



Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	19 March 2020
Classification:	General Release
Title:	Fund Financial Management
Wards Affected:	All
Policy Context:	Effective control over council activities
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> ptriggs@westminster.gov.uk 020 7641 4136

1. Executive Summary

- 1.1 The risk register is divided into two sections: governance (investment and funding) and pensions administration. The top five risks are highlighted in the report below.
- 1.2 The cashflow forecast for the next three years has been updated with actuals to 31 December 2019. The bank position continues to be stable.
- 1.3 The forward plan for 2019/20 – 2020/21 for the Pension Fund Committee is attached.

2. Recommendations

- 2.1 The Committee is asked to note the risk registers for the Pension Fund.
- 2.2 The Committee is asked to note the cashflow position, the rolling 12-month forecast and the three-year forecast.
- 2.3 The Committee is asked to note the attached forward plan for 2019/20 – 2020/21.

3. Risk Register Monitoring

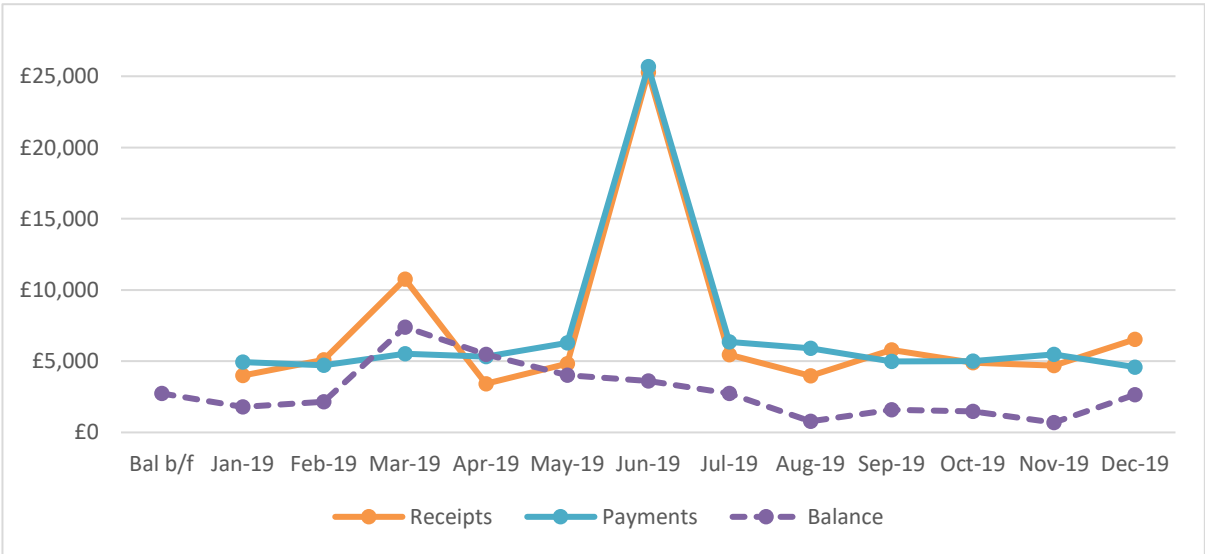
3.1 The risk register is divided into two sections: governance (investment and funding) and pensions administration. The current top five risks to the Pension Fund are highlighted below:

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

4. Cashflow Monitoring and Forecasted Cashflows

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

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



- 4.3 The peak in receipts during March 2019 and June 2019 include a £10m and £22m deficit recovery receipt, as per the Council's approved budgeted deficit recovery plan. Payments out of the Pension Fund bank account have remained stable over the year, with the exception of June 2019, when a £20m investment was made to the Insight Buy and Maintain portfolio as per the Investment Strategy Consideration paper.
- 4.4 Officers will continue to keep the cash balance under review and take appropriate action where necessary. The Pension Fund held £19m in cash with the custodian as at 31 December 2019.

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

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

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

¹ Includes Transfers in, Overpayments, Bank Interest, VAT reclaim, Recharges

² Includes Transfers out, Lump Sums, Death Grants, Refunds

*Deficit recovery contributions

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

Cashflows Actuals Compared to Forecast for October to December 2019:

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

¹ Includes Transfers in, Overpayments, Bank Interest, VAT reclaim, Recharges

² Includes Transfers out, Lump Sums, Death Grants, Refunds

*Deficit recovery contributions

Variations during the quarter to 31 December 2019:

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

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

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

	2019/20	2020/21	2021/22
	£000	£000	£000
	F'cast	F'cast	F'cast
Balance b/f	7,397	3,188	5,274
Contributions	43,330	44,196	45,080
Misc. Receipts ¹	7,686	7,840	7,997
Pensions	(38,964)	(39,744)	(40,538)
HMRC Tax	(6,964)	(7,103)	(7,245)
Misc. Payments ²	(12,870)	(13,128)	(13,390)
Expenses	(2,427)	(2,476)	(2,525)
Net cash in/(out) in year	(10,209)	(10,414)	(10,622)
Withdrawal/(deposit) with Fund Managers	(16,000)	0	(64,000)
Special Contributions*	22,000	12,500	70,000
Balance c/f	3,188	5,274	652

¹ Includes Transfers in, Overpayments, Bank Interest, VAT reclaim, Recharges

² Includes Transfers out, Lump Sums, Death Grants, Refunds

*Deficit recovery contributions

- 4.8 The deficit recovery receipt expected during 2020/21 totals £22.7m and comprises of a £12.5m lump sum and £10.2m within contributions spread evenly across the year. A final deficit recovery payment of £80m is expected to be received during 2021/22, consisting of lump sum of £70m and £10m within contributions spread evenly across the year

5. Forward Plan

- 5.1 The rolling forward plan for the Pension Fund Committee is attached for 2019/20 – 2020/21.

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

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BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Tri-Borough Risk Management Scoring Matrix

Appendix 2 – Pension Fund Risk Register Review at January 2020

Appendix 3 – Pension Fund Committee Forward Plan: 2019/20 – 2020/21