



Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	24 June 2021
Classification:	Public
Title:	Pension Fund Annual Report and Statement of Accounts 2020-21
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> <u>ptriggs@westminster.gov.uk</u> 020 7641 4136

1. Executive Summary

- 1.1 This report presents the draft Westminster Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2021.

2. Recommendations

The Committee is recommended to:

- 2.1 Approve the draft Pension Fund Annual Report for 2020/21.
- 2.2 Delegate completion and approval of the final document to the Tri-Borough Director of Treasury and Pensions in consultation with the Chairman.
- 2.3 Note the Pension Fund accounts for 2020/21.

3. Background

- 3.1 The Pension Fund's Annual Statement of Accounts for 2020/21, were prepared and ready to be submitted to the Council's external auditors for external audit on 30 April 2021. The Fund is still awaiting the commencement of the external audit. It is anticipated that there will be no significant findings.
- 3.2 The accounts were prepared four weeks in advance of the statutory requirement of 31 May 2021 (although due to continued COVID-19 interruptions, this deadline is currently extended to 31 July 2021). The draft Statement of Accounts was presented at the Audit and Performance Committee on 17 June 2021 and are due to be represented once the external audit process 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 2020/21 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

- 4.1 Following the outbreak of COVID-19 during early 2020, the Fund's market value fell significantly with assets valued at £1.320bn at 31 March 2020. However, in the period since, the Fund has performed exceptionally well with the asset value increasing to £1.747bn at 31 March 2021.
- 4.2 The Fund returned 32.7% over the financial year to 31 March 2021, outperforming its benchmark by 4.6% gross of fees. This was largely as a result of excellent performance within the equity and fixed income mandates. Baillie Gifford returned 56.2% gross of fees over the year, outperforming the MSCI World index by 17.2% and CQS outperformed its benchmark by 4.4% returning 25.2% gross of fees to 31 March 2021.
- 4.3 The Pension Fund has benefitted from its continuing deficit recovery contributions, with improving cash flow, and no need to liquidate assets in the short term to pay benefits. The Fund received £22.75m in deficit recovery contributions during 2020/21, of which £12m was paid over to Northern Trust to hold at custody.

- 4.4 The estimated funding level for the Westminster Pension Fund has increased by 0.9% to 99.4% at 31 December 2020 (98.5% at 30 September 2020). The funding level for Westminster City Council as an employer has also increased, with a funding level of 89.0% at 31 December 2020 (88.0% at 30 September 2020). The Council plans to pay off its deficit by 2022, with a final payment of £80m in the financial year 2021/22.
- 4.5 The Pension Fund administration has seen significant improvements over the last few years in its KPIs as a result of focused work from both Westminster's internal officers and its external partners, Surrey County Council and Orbis. The performance indicators for 2020/21 show performance is broadly in line with 2019/20 and an improvement from 2018/19.
- 4.6 A switch to working from home, following the outbreak of COVID-19, had a slightly negative impact on the performance indicators, including notifying of retirement benefits and letters acknowledging the death of a member. However, there have been no delays in the processing of pension payments and no impact on the accuracy of final calculations made.
- 4.7 Administration costs during 2020/21 have increased further above the average for London borough pension funds. This is largely due to the increased Surrey County Council annual contract fee, alongside payment of Aquila Heywood's five-year licence fee for the administration software.

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

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS: None

APPENDICES

Appendix 1: Pension Fund Annual Report and Statement of Accounts 2020/21