

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 Council. 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. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

b) Funding

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. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as at 31 March 2019, this covers the three financial years following 2019/20. Currently employer contribution rates range from 12.0% to 37.0% of pensionable pay, as per the 2019 valuation.

Note 1 Description of the City of Westminster Pension Fund (continued)

c) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table:

	Service pre-1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable pay	Each year worked is worth 1/60 x final pensionable pay
Lump Sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average revalued earnings (CARE) scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions, and death benefits.

Westminster Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the pension fund. The Fund has appointed Aegon and Utmost Life and Pensions as its AVC providers. AVCs are paid to the AVC providers by employers and specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

d) Governance

The Council has delegated management of the fund to the Pension Fund 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 four Members of the Council 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 Council Officers including the Tri-Borough Director of Pensions and Treasury, and obtains, as necessary, advice from the Fund's appointed investment advisors, fund managers and actuary.

In line with the provisions of the Public Service Pensions Act 2013 the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets quarterly and has its own Terms of Reference. Board members are independent of the Pension Fund Committee.

Note 1 Description of the City of Westminster Pension Fund (continued)

e) Investment Principles

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016 the Committee approved an Investment Strategy Statement on 11 March 2021 (available on the Council's website). The Statement shows the Authority's compliance with the Myners principles of investment management.

The Committee has delegated the management of the Fund's investments to external investment managers (see Note 10) appointed in accordance with regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

f) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the City of Westminster Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- 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:

31 March 2020		31 March 2021
32	Number of employers with active members	32
3,981	Active members	4,228
6,122	Pensioners receiving benefits	6,280
6,700	Deferred Pensioners	6,856
16,803		17,364

Note 2 Basis of preparation of financial statements

The Statement of Accounts summarise the Fund's transactions for 2020/21 and its position at year end as at 31st March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits.

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. The Code 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 disclosed in Note 17. The Pension Fund Accounts have been prepared on a going concern basis.

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 at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

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 LGPS 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 reported gross of withholding taxes which are accrued in line with the associated investment income. Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements.

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset in the net asset statement.

Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits and losses during the year.

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 section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. 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) VSP, MSP and life time allowance

Members are entitled to request the Pension Fund pays their tax liabilities due in respect of annual allowance and life time allowance in exchange for a reduction in pension.

Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

Note 3 Summary of significant accounting policies (continued)

g) Management Expenses

Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs 2016.

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.

All investment management expenses are accounted for on an accruals basis. The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

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. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14).

i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

j) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

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

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 17).

n) Additional Voluntary Contributions

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 20).

o) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 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 administration and the oversight and governance of the Fund are set out separately in Note 21.

Note 4 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 3 above, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

PENSION FUND LIABILITY

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 16. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

Note 5 Assumptions made about the future and other major sources of uncertainty

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

VALUATION OF INVESTMENTS LEVEL 3

The Pension Fund contains investments in infrastructure and renewables infrastructure that are classified within the financial statements as level 3 investments (as detailed in note 13). These funds are valued according to non-exchange based market valuations. As a result of this, the final realised value of those funds may differ slightly from the valuations presented in the accounts.

COVID-19 IMPACT

Following the uncertainty surrounding asset values as result of the COVID-19 outbreak during late 2019/20, Officers now believe asset values have stabilised in order that a materially accurate value can be applied to illiquid assets.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £42.25m. A 0.1% increase in assumed earnings would increase the value of liabilities by approximately £2.95m and a year increase in life expectancy would increase the liability by about £103.99m.

Note 6 Contributions receivable

Employees contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund. The table below shows a breakdown of the total amount of employers' and employees contributions.

BY AUTHORITY

2019/20		2020/21
£'000		£'000
(56,968)	Administering Authority	(49,833)
(3,087)	Scheduled bodies	(3,679)
(4,294)	Admitted bodies	(4,002)
(64,349)		(57,514)

BY TYPE

2019/20		2020/21
£'000		£'000
(10,105)	Employees' normal contributions	(10,854)
	Employer's contributions:	
(21,634)	Normal contributions	(23,779)
(31,820)	Deficit recovery contributions	(22,752)
(790)	Augmentation contributions	(129)
(64,349)		(57,514)

Note 7 Benefits payable

The table below shows a breakdown of the total amount of benefits payable by category.

BY TYPE

2019/20		2020/21
£'000		£'000
47,628	Pensions	49,146
6,686	Commutation and lump sum retirement benefits	7,375
406	Lump sum death benefits	1,302
54,720		57,823

BY AUTHORITY

2019/20		2020/21
£'000		£'000
42,709	Administering Authority	44,272
2,481	Scheduled Bodies	2,730
9,530	Admitted Bodies	10,821
54,720		57,823

Note 8 Management Expenses

The table below shows a breakdown of the management expenses incurred during the year.

2019/20		2020/21
£'000		£'000
750	Administration Expenses	981
422	Oversight and Governance	428
5,662	Investment Management Expenses	8,678
6,834		10,087

Investment management expenses are further analysed below in line with the CIPFA Guidance on Accounting for Management Costs in the LGPS.

2019/20		2020/21
£'000		£'000
4,778	Management fees	6,211
85	Performance fees	45
31	Custody fees	54
768	Transaction costs	2,368
5,662		8,678

Note 9 Investment Income

The table below shows a breakdown of investment income for the year:

2019/20		2020/21
£'000		£'000
13,856	Pooled investments - unit trust and other managed funds	5,658
2,070	Pooled property investments	2,406
182	Infrastructure Income	404
151	Interest and cash deposits	188
16,259	Total before taxes	8,656
16,259	Total	8,656

Note 10 Investment Management Arrangements

As at 31 March 2021, the investment portfolio is managed by ten external managers:

- The UK property portfolio is managed by Aberdeen Standard;
- Fixed income mandates are managed by CQS (Multi Asset Credit, via the London CIV) and Insight (Bonds);
- Alternatives are managed by Pantheon (Infrastructure), Macquarie (Renewable Infrastructure) and Quinbrook (Renewable Infrastructure);
- Equity portfolios are split between Baillie Gifford (active global, managed by the London CIV), Morgan Stanley (active global, managed by the London CIV), Legal and General Investment Management (passive global) and Longview Partners (active global).

All managers have discretion to buy and sell investments within the constraints set by the Committee and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares.

Northern Trust acts as the Fund's global custodian. They are responsible for safe custody and settlement of all investment transactions and collection of income. The bank account for the Fund is held with Lloyds Bank.

The market value and proportion of investments managed by each fund manager at 31 March 2021 was as follows:

31 March 2020	%	Fund Manager	Mandate	31 March 2021	%
£'000				£'000	
Investments managed by the London CIV asset pool:					
3	0.0%	London LGPS CIV Ltd - Majedie	UK Equity (Active)	3	0.0%
150	0.0%	London CIV	UK Equity (Passive)	150	0.0%
153	0.0%	UK Equity		153	0.0%
276,397	20.9%	London LGPS CIV Ltd - Baillie Gifford	Global Equity (Active)	429,778	24.6%
0	0.0%	London LGPS CIV Ltd - Morgan Stanley	Global Equity (Active)	337,309	19.3%
523,071	39.6%	LGIM Passive	World Equity (Passive)	40	0.0%
0	0.0%	LGIM Future World	World Equity (Passive)	398,414	22.8%
799,468	60.5%	Global Equity		1,165,541	66.7%
78,765	6.0%	London LGPS CIV Ltd - CQS	Multi Asset Credit	98,641	5.6%
78,765	6.0%	Fixed Income		98,641	5.6%
878,386	66.5%	Total pooled	Sub-Total	1,264,335	72.3%
Investments managed outside of the London CIV asset pool:					
55,353	4.2%	Longview	Global Equity (Active)	69,172	4.0%
55,353	4.2%	Global Equity		69,172	4.0%
216,088	16.4%	Insight Buy and Maintain Bond Fund	Bonds	240,140	13.7%
216,088	16.4%	Bonds		240,140	13.7%
61,478	4.7%	Hermes	Property	89	0.0%
68,592	5.2%	Standard Life	Property	71,261	4.1%
130,070	9.9%	Property		71,350	4.1%
20,639	1.6%	Pantheon Global Infrastructure	Infrastructure	29,728	1.7%
0	0.0%	Macquarie GIG Renewable Energy	Infrastructure	6,004	0.3%
0	0.0%	Quinbrook Renewables Impact Fund	Infrastructure	7,333	0.4%
20,639	1.6%	Alternatives		43,065	2.4%
422,150	32.0%	Total outside pool	Sub-total	423,727	24.2%
19,204	1.4%	Cash deposits		59,291	3.5%
1,319,740	100%	Total investments at 31 March 2018		1,747,353	100%

Note 11 Reconciliation in movement in investments

2019/20	Market value 1 April 2019	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Equities	150	-	-	-	150
Pooled investments	1,260,862	20,035	(10,404)	(120,669)	1,149,824
Pooled property investments	127,023	84	(665)	3,537	129,979
Infrastructure	14,403	9,243	(5,673)	2,650	20,623
Total	1,402,438	29,362	(16,742)	(114,482)	1,300,576
Cash deposits	5,802			(367)	19,045
Amounts receivable for sales of investments	-			-	-
Investment income due	120			-	119
Spot FX contracts	-			(10)	-
Amounts payable for purchases of investments	-			-	-
Net investment assets	1,408,360			(114,859)	1,319,740

Note 11 Reconciliation in Movement in Investments (continued)

2020/21	Market value 1 April 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2021
	£'000	£'000	£'000	£'000	£'000
Equities	150	-	-	-	150
Pooled equity investments	1,149,824	9,728	(20,556)	431,013	1,570,009
Pooled property investments	129,979	64	(59,905)	1,123	71,261
Infrastructure	20,623	29,346	(7,414)	481	43,036
Total	1,300,576	39,138	(87,875)	432,617	1,684,456
Cash deposits	19,045			(100)	62,788
Amounts receivable for sales of investments	-			-	-
Investment income due	119			-	109
Spot FX contracts	-			(30)	-
Amounts payable for purchases of investments	-			-	-
Net investment assets	1,319,740			432,487	1,747,353

Purchases and sales of derivatives are recognised in Note 11 above as follows:

- **Futures** – on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses are recognised as cash receipts or payments, depending on whether there is a gain or loss;
- **Forward currency contracts** – forward currency contracts settled during the period are reported on a gross basis as gross receipts and payments.

Note 12 Investments exceeding 5% of net assets

The table below shows the Fund's investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

31 March 2020 Market Value		Holding	31 March 2021 Market Value	
£'000	% Holding		£'000	% Holding
523,071	39.6%	LGIM Global Passive	-	0.0%
-	-	LGIM Future World	398,414	22.8%
-	-	London LGPS CIV Ltd - Morgan Stanley	337,309	19.3%
276,397	20.9%	London LGPS CIV Ltd - Baillie Gifford	429,622	24.6%
55,353	4.2%	Longview	-	0.0%
216,088	16.4%	Insight Buy and Maintain Bond Fund	240,140	13.7%
78,765	6.0%	London LGPS CIV Ltd - CQS	95,312	5.5%
68,592	5.2%	Aberdeen Standard	-	0.0%
1,218,266	92.3%	Total Top Holdings	1,500,797	85.9%
1,319,740		Total Value of Investments	1,747,353	

Note 13a Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Description of asset	Valuation hierarchy 19/20	Valuation hierarchy 20/21	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Equity Funds UK and Overseas Managed Funds	Level 2	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
Quoted UK and Overseas Bonds	Level 2	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled Long Lease Property Fund	Level 2	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price.	In house evaluation of market data	Not required
Pooled Investments – Multi Asset Credit	Level 2	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled Investments - Infrastructure	Level 3	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	Manager valuation statements are prepared in accordance with ECVA guidelines	Upward valuations are only considered when there is validation of the investment objectives and such progress can be demonstrated

SENSITIVITY OF ASSETS VALUED AT LEVEL 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2021	Value on increase	Value on decrease
		£000	£000	£000
Pantheon - Infrastructure	10.0%	29,698	32,668	26,728
Quinbrook - Renewable Infrastructure	9.1%	7,333	8,001	6,666
Macquarie - Renewable Infrastructure	10.0%	6,004	6,605	5,404
Total		43,035	47,274	38,798

As at 31 March 2020:

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2020	Value on increase	Value on decrease
		£000	£000	£000
Hermes - Property fund	1.3%	61,388	62,186	60,590
Pantheon – Infrastructure*	12.2%	20,623	23,139	18,107
Total		82,011	85,325	78,697

*Pantheon confirmed due to the valuation assumptions used and material uncertainty during the ongoing Covid-19 pandemic, the true market value could be as much as 12.2% greater or lesser than reflected in the statement of accounts

Note 13b Valuation of Financial Instruments carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices. The bid value is based on the market quotation of the relevant stock exchange.

Level 2 – where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value is observable.

31 March 2020				31 March 2021		
Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3		Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Inputs Level 3
£'000	£'000	£'000		£'000	£'000	£'000
Financial Assets						
-	1,218,415	82,161	Financial assets at fair value through profit and loss	-	1,641,270	43,185
-	-	-	Financial liabilities at fair value through profit and loss	-	-	-
-	1,218,415	82,161		-	1,641,270	43,185
1,300,576				1,684,455		

Note 13c Reconciliation of Fair Value Measurements within Level 3

2020/21	Opening balance	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity	150	-	-	-	-	-	-	150
Hermes - Property fund	61,388	-	-	-	(58,904)	-	(2,484)	-
Pantheon - Infrastructure	20,623	-	-	11,760	(2,185)	(735)	235	29,698
Quinbrook - Renewable Infrastructure	-	-	-	11,157	(3,500)	(324)	-	7,333
Macquarie - Renewable Infrastructure	-	-	-	6,428	-	(424)	-	6,004
Total	82,161	-	-	29,345	(64,589)	(1,483)	(2,249)	43,185

As at 31 March 2020:

2019/20	Opening balance	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity	150	-	-	-	-	-	-	150
Hermes - Property fund	62,315	-	-	-	-	-	(927)	61,388
Pantheon - Infrastructure	14,403	-	-	9,243	(5,673)	-	2,650	20,623
Total	76,868	-	-	9,243	(5,673)	-	1,723	82,161

Note 14a Classification of Financial Instruments

The following table shows the classification of the Fund's financial instruments and also shows the split by UK and overseas.

31-Mar-20			31-Mar-21		
Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets					
Pooled funds - investment vehicles					
1,149,974		Pooled funds	1,570,159		
271,591		UK Unit Trust - Property	71,261		
20,623		Infrastructure	43,036		
	807	Cash Balances (held directly by Fund)		1,224	
	119	Other Investment Balances		109	
	19,044	Cash Deposits		62,788	
	3,833	Debtors		3,974	
1,300,577	23,803	-	1,684,456	68,095	-

Note 14a Classification of Financial Instruments (continued)

31 March 2020				31 March 2021		
Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
Financial Liabilities						
Derivative Contracts						
-	-	-	Futures	-	-	-
-	-	-	Forward Foreign Exchange	-	-	-
-	-	-	Other Investment Balances	-	-	-
-	-	(209)	Creditors	-	-	(223)
-	-	(209)		-	-	(223)
1,300,577	23,803	(209)	Total	1,684,456	68,095	(223)
1,324,171				1,752,328		

Note 14b Net Gains and Losses on Financial Instruments

This table summarises the net gains and losses on financial instruments classified by type of instrument.

31 March 2020		31 March 2021
£'000		£'000
Financial Assets		
(114,482)	Designated at fair value through profit and loss	432,617
(367)	Loans and receivables	(100)
(114,849)		432,517
Financial Liabilities		
(10)	Financial liabilities at amortised cost	(30)
(10)		(30)
(114,859)	Total	432,487

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 15 Nature and extent of risks arising from Financial Instruments

RISK AND RISK MANAGEMENT

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk-management strategy rests with the Committee. Risk management policies are established that aim to identify and analyse the investment risks faced by the Fund and these are regularly reviewed in the light of changing market and other conditions.

a) Market Risk

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 investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its investment advisors undertake regular monitoring of market conditions and benchmark analysis.

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 share and derivative 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.

The Fund has determined that a 10.9% increase or decrease in market price risk is reasonable for 2020/21. This analysis excludes debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk.

Assets exposed to price risk	Price Risk	Value £bn	Value on price increase	Value on price decrease
		£'000	£'000	£'000
As at 31 March 2020	10.0%	1,319,740	1,451,714	1,187,766
As at 31 March 2021	10.9%	1,747,353	1,937,814	1,556,891

Note 15 Nature and extent of risks arising from Financial Instruments (continued)

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 Committee and its investment advisors regularly monitor the Fund's interest rate risk exposure during the year.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

Assets exposed to interest rate risk	Average Duration	Value	Value on 1% increase	Value on 1% decrease
	Yrs	£'000	£'000	£'000
Fixed Income - Global Bonds	8.15	216,088	198,477	233,699
Fixed Income - Global Multi Asset Credit	1.86	78,765	77,300	80,230
As at 31 March 2020		294,853	275,776	313,930

Assets exposed to interest rate risk	Average Duration	Value	Value on 1% increase	Value on 1% decrease
	Yrs	£'000	£'000	£'000
Fixed Income - Global Bonds	8.27	240,140	220,281	260,000
Fixed Income - Global Multi Asset Credit	1.33	98,641	97,329	99,953
As at 31 March 2021		338,781	317,610	359,953

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 Sterling. The Fund aims to mitigate this risk through the use of hedging. The 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.

Overseas equities, fixed interest securities and futures, cash in foreign currencies, forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of these assets had there been a 6.44% strengthening/weakening of the pound against foreign currencies during 2020/21. This has fallen from a 10.0% currency risk as at 31 March 2020, reflecting a reduction in volatility following the UK's orderly exit from the EU.

Note 15 Nature and extent of risks arising from Financial Instruments (continued)

Assets exposed to	Currency Risk	Value	Value on foreign exchange rate increase	Value on foreign exchange rate decrease
currency risk		£'000	£'000	£'000
As at 31 March 2020	10.0%	316,823	348,505	285,140
As at 31 March 2021	6.44%	754,503	803,093	706,215

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

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 high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors the state of its admitted bodies.

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 Committee monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2021, liquid assets were £1,633m representing 93% of total fund assets (£1,169m at 31 March 2020 representing 89% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

Note 16 Funding Arrangements

The LGPS Regulations require that a full actuarial valuation of the Fund is carried out every three years. The purpose of this is to establish that the City of Westminster Pension Fund is able to meet its liabilities to past and present contributors and to review the employer contribution rates.

The latest full triennial valuation of the Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2019 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The results were published in the triennial valuation report dated 31 March 2019, with the funding level rising to 100%. This report details the fund assumptions and employer contribution rates for the three years from 2020/21. The report and Funding Strategy Statement are both available on the Council's website.

The actuary's smoothed market value of the scheme's assets at 31 March 2019 was £1,410.6m and the Actuary assessed the present value of the funded obligation at £1,430.6m. This indicates a net liability of £20m, which equates to a funding position of 99% (2016: £264.1m and 80%).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Future assumed returns at 2019	2019 Allocation %	Neutral Assumption %
Corporate Bonds	13.5	2.6
Equities	65.0	6.7
Infrastructure	5.0	6.7
Multi Asset Credit	6.5	4.8
Property	10.0	3.7

Financial assumptions	2019 %	2016 %	2013 %
Discount rate - scheduled bodies	4.8	5.1	5.9
Discount rate - admitted bodies	3.3	4.5	4.9
RPI	3.6	3.3	3.5
CPI	2.6	2.4	2.7
Pension increases	2.6	2.4	2.7
Short-term pay increases	n/a	2.4	1.0
Long-term pay increases	3.6	3.9	4.5

The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 19 years, as set out in the Funding Strategy Statement (2016: 22 years). The common future service contribution rate for the Fund was set at 17.9% of pensionable pay (2016: 16.9%).

The triennial valuation also sets out the individual contribution rate to be paid by each employer from 1 April 2020 depending on the demographic and actuarial factors particular to each employer. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

Note 17 Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2021. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

31 March 2020		31 March 2021	
£'000		£'000	
(1,860,231)	Present Value of Promised Retirement Benefits	(2,337,834)	
1,319,740	Fair Value of Scheme Assets (bid value)	1,747,353	
(540,491)	Net Liability	(590,481)	

Present Value of Promised Retirement Benefits comprise of £2,310m (2019/20: £1,839m) and £28.3m (2019/20: £21.4m) in respect of vested benefits and non-vested benefits respectively as at 31 March 2021.

ASSUMPTIONS

To assess the value of the Fund's liabilities at 31 March 2021, the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2019 have been rolled forward, using financial assumptions that comply with IAS19.

DEMOGRAPHIC ASSUMPTIONS

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110%, for males and 105% for females. These base tables are then projected using the CMI 2020 Model, allowing for a long-term rate of improvement of 1.25% p.a.

Assumed life expectancy from age 65 is:

Life expectancy from age 65 years		31 March 2020	31 March 2021
Retiring today	Males	21.8	21.6
	Females	24.4	24.3
Retiring in 20 years	Males	23.2	22.9
	Females	25.8	25.7

FINANCIAL ASSUMPTIONS

The main financial assumptions are:

	31 March 2020	31 March 2021
	%	%
RPI increases	2.90	3.20
CPI increases	1.90	2.80
Salary increases	2.90	3.80
Pension increases	1.90	2.80
Discount rate	2.35	2.00

Note 18 Current Assets

31 March 2020		31 March 2021
£'000		£'000
Debtors:		
2,436	Contributions due - employers	2,608
776	Contributions due - employees	826
621	Sundry debtors	540
807	Cash balances	1,224
4,640	Total	5,198

ANALYSIS OF DEBTORS

31 March 2020		31 March 2021
£'000		£'000
-	Central Government Bodies	1
787	Other entities and individuals	654
3,049	Administering Authority	3,319
3,833	Total	3,974

Note 19 Current Liabilities

31 March 2020		31 March 2021
£'000		£'000
(846)	Sundry creditors	(836)
(846)	Total	(836)

31 March 2020		31 March 2021
£'000		£'000
(637)	Central government bodies	(613)
(209)	Other entities and individuals	(223)
(846)	Total	(836)

Note 20 Additional Voluntary Contributions

The Pension Fund's Additional Voluntary Contributions (AVC) providers are Aegon and Equitable Life Assurance Society. The table below shows information about these separately invested AVCs.

31 March 2020		31 March 2021	
Market Value		Market Value	
£'000		£'000	
828	Aegon	934	
214	Utmost Life and Pensions*	214	
1,042	Total	1,148	

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

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. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

Note 21 Related Party Transactions

The Fund is administered by Westminster City Council. The Council incurred costs of £0.545m in the period 2020/21 (2019/20: £0.535m) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Fund uses the same Banking and Control Service provider as WCC and no charge is made in respect of this.

KEY MANAGEMENT PERSONNEL REMUNERATION

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Director of Finance and Resources, the Tri-Borough Director of Pensions and Treasury Management and the Director of People Services. There were no costs apportioned to the Pension Fund in respect of the Director of Finance and Resources post for 2019/20 and 2020/21. Total remuneration payable to key management personnel from the Pension Fund is set out below:

31 March 2020		31 March 2021	
£'000		£'000	
56	Short-term benefits	63	
253	Post-employment benefits	132	
309	Total	195	

Note 22 External audit costs

The external fee payable to the Fund's external auditors Grant Thornton UK LLP was £25k (£16k in 2019/20).

31 March 2020	31 March 2021
£'000	£'000
16 External audit fees	25
16 Total	25

Note 23 Events after the reporting period

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

Note 24 Contractual Commitments

The Fund has committed \$91.5m (£66.4m) to the Pantheon Global Infrastructure Fund III, of this commitment \$50.5m (£36.7m) was still outstanding at 31 March 2021. Alongside this, during the year the Fund committed £50m to the Quinbrook Renewables Impact Fund with £42.7m outstanding as at 31 March 2021. The Fund has also committed €55m (£46.8m) to the Macquarie Renewable Energy Fund, €47.9m (£40.8m) of which was outstanding at 31 March 2021.



7.

Asset Pools



Asset Pool Background and Governance

BACKGROUND

During 2015 the Ministry of Housing, Communities and Local Government (MHCLG) issued guidance on LGPS asset pooling (LGPS: Investment Reform Criteria and Guidance), which sets out how the government expected funds to establish asset pooling arrangements. In January 2019, the MHCLG issued a consultation and draft guidance on asset pooling within the LGPS, setting out changes to the pooling framework. This guidance will set out the requirements on administering authorities, replacing previous guidance, and build on previous ministerial communications and guidance on investment strategies.

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

The pension funds across England and Wales have come together to form eight asset pools. The Fund joined the London Collective Investment Vehicle (LCIV) in December 2015, the pool comprises of the 32 local authorities within London and has £23.6bn of assets under management, including £11bn under direct management, with 19 funds launched as of 2020/21.

The Fund has transitioned assets into the London CIV with a value of £1.264bn or 72% as at the 31 March 2021. Going forward the Fund will look to transition further assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

GOVERNANCE

There are a number of governance issues to be considered under pooling arrangements such as the relationship between the pension fund and asset pool, governance structure of the pool and the role of administering authorities.

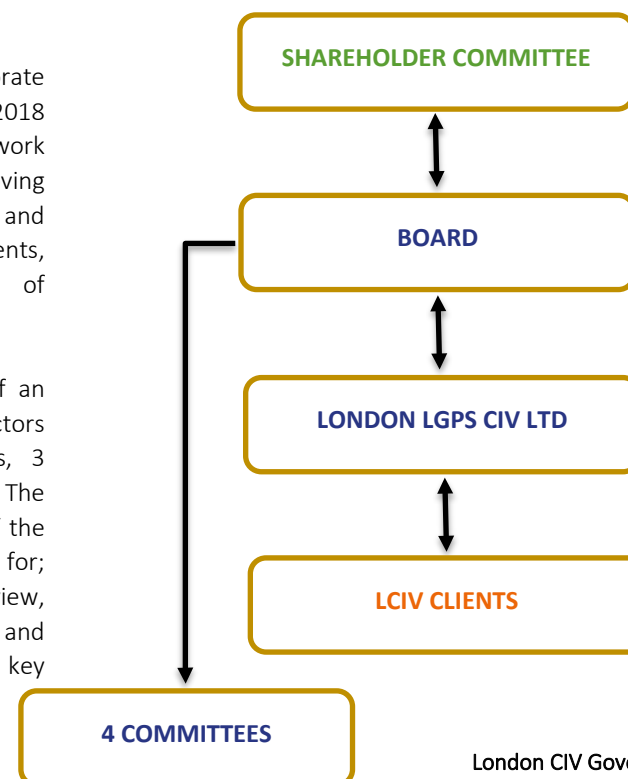
The London CIV Shareholder Committee is responsible for scrutinising the actions of the LCIV Company Board, reporting and transparency, consultation on the strategy, responsible investment and emerging issues. The Committee comprises of 12 members including Councillors and Treasurers from the LLAs.

London CIV shareholders approved a new Corporate Governance and Controls framework at the July 2018 Annual General Meeting (AGM). This framework details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting.

The London CIV Company Board comprises of an independent Chairman, 7 non-executive Directors (NEDs), including 2 nominated by the LLAs, 3 executive Directors and the LCIV Treasurer. The Board has a duty to act in the best interests of the shareholders and has collective responsibility for; strategy oversight, budgeting, performance review, major decision making, financial reporting and controls, compliance and risk management, key policies and governance.

The London CIV has four Committees, responsible for investment oversight, audit and risk, remuneration and nominations and day to day operations of the company. These comprise of executive and non-executive members.

External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the MHCLG. The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.



London CIV Governance Structure

Pool Set Up Costs

POOL SET UP AND TRANSITION COSTS

The set up and transition costs incurred by the Fund in relation to pooling are detailed in the following table.

	2020/21			
	Direct	Indirect	Total	Cumulative
	£'000	£'000	£'000	£'000
Set up costs				
Other costs	6	-	6	16
Total set up costs	6	-	6	16
Transition costs				
Taxation	-	-	-	130
Other transition costs	838	-	838	932
Total transition costs	838	-	838	1,062

TOTAL EXPECTED COSTS AND SAVINGS

The Pension Fund has four mandates held with the London CIV pool company; Baillie Gifford Alpha Growth Equities, Morgan Stanley Global Sustain Equities, LGIM Future World Equities and CQS Multi Asset Credit. The following table details actual and forecasted costs and savings to 2024/25 by pooling these funds.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	0	(2)	(4)	(4)	(6)	(5)	(5)	(5)	(5)
Transition costs	(25)	0	(3)	(65)	(838)	0	0	0	0
Fee savings/(costs)	226	(552)	(470)	(2)	982	1,626	1,659	1,692	1,726
Net savings/(costs) realised	201	(554)	(477)	(71)	138	1,621	1,654	1,687	1,721

The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view to transitioning assets across to the London CIV as soon as there are appropriate sub-funds to meet the Fund's investment strategy requirements.

Other Investment Management Costs

The table below splits investment management costs between pooled and non-pooled.

	Asset Pool			Non-asset pool			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Management fees	2,886	-	2,886	3,260	-	3,260	6,146
Asset pool shared costs	110	-	110	-	-	-	110
Transaction costs	160	1,732	1,892	-	476	476	2,368
Custody	-	-	-	54	-	54	54
Total	3,156	1,732	4,888	3,314	476	3,790	8,678

An analysis of operational expenses including variances to prior years can be found within section 2 of this report.

Asset Allocations and Performance

Asset allocation and performance is separated by pooled and non-pooled in the following table.

Asset Category	Opening Value		Closing Value		Performance	Passive Index	Benchmark
Gross							
	£'000	%	£'000	%	%	%	%
<u>Asset pool managed</u>							
UK Equity (Active)	3	0.0%	3	0.0%	N/A	N/A	N/A
UK Equity (Passive)	150	0.0%	150	0.0%	N/A	N/A	N/A
Global Equity (Active)	276,397	20.9%	767,087	43.9%	56.2%	N/A	41.3%
World Equity (Passive)*	523,071	39.6%	398,454	22.8%	N/A	N/A	N/A
Multi Asset Credit	78,765	6.0%	98,641	5.6%	25.2%	N/A	4.4%
Total	878,386	66.6%	1,264,335	72.3%			
<u>Non-asset pool managed</u>							
Global Equity (Active)	55,353	4.2%	69,172	4.0%	34.9%	N/A	40.7%
Global Bonds	216,088	16.4%	240,140	13.7%	10.1%	N/A	7.2%
Property**	61,478	4.7%	89	0.0%	N/A	N/A	N/A
Property (Passive)	68,592	5.2%	71,261	4.1%	N/A	3.8%	-3.7%
Infrastructure	20,639	1.6%	29,728	1.7%	-3.8%	N/A	8.4%
Renewable Infrastructure	-	0.0%	13,337	0.7%	N/A	N/A	N/A
Cash	19,205	1.5%	59,291	3.5%	N/A	N/A	N/A
Total	441,354	33.4%	483,018	27.7%			
Grand Total	1,319,740	100%	1,747,353	100.0%			

*During the year the Fund transitioned from the LGIM Global Passive Fund into the LGIM Future World Fund

**During the year the Fund terminated the Hermes property mandate with funds to be transitioned into renewable infrastructure

See section 3 of this report for more information regarding Fund performance and asset management.

A black and white photograph of St. Martin-in-the-Fields church in London. The church's tall, ornate spire is the central focus, rising above a series of trees. In the foreground on the left, a large stone monument stands, featuring a lion relief and the words 'FORTITUDE' and 'DEVOTION'. The church's classical facade with columns is visible at the base of the spire. The sky is overcast.

8.

Glossary and Contacts

Glossary of Terms

ACCOUNTING POLICIES

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

ACCRUALS

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

ACTIVE MANAGEMENT

Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

ACTIVE MEMBER

Current employee who is contributing to a pension scheme.

ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

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.

BONDS

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.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED MEMBERS

Scheme members, who have left employment or ceased to be active members 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.

Glossary of Terms (continued)

DERIVATIVE

A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date

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.

EXCHANGE TRADED

This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

FINANCIAL ASSETS

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

FINANCIAL INSTRUMENT

Any contract giving rise to a financial asset in one entity and a financial liability or equity in another entity.

FINANCIAL LIABILITIES

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

FORWARD FOREIGN EXCHANGE DERIVATIVE

Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

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.

OVER THE COUNTER

This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange

PASSIVE MANAGEMENT

Passive management is where the investments mirror a market index.

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.

PROJECTED UNIT METHOD – PENSION FUND VALUATION

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

Glossary of Terms (continued)

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

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.

THE CODE

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

UNREALISED GAINS/LOSSES

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Contact Information

This document gives details of Westminster City Council's Annual Accounts and is available on the Council's website at [westminster.gov.uk](https://www.westminster.gov.uk).

FOR FURTHER DETAILS PLEASE CONTACT:

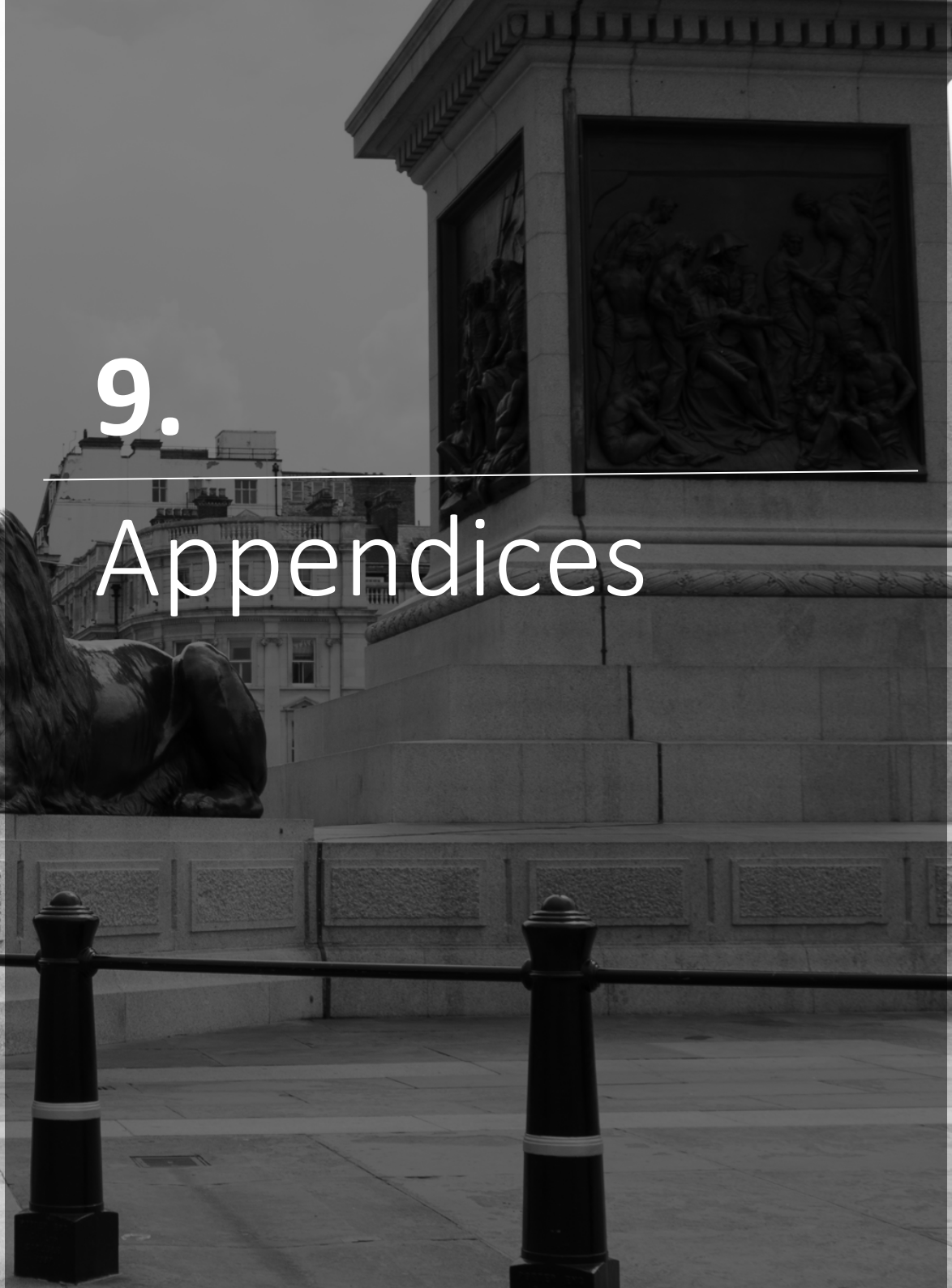
The Pensions Team
16th Floor
64 Victoria Street
London
SW1E 6QP

pensionfund@westminster.gov.uk

Contact details of the City of Westminster Pension Fund's pool company are as follows:

London CIV
4th Floor
22 Lavington Street
London
SE1 0NZ

pensionsCIV@londonciv.org.uk



9.

Appendices

Governance Compliance Statement

BACKGROUND

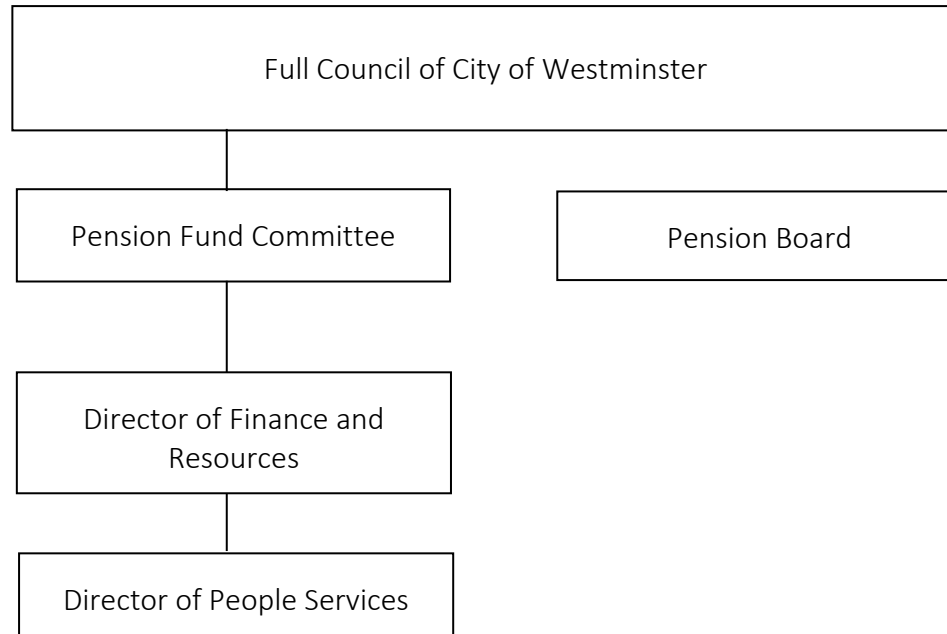
The City of Westminster is the administering authority for the City of Westminster Pension Fund (“the Fund”) and it administers the Local Government Pension Scheme on behalf of the participating employers.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires all administering authorities for local government pension schemes to publish a Governance Compliance Statement setting out the Fund’s governance arrangements. Information on the extent of the Fund’s compliance with guidance issued by the Secretary of State for Communities and Local Government is also a requirement of this regulation.

GOVERNANCE STRUCTURE

The diagram below shows the governance structure in place for the Fund.

Full Council has delegated its functions in relation to the Pension Fund regulations, as shown in the diagram. The sections below explain the role of each party and provide the terms of reference.



Governance Compliance Statement (continued)

PENSION FUND COMMITTEE

Full Council has delegated all decisions in relation to the Public Service Pensions Act 2013 to the Pension Fund Committee.

The role of the Pension Fund Committee is to have responsibility for all aspects of the investment and other management activity of the Fund.

The Committee comprises four elected members - three Majority Party councillors and one opposition councillor. The Committee may co-opt non-voting independent members, including Trade Unions and representatives from the admitted and scheduled bodies in the Pension Fund.

All Councillors on the Committee have voting rights. In the event of an equality of votes, the Chair of the Committee shall have a second casting vote. Where the Chair is not in attendance, a Vice-Chair will be elected.

The Committee meets four times a year and may convene additional meetings as required. Three members of the Committee are required to attend for a meeting to be quorate.

The terms of reference for the Pension Fund Committee are:

1. To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the Investment Consultant.
2. To monitor performance of the Superannuation Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
3. To determine the Fund management arrangements, including the appointment and termination of the appointment of the fund managers, Actuary, Custodians and Fund Advisers.
4. To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
5. To approve the final statement of accounts of the Superannuation Fund and to approve the Annual Report.
6. To receive actuarial valuations of the Superannuation Fund regarding the level of employers' contributions necessary to balance the Superannuation Fund.
7. To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
8. To make and review an admission policy relating to admission agreements generally with any admission body.
9. To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
10. To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
11. To receive and consider the Auditor's report on the governance of the Pension Fund.
12. To determine the compensation policy on termination of employment and to make any decisions 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).
13. To determine policy on the award of additional membership of the pension fund and to make any decisions 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).
14. To determine policy on the award of additional pension and to make any decisions 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).

Governance Compliance Statement (continued)

15. To determine policy on retirement before the age of 60 and to make any decisions 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).
16. To determine a policy on flexible retirement and to make any decisions 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).
17. To determine questions and disputes pursuant to the Internal Disputes Resolution Procedures
18. To determine any other investment or pension fund policies that may be required from time to time so as to comply with Government regulations and to make any decisions in accordance with those policies 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).

PENSION BOARD

With effect from 1st April 2015, all administering authorities are required by the Public Services Pensions Act 2013 to establish a Pension Board to assist them. The City of Westminster Pension Board was established by the General Purposes Committee on 25th February 2015.

The role of the Pension Board is to assist the administering authority with securing compliance with Local Government Pension Scheme regulations and other legislation relating to the governance and administration of the scheme. The Board does not have a decision-making role in relation to management of the Fund but is able to make recommendations to the Pension Fund Committee.

The membership of the Board is as follows:

- Three employer representatives comprising one from an admitted or scheduled body and two nominated by the Council; (Councillors)
- Three scheme members representatives from the Council or an admitted or scheduled body.

All Board members are entitled to vote, but it is expected that as far as possible Board members will reach a consensus. Three Board members are required to attend for a meeting to be quorate. The Board will meet a minimum of twice a year but is likely to meet on a quarterly basis to reflect the same frequency as the Pension Fund Committee.

COMPLIANCE WITH STATUTORY GUIDANCE

It is a regulatory requirement that the Fund publishes the extent to which it complies with statutory guidance issued by the Secretary of State for Communities and Local Government. The guidance and compliance levels are set out in Appendix 1.

REVIEW OF STATEMENT

This statement will be kept under review and updated as required. Consultation with the admitted and scheduled bodies of the Fund will take place before the statement is finalised at each change.

Governance Compliance Statement (continued)

Compliance Requirement	Compliance	Notes
Structure		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	As set out in terms of reference of the Pension Fund Committee.
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pension Fund Committee.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
Committee membership and representation		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:- i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an <i>ad hoc</i> basis).	Compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pension Fund Committee. Expert advisers attend the Committee as required
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
Selection and role		
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Compliant	As set out in terms of reference of the Pension Fund Committee
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Compliant	This is a standing item on the Pension Fund Committee agendas
Voting		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	As set out in terms of reference of the Pension Fund Committee

Governance Compliance Statement (continued)

Compliance Requirement	Compliance	Notes
Training, facility time and expenses		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	Compliant	As set out in the Council's allowances policy and the Pension Fund Knowledge and Skills policy
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	Compliant	As set out in the Council's constitution
Meetings		
That an administering authority's main committee or committees meet at least quarterly.	Compliant	As set out in terms of reference of the Pension Fund Committee
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee.
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Compliant	Represented on the Pensions Board
Access		
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Compliant	As set out in the Council's constitution
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Compliant	As set out in terms of reference of the Pension Fund Committee
Publicity		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements	Compliant	All meeting minutes, reports and Pension Fund policies are published on the Council's website

Communication Policy

BACKGROUND

Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires administering authorities to prepare, publish and maintain a policy statement setting out its communication strategy for communicating with:

- Scheme Members
- Members' Representatives
- Prospective members
- Employers participating in the Fund

This document sets out the mechanisms that we use to meet our communication responsibilities. We aim to use the most appropriate communication method for the audiences receiving the information. This may involve using more than one medium of communication.

GENERAL COMMUNICATIONS

Correspondence:

Wherever possible we prefer to use electronic systems to receive and send correspondence and data, however hard copy postal services are also available.

Telephone:

Surrey County Council is our third party pension's administrator, their contact information is publicised in the scheme literature and on the website.

The telephone number for general enquiries and complaints: 0208 541 9293

Briefing Sessions and Pension Surgeries:-

The WCC HR Team will organise pension briefing sessions and pension surgeries on an annual basis to ensure staff have access to both personal and general scheme information.

During times of uncertainty including regulation amendments and reorganisation exercises additional briefing sessions and surgeries will be arranged to meet the demand.

Pension's Intranet site:

We have a website which has been designed to communicate and promote the benefits of the Local Government Pension Scheme, this is regularly updated.

It also contains:

- information to help potential members to understand the pension scheme,
- a link that allows current members to see their records online and calculate their own estimates
- online forms,
- advice on how to purchase additional membership,
- and, links to other useful websites

We also have information about recent scheme updates, provide fund investment information, and have a section for feedback.

We are committed to making this website as best as it can possibly be and therefore we have a section for feedback.

We consider this website to be one of our key methods of communication.

<http://www.wccpensionfund.co.uk/>

Communication Policy (continued)

PROSPECTIVE SCHEME MEMBERS

Scheme Guides

Scheme guides are available on the website or can be requested from Surrey County Council.

We promote to all potential members the benefits of the LGPS via the website posters and new starter information.

We also publicise information regarding auto-enrolment to staff via the website and we will liaise with all other scheme employers to remind them of their responsibilities to members on Auto-enrolment periodically offering support as necessary.

OTHER EMPLOYERS

Other employers that form part of our fund are invited to Employer Forums meetings that are held periodically. In the recent past these have been used to as a mechanism for communicating major strategic issues, significant legislation changes, triennial valuation matters and the Funding Strategy Statement.

Employers' are kept informed throughout the process of the tri-annual valuation which is carried out by the Councils actuaries. The employers' comments are always encouraged and welcomed and where appropriate taken into consideration.

OTHER BODIES

London Pensions Officer's Group:

Pensions Officers from London Boroughs meet regularly in order to share information and ensure uniform interpretation of Local Government Pension Scheme, and other prevailing regulations.

Pension & Lifetime Savings Association (PLSA)

All administering Authorities who are members of the PLSA are invited to attend, these meetings provide an opportunity to discuss issues of common interest and share best practice.

Seminars

Representatives of the Council regularly participate at seminars and conferences.