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City of Westminster

Committee Agenda

Title:	**Pension Board**
Meeting Date:	**Monday 29th January, 2018**
Time:	**7.00 pm**
Venue:	**Room 3.4, 3rd Floor, 5 Strand, London WC2N 5HR**
Members:	**Councillors:** Angela Harvey (Vice-Chairman) Adnan Mohammed **Employer Representative:** Marie Holmes **Scheme Member Representatives:** Dr Norman Perry (Chairman) Susan Manning Christopher Smith

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.00pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.

An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Toby Howes, Senior Committee and Governance Officer.

Tel: 020 7641 8470; Email: thowes@westminster.gov.uk
Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

To note any changes to the membership.

2. DECLARATIONS OF INTEREST

To receive any declarations by Members and Officers of the existence and nature of any personal and prejudicial interests in matters on this agenda.

3. MINUTES **(Pages 1 - 6)**

To approve the Minutes of the Pension Board meeting held on 13 November 2017.

4. PENSION ADMINISTRATION UPDATE **(Pages 7 - 12)**

Report of the Director of People Services.

5. LONDON COLLECTIVE INVESTMENT VEHICLE GOVERNANCE REVIEW **(Pages 13 - 16)**

Report of the City Treasurer.

6. TRIENNIAL VALUATION **(Pages 17 - 68)**

Report of the City Treasurer.

7. PENSION BOARD RISK REGISTER AND FORWARD PLAN **(Pages 69 - 90)**

Report of the City Treasurer.

8. ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

Stuart Love
Interim Chief Executive
23 January 2018

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CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Monday 13th November, 2017**, Room 3.4, 3rd Floor, 5 Strand, London WC2 5HR.

Members Present: Dr Norman Perry (Chairman and Scheme Member Representative), Marie Holmes (Employer Representative), Susan Manning (Scheme Member Representative) and Christopher Smith (Scheme Member Representative).

Officers Present: Peter Worth (Interim Tri-Borough Director of Treasury and Pensions), Yvonne Thompson-Hoyte (Senior Finance Manager – Pensions), Matthew Hopson (Senior Finance Manager – Treasury), Joanne Meagher (Head of Operational People Services), Sarah Hay (Pensions and Payroll Adviser) and Toby Howes (Senior Committee and Governance Officer).

Others Present: Larissa Benbow (Head of Fixed Income, London Collective Investment Vehicle), Chloe Crouch (Client Relations Executive, London Collective Investment Vehicle) and Kevin Cullen (Client Relations Director, London Collective Investment Vehicle)

Apologies for Absence: Councillor Angela Harvey and Councillor Adnan Mohammed

1 MEMBERSHIP

1.1 There were no changes to the membership.

1.2 Susan Manning confirmed that she would be leaving the Board after her term of membership ends.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3 MINUTES

3.1 **RESOLVED:**

That the Minutes of the meeting held on 13 November 2017 be signed by the Chairman as a correct record of proceedings.

4 PENSION ADMINISTRATION UPDATE

4.1 Joanne Meagher (Head of Operational People Services) presented the report and confirmed that she was satisfied with progress and Surrey County Council (SCC) in particular had improved its performance. The Board heard that the Annual Benefit Statements had been sent out before the 31 August deadline, even though SCC had only received the relevant data from BT 2 weeks beforehand. SCC had also increased the number of staff, however performance would continue to be monitored. In respect of BT, Joanne Meagher advised that they still faced challenges, however, with the support of People Services, a monthly data interface was in place and things were moving in the right direction. Sarah Hay (Pensions and Payroll Adviser) added that BT had sent a report on automated leavers, however checks were being made before this went live.

4.2 During Members' discussions, the Chairman commented that BT representatives had been in attendance at the last Pension Fund Committee meeting to answer questions. He asked whether problems experienced had led to any response from the Pensions Regulator. In noting that the Pension Fund Committee had endorsed the Pension Fund Strategy, the Chairman indicated his support for it too and sought further comments in respect of this. The Chairman also expressed an interest in the Board playing a role in respect of developing an Admissions Policy.

4.3 A Member welcomed the progress in improving pension administration performance, however concern was expressed that problems may arise again during re-organisation of City Council staff in some service areas and he sought views on whether BT and SCC would be able to able to cope effectively with this. He remarked that governance arrangements in respect of pooling were changing and he suggested there was a role for the Board to look into this in respect of the London Collective Investment Vehicle (CIV). Another Member asked how admitted bodies were valued, particularly as academies were underwritten by the Secretary of State.

4.4 In reply to issues raised by the Board, Joanne Meagher advised that the Pensions Regulator had not felt the need to raise questions with regard to the pension administration issues that had been experienced. With regard to changes to City Council staff, she advised that no more than 49 redundancies were expected and she did not think the changes would be too challenging for BT and SCC to cope with. Sarah Hay added that People Services was discussing with the service areas affected about arrangements on this matter and the automated leavers file would help in this respect once it went live.

4.5 Peter Worth (Interim Tri-Borough Director of Treasury and Pensions) stated that the Pension Administration Strategy sought to address management of liabilities and ensure the right people were paid at the right time. In respect of governance of pooling, concerns were being addressed over the potential loss of control over monitoring of fund managers for individual local authorities. In respect of the London CIV, this included 32 relatively small funds and a structural review would have been desirable. Peter Worth concurred that the Board could look into the issue of an Admissions Policy and it was important that one was in place. He advised that academies, which initially had been classified as admitted bodies in a Fund, were now classified as scheduled bodies.

5 EMPLOYEE SURVEY REPORT

5.1 Joanne Meagher presented the report and advised that 24 people had replied to the survey. She stated that those completing the survey were more likely to have experienced issues. The survey was to be kept open and a further report may be provided to the Board in 6 months. Joanne Meagher added that the survey was currently only open to City Council employees, however this could be extended to other organisations in future. Sarah Hay added that encouraging younger staff to respond to the survey was a challenge.

5.2 Members welcomed any proposals to extend the survey beyond City Council staff and indicated that they would be happy to promote the survey. It was suggested that the survey could also be sent to Union members and all employers that participated in the Fund.

6 MARKETS IN FINANCIAL INSTRUMENT DIRECTIVE 2014/65 (MIFID) UPDATE

6.1 Peter Worth presented the report and advised that the City Council was taking action to opt up to professional client status as a pension fund administering authority with regard to the Markets in Financial Instrument Directive (MiFID) 2014/65. This would include the City Council's engagement with all other organisations in respect of pension fund activities, including the London CIV. Peter Worth referred to the applicant form to opt up to professional client status as included in the report and stated that the task would be somewhat onerous, with evidence also required for each application required. He advised that any changes to pensions staff or the Pension Fund Committee needed to be reported back. Peter Worth also informed Members that he was putting together training on MiFID to Pension Fund Committee and Pension Board Members.

6.2 In noting that staff changes were taking place in the Treasury and Pensions Team, a Member asked if officers would be in place to undertake training. Peter Worth replied that a staggered replacement of staff would be desirable if possible.

6.3 **RESOLVED:**

That the action being taken to elect to opt up to professional client status on behalf of the Authority in respect of the Pension Fund be noted.

7 LONDON COLLECTIVE INVESTMENT VEHICLE UPDATE

7.1 The Board had before them representatives of the London Collective Investment Vehicle (CIV) to provide an update on the CIV's progress. Chloe Crouch (Client Relations Executive, London CIV) initially addressed the Board and advised that the London CIV now held 10 funds, of which 5 were global equities, whilst a new Epoch Global Equity fund had been launched on 30 September, which had increased the total value of the CIV's funds from £.5.5bn to £6.1bn. Chloe Crouch stated that the London CIV was in the process of opting up its London borough members to professional client status in respect of MiFID 2014/65 and 26 of 32 members had already been completed. Work was also being undertaken in respect of an infrastructure mandate.

7.2 Kevin Cullen (Client Relations Director, London CIV) drew Members' attention to the CIV's structure chart circulated at the meeting and stated that he had started his position in the last week. He advised that Hugh Grover had stepped down as Chief Executive Officer and Mark Hyde Harrison now fulfilled this role. The London CIV had made a lot of progress since its inception in 2014, however there was still much work to do.

7.3 Larissa Benbow (Head of Fixed Income, London CIV) then addressed the Board and stated that the London CIV currently had no fixed income platform. This was partly attributable to London boroughs retaining their own fixed income funds. Larissa Benbow explained that her role was to develop fixed income funds for the CIV and she had been discussing fixed income options with all London borough members of the CIV. This would involve launching 5 funding strategies and Larissa Benbow advised that 6 preferred fund managers had been identified, of which 2 of these would be selected. Work on setting up the first fixed income fund for the CIV was due to commence in the week commencing 4 December, with a view to the fund coming into existence in March 2018. Similarly, work would also start on setting up liquid loan funding in the week commencing 4 December, with a view to a fund being created in May 2018. Members noted that work would also take place on a multi-asset credit strategy. The emphasis would be on looking at good value and 2 fund managers would be selected. Larissa Benbow added that training would be made available for any London boroughs interested.

7.4 During Members' discussions, the Chairman asked what governance arrangements were in place for Pension Fund Committees to monitor the London CIV. In respect of the CIV itself, he sought further details of its own governance arrangements and emphasised that the Board was particularly interested in its processes. Members asked whether a Board Member could attend one of the London CIV governance meetings, for example one of the scrutiny meetings.

7.5 In reply to issues raised by the Board, Larissa Benbow advised that the Investment Oversight Committee oversaw governance arrangements for the CIV. The CIV was in a continual process of evolution since it had been created and it now had staff with both public and investment experience. Governance arrangements and the appropriate documentation were in place, however Larissa Benbow advised that a governance review was currently underway and the first set of recommendations from this review were expected on 17 November. Full diligence would also be undertaken in respect of the fixed income mandate. Larissa Benbow advised there was a process for the CIV to feedback to Pension Fund Committees, and officers were invited to meetings. There were also Working Groups in the CIV whose memberships were quite open.

7.6 Chloe Crouch added that the CIV held quarterly meetings with Baillie Gifford who were monitoring its activities. She also stated that consideration could be given as to whether a Board Member could attend London CIV meetings.

7.7 The Chairman thanked London CIV representatives for their informative presentation.

7.8 **RESOLVED:**

That the update from the London CIV be noted.

8 RISK REGISTER AND FORWARD PLAN

8.1 Yvonne Thompson-Hoyte (Senior Finance Manager – Pensions) presented the report and advised that 2 risks had been added to the Risk Register, the first in respect of failure to meet the deadline or rejections of opting up to professional client status for MiFID and the second on data protection, following a request by the Board at its previous meeting. The BT interface files risk had also been downgraded from high to medium risk.

8.2 The Chairman welcomed the fact that only one risk was classified as red in the Risk Register. He also expressed an interest in the Board receiving the formal triennial evaluation report.

8.3 **RESOLVED**:

That the changes to the Risk Register and the Forward Plan be noted.

9 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

9.1 Members asked if there was any training planned before the next Board meeting. In reply, Peter Worth advised that a training programme was being drafted and there would also be discussions with the London CIV on whether they could undertake some member training. All new members would receive an induction pack and training. Consideration would also be given as to what training other local authorities undertook for their members.

The Meeting ended at 8.50 pm.

CHAIRMAN: ______________________ **DATE** ___________________

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City of Westminster

Pension Board

Date:	**29 January 2018**
Classification:	**General Release**
Title:	**Pension Administration Update**
Report of:	**Lee Witham, Director of People Services**
Wards Involved:	**All**
Policy Context:	**Service Delivery**
Financial Summary:	**Limited**

1. Executive Summary

1.1. This report provides a summary of the performance of the City Council, Surrey County Council and BT. The report also gives an update on the Key Performance Indicator (KPI) performance of the pension administrators Surrey County Council (SCC) for the period September 2017 to December 2017. The detailed KPIs are shown in Appendix 1.

1.2. The scope of the KPIs in this report have been agreed between WCC and SCC based on the section 101 agreement, however they will continue to be reviewed on feedback from all parties, including Board members.

2. Surrey County Council (SCC) Performance

2.1. This paper covers September, October, November and December 2017, with the previous reporting period also shown for comparison. The last review meeting with Surrey was held on 29th November 2017 and focused on the September – November figures: this is why they are shown together as one result. December is therefore a standalone month and is shown separately on the KPIs.

2.2. People Services continue to hold regular meetings with SCC to discuss both day to day issues plus any future matters that need to be planed for, such as pension workshops, future re-organisations which may result in bulk leavers/retirements as well as performance against KPIs. We have previously highlighted areas where a need for improvement was identified. These areas are shown below with an update on recent performance against the September to December KPIs:

2.2.1. Retirement Options Issued to Members. We are pleased to note the improvement from 92% to 94% in the period September through to November and then onto 100% in December. This is considered one of our more important KPI measures.

2.2.2. New Retirement Benefits Processed for Payment. This has increased from 97% in the previous reporting period to 100% in this period. Again we are pleased as this is a key priority for the team.

2.2.3. Pension Payment, Member paid on the next available Pension Payroll. This KPI saw a fall for September to November to 95% but is now back to 100% in December, although the number of cases in that month were low. People Services will continue to closely monitor as this is one of our key measures.

2.2.4. Deferred benefits Statement Issued. There was one case late in December but due to low numbers this reduced the KPI to 86%. This is the first month it has dropped since before June.

2.2.5. Lump Sum Payment made in 5 days. Fell to 97% in September to November but is back to 100% in December.

2.2.6. Interfunds Out Actual Processed in 30 Days. Fell to 97 % in September to November but is back to 100% in December.

2.3. The improvement to the member self-service access originally planned for October 2017 has been delayed to January 2018. This change will improve the appearance of the Annual Benefit Statement (ABS) and enable mobile and tablet access. Once the upgrade has been completed People Services will promote to scheme members.

3. BT Performance

3.1. In an update from the previous Board, WCC People Services have agreed with BT that they will take over the completion of urgent pension leaver forms from 1st of January 2018. The agreed process is that People Services raise an Incident with BT when they are aware of an impending retirement case. People Services then advise the pensions lead officer at BT of the incident number so that these cases can be escalated quickly and pension leaver forms can be returned to Surrey before the members last day of employment.

3.2. The new urgent leaver form process is currently in its infancy; however early signs are positive. People Services will monitor forms for accuracy and turnaround time and continue to update the Board.

3.3. In addition to the above agreed process for urgent leavers, BT have produced a number of leavers reports from April 17 to November 17 for all WCC pension leavers in those months. The reports include whole time pay calculations and care pay figures. Officers will check the reports for accuracy and if acceptable Surrey will use these reports to complete the deferment process or prepare refunds.

3.4. The interface process where joining information is submitted by BT to Surrey CC is now up and running with no issues reported. We will not report further on this unless further issues arise.

3.5. In a further development since the last Board a monthly conference call has been set up with BT to discuss any outstanding issues relating to the LGPS. This call is now business as usual and replaces the urgent calls that were in place during the recovery programme. The first call took place on the 11/01/18 and was attended by officer representatives of all three boroughs. The call was generally positive.

3.6. The matter regarding the correction payroll for previous year's errors, including pension contributions is still outstanding and high level discussions are still on-going between BT and Directors of the 3 boroughs.

4. Issues Log

4.1. People Services continue to review any pension matters that have been referred to the in house team by individuals, Unison, BT or Surrey.

4.2. There are currently 5 issues on the log and one new case has been raised in the last month. The majority of cases involve escalating transfer payments or transfer quotes. There is one case ongoing regarding a transfer of an AVC to a private pension company.

5. Risk Register

5.1. Finance will be presenting the risk register to Board however as it was last reported Operational Administration reference 26 is remaining as Amber until we are satisfied that the leaver process with BT is timely and accurate.

6. Pension Board Membership

6.1. At the last Pension Board, Susan Manning (Scheme Member Representative) confirmed that she would be leaving the Board after her term of membership ends in June 2018. As a number of the Board members have a similar term it was agreed that People Services would write to all Board members to determine if they were happy to continue in their role.

6.2. A letter was sent to Board members on 22 January 2018 and a recruitment campaign for new members will take place once we know who wishes to continue.

6.3. Committee Services will be discussing the issue of member representation on the Board with the Chief Whip.

7. Summary

7.1. There have been improvements by both SCC and BT and People Services will continue to work with both to improve the pension service to members.

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MONTHLY RESULTS FOR DECEMBER AND JANUARY BASED ON NEW KPI REPORTING | JUNE TO AUGUST REPORTING | SEPTEMBER TO NOVEMBER REPORTING

Description	Target time/date as per Partnership Agreement	Actual Score June to August	No of Cases June to August	Comments	Actual Score September to November 17	No of Cases September to November	Comments	Actual Score Dec 2017	No of cases Dec 2017	Target	Trend	Comment	
PENSION ADMINISTRATION													
DEATH BENEFITS Notify potential beneficiary of lump sum death grant	5 days		0			0		100%	1	100%			
Write to dependant and provide relevant claim form	5 days	100%	5		100%	6		100%	4	100%			
Set up any dependants benefits and confirm payments due	14 days	100%	2		100%	4		NA	0	100%			
RETIREMENTS Retirement options issued to members	5 days	92%	26		94%	16	1 case late	100%	7	100%			
New retirement benefits processed for payment following receipt of all necessary documents	5 days	97%	34		100%	16		100%	3	100%			
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run	100%	34		95%	39		100%	3	100%		Fall in September to November back 100% in December though overall numbers low.	
REFUNDS OF CONTRIBUTIONS Refund paid following receipt of claim form	14 days	100%	21		100%	28		100%	1	100%			
DEFERRED BENEFITS Statements sent to member following receipt of leaver notification	30 days	100%	30		100%	89		86%	7	100%		only 1 case late in December.	
DEFERRED PAYMENTS													
Notification to members 2 months before payments due	3 months	New cases 2 months in advance.	61		100%	62		100%	18	2 months before		Note we have agreed that Surrey can write to members 2 months before benefits due not 3 months effective in December.	
Lump Sum (on receipt of all necessary documentation)	5 days	100%	44		97%	39		100%	10			fell 97% September - November but back to 100% December.	
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run	100%	44		100%	39		100%	10	100%			
NEW JOINERS New starters processed	30 days	100%	184	Monthly interfaces now being provided by BT	100%	62		100%	5	100%			
TRANSFERS IN Non LGPS transfers-in quotations	30 days		7	Clearing last of backlog cases				0	1			Please note that Transfer in KPI have been Temporarily suspended pending backlog clearance as a result of suspended CETV Factors.	
Non LGPS transfers-in payments processed	30 days	100%	3		NA	0		NA	0	100%			
TRANSFERS OUT Non LGPS transfers-out quotations processed	30 days	100%	5	Plus 19 backlog cases cleared.	100%	23		100%	5	100%			
Non LGPS transfers out payments processed	30 days	100%	2		100%	6		100%	1	100%			
Interfunds In - Quotations	30 days	100%	4		NA	0		100%	1	100%			
Interfunds In - Actuals	30 days	NA	0		NA	0		NA	0	100%			
Interfunds Out - Quotations	30 days	100%	9		96%	53		100%	6	100%		dropto 96% in Sept - Nov but back to 100% in December.	
Interfunds Out - Actuals	30 days	100%	3		100%	7		100%	6				
ESTIMATES													
1-10 cases	5 Days	100%	12		100%	46		NA	0				
11-50 cases	Agreed with WCC	NA			NA	NA		N/A			NA		
51 cases or over	Agreed with WCC	NA			NA	NA		N/A			NA		
MATERIAL CHANGES													
Any changes to data which materially affect actual or potential benefits to be processed within 30 days of receiving all necessary data	30 days	95%	198		100%	137		100%	20				
BUYING ADDITIONAL PENSIONS													

MONTHLY RESULTS FOR DECEMBER AND JANUARY BASED ON NEW KPI REPORTING

JUNE TO AUGUST REPORTING

SEPTEMBER TO NOVEMBER REPORTING

Description	Target time/date as per Partnership Agreement	Actual Score June to August	No of Cases June to August	Comments	Actual Score September to November 17	No of Cases September to November	Comments	Actual Score Dec 2017	No of cases Dec 2017	Target	Trend	Comment	
Members notified of terms of purchasing additional pension	15 days	NA	NA		NA	NA		N/A			N/A		
Monthly Pensioner Payroll													
Full reconciliation of payroll and ledger report provided to WCC	Last day of month	100%			100%			100%					
Issue of monthly payslips	3 days before pay day	100%			100%			100%					
RTI file submitted to HMRC	3 days before pay day	100%			100%			100%					
BACS File submitted for payment	3 days before pay day	100%			100%			100%					
P35	EOY	31-Mar-17			Annual			Annual					
Annual Exercises													
ANNUAL BENEFIT STATEMENTS Active members	31 August each year	Annual		Issued by 31/8 target	Annual		N/A	Annual			N/A		
ANNUAL BENEFIT STATEMENTS Deferred members	31 August each year	Annual		Issued 1 week late	Annual		N/A	Annual			N/A		
P60s Issued to Pensioners	31 May each year	100%		Issued April 2017	Annual		Issued April 2017	Annual			N/A	Issued April 2017	
Apply Pensions Increase to Pensioners	April each year	100%			Annual			Annual			N/A		
Pensioners Newsletter	April each year	100%		Issued April 2017	Annual		Issued April 2017	Annual			N/A	Issued April 2017	
CUSTOMER SERVICE													
CORRESPONDENCE													
Acknowledgement if more than 5 days	2 days												
Response	10 days	100%	21		98%	45		100%	12				
3rd party enquires	10 days	NA	NA		NA	NA		N/A	N/A		N/A		
Helpdesk Enquiries													
Volumes of Enquiries Handled By Helpdesk	Number of Enquiries Handled		1369	88% FPF rate.		940 (respresentative of 2 months)	89% FPF rate	90% FPF rate	289				
Customer Surveys													
Survey to retirees	Percentage Satisfied with Service							87.50%			N/A	Results based on survey of members retiring between April and September 2017	

City of Westminster

Pension Board

Date:	**29 January 2018**
Classification:	**General Release**
Title:	**London Collective Investment Vehicle Governance Review**
Wards Affected:	**All**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**Although no direct impact on the general fund, the Pension Fund has in excess of £500m invested directly with the London CIV and consequently has vested interests in good governance arrangements**
Report of:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2904**

1. EXECUTIVE SUMMARY

1.1 This paper updates the Board on:

a. The governance review of the London Collective Investment Vehicle (LCIV) undertaken by Willis Towers Watson.
b. The report highlights a number of issues that currently exist within the LCIV.
c. The report also makes a number of recommendations for change and improvement in LCIV's current governance arrangements.

2. RECOMMENDATIONS

2.1 That the Board notes:

a. The governance review attached at Appendix 1

3. GOVERNANCE REVIEW – KEY POINTS

3.1 It should be noted that the governance review highlights several significant concerns and makes a number of key recommendations.

3.2 The key concern surrounds the engagement of a wide stakeholder base with conflicting priorities and managing these different groups in order to achieve joint outcomes. The Investment Advisory Committee and the Joint Committee are not perceived to be operating optimally in their current forms.

3.3 There is also a perceived lack of transparency from LCIV in a number of areas, with particular concern in relation to manager selection.

3.4 There is a fundamental issue with the cost recovery model which is leaving LCIV underfunded and under resourced, especially in client relations and secretariat.

3.5 Formal arrangements for submitting priorities from each local authority would assist in holding LCIV to account, but this does not happen in this way and are only submitted ad hoc or not at all.

4. GOVERNANCE REVIEW - RECOMMENDATIONS

Key recommendations

4.1 The five key recommendations are listed below:

- Establish and agree a more concise and narrowly defined set of statements of purpose – for LCIV, the PSJC and the IAC in particular. This is an absolute priority. Consistent and focused communication, with clear linkages with business planning and strategy, of this set of purposes is vital for them to be effectively embedded in practice.

- The committee meeting cycle should be reviewed, reducing the number of full committee meetings and making greater use of sub -committees and working groups. Each committee should be focused on a clearly defined set of objectives within accompanying measures. The Terms of Reference of the stakeholder committees (PSJC and IAC or replacement equivalents) require concurrent redrafting.

- A well-resourced Secretariat function is required to support the various committees and governance bodies. This should likely come from LCIV, recognising that this needs to be appropriately funded.

- There needs to be a recognition of the importance of transparency and cultivating trust, and a clear cultural and strategic shift to embedding this at the heart of LCIV pooling arrangements. LCIV and its stakeholders should take this opportunity to reset their relationship. The client portal offers an excellent mechanism for efficient, open and comprehensive information sharing – it should be set up as a ‘one-stop shop’ to distribute LCIV information to stakeholders, and in turn fully utilised by stakeholders to gather the information they require.

- An independent resourcing and cost model review is required to give further clarity and recommendations on the appropriate levels of each, including how these develop over time.

Additional Recommendations

4.2 The report also laid out five other supplementary recommendations below:

- A useful mechanism for stakeholders to express clearly to LCIV their priorities, concerns and key measures of interest would be an annual 'Letter of expectations'. The PSJC (or similar replacement body) would be the most appropriate vehicle for delivering this.

- The Terms of Reference for the key stakeholders' committees and working groups are significantly below those of good practice investment organisations. There are issues over comprehensiveness as well as over clarity of purpose and scope of responsibilities which need to be remedied.

- LCIV needs to invest significantly in improving its database (quantitative knowledge) and understanding (qualitative knowledge) of the LLA funds – this has systems and resourcing (particularly in the Client Relationships function) implications.

- Reporting to stakeholders should be more streamlined and focused, bringing out strategic KPIs and measures of success.

- It seems appropriate at this stage to move away from the London Councils' governance model, with its associated constraints (including some political separations).

4.3 The full report is attached at appendix 1 for further consideration.

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

Matt Hopson mhopson@wesminster.gov.uk or 0207 641 4126

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – LCIV Governance Review

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City of Westminster

Pension Board

Date:	**29 January 2018**
Classification:	**General Release**
Title:	**Final Actuarial Valuation Report**
Wards Affected:	**None**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**This is the final report of the 2016 Actuarial process and sets out the rates that the Council and other Admitted and Scheduled bodies must use over the next three year period for Pension Fund contributions.**
Report of:	**Steven Mair** ***City Treasurer*** **smair@westminster.gov.uk** **020 7641 2904**

1 Executive Summary

1.1 The Fund Actuary, Graeme Muir presented his initial findings and proposals for deficit reduction for the City of Westminster Pension Fund to the meeting on 15 November 2016, before it was Agreed on 21 March 2017. The Board has requested sight of this report and the accompanying funding strategy statement. It sets out the contributions that have been set that in the Actuaries opinion meet the Regulatory requirements and the funding objectives set out in the Fund’s Funding Strategy Statement.

2 Recommendation

2.1 That the Board note the final Actuarial Report for 2016 which summarised the process that have taken place and the final contribution rates for Future and Past service contributions for Westminster City Council and all Admitted and Scheduled bodies.

3 Reasons for Decision

3.1 The purpose of the triennial Actuarial Valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2017 to 31 March 2020. Contributions are set to cover any shortfall between the assumed cost of providing benefits built up by members at the valuation date and the assets held by the Fund and to also cover the cost of benefits that active members will build up in the future.

4 Proposals and Issues

ACTUARIAL VALUATION

4.1. The LGPS regulations require all LGPS funds to undertake an actuarial valuation every three years for the purpose of setting employer contribution rates and monitoring the solvency of the funds. All funds in England and Wales are required to carry out a valuation as at 31st March 2016.

4.2. The Fund Actuary, Graeme Muir of Barnett Waddingham, attended the September and November cycles of meetings in 2016, setting out the background to the valuation, the basis of the assumptions and indicative results, before the final version was presented in March 2017

4.3. At the November meeting, there was a discussion with the Committee on the assumptions that were being applied and the presentation of the initial results showing for the whole Fund the assets, liabilities, deficit, future service rate and proposed annual deficit recovery lump sum contribution based on a proposed deficit year recovery period.

4.4. Since that meeting, contribution rates have now been set for the Council, and all Admitted and Scheduled bodies. These rates have been communicated. Admitted and Scheduled bodies have been given the option of consultation with the Actuary if there are issues with the new rates.

NEXT STEPS

4.5 The Actuarial Valuation Report as at 31 March 2016 sets out the contributions to be made by the Council, and all Admitted and Scheduled bodies for the 2017/18, 2018/19 and 2019/20 financial years to cover any shortfall between the assumed cost of providing benefits built up by members at the valuation date and the assets held by the Fund and to also cover the cost of benefits that active members will build up in the future. The next Triennial valuation will be in 2019

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

Matt Hopson mhopson@westminster.gov.uk or 020 7641 4126

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 Barnett Waddingham – Actuarial Valuation as at 31st March 2016
Appendix 2 Funding Strategy Statement
Appendix 3 Deficit Management Key Questions

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City of Westminster Pension Fund

Actuarial valuation as at 31 March 2016

Valuation report

3 March 2017

Introduction

In accordance with Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), we have been asked by the Westminster City Council to prepare an actuarial valuation of the City of Westminster Pension Fund (the Fund) as at 31 March 2016 as part of their role as the Administering Authority to the Fund.

The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2017 to 31 March 2020. Contributions are set to cover any shortfall between the assumed cost of providing benefits built up by members at the valuation date and the assets held by the Fund and to also cover the cost of benefits that active members will build up in the future.

This report is provided further to earlier advice dated 15 November 2016 which sets out the background to the valuation and explains the proposed underlying methods and assumptions derivation.

This report summarises the results of the valuation and is addressed to the Administering Authority of the Fund. It is not intended to assist any user other than the Administering Authority in making decisions or for any other purpose and neither we nor Barnett Waddingham LLP accept liability to third parties in relation to this advice.

This advice is subject to and complies with Technical Actuarial Standards (TASs) issued by the Financial Reporting Council (namely, the Pensions TAS and generic TASs relating to reporting, data and modelling).

We would be pleased to discuss any aspect of this report in more detail.

Contents

1 Summary of results

A summary of the results of the valuation is as follows:

Funding position

Using the agreed assumptions, the Fund had assets sufficient to cover 80% of the accrued liabilities as at 31 March 2016.

This has increased since 2013.

Changes since 2013

Regulations have changed with the introduction of the Section 13 report. Key focus is to secure **solvency** of the pension fund and **long-term cost efficiency.**

Method and assumptions

The resulting method and assumptions are set out in Appendix 2 and we believe these are appropriate for the 31 March 2016 valuation.

Employer contributions

Individual employer contributions are set out in Appendix 3 in the Rates and Adjustment certificate to cover the period from 1 April 2017 to 31 March 2020.

The next actuarial valuation should be carried out with an effective date of 31 March 2019 and the contributions payable by the participating employers will be reviewed as part of that valuation.

2 Background to valuation approach

The purpose of the 2016 actuarial valuation is to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2017 to 31 March 2020. This is required under regulation 62 of the LGPS Regulations. The Regulations for actuarial valuations have changed since the 2013 valuation and so has the context surrounding the valuation. Regulation 62 specifies four requirements that the actuary "must have regard to" and are detailed below:

- "the desirability of maintaining as nearly constant a primary rate as possible";
- "the current version of the administering authority's funding strategy statement";
- "the requirement to secure the solvency of the pension fund"; and
- "the long-term cost efficiency of the Scheme (i.e. the LGPS for England and Wales as a whole), so far as relating to the pension fund".

We have considered these changes when providing our advice and choosing the method and assumptions used and a number of reports and discussions have taken place with the Administering Authority before agreeing the final assumptions to calculate the results and set contribution rates. In particular:

- The initial results report dated 15 November 2016 which provides information and results on a whole fund basis as well as more detailed background to the method and derivation of the assumptions.
- The Funding Strategy Statement which will confirm the approach in setting employer contributions.

Note that not all these documents may be in the public domain.

The final assumptions have been agreed with the Administering Authority. We suggest that the Fund's Funding Strategy Statement is reviewed to ensure that it is consistent with this approach as well as complying with the updated version of CIPFA's Funding Strategy Statement guidance.

Membership data

A summary of the membership data used for the valuation is set out in Appendix 1.

The membership data has been checked for reasonableness and we have compared the membership data with information in the Fund accounts. Any missing or inconsistent data has been estimated where necessary. While this should not be seen as a full audit of the data, we are happy that the data is sufficiently accurate for the purposes of the valuation.

Benefits

Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. We have made no allowance for discretionary benefits.

Assets

Assets have been valued at a six month smoothed market value straddling the valuation date.

We have been provided with the audited Fund accounts for the years ending 31 March 2014, 31 March 2015 and 31 March 2016.

The market asset valuation as at 31 March 2016 was £1,066,343,000.

The Fund's long-term investment strategy has been taken into consideration in the derivation of the assumptions used. The investment strategy is set out in an Investment Strategy Statement available on the Fund's website.

3 Results

Previous valuation

The previous valuation was carried out as at 31 March 2013 by Barnett Waddingham LLP. The results are summarised in the valuation report dated 28 March 2014 and show a funding level of 74% corresponding to a deficit of £297,260,000.

The average employer contribution was calculated to be 13.3% of Pensionable Pay in order to cover the cost of future benefits being built up by active members.

In practice, each employer paid their own contribution rate which will have been a combination of contributions to cover the cost of future benefits (which will not necessarily have been the same as the average given above) and contributions towards past service deficit.

Shortfall between assets and liabilities

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Using the assumptions summarised in Appendix 2, the results of the valuation are set out in the tables below which show:

- The past service funding position which means how well funded the Fund was at the valuation date; and
- The primary rate for the whole Fund which is the weighted average (by payroll) of the individual employers' primary rates.

The primary and secondary rate of the individual employer contributions payable are set out in the Rates and Adjustment certificate in Appendix 3. These are either based on the employer's own membership and experience or they are the employer's share of the contributions payable within a pool of employers.

In Appendix 3 we also disclose the sum of the secondary rates for the whole Fund for each of the three years beginning with 1 April 2017. The secondary rate is an adjustment to the primary rate each employer is required to pay.

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the Regulations.

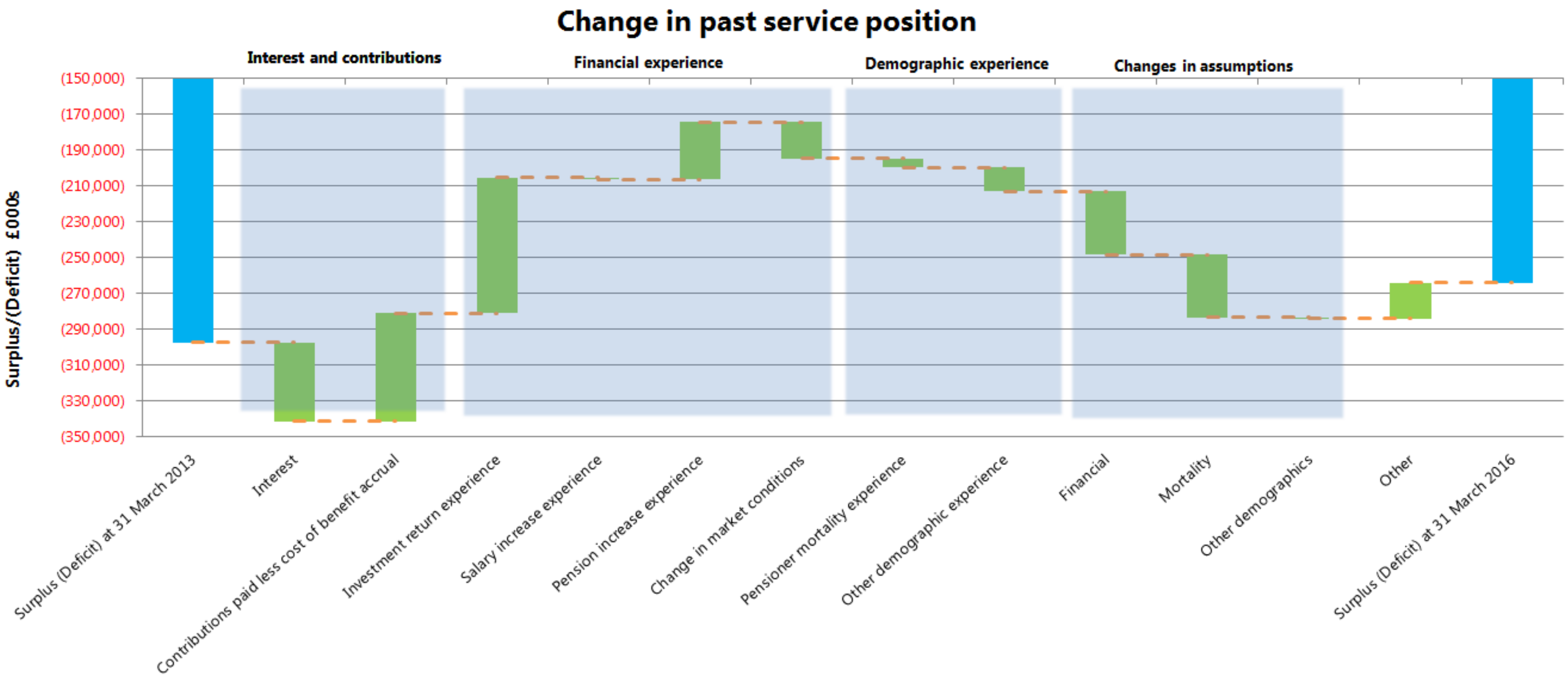
Past service funding position		31 March 2016 £000
Smoothed asset value		1,056,747
Past service liabilities		
	Actives	314,655
	Deferred pensioners	361,588
	Pensioners	644,554
	Total	1,320,797
Surplus (Deficit)		(264,050)
Funding level		80%

Primary rate	% of payroll
Total future service rate	24.3%
less employee contribution rate	(7.4%)
Total primary rate	**16.9%**

There was a deficit of £264,050,000 in the Fund at the valuation date, and the Fund's assets were sufficient to cover 80% of its liabilities.

Reconciliation to previous valuation

The key factors that have influenced the funding level of the Fund over the intervaluation period are as follows:



The funding level as a percentage has increased due to good investment returns and payment of employer deficit contributions although this has been partly offset by changes to the financial and demographic assumptions used.

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The table below sets out the change in future service contribution rate over the intervaluation period.

Change in future service contribution rate	% of payroll
Average employer rate at 31 March 2013	**13.3%**
Change in market conditions	1.5%
Change in assumptions	
Financial	1.6%
Mortality	0.5%
Other demographics	0.2%
Legislative changes	(0.2%)
Average employer rate at 31 March 2016	**16.9%**

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Comparing experience with assumptions

A comparison of the actual demographic experience of members of the Fund over the intervaluation period, with that assumed by the assumptions adopted at the last valuation in 2013 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2013.

Valuations on other bases

The liability value as set out in the previous section is known as the Fund's "funding target" and should be consistent with the Administering Authority's Funding Strategy Statement. However, as part of the valuation, we have also considered an estimate of the liabilities represented with all margins for prudence removed (the "neutral estimate").

Neutral estimate

The neutral basis is set with the main purpose of providing the Administering Authority an idea of the level of prudence contained within the funding basis. The neutral estimate should represent our best estimate of the funding position, in other words, we believe that it is equally likely that the Fund will beat or miss the funding target based on the neutral assumptions derived.

For the assumptions used for the funding basis, it is appropriate to include a margin for prudence to protect against the risk of not meeting the funding target and to essentially build a cushion for future adverse experience.

The neutral estimate does not contain any margins for prudence.

The funding basis includes an allowance for prudence in the discount rate assumption only. The discount rate on the neutral basis is therefore 6.2% p.a. All other assumptions are consistent with the ongoing funding basis.

The funding level on the neutral basis was 102%.

Projected future results

The progression of the funding level over time is influenced by a large number of factors, including the experience of the Fund's membership, the investment return achieved and the contributions paid.

We estimate that three years after the valuation date (i.e. at the next valuation) the funding position on a funding basis will be 84%. This allows for contributions to be paid as described in Appendix 3 and assumes that investment returns and other experience over the next three years is in line with the assumptions used for the assumptions as set out in Appendix 2. Any additional contributions made by employers over and above those certified would produce a higher projected funding level.

4 Sensitivity analysis

Sensitivities to the liabilities

The results set out in this report are based on a particular set of assumptions. The actual cost of providing the benefits will depend on the actual experience, which could be significantly better or worse than assumed. The sensitivity of the results to some of the key assumptions is set out in the table below.

Sensitivity analysis - Past service funding position		Discount rate		CPI inflation		Long term salaries		Short term salaries		Mortality improvement rate	
	Final basis	-0.1%	+0.1%	-0.1%	+0.1%	-0.1%	+0.1%	1% for four years	No short term allowance	-0.25%	+0.25%
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Smoothed asset value	1,056,747	1,056,747	1,056,747	1,056,747	1,056,747	1,056,747	1,056,747	1,056,747	1,056,747	1,056,747	1,056,747
Past service liabilities											
Actives	314,655	321,526	307,990	309,978	319,453	313,296	316,030	303,050	327,633	311,173	318,167
Deferred pensioners	361,588	368,939	354,448	354,292	369,105	361,588	361,588	361,588	361,588	357,950	365,258
Pensioners	644,554	651,515	637,705	638,366	651,044	644,554	644,554	644,554	644,554	638,981	649,795
Total	1,320,797	1,341,979	1,300,144	1,302,635	1,339,602	1,319,438	1,322,172	1,309,192	1,333,775	1,308,104	1,333,220
Surplus (Deficit)	(264,050)	(285,233)	(243,397)	(245,888)	(282,855)	(262,691)	(265,425)	(252,445)	(277,028)	(251,357)	(276,473)
Funding level	80%	79%	81%	81%	79%	80%	80%	81%	79%	81%	79%

Sensitivities to the primary rate

The calculated primary rate required to fund benefits as they are earned from year to year will also be affected by the particular set of assumptions chosen. The sensitivity of the primary rate to changes in some key assumptions is shown below.

Sensitivity analysis - Primary rate		Discount rate		CPI inflation		Long term salaries		Short term salaries		Mortality improvement rate	
	Final basis	-0.1%	+0.1%	-0.1%	+0.1%	-0.1%	+0.1%	1% for four years	No short term allowance	-0.25%	+0.25%
	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll
Total future service rate	24.3%	24.9%	23.7%	23.7%	24.9%	24.3%	24.3%	24.0%	24.7%	24.0%	24.6%
less Employee contribution rate	(7.4%)	(7.4%)	(7.4%)	(7.4%)	(7.4%)	(7.4%)	(7.4%)	(7.4%)	(7.4%)	(7.4%)	(7.4%)
Total primary rate	**16.9%**	**17.5%**	**16.3%**	**16.3%**	**17.5%**	**16.9%**	**16.9%**	**16.6%**	**17.3%**	**16.6%**	**17.2%**

5 Final comments

Funding Strategy Statement

The assumptions used for the valuation must be documented in a revised Funding Strategy Statement to be agreed between the Fund Actuary and the Administering Authority. We are able to help the Fund to prepare the Funding Strategy Statement using the latest guidance issued by CIPFA.

Risks

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund are:

- Employer covenant risk
- Investment risk
- Inflation risk
- Mortality risk
- Member options risk
- Legislative risk.

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Sensitivity to some of these risks were set out in section 4. Please note that this is not an exhaustive list. Further information on these risks and more can be found in our initial results report and will be set out in greater detail in the Funding Strategy Statement.

Rates and Adjustments Certificate

The contributions payable in respect of benefit accrual, expenses and any deficit contributions under each employer's recovery period have been set out in Appendix 3 in the Rates and Adjustments Certificate in accordance with Regulation 62 of the Regulations. In this certificate no allowance will be made for additional costs arising which need to be met by additional contributions by the employer such as non-ill health early retirements.

The contributions as set out in Appendix 3 in the Rates and Adjustments Certificate are set so that each employer's assets (including future contributions) are projected to be sufficient to cover the benefit payments for their members, on the assumptions set out in this report. Where there is currently a deficit for an individual employer, this is targeted in line with the Fund's Funding Strategy Statement and all employers are projected to be fully funded by no later than 31 March 2038.

This document has been agreed between the Administering Authority and the Fund Actuary. Contributions have been set that in our opinion meet the Regulatory requirements and the funding objectives set out in the Fund's Funding Strategy Statement.

The next formal valuation is due to be carried out as at 31 March 2019 however we would recommend that the financial position of the Fund is monitored regularly during the period leading up to the next formal valuation. We would be happy to give more detail about the ways that this can be achieved.

Graeme Muir FFA
Barnett Waddingham LLP

Appendix 1 **Summary of membership data**

A summary of the membership data used in the valuation is as follows. The membership data from the previous valuation is also shown for comparison.

Actives	Number		Pensionable pay Total £000		Pensionable pay Average £		Average age	
	2016	2013	2016	2013	2016	2013	2016	2013
Males	1,451	1,197	51,131	45,981	35,239	38,413	45.1	45.2
Females	2,842	2,116	66,485	56,910	23,394	26,895	45.0	44.8
Total	4,293	3,313	117,616	102,891	27,397	31,056	45.0	45.0

Deferred pensioners (including "undecideds")	Number		Annual pensions current Total £000		Annual pensions current Average £		Average age	
	2016	2013	2016	2013	2016	2013	2016	2013
Males	2,645	2,450	7,554	7,472	2,856	3,050	47.7	47.4
Females	4,955	4,388	11,597	10,267	2,340	2,340	47.0	46.0
Total	7,600	6,838	19,151	17,739	2,520	2,594	47.2	46.5

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Pensioners	Number		Annual pensions current Total £000		Annual pensions current Average £		Average age	
	2016	2013	2016	2013	2016	2013	2016	2013
Males	2,265	2,162	23,214	21,910	10,249	10,134	71.7	71.0
Females	2,386	2,186	14,153	12,589	5,932	5,759	71.4	70.6
Dependants	928	937	3,534	3,403	3,808	3,632	73.4	72.1
Total	5,579	5,285	40,901	37,902	7,331	7,172	71.8	71.0

- The numbers relate to the number of records and so will include members in receipt of, or potentially in receipt of, more than one benefit.
- Annual pensions are funded items only and include pension increases up to and including the 2016 pension increase order.
- Pensionable Pay is actual earnings.

In the table below we have set out the number of members who are assumed to reach retirement age over the period from 1 April 2017 to 31 March 2020 as required under the Rates and Adjustments Certificate.

Members may retire for a number of reasons including reaching normal retirement age, retiring through ill health or redundancy. The figures in the table below are based on the assumptions made in our calculations as set out in Appendix 2. The new pension amounts included in the table are the pension amounts, as at the current valuation date, that are assumed to come into payment and also allow for our assumption regarding commutation.

Projected new benefits Year to	Number of members	Retirement benefits £000's
31 March 2017	250	5,117
31 March 2018	408	7,651
31 March 2019	298	6,237
31 March 2020	335	6,538

Appendix 2 Actuarial assumptions

A summary of the assumptions adopted in the valuation is set out below:

Financial assumptions		31 March 2016 % p.a.	31 March 2013 % p.a.
Discount rate (Scheduled Bodies)		5.1%	5.9%
Discount rate (Admitted Bodies)			
In service		4.5%	4.9%
Having left service		3.0%	3.5%
Pay increases	Long-term	3.9%	4.5%
	Short-term	2.4% p.a. for period from 1 April 2016 to 31 March 2020	1% for period from 1 April 2013 to 31 March 2016
Retail Price Inflation (RPI)		3.3%	3.5%
Consumer Price Inflation (CPI)		2.4%	2.7%
Pension increases		2.4%	2.7%

Demographic assumptions	31 March 2016	31 March 2013
Pre-retirement mortality - base table	Set with reference to GAD tables with a multiplier of 120% for males and 85% for females	GAD tables
Post-retirement mortality (member) - base table	S2PA tables with a multiplier of 80% for males and 85% for females	S1PA tables with a multiplier of 110% for males and 100% for females
Post-retirement mortality (dependant) - base table	100% of the S2DFA tables for female dependants and 95% of the S2PMA tables for male dependants	S1PA tables with a multiplier of 100% for female dependants and 110% for male dependants
Allowance for improvements in life expectancy	2015 CMI Model with a long-term rate of improvement of 1.5% p.a.	2012 CMI Model with a long-term rate of improvement of 1.5% p.a.
Promotional salary scale	Set with reference to GAD tables	GAD tables
Allowance for early retirements (ill health)	Set with reference to GAD tables	GAD tables
Allowance for withdrawals	Set with reference to GAD tables	GAD tables
Allowance for cash commutation	Members will commute pension at retirement to provide a lump sum of 50% of the additional maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension	Members will commute pension at retirement to provide a lump sum of 50% of the additional maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension
Allowance for 50:50 membership	It is assumed that opted-in active members will continue to pay 50% of contributions for 50% of benefits under the new scheme	5% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme
Partner age difference	Males are three years older than their spouse and females are three years younger than their spouse	Males are three years older than their spouse and females are three years younger than their spouse
Proportion married	There is an 75%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits	There is an 80%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits
Retirement age	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.

Demographic assumptions – sample rates

The following tables set out some sample rates of the demographic assumptions used in the calculations. These are the same as those used by the Government Actuary's Department when LGPS reforms were designed and based on analysis of incidence of death retirement and withdrawal for Local Authority Funds saved here: http://www.lgpsregs.org/index.php/dclg-publications/dclg-other

Allowance for ill health early retirements (GAD table b6.1)

A small proportion of members are assumed to retire early due to ill health. In the table below we set out an extract of some sample rates from the decrement table used:

Age	Leaving p.a. (M)	Leaving p.a. (F)
25	0.01%	0.00%
30	0.01%	0.01%
35	0.02%	0.02%
40	0.05%	0.03%
45	0.10%	0.07%
50	0.20%	0.15%
55	0.41%	0.33%
60	0.84%	0.71%
65	1.72%	1.53%

The proportion of ill health early retirements falling into each tier category has been assumed to be as follows for both males and females:

Tier 1	Tier 2	Tier 3
75%	15%	10%

Death before retirement for all members (GAD table b8)

A small number of members are assumed to die before reaching retirement age. In the table below we set out an extract of some sample unweighted rates from the decrement table used:

Age	Males	Females
25	0.03%	0.01%
30	0.04%	0.02%
35	0.05%	0.02%
40	0.06%	0.03%
45	0.09%	0.05%
50	0.13%	0.08%
55	0.21%	0.13%
60	0.32%	0.20%
65	0.51%	0.30%

Please note that, as decribed above, we have applied a rating of 120% for males and 85% for females to this table.

Allowance for withdrawals (GAD table b7)

This assumption is regarding active members who leave service to move to deferred member status or take a transfer out but do not yet retire. Active members are assumed to leave service at the following sample rates:

Age	Leaving p.a. (M)	Leaving p.a. (F)
25	8.10%	9.08%
30	6.38%	7.20%
35	5.02%	5.71%
40	3.95%	4.53%
45	3.11%	3.59%
50	2.44%	2.85%
55	1.92%	2.26%
60	1.51%	1.79%
65	1.19%	1.42%

Promotional salary scale (using GAD table b9)

In addition to the assumption made about annual salary increases, we have also included an allowance for a promotional salary scale which applies at each age and some sample rates are set out in the table below:

Age	Males	Females
25	1.0368	1.0165
30	1.1177	1.0526
35	1.1741	1.0820
40	1.2137	1.1033
45	1.2472	1.1040
50	1.2715	1.1043
55	1.2716	1.1044
60	1.2717	1.1045

Appendix 3 **Rates and Adjustments Certificate**

Regulatory background

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2017 to 31 March 2020.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Funding Strategy Statement and our report on the actuarial valuation dated March 2017.

The primary rate of contribution as defined by Regulation 62(5) for each employer for the period 1 April 2017 to 31 March 2020 is set out in the table overleaf. The primary rate is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2017. In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the following minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

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Primary and secondary rate summary

The primary rate for the whole Fund is the weighted average (by payroll) of the individual employers' primary rates, and is 16.9% of payroll.

The sum of the employers' secondary rates (as a percentage of projected payroll and as an equivalent monetary amount) in each of the three years in the period 1 April 2017 to 31 March 2020 is set out in the table below.

Total secondary contributions		
Year to	Monetary amounts (£000s)	% of total Fund pay
31 March 2018	20,522	17.0%
31 March 2019	24,593	19.9%
31 March 2020	28,696	22.7%

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General notes

Employers may pay further amounts at any time and future periodic contributions, or the timing of contributions, may be adjusted on a basis approved by us as the Fund Actuary. The administering authority, with advice from us as the Fund Actuary may allow some or all of these contributions to be treated as a prepayment and offset against future certified contributions.

The certified contributions include an allowance for expenses and the expected cost of lump sum death benefits but exclude early retirement strain and augmentation costs which are payable by participating employers in addition.

The monetary amounts are payable in 12 monthly instalments throughout the relevant year unless agreed by the Administering Authority and an individual employer.

Employer code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
00W01	Westminster City Council	15.7%	plus £20,500,000	plus £24,500,000	plus £28,500,000	15.7% plus £20,500,000	15.7% plus £24,500,000	15.7% plus £28,500,000	
00W21	City West Homes Ltd	14.6%	+1.4% plus £29,400	+1.4%	+1.4%	16.0% plus £29,400	16.0%	16.0%	
00W56	Paddington Academy	16.8%	-3.3%	-1.7%	-	13.5%	15.1%	16.8%	
00W5B	Westminster Academy	15.7%	-2.2%	-1.1%	-	13.5%	14.6%	15.7%	
00W54	King Solomon Academy	10.1%	-	-	-	10.1%	10.1%	10.1%	
00W57	Pimlico Academy	14.1%	-3.2%	-1.6%	-	10.9%	12.5%	14.1%	
00W7C	Housing Communities Agency (HCA)	28.2%	-3.2%	-3.2%	-3.2%	25.0%	25.0%	25.0%	
00W84	Day Care Service (Housing 21)	38.8%	-8.8%	-4.4%	-	30.0%	34.4%	38.8%	
00W50	ARK Atwood Primary Academy	14.9%	-4.4% plus £8,000	-2.2% plus £8,300	plus £8,600	10.5% plus £8,000	12.7% plus £8,300	14.9% plus £8,600	
00W5A	St Marylebone School	15.2%	-	-	-	15.2%	15.2%	15.2%	
00W58	Quintin Kynaston Community Academy	13.6%	+3.4%	+3.4%	+3.4%	17.0%	17.0%	17.0%	

Employer code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
00W59	St Georges Academy	18.8%	+0.2%	+0.2%	+0.2%	19.0%	19.0%	19.0%	
00W55	Millbank Academy	15.8%	plus £32,800	plus £34,100	plus £35,400	15.8% plus £32,800	15.8% plus £34,100	15.8% plus £35,400	
00W53	Greycoat Academy	18.9%	plus £40,300	plus £41,900	plus £43,500	18.9% plus £40,300	18.9% plus £41,900	18.9% plus £43,500	
00W5C	Westminster City Academy	15.3%	+1.7% plus £15,100	+1.7% plus £15,600	+1.7% plus £16,300	17.0% plus £15,100	17.0% plus £15,600	17.0% plus £16,300	
00W80	Allied Healthcare	35.0%	-5.0%	-2.5%	-	30.0%	32.5%	35.0%	
00W7B	Housing Ombudsman Service	24.9%	-3.4% plus £84,000	-3.4% plus £110,000	-3.4% plus £134,000	21.5% plus £84,000	21.5% plus £110,000	21.5% plus £134,000	
00W83	Creative Education Trust	16.0%	-2.0%	-1.0%	-	14.0%	15.0%	16.0%	
00W5E	Marylebone Boys' School	18.3%	-3.1%	-1.6%	-	15.2%	16.7%	18.3%	
00W5F	The Minerva Academy	12.6%	-	-	-	12.6%	12.6%	12.6%	
00W81	Amey {WPF}	33.4%	-2.7%	-1.4%	-	30.7%	32.0%	33.4%	
00W7F	Sanctuary Housing Association	32.2%	-	-	-	32.2%	32.2%	32.2%	

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Barnett Waddingham
a true partnership approach

Employer code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Specific notes
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
00W51	Churchill Gardens Academy	18.4%	+0.6%	+0.6%	+0.6%	19.0%	19.0%	19.0%	
00W52	Gateway Academy	18.6%	plus £29,600	plus £30,700	plus £31,900	18.6% plus £29,600	18.6% plus £30,700	18.6% plus £31,900	
00W5D	Wilberforce Academy	18.4%	plus £27,300	plus £28,400	plus £29,500	18.4% plus £27,300	18.4% plus £28,400	18.4% plus £29,500	
00W7G	JPL Catering	25.5%	+3.5%	+3.5%	+3.5%	29.0%	29.0%	29.0%	
00W5J	St Marylebone CE Bridge School	16.3%	plus £900	plus £900	plus £1,000	16.3% plus £900	16.3% plus £900	16.3% plus £1,000	
00W5G	Harris 6th Form College (Acad)	14.5%	-1.7%	-0.9%	-	12.8%	13.6%	14.5%	
00W7E	HATS	31.0%	-	-	-	31.0%	31.0%	31.0%	
n/a	Pimlico Free School	13.0%	-	-	-	13.0%	13.0%	13.0%	
00W5H	Beachcroft Academy	13.0%	plus £5,400	plus £5,600	plus £5,800	13.0% plus £5,400	13.0% plus £5,600	13.0% plus £5,800	

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City of Westminster Pension Fund Investment Strategy Statement 2017/18

1. Introduction

1.1 This is the first Investment Strategy Statement (ISS) adopted by the City of Westminster Pension Fund ("the Fund").

Under The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Fund is required to publish this ISS. It replaces the Statement of Investment Principles which was previously required under Schedule 1 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The Regulations require administering authorities to outline how they meet each of 6 objectives aimed at improving the investment and governance of the Fund.

1.2 This Statement addresses each of the objectives included in the 2016 Regulations:

- A requirement to invest fund money in a wide range of instruments
- The authority's assessment of the suitability of particular investments and types of investment
- The authority's approach to risk, including the ways in which risks are to be measured and managed
- The authority's approach to pooling investments, including the use of collective investment vehicles
- The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments
- The authority's policy on the exercise of rights (including voting rights) attaching to investments

We deal with each of these in turn below.

1.3 The Pension Fund Committee (the "Committee") of the City of Westminster Pension Fund oversees the management of the Fund's assets. Although not trustees, the Members of the Committee owe a fiduciary duty similar to that of trustees to the council-tax payers and guarantors of other scheme employers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

1.4 The relevant terms of reference for the Committee within the Council's Constitution are:

The Pension Fund Committee's responsibilities are set out in their terms of reference and are to have responsibility for all aspects of the investment and other management activity of the Council's Pension Fund, including, but not limited to, the following matters:

- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the Investment Consultant.

- To monitor performance of the Superannuation Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
- To determine the Fund management arrangements, including the appointment and termination of the appointment of the Fund Managers, Actuary, Custodians and Fund Advisers.
- 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.
- To approve the final accounts and balance sheet of the Superannuation Fund and to approve the Annual Report..
- To receive actuarial valuations of the Superannuation Fund regarding the level of employers' contributions necessary to balance the Superannuation Fund.
- To oversee and approve any changes to the administration arrangements, material contracts and policies and procedures of the Council for the payment of pensions, compensation payments and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.
- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To receive and consider the Auditor's report on the governance of the Pension Fund.
- 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).
- 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).
- 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).
- 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).
- 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).
- To determine questions and disputes pursuant to the Internal Disputes Resolution Procedures.
- To determine any other investment or pension 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).

The Committee has responsibility for:

- Determining an overall investment strategy and strategic asset allocation, with regard to diversification and the suitability of asset classes
- Appointing the investment managers, an independent custodian, the actuary, the investment advisor(s) and any other external consultants considered necessary
- Reviewing on a regular basis the investment managers' performance against benchmarks, portfolio risk and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls
- Monitoring compliance with the ISS & Funding Strategy Statement (FSS) and reviewing its contents
- Reviewing policy on social, environmental and ethical considerations, and on the exercise of voting rights

The City Treasurer and the appointed consultants and actuaries support the Committee. The day-to-day management of the Fund's assets is delegated to investment managers.

1.5 This ISS will be reviewed at least once a year, or more frequently as required - in particular following valuations, future asset/liability studies and performance reviews, which may indicate a need to change investment policy, or significant changes to the FSS.

1.6 Under the previous Regulations the Statement of Investment Principles required to state how it complies with the revised six investment principles as outlined within the CIPFA Pensions Panel Principles. Although not formally required under the 2016 Regulations this information is given in Appendix A. In addition, Appendix B includes a disclosure of the Fund's policy on how the Committee discharge their stewardship responsibilities.

2. Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments

2.1 Funding and investment risk is discussed in more detail later in this ISS. However, at this stage it is important to state that the Committee is aware of the risks it runs within the Fund and the consequences of these risks.

2.2 In order to control risk the Committee recognises that the Fund should have an investment strategy that has:

- Exposure to a diverse range of sources of return, such as market, manager skill and through the use of less liquid holdings.
- Diversity in the asset classes used
- Diversity in the approaches to the management of the underlying assets.

A consequence of this approach is that the Fund's assets are invested in a wide range of instruments.

2.3 This approach to diversification has seen the Fund dividing its assets across 4 broad categories; UK equities, Global equities, Fixed Income and Property. The size of assets invested in each category will vary depending on investment conditions. However, it is important to note that each category is itself diversified.

2.4 The main risk the Committee are concerned with is to ensure the long-term ability of the fund to meet pension, and other benefit obligations, as they fall due is met. As a result the Committee place a high degree of importance on ensuring the expected return on the assets is sufficient to do so, and does not have to rely on a level of risk which the Committee considers excessive.

The Fund currently has a negative cash flow position. The Committee is mindful that this position may change in future and keeps the liquidity within the Fund monitored.

At all times the Committee seeks to ensure that their investment decisions, including those involving diversification, are the best long term interest of Fund beneficiaries.

2.5 To mitigate these risks the Committee regularly reviews both the performance and expected returns from the Fund's investments to measure whether it has met and is likely to meet in future its return objective. In addition to keeping their investment strategy and policy under regular review the Committee will keep this ISS under review to ensure that it reflects the approaches being taken.

3. Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment

3.1 When assessing the suitability of investments the Committee takes into account a number of factors:

- Prospective return
- Risk
- Concentration
- Risk management qualities the asset has, when the portfolio as a whole is considered
- Geographic and currency exposures
- Whether the management of the asset meets the Fund's ESG criteria.

3.2 Suitability is a critical test for whether or not a particular investment should be made.

3.3 Each of the Fund's investments has an individual performance benchmark which their reported performance is measured against.

3.3 The Committee monitors the suitability of the Fund's assets on a quarterly basis. To that end they monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood. Where comparative statistics are available the Committee will also compare the Fund asset performance with those of similar funds.

3.4 The Committee relies on external advice in relation to the collation of the statistics for review.

4. Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed

4.1 The Committee recognises that there are a number of risks involved in the investment of the assets of the Fund amongst which are the following:

4.2 Geopolitical and currency risks:

- are measured by the value of assets (the concentration risk), in any one market leading to the risk of an adverse influence on investment values arising from political intervention; and
- are managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

4.3 Manager risk:

- is measured by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and
- is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

4.4 Solvency and mismatching risk:

- are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies; and
- are managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

4.5 Liquidity risk:

- is measured by the level of cash flow required over a specified period; and
- managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy

4.6 Custodial risk:

- is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

4.7 Employer contributions are based upon financial and demographic assumptions determined by the actuary. The main risks to the Fund are highlighted within sections 12 to 15 of the Funding Strategy Statement (FSS). The risks to the Fund are controlled in the following ways:

- The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the investment managers from deviating significantly from the intended approach while permitting the flexibility for managers to enhance returns
- The appointment of more than one manager with different mandates and approaches provides for the diversification of manager risk

4.8 The investment management agreements constrain the manager's actions in areas of particular risk and set out the respective responsibilities of both the manager and the Fund.

4.9 The Committee are aware investment risk is only one aspect of the risks facing the Fund. The other key risk they are aware of is the ability of the Fund to meet the future liabilities, support the investment risk (i.e. the level of volatility of investment returns) and underwrite actuarial risk, namely the volatility in the actuarial funding position and the impact this has on contributions.

4.10 The Committee are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy the Committee carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate.

Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and also the correlation between them. These can be based on historic asset class information for some of the listed asset classes the Fund uses. However, for other private market and less liquid assets it is much more difficult.

The Committee is also mindful that correlations change over time and at times of stress can be significantly different from they are in more benign market conditions.

To help manage risk the Committee uses an external investment adviser to monitor the risk. In addition when carrying out their investment strategy review the Committee also had different investment advisers asses the level of risk involved.

4.11 The Fund targets a long-term return 5.1% as aligned with the latest triennial valuation from the Actuary. The investment strategy is considered to have a low degree of volatility.

4.12 When reviewing the investment strategy on a quarterly basis the Committee considers advice from their advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable.

4.13 At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.

5 Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles.

5.1 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.

5.2 The Fund has joined the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda. The London CIV has been operational for some time and is in the process of opening a range of sub-funds covering liquid asset classes, with less liquid asset classes to follow.

5.3 The Fund has already transitioned assets into the London CIV with a value of £178m as at the 28th February 2017 and will look to transition further liquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

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

5.5 The Fund holds 22.3% £280m of its assets in life funds and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool.

5.6 The Fund holds £110m or 8.8% of the Fund held in illiquid assets and these will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

City of Westminster Total Fund	Available on the CIV	Transferred
UKEquities Majedie	May-17 (£301m)	
Global Equities Baillie Gifford LGIM Longview Partners	Yes Jun-17 (£140m)	£178m
Fixed Income Insight IM (Core) Insight IM (Gilts)		
Real Estate Hermes Property Standard Life Property		
Cash In-House Cash		

5.7 The Committee are aware that certain of the assets held within the Fund have limited liquidity and moving them would come at a cost. Whilst it is the expectation to make use of the London CIV for the management of the majority of the Fund assets in the longer term, the Committee recognises that transitioning from the current structure to the London CIV will be a protracted exercise spread over a number of years to ensure unnecessary costs are not incurred.

5.8 At each review of the investment strategy, which will happen at least every three years, the investment of the above assets will be actively considered by the City of Westminster Pension Fund, and in particular whether a collective investment option is appropriate.

5.9 More information on the London CIV and its operation is included in Appendix D of this statement.

6 Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

6.1 A review of the Fund's approach to Socially Responsible Investments (SRI) was completed in March 2015 and is contained in the existing SIP. The Fund adopted an SRI Policy which outlines its approach to the management of Environmental, Social and Governance (ESG) issues within its investment portfolio. The existing SRI Policy now needs reviewing as the last update was undertaken 2 years ago, although as funds are moved across to the London CIV, the Council will need to understand and apply the London CIV's principles.

The Present ESG Policy

6.2 The Fund recognises that the neglect of corporate governance and corporate social responsibility may lead to poor or reduced shareholder returns. The Committee has considered how the Fund may best implement a corporate social responsibility policy, given the current resources available to the Fund. Accordingly, the Committee has delegated social, environmental and ethical policy to the investment managers, but also approved a Governance Strategy. The Committee believes this is the most efficient approach whilst ensuring the implementation of policy by each manager is consistent with current best practice and there is appropriate disclosure and reporting of actions taken. To that extent, the Committee maintains a policy of non-interference with the day-to-day decision making of the investment managers.

The London Collective Investment Vehicle (CIV) ESG Policy (Wording)

6.3 The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills.

6.4 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed

6.5 The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making

6.6 Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes

6.7 The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

6.8 The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

The Fund in preparing and reviewing its Investment Strategy Statement will inform stakeholders, including but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate.

7 Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments

The Present Policy

7.1. The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the investment managers to vote in the best interests of the Fund

The London Collective Investment Vehicle (CIV) ESG Policy (Wording)

7.2 The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries. The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

7.3 The Fund has delegated responsibility for voting rights to the Fund's external investment managers and expects them to vote in accordance with the Fund's voting policy as set out in Sections 6.2 and 7.1.

7.4 The Fund will incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Pension Fund website: (we do not do this at the moment)

7.5 The Fund has reviewed the London CIV Statement of Compliance with the Stewardship Code and has agreed to adopt this Statement.

7.6 In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

7.7 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests

In addition the Fund:

7.8 Is a member of the Pension and Lifetime Savings Association (PLSA) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners

7.9 Joins wider lobbying activities where appropriate opportunities arise.

8 Feedback on this statement

Any feedback on this investment Strategy Statement is welcomed. If you have any comments or wish to discuss any issues then please contact:

Peter Carpenter – Interim Tri-Borough Director of Pensions and Treasury
pcarpenter@westminster.gov.uk
020 7641 2832

Investment Strategy Statement: Appendix A

Compliance with CIPFA Pensions Panel Principles for investment decision making in the local government pension scheme in United Kingdom

Decision Making

Regulation 12(3) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires an administering authority to report on its compliance with the six Myners' Principles, in accordance with guidance given by the Secretary of State. The guidance for the Local Government Pension Scheme is set out in the CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012',

The Fund aims to comply with all of the Myners' Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is also recognised as important to demonstrate how the Fund meets such principles and best practice.

The Secretary of State has previously highlighted the principle contained in Roberts v. Hapwood whose administering bodies exercise their duties and powers under regulations governing the investment and management of Funds:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of others".

The Myners' Principles are seen as supporting this approach. The principles, together with the Fund's position on compliance, are set out below:

Principle 1 - Effective decision-making

Administrating authorities should ensure that:

- **Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and**
- **Those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.**

Full Compliance

The Council has delegated the management and administration of the Fund to the Committee, which meets at least quarterly. The responsibilities of the Committee are described in paragraph 1.4 of the ISS.

The Committee is made up of elected members of the Council who each have voting rights.

The Committee obtains and considers advice from and is supported by the City Treasurer, Tri-Borough Director of Treasury & Pensions, and as necessary from the Fund's appointed actuary, investment managers and advisors.

The Committee has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the scheme's regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

Business plans are presented to the Committee annually.

Several of the Committee members have extensive experience of dealing with Investment matters and training is made available to new Committee members.

Principle 2 - Clear objectives

An overall investment objective(s) should be set for the Fund that takes account of the pension liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Full Compliance

The aims and objectives of the Fund are set out within the FSS and within the ISS. The main fund objective is to meet the cost of pension liabilities and to enable employer contribution rates to be kept as nearly constant as possible at reasonable cost to the taxpayers and admitted bodies.

The investment strategy has been set with the objective of controlling the risk that the assets will not be sufficient to meet the liabilities of the Fund while achieving a good return on investment (see paragraphs 4 and 5 above). The approach taken reflects the Fund's liabilities and was decided upon without reference to any other funds. The Fund's performance is measured against the investment objective on a quarterly basis.

The Fund's strategy is regularly reviewed.

Principle 3 – Risk and liabilities

In setting and reviewing their investment strategy, administrating authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Full Compliance

The Committee has, in conjunction with its advisers, agreed an investment strategy that is related to the Fund's liabilities. An actuarial valuation of the Fund takes place every three years, with the most recent triennial valuation taking place in 2016. The investment strategy is designed to give diversification and specialisation and achieve optimum return against acceptable risk.

The asset allocation of the Fund is set to maximise the potential to close the funding deficit over future years. The current allocation is outlined in paragraph 4.3 of the SIP.

Principle 4 – Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members

Full Compliance

The IAC has appointed investment managers with clear index strategic benchmarks (see paragraph 4.2 above) within an overall Investment objective which place maximum accountability for performance against that benchmark on the manager.

The managers are monitored at quarterly intervals against their agreed benchmarks, and independent detailed monitoring of the Fund's performance is carried out by Deloittes, the Fund's advisor and by Northern Trust, the Fund's custodian who provide the performance figures. Moreover portfolio risk is measured on quarterly basis and the risk/return implications of different strategic options are fully evaluated.

The advisor is assessed on the appropriateness of asset allocation recommendations and the quality of advice given.

The actuary is assessed on the quality and consistency of the actuarial advice received. Both the advisor and the actuary have fixed term contracts which when expired are tendered for under the OJEU procedures.

The Committee monitors the investment decisions it has taken, including the effectiveness of these decisions. In addition the Committee receives quarterly reports as to how the Fund has performed against their investment objective.

Principle 5 – Responsible Ownership

Administering authorities should:

- **Adopt, or ensure their investment managers adopt, the Institutional Shareholders Committee Statement of Principles on the responsibilities of shareholders and agents.**
- **Include a statement of their policy on responsible ownership in the statement of investment principles.**
- **Report periodically to scheme members on the discharge of such responsibilities.**

Full Compliance

The Fund is committed to making full use of its shareholder rights. The approach used is outlined in paragraph 8 of the ISS and in the Fund's SRI Policy. Authority has been delegated to the investment managers to exercise voting rights on behalf of the Fund. The investment managers are required to report how they have voted in their quarterly reports.

The Fund believes in using its influence as a shareholder to promote corporate social responsibility and high standards of corporate governance in the companies in which it invests – the Fund's approach to this is outlined in paragraph 7 of the ISS and in the Fund's SRI Policy.

Principle 6 – Transparency and reporting

Administering authorities should:

- **Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives.**
- **Provide regular communications to scheme members in the form they consider most appropriate.**

Full Compliance

Links to the Governance Compliance Statement, the ISS, the FSS, and the Communications Statement are all included in the Pensions Fund Annual Report which is published and is accessible to stakeholders of the Fund on the Council's web site, and a website developed specifically for the Fund.

All Committee meetings are open to members of the public and agendas and minutes are published on the Council's website and internal intranet.

Investment Strategy Statement: Appendix B

Compliance with the Stewardship Code

The **Stewardship Code** is a set of principles or guidelines released in 2010 and updated in 2012 by the Financial Reporting Council directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so.

The seven principles, together with the council's position on compliance, are set out below:

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.

The Stewardship responsibilities are outlined in section 1.4 of the ISS, which outlines the terms of reference of the Committee.

Investment Managers, authorised under the regulations, are appointed to manage virtually all the assets of the Fund. The Committee actively monitor the Fund Managers through quarterly performance analysis, annual and periodic meetings with the Fund Managers and through direct monitoring by the Fund's investment advisor, which includes monitoring and reporting on:

- Fund manager performance
- Investment Process compliance and changes
- Changes in personnel (joiners and leavers)
- Significant portfolio developments
- Breaches of the IMA
- Business wins and losses; and
- Corporate and other issues.

Voting is delegated to Fund Managers through the Investment Management Agreement (IMA).

The fund will ensure that all its equity, fixed income and diversified managers sign up to the FRC Stewardship Code including: Majedie, Baillie Gifford, LGIM, Longview Partners, Insight, Hermes and Standard Life.

2. Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Committee encourages its fund managers to have effective policies addressing potential conflicts of interest.

Committee members are also required to make declarations of interest prior to all Committee meetings.

3. Monitor their investee companies.

Day-to-day responsibility for managing the Fund's investments are delegated to the relevant fund managers, who are expected to monitor companies, intervene where necessary, and report back regularly on activity undertaken.

The Fund's expectations with regards to voting and engagement activities are outlined in its SRI Policy.

Fund Manager Internal Control reports are monitored, with breaches reported back to the Committee.

4. Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Day-to-day interaction with companies is delegated to the Fund's asset managers, including the escalation of engagement when necessary. The Fund's expectations with regards to voting and engagement activities are outlined in its SRI Policy.

The Fund Managers are expected to have their own SRI/ESG policy and to disclose their guidelines for such activities in their own statement of adherence to the Stewardship Code.

5. Willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional shareholders in order to maximize the influence that it can have on individual companies.

6. Have a clear policy on voting and disclosure of voting activity.

The Fund currently votes on all decisions and this is reported via Northern Trust. The Fund's approach to voting is clearly outlined in the ISS and SRI Policy,

7. Report periodically on their stewardship and voting activities.

A section on voting is included in each quarterly Business Plan Update, with a yearly review of the policy.

The Fund's annual report includes information about the Fund's voting and engagement work

Investment Strategy Statement: Appendix C – Risk Register

Ref	Risk	Mitigating Actions	Residual risk score: Likelihood	Residual risk score: Impact	Risk Rating	Officer responsible	Next Next Review Date
1	**STRATEGIC: INVESTMENT** That the combination of assets in the investment portfolio fails to fund the liabilities in the long term.	• Investment strategy in place and reviewed periodically. • Performance is measured against a liability based benchmark. • Fund performance is reviewed quarterly.	2	3	Low 6	City Treasurer	March 2016
2	**STRATEGIC: INVESTMENT** Fund managers fail to achieve the returns agreed in their management agreements.	• Independent monitoring of fund manager performance by custodian against targets. • Investment adviser retained to keep watching brief. • Fund manager performance is reviewed quarterly.	3	3	Low 9	City Treasurer	March 2016
3	**STRATEGIC: INVESTMENT** Failure of custodian or counterparty.	• At time of appointment, ensure assets are separately registered and segregated by owner. • Review of internal control reports on an annual basis. • Credit rating kept under review.	2	3	Low 6	City Treasurer	March 2016
4	**STRATEGIC: FUNDING** The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	• Review at each triennial valuation and challenge actuary as required. • Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	4	3	Medium 12	City Treasurer	March 2016
5	**STRATEGIC: FUNDING** There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	• Cashflow forecast maintained and monitored. • Cashflow position reported to sub-committee quarterly. • Cashflow requirement is a factor in current investment strategy review.	2	1	Very Low 2	City Treasurer	March 2016
6	**STRATEGIC: FUNDING** Scheme members live longer than expected leading to higher than expected liabilities.	• Review at each triennial valuation and challenge actuary as required.	4	2	Low 8	City Treasurer	March 2016
7	**STRATEGIC: FUNDING** Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	• Review maturity of scheme at each triennial valuation. • Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. • Cashflow position monitored monthly.	2	3	Low 6	City Treasurer	March 2016
8	**STRATEGIC: REGULATION** Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	• Maintain links with central government and national bodies to keep abreast of national issues. • Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	3	4	Medium 12	City Treasurer and Acting Director of HR	March 2016
9	**STRATEGIC: REGULATION** Introduction of European Directive MiFID II results is a restriction of Fund's investment options and an increase in costs	• Officers are engaging with Fund Managers to understand the position better • Knowledge and Skills Policy in place for Officers and Members of the Committee • Maintain links with central government and national bodies to keep abreast of national issues.	2	2	Very Low 4	City Treasurer	March 2016
10	**OPERATIONAL: GOVERNANCE** Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	• Officers maintain knowledge of legal framework for routine decisions. • Eversheds retained for consultation on non-routine matters.	2	2	Very Low 4	City Treasurer	March 2016

11	**OPERATIONAL: GOVERNANCE** Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	• External professional advice is sought where required • Knowledge and skills policy in place (subject to Committee Approval)	3	3	Low 9	City Treasurer	March 2016
12	**OPERATIONAL: GOVERNANCE** Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	• Person specifications are used at recruitment to appoint officers with relevant skills and experience. • Training plans are in place for all officers as part of the performance appraisal arrangements. • Shared service nature of the pensions team provides resilience and sharing of knowledge.	3	3	Low 9	City Treasurer and Acting Director of HR	March 2016
13	**OPERATIONAL: GOVERNANCE** Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	• At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. • Committee and officers scrutinise and challenge advice provided.	2	2	Very Low 4	City Treasurer	March 2016
14	**OPERATIONAL: GOVERNANCE** London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	• Pension Fund Committee Chair is a member of the Joint member Committee responsible for the oversight of the CIV and can monitor and challenge the level of resources through that forum. • Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV.	3	2	Low	City Treasurer	March 2016
15	**OPERATIONAL: FUNDING** Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	• Transferee admission bodies required to have bonds in place at time of signing the admission agreement. • Regular monitoring of employers and follow up of expiring bonds.	3	2	Low 6	City Treasurer and Acting Director of HR	March 2016
16	**OPERATIONAL: FUNDING** Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	• Review "budgets" at each triennial valuation and challenge actuary as required. • Charge capital cost of ill health retirements to admitted bodies at the time of occurring. • Occupational health services provided by the Council and other large employers to address potential ill health issues early.	3	2	Low 6	City Treasurer and Acting Director of HR	March 2016
17	**OPERATIONAL: FUNDING** Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	• Monitor numbers and values of transfers out being processed. • If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values.	2	3	Low 6	City Treasurer and Acting Director of HR	March 2016
18	**OPERATIONAL: ADMINISTRATION** Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	• Third parties regulated by the FCA and separation of duties and independent reconciliation procedures in place. • Review of third party internal control reports. • Regular reconciliations of pension payments undertaken by Pensions Finance Team. • Periodic internal audits of Pensions Finance and HR teams.	4	2	Low 8	City Treasurer and Acting Director of HR	March 2016
19	**OPERATIONAL: ADMINISTRATION** Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	• Contract monitoring in place with all providers. • Procurement team send alerts whenever credit scoring for any provider changes for follow up action.	3	1	Very Low 3	City Treasurer and Acting Director of HR	March 2016

20	**OPERATIONAL: ADMINISTRATION** Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	• Contract in place with BT to provide service enabling smooth processing of supplier payments • Process in place for Surrey CC to generate lump sum payments to members as they are due. • Officers undertaking additional testing and reconciliation work to verify accounting transactions	2	2	Very Low 4	City Treasurer	March 2016
21	**OPERATIONAL: ADMINISTRATION** Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	• In the event of a pension payroll failure we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	1	5	Very Low 5	Acting Director of HR	March 2016
22	**OPERATIONAL: ADMINISTRATION** Failure to pay pension benefits accurately leading to under or over payments.	• There are occasional circumstances where under or over payments are identified. Where under payments occur arrears are paid as soon as possible usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted and the pension corrected in the next month. Repayment is requested and sometimes we collect this over a number of months.	2	3	Low 6	Acting Director of HR	March 2016
23	**OPERATIONAL: ADMINISTRATION** Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	• Pension administration records are stored on the surrey servers they have a disaster recovery system in place and records should be restored within 24 hours of any issue, files are backed up daily.	1	5	Very Low 5	Acting Director of HR	March 2016
24	**OPERATIONAL: ADMINISTRATION** Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	• Surrey CC administers pensions for Surrey, East Sussex and is taking on our Triborough partners. They have a number of very experienced administrators two of whom tuped to them from LPFA with our contract. Where issues arise the Pensions Liaison Officer reviews directly with the Pensions Manager at Surrey. More detailed performance reports are being developed.	2	3	Low 6	Acting Director of HR	March 2016
25	**Operational: Administration** BT unable to provide monthly or end of year interface files in a format suitable for Surrey CC to update service records and undertake day to day operations. Inaccuracies in service records held on the pensions administration system may impact on the triennial funding valuation at March 2016 and notifications to starters and leavers.	• Issue has been escalated by the Chief Executive for high level resolution with BT • Test files are currently with SCC • Actuary undertakes data cleansing on the service records and is confident this will mitigate the inaccuracies in service records	4	3	Medium 12	Acting Director of HR	March 2016

Investment Strategy Statement: Appendix D

Information on London CIV

Stewardship Statement is attached – Other London CIV details are included in ISS main Statement

LONDON CIV
DRAFT UK STEWARDSHIP CODE STATEMENT

The London Collective Investment Vehicle (CIV) was formed as a voluntary collaborative venture by the London Local Authorities in 2014 to invest the assets of London Local Government Pension Scheme (LGPS). The London CIV and its London Local Authority investors recognise the importance of being long term stewards of capital and in so doing supports the UK Stewardship Code, which it recognises as best practice.

The London LGPS CIV Limited ("London CIV") is fully authorised by the FCA as an Alternative Investment Fund Manager (AIFM) with permission to operate a UK based Authorised Contractual Scheme fund (ACS Fund). The London CIV in the management of its investments has appointed a number of external investment managers. We therefore see our role as setting the tone for the effective delivery of stewardship managers on our behalf and on behalf of our investing Funds. We are clear that we retain responsibility for this being done properly and fully in the interests of our own shareholders.

This Statement sets out how the London CIV implements the seven principles of the Code.

Principle 1
Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

The London CIV on behalf of its London Local Authority Shareholders recognises its position as an investor on their behalf with ultimate responsibility to members and beneficiaries and recognises that effective stewardship can help protect and enhance the long-term value of its investments to the ultimate benefit of all stakeholders in the LGPS.

As we do not invest directly in companies, we hold our fund managers accountable for the delivery of stewardship on our behalf in terms of day-to-day implementation of its stewardship activity. We require the appointed fund management teams to be responsible for holding to account the management and boards of companies in which they invest. The London CIV believes that this approach is compatible with its stewardship responsibilities as it is the most effective and efficient manner in which it can promote and carry out stewardship activities in respect of its investments, and ensure the widest reach of these activities given the CIV's investment arrangements.

A key related area where stewardship is integrated into the wider process is in the selection and monitoring of external investment managers. When considering the appointment of external investment managers the consideration of Environmental Social and Governance (ESG) integration and stewardship activity of each investment manager is part of the selection process.

The London CIV expects its equity investment managers to adhere to the principles within the UK Stewardship Code. This position is communicated to the Fund's investment managers and forms the basis of the approach to monitoring the investment managers as outlined in this document. Whilst the Stewardship Code is primarily directed at UK equity investments, the CIV encourages its investment managers to apply the principles of the Code to overseas equity holdings where possible.

The primary mechanisms for the application of effective stewardship for the CIV are exercise of voting rights and engagement with investee companies. The CIV expects its external equity investment managers that invest directly in companies, to pursue both these mechanisms. We receive quarterly reporting from managers which includes their stewardship and voting activities where appropriate. We seek consistently to ensure that these stewardship activities are carried out actively and effectively in the furtherance of good long-term investment returns.

We expect all of the CIV's equity managers to be signatories to the Code and have publicly disclosed their policy via their Statements on how they will discharge their stewardship responsibilities. We expect managers that invest in companies directly to discharge their responsibilities by:

- having extensive dialogue with the company's management throughout the year on a range of topics such as governance, financial performance and strategy; and
- voting, either directly or via the services of voting agencies.

Principle 2
Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

Day-to-day implementation of the Fund's stewardship activity has been delegated to external investment managers. The CIV expects its investment managers to document their approach to stewardship, which should include how they manage any conflicts of interest that arise to ensure that the interests of the CIV's Investors are prioritised. The CIV will review annually the conflicts of interest policy of its managers and how any conflicts have been managed during the year.

The London CIV has policies in place to manage conflicts of interest that may arise for the Board and its officers when making decisions on its behalf. The Conflicts of Interest policy is reviewed by the CIV board on a regular basis. A Conflicts of Interest Register is maintained.

Shareholders of the CIV attending the Pensions Sectoral Joint Committee are required to declare any conflicts of interest at the start of any meeting.

Principle 3
Institutional investors should monitor their investee companies.

We recognise that active and ongoing monitoring of companies is the foundation of good stewardship, reminding companies in which we invest that they have obligations to their shareholders to deliver returns over the appropriate long-term investment timeframe and, consistent with this, to manage any related environmental and social risks responsibly.

The CIV requires its external investment managers to monitor investee companies. Issues to be monitored are likely to vary, however typically these might include a company's corporate strategy, financial performance, risk (including those from environmental and social factors), capital structure, leadership team and corporate governance. The CIV encourages its investment managers to satisfy themselves that investee companies adhere to the spirit of the UK Corporate Governance Code.

The CIV reviews investment managers in this area as part of their regular meetings. For equity investment managers this includes consideration of:

- who has overall responsibility for ESG risk analysis and integration;
- resources and experience of the team;
- at what stages of the process ESG risks are considered;
- exposures to environmental, social or governance risk within the portfolio; and
- the investment manager's willingness to become an insider and, if so, whether the manager has a policy setting out the mechanisms through which this is done.

Principle 4
Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

The CIV recognises that constructive engagement with company management can help protect and enhance shareholder value. Typically, the CIV expects its investment managers to intervene with investee companies when they view that there are material risks or issues that are not currently being adequately addressed.

The CIV reviews investment managers in this area as part of their regular meeting. For equity investment managers that invest directly in Companies, this includes consideration of:

- whether voting activity has led to any changes in company practice;
- whether the investment manager's policy specifies when and how they will escalate engagement activities;
- overall engagement statistics (volume and areas of focus);
- example of most intensive engagement activity discussed as part of the manager's annual review meeting; and
- the estimated performance impact of engagement on the strategy in question.

Given the range of fund managers and Fund investments, the CIV carries out its monitoring at the manager level to identify:

- trends to ensure progress is being made in stewardship activities;
- specific managers where progress or the rate of progress is not adequate; and
- appropriate specific actions necessary.

Principle 5
Institutional investors should be willing to act collectively with other investors where appropriate.

As day-to-day management of the Fund's assets has been delegated to external investment managers, the CIV expects its investment managers to get involved in collective engagement where this is an efficient means to protect and enhance long-term shareholder value.

In addition the London CIV will work collectively with other investors including other LGPS Asset pools and the Local Authority Pension Fund Forum (LAPFF) to enhance the impact of their engagement activities.

Principle 6
Institutional investors should have a clear policy on voting and disclosure of voting activity.

The CIV has delegated its voting rights to the Fund's investment managers and requires them to vote, except where it is impractical to do so. The CIV also monitors the voting alerts of the LAPFF and where these are issued, requires the investment managers to take account of these alerts as far as practical to do so. Where the investment manager does not vote in line with the LAPFF voting alerts, the CIV will require detailed justification for non compliance.

The CIV reviews and monitors the voting policies and activities of its investment managers, this includes consideration of:

- the manager's voting policy and, what areas are covered;
- the level of voting activity
- whether the investment manager typically informs companies of their rationale when voting against or abstaining (and whether this is typically in advance of the vote or not);
- if securities lending takes place within a pooled fund for the strategy, whether the stock is recalled for all key votes for all stocks held in the portfolio; and
- whether a third party proxy voting service provider is used and, if so, how.

Principle 7
Institutional investors should report periodically on their stewardship and voting activities.

The London CIV encourages transparency from its investment managers and expects its managers to report publicly on their voting in an appropriate manner. In addition the London CIV receives reviews and monitors quarterly the voting and stewardship engagement activities of its investment managers.
The CIV reports quarterly to its investors and will include information on voting and engagement activities from investment managers where appropriate including updates as required on updated stewardship and voting policies of managers. The CIV also requires its managers to provide it with annual assurances on internal controls and compliance through recognised framework such as the AAF01/06 or equivalent.

This statement will be reviewed regularly and updated as necessary.
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Investment Strategy

Q12. On the basis that a one-size-fits-all investment strategy is losing its relevance, does your Fund have (or are you planning to implement) asset unitisation and bespoke investment strategies for different types of employer with varying funding levels and matching risk appetites?

Q13. If your funding level is lower than average, do you have a more adventurous (growth biased) asset allocation to move towards full funding? Conversely, if your Fund is better funded than average, does the asset allocation display a little more caution and a more risk averse nature?

Q14. Has your Fund considered a Liability Driven Investment (LDI) strategy (especially if the actuarial discount rate is gilt plus based)? If your Fund does contain LDI, does your Fund retain the ability to generate good returns over the long term, as well as generate inflation proofed income?

Challenged Fund

Q15. Could your Fund be considered a problem fund (below 60% funding level)? If so, is there a sufficiently robust plan to recover. Has your committee sought expert guidance to achieve this? Do you have faith in the overall governance process in terms of achieving a meaningful recovery in your funding level?

Final Check

Q16. Finally, have you carried out one final comfort check that you are assured that your Fund is striking the right balance between:

a. affordability of employer contributions;
b. the risk that your Fund is taking on with its investments;
c. the ability of those investments to generate the required return implicit in the funding strategy (see Q1(e))?

Phil Triggs CPFA

Deficit Management: Key Questions for LGPS Trustees

Actuarial Assumptions

Q1. In the 2016 valuation, what will your Fund's five key assumptions be?

a. Discount rate ...%
b. Longevity assumption ...years
c. Inflation outlook ...%
d. Earnings/salary growth ...%
e. Investment strategy performance ...%

Q2. Reference the discount rate, on what basis was this made?

a. Gilt yield plus
b. CPI plus
c. Economic model

Q3. How do these five assumptions compare to the Scheme Advisory Board's standardised assumptions? If there are significant variances, do you understand the reasons why and are you satisfied with those reasons?

Q4. What is your Fund's initial 2016 actuarial funding level:

a. according to your Fund's own assumptions?
b. according to the Scheme Advisory Board's standardised assumptions?

Q5. What are the main factors accounting for any major difference in your Fund's own calculation and the calculation using the Scheme Advisory Board's standardised assumptions? Are you satisfied with the explanations provided?

Data Quality

Q6. Do you assess and monitor the quality of your actuarial data? If so, how often is this reviewed and what percentage of your data meets common and conditional data quality standards?

Stability Mechanism

Q7. Is there a stability mechanism built into any of the employers' contribution rates? If so, does it relate to the future service rate only? Are your Fund's deficit contributions protected from the stability mechanism?

Deficit Contributions

Q8. On the basis that ongoing austerity may further reduce payrolls, do you set recovery payments as a monetary amount rather than as a percentage of payroll? Is there a defined policy setting different maximum recovery periods depending on the type or the covenant of the employer? If so, what proportion of the scheme is with employers already at the maximum recovery period following the 2013 valuation? Has the 2016 valuation resulted in any changes in recovery periods and if so, why? Are you comfortable that the recovery periods are reasonable?

Pension Strain

Q9. Does your Fund monitor the strain of:

a. early retirement
b. ill health retirement
c. significant salary increases?

Are these strains paid for at the time they occur or simply added to the overall liability (and thus the deficit)?

Employer Covenant Strength

Q10. Do you regularly assess the covenant strength and the affordability of the contribution schedule of all of your Fund's employers? If so, does the assessment result impact on asset allocation, investment strategy, or recovery period?

Q11. Do you require a charge on employer assets, a parent guarantee, an escrow account, or bonds to be in place by reference to a covenant assessment? If so, how often are these reviewed? Do you have contingency arrangements for employers expressing a wish for (or being forced to stage) an exit from the Fund?

City of Westminster

Pension Board

Date:	**29 January 2018**
Classification:	**General Release**
Title:	**Pension Board Risk Register and Forward Plan**
Report of:	**Steven Mair** ***City Treasurer***
Wards Involved:	**All**
Policy Context:	**Effective Control over Council Activities**
Financial Summary:	**There are no financial implications arising from this report**

1. Executive Summary

1.1 The risk register has been updated to include two additional risks in relation to Markets in Financial Instrument Directive (MiFID) II under the heading 'Strategic: Regulation.' Risk number ten in relation to failure to meet the deadline for MIFID II has been removed from the risk register as this was delivered ahead of the deadline of 3 January 2018 and is no longer a risk. The updated forward plan to March 2018 is attached at appendix 3.

2. Recommendations

2.1 The Board is asked to note the changes to the risk register and the forward plan.

3. Risk Register Monitoring

3.1 The Pension Fund has been successfully opted up to 'elective professional' client status with all counterparties ahead of the deadline of 3 January 2018. As a result, risk number ten in relation to missing the deadline has been removed from the register.

3.2 This status is subject to annual review and counterparties being informed of any significant changes in circumstances. A new risk has been inserted in place of number ten to consider the possible future loss of ‘elective professional status’ by the fund upon reassessment.

3.3 The status of ‘elective professional client’ applies only to the Fund Managers, Custodian and Advisor that the Fund has opted up with. This means that the Fund would by default be categorised as a retail client by other prospective financial institutions that the Fund may deal with in future. This may result in restricted access to information from Fund Managers outside of the current investment management arrangements. Risk number eleven has been added to the register to manage any effects.

4. Forward Plan

4.1 There have been no changes to the forward plan attached at appendix 3

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

Yvonne Thompson- pensionfund@westminster.gov.uk **Tel: 020 7641 6925**
Hoyte

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – Pension Fund Risk Register Scoring Matrix – January 2018
Appendix 2 – Pension Fund Risk Register – January 2018
Appendix3 – Pension Board Forward Plan – January 2018
Appendix 4 – Pension Committee Forward Plan – January 2018

Appendix 1 - Tri Borough Risk Management Scoring Matrix

Scoring (Impact)

Impact Description	Category	Description
1 Very Low	Cost/Budgetary Impact	£0 to £25,000
	Impact on life	Temporary disability or slight injury or illness less than 4 weeks (internal) or affecting 0-10 people (external)
	Environment	Minor short term damage to local area of work.
	Reputation	Decrease in perception of service internally only – no local media attention
	Service Delivery	Failure to meet individual operational target – Integrity of data is corrupt no significant effect
2 Low	Cost/Budgetary Impact	£25,001 to £100,000
	Impact on life	Temporary disability or slight injury or illness greater than 4 weeks recovery (internal) or greater than 10 people (external)
	Environment	Damage contained to immediate area of operation, road, area of park single building, short term harm to the immediate ecology or community
	Reputation	Localised decrease in perception within service area – limited local media attention, short term recovery
	Service Delivery	Failure to meet a series of operational targets – adverse local appraisals – Integrity of data is corrupt, negligible effect on indicator
3 Medium	Cost/Budgetary Impact	£100,001 to £400,000
	Impact on life	Permanent disability or injury or illness
	Environment	Damage contained to Ward or area inside the borough with medium term effect to immediate ecology or community
	Reputation	Decrease in perception of public standing at Local Level – media attention highlights failure and is front page news, short to medium term recovery
	Service Delivery	Failure to meet a critical target – impact on an individual performance indicator – adverse internal audit report prompting timed improvement/action plan - Integrity of data is corrupt, data falsely inflates or reduces outturn of indicator
4 High	Cost/Budgetary Impact	£400,001 to £800,000
	Impact on life	Individual Fatality
	Environment	Borough wide damage with medium or long term effect to local ecology or community
	Reputation	Decrease in perception of public standing at Regional level – regional media coverage, medium term recovery
	Service Delivery	Failure to meet a series of critical targets – impact on a number of performance indicators – adverse external audit report prompting immediate action - Integrity of data is corrupt, data falsely inflates or reduces outturn on a range of indicators
5 Very High	Cost/Budgetary Impact	£800,001 and over
	Impact on life	Mass Fatalities
	Environment	Major harm with long term effect to regional ecology or community
	Reputation	Decrease in perception of public standing nationally and at Central Government – national media coverage, long term recovery
	Service Delivery	Failure to meet a majority of local and national performance indicators – possibility of intervention/special measures – Integrity of data is corrupt over a long period, data falsely inflates or reduces outturn on a range of indicators

Scoring (Likelihood)

Descriptor	Likelihood Guide
1. Improbable, extremely unlikely	Virtually impossible to occur 0 to 5% chance of occurrence.
2. Remote possibility	Very unlikely to occur 6 to 20% chance of occurrence
3. Occasional	Likely to occur 21 to 50% chance of occurrence
4. Probable	More likely to occur than not 51% to 80% chance of occurrence
5. Likely	Almost certain to occur 81% to 100% chance of occurrence

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Appendix 2: Pension Fund Risk Register, January 2018

Changes to the risk register since previous quarter

Type	Ref	Risk	Rationale
Risk removed from Strategic: Regulation	10	Failure to meet the deadline or rejection of MiFID II ‘opt up’ application resulting in reclassification of fund from professional to retail client impacting Fund’s investment options and an increase in costs	The Pension Fund has been successfully ‘opted up’ to elective Professional Client status with all counterparties.
New risk added to Strategic Regulation	10	Loss of ‘elective Professional Status’ with any or all of existing Fund managers and counterparties resulting in reclassification of fund from professional to retail client status impacting Fund’s investment options.	The Categorisation of the Pension Fund to elective Professional Client status is subject to annual review and or counterparties being informed of any changes in circumstances.
New risk added to Strategic Regulation	11	Loss of flexibility to engage with Fund Managers that the fund has not ‘opted up’ with regard to new products, resulting in reduced knowledge about investment opportunities that may benefit the fund. (The Fund is a retail client to counterparties unless opted up)	The Pension Fund is an elective Professional Client only with the counterparties that applications have been submitted to and confirmation received. This may result in restricted access to information from counterparties outside of the current IMA arrangements.

Pension Fund risk register, October 2017

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
1	**STRATEGIC: INVESTMENT** That the combination of assets in the investment portfolio fails to fund the liabilities in the long term.	• Investment strategy in place and reviewed periodically. • Performance is measured against a liability based benchmark. • Fund performance is reviewed quarterly.	2	5		Low 10	City Treasurer	March 2018
2	**STRATEGIC: INVESTMENT** Fund managers fail to achieve the returns agreed in their management agreements.	• Independent monitoring of fund manager performance by custodian against targets. • Investment adviser retained to keep watching brief. • Fund manager performance is reviewed quarterly.	3	4		Medium 12	City Treasurer	March 2018
3	**STRATEGIC: INVESTMENT** Failure of custodian or counterparty.	• At time of appointment, ensure assets are separately registered and segregated by owner. • Review of internal control reports on an annual basis. • Credit rating kept under review.	2	5		Low 10	City Treasurer	March 2018

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
4	**STRATEGIC: FUNDING** The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	• Review at each triennial valuation and challenge actuary as required. • Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	3	4		Medium 12	City Treasurer	March 2018
5	**STRATEGIC: FUNDING** There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	• Cashflow forecast maintained and monitored. • Cashflow position reported to sub-committee quarterly. • Cashflow requirement is a factor in current investment strategy review.	1	4		Low 4	City Treasurer	March 2018
6	**STRATEGIC: FUNDING** Scheme members live longer than expected leading to higher than expected liabilities.	• Review at each triennial valuation and challenge actuary as required.	3	4		Medium 12	City Treasurer	March 2018

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
7	**STRATEGIC: FUNDING** Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	• Review maturity of scheme at each triennial valuation. • Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. • Cashflow position monitored monthly.	2		4	Low 8	City Treasurer	March 2018
8	**STRATEGIC: REGULATION** Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	• Maintain links with central government and national bodies to keep abreast of national issues. • Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	3	3		Low 9	City Treasurer and Director of People Services	March 2018

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
9	**STRATEGIC: REGULATION** Introduction of European Directive MiFID II results is a restriction of Fund's investment options and an increase in costs	• Officers are engaging with the Local Government Association and Fund Managers to understand the position better • Knowledge and Skills Policy in place for Officers and Members of the Committee • Maintain links with central government and national bodies to keep abreast of national issues.	3	5		Medium 15	City Treasurer	March 2018
10	**STRATEGIC: REGULATION** Loss of 'elective Professional Status' with any or all of existing Fund managers and counterparties resulting in reclassification of fund from professional to retail client status impacting Fund's investment options.	• Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements • training programme and log in place to ensure knowledge and understanding is kept up to date • Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	2	5		Low 10	City Treasurer	March 2018

Ref	Risk	Mitigating Actions	Residual risk score: Likelihood	Residual risk score: Impact £'s	Residual risk score: Impact No's	Risk Rating	Officer responsible	Next Review Date
11	**STRATEGIC: REGULATION** Loss of flexibility to engage with Fund Managers that the fund has not 'opted up' with regard to new products, resulting in reduced knowledge about investment opportunities that may benefit the fund. (The Fund is a retail client to counterparties unless opted up)	• More reliance on investment advisor to keep Officers and Committee updated. • Officers are considering other financial institution outside of the current mandates to 'opt up' with • Maintaining up to date information about the fund on relevant platforms. • Fund can opt up with prospective clients.	5	2		Low 10	City Treasurer	March 2018
12	**OPERATIONAL: GOVERNANCE** Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	• Officers maintain knowledge of legal framework for routine decisions. • Eversheds retained for consultation on non-routine matters.	2	4		Low 8	City Treasurer	March 2018
13	**OPERATIONAL: GOVERNANCE** Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	• External professional advice is sought where required • Knowledge and skills policy in place (subject to Committee Approval)	3	3		Low 9	City Treasurer	March 2018

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	**Impact £'s**	**Impact No's**			
14	**OPERATIONAL: GOVERNANCE** Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	• Person specifications are used at recruitment to appoint officers with relevant skills and experience. • Training plans are in place for all officers as part of the performance appraisal arrangements. • Shared service nature of the pensions team provides resilience and sharing of knowledge.	3	3		Low 9	City Treasurer and Director of People Services	March 2018
15	**OPERATIONAL: GOVERNANCE** Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	• At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. • Committee and officers scrutinise and challenge advice provided.	2	4		Low 8	City Treasurer	March 2018

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
16	**OPERATIONAL: GOVERNANCE** London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	• Pension Fund Committee Chair is a member of the Joint member Committee responsible for the oversight of the CIV and can monitor and challenge the level of resources through that forum. • Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV.	2	4		Low 8	City Treasurer	March 2018
17	**OPERATIONAL: FUNDING** Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	• Transferee admission bodies required to have bonds in place at time of signing the admission agreement. • Regular monitoring of employers and follow up of expiring bonds.	3	4		Medium 12	City Treasurer and Director of People Services	March 2018

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
18	**OPERATIONAL: FUNDING** Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	• Review "budgets" at each triennial valuation and challenge actuary as required. • Charge capital cost of ill health retirements to admitted bodies at the time of occurring. • Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	2		Low 4	City Treasurer and Director of People Services	March 2018
19	**OPERATIONAL: FUNDING** Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	• Monitor numbers and values of transfers out being processed. • If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values.	2	1		Low 2	City Treasurer and Director of People Services	March 2018

Ref	Risk	Mitigating Actions	Residual risk score: Likelihood	Residual risk score: Impact £'s	Residual risk score: Impact No's	Risk Rating	Officer responsible	Next Review Date
20	**OPERATIONAL: ADMINISTRATION** Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	• Third parties regulated by the FCA and separation of duties and independent reconciliation procedures in place. • Review of third party internal control reports. • Regular reconciliations of pension payments undertaken by Pensions Finance Team. • Periodic internal audits of Pensions Finance and HR teams.	4	4		High 16	City Treasurer and Director of People Services	March 2018
21	**OPERATIONAL: ADMINISTRATION** Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	• Contract monitoring in place with all providers. • Procurement team send alerts whenever credit scoring for any provider changes for follow up action.	2	5		Low 10	City Treasurer and Director of People Services	March 2018

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
22	**OPERATIONAL: ADMINISTRATION** Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	• Contract in place with BT to provide service enabling smooth processing of supplier payments • Process in place for Surrey CC to generate lump sum payments to members as they are due. • Officers undertaking additional testing and reconciliation work to verify accounting transactions	2		5	Low 10	City Treasurer	March 2018
23	**OPERATIONAL: ADMINISTRATION** Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	• In the event of a pension payroll failure we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	1		5	Low 5	Director of People Services	March 2018

Ref	Risk	Mitigating Actions	Residual risk score: Likelihood	Residual risk score: Impact £'s	Residual risk score: Impact No's	Risk Rating	Officer responsible	Next Review Date
24	**OPERATIONAL: ADMINISTRATION** Failure to pay pension benefits accurately leading to under or over payments.	• There are occasional circumstances where under or over payments are identified. Where under payments occur arrears are paid as soon as possible usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted and the pension corrected in the next month. Repayment is requested and sometimes we collect this over a number of months.	2		3	Low 6	Director of People Services	March 2018
25	**OPERATIONAL: ADMINISTRATION** Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	• Pension administration records are stored on the surrey servers they have a disaster recovery system in place and records should be restored within 24 hours of any issue, files are backed up daily.	1		5	Low 5	Director of People Services	March 2018

Ref	Risk	Mitigating Actions	Residual risk score			Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact £'s	Impact No's			
26	**OPERATIONAL: ADMINISTRATION** Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	• Surrey CC administers pensions for Surrey, East Sussex and is taking on our Triborough partners. They have a number of very experienced administrators two of whom tuped to them from LPFA with our contract. Where issues arise the Pensions Liaison Officer reviews directly with the Pensions Manager at Surrey. More detailed performance reports are being developed.	3		3	Low 9	Director of People Services	March 2018
27	**Operational: Administration** BT unable to provide monthly or end of year interface files in a format suitable for Surrey CC to update service records and undertake day to day operations. Inaccuracies in service records held on the pensions administration system may impact on the triennial funding valuations and notifications to starters and leavers.	• Issue has been escalated by the Chief Executive for high level resolution with BT • Test files are currently with SCC • Actuary undertakes data cleansing on the service records and is confident this will mitigate the inaccuracies in service records	3		5	Medium 15	Director of People Services	March 2018

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Appendix 3

PENSION BOARD **Forward Plan – July 2017**

Area of work	**6 July 2017**	**13 November 2017**	**29 January 2018**	**May (TBC) 2018**
Standing Items	Pension Fund Committee minutes Risk Register Review Pensions Administration Key Performance Indicators Forward Plan	Pension Fund Committee minutes Risk Register Review Pensions Administration Key Performance Indicators Forward Plan	Pension Fund Committee minutes Risk Register Review Pensions Administration Key Performance Indicators Forward Plan	Pension Fund Committee minutes Risk Register Review Pensions Administration Key Performance Indicators Forward Plan
Governance	Annual Report on Pension Board Activities TPR code of practice compliance Website Review	2018/19 Meeting Dates Knowledge & Skills Policy and Training Needs Annual Review Scheme Advisory Board Compliance	Contracts Monitoring	Appointment of the Chair / Vice Chair Training Update
Pensions Administration	Annual Benefit Statement Timeline Pensions Administration Strategy Review Discretionary Policies Review	Promotion of Scheme Membership Admissions Policy Review	Pensions Administration Strategy Admission Policy Review	

Area of work	6 July 2017	13 November 2017	29 January 2018	May (TBC) 2018
Finance	Pension Fund Annual Accounts and Audit Findings Funding Strategy Statement Review Pension Fund Fees and Costs	Review of Pension Fund Annual Report Asset Pooling Progress and Review Relationship with CIV MIFID II Update	MIFID II Update	Asset Pooling Progress and Review

Appendix 4

PENSION FUND COMMITTEE **Forward Plan – March 2017**

Area of work	**22 Jun 2017**	**12 Oct 2017**	**23 Jan 2018**	**8 Mar 2018**
Standing Items	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan
Governance	Pension Fund Annual Report and Accounts 2016/17 Progress on compliance with TPR Code of Practice Review of Governance Compliance Statement Business Plan	Annual report of Pension Board activities Review of Pension Fund expenses	London CIV governance review	Investment Strategy Statement Review
Investments	Pooling and CIV update Investment Strategy Review Annual report to Scheme Advisory Board re pooling arrangements	Pooling and CIV update Investment Strategy Review Update on fixed income tender MiFID II Decision and update	Award fixed income manager. MiFID II update	Pooling and CIV update Investment Strategy Review Feedback from Annual fund manager monitoring day MiFID II update