners and deferred members has been rising. This pattern is common across local government pension schemes and demonstrates the maturity of those schemes.

|                         | 31 March 2010 | 31 March 2011 | 31 March 2012 | 31 March 2013 | 31 March 2014 |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Contributors            | 4,038         | 3,903         | 3,527         | 3,391         | 3,862         |
| Deferred                | 5,391         | 5,699         | 5,935         | 6,173         | 5,307         |
| Pensioners & Dependents | 4,883         | 4,989         | 5,177         | 5,230         | 6,335         |
| <b>Total Membership</b> | <b>14,312</b> | <b>14,591</b> | <b>14,639</b> | <b>14,794</b> | <b>15,504</b> |

## Employer List

Below is a list of the current active contributing employers.

| Scheduled Bodies         | Admitted Bodies                        |
|--------------------------|--|
| WESTMINSTER CITY COUNCIL | TENANT SERVICES AUTHORITY <sup>9</sup> |
| WESTMINSTER EMPLOYERS:   | INDEPENDENT HOUSING OMBUDSMAN          |
| ST MARYLEBONE SCHOOL     | HOUSING 21                             |
| ST AUGUSTINE'S SCHOOL    | CITY WEST HOMES                        |
| COLLEGE PARK SCHOOL      | HOUSING AND COMMUNITIES AGENCY         |
| GREYCOAT SCHOOL          | RAMESYS                                |
| HALLFIELDS SCHOOL        | AMEY                                   |
| QUINTON KYNASTON         | CREATIVE EDUCATION TRUST               |
| WESTMINSTER CITY SCHOOL  | ALLIED HEALTHCARE                      |
| SOHO PARISH SCHOOL       |  |
| GEORGE ELLIOT SCHOOL     |  |

<sup>8</sup> The above figures exclude undecided joiners and those with frozen pensions.

<sup>9</sup> Tenant Services Authority has since merged with the Housing and Communities Agency

| Scheduled Bodies  | Admitted Bodies |
|---|-----------------|
| <p>BURDETT COUTTS C OF E SCHOOL<br/>                     PADDINGTON GREEN JMI SCHOOL<br/>                     PORTMAN EARLY CHILDHOOD CENTRE<br/>                     QUEENS PARK PRIMARY<br/>                     ROBINSFIELD INFANTS SCHOOL<br/>                     ST BARNABAS C OF E SCHOOL<br/>                     ST GABRIEL'S C OF E SCHOOL<br/>                     ST MARY BRYANTSTON SCHOOL<br/>                     ST MARY MAGDALENE C OF E SCHOOL<br/>                     ST MATTHEW'S C OF E SCHOOL<br/>                     EDWARD WILSON JMI SCHOOL<br/>                     ESSENDINE PRIMARY SCHOOL<br/>                     ST PETER'S C OF E SCHOOL<br/>                     WILBERFORCE SCHOOL<br/>                     ST JAMES' &amp; ST MICHAEL'S SCHOOL<br/>                     CHURCHILL GARDENS SCHOOL<br/>                     ST CLEMENT DANES SCHOOL<br/>                     ST LUKE'S SCHOOL<br/>                     ALL SOULS SCHOOL<br/>                     ST PETERS EATON SQUARE SCHOOL<br/>                     GATEWAY SCHOOL</p> <p>OTHER SCHEDULED BODIES<br/>                     WESTMINSTER ACADEMY<br/>                     PADDINGTON ACADEMY<br/>                     KING SOLOMON ACADEMY<br/>                     PIMLICO ACADEMY<br/>                     ARK ATWOOD PRIMARY ACADEMY<br/>                     QUINTON KYNASTON ACADEMY<br/>                     ST MARYLEBONE SCHOOL ACADEMY<br/>                     GREYCOAT HOSPITAL ACADEMY<br/>                     MILLBANK PRIMARY ACADEMY<br/>                     ST GEORGES MAIDA VALE ACADEMY<br/>                     WESTMINSTER CITY ACADEMY<br/>                     GATEWAY ACADEMY<br/>                     WILBERFORCE ACADEMY<br/>                     CHURCHILL GARDENS ACADEMY<br/>                     PIMLICO FREE SCHOOL</p> |                 |

**Communication policy statement**

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a communication policy statement. This statement sets out the methods used by the Fund to communicate with the various stakeholders, including scheme members, employers and their representatives.

The Fund's Communication policy statement can be found on the following website:

<http://www.westminster.gov.uk/pensionfund> or  
[www.yourpension.org.uk/Westminster/Members/Fund-Investment](http://www.yourpension.org.uk/Westminster/Members/Fund-Investment)

### **Sources of information**

Further information about the benefits payable from the Pension Fund can be found on the national Local Government Pension Scheme website [www.lgps.org.uk](http://www.lgps.org.uk). For further information about the administration of the scheme in Westminster, visit the website [www.wccpensionfund.co.uk](http://www.wccpensionfund.co.uk).

#### **Internal Dispute Resolution Procedure**

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved.

To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, fund members are entitled to contact The Pensions Advisory Service, who can provide free advice.

IDRP Stage 1 involves making a formal complaint in writing. This would normally be considered by the body that made the decision in question. In the event that the fund member is not satisfied with actions taken at Stage 1 the complaint will progress to Stage 2.

Stage 2 involves a referral to the administering authority, Westminster City Council to take an independent view. The final Stage 3 is a referral of the complaint to the Pension Ombudsman.

Both TPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road  
London  
SW1V 1RB

### **Additional Voluntary Contributions**

The Fund's AVC providers are AEGON (Scottish Equitable) and Equitable Life Assurance Society. The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. In accordance with Regulation 4(2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the assets of these investments are not included in the Pension Fund Accounts, but are recorded in a disclosure note.

## 4. Actuarial Information

### Summary of the last triennial valuation

The Fund is required to arrange an actuarial valuation of the Fund's assets and liabilities once every three years. This enables the employer contribution rates to be set for the coming three years. The last triennial valuation of the Fund was undertaken as at 31st March 2013.

The results of the valuation in 2013 are shown in the table below:

|   |           |
|---|-----------|
| Value of Assets                         | £867m     |
| Liabilities                             | (£1,164m) |
| Deficit                                 | (£297m)   |
|   |           |
| Funding Level                           | 74%       |
|   |           |
| Future Service Contribution Rate        | 13.3%     |
| Past Service Recovery Contribution Rate | 16.5%     |
| Total Employer Contribution Rate        | 29.8%     |

These results show that the Fund had assets sufficient to meet 74% of the liabilities at the time of the last valuation. The actuary set an employer contribution rate of 13.3% of payroll to meet the cost of service built up in the Fund in future. An additional contribution of 16.5% of payroll was set to recover the deficit over a 25 year period. Individual employers pay adjusted rates to reflect the circumstances of their own membership.

### Funding Strategy Statement

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare a funding strategy statement which sets out how the Fund will manage its liabilities and return to full funding. The strategy is considered by the Fund Actuary when undertaking the triennial valuation and setting the employer contribution rates. The statement is reviewed every three years in conjunction with the actuarial valuation.

The Fund's published statement can be found at the following website address:

<http://www.westminster.gov.uk/pensionfund> or  
<http://www.yourpension.org.uk/Westminster/Home.aspx>

## Funding Update from the Fund Actuary

The information below<sup>10</sup> has been provided by the Fund Actuary, Barnett Waddingham LLP.

### Introduction

The last full triennial valuation of the City of Westminster Pension Fund was carried as at 31 March 2013 in accordance with the Funding Strategy Statement of the fund. The results were published in the triennial valuation report dated March 2014.

This statement gives an update on the funding position as at 31 March 2014 and comments on the main factors that have led to a change since the full valuation.

The estimated funding position in this statement at 31 March 2014 is just based on market movements over the year rather than being a full valuation with updated member data.

### 2013 Valuation

The results for the Fund at 31 March 2013 were as follows:

- The Fund as a whole had a funding level of 74% i.e. the assets were 74% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £297m which is higher than the deficit at the previous valuation in 2010.
- To cover the cost of new benefits and to also pay off the deficit over a period of 25 years, a total contribution rate of 29.8% of pensionable salaries would be needed.
- The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment required to pay for their individual deficit.

### Assumptions

The assumptions used at the whole Fund level to value the benefits at 31 March 2013 and used in providing this estimate at 31 March 2014 are summarised below:

| Assumption        | 31 March 2013  | 31 March 2014                            |
|-------------------|--|--|
| Discount rate     | 5.9% p.a.  | 6.0% p.a.                                |
| Pension increases | 2.7% p.a.  | 2.8% p.a.                                |
| Salary increases  | 1% until 31 March 2016 then<br>4.5% p.a.   | 1% until 31 March 2015 then<br>4.6% p.a. |
| Mortality         | S1PA tables with future improvements in line with the CMI 2012 Model with a long term rate of improvement of 1.5% per annum. |  |
| Retirement        | Each member retires at a single age, weighted based on when each part of their pension is payable unreduced                  |  |
| Commutation       | Members will convert 50% of the maximum possible amount of pension into cash   |  |

<sup>10</sup> Adapted from Funding Update Report as at 31 March 2014, Barnett Waddingham LLP

The effect of the change in the assumptions over the year is discussed in the final section

### Assets

The assumptions used to value the liabilities are smoothed based on market conditions around the valuation date so the asset values are also measured in a consistent manner although the difference between the smoothed and market values at either date is not expected to be significant.

At 31 March 2013, the value of the assets used was £867m and this has increased over the year to an estimated £1,003m.

### Updated position

The estimated funding position at 31 March 2014 is a funding level of 81% which is an improvement on the position at 31 March 2013.

The assets have given a return of 7.2% over the year. Payment of deficit contributions during 2013/14 in line with agreed contribution schedules has improved the position. Changes in the assumptions used to value the liabilities between 31 March 2013 and 31 March 2014 have made a marginal improvement to the position.

The next formal valuation will be carried out as at 31 March 2016 with new contribution rates set from 1 April 2017.

**Graeme Muir FFA**  
**Partner, Barnett Waddingham LLP**

## 5. Pension Fund Accounts

This section sets out the full audited financial statements of the City of Westminster Superannuation Fund for the year ended 31st March 2014. The full financial statements for the Council, including the Superannuation fund, are available at <http://www.westminster.gov.uk>

### The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Acting Section 151 Officer.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

### The Acting Section 151 Officer's Responsibilities

The Acting Section 151 Officer is responsible for the preparation of the authority's Statement of Accounts and of its Pension Fund Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), are required respectively to present fairly the financial position of the authority and of the Pension Fund at the accounting date and the income and expenditure for the year then ended.

In preparing these Statements of Accounts, the Acting Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts.
- Made judgments and estimates that were reasonable and prudent.
- Complied with the Code.

The Acting Section 151 Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certificate of the Acting Section 151 Officer

I certify that the Accounts present a true and fair view of the financial position of the City of Westminster and the City of Westminster Superannuation Fund as at 31 March 2014 and income and expenditure for the year for the financial year 2013/14.

**Anna D'Alessandro, Acting Section 151 Officer**

## CITY OF WESTMINSTER PENSION FUND

FUND ACCOUNT

|   | Notes | 2012/13<br>£000 | 2013/14<br>£000 |
|---|-------|-----------------|-----------------|
| Dealings with members, employers and others directly involved in the fund                 |       |                 |                 |
| <u>Contributions</u>  |       |                 |                 |
| From Employers  | 6     | 24,576          | 52,381          |
| From Members  | 6     | 7,068           | 7,583           |
| Transfers in from other pension funds   |       | 3,991           | 3,677           |
| Other income  |       | -               | -               |
|   |       | <b>35,635</b>   | <b>63,641</b>   |
| <u>Benefits</u>   |       |                 |                 |
| Pensions  | 7     | (36,941)        | (38,244)        |
| Commutation and lump sum retirement benefits  | 7     | (6,146)         | (5,349)         |
| Payments to and on account of leavers   |       |                 |                 |
| Individual Transfers Out to other Pension Funds   |       | (4,250)         | (3,162)         |
| Refunds to members leaving service  |       | -               | (81)            |
| Other Expenditure   | 7     | (941)           | (1,642)         |
| Administration expenses   | 8     | (694)           | (671)           |
|   |       | <b>(48,972)</b> | <b>(49,149)</b> |
| <b>Net additions/(withdrawals) from dealings with members</b>                             |       | <b>(13,337)</b> | <b>14,492</b>   |
| Returns on investments  |       |                 |                 |
| Investment income   | 9     | 17,779          | 16,071          |
| Other income  |       | 8               | 2               |
| Taxes on income   | 9     | (745)           | (736)           |
| Profit and loss on disposal of investments and changes in the market value of investments |       |                 |                 |
| Realised  |       | 28,844          | 110,919         |
| Unrealised  |       | 69,487          | (16,120)        |
|   | 12    | 98,331          | 94,799          |
| Investment in management expenses   | 10    | (2,013)         | (3,107)         |
| Net return on investments   |       | <b>113,360</b>  | <b>107,029</b>  |
| <b>Net increase/(decrease) in the net assets available for benefits during the year</b>   |       | <b>100,023</b>  | <b>121,521</b>  |
| <b>Opening Net Assets of the Scheme</b>   |       | <b>774,153</b>  | <b>874,176</b>  |
| <b>Closing Net Assets of the Scheme</b>   |       | <b>874,176</b>  | <b>995,697</b>  |

NET ASSETS STATEMENT FOR THE YEAR ENDED 31 MARCH 2014 \*

|                                       | Notes | 2012/13<br>£000 | 2013/14<br>£000 |
|---------------------------------------|-------|-----------------|-----------------|
| Investment assets                     |       |                 |                 |
| Fixed Interest Securities             | 13    | 160,912         | 128,343         |
| Equities                              | 13    | 172,424         | 208,296         |
| Pooled investment vehicles            | 13    | 506,299         | 585,990         |
| Derivative contracts                  | 13    | 130             | 137             |
| Cash                                  | 13    | 29,648          | 23,979          |
| Other investment balances:            |       |                 |                 |
| income due                            | 12    | 3,411           | 2,981           |
| cash deposits                         | 12    | (161)           | 14,604          |
| Derivative contracts:                 |       |                 |                 |
| Forwards                              | 13    | 159             | 90              |
|                                       |       | <b>872,822</b>  | <b>964,420</b>  |
| Investment liabilities                |       |                 |                 |
| Derivative contracts:                 |       |                 |                 |
| - Futures                             | 13    | (45)            | -               |
| <b>Net value of investment assets</b> |       | <b>872,777</b>  | <b>964,420</b>  |
| Borrowings                            |       | -               | -               |
| Current assets                        |       |                 |                 |
| Contributions due - employers         | 20    | 1,441           | 1,621           |



## **NOTE 1 - DESCRIPTION OF THE CITY OF WESTMINSTER PENSION FUND**

### **a) General**

The Pension Fund (the 'Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by the City of Westminster. It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the City of Westminster and the admitted and scheduled bodies in the Fund.

These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. From 1st April 2014, revised regulations will be effective changing the scheme from a final salary scheme to a career average revalued earnings based scheme. All benefits payable on service from 1st April 2014 onwards will be based on the average of each year of salary revalued in line with the Consumer Price Index.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from interest and dividends on the Fund's investments.

The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the following secondary legislation: the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended), the LGPS (Administration) Regulations 2008 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2009 (as amended). The regulations are updated on a regular basis by central government.

### **b) Superannuation Committee**

The Council has delegated the investment arrangements of the scheme to the Superannuation Committee (the 'Committee') who decide on the investment policy most suitable to meet the liabilities of the fund and have the ultimate responsibility for the investment policy. The Committee is made up of six Members of the Council, including one opposition party Member, each of whom has voting rights.

The Committee reports to the full Council and has full delegated authority to make investment decisions. The Committee considers views from the Director of Corporate Finance & Investment, and obtains, as necessary, advice from the Fund's appointed investment advisors, managers and actuary.

### **c) Investment Principles**

The Local Government Pension Scheme (Management and Investment of Funds) (Amended) Regulations 1999 require administering authorities to prepare and review from time to time a written statement recording the investment policy of the Pension Fund. The purpose of this document is to satisfy the requirements of the regulations, to explain how the Fund is managed and the factors taken into account in doing so.

The latest Statement of Investment Principles (SIP) was approved in 2012 by the Superannuation Committee and outlines the broad investment principles governing the investment policy of the City of Westminster Pension Fund and demonstrates compliance with the "10 Investment Principles" identified in the Myrers Review of Institutional Investment in the UK as subsequently revised in 2008 by the Department for Communities and Local Government.

The SIP is available from the Council's website at <https://www.westminster.gov.uk/council-pension-fund>

The Fund's investment objective is to ensure that its assets are invested in a way that maximises the likelihood that benefits will be paid to members as they fall due and to ensure the continued long-term financial support from the sponsoring employers.

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

#### d) Membership

In July 2013, the City of Westminster implemented the Auto-Enrolment procedures for its pension fund whereby employees not in the fund are automatically enrolled. Should employees not wish to remain in the fund, they can elect to be withdrawn from the fund. Where this election occurs within three months of their auto-enrolment, the employee is refunded their employee contributions; where that election is more than three months after their auto-enrolment, the contributions paid remain in the fund. The in year increase in fund membership is largely due to the auto-enrolment process.

Organisations participating in the Fund include scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund and admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

|                               | <b>31<sup>st</sup> March 2013</b> | <b>31<sup>st</sup> March 2014</b> |
|-------------------------------|-----------------------------------|-----------------------------------|
| Active members                | 3,391                             | 3,862                             |
| Pensioners receiving benefits | 5,230                             | 5,307                             |
| Deferred Pensioners           | 6,173                             | 6,335                             |
| <b>Total</b>                  | <b>14,794</b>                     | <b>15,504</b>                     |

Details of the scheduled and admitted bodies in the scheme are shown in Note 6 (Contributions Receivable) and Note 7 (Benefits Payable).

#### e) Tri-Borough Working

The City of Westminster, London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea councils have combined certain parts of their operational areas to provide a more efficient service and greater resilience. One of the areas that have joined together has been the Treasury and Pension teams of the three boroughs.

The combined Pension team was formed in February 2012 and is responsible for the management of the pension fund investments across the three boroughs. The team is based at the City of Westminster's offices.

The pension fund operations will continue to be managed separately in accordance with Government Regulations and the strategies agreed by the home boroughs who will continue to have sovereignty over decision making.

### NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarise the Fund's transactions for 2013/14 and its position at year end as at 31st March 2014. They have been prepared in accordance with International Accounting Standard 26 (IAS26): Accounting and Reporting by Retirement Benefit Plans and the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code is issued by the Chartered Institute of Public Finance and Accounting and is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts have been prepared on an accrual basis in accordance with the Code, apart from transfer values which have been accounted for on a cash basis also in accordance with the Code.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. IAS 26 gives administering authorities the option to disclose this information in the Net Asset statement, in the notes to the accounts or by appending an actuarial report, prepared for this purpose. The authority has opted to disclose this information in an accompanying report to the accounts which is discussed in Note 19.

### **NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Fund Account – Revenue Recognition**

##### **a) Contribution Income**

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis.

##### **b) Transfers to and from other schemes**

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

##### **c) Investment Income**

Investment Income is recognised on the following basis:

- Dividends from quoted securities are accounted for when the security is declared ex-div.
- Interest income is accrued on a daily basis.
- Investment income is reported net of attributable-tax credits but gross of withholding taxes which are accrued in line with the associated investment income.
- Irrecoverable withholding taxes are reported separately as a tax charge.
- Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within "Profit and Losses on Disposal of Investments and Change in Market Value".

#### **Fund Account – Expense Items**

##### **d) Benefits Payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

##### **e) Taxation**

The Fund is an exempt approved fund under the Income and Corporation Taxes Act 1988 and is therefore not liable to certain UK income tax on investment income or to capital gains tax. As the Council

is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

**f) Administrative Expenses**

Expenses are accounted for on an accruals basis to ensure expenses for the full accounting period are accounted for in the fund account. All staff costs of the pension administration team are charged direct to the Fund.

**g) Investment Management Expenses**

The fees of the Fund's external investment managers reflect their differing mandates. Management fees are usually linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the investment changes. An element of this fee may be performance related. Fees are also payable to the Fund's custodian and other advisors.

Investment management expenses are accounted for on an accruals basis to ensure expenses for the full accounting period are shown.

**Net Assets Statement**

**h) Financial Assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Quoted Investments have been valued by the Fund's Custodian using internationally recognised pricing sources (bid price at market value). Unquoted investments are included at fair value based on valuation advice from the investment manager.

Fixed interest securities are stated at a price that excludes accrued income. Accrued income is accounted for within investment income.

Pooled Investment Vehicles are stated at bid price or at the Net Asset Value quoted by their respective managers.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Acquisition costs of investments are treated as part of the investment cost.

**i) Foreign Currency Transactions**

Investments held in foreign currencies as at the 31 March 2014 reporting date are shown at their sterling market value calculated using the prevailing applicable spot exchange rate.

**j) Derivatives**

Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market prices. For Exchange Traded Derivative Contracts which are Assets, market value is based on quoted bid prices. For Exchange Traded Derivative Contracts which are Liabilities market value is based on quoted offer prices.

Open futures contracts are included in the net asset statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Amounts due to the

broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker.

The amounts included in the profit and loss on disposal of investments and the change in market value are the realised gains or losses on closed futures contracts and unrealised gains or losses on open futures contracts.

Over-the-Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the reporting date.

All gains and losses arising on derivative contracts are reported within "Profits and losses on disposal of investment and changes in value of investment" within the Fund Account Statement.

#### **k) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and deposits with financial institutions which are repayable on demand without penalty.

#### **l) Financial Liabilities**

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

#### **m) Actuarial present value of promised retirement benefits**

Paragraph 6.5.2.8 of the CIPFA Code of Practice on Local Authority Accounting sets out that the actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS19 Post Employment Benefits and relevant actuarial standards. As permitted under IAS26 Accounting and Reporting by Retirement Benefit Plans, the financial statements include a report from the Actuary by way of disclosing the actuarial present value of retirement benefits.

#### **n) Additional Voluntary Contributions**

Additional Voluntary Contributions for the defined benefit scheme are not included within the accounts in accordance with the relevant regulations and are paid over to be invested separately from the pension fund in the form of individual insurance policies with Aegon and Equitable Life. More information is given in Note 22.

#### **o) Recharges from the General Fund**

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the management and administration of the fund is set out separately.

### **NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING PRACTICES**

The Accounts contains certain estimated figures that are based on assumptions made by the Council and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are on the basis of best judgement at the time derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions.

**a) Pension Fund Liability**

The Pension Fund liability is calculated triennially by the appointed actuary as permitted under IAS 26. The most recent triennial valuation was as at 31st March 2013 so the next one is due as at 31st March 2016 and is expected to be completed by March 2017. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

These assumptions are summarised in Note 18 (Funding Arrangements) that should be read along with the Statement of the Actuary for 2014 and the Triennial Valuation as at 31 March 2013 that can be found on the Council's website.

**b) Unquoted Private Equity Investments**

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards.

**NOTE 5 – EVENTS AFTER THE BALANCE SHEET**

The £30M payment received from the Housing and Communities Agency on the 31<sup>st</sup> March 2014 was invested in the fund during April 2014.

As at 31<sup>st</sup> May 2014 the Fund's investments have changed in value to £1.009B compared to the value placed on the net assets statement as at the reporting date of 31 March 2014. This mainly reflects a combination of general asset market movements and the actual inflow of funds.

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**NOTE 6 – CONTRIBUTIONS RECEIVABLE**

|  | 2012/13<br>£'000    |                     |              |                     | 2013/14<br>£'000    |                     |               |                     |
|--|---------------------|---------------------|--------------|---------------------|---------------------|---------------------|---------------|---------------------|
|  | Employees<br>Normal | Employers<br>Normal | Deficit      | Early<br>Retirement | Employees<br>Normal | Employers<br>Normal | Deficit       | Early<br>Retirement |
| Administering body                       |                     |                     |              |                     |                     |                     |               |                     |
| WESTMINSTER CITY COUNCIL                 | 4,865               | 12,678              | -            | 433                 | 5,194               | 14,011              | -             | 350                 |
| ST MARY LEBONE SCHOOL                    | -                   | -                   | 66           | -                   | -                   | -                   | -             | -                   |
| ST AUGUSTINE'S SCHOOL                    | 29                  | 81                  | -            | -                   | 34                  | 100                 | -             | -                   |
| COLLEGE PARK SCHOOL                      | 16                  | 44                  | -            | -                   | 2                   | 4                   | -             | -                   |
| GREY COAT SCHOOL                         | 10                  | 27                  | -            | -                   | -                   | -                   | -             | -                   |
| HALLFIELDS SCHOOL                        | 33                  | 95                  | -            | -                   | 38                  | 115                 | -             | -                   |
| QUINTON KYNASTON                         | -                   | -                   | 111          | -                   | -                   | -                   | -             | -                   |
| WESTMINSTER CITY SCHOOL                  | 8                   | 23                  | -            | -                   | -                   | -                   | -             | -                   |
| SOHO PARISH SCHOOL                       | 4                   | 13                  | -            | -                   | 6                   | 19                  | -             | -                   |
| GEORGE ELLIOT SCHOOL                     | 13                  | 37                  | -            | -                   | 22                  | 66                  | -             | -                   |
| BURDETT COUTTS C OF E SCHOOL             | 16                  | 49                  | -            | -                   | 18                  | 55                  | -             | -                   |
| PADDINGTON GREEN JMI SCHOOL              | 13                  | 38                  | -            | -                   | 17                  | 52                  | -             | -                   |
| PORTMAN EARLY CHILDHOOD CENTRE           | 19                  | 53                  | -            | -                   | 29                  | 85                  | -             | -                   |
| QUEENS PARK PRIMARY                      | 16                  | 48                  | -            | -                   | 18                  | 56                  | -             | -                   |
| ROBINFIELD INFANTS SCHOOL                | 10                  | 30                  | -            | -                   | 19                  | 35                  | -             | -                   |
| ST BARNABAS C OF E SCHOOL                | 7                   | 21                  | -            | -                   | 5                   | 15                  | -             | -                   |
| ST GABRIEL'S C OF E SCHOOL               | 8                   | 22                  | -            | -                   | 9                   | 26                  | -             | -                   |
| ST MARY BRYANTSTON SCHOOL                | 12                  | 35                  | -            | -                   | 14                  | 43                  | -             | -                   |
| ST MARY MAGDALENE C OF E SCHOOL          | 8                   | 24                  | -            | -                   | 13                  | 40                  | -             | -                   |
| ST MATTHEWS C OF E SCHOOL                | 10                  | 30                  | -            | -                   | 11                  | 34                  | -             | -                   |
| EDWARD WILSON JMI SCHOOL                 | 13                  | 38                  | -            | -                   | 13                  | 40                  | -             | -                   |
| ESSENDINE PRIMARY SCHOOL                 | 22                  | 67                  | -            | -                   | 32                  | 98                  | -             | -                   |
| ST PETER'S C OF E SCHOOL                 | 12                  | 35                  | -            | -                   | 13                  | 40                  | -             | -                   |
| WILBERFORCE SCHOOL                       | 18                  | 53                  | -            | -                   | 9                   | 24                  | -             | -                   |
| ST JAMES' & ST MICHAEL'S SCHOOL          | 11                  | 39                  | -            | -                   | 13                  | 37                  | -             | -                   |
| CHURCHILL GARDENS SCHOOL                 | 19                  | 57                  | -            | -                   | 9                   | 28                  | -             | -                   |
| ST CLEMENT DANES SCHOOL                  | 11                  | 32                  | -            | -                   | 15                  | 45                  | -             | -                   |
| ST LUKE'S SCHOOL                         | 7                   | 26                  | -            | -                   | 9                   | 27                  | -             | -                   |
| ALL SOULS SCHOOL                         | 9                   | 17                  | -            | -                   | 11                  | 33                  | -             | -                   |
| ST PETERS EATON SQUARE SCHOOL            | 7                   | 19                  | -            | -                   | 8                   | 25                  | -             | -                   |
| GATEWAY SCHOOL                           | -                   | -                   | -            | -                   | 5                   | 17                  | -             | -                   |
| <b>Subtotal of Westminster Employers</b> | <b>5,226</b>        | <b>13,731</b>       | <b>177</b>   | <b>433</b>          | <b>5,586</b>        | <b>15,170</b>       | <b>0</b>      | <b>350</b>          |
| Scheduled bodies                         |                     |                     |              |                     |                     |                     |               |                     |
| WESTMINSTER ACADEMY                      | 36                  | 58                  | -            | 34                  | 35                  | 47                  | -             | -                   |
| PADDINGTON ACADEMY                       | 91                  | 109                 | -            | -                   | 75                  | 135                 | -             | -                   |
| KING SOLOMON ACADEMY                     | 28                  | 30                  | -            | -                   | 39                  | 43                  | -             | -                   |
| PIMLICO ACADEMY                          | 98                  | 139                 | -            | -                   | 90                  | 128                 | -             | 8                   |
| ARK ATWOOD PRIMARY ACADEMY               | 8                   | 10                  | -            | -                   | 10                  | 13                  | -             | -                   |
| QUINTON KYNASTON ACADEMY                 | 68                  | 122                 | -            | -                   | 76                  | 139                 | -             | -                   |
| ST MARY LEBONE SCHOOL ACADEMY            | 44                  | 78                  | -            | -                   | 52                  | 93                  | -             | -                   |
| GREY COAT HOSPITAL ACADEMY               | 30                  | 68                  | 45           | -                   | 43                  | 93                  | -             | -                   |
| MILLBANK PRIMARY ACADEMY                 | 11                  | 26                  | 15           | -                   | 20                  | 45                  | 27            | -                   |
| ST GEORGES MAIDA VALE ACADEMY            | 2                   | 6                   | 7            | -                   | 32                  | 111                 | -             | -                   |
| WESTMINSTER CITY ACADEMY                 | 26                  | 48                  | 35           | -                   | 32                  | 61                  | -             | -                   |
| GATEWAY ACADEMY                          | -                   | -                   | -            | -                   | 10                  | 23                  | -             | -                   |
| WILBERFORCE ACADEMY                      | -                   | -                   | -            | -                   | 14                  | 43                  | -             | -                   |
| CHURCHILL GARDENS ACADEMY                | -                   | -                   | -            | -                   | 15                  | 49                  | -             | -                   |
| PIMLICO FREE SCHOOL                      | -                   | -                   | -            | -                   | 1                   | 3                   | -             | -                   |
| <b>Subtotal of Scheduled bodies</b>      | <b>442</b>          | <b>694</b>          | <b>102</b>   | <b>34</b>           | <b>544</b>          | <b>1,026</b>        | <b>27</b>     | <b>8</b>            |
| Admitted bodies                          |                     |                     |              |                     |                     |                     |               |                     |
| TENANT SERVICES AUTHORITY                | 441                 | 651                 | -            | 206                 | 382                 | 566                 | -             | -                   |
| AGE CONCERN                              | -                   | 2                   | 320          | -                   | -                   | 1                   | 8             | -                   |
| INDEPENDENT HOUSING OMBUDSMAN            | 123                 | 355                 | 110          | 86                  | 126                 | 369                 | 116           | -                   |
| HOUSING 21                               | 8                   | 85                  | 191          | -                   | 2                   | 10                  | 201           | -                   |
| CITY WEST HOMES                          | 504                 | 788                 | 361          | 52                  | 610                 | 929                 | 381           | -                   |
| HOUSING AND COMMUNITIES AGENCY           | 310                 | 426                 | 5,651        | 65                  | 299                 | 415                 | 32,702        | -                   |
| RAMESYS                                  | 12                  | 55                  | -            | -                   | 12                  | 45                  | -             | -                   |
| AMEY                                     | -                   | -                   | -            | -                   | 5                   | 20                  | -             | -                   |
| CREATIVE EDUCATION TRUST                 | -                   | -                   | -            | -                   | 14                  | 26                  | -             | -                   |
| ALLIED HEALTHCARE                        | 2                   | 5                   | -            | -                   | 3                   | 13                  | -             | -                   |
| <b>Subtotal of Admitted bodies</b>       | <b>1,400</b>        | <b>2,363</b>        | <b>6,633</b> | <b>409</b>          | <b>1,453</b>        | <b>2,392</b>        | <b>33,408</b> | <b>-</b>            |
| <b>TOTAL CONTRIBUTIONS</b>               | <b>7,068</b>        | <b>16,788</b>       | <b>6,912</b> | <b>876</b>          | <b>7,583</b>        | <b>18,588</b>       | <b>33,435</b> | <b>358</b>          |
| <b>TOTAL BY GROUP</b>                    | <b>7,068</b>        | <b>24,576</b>       |              |                     | <b>7,583</b>        | <b>52,381</b>       |               |                     |

**NOTE 7 – BENEFITS PAYABLE**

|  | 2012/13<br>£'000 | 2013/14<br>£'000 |
|--|------------------|------------------|
| By category                                  |                  |                  |
| Pensions                                     | (36,941)         | (38,244)         |
| Commutation and lump sum retirement benefits | (6,146)          | (5,349)          |
| Lump sum death benefits                      | (941)            | (1,642)          |
|  | <u>(44,028)</u>  | <u>(45,235)</u>  |

The fund paid benefits to members of the following employers. This summary excludes lump sum retirement benefits and death benefits as this information is not held at employer level.

|                          | £'000           | £'000           |
|--------------------------|-----------------|-----------------|
| Westminster City Council | (32,154)        | (33,332)        |
| Scheduled bodies         | (40)            | (50)            |
| Admitted bodies          | (4,747)         | (4,862)         |
|                          | <u>(36,941)</u> | <u>(38,244)</u> |

The fund paid benefits to members of the following employers. This summary excludes lump sum retirement benefits and death benefits as this information is not held at employer level.

|                                 | £'000           | £'000           |
|---------------------------------|-----------------|-----------------|
| Westminster City Council        | (32,154)        | (33,332)        |
| <u>Scheduled bodies</u>         |                 |                 |
| Westminster Academy             | (36)            | (37)            |
| Paddington Academy              | (4)             | (4)             |
| St Marylebone School Academy    | 0               | (9)             |
| <u>Admitted bodies</u>          |                 |                 |
| Tenant Services Authority       | (445)           | (469)           |
| Age Concern                     | (18)            | (19)            |
| Independent Housing Ombudsman   | (58)            | (59)            |
| Housing 21                      | (348)           | (353)           |
| City West Homes                 | (329)           | (344)           |
| Housing And Communities Agency  | (470)           | (482)           |
| Elonex Ltd                      | (16)            | (16)            |
| Capital Careers Ltd             | (62)            | (63)            |
| Association of Local Government | (82)            | (116)           |
| Housing Corporation             | (2,855)         | (2,874)         |
| Institute Of Public Finance     | (27)            | (29)            |
| Queens Park FSU                 | (37)            | (38)            |
|                                 | <u>(36,941)</u> | <u>(38,244)</u> |

Note: The admitted and scheduled bodies listed here differs slightly to that given in Note 6 (contributions receivable) due to the membership profile of the employer. Some employers no longer have any active members in the scheme, only pensioners.



**NOTE 8 – ADMINISTRATIVE EXPENSES**

|                                     | <b>2012/13</b><br><b>£'000</b> | <b>2013/14</b><br><b>£'000</b> |
|-------------------------------------|--------------------------------|--------------------------------|
| Provision of Pension Administration | (248)                          | (261)                          |
| Support services including IT       | (364)                          | (318)                          |
| External audit fees                 | (21)                           | (21)                           |
| Actuarial fees                      | (5)                            | (26)                           |
| Other Fees                          | (56)                           | (45)                           |
|                                     | <b><u>(694)</u></b>            | <b><u>(671)</u></b>            |

**NOTE 9 - INVESTMENT INCOME**

|   | <b>2012/13</b><br><b>£'000</b> | <b>2013/14</b><br><b>£'000</b> |
|---|--------------------------------|--------------------------------|
| Fixed interest securities                               | 7,076                          | 6,533                          |
| Equity dividends  | 8,894                          | 7,400                          |
| Pooled investments - unit trust and other managed funds | 1,642                          | 2,050                          |
| Interest and cash deposits                              | 167                            | 88                             |
| <b>Total before taxes</b>                               | <b><u>17,779</u></b>           | <b><u>16,071</u></b>           |
| Taxes on income   | (745)                          | (736)                          |
|   | <b><u>17,034</u></b>           | <b><u>15,335</u></b>           |

**NOTE 10 – INVESTMENT EXPENSES**

|  | <b>2012/13</b><br><b>£'000</b> | <b>2013/14</b><br><b>£'000</b> |
|--|--------------------------------|--------------------------------|
| Management fees                        | (1,828)                        | (1,670)                        |
| Management fees related to performance | (40)                           | (1,250)                        |
| Custody fees                           | (85)                           | (79)                           |
| Investment consultancy                 | (60)                           | (71)                           |
| Other fees                             | -                              | (37)                           |
|  | <b><u>(2,013)</u></b>          | <b><u>(3,107)</u></b>          |

**NOTE 11 – INVESTMENT STRATEGY**

As at 31 March 2014, the investment portfolio was managed by eight external managers who are Hermes Investment Managers (Property), Standard Life (Property), Insight Investment Managers (fixed income), Majedie Investment Managers (active UK equity), Baillie Gifford (active global equities), Legal and General Investment Management (LGIM) (passive global equity), State Street Global Advisers UK (passive UK equities) and State Street Global Advisers International (passive global equities).

All managers have discretion to buy and sell investments within the constraints set by the Council's Superannuation Committee and their Investment Management Agreements.

The change in ratio of equities invested in UK and global investment strategies follows a decision taken by the Superannuation Committee in September 2012, which noted that the segregation is sub-optimal for investment choices, and introduces an artificial barrier.

The market value and proportion of investments managed by each fund manager at 31 March 2014 was as follows:

| Fund Manager                                | Mandate                 | 31 March 2013     |                | 31 March 2014     |                |
|---|-------------------------|-------------------|----------------|-------------------|----------------|
|   |                         | Market Value (£M) | %              | Market Value (£M) | %              |
| <b>Majedie</b>                              | UK Equity (Active)      | 196.93            | 22.94%         | 239.39            | 24.83%         |
| <b>State Street Global Advisers (UK)</b>    | UK Equity (Passive)     | 115.73            | 13.48%         | 0.01              | 0.00%          |
| <b>UK Equity</b>                            | <b>Sub-Total</b>        | <b>312.66</b>     | <b>36.43%</b>  | <b>239.4</b>      | <b>24.83%</b>  |
| <b>Baillie Gifford</b>                      | Global Equity (Active)  | -                 | -              | 130.15            | 13.50%         |
| <b>LGIM</b>                                 | World Equity (Passive)  | 158.79            | 18.50%         | 348.68            | 36.17%         |
| <b>State Street Global Advisers (Int'l)</b> | Global Equity (Passive) | 162.69            | 18.96%         | -                 | 0.00%          |
| <b>Global Equity</b>                        | <b>Sub-Total</b>        | <b>321.48</b>     | <b>37.46%</b>  | <b>478.83</b>     | <b>49.67%</b>  |
| <b>Insight</b>                              | Fixed Interest Gilts    | 47.57             | 5.54%          | 16.75             | 1.74%          |
| <b>Insight</b>                              | Sterling non-Gilts      | 138               | 16.08%         | 141.87            | 14.71%         |
| <b>Bonds</b>                                | <b>Sub-Total</b>        | <b>185.57</b>     | <b>21.62%</b>  | <b>158.62</b>     | <b>16.45%</b>  |
| Hermes                                      | Property                | 38.57             | 4.49%          | 43.45             | 4.50%          |
| Standard Life                               | Property                | -                 | -              | 43.83             | 4.55%          |
| <b>Property</b>                             | <b>Sub-Total</b>        | <b>38.57</b>      | <b>4.49%</b>   | <b>87.28</b>      | <b>9.05%</b>   |
|   | <b>Total</b>            | <b>858.28</b>     | <b>100.00%</b> | <b>964.13</b>     | <b>100.00%</b> |
| Other (cash deposits)                       |                         | 14.49             |                | 0.29              |                |
|   | <b>Total</b>            | <b>872.77</b>     |                | <b>964.42</b>     |                |

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The Superannuation Committee has appointed Bank of New York Mellon as its global custodian. The bank account for the Fund is held with Lloyds Bank.

The current investment strategy is looking to diversify further the current asset mix with an increased weighting towards alternative investments and active global equity.

### NOTE 12 – RECONCILIATION IN MOVEMENT IN INVESTMENTS

| Period 2013/14   | Market value<br>1st April 2013<br>£'000 | Purchases<br>during the<br>year and | Sales<br>during the<br>year and | Change in<br>market value<br>during the | Market value<br>31st March 2014<br>£'000 |
|--|---|-------------------------------------|---------------------------------|---|--|
| Fixed interest securities                              | 160,912                                 | 48,978                              | (76,597)                        | (4,950)                                 | 128,343                                  |
| Equities   | 172,424                                 | 118,983                             | (115,424)                       | 32,313                                  | 208,296                                  |
| Pooled investments                                     | 506,299                                 | 325,655                             | (313,161)                       | 67,197                                  | 585,990                                  |
| Derivatives  | 85                                      | 1,025                               | (679)                           | (294)                                   | 137                                      |
| Cash Instruments                                       | 29,648                                  | 231,563                             | (237,233)                       | 1                                       | 23,979                                   |
| Subtotal   | <u>869,368</u>                          | <u>726,204</u>                      | <u>(743,094)</u>                | <u>94,267</u>                           | <u>946,745</u>                           |
| Derivative Forward Foreign Exchange                    | 159                                     | 388                                 | (1,130)                         | 673                                     | 90                                       |
| Cash deposits  | (161)                                   | 16,955                              | (2,055)                         | (135)                                   | 14,604                                   |
| Outstanding dividends &<br>recoverable withholding tax | 3,411                                   | 160                                 | (581)                           | (9)                                     | 2,981                                    |
| <b>Net investment assets</b>                           | <b><u>872,777</u></b>                   | <b><u>743,707</u></b>               | <b><u>(746,860)</u></b>         | <b><u>94,796</u></b>                    | <b><u>964,420</u></b>                    |

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £600K in 2013/14 (2012/13: £801K).

| Period 2012/13   | Market value<br>1st April 2012<br>£'000 | Purchases<br>during the<br>year and | Sales<br>during the<br>year and | Change in<br>market value<br>during the | Market value<br>31st March 2013<br>£'000 |
|--|---|-------------------------------------|---------------------------------|---|--|
| Fixed interest securities                              | 128,353                                 | 134,116                             | (110,097)                       | 8,540                                   | 160,912                                  |
| Equities   | 278,241                                 | 117,812                             | (251,611)                       | 27,982                                  | 172,424                                  |
| Pooled investments                                     | 267,067                                 | 358,290                             | (176,953)                       | 57,895                                  | 506,299                                  |
| Derivatives  | (20)                                    | 1,436                               | (1,464)                         | 133                                     | 85                                       |
| Cash Instruments                                       | 24,962                                  | 282,486                             | (277,806)                       | 6                                       | 29,648                                   |
| Subtotal   | <u>698,604</u>                          | <u>894,140</u>                      | <u>(817,931)</u>                | <u>94,555</u>                           | <u>869,368</u>                           |
| Derivative Forward Foreign Exchange                    | 756                                     | 4,138                               | (5,987)                         | 1,252                                   | 159                                      |
| Cash deposits  | 1,371                                   | -                                   | (1,643)                         | 111                                     | (161)                                    |
| Outstanding dividends &<br>recoverable withholding tax | 3,805                                   | -                                   | (392)                           | (2)                                     | 3,411                                    |
| <b>Net investment assets</b>                           | <b><u>704,536</u></b>                   | <b><u>898,278</u></b>               | <b><u>(825,953)</u></b>         | <b><u>95,916</u></b>                    | <b><u>872,777</u></b>                    |

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £801K in 2012/13 (2011/12: £660K).

**NOTE 13 - CLASSIFICATION OF FINANCIAL INSTRUMENTS (EXCLUDING DERIVATIVE CONTRACTS)**

|   | 31st March 2013<br>£'000 | 31st March 2014<br>£'000 |
|---|--------------------------|--------------------------|
| <b>Fixed interest securities</b>          |                          |                          |
| UK Public sector quoted                   | 49,821                   | 15,680                   |
| UK Corporate quoted                       | 102,359                  | 96,202                   |
| Overseas Corporate quoted                 | 8,733                    | 16,461                   |
|   | <b>160,912</b>           | <b>128,343</b>           |
| <b>Equities</b>                           |                          |                          |
| UK Quoted                                 | 144,551                  | 147,614                  |
| Overseas Quoted                           | 27,872                   | 60,682                   |
|   | <b>172,424</b>           | <b>208,296</b>           |
| <b>Pooled funds - investment vehicles</b> |                          |                          |
| UK Managed Funds Other                    | 131,900                  | 21,960                   |
| UK Unit Trusts Property                   | 35,787                   | 82,508                   |
| Overseas Managed                          | 338,612                  | 481,522                  |
|   | <b>506,299</b>           | <b>585,990</b>           |
| <b>Cash Instruments</b>                   |                          |                          |
| UK  | 29,588                   | 23,979                   |
| Overseas                                  | 60                       | -                        |
|   | <b>29,648</b>            | <b>23,979</b>            |
| <b>Total</b>                              | <b>869,283</b>           | <b>946,608</b>           |

**The largest 10 holdings of the Fund as at 31st March 2014 were:**

| <b>Holding</b>                                      | <b>Market Value</b> |              |
|---|---------------------|--------------|
|   | £'000               | % Holding    |
| Word Equity Index - GBP Hedged                      | 185,466             | 19.23%       |
| Baillie Gifford Life Global Alpha Pension FD CLS S  | 130,150             | 13.50%       |
| Standard Life Long Lease PPTY FUN                   | 43,832              | 4.54%        |
| Hermes Property Unit Trust PPTY UNIT TR             | 38,676              | 4.01%        |
| Majedie Asset Management Special Sits INV B ACC NAV | 21,960              | 2.28%        |
| Royal Dutch Shell PLC B SHS                         | 21,137              | 2.19%        |
| BP PLC Ord USD0.25                                  | 17,928              | 1.86%        |
| Glaxo Smithkline Ord GBP0.25                        | 13,671              | 1.42%        |
| Astrazeneca ORD USD0.25                             | 9,778               | 1.01%        |
| Vodafone Group Ord USD0.11428571                    | 9,553               | 0.99%        |
| <b>Total</b>  | <b>492,152</b>      | <b>51.03</b> |
| <b>Total Value of Investments</b>                   | <b>964,420</b>      |              |

Excluding the fund's segregated mandates that are given in Note 1 Description of the Fund, no other single investment exceeds either 5% of the net assets available for benefits or 5% of any class or type of security except for some pooled investment vehicles as detailed above. These pooled investment vehicles are made up of underlying assets which will each represent substantially less than 5%.

## Analysis of derivatives

A derivative is a financial contract whose value is dependent upon the price behaviour of an underlying contract or financial variable. Derivative receipts and payments represent the realised gains and losses on futures contracts.

The exposure to equities and fixed interest include futures on an economic exposure basis. Other than the pooled investment vehicles and over-the-counter derivatives (foreign exchange contracts), all the investments described below are quoted on a recognised stock exchange. The Fund has not sanctioned any kind of speculative use of derivatives. The Superannuation Committee has only authorised the use of derivatives for efficient portfolio management purposes and to reduce certain investment risks in particular, foreign exchange risk. All uses of derivatives are outsourced to the Fund's professional asset managers that must adhere to the detailed requirements set out in their investment management agreements.

|                          | 31st March 2013<br>£'000s | 31st March 2014<br>£'000s |
|--------------------------|---------------------------|---------------------------|
| <b>Futures contracts</b> | <b>85</b>                 | <b>137</b>                |

Outstanding exchange traded future contracts are as follows:

| Exchange traded future contracts | Expiration       | Market value<br>£'000s | Market value<br>£'000s |
|----------------------------------|------------------|------------------------|------------------------|
| <b>Assets</b>                    |                  |                        |                        |
| UK LONG GILT FUTURE (LIF)        | less than 1 year | 78                     | 100                    |
| EURO-BOBL FUTURE (EUX)           | less than 1 year | -                      | 2                      |
| EURO-BUND FUTURE (EUX)           | less than 1 year | 52                     | -                      |
| US 10 YR TREAS NTS FUTURE (CBT)  | less than 1 year | -                      | 35                     |
|                                  |                  | <u>130</u>             | <u>137</u>             |

|                                 |                  | 31st March 2013<br>£'000s | 31st March 2014<br>£'000s |
|---------------------------------|------------------|---------------------------|---------------------------|
| <b>Liabilities</b>              |                  |                           |                           |
| EURO-BOBL 30 YR BOND FUT (EUX)  | less than 1 year | (20)                      | -                         |
| EURO-SCHATZ FUTURE (EUX)        | less than 1 year | (1)                       | -                         |
| US 2YR TREAS NTS FUT (CBT)      | less than 1 year | -                         | -                         |
| US 10 YR TREAS NTS FUTURE (CBT) | less than 1 year | (25)                      | -                         |
|                                 |                  | <u>(45)</u>               | <u>-</u>                  |
| <b>Net futures</b>              |                  | <b><u>85</u></b>          | <b><u>137</u></b>         |

Forward foreign exchange contracts - Over-the-Counter Contracts:

|                               | 31st March 2013<br>£'000s | 31st March 2014<br>£'000s |
|-------------------------------|---------------------------|---------------------------|
| Insight Investment Management | 159                       | 90                        |
|                               | <u>159</u>                | <u>90</u>                 |

**NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS AND LIABILITIES**

|                            | 31st March 2013 |                | 31st March 2014 |                |
|----------------------------|-----------------|----------------|-----------------|----------------|
|                            | Market Value    | Book Costs     | Market Value    | Book Costs     |
|                            | £'000           | £'000          | £'000           | £'000          |
| Investment assets          | 869,368         | 751,733        | 946,745         | 845,145        |
| Cash deposits              | (2)             | (2)            | 14,694          | 14,694         |
| Income due                 | 3,411           | 3,411          | 2,981           | 2,981          |
|                            | <hr/>           |                | <hr/>           |                |
| Total Value of Investments | <b>872,777</b>  | <b>755,142</b> | <b>964,420</b>  | <b>862,820</b> |

**NOTE 15 – CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS**

As at 31 March 2014, the Fund has no contingent liabilities or contractual commitments.

**NOTE 16 – STOCK LENDING**

Stock lending is subject to specific approval. No direct stock lending or underwriting took place during the financial year.

**NOTE 17 – NATURE OF RISK ARISING FROM FINANCIAL INSTRUMENTS****Risk and Risk Management**

The aim of the Fund is to provide a pool of assets sufficient to meet the long-term pension and other benefit liabilities (as prescribed by the Local Government Pension Scheme Regulations) for the members of the Fund. Therefore, the Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members.

The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled. Investment returns are defined as the overall rates of return (capital growth and income).

Responsibility for the Fund's risk-management strategy rests with the Superannuation Committee. (Risk management policies are established that aim to identify and analyse the investment risks faced by the Fund).

Policies are regularly reviewed in the light of changing market and other conditions. The Superannuation Committee receives advice from relevant officers, the Fund's appointed actuary, investment managers, custodian and its appointed investment advisor.

Per IFRS 7 Financial Instruments, the financial instruments within the Fund which are carried at fair value are all categorized as Level 1 – quoted prices on active markets.

**a) Market Risk**

The main priority of the Council and the Superannuation Committee when considering the investment policy is to maximise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled. To support this, investments are spread across a number of asset types, including equities, bonds, property and cash. Spreading the investments in this way reduces the risk of a sharp fall in one particular market having a substantial impact on the whole fund.

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investments.

**Price Risk**

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to price risk. This arises from investments held by the fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

**Interest Rate Risk**

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Superannuation Committee recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits.

**Currency Risk**

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling. The Fund aims to mitigate this risk through the use of derivatives (see Analysis of Derivates).

The Superannuation Committee recognises that a strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits.

**b) Credit Risk**

Credit risk is the possibility that other parties might fail to pay amounts due to the Fund, either in whole, in part or on a timely basis. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The selection of quality fund managers, counterparties, brokers and financial institutions helps to reduce credit risk.

**c) Liquidity Risk**

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its cash flow needs. Cash flows are monitored and managed with assistance from a central treasury team, under policies approved by the Council.

**NOTE 18 – FUNDING ARRANGEMENTS**

The Local Government Pension Scheme (Administration) Regulations 2008 requires the Administering Authority to carry out a formal valuation of the Fund every three years. The main purpose of the valuation is to review the financial position of the Fund and to recommend the contribution rates payable to the Fund in the future.

The latest triennial valuation was signed by the Actuary, Barnett Waddingham, on 28<sup>th</sup> March 2014. It provided a position of the Pension Fund as of 31<sup>st</sup> March 2013, together with the view of the Actuary of the deficit based on certain assumptions. This showed there was a shortfall of £297.3M at 31<sup>st</sup> March 2013 relative to the funding target (i.e. the level of assets agreed by the Authority and the Actuary as being consistent with the Funding Strategy Statement appropriate to meet member benefits, assuming the Fund continues as a going concern). This corresponds to a funding ratio of 74% (2010: 74%).

Full details of the 2013 actuarial valuation report and the funding strategy statement can be found on the Council's website at <https://www.westminster.gov.uk/council-pension-fund>

The market value of the scheme's assets at 31 March 2013 was £866.9M and the Actuary assessed the present value of the funded obligation at £1,164M resulting in the net shortfall of £297.3M. Under IAS19 the Actuary has assessed the value of the assets to be £874.1M, the present value of the funded obligation to be £1,418.6M, resulting in a shortfall of £544.4M. The Fund has chosen to disclose under Option C of the regulations which means that the IAS26 report is in a separate document.

The aggregate employer contribution rate required to restore the funding ratio to 100%, using a recovery period of 25 years from 1 April 2014 is calculated to be 29.8% of Pensionable Pay (2010 over 30 years:20.4%) assuming membership numbers remain broadly stable and Pensionable Pay increases in line with the then actuary's assumptions. The common future service contribution rate for the Fund was set at 13.3% of Pensionable Pay (2010: 12.4%).

The triennial valuation also sets out the individual contribution rate to be paid by each Employer from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2017. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report, on the Council's website.

The contributions receivable disclosed in these accounts are based on the actuarial valuation as at 31<sup>st</sup> March 2010 which set contribution rates for the period 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2014.



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The actuarial valuation as at 31<sup>st</sup> March 2013 was carried out using the projected unit method for employers remaining open to new entrants, whereas employers who did not allow new entrants to join were valued using the Attained Age Method. The valuation is based on economic and statistical assumptions, the main ones being:

- i. The rate of accumulation of income and capital on new investments over the long-term and the increase from time to time of income from existing investments.
- ii. Future rises in pensionable pay due to inflation and pension increases.
- iii. Withdrawals from membership due to mortality, ill health and ordinary retirement.
- iv. Progression of pensionable pay due to promotion.

The detail of the key financial assumption is shown in the table below:

|  |  |
|--|--|
| Discount Rate (Scheduled Bodies)         |  |
| Pre retirement                           | 5.9% per annum   |
| Post retirement                          | 5.9% per annum   |
| Discount Rate (Admitted Bodies)          |  |
| In Service                               | 4.9% per annum   |
| Left Service                             | 3.5% per annum   |
| Rate of increases in pay                 | 4.5% per annum (1% for the 3 years to 31 <sup>st</sup> March 2016) |
| Rate of Increases to pensions in payment | 2.7% per annum   |

The contribution rate for the Council is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100 per cent over a period of 25 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100 per cent of their liabilities in the Fund in respect of service to the valuation date.

The next actuarial valuation of the Fund will be as at 31 March 2016 and will be published in 2017.

**NOTE 19 – ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS**

The Authority has chosen to disclose the actuarial present value of promised retirement benefits through an accompanying report only at formal triennial valuations, the most recent being as at 31<sup>st</sup> March 2013, as permitted under IAS26 option C. The actuarial present value is calculated on assumptions set in accordance with IAS19.

IAS19 requires that the assets be valued at Fair Value. For the purposes of the exercise, asset values were taken directly from the Fund's audited annual accounts as at 31<sup>st</sup> March 2013 and 31<sup>st</sup> March 2010. Service related benefits were valued based on service completed to the date of calculations only.

The key assumptions adopted for the 2013 valuation in accordance with IAS19 were as follows:

|   | 31 <sup>st</sup> Mar 13<br>(% p.a.) | 31 <sup>st</sup> Mar 10<br>(% p.a.) |
|---|-------------------------------------|-------------------------------------|
| <b><u>Financial Assumptions</u></b>               |                                     |                                     |
| Discount rate                                     | 4.1                                 | 5.5                                 |
| RPI Inflation                                     | 3.5                                 | 3.9                                 |
| CPI Inflation                                     | 2.7                                 | 3.0                                 |
| Rate of increase to pensions in payment           | 2.7                                 | 3.9                                 |
| Rate of increase to deferred pensions             | 2.7                                 | 3.9                                 |
| Rate of general increase in salaries *            | 4.5                                 | 5.4                                 |
| <b><u>Mortality Assumptions</u></b>               |                                     |                                     |
| Longevity at 65 for current pensioners (aged 65): |                                     |                                     |
| Male  | 21.9                                | 22.1                                |
| Female  | 25.0                                | 24.3                                |
| Longevity at 65 for future pensioners (aged 45):  |                                     |                                     |
| Male  | 24.0                                | 24.0                                |
| Female  | 27.3                                | 26.3                                |

\* The long term salary increase is shown. In addition the actuary has allowed for a short term overlay from 31<sup>st</sup> March 2013 to 31<sup>st</sup> March 2016 for salaries to rise at 1.0% per annum.

**NOTE 20 – CURRENT ASSETS**

|                                | <b>31st March 2013</b> | <b>31st March 2014</b> |
|--------------------------------|------------------------|------------------------|
|                                | <b>£'000</b>           | <b>£'000</b>           |
| Debtors                        |                        |                        |
| Contributions due - employers  | 1,441                  | 1,621                  |
| Contributions due - employees  | 604                    | 638                    |
| Sundry debtors                 | 304                    | 189                    |
|                                | <u>2,349</u>           | <u>2,448</u>           |
| <b>Analysis of debtors</b>     |                        |                        |
|                                | <b>31st March 2013</b> | <b>31st March 2014</b> |
|                                | <b>£'000</b>           | <b>£'000</b>           |
| Central government bodies      | -                      | -                      |
| Other entities and individuals | 2,349                  | 2,448                  |
|                                | <u>2,349</u>           | <u>2,448</u>           |

**NOTE 21– CURRENT LIABILITIES**

|                                | <b>31st March 2013</b> | <b>31st March 2014</b> |
|--------------------------------|------------------------|------------------------|
|                                | <b>£'000</b>           | <b>£'000</b>           |
| Sundry creditors               | (477)                  | (872)                  |
| Benefits payable               | (153)                  | (365)                  |
|                                | <u>(630)</u>           | <u>(1,237)</u>         |
| <b>Analysis of creditors</b>   |                        |                        |
|                                | <b>31st March 2013</b> | <b>31st March 2014</b> |
|                                | <b>£'000</b>           | <b>£'000</b>           |
| Central government bodies      | -                      | -                      |
| Other entities and individuals | (630)                  | (1,237)                |
|                                | <u>(630)</u>           | <u>(1,237)</u>         |

**NOTE 22 – ADDITIONAL VOLUNTARY CONTRIBUTIONS**

Additional Voluntary Contributions are not included in the Pension Fund in accordance with Regulation 4 (2) (C) of the LGPS (Management and Investment of Funds) Regulations 2009 (SI 2009 no. 3093).

The scheme provides for members to pay Additional Voluntary Contributions (AVCs) to increase their benefit entitlement at retirement subject to HMRC limits. Such contributions attract tax relief and provide increased benefits. AVCs for the defined benefit scheme are not included within the accounts and are paid over to be invested separate from the pension fund in the form of individual insurance policies with Aegon and Equitable Life. Members participating in this arrangement receive an annual statement confirming the amounts held in their accounts and the movements in year. At 31st March 2014 the value of these AVCs was £1.7M (2012/13 £1.5M). Additional voluntary contributions of £0.1M were paid directly to Aegon during the year (2012/13: £0.1M).

|                | <b>Market Value<br/>31st March 2013<br/>£'000</b> | <b>Market Value<br/>31st March 2014<br/>£'000</b> |
|----------------|---|---|
| AEGON          | 1,091   | 1,258   |
| EQUITABLE LIFE | 464   | 457   |
|                | <b>1,555</b>                                      | <b>1,715</b>                                      |

More information can be obtained from the AVC providers by writing to the following addresses:

Equitable Life Assurance Society, PO Box 177, Walton Street, Aylesbury, Bucks HP21 7HY.

Aegon, Edinburgh Park, Edinburgh EH12 9SE.

**NOTE 23 – RELATED PARTY TRANSACTIONS**

The City of Westminster Pension Fund is administered by Westminster City Council. The Council incurred costs of £0.32M in the period 2013/14 (2012/13 £0.36M) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Fund uses the same Payroll and Banking and Control Service provider as WCC and no charge is made in respect of this.

In year the Council contributed £14.4M in employer contributions and £0.35M in respect of early retirement capital costs (2012/13 £13.1M and £0.43M).

The Council has significant interest in one admitted body (City West Homes) who are within the Fund and it received £1.3M in employer contributions, deficit and early retirement costs from this body.

**NOTE 24 – CONTINGENT ASSETS**

Funds in respect of the Age Concern Westminster deficit have now been recovered and there are no new contingent assets for 2013/14.

## **Independent Auditor's Report To The Members Of City Of Westminster**

### **Independent auditor's report to the members of City of Westminster Council**

We have audited the financial statements of City of Westminster Council for the year ended 31 March 2014 on pages 24 to 44. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Acting Section 151 Officer and auditor**

As explained more fully in the Statement of the Acting Section 151 Officer's Responsibilities, the Acting Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's, the Group's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Acting Section 151 Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2014 and of the Authority's and the Group's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

## Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 11 to 17 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- INDEPENDENT AUDITORS REPORT TO MEMBERS OF WESTMINSTER CITY COUNCIL
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

**Andrew Sayers**  
**for and on behalf of KPMG LLP, Appointed Auditor**  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL  
30 June 2014

## 6. Contacts

### **Tri Borough Pensions Team**

16<sup>th</sup> Floor  
Westminster City Council  
City Hall  
64 Victoria Street  
London  
SW1E 6QE  
Email: [pensionfund@westminster.gov.uk](mailto:pensionfund@westminster.gov.uk)

### **Pensions and Payroll Officer**

Westminster City Council  
City Hall  
64 Victoria Street  
London  
SW1E 6QE

### **Pension Administration Services (WCC Team)**

Surrey County Council  
Room G59  
County Hall  
Kingston upon Thames  
Surrey  
KT1 2DN  
Telephone: 020 8541 9293  
Email: [wccpensions@surreycc.gov.uk](mailto:wccpensions@surreycc.gov.uk)  
Website: [www.wccpensionfund.co.uk](http://www.wccpensionfund.co.uk)

### **National Local Government Pension Scheme information website**

[www.lgps.org.uk](http://www.lgps.org.uk)

### **The Pensions Advisory Service (TPAS)**

11 Belgrave Road  
London SW1V 1RB  
Telephone: 0845 601 2923  
Email: [www.pensionsadvisoryservice.org.uk/online-enquiry](http://www.pensionsadvisoryservice.org.uk/online-enquiry)

### **The Office of the Pensions Ombudsman**

11 Belgrave Road  
London, SW1V 1RB  
Telephone: 020 7630 2200  
Email: [enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)

## 7. Glossary

**Active member:** Current employee who is contributing to a pension scheme.

**Actuary:** An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

**Additional Voluntary Contributions (AVC):** An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

**Admitted Body:** An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

**Asset Allocation:** The apportionment of a fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

**Benchmark:** A measure against which the investment policy or performance of an investment manager can be compared.

**Deferred members:** Scheme members, who have left employment or ceased to be an active member of the scheme whilst remaining in employment, but retain an entitlement to a pension from the scheme.

**Defined Benefit Scheme:** A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

**Employer Contribution Rates:** The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

**Equities:** Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

**Fixed Interest Securities:** Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.



**Index:** A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

**Pooled Investment Vehicles:** Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

**Return:** The total gain from holding an investment over a given period, including income and increase or decrease in market value.

**Scheduled Body:** An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

**Unrealised Gains/Losses:** The increase or decrease in the market value of investments held by the fund since the date of their purchase.