



City of Westminster

# Committee Report

<b>Decision Maker:</b>	<b>PENSION FUND COMMITTEE</b>
<b>Date:</b>	<b>25 June 2020</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>Pension Fund Annual Report and Statement of Accounts 2019-20</b>
<b>Wards Affected:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective control over Council Activities</b>
<b>Financial Summary:</b>	<b>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.</b>
<b>Report of:</b>	<b>Phil Triggs</b> <b><i>Tri-Borough Director of Treasury and Pensions</i></b> <a href="mailto:pdriggs@westminster.gov.uk">pdriggs@westminster.gov.uk</a> <b>020 7641 4136</b>

## 1. Executive Summary

1.1 This report presents the draft Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2020.

## 2. Recommendation

2.1 The Committee is asked to approve the draft Pension Fund Annual Report for 2019/20.

2.2 Note the pension fund accounts for 2019/20.

## 3. Background

3.1 The Council's Annual Statement of Accounts for 2019/20, which includes the accounts for the Pension Fund, were prepared and submitted to the Council's external auditors for audit on 27 April 2020. The Fund is still

awaiting the audit opinion; however, it is anticipated that there will be no significant findings.

- 3.2 This was five weeks in advance of the statutory requirement of 31 May 2020. The draft Statement of Accounts were presented at the Audit and Performance Committee on 18 June 2020 and are due to be re-presented once the audit is finalised.
- 3.3 The production 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 draft Pension Fund Annual Report for 2019/20 is attached at Appendix 1.
- 3.4 Committee members are asked to comment on any matters in the draft Pension Fund Annual Report and delegate approval of the final document to the Tri-Borough Director of Treasury and Pensions in consultation with the Chairman.

#### **4. Annual Report Overview**

- 4.4 The Pension Fund accounts were produced on the 22 April 2020 and submitted to auditors on 27 April 2020, with the audit opinion still outstanding.
- 4.5 Following the outbreak of COVID-19 during February and March 2020, the market value of investments fell by £88m to £1.320bn as at 31 March 2020 from £1.408bn on 31 March 2019. Therefore, the performance of the Fund was slightly disappointing returning -7.0% gross of fees in the year to 31 March 2020, -1.4% below the Fund's Benchmark.
- 4.6 The Fund also marginally underperformed its benchmark over the three-year period by -0.2%, returning 1.3% gross of fees. However, over the longer five-year period and since inception the Fund has outperformed its benchmark by 0.1% and 0.5% gross of fees respectively.
- 4.7 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. The Fund received £31.82m in deficit recovery contributions during 2019/20, of which £20m was invested within the Insight Buy and Maintain Bond Fund.
- 4.8 Following the 2019 triennial actuarial valuation, the estimated funding level for the City of Westminster Pension Fund has risen to 99% (80% in 2016). This can be attributed to excellent investment returns during the three-year period to 31 March 2019, with global equities performing particularly well. The funding level for Westminster City Council as an employer has risen by 16% to an 86% in 2019 from 70% in 2016, this is in part due to the Council's deficit recovery payments made to the Pension Fund during this period.

- 4.9 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 Orbis. The performance indicators for 2019/20 show an improvement on performance from 2018/19 on five indicators including; processing refunds, notifying of retirement benefits, calculating deferred benefits and notifying of dependent benefits.
- 4.10 Administration costs during 2019/20 have increased above the average for London borough pension funds. This is largely due to the increased size of the HR administration function following the end of the BT finance contract and works in relation to data cleansing, GMP reconciliation and microfiche retrieval works.

**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 2019/20**