



Date:	27 November 2019
Classification:	General Release
Title:	Pension Fund Annual Report and Statement of Accounts 2018-19
Wards Affected:	All
Policy Context:	Effective control over Council Activities
Financial Summary:	There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> pdriggs@westminster.gov.uk 020 7641 4136

1. Executive Summary

- 1.1 This report presents the Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2019.

2. Recommendation

- 2.1 The Board is asked to note the Pension Fund Annual Report and Pension Fund accounts for 2018/19.

3. Background

- 3.1 The Council's Annual Statement of Accounts for 2018/19, which includes the accounts for the Pension Fund, were prepared and submitted to the Council's external auditors for audit on 11 April 2019, with an unqualified audit opinion delivered on 2 May 2019. This was six weeks in advance of the statutory requirement of 31 May 2019.
- 3.2 Despite the accounts receiving an unqualified opinion from external audit, there is a statutory public inspection period required before the authority

is able to approve or publish the accounts. To comply with this arrangement, the Council's Statement of Accounts were re-presented to the Audit and Performance Committee on 18 July 2019 for approval, the earliest permitted date. Uncertainty over the McCloud Supreme Court judgement also required restating of the Pension Fund liabilities over this period.

- 3.3 The publication of the Pension Fund Annual Report, which includes the Pension Fund Accounts, is a regulatory requirement and needs to be approved by the Pension Fund Committee by 1 December following the year end. The Pension Fund Annual Report for 2018/19 is attached as Appendix 1.

4. Annual Report Overview

- 4.1 The Pension Fund accounts were produced on the 11 April 2019 and received an unqualified opinion from the auditors on the 2 May 2019.
- 4.2 The Pension Fund's assets have had a good year in absolute terms, returning 6.1%, although this was 0.6% below the Fund's benchmark for the year.
- 4.3 The Fund's performance was around the median for all LGPS funds for 2018/19, as seen in the London League table report by PIRC (Appendix 4). This Fund still shows excellent long-term performance against its benchmark with an outperformance of +0.7% annualised since inception.
- 4.4 The decision taken to hedge the Fund's passive equity portfolio meant that the Fund did not benefit as much as some other LGPS funds from the significant deprecation in Sterling during 2018/19. Continued allocation to UK Equity, as well as the continued employment of the Fund's UK Equities manager, were also a drag on overall performance.
- 4.5 The Pension Fund has benefitted from its continued deficit recovery contributions, with improving cash flow and no need to liquidate assets in the short term to pay benefits.
- 4.6 The Pension Fund administration has seen significant improvements over the last few years in its KPIs as a result of hard work from both the City of Westminster's internal officers and external partners, Surrey County Council and BT. Retirement benefit letters are now meeting the five-day target 99% of the time, as opposed to 62% of the time earlier in 2015/16.
- 4.7 Administration costs remain low when benchmarked with other London Funds, demonstrating the Fund's value for money for its members.

5. Audit Findings Report

- 5.1 One point to note in the Audit Findings Report drafted on 24 April 2019 is the understatement in the Net Asset Statement in the amount of £5.6m due to the use of the 28 February 2019 asset values for the Pension Fund's passive equity manager, Legal and General. For the final version of the accounts signed on 18 July 2019, this was updated to the 31 March 2019 asset values, with the Audit and Performance Committee advised when the report was presented to them.

6. Pension Fund Committee Outcome

- 6.1 At the Pension Fund Committee meeting on 23 October 2019, the Committee gave delegated authority to the Tri-Borough Director of Treasury and Pensions to publish the final version of the Annual Report.

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

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Background Papers: None

Appendices:

Appendix 1: Pension Fund Annual Report and Statement of Accounts 2018/19

Appendix 2: Audit Findings Report

Appendix 3: PIRC Annual Review

Appendix 4: London League Tables