



City of Westminster

Committee Agenda

Title: Pension Fund Committee

Meeting Date: Thursday 14th March, 2019

Time: 7.00 pm

Venue: Room 18.05, 64 Victoria Street, London, SW1E 6QP

Members: **Councillors:**

Antonia Cox (Chairman)
Melvyn Caplan

Patricia McAllister
Eoghain Murphy



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 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 Director of Law 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 notifications of interest by Members and Officers of any personal or prejudicial interests.

3. MINUTES

To approve the minutes of the Pension Fund Committee held on 10 December 2018.

(Pages 5 - 8)

4. PENSION ADMINISTRATION UPDATE

Report of the Director of People Services.

(Pages 9 - 16)

5. REQUEST THE APPROVAL OF ACCENT CATERING SERVICES LTD AS AN ADMISSION BODY IN THE WESTMINSTER CITY COUNCIL PENSION FUND

Report of the Director of People Services.

(Pages 17 - 48)

6. WESTMINSTER ADMINISTERING AUTHORITY FUND DISCRETIONS

Report of the Director of People Services.

(Pages 49 - 78)

7. FUND FINANCIAL MANAGEMENT

Report of the Tri-Borough Director of Treasury and Pensions.

(Pages 79 - 102)

8. MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT STATUTORY GUIDANCE ON ASSET POOLING IN THE LOCAL GOVERNMENT PENSION SCHEME CONSULTATION

(Pages 103 - 120)

Report of the Tri-Borough Director of Treasury and Pensions.

9. QUARTERLY PERFORMANCE REPORT

(Pages 121 -
166)

Report of the Tri-Borough Director of Treasury and Pensions.

10. ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

11. EXCLUSION OF PRESS AND PUBLIC

RECOMMENDED: That under Section 100 (A) (4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following items of business because they involve the likely disclosure of exempt information on the grounds shown below and it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

<u>Item Nos</u>	<u>Grounds</u>	<u>Para. of Part 1 of Schedule 12A of the Ac</u>
12, 13, 14, 15 and 16	Information relating to the financial and business affairs of an individual including the authority holding the information and legal advice	3

12. MINUTES

To approve the confidential minutes of the Pension Fund Committee meetings held on 10 December 2018 and 14 January 2019 respectively.

13. VOLUNTARY SCHEME PAYS REQUEST FROM CHIEF EXECUTIVE OF AN ACADEMY CHAIN

Report of the Director of People Services.

14. PENSION FUND COSTS

Report of the Tri-Borough Director of Treasury and Pensions.

**15. LONDON COLLECTIVE INVESTMENT VEHICLE PENSIONS
RECHARGE AND GUARANTEE AGREEMENT**

Report of the Tri-Borough Director of Treasury and Pensions.

16. UK EQUITY MANDATE REVIEW

Report of the Tri-Borough Director of Treasury and Pensions.

**Stuart Love
Chief Executive
8 March 2019**



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Monday 10th December, 2018**, Room 3.4, 3rd Floor, 5 Strand, London, WC2 5HR.

Members Present: Councillors Antonia Cox (Chairman), Melvyn Caplan, Patricia McAllister and Eoghain Murphy

Officers Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Billie Emery (Pension Fund Manager), Matthew Hopson (Strategic Investment Manager, Tri-Borough Director of Treasury and Pensions), Joanne Meagher (Head of Operational People Services), Sarah Hay (Pensions and Payroll Officer) and Toby Howes (Senior Committee and Governance Officer).

Also Present: Kevin Humpherson (Deloitte).

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS

2.1 There were no declarations of interest.

3 MINUTES

3.1 RESOLVED:

That the minutes of the meeting held on 18 October 2018 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 advised that the pension administration performance remained stable. Most of the key performance indicators were rated green. Joanne Meagher advised that Hampshire County Council (HCC) was taking over payroll responsibilities and that this would go live on 1 December. She added that testing of the new payroll system had taken place and feedback had been positive.

- 4.2 The Chairman welcomed the positive pension administration performance of Surrey County Council (SCC).

5 ADMINISTERING AUTHORITY DISCRETIONS

- 5.1 The Committee considered the discretionary policies and queried whether the one relating to TUPE transfers stating that staff should remain in the Fund providing at least 50% of their work remains connected to the service outsourced by the original employer was an appropriate proportion. In reply, Sarah Hay (Senior Pensions and Payroll Officer) advised that 50% was considered reasonable and organisations would not be financially motivated to keep their employees in the Fund because of the costs involved.
- 5.2 The Chairman requested that an extra column be added to the table stating the degree of impact, including financial factors, on individuals and that this item be reported at a future meeting for consideration.

6 FUND FINANCIAL MANAGEMENT

- 6.1 Matthew Hopson (Strategic Investment Manager) advised that there were no particular concerns and the Risk Register had been further redesigned.
- 6.2 Members requested that the Risk Register show where a risk's classification had changed and asked why miscellaneous payments in the three year cashflow forecast were rising. In reply, Phil Triggs (Tri-Borough Director of Treasury and Pensions) advised that assumptions allowed for increases and pessimism was deliberately built into forecasts.
- 6.3 **RESOLVED:**
1. That the Risk Register for the Pension Fund be noted.
 2. That the cashflow position and three year forecast be noted.
 3. That the forward plan be noted.

7 INFRASTRUCTURE MANAGER SELECTION

- 7.1 Kevin Humpherson (Deloitte) presented this item and advised that there was no new information to report since the drawing up of a shortlist as set out in the confidential appendix and resulting candidate interviews.
- 7.2 The Committee agreed to appoint one of the interviewed fund managers to invest in the Fund's infrastructure allocation as detailed in the confidential appendix of the report.
- 7.3 **RESOLVED:**
- That one of the managers interviews be selected to invest the Fund's 5% / £70m infrastructure allocation.

8 QUARTERLY PERFORMANCE REPORT

- 8.1 Kevin Humpherson advised that the Fund had performed strongly overall in the last quarter, although it had underperformed to its benchmark by 0.2%. This was principally due to Majedie's relatively poor performance. However, overall the Fund was above the benchmark by 0.7% over the year.
- 8.2 The Chairman acknowledged that Majedie's performance continued to suffer due to market conditions and enquired what the outlook was like for this fund manager. She also asked whether Majedie's exposure to UK financials was a cause for concern.
- 8.3 In reply, Kevin Humpherson advised that Majedie tended to perform more strongly during economically turbulent times, however it was encouraging that they had not felt the need to change their asset allocation. Members concurred with Kevin Humpherson's advice to remain with Majedie because of their strong reputation in equities.
- 8.4 **RESOLVED:**
- That the performance of the investments and funding position be noted.

9 INTEGRATED BUSINESS CENTRE IMPACT CHANGES TO EMPLOYEE CONTRIBUTIONS BANDINGS

- 9.1 Phil Triggs presented the report and advised that HCC's Integrated Business Centre (IBC) used different methods for calculating pension payments to the present provider, however he felt that IBC's was more accurate.
- 9.2 Members welcomed the move to IBC and asked what would happen if staff were unhappy with their experiences. In reply, Phil Triggs advised that such matters could be taken up with the payroll providers, HCC.
- 9.3 **RESOLVED:**
- That the update be noted.

10 REPORT OF THE GOVERNMENT ACTUARIES DEPARTMENT

- 10.1 Phil Triggs presented this item and advised that the Government Actuaries Department's (GAD) report on the Fund's 2016 triennial evaluation had awarded a number of green flags.
- 10.2 Members sought further observations in respect of the Council's actuary assuming better asset performances than other actuaries. In reply, Phil Triggs commented that it could sometimes be counter-productive to be too pessimistic and Matthew Hopson added that the Council's actuary had shown a lot of prudence in other areas, such as mortality rates.
- 10.3 The Chairman welcomed GAD's suggestion that a dashboard be used in valuation reports and requested that this be included in future reports.

10.4 RESOLVED:

That the update be noted.

11 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

11.1 There was no other business.

12 EXCLUSION OF PRESS AND PUBLIC

12 RESOLVED:

12.1 That under Section 100 (A) (4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following items of business because they involve the likely disclosure of exempt information on the grounds shown below and it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

13 VOLUNTARY SCHEME PAYS

13.1 The Committee considered a confidential report on Voluntary Scheme payments.

14 FUND COSTS SUMMARY

14.1 The Committee considered a confidential report on Fund costs.

The Meeting ended at 8.57 pm.

CHAIRMAN: _____

DATE _____



Pension Fund Committee

Date:	14th March 2019
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 Westminster City Council Pensions Team and Surrey County Council. The report gives an update on the Key Performance Indicator (KPI) performance of the pension administrators Surrey County Council (SCC) for the period November 2018 to January 2019. The detailed KPIs are shown in Appendix 1.

2. Surrey County Council (SCC) Performance

- 2.1.** 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 committee members.
- 2.2.** This paper covers only the period November 2018 to January 2019. The last period reported to committee covered the period up to October 2018. February data was not available at the time of drafting this report although officers have had informal feedback from Surrey that the situation has improved.
- 2.3.** Before we review the KPI data in detail please note we are disappointed to reflect that the KPI performance in November and particularly January 2019 is below expectations. The quarter being reported to the committee was particularly challenging with the go live of the new HR / Payroll contract with Hampshire County Council (HCC) and the establishment of new relationships between HCC and Surrey. Surrey have also advised that January KPI data

was impacted by the closure of the pension office over the Christmas period. WCC have advised Surrey that the performance in the last quarter is not acceptable, especially for any KPI that relates to a payment due to the member.

Surrey have appointed Andrew Marson as their Interim Lead Pension Manager. He started on 18th February 2019 and we have had initial discussions with him concerning performance concerns. We will continue to work closely with him and his team in Surrey to ensure performance improves.

- 2.4. The headlines from the KPI performance in appendix 1 is summarised below:
- 2.4.1. **Death benefits.** There were 3 cases in January 2019, 1 of which had a late letter sent out to the dependents to make a claim in relation to the case.
- 2.4.2. **Retirement options issued to members.** Out of 8 cases processed in January, 1 case was late.
- 2.4.3. **New retirement benefit processed for payment.** One out of seven cases processed late in November.
- 2.4.4. **New retirement payment of pension paid on the next available payment run.** 1 out of 7 cases late in November.
- 2.4.5. **Refund of contributions.** 2 out of 8 late in January.
- 2.4.6. **Deferred benefit statements sent following notification of leaver.** 1 out of 12 cases late in November and one out of seven cases in December. In January there were 36 cases and they were all sent out on time. It is important to note the increasing volumes that are coming through as leaver information is being chased up.
- 2.4.7. **Notification to deferred members two months before payment due.** No cases were late during the period but note the large number of cases going through particularly in January 2019 with 51 processed.
- 2.4.8. **Lump Sum paid in 5 days.** 3 cases out of 21 were late in January this is particularly disappointing as it impacts members receiving funds.
- 2.4.9. **Deferred retirement pension payment on the next available pay run.** 3 cases out of 21 were late in January this is particularly disappointing as it impacts members receiving funds.
- 2.4.10. **New joiners processed.** No late cases actioned here but wanted to point out the large number of cases that Surrey technical team had to set up in January: 115 following the first HCC file upload.

2.4.11. Transfers out. 1 case out of 6 late in January, although this would not impact payment to members immediately.

2.4.12. Interfunds in. 2 cases out of 7 late in November followed by 1 of 5 in December. January was 100% on target. This would not impact payment of benefit to the member immediately.

2.4.13. Correspondence. 1 case of 21 late in November, fully on target in December but 1 out of 11 cases late again in January.

3. Data Issues

3.1. In our last administration update we advised the committee of our common and scheme specific data scores and advised we were developing a data improvement plan to cleanse the data. Our common data score is 77% and the scheme specific data is 71%. The data is split into Status 1 queries that relate to what are believed to be active member pay queries and Status 2 that relate to members that we know have left but have uncompleted leaver forms.

3.2. The main data issue is in relation to status 2 queries for leavers of the scheme, where employers have not provided leaver confirmation data. Across the whole fund WCC has approximately 1500 status 2, member records, a majority of which are uncompleted leaver records. This is where the administrators know that the individual has left employment, but the employer has not provided the necessary pensionable pay details to award a pension promise. Westminster as the main employer has over 900 of these cases.

In addition, we have identified in the initial data dive that the WCC fund has approximately 2000 Status 1 active queries that relate to the members pay, of which 1167 are potentially people who have opted out but need to be checked. Meaning there are 917 active queries split across 38 employers a majority are likely to relate to scheme leavers. We believe that there are approximately 300+ records relating to Westminster as the main employer.

3.3. People Services have appointed an additional officer to manage our data improvement work. That Officer has contacted the 35 scheme employers with Status 2 queries, to ensure that if a member is no longer in the scheme, leaver data is completed and forwarded to Surrey to update their records. At the time of drafting this report approximately 72% of employers had responded with a second round of chasers being sent week beginning 4th March 2019. In addition, Status 1 queries are being co-ordinated to ensure the Surrey admin team process these in a timely manner. All Status 1 queries have gone to the appropriate 27 employers. With the first chaser emails sent the week commencing 26th February 2019.

3.4. The WCC in-house pension team are looking at the Westminster legacy status 2 cases left by BT. They are working to complete the calculations and cleanse data, so it can be processed and the member record updated. At the date of writing this report approximately 30 cases have been completed and are ready

for processing by the Surrey pension administration team. Progress is being monitored on a weekly basis and we are currently looking to increase resources to ensure we can complete responses prior to our data being sent to the actuary for the next fund valuation in July 2019.

- 3.5. People services in conjunction with our colleagues in the Royal Borough of Kensington and Chelsea and London Borough of Hammersmith and Fulham have agreed to fund an additional 6-month post at Surrey to support the data cleanse work including the active (status 1) pay queries. All three boroughs have very similar data issues following the contract with BT, the cost of the additional resource is £14.5K for six months.
- 3.6. Surrey have advised us that they do not have the internal resource to process the large number of status 2 cases. Surrey who have their own administration backlog are outsourcing their cases to JLT, a company who are experienced in pension data reconciliation, at £19 a case. Given that Surrey has their own backlog and are the administrator for both RBKC and LBHF who also have backlogs, Surrey has asked if WCC wish to be included in this project work and push through as many cases as we can before the end of July. The cost for all 1500 cases would be £28,500.
- 3.7. People Services are recommending to the Committee that we engage with Surrey to get JLT to process as many of our Status 2 leaver cases as possible before the end of July at an estimated maximum cost of £28,500 . If People Services need to appoint additional resource to support the calculation internally we would also seek consent for this.
- 3.8. The WCC in-house team are also heavily involved with other projects including supporting the LGPS end of year return for 18/19.

4. HCC Performance

- 4.1 The contract with (HCC) is now live and we are in a stabilisation period. The team is working hard with HCC to ensure that leaver details are going over to Surrey monthly to stop the situation described reoccurring.

5. City West Homes

We are advising the committee that City West Homes is being brought back in house to Westminster City Council from the 1st of April 2019. A large number of current City West Homes staff work for a limited subsidiary and are currently in the Peoples Pension as opposed to the LGPS. The benefits of the Peoples Pension are generally not as valuable as the LGPS and those members do pay significantly less for their pension arrangement. The insourcing is requiring significant support from People Services and staff being TUPE'd in have been offered pension surgery sessions to explain the benefits of the LGPS scheme.

6. LGPS Return 18/19

People Services staff are working with RBKC and LBHF colleagues to produce part year LGPS returns that will have to be added to data that Hampshire produces for the period December 2018 to March 2019. Work is detailed and complex with a target date of the middle of April 2019 to complete. The return work is a key priority for the team as valuation will not be possible without the return and it will impact the provision of members benefits.

There is also work being undertaken to ensure that all fund employers get their end of year return into Surrey by the 30th of April to ensure there is time to clean the data prior to valuation.

7. Western Union Existence

- 7.1** People services have previously advised the committee that we have asked Western Union to run an existence exercise to check that pensions being paid to overseas based pensioners are still due. The fund now completes an existence check monthly for UK based pensioners. We have identified 159 overseas based pensioners where we have full name details and can complete the exercise. We have a further 89 pensioners where despite investigation we only have an initial and not the members full name.

We have asked Western Union to write to all overseas pensioners in the first week of March advising them that the fund has appointed Western Union to act as our agents for the existence checking. The initial letter will include a contact in the People Services team if pensioners wish to check the authenticity of the exercise. Members will be asked to provide their full name so that records can be updated. Six weeks after the initial letter, Western Union will send out the existence letters for all pensioners where we have the full name. Pensioners will be invited into the local Western Union office with their ID and offered a £10 incentive payment. Where we have been unable to obtain a full name and an existence process cannot be carried out, we will need to look at alternative options. We will come back to the committee at a future date quantifying the outstanding numbers affected and the options available.

8. Risk Register

- 8.1** The main risk for the Pensions Team going forward will be Risk 27 Operational Administration completing the LGPS return for WCC ensuring that all fund employers do likewise. Improving the data quality as much as possible for all employers.

9. Summary

- 9.1** This is currently a very challenging time for the Pensions Team who are balancing several competing priorities. However, our focus will be on ensuring the LGPS return for 18/19 is completed on time. Additionally, ensuring that the data quality issues are addressed and the need to work closely with HCC to ensure we do not face this situation in the future.

Description	Target time/date as per Partnership Agreement	Target	Actual Score for Quarter	Quantity November 2018	Actual Score November 2018	Comments	Quantity December 2018	Actual Score December 2018	Comments	Quantity January 2019	Actual Score January 2019	Comments	Trend	People services Comments
Pension Administration														
Death Benefits														
Notify potential beneficiary of lump sum death grant	5 days	100%	%	0	N/A		3	100%		0	N/A		→	
Write to dependant and provide relevant claim form	5 days	100%	%	0	N/A		2	100%		3	67%	1 case late	↓	1 case late in January 19
Set up any dependants benefits and confirm payments due	14 days	100%	%	0	N/A		0	N/A		0	N/A			
Retirements														
Retirement options issued to members	5 days	100%	%	2	100%		5	100%		8	88%	1 case late	↓	1 case late in January 19
New retirement benefits processed for payment following receipt of all necessary documents	5 days	100%	%	7	86%	1 case late	1	100%		2	100%		↓	one case late in November.
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		%	7	86%	1 case late	7	100%		2	100%		↓	one case late in November.
Refunds of Contributions														
Refund paid following receipt of claim form	14 days	100%	%	7	100%		4	100%		8	75%	2 cases late	↓	2 case late in January 19
Deferred Benefits														
Statements sent to member following receipt of leaver notification	30 days	100%	%	12	92%	1 case late	7	86%	1 case late	36	100%		↓	2 cases late 1 in November and 1 in December.
Notification to members 2 months before payments due														
Lump Sum (on receipt of all necessary documentation)	2 months		%	0	N/A		14	100%		51	100%		→	Note the large number of cases being processed in January.
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	5 days		%	17	100%		22	100%		21	96%	3 cases late	↓	3 cases Late in January 19
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		%	15	100%		22	100%		21	96%	3 cases late	↓	3 cases Late in January 19
New Joiners														
New starters processed	30 days	100%	%	5	100%		0	N/A		115	100%		→	Large numbers processed through by Surrey following Hampshire go live in December 18.
Transfers In														
Non LGPS transfers-in quotations	30 days	100%	%	4	100%		1	100%		2	100%		→	
Non LGPS transfers-in payments processed	30 days	100%	%	0	N/A		0	N/A		0	N/A			no cases in period.
Transfers Out														
Non LGPS transfers-out quotations processed	30 days	100%	%	2	100%		3	100%		6	83%	1 case late	↓	1 case late but not impacting an immediate benefit
Non LGPS transfers out payments processed	30 days	100%	%	0	N/A		0	N/A		0	N/A			
Interfunds In - Quotations														
Interfunds In - Quotations	30 days	100%	%	7	71%	2 cases late	5	80%	1 case late	2	100%		↓	Two cases Late in November and One in December.
Interfunds In - Actuals														
Interfunds In - Actuals	30 days	100%	%	0	N/A		0	N/A			N/A			
Interfunds Out - Quotations														
Interfunds Out - Quotations	30 days	100%	%	4	100%		6	100%		14	100%		→	
Interfunds Out - Actuals														
Interfunds Out - Actuals	30 days	100%	%	1	100%		2	100%		4	100%		→	no cases late this period.
Estimates														
1-10 cases														
1-10 cases	5 Days		%	0	N/A		0	N/A		9	100%		→	
11-50 cases														
11-50 cases	Agreed with WCC		%		N/A		0	N/A		0	N/A			no cases in period.
51 cases or over														
51 cases or over	Agreed with WCC		%		N/A		0	N/A		0	N/A			no cases in period.
Material Changes														
Any changes to data which materially affect actual or potential benefits to be processed within 30 days of receiving all necessary data														
Any changes to data which materially affect actual or potential benefits to be processed within 30 days of receiving all necessary data	30 days		%	21	100%		10	100%		12	100%		→	
Buying Additional Pensions														
Members notified of terms of purchasing additional pension	15 days		%											
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				Date Achieved			31-Mar-18			31-Mar-18			
Annual Exercises														
Annual Benefit Statements Issued to Active members														
Annual Benefit Statements Issued to Active members	31 August each year				Annual			Annual			Annual			
Annual Benefit Statements Issued to Deferred members														
Annual Benefit Statements Issued to Deferred members	31 August each year				Annual			Annual			Annual			
PGOs Issued to Pensioners														
Non LGPS transfers-in quotations processed within 20 days	31 May each year				100%	Issued April 2018		100%	Issued April 2018		100%	Issued April 2018		
Apply Pensions Increase to Pensioners														
Pensioners Newsletter	April each year				100%	Issued March 2018		100%	Issued March 2018		100%	Issued March 2018		
Customer Service														
Correspondence														
Acknowledgement if more than 5 days	2 days			21	95%	1 case late	10	100%		11	91%	1 case late	↓	1 case late in November and 1 in January 19
Response	10 days				N/A			N/A			N/A			
2nd party enquires	10 days				N/A			N/A			N/A			
Helpdesk Enquiries														
Volumes of Enquiries Handled By Helpdesk														
Volumes of Enquiries Handled By Helpdesk	Number of Enquiries Handled			365	-	73% PPF Rate	318	-	89% PPF Rate	454	-	88% PPF Rate		
Customer Surveys														
Monthly survey to retirees														
Monthly survey to retirees	Percentage Satisfied with Service				87.5%									

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Pension Fund Committee

Date:	14th March 2019
Classification:	General Release
Title:	Request The Approval of Accent Catering Services LTD as an Admission Body in the Westminster City Council Pension Fund
Report of:	Director of People Services
Financial Summary:	Negligible risk
Report Author and Contact Details:	Eleanor Dennis c/o Sarah Hay 0207 641 6015

1. Executive Summary

- 1.1 On the 1st of August 2015 one of the pension fund's scheduled bodies Ark Academy Trust as proprietor of King Solomon Academy outsourced its catering function to a company called JPL Catering. The fund agreed a closed admission agreement for the eight staff TUPE transferred, four of whom were in the LGPS. Ark Academy trust re-let the catering contract from the 1st of January 2019 to a new company Accent Catering Services Ltd. Two of the original staff have been transferred to the Accent Catering Services Ltd and remain in LGPS.
- 1.2 This report requests that the committee give approval for Accent Catering Services Ltd to be given admitted body status on a closed admission agreement basis.
- 1.3 The LGPS 2013 Regulations contain clauses that would allow the administering authority to seek full recovery from ARK Academy Trust in the event that full recovery is not possible from Accent Catering Services Ltd. In addition the Admission agreement has been drafted to include authority for the Administering Authority to recover any outstanding sums from ARK Academy Trust.

2. Recommendation

- 2.1 That the committee approve the closed admission agreement for Accent Catering Services Limited.

3. Background

- 3.1 ARK Academy Trust is a scheduled body within the WCC Pension Fund, Employees of Scheduled bodies are automatically entitled to membership of the LGPS fund in the geographical area in which they are based if they are not entitled to membership of another public sector fund like the Teachers Pension Scheme.
- 3.2 It has been the case for many years that staff outsourced by public sector bodies to private companies carrying out the function will retain the entitlement to their former pension provision or a broadly comparable alternative.
- 3.3 Academies under the New Fair Deal 2013 Guidance should include provisions in their outsourcing contracts that transferring staff retain entitled to remain an active member of (or remain eligible to join if they have not yet joined) their public sector pension scheme that they were in before they are TUPE transferred. In essence contractors with access to a broadly comparable scheme are limited due to the difficulty in setting up an arrangement as complex as the LGPS for small groups of staff and also due to academies now being under an obligation to comply with New Fair Deal 2013 which only allows broadly comparable scheme to be used in exceptional cases. Therefore the majority of scheduled bodies outsourcing will require their contractors to engage in an admission agreement with the relevant authority.

4. Accent Catering Services

- 4.1 Accent Catering Services Limited (company number 04298350) was incorporated on the 3rd of October 2001. They have a number of school clients in addition to King Solomon Academy including Somerhill and Hallfield School.
- 4.2 There is no known financial impediment as to why this specific contractor should not be allowed to become an admitted body in the WCC Fund.

5 ARK Academy Trust and King Solomon Academy.

- 5.1 ARK as a group were first formed in 2002 and have Educational interests around the world. They are a large academy trust working in the United Kingdom with 38 separate academies registered in the UK. King Solomon was formed in September 2007 and was rated outstanding by Ofsted in 2013.
- 5.2 ARK trading as King Solomon has let the catering contract to Accent from 1st of January 2019. The legal entity for the admission agreement however is ARK Academy Trust as the proprietor of an academy as covered under para 20, Part 1 of Schedule 2 of the LGPS Regulations 2013.

5.3 Two staff were TUPE transferred from JPL Catering employment to Accent Catering Services Ltd.

6 Options

6.1 Knowing the committee has raised concerns in the past about extending the number of admitted bodies within our fund. Officers have sought out legal advice on the circumstances in which a refusal to allow a new admitted body would have legal substance. Paragraph 13, Part 3 of schedule 2 of the regulations detailed above states that where an admission body undertakes to meet the requirements of the Regulations, the appropriate administering authority must admit the admission body to the Fund.

6.2 As attached the Pension Fund's legal advisors Eversheds have prepared a draft admission agreement between the Fund, ARK academy Trust and Accent Catering Services Ltd. It is proposed that the admission agreement is closed as our standard practice so that only those staff TUPE transferred originally from Ark to JPL Catering and then to Accent Catering Services Ltd. will retain access to the fund whilst they are employed directly on this contract. If an employee leaves employment with Accent Catering Services Ltd. or moves onto another contract with Accent Catering Services Ltd they will lose their entitlement at that time to further accrual.

6.3 The fund could require a bond from Accent Catering Services Ltd. to cover the risk of any deficit in the event that Accent Catering Services Ltd. were unable to meet any liabilities to the fund. The problem with bonds however is that they need to be constantly monitored to ensure that they remain concurrent in that whether or not the bond has expired and that the fund can call on the bond in the event of an issue. The emphasis will fall to the Fund to ensure compliance if this route is preferred. If an admission body were unable to attain a new bond part way through a contract the administering authority would be able to give notice to the admission body.

6.4 Alternatively, WCC as a contracting body has in effect guaranteed the Fund on other admission agreements that it will cover any deficit in the event of an issue arising where monies could not be covered by an admitted body. ARK Academy Trust has been asked to provide the same guarantee on headed paper. The advantage of asking the contracting scheduled body to provide the guarantee at the start of the admission process is that the emphasis is on the contractor to monitor the financial status of it's admission body and the risk of default and not the Fund.

6.5 Even without a written guarantee from ARK Academy Trust the fund has an entitlement under the regulation 64 para 8 to recover any liability not recoverable from Accent as ARK academy Trust would be a related employer by virtue of entering into the admission agreement. The responsibility is again covered within our admission agreement see Section 9.2.

- 6.6 It is recommended that the Pensions Fund Committee approve the proposed admission agreement for Accent Catering Services Ltd. on a closed basis and without the requirement of a bond. If a bond were requested the cost of the bond would be passed onto ARK by Accent Catering Services Ltd. and they would be paying for something that may never be needed. There is sufficient assurance within the regulations that in the event of an issue with Accent Catering Services Ltd. that the Fund could recover sums from ARK and this is further endorsed in the admission agreement itself. Of the staff transferring and actually in the pension scheme none are close to 55 where redundancy could cause additional liability and all are relatively low paid staff with a few years service accrued.

Financial Implications

- 7.1 If a bond were requested the actuary estimated that the bond would be £15,000 per annum for the first three years. The bond would then need to be reviewed though, as we are talking about a few relatively low paid catering staff the bond is likely to remain of a similar level but will be impacted

8. Legal Implications

- 8.1 If the committee were to refuse admitted body status then the administering authority would be in breach of the regulations as per 6.1 above.

If you have any questions about this report, or wish to inspect one of the background papers, please contact:
Sarah Hay Tel: 0207 641 6015

Dated 1st January 2019

- (1) THE LORD MAYOR AND CITIZENS OF THE CITY OF WESTMINSTER
- (2) KING SOLOMON ACADEMY
- (3) ACCENT CATERING SERVICES LTD

Admission Agreement To participate in the Local Government Pension Scheme

City of Westminster Pension Fund
Westminster City Hall
64 Victoria Street
London
SW1E 6QP

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This Agreement is made on the _____ day of _____ 2018

Between:

- (1) **THE LORD MAYOR AND CITIZENS OF THE CITY OF WESTMINSTER** of Westminster City Hall, 64 Victoria Street, London SW1E 6QP (the "**Administering Authority**"); [and]
- (2) **KING SOLOMON ACADEMY** of Penfold Street, Marylebone, London NW1 6RX (the "**Scheme Employer**"); and
- (3) **ACCENT CATERING SERVICES LTD** (company number: 04298350) whose registered office is at The Old Station, Moor Lane, Staines, Middlesex, TW18 4BB (the "**Admission Body**").

Background

- (A) The Administering Authority is an administering authority within the meaning of the Regulations. It administers and maintains the Fund in accordance with the Regulations, and has the delegated function of making determinations under section 25(5) of the Public Service Pensions Act 2013 in relation to employees of admission bodies.
- (B) [The Scheme Employer is a Scheme employer within the meaning of the Regulations.] **or** [The Administering Authority is also a Scheme employer within the meaning of the Regulations and is referred to in this Agreement as the "Scheme Employer" when acting in its capacity as a Scheme employer.]
- (C) [The Scheme Employer and the [Principal Contractor/Admission Body] entered into the Contract. [Pursuant to the Contract, the Principal Contractor and the Admission Body entered into the Sub-Contract.]]
- (D) **BASIS OF ADMISSION:**
- (E) In accordance with paragraph 1(d)(i) of Part 3 of Schedule 2 to the 2013 Regulations and as a result of the [Contract/Sub-Contract], the Admission Body will provide services or assets in connection with the exercise of a function of the Scheme Employer. The Administering Authority [, the Scheme Employer] and the Admission Body have agreed to enter into this Agreement to allow the Admission Body to be admitted to the Scheme and to participate in the Fund so that the Eligible Employees can be members of the Scheme.
- (F) The terms and conditions of such admission have been agreed by the parties to this Agreement as follows.

NOW IT IS AGREED as follows:

1. **INTERPRETATION**

This Clause sets out the definitions and rules of interpretation which apply to the Agreement.

1.1 The following expressions have the following meanings:

- "2013 Regulations"** the Local Government Pension Scheme Regulations 2013.
- "Actuary"** an actuary appointed by the Administering Authority.
- "Business Day"** any day other than a Saturday or a Sunday or a Public or Bank Holiday in England.

“Commencement Date”	1 st January 2019.
[“Contract”]²	a contract dated 1/1/2019 between the Scheme Employer and the [Principal Contractor/Admission Body] to [provide the Services] [which is anticipated to expire on 31/12/2021]. [Where the Administering Authority so agrees in writing, the term “Contract” will also include any extension, renewal or replacement of that contract which is in force beyond the expiry date of the original contract, provided that it is made between the same parties and relates to the same or substantially the same services.] ³
“Eligible Employee”	an employee of the Admission Body who is listed in the Schedule [, or a New Eligible Employee] ⁴ .
“Fund”	the City of Westminster Pension Fund.
“Member”	an Eligible Employee who joins the Scheme as an active member and who remains an active member or subsequently becomes a deferred member or a pensioner member. Where applicable, this term also includes a Member’s spouse, civil partner, cohabiting partner, eligible child or dependant whether actual or prospective.
[“New Eligible Employee”]⁵	an employee of the Admission Body (other than an employee listed in the Schedule) designated by the Admission Body [with the consent of the Scheme Employer and Administering Authority] ⁶ as eligible for Scheme membership.
[“Payment Notice”	is defined at Clause 10.3 (Service of payment notice and payment)] ⁷
[“Principal Contractor”]⁸	Accent Catering Services Ltd, The Old Station, Moor Lane, Staines, Middlesex, TW18 4BB.
“Registered Pension Scheme”	a pension scheme registered under Chapter 2 of Part 4 of the Finance Act 2004.
“Regulations”	the 2013 Regulations and the Transitional Regulations.

² Only applicable for a paragraph 1(d)(i) AB.

³ Where the Admission Body is exercising the functions of a Scheme employer in connection with more than one contract there needs to be a separate admission agreement for each contract. However, there is no need under the Regulations for the admission agreement to be treated as terminating on expiry of the original contract where that contract is renewed or extended and the terms of the admission agreement are otherwise still appropriate. The optional drafting here requires the written agreement of the Administering Authority in order to provide control over the extension of the admission agreement upon contract renewal / extension, and also to ensure that there is appropriate evidence of the decision to extend beyond the term of the original contract.

⁴ Only applicable for an open agreement.

⁵ Only applicable for an open agreement.

⁶ Include if controls are required on admission of further employees (ie. agreement is not to be fully open).

⁷ Only applicable if **Clause 10** (Guarantee from scheme employer) applies.

⁸ Only applicable for a paragraph 1(d)(i) AB.

“Scheme”	the Local Government Pension Scheme established and governed by the Regulations.
["Scheme Employer”	King Solomon Academy ⁹
“Scheme Year”	a year beginning on a 1 April and ending on the next 31 March.
["Services”	the catering services which are to be provided by the Admission Body under the [Contract/Sub-Contract]. ¹⁰
["Sub-Contract”]¹¹	[a contract dated [insert date sub-contract was completed] between the Principal Contractor and the Admission Body made pursuant to the Contract to [provide the Services]].
“Transitional Regulations”	the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

- 1.2 [Unless the Administering Authority agrees otherwise, the expression “employed in connection with the provision of the Services” means that an Eligible Employee spends on average in a Scheme Year at least [75]% of his time working on the Services.¹²]
- 1.3 Expressions have the same meaning as in the Regulations except where the context otherwise requires.
- 1.4 This Agreement includes a heading and a box at the start of each Clause which outlines its provisions. These are included for information only.
- 1.5 Any reference in this Agreement to any statute or statutory provision includes any subordinate legislation made under it and is to be construed as a reference to such statute, statutory provision and/or subordinate legislation as modified, amended, extended, consolidated, re-enacted and/or replaced and in force from time to time.
- 1.6 Words such as “in particular”, “includes” or “including” do not limit the generality of the words preceding them.

2. THE REGULATIONS

This Clause sets out the relationship between the Agreement and the Regulations.

- 2.1 In the event of a conflict between the provisions of this Agreement and the Regulations, the rights, obligations and actions of each party to this Agreement will be determined by the Regulations.
- 2.2 The Admission Body undertakes to:
- 2.2.1 adopt the practices and procedures relating to the operation of the Scheme set out in the Regulations and in any employer’s guide [and service-level

⁹ Define “Scheme Employer” if the Scheme employer is not a party to the Admission Agreement.

¹⁰ Only applicable for a paragraph 1(d) AB.

¹¹ Only applicable for a paragraph 1(d)(i) AB.

¹² Only applicable for a paragraph 1(d) AB. The Administering Authority may wish to define this term or simply rely on the undefined term in the Regulations.

agreement] published by the Administering Authority and provided to the Admission Body;

2.2.2 inform the Administering Authority promptly in writing of all decisions made by the Admission Body concerning Members under regulation 72 of the 2013 Regulations;

2.2.3 provide (or procure to be provided) promptly all information that the Administering Authority reasonably requests in order to discharge its Scheme functions in accordance with the Regulations or to comply with any other legal or regulatory requirements applicable to the Scheme; and

2.2.4 meet the relevant requirements of the Regulations.

2.3 The Regulations will apply to the Admission Body and to employment with the Admission Body in which an Eligible Employee is an active member of the Scheme in the same way as if the Admission Body were a Scheme employer listed in Part 2 of Schedule 2 to the 2013 Regulations.

3. **COMMENCEMENT DATE**

This Clause sets out the date the Agreement commences.

This Agreement has effect on and from the Commencement Date.

4. **MEMBERSHIP OF ELIGIBLE EMPLOYEES**

This Clause sets out the terms on which the Eligible Employees are admitted to membership of the Scheme.

4.1 Subject to the terms of this Agreement, the Administering Authority admits the Admission Body to the Scheme with effect on and from the Commencement Date and (in exercise of the function delegated to it under section 25(5) of the Public Service Pensions Act 2013) determines that the Scheme relates to those employees of the Admission Body who are designated by the Admission Body in accordance with **Clause 4.2** (Membership of eligible employees).

4.2 Subject to the following provisions of this **Clause 4** (Membership of eligible employees), the Admission Body designates:

4.3 an Eligible Employee listed in Part 1 of the Schedule as being eligible to remain an active member of the Scheme. The designation is effective on and from the Commencement Date; Notwithstanding the provisions of **Clause 4.2** (Membership of eligible employees), an Eligible Employee will cease to be an active member in the circumstances set out in regulation 5 of the 2013 Regulations.

4.4 An Eligible Employee may not be an active member of the Scheme if he is an active member of another occupational pension scheme (within the meaning of section 1 of the Pension Schemes Act 1993) in relation to the employment in respect of which he would otherwise be eligible to be designated for Scheme membership, or if he otherwise fails to satisfy the eligibility requirements of the 2013 Regulations.

4.5 Within three months of:

4.5.1 a Member joining the Scheme; or

4.5.2 any change in respect of a Member's employment which is material for the Scheme;

the Admission Body must ask the Member in writing for a written statement listing all of the Member's previous periods of employment and copies of all notifications previously given to him under the 2013 Regulations and the Earlier Regulations (as defined in the Transitional Regulations) unless the Admission Body is satisfied that it or the Administering Authority already has all material information. The request must include a conspicuous statement that it is important that the Member gives full and accurate information especially for ascertaining his rights under the Scheme.

- 4.6 [An Eligible Employee may only be an active member of the Scheme by virtue of this Agreement if and for so long as he is employed in connection with the provision of the Services.]¹⁴
- 4.7 In respect of each Member, the Admission Body must promptly notify the Administering Authority in writing of:
- 4.7.1 [any change in employment which results in an Eligible Employee who is an active member ceasing to be employed in connection with the provision of the Services;]¹⁵
- 4.7.2 any Eligible Employee who joins or re-joins the Scheme;
- 4.7.3 any material change to a Member's terms and conditions of employment which affects the Member's entitlement to benefits under the Scheme; and
- 4.7.4 any termination of employment, including termination by virtue of redundancy, business efficiency, ill-health or other early retirement.

5. **ADMISSION BODY UNDERTAKINGS**

This Clause sets out the undertakings to be given by the Admission Body to the Administering Authority.

5.1 **Payments**

Without prejudice to **Clause 6** (Contributions and payments), the Admission Body must pay to the Administering Authority all contributions and payments due under the Regulations and this Agreement [(including, for the avoidance of doubt, all contributions and payments due in respect of any period from the Commencement Date until the date of this Agreement)]¹⁶.

5.2 **Discretions**

- 5.2.1 Within three months of the Commencement Date [(or of the date of this Agreement, if later)]¹⁷, the Admission Body must provide the Administering Authority with a statement of the Admission Body's policies concerning the exercise of its functions under regulations 16(2)(e), 16(4)(d), 30(6), 30(8) and 31 of the 2013 Regulations. [The statement must follow the form of statement prescribed by the Administering Authority from time to time.] The Admission Body must keep these policies under review. Where the Admission Body determines to revise any of its policies, the Admission Body must publish the revised statement and send a copy of it to the Administering Authority within one month of the determination.

¹⁴ Only applicable for a paragraph 1(d) AB.

¹⁵ Only applicable for a paragraph 1(d) AB.

¹⁶ Only applicable where the Admission Agreement is, or may be, entered into after the Commencement Date.

¹⁷ Only applicable where the Admission Agreement is, or may be, entered into after the Commencement Date.

5.2.2 The Admission Body must notify the Administering Authority promptly in writing of each occasion on which it exercises a discretion under the Regulations and the manner in which it exercises that discretion.

5.3 **Additional pension**

5.3.1 The Admission Body must not resolve to award a Member additional pension under regulation 31 of the 2013 Regulations unless either:

5.3.1.1 the Administering Authority and the Admission Body agree that the Admission Body will pay increased contributions to meet the cost of the additional pension; or

5.3.1.2 the Admission Body pays the sum required under regulation 68(3) of the 2013 Regulations to the Administering Authority for credit to the Fund.

5.3.2 The Admission Body must pay to the Fund the amount of any extra charge on the Fund arising as a result of the resolution which has not been discharged by payments made in accordance with **Clauses 5.3.1.1** or **5.3.1.2** (Additional pension).

5.4 **Matters affecting participation**

5.4.1 The Admission Body must notify the Administering Authority [and the Scheme Employer] promptly in writing of any matter which may affect or is likely to affect its participation in the Scheme.

5.4.2 The Admission Body must notify the Administering Authority [and the Scheme Employer] immediately in writing of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution. In the event of any such actual or proposed change in its status, the Admission Body must not [designate any New Eligible Employees for membership of the Scheme or] make any representations to any Member or body regarding continued membership of the Scheme without the prior written consent of the Administering Authority.

5.4.3 The Admission Body must not do anything (or omit to do anything) where such act or omission would or might prejudice the status of the Scheme as a Registered Pension Scheme.

6. **CONTRIBUTIONS AND PAYMENTS**

This Clause sets out the contributions and payments to the Fund to be made by the Admission Body.

6.1 **Contributions to the Fund**

The Admission Body must pay to the Fund in relation to the Members:

6.1.1 the amount calculated in accordance with its rates and adjustments certificate issued by the Actuary. This will be payable monthly in arrears no later than the date specified by the Administering Authority or in accordance with any other terms of the rates and adjustments certificate;

6.1.2 all amounts from time to time deducted from the pay of the Members under the Regulations [(including, for the avoidance of doubt, all amounts deducted for any period from the Commencement Date until the date of this Agreement which

remain unpaid at the date of this Agreement)¹⁸]. These will be payable monthly in arrears no later than the date specified by the Administering Authority and in any event no later than the time required under section 49(8) of the Pensions Act 1995 [(and where amounts deducted for any period from the Commencement Date until the date of this Agreement remain unpaid at the date of this Agreement, such amounts are to be treated for the purposes of section 49(8) as if first deducted on the date of this Agreement)]¹⁹;

- 6.1.3 any amount received by the Admission Body by deduction or otherwise under regulations 12, 13, 14, 16 and 17 of the 2013 Regulations [(including, for the avoidance of doubt, all amounts for any period from the Commencement Date until the date of this Agreement which remain unpaid at the date of this Agreement)²⁰];
- 6.1.4 any sum or any extra charge payable under **Clauses 5.3.1.2 and 5.3.2** (Additional pension) respectively;
- 6.1.5 any extra charge required by the Administering Authority to cover the actuarial strain on the Fund (as notified by the Actuary in writing) as a result of the immediate payment of benefits when:
 - 6.1.5.1 a Member who is an active member of the Scheme has his employment with the Admission Body terminated on grounds of ill-health or infirmity of mind or body which renders him both permanently incapable of discharging efficiently the duties of his current employment and not immediately capable of undertaking any gainful employment; or
 - 6.1.5.2 a Member who became a deferred member of the Scheme on leaving his employment with the Admission Body receives payment of his benefits immediately on grounds of ill-health or infirmity of mind or body which renders him both permanently incapable of discharging efficiently the duties of that employment and unlikely to be capable of undertaking gainful employment before normal pension age, or for at least three years, whichever is the sooner;
- 6.1.6 any extra charge required by the Administering Authority to cover the actuarial strain on the Fund (as notified by the Actuary in writing) as a result of:
 - 6.1.6.1 the immediate payment of benefits when the Admission Body dismisses a Member who is an active member of the Scheme by reason of redundancy or business efficiency or where such a Member's employment is terminated by mutual consent on the grounds of business efficiency; or
 - 6.1.6.2 the immediate payment of benefits under regulation 30(5) of the 2013 Regulations or (with the Admission Body's consent) under regulation 30(6) of the 2013 Regulations, including in either case the costs of the Admission Body waiving any reduction of benefits under regulation 30(8) of the 2013 Regulations;

¹⁸ Only applicable where the Admission Agreement is, or may be, entered into after the Commencement Date.

¹⁹ Only applicable where the Admission Agreement is, or may be, entered into after the Commencement Date. Strictly, s.49(8) applies only to deductions made in respect of contributions of an active member, so will not definitely be engaged in a case where the employer makes a deduction prior to the admission becoming effective, even if the agreement is subsequently given retrospective effect. Therefore, this provision provides for the time limit in s.49(8) to apply as if the deductions were made on the date of the Admission Agreement.

²⁰ Only applicable where the Admission Agreement is, or may be, entered into after the Commencement Date.

- 6.1.7 any exit payment and/or revised contribution(s) due under **Clause 6.5** (Adjustment of contribution rate);
- 6.1.8 any exit payment due under **Clause 7.4.2** (Termination valuation);
- 6.1.9 any contribution (not being one required under **Clause 6.1.1** (Contributions to the fund)) required by the Administering Authority towards the cost of the Fund's administration relating to the Admission Body, including an amount specified in a notice given by the Administering Authority under regulation 70 of the 2013 Regulations and the costs of any reports and advice requested by the Admission Body from the Actuary or required in respect of the Admission Body's application to become an Admission Body;
- 6.1.10 any interest payable under the Regulations; and
- 6.1.11 any other payments or contributions required by the Regulations or by any other legislation.

6.2 **Due date for payment**

Except where this Agreement, the Regulations or any other relevant legislation expressly requires otherwise, any amount which the Admission Body is required to pay by virtue of **Clauses 5.1** (Payments) and **6.1** (Contributions to the fund) must be paid to the Fund within [20] Business Days of receipt by the Admission Body from the Administering Authority of written notification of the sum or (where relevant) of any revised rates and adjustments certificate, or within such other period and on such terms as the Administering Authority and the Admission Body may agree.

6.3 **Information about pay and contributions**

- 6.3.1 Any payments made by the Admission Body under **Clauses 6.1.2** and **6.1.3** (Contributions to the fund) must be accompanied by a statement (given in such form and at such intervals as the Administering Authority specifies) showing the following information for each Member who was an active member of the Scheme during all or part of the period covered by the statement:
 - 6.3.1.1 name and contribution band;
 - 6.3.1.2 details of any period(s) falling within the period to which the statement relates in relation to which an election was in force in respect of the active Member under regulation 10 of the 2013 Regulations (temporary reduction in contributions);
 - 6.3.1.3 total pensionable pay received by the Member (including any assumed pensionable pay the Member is treated as having received);
 - 6.3.1.4 total employee contributions deducted from that pensionable pay;
 - 6.3.1.5 total employer contributions in respect of that pensionable pay;
 - 6.3.1.6 total additional contributions paid by the Member (distinguishing additional pension contributions paid under regulation 16 of the 2013 Regulations and additional voluntary contributions paid under regulation 17 of the 2013 Regulations);
 - 6.3.1.7 total additional contributions paid by the Admission Body (distinguishing additional pension contributions paid under regulation 16 of the 2013 Regulations and additional voluntary contributions paid under regulation 17 of the 2013 Regulations); and

- 6.3.1.8 such other information as the Administering Authority may require (including any information from time to time required to calculate benefits for the Member in accordance with the provisions of the Transitional Regulations).
- 6.3.2 Where an election was in force in respect of the active Member under regulation 10 of the 2013 Regulations during any part of the period to which the statement required under **Clause 6.3.1** relates, the information provided under **Clauses 6.3.1.3, 6.3.1.4 and 6.3.1.5** must be provided separately in respect of:
 - 6.3.2.1 the period (or, if more than one, the aggregate of such periods) during which the election was in force; and
 - 6.3.2.2 any period (or, if more than one, the aggregate of such periods) during which no election was in force.
- 6.3.3 Any question concerning what rate of contribution a Member is liable to pay to the Fund must be decided by the Admission Body.

6.4 **Interest on late payment**

If any sum payable by the Admission Body under the Regulations or this Agreement remains unpaid, the Administering Authority may require the Admission Body to pay interest on the unpaid sum in accordance with regulation 71 of the 2013 Regulations.

6.5 **Adjustment of contribution rate**

- 6.5.1 Without prejudice to its powers under regulation 64(4) of the 2013 Regulations, where the Administering Authority considers there are circumstances which make it likely that the Admission Body will become an exiting employer, the Administering Authority may obtain from the Actuary a certificate specifying the percentage or amount by which:
 - 6.5.1.1 the Admission Body's contribution rate at the primary rate should be adjusted; or
 - 6.5.1.2 any prior secondary rate adjustment should be increased or reduced;

with a view to ensuring that assets equivalent to the anticipated exit payment that will be due from the Admission Body are provided to the Fund by the likely exit date or, where the Admission Body is unable to meet that liability by that date, over such period of time thereafter as the Administering Authority considers reasonable.

- 6.5.2 In accordance with regulations 64(6) and (7) of the 2013 Regulations, where:
 - 6.5.2.1 the Admission Body agrees under **Clause 5.3.1.1** (Additional pension) to pay increased contributions to meet the cost of an award of additional pension under regulation 31 of the 2013 Regulations; or
 - 6.5.2.2 it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise in respect of Members in employment with the Admission Body exceeds the amount specified, or likely as a result of the assumptions stated, for the Admission Body, in the current rates and adjustments certificate applying to the Admission Body;

the Administering Authority must obtain a revision of the rates and adjustments certificate concerned, showing the resulting changes required.

6.5.3 Pursuant to regulation 64(1) of the 2013 Regulations and regulation 25A of the Transitional Regulations, but subject to any exercise by the Administering Authority of its power to issue a suspension notice under regulation 64(2A) of the 2013 Regulations, where this Agreement terminates in accordance with **Clause 7** (Termination) or the Admission Body no longer employs an active member contributing to the Fund:

6.5.3.1 the Administering Authority must obtain an actuarial valuation as at the exit date of the Fund's liabilities in respect of the Members (calculated on such basis as the Actuary recommends) and a revision of the Admission Body's rates and adjustments certificate showing any exit payment due and payable by the Admission Body or any exit credit due to the Admission Body [; and] [.]

6.5.3.2 [where for any reason it is not possible to obtain all or part of any exit payment from the Admission Body or from any person providing a bond, indemnity or guarantee in accordance with **Clause 8** (Risk assessment) then the Administering Authority may obtain a further revision of the rates and adjustments certificate for the Fund showing the revised contributions due from the body which is the related employer (as defined in regulation 64(8) of the 2013 Regulations) in relation to the Admission Body.]²¹

6.5.4 The Admission Body must meet the costs of obtaining any certificate under **Clauses 6.5.1, 6.5.2 or 6.5.3** (Adjustment of contribution rate). The Admission Body must co-operate with the Administering Authority and the Actuary to provide the certificate or review.

6.6 **Right of set-off**²²

Notwithstanding any terms to the contrary contained in the [Contract/Sub-Contract], if any sum payable by the Admission Body under the Regulations or this Agreement has not been paid by the date on which it becomes due then the Administering Authority may [require the Scheme Employer to] set off against any payments due to the Admission Body an amount equal to the sum due (including any interest payable) and pay the sum to the Fund by a date specified by the Administering Authority.

6.7 **[Funding]**

Any payment due from the Admission Body under **Clause 6.1.1** (Contributions to the fund) is to be calculated on the assumption that, as at the Commencement Date, any liabilities relating to the Scheme membership prior to the Commencement Date of the Eligible Employees [listed in the Schedule]²³ are 100% funded (as determined by the Actuary in accordance with the actuarial assumptions consistent with the most recent actuarial valuation of the Fund before the Commencement Date (updated to the Commencement Date as necessary)). Where any additional funding (as certified by the Actuary) is necessary, this is to be deducted from the Scheme Employer's notional allocation of assets within the Fund. For the avoidance of doubt, 100% funded means that the Admission Body is to be notionally allocated at the Commencement Date an amount of assets within the Fund equal to the value placed on the liabilities as at the Commencement Date as determined by the Actuary.]²⁴

²¹ Only applicable for a paragraph 1(d) AB.

²² Only applicable for a paragraph 1(d) AB. Modify appropriately where admission is under paragraph 1(d)(ii) or (iii). Consider joining principal contractor to the Admission Agreement and incorporating a right to set-off in the Contract.

²³ Check commercial terms agreed for this specific transaction. In particular, in an open agreement, any fully-funded starting position may be restricted to staff transferring to the AB at the Commencement Date.

²⁴ Check commercial terms agreed for this specific transaction. The Administering Authority will also need to check this clause with the Actuary.

7. TERMINATION

This Clause sets out the ways in which the Admission Body and the Administering Authority may terminate the Agreement.

7.1 Termination by notice

Subject to **Clauses 7.2** (Automatic termination) and **7.3** (Immediate termination by the administering authority), the Administering Authority [or the Admission Body] may terminate this Agreement by giving at least three months' notice of termination in writing to the [Admission Body] [other [party][parties] to this Agreement].²⁵

7.2 Automatic termination

This Agreement will automatically terminate on [the earlier of:

- 7.2.1 the date of expiry or earlier termination of the Contract [and/or Sub-Contract]; or]²⁶
- 7.2.2 the date the Admission Body [otherwise] ceases to be an admission body for the purposes of the Regulations.

7.3 Immediate termination by the Administering Authority

The Administering Authority may terminate this Agreement with immediate effect by notice in writing to the Admission Body:

- 7.3.1 where the Admission Body breaches any of its obligations under this Agreement (including, for the avoidance of doubt, where the Admission Body fails to pay any sums due to the Fund or where the Admission Body fails to renew or adjust the level of the bond, indemnity or guarantee (if required) in accordance with **Clause 8** (Risk assessment)). If the breach is capable of remedy, the Administering Authority must first give the Admission Body the opportunity of remedying the breach within such reasonable period as the Administering Authority may specify;
- 7.3.2 on the insolvency, winding up or liquidation of the Admission Body;
- 7.3.3 where the continued participation of the Admission Body in the Scheme would or might prejudice the status of the Scheme as a Registered Pension Scheme; or
- 7.3.4 if the Admission Body no longer employs an active member contributing to the Fund.

7.4 Termination valuation

- 7.4.1 Where the Administering Authority is unable for any reason to obtain an actuarial valuation or issue a revision of the Admission Body's rates and adjustments certificate in accordance with **Clause 6.5.3** (Adjustment of contribution rate) then (without prejudice to any powers set out in the Regulations), the Administering Authority will be entitled to obtain from the Actuary an actuarial valuation of the assets and liabilities of the Fund in respect of the Members as at the date this Agreement terminates, calculated on such basis as the Actuary recommends.

²⁵ The Administering Authority should consider whether it wants to give the Admission Body the power to terminate by notice.

²⁶ Only applicable for a paragraph 1(d)(i) AB. See also optional drafting in definition of "Contract" which allows the admission agreement to be extended without automatic termination where the original services contract is extended or renewed.

- 7.4.2 The Admission Body must pay to the Fund an exit payment (as certified by the Actuary) equal to any deficit in the Fund shown by the valuation under **Clause 7.4.1** (Termination valuation).
- 7.4.3 [Where the Admission Body does not pay the exit payment required in accordance with **Clause 7.4.2** (Termination valuation) and the sum is not paid in full by any person providing a bond, indemnity or guarantee in accordance with **Clause 8** (Risk assessment), then the Administering Authority may recharge any unpaid balance within the Fund to the Scheme Employer.]²⁷
- 7.4.4 [Where the valuation under **Clause 7.4.1** (Termination valuation) shows a surplus in the Fund, the Fund will pay an exit credit (as certified by the Actuary) equal to that surplus, less the amount of any tax due on the payment, to the Admission Body within the time period set out in regulation 64(2ZA) of the 2013 Regulations.]²⁸

7.5 **Other outstanding payments on termination**

Where any contributions, payments or other sums due under this Agreement or the Regulations (including any payments by instalments agreed under **Clause 6** (Contributions and payments)) remain outstanding on the termination of this Agreement, the Admission Body must pay them in full within 20 Business Days of the date of termination.

7.6 **Rights on termination**

The termination of this Agreement does not affect the rights, duties and liabilities of any party accrued prior to such termination. The Clauses of this Agreement which expressly or impliedly have effect after termination will continue to be enforceable notwithstanding termination.

7.7 **Costs**

The Admission Body must pay to the Administering Authority any costs (including professional costs and the costs of obtaining any actuarial valuation under **Clause 6.5.3** (Adjustment of contribution rate) or **Clause 7.4.1** (Termination valuation)) which the Fund or the Administering Authority may incur as a result of the Agreement's termination.

8. **RISK ASSESSMENT**

This Clause sets out the terms which apply to assess whether a bond, indemnity and/or guarantee is required to mitigate the risk of exposure for the Fund on premature termination of the Agreement.

8.1 **Initial level of risk exposure**

The Admission Body has assessed (taking account of actuarial advice) the level of risk exposure arising on the premature termination of the provision of [service or assets (as applicable)] [the Services] by reason of the insolvency, winding up or liquidation of the Admission Body [as being the sum of [insert amount in words] pounds sterling (£[insert

²⁷ Only applicable to a paragraph 1(d) AB.

²⁸ Optional drafting, for inclusion either where the Administering Authority wishes as a matter of policy to provide parity of treatment for both exit deficits and surpluses, or where specifically requested by an AB and agreed by the Administering Authority. The provision creates a freestanding contractual obligation to pay a return of surplus to the AB on exit in a case where the statutory obligation to do so does not arise for some reason.

amount in figures]]]. This assessment has been carried out to the satisfaction of the Administering Authority [and the Scheme Employer].²⁹

8.2 Provision of bond, indemnity or guarantee

[WHERE A BOND IS INITIALLY REQUIRED]

The Admission Body warrants that [at the Commencement Date] [(or at the date of this Agreement, if later)³⁰] there [is/will be] in place a bond or indemnity (in a form approved by the Administering Authority [and the Scheme Employer]) from a person or firm meeting the requirements of paragraph 7 of Part 3 of Schedule 2 to the 2013 Regulations for the level of risk exposure specified in **Clause 8.1** (Initial level of risk exposure).

[WHERE A GUARANTEE IS INITIALLY REQUIRED]³¹

8.2.1 The Administering Authority [and the Scheme Employer] [have/has] agreed that it is not desirable for the Admission Body to provide a bond or indemnity but instead that the Admission Body must secure a guarantee (in a form approved by the Administering Authority [and the Scheme Employer]) from [insert guarantor name] being [a person who [funds the Admission Body in whole or in part]/[owns the Admission Body]/[controls the exercise of the functions of the Admission Body]] **or** [the Secretary of State for Housing, Communities and Local Government]³² for the level of risk exposure specified in **Clause 8.1** (Initial level of risk exposure).

8.2.2 Notwithstanding the provision of the guarantee under **Clause 8.2.1** (Provision of bond, indemnity or guarantee), where so required by the Administering Authority [or the Scheme Employer] at any time after the Commencement Date [(or the date of this Agreement, if later)³³], the Admission Body must arrange for provision of a bond or indemnity (in a form approved by the Administering Authority [and the Scheme Employer]) from a person or firm meeting the requirements of paragraph 7 of Part 3 of Schedule 2 to the 2013 Regulations to cover the level of risk exposure assessed by the Admission Body (taking account of actuarial advice) to the satisfaction of the Administering Authority [and the Scheme Employer].³⁴

[WHERE NO BOND OR GUARANTEE IS INITIALLY REQUIRED]

The Administering Authority [and the Scheme Employer] [have/has] agreed that the initial level of risk exposure is not such as to require a bond, indemnity or guarantee.

8.3 Ongoing assessment of risk

During the term of this Agreement, the Admission Body must keep the level of risk exposure arising on the premature termination of the provision of [service or assets (as applicable)]

²⁹ The level of risk exposure must also be actuarially assessed to the satisfaction of the Scheme Employer in the case of a paragraph 1(d)(i) AB.

³⁰ Only applicable where the Admission Agreement is, or may be, entered into after the Commencement Date.

³¹ For an AB admitted under paragraph 1(b), the Scheme employer(s) must give a guarantee in the agreement covering all liabilities of the body under the Regulations if at the date that the admission agreement is made the contributions paid to the body by the Scheme employer(s) equal in total 50% or less of the total amount the body receives from all sources, and in such a case, the wording should be tailored appropriately. The Administering Authority may wish, however, to consider a guarantee in other circumstances too.

³² Where the Admission Body is established under an enactment and that enactment enables the Secretary of State to make financial provision for the Admission Body, then the Secretary of State may provide a guarantee.

³³ Only applicable where the Admission Agreement is, or may be, entered into after the Commencement Date.

³⁴ The Administering Authority will need to consider whether it wants the option to require a bond or indemnity where a guarantee has been provided – this is likely to depend on the terms of the guarantee i.e. whether the guarantee sufficiently covers all risks during the term of the Agreement.

[the Services] by reason of the insolvency, winding up or liquidation of the Admission Body under assessment at regular intervals as required by the Administering Authority [and the Scheme Employer].³⁵

8.4 **New or extended bond, indemnity or guarantee**

8.4.1 This **Clause 8.4** (New or extended bond, indemnity or guarantee) applies where:

8.4.1.1 any bond, indemnity or guarantee provided under this **Clause 8** (Risk assessment) is for a period shorter than the full term of this Agreement, so that such bond, indemnity or guarantee will expire during the term of this Agreement; or

8.4.1.2 the Administering Authority [or the Scheme Employer] so requires, following an assessment of risk exposure carried out under **Clause 8.3** (Ongoing assessment of risk).

8.4.2 Where this **Clause 8.4** (New or extended bond, indemnity or guarantee) applies, the Admission Body must [as directed by the Administering Authority [or the Scheme Employer]]³⁶:

8.4.2.1 arrange for any existing bond, indemnity or guarantee to be extended in duration and/or amount as appropriate (provided that, in the case of a guarantee, the Administering Authority [and the Scheme Employer] [have/has] agreed that it is not desirable for the Admission Body instead to provide a bond or indemnity);

8.4.2.2 arrange for provision of a new bond or indemnity (in a form approved by the Administering Authority [and the Scheme Employer]) from a person or firm meeting the requirements of paragraph 7 of Part 3 of Schedule 2 to the 2013 Regulations; or

8.4.2.3 secure a new guarantee (in a form approved by the Administering Authority [and the Scheme Employer]) from a person listed in paragraph 8 of Part 3 of Schedule 2 to the 2013 Regulations, provided that the Administering Authority [and the Scheme Employer] [have/has] agreed that it is not desirable for the Admission Body instead to provide a bond or indemnity.

8.4.3 In any such case the level of risk exposure covered by the extended or new bond, indemnity or guarantee must have been assessed by the Admission Body (taking account of actuarial advice) to the satisfaction of the Administering Authority [and the Scheme Employer].

8.4.4 Where this **Clause 8.4** (New or extended bond, indemnity or guarantee) applies by virtue of **Clause 8.4.1.1**, the Admission Body must comply with the requirements of **Clause 8.4.2** at least one month before the date of expiry of the existing bond, indemnity or guarantee.

³⁵ The level of risk exposure must be assessed at regular intervals to the satisfaction of the Administering Authority and the Scheme Employer in the case of a paragraph 1(d) AB.

³⁶ Include if the Administering Authority and/or Scheme Employer wishes to have the option to require the Admission Body to replace, rather than renew or amend, an existing bond, indemnity or guarantee.

9. INDEMNITY FROM ADMISSION BODY

This Clause sets out the terms of the indemnity to be provided by the Admission Body in favour of the Administering Authority.

9.1 The Admission Body undertakes to indemnify and keep indemnified the Administering Authority against any costs and liabilities which it or the Fund may incur (whether directly or as a result of a loss or cost to the Members) arising out of or in connection with:

9.1.1 the non-payment by the Admission Body of any contributions or payments due to the Fund under this Agreement or the Regulations; or

9.1.2 any breach by the Admission Body of this Agreement, the Regulations or any other legal or regulatory requirements applicable to the Scheme.

9.2 Any demand under **Clause 9.1** (Indemnity from admission body) must be paid by the Admission Body to the Administering Authority or to the Fund (as applicable) within 10 Business Days of receipt by the Admission Body of such demand. [In the event of non-payment by the Admission Body, the Scheme Employer must indemnify and keep indemnified the Administering Authority against such costs and liabilities.]³⁷

10. [GUARANTEE FROM SCHEME EMPLOYER]³⁸

This Clause sets out the terms of the guarantee to be provided by the Scheme Employer in favour of the Administering Authority.

10.1 [Status of Administering Authority and Scheme Employer

For the avoidance of doubt, in this **Clause 10** (Guarantee from scheme employer), the term "Administering Authority" refers to the Administering Authority acting in its capacity as administering authority (as defined in the Regulations) of the Fund and the term "Scheme Employer" refers to the same entity acting in its capacity as Scheme employer (as defined in the Regulations).]³⁹

10.2 Failure to pay Scheme liabilities

Where the Admission Body has failed to pay any sum due under this Agreement or the Regulations (in whole or in part and including for the avoidance of doubt any exit payment due when this Agreement ceases to have effect) to the Administering Authority within [20] Business Days of receipt by the Admission Body of a written demand from the Administering Authority, [and the Administering Authority is unable for any reason to obtain payment in respect of all or part of the unpaid liability under any bond, indemnity or guarantee provided under **Clause 8** (Risk assessment),]⁴⁰ the Scheme Employer must pay to the Administering Authority such sum or sums as the Administering Authority claims in respect of the unpaid liability.

³⁷ This is only applicable if the Administering Authority and the Scheme Employer are separate bodies.

³⁸ This **Clause 10** is to be used where the Scheme Employer (including where the administering authority is also the Scheme Employer) is to guarantee the liabilities of the Admission Body. This clause may not be required if a separate guarantee/indemnity document is being entered into. If this clause is used, **Clause 8** (Risk assessment) will need to be suitably amended to ensure consistency.

³⁹ Delete where Administering Authority is not the Scheme Employer for the purposes of this Agreement.

⁴⁰ Include where **Clause 10** is being used to provide a guarantee of last resort from the Scheme Employer in addition to the provision of a bond / indemnity from a third party (which may be relevant where the AB is not a para.1(d) AB and therefore there is no guarantor of last resort under reg.64).

10.3 **Service of Payment Notice and payment**

Any claim under **Clause 10.2** (Failure to pay scheme liabilities) must be made by written notice specifying the amount due (a "**Payment Notice**"), which must be served by the Administering Authority upon the Scheme Employer in accordance with **Clause 11** (Notices). The Payment Notice is to be accepted by the Scheme Employer as conclusive evidence for all purposes that the amount claimed is due to the Administering Authority. The Scheme Employer must pay the sum so demanded within **[5]** Business Days of receipt of the Payment Notice.

10.4 **Sums paid by the Scheme Employer**

10.4.1 All sums paid by the Scheme Employer in accordance with **Clause 10.2** (Failure to pay scheme liabilities) must be held and applied by the Administering Authority for the purpose of paying and discharging the Admission Body's liability to pay the relevant sums due under this Agreement or the Regulations.

10.4.2 Any payment to be made by the Scheme Employer must be made in sterling and must be free, clear of and without any deduction for taxes, levies, duties, charges, fees or any deductions or withholdings for or on account of any set-off or counterclaim.

10.4.3 **[Any payment to be made by the Scheme Employer must be made from funds held by the Scheme Employer in its capacity as such, and not from any funds held in its capacity as the Administering Authority.]⁴¹**

10.5 **Receipt of payment**

Following any payment by the Scheme Employer in accordance with **Clause 10.2** (Failure to pay scheme liabilities), the Administering Authority must within 6 months of receipt of payment provide the Scheme Employer with a written account showing how the payment has been applied to the Fund. If any payment exceeds the amount required to discharge the liabilities of the Admission Body to the Fund, the Administering Authority must refund any overpayment to the Scheme Employer.

10.6 **Further Payment Notice**

The service of a Payment Notice by the Administering Authority does not preclude the service of any further Payment Notice.

10.7 **Obligations and liabilities**

The Scheme Employer's obligations and liabilities under this **Clause 10** (Guarantee from scheme employer) will not be reduced, discharged, impaired or affected by the giving of time or any other indulgence, forgiveness or forbearance by the Administering Authority in respect of the Admission Body.

10.8 **Change in status**

Unless expressly varied under **Clause 15** (Amendment), this **Clause 10** (Guarantee from scheme employer) will remain in effect in accordance with its terms notwithstanding any variation made in any of the other terms of this Agreement or the Regulations and notwithstanding the insolvency, winding-up or liquidation of the Admission Body (compulsory or otherwise) or it otherwise ceasing to exist or function. This **Clause 10** (Guarantee from scheme employer) and the obligations under it will not be affected by any disclaimer of the Admission Body's contracts or liabilities by a liquidator.

⁴¹ Delete where Administering Authority is not the Scheme Employer for the purposes of this Agreement.

10.9 **Warranty of authority**

The Scheme Employer warrants and represents to the Administering Authority that it has all necessary authority, power and capacity to enter into and perform its obligations under this **Clause 10** (Guarantee from scheme employer), that all necessary actions have been taken to enter into those obligations properly and lawfully, and that those obligations are binding on the Scheme Employer in accordance with their respective terms.

10.10 **Expiry date**

10.10.1 The obligations and liabilities of the Scheme Employer under this **Clause 10** (Guarantee from scheme employer) will cease and determine absolutely on the full discharge of all liabilities of the Admission Body (arising under this Agreement and the Regulations) by the Admission Body or the Scheme Employer.

10.10.2 For the avoidance of doubt, this **Clause 10** (Guarantee from scheme employer) will continue to have effect after the termination of this Agreement unless and until all liabilities of the Admission Body under the Regulations or this Agreement have been discharged in full either by the Admission Body or by the Scheme Employer pursuant to **Clause 10.10.1** (Expiry date).]

11. **NOTICES**

This Clause sets out how any written notices are to be served.

11.1 All notices under this Agreement must be in writing and must be served by being sent by first class post or delivered by hand to, or by being left at, the registered office of the Admission Body or the headquarter address of the Administering Authority [or the Scheme Employer] (as the case may be).

11.2 Any notice served in accordance with **Clause 11.1** (Notices) will be deemed to have been served:

11.2.1 if sent by first class post, at [9.00] am on the [second] Business Day after the date of posting; or

11.2.2 in any other case, at the time the notice is delivered to or left at the relevant address;

provided that if a notice would otherwise be deemed to be served before [9.00] am on a Business Day, it will be deemed to be served at [9.00 am] on that day, and if it would otherwise be deemed to be served on a day which is not a Business Day or after [5.00] pm on a Business Day, it will be deemed to be served at [9.00] am on the immediately following Business Day.

12. **WAIVER**

This Clause sets out what happens if there is a failure to enforce the Agreement.

Failure or neglect by the Administering Authority [or the Scheme Employer] to enforce at any time any of the provisions of this Agreement will not be construed or deemed to be a waiver of the Administering Authority's [or the Scheme Employer's] rights [(as the case may be)] nor in any way affect the validity of the whole or any part of this Agreement nor prejudice the Administering Authority's [or the Scheme Employer's] rights [(as the case may be)] to take subsequent action.

13. **SEVERANCE**

This Clause sets out what happens if any part of the Agreement is found to be invalid.

13.1 If any provision of or period of Scheme membership following purported admission to the Scheme under this Agreement is found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability will not affect the other provisions of or any other periods of Scheme membership under this Agreement, which will remain in full force and effect.

13.2 If any provision of this Agreement is so found to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted the provision in question will apply with such modification(s) as may be necessary to make it valid and enforceable.

14. **ENTIRE AGREEMENT**

This Clause provides that the Agreement sets out the only terms relating to the admission of the Admission Body.

Except where expressly provided, this Agreement constitutes the entire agreement between the parties in connection with its subject matter and supersedes all prior representations, communications, negotiations and understandings concerning the subject matter of this Agreement.

15. **AMENDMENT**

This Clause sets out the terms that apply in relation to amending the Agreement.

The parties to this Agreement may amend this Agreement by deed (and only by deed), provided that:

15.1 the amendment is not such that it would breach the Regulations or any other legal or regulatory requirements applicable to the Scheme; and

15.2 the amendment would not prejudice the status of the Scheme as a Registered Pension Scheme.

16. **[PUBLIC INSPECTION⁴²**

This Clause sets out the circumstances in which the Agreement can be inspected by the public.

Subject to the Schedule being removed or redacted to protect personal data, as required by data protection law, this Agreement must be made available for public inspection by the Scheme Employer at its offices.】

17. **MORE THAN ONE COUNTERPART**

This Clause sets out how the Agreement can be executed in counterparts.

This Agreement may be executed in any number of counterparts, each of which will constitute an original, but which will together constitute one agreement. This Agreement

⁴² Only applicable to a para 1(d) AB.

will not be effective until each party has executed at least one counterpart. The term "counterpart" includes a facsimile or scanned copy of this Agreement.

18. **LAWS**

This Clause sets out the legal framework which governs the Agreement.

18.1 This Agreement and any non-contractual obligation arising out of or in connection with it will be governed by and interpreted in accordance with the laws of England and Wales, and the courts of England and Wales have exclusive jurisdiction to determine any dispute arising out of or in connection with this Agreement (including in relation to any non-contractual obligations).

18.2 The parties do not intend that any term of this Agreement will be enforceable under the Contracts (Rights of Third Parties) Act 1999 by any person who is not a party to it.

EXECUTED as a deed and delivered on the date stated at the beginning of this Agreement.

[Drafting note: Confirm execution formalities of each of the parties to the Admission Agreement.]

THE COMMON SEAL of:
THE LORD MAYOR AND CITIZENS OF THE CITY OF WESTMINSTER
was affixed in the presence of:

Authorised Officer

OR

EXECUTED as a deed by
THE LORD MAYOR AND CITIZENS OF THE CITY OF WESTMINSTER
acting both as Administering Authority
and Scheme Employer
by the affixing of the **COMMON SEAL**

in the presence of:

Authorised Officer

THE COMMON SEAL of:
[SCHEME EMPLOYER]
was affixed in the presence of:

Authorised Officer

EXECUTED as a deed by **[ADMISSION BODY]**
acting by a director

Director signature:

Name:

in the presence of:

Witness signature:

Name:

Address:

.....

OR

EXECUTED as a deed by **[ADMISSION BODY]**
acting by two directors or by a director and its
company secretary

Director signature:

Name:

**Director / secretary
signature:**

Name:

APPENDIX

Secretary of State Letter

[INSERT COPY OF LETTER]⁴⁴

⁴⁴ Only applicable for a 1(e) Admission Body.

:



Pension Fund Committee

Date:	14th March 2019
Classification:	General Release
Title:	Westminster Administering Authority Fund Discretions
Report of:	Jo Meagher, Head of Operational People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	Limited

1. Executive Summary

- 1.1. This report shows in appendix 1 attached the list of discretionary policies a Local Government Pension Scheme fund should make a determination on. In addition, there is an outline of the proposed treatment of each discretion by Westminster Administering Authority. This paper is seeking consent to publish our fund discretions.
- 1.2. The attached appendix now includes an additional column where we have tried to outline to the committee why we have proposed the discretionary policy. Where we have numbers applicable to the discretion we have outlined these to provide additional context.

2. Administering Authority Discretions

- 2.1. All pension funds should publish details of Administering Authority (AA) discretions and the treatment of those discretions. AA discretions outline how the AA will deal with members and scheme employers.
- 2.2. In Westminster we have not to date published a comprehensive list of discretions or detailed our treatment except in a few individual policy documents.
- 2.3. This paper is requesting that the committee read the AA discretions and approve the appendix as a pension fund document to be applied to any

applicable case going forward until such time as any of the discretions are amended by future committee decision.

- 2.4. If we continue not to publish any discretion we could be at risk of any member complaint in that particular area. For example number 54 in the appendix is about the waiving of reductions for members where the former employer no longer exists. Having a policy that says we would only waive reductions where the individual can show a significant compassionate case sets a framework to manage expectations. People do ask about having reductions waived these requests will bring costs.

3. **Summary**

- 3.1 The committee is requested to approve the attached discretionary policy document attached. If the committee wants people services to review any individual discretion we can do that and update the document at a later meeting.

Westminster Administering Authority Pension Fund Discretions

Introduction

The Westminster City Pension Fund as an Administering Authority of an LGPS fund, has determined their discretionary policies in accordance with the Local Government Pension Scheme Regulations 2013 and related legislation. These are outlined in this statement. We will apply these policies to all current members in the Pension Fund, regardless of their employer. Where relevant, these policies equally apply to deferred members who left pensionable service prior to 1 April 2014 (albeit only in relation to discretions exercised since the effective date of these policies), and to pension CARE members.

These amended policies were approved at the Westminster Council Pension Committee on 10th December 2018 and are effective immediately, unless stated otherwise within this statement.

These policies do not give, nor shall they be deemed to give, any contractual rights to any member of the Pension Fund, or to any other person. Nothing in this document will cause the Pension Committee's capacity to exercise its discretionary powers to be unlawfully fettered or restricted in any way. We will exercise these discretions in line with the provisions of the various LGPS Regulations and other legislation. Nothing within this statement can overwrite the legal requirements within those provisions. We will review the policies within this statement as required in the light of future changes to LGPS legislation or other relevant legislation.

Background Regulations

- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 as Amended (prefix **B**)
- The Local Government Pension Scheme (Administration) Regulations 2008 as Amended (prefix **A**)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (prefix **T08**)

December 2018

- The Local Government Pension Scheme Regulations 1997 as Amended (prefix **R97**)
- The Local Government Pension Scheme Regulations 2013 (prefix **R13**)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (prefix **TP14**)
- The Local Government Pension Scheme Regulations 1995 (prefix **R95**)

Ref	Discretion and Regulation	Description of The WCC Administering Authority Treatment.	Additional Information
1	<p>Publish a Governance Policy stating how functions are delegated and whether the Administering Authority complies with guidance given by the Secretary of State.</p> <p>R13 - 55</p>	<p>WCC has a compliant Governance Statement which can be found on page 89 of the WCC Annual Pension Fund Report 17/18 see link below to the document on our pension fund website.</p> <p>http://www.wccpensionfund.co.uk/media/4171/westminster-pf-annual-report-201718.pdf</p>	
2	<p>Decide on the Funding Strategy for inclusion in the funding strategy statement.</p> <p>R13 - 58</p>	<p>WCC has a Funding Strategy on page 98 the WCC Annual Pension Fund Report 17/18 see link below to the document on our pension fund website.</p> <p>http://www.wccpensionfund.co.uk/media/4171/westminster-pf-annual-report-201718.pdf</p>	
3	<p>Develop a Communication Policy setting out how the</p>	<p>WCC has a Communication Policy which is published on the pension website.</p>	

	<p>Administering Authority communicates with members, representatives of members, prospective members and employing authorities and the format, frequency and method of communication.</p> <p>R13 - 61</p>	<p>http://www.wccpensionfund.co.uk/media/1735/communications-policy.pdf</p>	
4	<p>Decide whether to have a written Pensions Administration Strategy and if so the matters it should include.</p> <p>R13 -59 (1) and (2)</p>	<p>Westminster has a Pension Administration Strategy (PAS) effective from April 2018.</p> <p>http://www.wccpensionfund.co.uk/westminster-city-council-pension-fund/about-us/forms-and-publications/</p>	
5	<p>Appoint someone to deal with applications under stage one of the Internal Dispute Resolution Procedure (IDRP) in relation to any dispute relating to the role of the Administering Authority.</p> <p>R13 74 (1) A58 R97- 100</p>	<p>Sarah Hay, Senior Pensions Advisor, or a suitable alternative individual with sufficient pension knowledge, will respond at stage one of any IDRP case on behalf of the Administering Authority (AA). If the matter relates to an employer decision or issue, individual employers will respond to IDRP at stage one. If an employer has no suitable person to respond for them they can request support from the AA but would be expected to provide all relevant information and abide by the decision of the appointed person.</p>	<p>The fund gets some complaints each year and people do request to go down the IDRP route. The most common reason is disagreement over ill health retirement. A Stage one case would normally be reviewed by</p>

		Complaints regarding process or delay will still be recorded and responded to but will not be dealt with as an IDRP.	an officer working in the direct area.
6	<p>Appoint someone to deal with applications under stage two of the Internal Dispute Resolution Procedure (IDRP) in relation to any dispute relating to the role of the Administering Authority.</p> <p>R13 -76 (4) A60 (8) R97-99</p>	<p>Lee Witham, Director of People Services, or nominated substitute will respond to any stage two appeal.</p> <p>The Administering Authority (AA) will review any stage one appeal referred by a member from any fund employer. In addition any appeal against a stage one decision from the AA will be reviewed by the Director of People Services.</p>	If a complaint goes to Stage two then in most circumstances a senior officer would need to review as the next stage is the Pensions Advisory Service and the Pension Ombudsman. Stage 2 IDRP cases are not common we may have a couple a year.
7	<p>Whether the Administering Authority should appeal to the Secretary of State against an employer decision (or lack of a decision)</p> <p>R13-79 (2) A63 (2) R97(105 (1))</p>	Where the fund has engaged with an employer and cannot retrieve a satisfactory resolution for the fund. Where there is evidence the employer has acted outside its capacity as determined by the regulations or has put the fund at material risk. Where no other remedy is available or has already been exhausted then the fund will reserve the right to escalate matters to the Secretary of State following the approval of the Director of People Services and the Tri Borough Director of Treasury and Pensions.	I do not think WCC has ever done this so not a high risk area for the committee.
8	Whether to agree to an Admission Agreement with an external employer	The Pension Fund Committee will approve any new admission body in the pension fund. All new admission bodies will be required to provide a bond to cover the risk of default or a	All new admitted body applications are put before committee. We

	<p>R13- Schedule 2 ,Part 3, Para 1</p> <p>R13-4 (2) (b)</p>	<p>guarantee of cover from a source that the committee accepts as secure. Scheduled bodies such as new academy schools will be automatically admitted.</p> <p>For the avoidance of doubt the Pension Fund Committee will make the final decision on any agreement with a Care Trust, NHS Scheme employing authority or the Care Quality Commission.</p>	<p>may have a few new bodies each year as a result of fund employers outsourcing services and tupe transferring staff. As discussed, we would need sound evidence to refuse an application but we attempt to mitigate risk within the admission and side agreements with employers. The risk overall is low.</p>
9	<p>Whether to terminate a transferee admission agreement in the event of insolvency, winding up or liquidation of the body. Breach by that body to any obligation contained within the admission agreement or regulatory requirement. Failure by the body to pay over sums due in a timely manner and no later than the 19th day following deduction every month.</p> <p>R13- Schedule 2, Part 3, Para 9 (d)</p>	<p>Termination of an admission agreement would be made following the approval of the Pension Fund Committee. Officers will act in the best interest of the fund taking the appropriate legal advice where necessary prior to any committee meeting to avoid exposing the fund to any unnecessary risk. All decisions will be made with consideration given to the needs of the people being impacted by the decision to terminate an individual employer and the possible reputational risk to the fund. A comprehensive admission policy will be developed.</p>	<p>This would be a rare occurrence. The risk overall is low.</p>

10	<p>Employees of a contractor are only entitled to remain in the LGPS whilst they continue to be employed in connection with the original service that was transferred. This expression should be defined by the Administering Authority.</p> <p>R13 - Schedule 2, Part 3, Para 12 (a)</p>	<p>Westminster Administering Authority will allow anyone outsourced by a fund employer working on a contract to remain in the fund as long as they work in some capacity for our fund employer.</p>	<p>Previously we had suggested a 50% work on our contract limit. In reality this would be very difficult to check and most tupe transfers are for the lowest paid members of the fund including catering staff and facilities staff. There is little merit in trying to apply a limit and a low risk to the fund due to our admission agreements.</p>
11	<p>Whether to set up a separate admission agreement fund.</p> <p>R13 - 54 (1)</p>	<p>No separate fund.</p>	
12	<p>Whether to obtain a revision of the rates and adjustment certificate if there are circumstances that make it likely that a Scheme Employer will be ceasing</p> <p>R13 - 64 (4)</p>	<p>All employers who cease to be active in the fund will have a cessation valuation carried out by the fund actuary. Officers will work with an impacted employer and the actuary to measure the outstanding liabilities and assets allocated to the employer in the period prior to cessation. Each case will be judged on the merits at the time.</p>	<p>This would be done on cessation anyway and getting the actuary to do it twice would multiply their cost. In most cases their would not be a justification.</p>

13	<p>Whether to obtain a revision of the rates and adjustment certificate if the Secretary of State amends the Regulations as part of the “cost sharing” valuation</p> <p>R13 - 65</p>	<p>The decision will be made by the appropriate senior officer, in conjunction with the funds actuary. Any decision will be notified to the next available Pension Committee with the appropriate supporting documentation. Any such event is likely to coincide with a triannual valuation cycle.</p>	<p>We think this unlikely outside the valuation process however we reserve all options.</p>
14	<p>Whether to require any strain on fund costs to be paid up front by an employer following redundancy, efficiency, flexible retirement, or the waiver (in whole or in part) of any actuarial reduction on voluntary or flexible retirement.</p> <p>R13 68 (2) TP14 – Schedule 2, para 2 (3) R97 – 80 (5)</p>	<p>The WCC fund does not expect payment of capital costs before releasing pension benefits to members, following the decision of their fund employer to agree to a retirement or the waiving of an otherwise applied reduction. The fund does expect each employer to meet the capital costs of any decision that they make and invoices will be issued after a benefit is released and the employer is expected to settle within 30 days. Failure of an employer to make payment following a decision could risk escalation as described in other Administering Authority discretions.</p>	<p>Risk is low, we would not want to delay member benefits on which they may be depending, waiting for the employer to make a capital payment.</p>
15	<p>What information should be supplied by employers to enable Administering Authority to discharge its functions.</p> <p>R13 - 80 (1) (b) TP14 – 22 (1)</p>	<p>WCC has a Pension Administration Strategy (PAS) which sets out its relationship with the fund employers.</p> <p>http://www.wccpensionfund.co.uk/westminster-city-council-pension-fund/about-us/forms-and-publications/</p>	

	A64 (1) (b)		
16	Decide frequency of payment of contributions to the fund by employers and whether to make an administration charge for late receipt. R13 - 69 (1)	The WCC PAS contains details of fines for late payment. Monthly member contributions are expected to be credited by the 19 th day of the month following deduction or a fine can be levied.	
17	Decide frequency of information from fund employers to accompany payment of contributions to the fund. R13 - 69 (4)	Information is set out in the WCC PAS and should be provided monthly with payment to ensure accurate allocation of funds.	
18	Whether to issue an employer with a notice to recover additional costs incurred as a result of the employers level of performance. R13 - 70 TP14 -22 (2)	Details are contained within the WCC PAS. The fund will reserve the right to recover costs where necessary but will work with employers to ensure performance is of an acceptable level to administer the scheme for the benefit of members.	
19	Whether to charge interest on payments by employers overdue. R13 - 71 (1)	Details are contained within the WCC PAS. http://www.wccpensionfund.co.uk/westminster-city-council-pension-fund/about-us/forms-and-publications/	
20	The Administering Authority is required to approve	The WCC Administering Authority accepts the choice of all the fund employers to appoint their own Occupational Health	The fund has processed one tier 3 this current

	<p>medical advisors used by employers (for the determination of ill health benefits)</p> <p>R13 - 36 (3) A56 (2) R97-97 (10)</p>	<p>Doctors. Any Doctor signing an ill health certificate has to be qualified to the standard required by the pension regulations see below.</p> <p>(a) holds a diploma in occupational health medicine (D Occ Med) or an equivalent qualification issued by a competent authority in an EEA state; and for the purposes of this definition, "competent authority" has the meaning given by section 55(1) of the Medical Act 1983.</p> <p>(b) is an Associate, a Member or a Fellow of the Faculty of Occupational Medicine or an equivalent institution of an EEA state</p>	<p>year so far. Ill health retirements can be expensive, especially for tier 1 cases. I am aware on a tier 1 case pending. The fund is reviewing options to fund ill health retirements. The regulations on the award of ill health retirement are very restrictive and ill health retirement is not a common exit reason within the fund. It would generally not be in an employers interest to approve cases without sound medical support due to the financial strain it could cause on the employers rate. We feel that employers should be trusted to appoint their own qualified doctors to make these decisions and do not feel that this exposes the fund to additional risk.</p>
21	<p>A death grant due to a members estate, can be paid to someone's</p>	<p>WCC Administration Authority will approve the pension administrators to make payment without probate to the next of kin or the member representative(s). If there is any dispute the</p>	<p>We have paid 18 death grants so far this year. 8 of these were under</p>

	<p>representative without waiting for probate or letters of administration where the death grant is less than the amount specified in any order under section 6 of the administration of the Estates (small payments) Act 1965 currently £5,000</p> <p>R13 - 82 (2) A52 (2) R97- 95</p>	<p>administrators will raise with the employer to make an appropriate determination.</p>	<p>£5000. One case has just been referred to people services for a decision on payment and this has been made and is proceeding. Our discretion is designed to make payment to the next of kin or nominated beneficiary as quick as possible in a difficult time. Where there is an issue People services will review directly. We are not aware of anything that should concern the committee in relation to this discretion.</p>
22	<p>The Administering Authority may at its discretion pay any death grant due (including AVC's SCAVCs and Life assurance relating to AVCs) to or for the benefit of the members nominee, personal representative or any person appearing to the authority to have been a relative or dependent of the member.</p>	<p>WCC Administering Authority will allow the pension administrators to authorise the payment of death grants where there is a clear mandate either through an undisputed nomination or by an agreed split of any payment due to a member next of kin or representatives.</p> <p>Where there is any dispute from individuals believing they have an entitlement to a share of the death grant then the case shall be escalated to the Administering Authority, people services team to make a final decision after consideration of all the available facts.</p>	<p>As in 21 above most cases will be paid based on a nomination form or on an undisputed next of kin application. Where there is a dispute people services will make the decision on behalf of the fund but note these cases are rare.</p>

	<p>R13 - 17 (12), 40 (2), 43 (2) and 46 (2) TP14 -17 (5) to (8) B – 23 (2),32 (2) and 35 (2) T08 – Schedule 1 R97 – 38 (1) and 155 (4) R95 –E8</p>		
23	<p>The Administering Authority must decide the evidence required to determine financial dependence / interdependence of a cohabitee on a scheme member.</p> <p>R13 - Schedule 1 TP14 – 17 (9) (b) B25</p>	<p>Where no nomination has been made by the member, the fund will require evidence of cohabitation and financial dependence / interdependence. Evidence will include sight of joint bank accounts, household bills including Council Tax, in both the members and the partners name at the same address. Notification by the member to the employer that the named person is their partner for example by the completion of next of kin details on a HR system. Proof of joint ownership of property or mortgage / rental agreement. The fund will need confirmation that the member and their partner had lived together for 2 years or more and that both parties were free to enter into a marriage or civil partnership had they wished at the date of the members death.</p>	<p>We have checked with our administrators, the evidence they use for determining financial interdependence whilst cohabitating. see response. ESCC usually ask for Joint Bank statements, Council Tax or Utility bills. Most other funds discretions are vague on the exact evidence they require but we have added more detail than in the original discretion.</p>

24	<p>The Administering Authority can decide whether to make that election on behalf of the deceased member. For the best of the last 3 years if they die before getting the chance to make an election.</p> <p>Pre 14 Whole Time Pensionable Pay</p> <p>TP14 – 3 (6), 4 (6) (c), 8 (4), 10 (2) (a), 17 (2) (b) B10 (2)</p>	<p>WCC Administration fund will automatically allow for the best of the last 3 years in all cases.</p>	<p>This would be a rarely exercised discretion. In most cases the last 365 days is the best year for the members whole time pay. In a rare case where the member dies and we are aware that a prior year is higher for example where the member had an honorarium or an acting up payment in a prior year we should not penalise the benefit due to any next of kin if the member has died.</p>
25	<p>Whether to make an election on behalf of a deceased member who had a certificate of protection of pension benefits so their benefits may be calculated using the best pay available</p> <p>TP14 – 3 (6), 4 (6) (c), 8 (4), 10 (2) (a), 17 (2) (b) T08- Schedule 1 R97 – 23 (9)</p>	<p>WCC Administering Authority will allow any members benefits to be based on the best available pay period under the regulations.</p>	<p>Very rare now that a certificate of protection is referred to in the calculation of benefit. I have not seen a case in years. It would be correct to act in the members and their next of kin interest though where a valid certificate were recorded.</p>
26	<p>Whether to select an alternative final pay period</p>	<p>WCC Administering Authority will allow any members benefits to be based on the best available pay period under the regulations.</p>	<p>Cannot recall any case being referred in relation</p>

	for deceased member (applies to leavers between 31st March 1998 and 1st April 2008) R97- 22 (7)		to this so very rare but again we should act in the members next of kin interest should a case arise.
27	Whether to treat a child as being in continuous education or vocational training, despite a break so that the child's pension resumes after the break. R13 -Schedule 1 "Eligible Child" TP14 -17 (9)	We will normally accept short breaks including gap years, as being interruptions in education/training and will restart a suspended Childs' pension at the end of such a break or gap, providing confirmation from the relevant body is received that education/training has resumed. The WCC Pensions Officer will decide each case on its own merits.	We currently have 56 child pensions in payment. Some of them are long term pensions where the child is of adult age but not able to care for themselves and have a child pension as a legacy from a prior LGPS arrangement. Our approach so far has been to pay a childs pension whilst in Education up to the completion of a 4 year degree, whilst on a gap year or working year the pension is suspended. We have refused to pay pensions beyond degree level or when someone decides to study after 22.
28	How to apportionment children's pension amongst eligible children, member	Where there is more than one eligible child, the Fund will normally divide a children's pension equally between the eligible children, with delegated authority, given to the pension fund	I have not come across a disputed child pension in the WCC fund. Childs

	<p>leavers between 31st March 1998 and 1st April 2008)</p> <p>R97-47 (7) R95 –G11 (1)</p>	<p>administrators to determine what is appropriate. If there is any dispute then the administrators will raise the issue with the employer for a final decision.</p>	<p>pension are not common there is minimal risk in letting the administrators lead o this.</p>
29	<p>Whether to pay the whole or part of a child’s pension to another person for the benefit of the child. This applies to pre 1st April 2014 leavers only.</p> <p>B27 (5) R97 – 47 (2) R95 –G11 (2)</p>	<p>Where a child is below the age of 17, we will normally pay his/her pension to the person who has the care of the child, to be applied for the benefit of that child. This will be decided on a case by case basis by the pension administrators and only referred to the employer if there is any dispute.</p>	<p>In most cases there is a surviving parent who has care of the eligible child. I am aware of one case a few years ago where the deceased members family and her spouse had been in dispute about a child pension. The child was living with her Father who was in receipt of a spouse pension. The child was 15 and we elected to request that the child pension be paid directly into the child’s bank account for their welfare. The case was resolved.</p>
30	<p>Whether or not to suspend spouses’ pensions during remarriage or cohabitation</p> <p>R95 - F7</p>	<p>WCC Administering Authority will no longer suspend any spouses’ pension where the dependent remarries or cohabits with a new partner.</p>	<p>Please note that we only have the choice to abate in regard to people who’s benefit accrued in the scheme under the 1995 regs or earlier. Our</p>

			view is that if the member paid into the scheme and accrued benefits to pay a spouse pension after they died, the spouses subsequent remarriage should not impact that decision. The financial impact on the fund will be minimal as most benefits accrued under the regulations have been paid a number of years now.
31	Whether to agree to the payment of a bulk transfer R13 - 98 (1) (b)	WCC Administering Authority will review each case on its merits taking into account the advice of the fund actuary. The final decision will be with the Tri borough Director of Treasury and Pensions.	These are rare but could potentially reduce costs for the fund if applicable.
32	The Administering Authority (with the agreement of the employer) may extend the 12 month time limit for a scheme member to elect to transfer in benefits from a non-local government pension scheme or personal pension plan. R13 - 100 (6)	We expect scheme members to request all transfers within 12 months. If a request comes into the administrators after 12 months any request would be referred to the individual fund employer who should have an employer discretion on which to base any decision. Where requests are granted the Administering Authority reserves the right to veto any application if there is clear evidence that such a decision would put the fund at any undue risk, for example if the member concerned had been issued with a redundancy notice.	Many Administering Authorities do not extend the 12 month limit. East Sussex and I believe Surrey refer internally any request and make a decision on a case by case basis. For our fund we know that under BT data was not going from them to Surrey in a timely manner this could have

			<p>delayed people requesting transfers. There is a risk to the fund in accepting late transfer requests where the member has final salary benefits accrued previously and their pay is higher with the employer in our fund. Allowing transfers to proceed now does not mean we cannot review and restrict at a later time if the committee wish when our data is in a cleaner state.</p>
33	<p>Whether to allow transfers of pension rights into the Fund</p> <p>R13 100 (7)</p>	<p>We will accept all transfer values (subject to meeting the appropriate timescales). Members retain a responsibility to ensure that their transfer is completed by written confirmation from the fund.</p>	<p>I am not aware of any reason we would restrict this.</p>
34	<p>Whether to charge a scheme member for the provision of an estimate of the additional pension that would be provided in the Fund in return for a transfer in of in house AVC/SCAVC funds (only applies where the arrangement was entered into before 1st April 2014)</p>	<p>WCC Administering Authority will not charge members for estimates in most circumstances. However we will reserve the right to levy a charge where a member is requesting multiple estimates on annual regular basis.</p>	<p>I am not aware that this is an issue in our fund. East Sussex have confirmed for me that they do not charge unless someone requests multiple estimates. Our aim is to get people to self serve estimates on the portal but reserving our</p>

	TP 14 15 (1) (d) A28 (2)		entitlement to charge in case we have someone insisting on multiple figures without running themselves would be desirable. I would be surprised if we end up charging anyone.
35	Where a deferred member also has ongoing multiple concurrent employments, the member may be able to choose which employment the deferred benefits are aggregated with. We can decide this where the member does not make their own election within 12 months. TP 14 10 (9)	The Pension Administrator will decide this based on what appears to be the most beneficial approach at the point 12 months after the person became a deferred member for that employment. The WCC Pension Officer may ask for any case to be reviewed.	We have plenty of people with concurrent employments particularly in schools and in the libraries area. Records can be complicated and some members can have 5, 6 or 7 very small pensions. It is appropriate that the pension administrators review each case on it's merits. The risk to the fund should be negligible and if amalgamation is appropriate make paying the member pension simpler for the member and the fund.
36	Whether the Fund will retain the Contributions Equivalent	The CEP amount will be retained by the Fund and used towards providing the balance of benefits due to the scheme member.	Minimal impact.

	Premium (CEP) where a scheme member transfers out to a contracted in pension scheme (pre 1.4.08 leavers) R97- 118		
37	The date to which benefits shown on the Annual Benefit Statements are calculated R97- 106A (5) R13 - 89 (5)	All annual benefit statements will be calculated as at the 31st March preceding their distribution.	We have no choice in this.
38	Abatement of pensions on re-employment (applies to pre 1 April 2014 retirees only) TP14 -3- (13) A70(1) A71(4) (c) T08 – 12 R97 – 109 110 (4) (b)	WCC Administering Authority no longer abates any pension.	We cannot abate CARE pension only final salary benefit. East Sussex have confirmed that they currently do abate but have advised this is currently under review. With the removal a long time ago of added years as a compensation when leaving early our opinion is that pension now being paid when a member leaves employment has been earned by them. We do not see any justification in hindering any reemployment for them

			if they wish. In reality people just went to work via an agency even when we did abate so we could not enforce or recover funds as the regulation required that they have access to the LGPS.
39	The pension account may be kept in such form as is considered appropriate R13 - 22 (3) (c)	This is determined by the fund administrators working with our software provider Heywoods.	No choice.
40	An Administering Authority may determine how and to whom benefits may be paid if the recipient is incapable of managing their affairs by reason of mental disorder or otherwise R13- 83 A-52A	The Administering Authority will permit the Pension Fund Administrator to decide to pay some or all of the benefit to someone else for the benefit of the scheme member, subject to a power of attorney or other legal document being provided. In exceptional circumstances the case may be referred for a decision by the Westminster Pension Officer.	These cases are rare, I have not had any disputed power of attorney cases referred. The risk would be minimal.
41	Whether to turn down a request to pay an APC/SCAPC by regular contributions over a period of time where it would be impractical to allow such a request, for example, due to	No request shall be declined unless there are exceptional circumstances, for example if a member was taking out multiple different contracts or their salary can't support any payment request.	Very occasionally someone with a claims employment asks about topping up their pension. If they have minimal claims being paid agreeing an APC / APC

	<p>the pension being bought resulting in very small payments</p> <p>R13 16 (1)</p>		<p>may not be practical. We need to review cases as they arise. The risk is minimal. We occasionally in the past have had people wanting lots of different contracts. Our intention is not to discourage pension saving but we could need to refuse a request if it's not practical. I do not see this as likely or a risk.</p>
42	<p>Whether to require a satisfactory medical before agreeing to an application to pay an APC or SCAPC</p> <p>R13 - 16 (10)</p>	<p>The Administering Authority (AA) will not normally require people to have a medical prior to taking out an APC. The AA will allow the employer to make the final decision to allow an APC, except where there is a clear risk of financial detriment to the fund in allowing an application to proceed.</p>	<p>The one circumstance that an APC (Additional Pension Contract) contract is made up is when the individual is ill health retired. Therefore there is a risk of additional cost to the employer in this circumstance. Ill health retirements are rare though and we do not see any benefit in restricting people purchasing additional pension for the minimal risk that the employer will be funding via the</p>

			employer rate. Where we know someone is on long term sick the fund will not allow a fresh application.
43	<p>Scheme member wishing to receive benefits other than at normal pension age, or on flexible retirement, must elect to do so within certain time limits. The Administering Authority may extend these time limits.</p> <p>R13 32 (7)</p>	<p>We expect any elections to be made within the time limits in the regulations. However, the time limit may be extended upon request to the WCC Pensions Officer.</p>	<p>We do not believe this is an issue within the fund and do not envisage a financial risk from it.</p>
44	<p>Whether to extend the time period for a scheme member electing to capitalise remaining contributions to an added years contract in cases of redundancy.</p> <p>TP14 15 (1) (c) T08 – Schedule 1 R97 -83 (5)</p>	<p>We will normally apply the prescribed 3 month time limit, however this may be extended in exceptional circumstances.</p>	<p>Most added years contracts have now been capitalised. Numbers are low and the risk is minimal. I am not aware of any dispute in relation to this in WCC.</p>

45	<p>The Administering Authority may commute small pensions into a lump sum where they are below nationally prescribed limits.</p> <p>R13 34 (1) B39 T08 -14 (3) R97 – 49 and 156</p>	<p>We will pay a lump sum in lieu of a pension which falls below the nationally defined limits unless the member elects to continue to receive the pension as an ongoing payment.</p>	<p>Four pensions have been commuted so far this year. This is only done where the pension is minimal and payment of an ongoing pension benefit may not be convenient for the member or the administrator. The risk is minimal.</p>
46	<p>Decide, in the absence of an election from the scheme member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations in respect of the same period of Scheme membership</p> <p>R13 49 (1) (c) B42 (1) (c)</p>	<p>These will be decided on a case by case basis by the Pension Administrators with the aim of paying the member or the estate the highest level of benefit due. If there is any dispute the administrators will refer to the pension officer at WCC.</p>	<p>Cases would be very rare, I cannot remember any case being brought to my attention. If there was a case it would be ethical for us to pay the estate the highest benefit due.</p>
47	<p>Whether to permit a Pension Credit to remain in the Fund or require a transfer out.</p> <p>R97- 147</p>	<p>The Pension Administrator will deal with these cases in accordance with the Pension Credit member's wishes.</p>	<p>Cases would be very rare, I cannot remember any case being brought to my attention. If there was a case it would be ethical for us to consider the individual circumstances.</p>

48	<p>Whether to commute benefits due to exceptional ill-health pre 1st April 2008 leavers only</p> <p>R97- 50 and 157</p>	<p>In these circumstances, we will pay a lump sum in lieu of a pension unless the member elects for it not to be paid. Note this only applies to members who left the scheme under the 1997 regulations and have a limited life expectancy, due to the nature of these cases we will take advice of the medical professionals if highlighting the option will cause the member further concern.</p>	<p>Cases are thankfully rare. The member involved being terminally ill with less than a year to live. We have paid out pensions in the past in these circumstances but not often. We do not consider this a risk.</p>
49	<p>The Administering Authority may determine the timing of pension increase payments by employers to Fund (applies to pre 1st April 2008 leavers only)</p> <p>R97- 91 (6)</p>	<p>This is not applicable in the Westminster Pension Fund.</p>	<p>Not relevant.</p>
50	<p>A former employer must decide whether a deferred member meets the criteria for permanent ill health. This also applies to a scheme member who was formerly in receipt of Tier 3 ill-health benefits. The Administering Authority may decide this if that employer no longer exists.</p> <p>R13 - 38 (3) 38 (6) B31 (4) and 31 (7)</p>	<p>Where a former employer of the fund no longer exists any request for consideration for ill health will firstly be referred to any successor body or body related to the members' original employer. Where no such body exists then the member will be treated as an ex WCC member of staff and referred to our Occupational Health team.</p>	<p>In rare cases WCC would act in lieu of a defunct employer if there were no related body. We do not see this as a risk and someone needs to make a decision if no employer is available.</p>

51	<p>An employer may consent to the early payment of reduced retirement benefits for scheme members between age 55 and 60, who are deferred members or former Tier 3 Ill-Health members. The Administering Authority may decide this if that employer no longer exists. This only applies to members who left pre April 2014.</p> <p>B30 (2) and 30A (3)</p>	<p>The Administering Authority will expect any successor body to make the decision where applicable and pick up any associated costs with the decision. Where no such employer exists WCC People Services will review the case treating the member as an ex WCC employee. The final decision made by the Director of People Services.</p>	<p>In rare cases WCC would act in lieu of a defunct employer if there were no related body. We do not see this as a risk and someone needs to make a decision if no employer is available.</p>
52	<p>An employer can choose to allow rule of 85 protections to apply to a scheme member's benefits on voluntary retirement. In doing this some or all of the early retirement reduction would not apply. This provision can only apply to scheme members who have reached age 55. The Administering Authority may decide this if that employer no longer exists.</p>	<p>The Administering Authority will not make any decision that will give rise to additional costs unless the member can show a significant compassionate case to support the release of benefit with costs that WCC would have to underwrite. Where there is a successor body that body would be expected to make the decision and underwrite any costs.</p>	<p>In rare cases WCC would act in lieu of a defunct employer if there were no related body. We do not see this as a risk and someone needs to make a decision if no employer is available. WCC would rarely waive a reduction.</p>

	TP14 Schedule 2 paras 1 (2) and 2 (2)		
53	<p>An employer can choose whether to waive on compassionate grounds any reduction to benefits that might otherwise apply. This can also apply to former Tier 3 Ill- Health members. The Administering Authority may decide this if that employer no longer exists.</p> <p>TP14- 3 (1) schedule 2, paras 2 (1) and 2 (2)</p>	<p>The Administering Authority will not make any decision that will give rise to additional costs unless the member can show a significant compassionate case to support the release of benefit with costs that WCC would have to underwrite. Where there is a successor body that body would be expected to make the decision.</p>	<p>In rare cases WCC would act in lieu of a defunct employer if there were no related body. We do not see this as a risk and someone needs to make a decision if no employer is available. WCC would rarely waive a reduction.</p>
54	<p>An employer can choose to waive, in whole or in part, any reduction that might otherwise apply to that scheme member's benefits on flexible retirement. The Administering Authority may decide this if that employer no longer exists.</p> <p>R13 30 (8)</p>	<p>The Administering Authority will not make any decision that will give rise to additional costs unless the member can show a significant compassionate case to support the release of benefit with costs that WCC would have to underwrite. Where there is a successor body that body would expect to make the decision.</p>	<p>In rare cases WCC would act in lieu of a defunct employer if there were no related body. We do not see this as a risk and someone needs to make a decision if no employer is available. WCC would rarely waive a reduction.</p>
55	<p>An employer can choose to waive, in whole or in part, any early retirement reduction that might otherwise apply to a scheme member's benefits on</p>	<p>The Administering Authority will not make any decision that will give rise to additional costs unless the member can show a significant compassionate case to support the release of benefit with costs that WCC would have to underwrite. Where there is a successor body that body would expect to make the decision.</p>	<p>In rare cases WCC would act in lieu of a defunct employer if there were no related body. We do not see this as a risk and someone needs</p>

	<p>voluntary retirement. These provisions only apply to scheme members who have reached age 55. The Administering Authority may decide this if that employer no longer exists.</p> <p>R13 30 (8)</p>		<p>to make a decision if no employer is available. WCC would rarely waive a reduction.</p>
56	<p>Where an employer terminates employment early, the Administering Authority may agree to pay compensation on behalf of employer from the Fund and recharge payments to employer. This is under the Local Government (Early Termination of Employment) Discretionary Compensation) (England and Wales) Regulations 2000 as amended</p>	<p>The Administering Authority will not pay compensation on behalf of employers.</p>	<p>WCC fund has not done this in my memory and we feel that employers should pay their own compensation payments to members.</p>
57	<p>Voluntary Scheme Pays Elections</p> <p>The Taxation and Pensions Act 2014, the Finance (No. 2) Act 2015, the Finance Act</p>	<p>The Administering Authority has decided to consider each application on its merit with final approval given by the Westminster Pension Fund Committee. All Applications must be made within the agreed deadline.</p>	<p>The committee has requested this policy. We could write a policy that limits applications to more than £2000 and reviews the position after each valuation with</p>

	2016 and the Finance (No.2) Act 2017		the position being reviewed by the funds actuary.
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City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	14 March 2019
Classification:	General Release
Title:	Fund Financial Management
Wards Affected:	All
Policy Context:	Effective control over council activities
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> pdriggs@westminster.gov.uk 020 7641 4136

1. Executive Summary

- 1.1 The risk register has been revised and is now divided into two sections: governance (investment and funding) and pensions administration.
- 1.2 The cash flow forecast has been updated for the next three years with actuals to 31 January 2019, the bank position continues to be stable.
- 1.3 The updated forward plan to 31 March 2019 is attached, with a draft forward plan for the upcoming year 2019/20.

2. Recommendations

- 2.1 The Committee is asked to note the risk register for the Pension Fund.
- 2.2 The Committee is asked to note the cash flow position and three-year forecast.
- 2.3 The Committee is asked to note the forward plan.

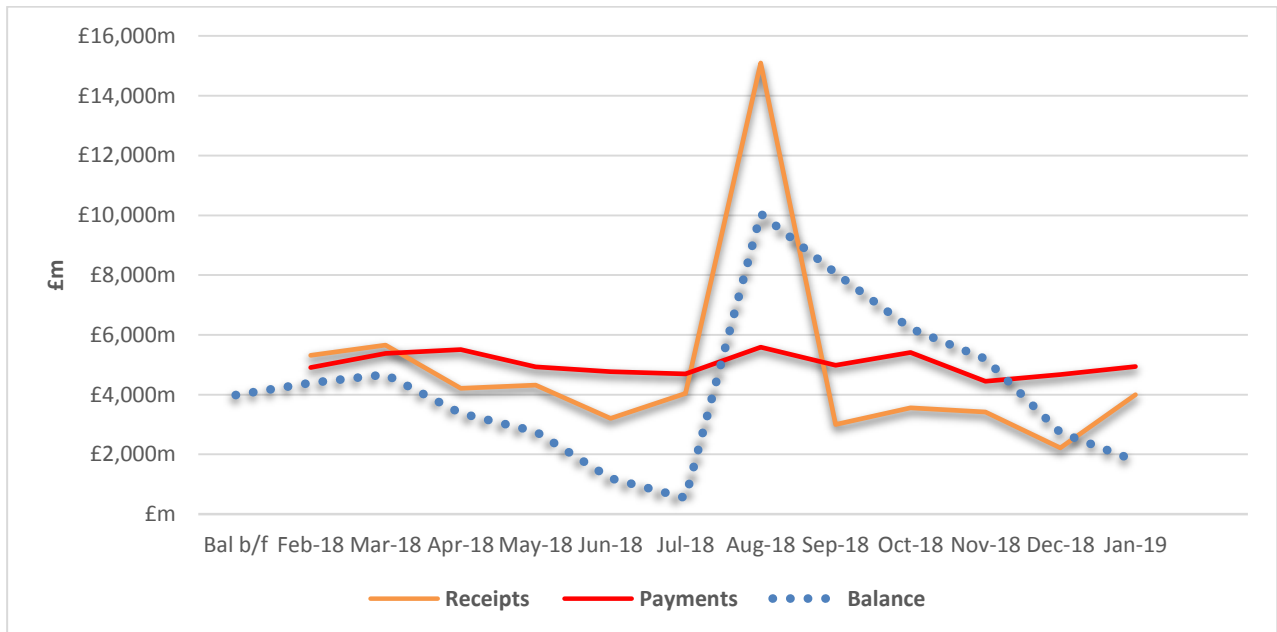
3. Risk Register Monitoring

3.1 The risk register has been updated so that it is now divided into governance (investment and funding) and pensions administration. New risks are marked with an asterisk and the revised format shows the gross score attributable to the risk and the net score after mitigation actions to reduce the impact have been introduced.

4. Cashflow Monitoring

4.1 The balance on the pension fund bank account as at 31 January 2019 was £1.793m. Payments from the bank account continue to exceed receipts on a monthly basis although, thanks to improved levels of deficit recovery contributions, cash inflow is expected to exceed cash outflow on an annual basis going forward.

4.2 The table below shows changes in the bank balance from 1 February 2018 to 31 January 2019.



4.3 The peak in receipts during August 2018 include a £10m deficit recovery payment, as per the Council’s approved deficit recovery plans. The next deficit recovery payment is expected during March 2019. Officers will continue to keep the cash balance under review and take appropriate action where necessary.

4.4 Appendix 3 plots forecasted cash flows against actuals for the six months to January 2019. Forecasted cash flows are calculated as an average of previous years cash flows divided equally over the 12 months of the year. There may be monthly variances between the actual and forecasted amounts due to timing differences, e.g., transfer values in and out, payment of lump sums, retirement benefits and death grants.

5. Forward Plans

- 5.1 The draft Rolling Forward Plan for the Pension Fund Committee has been attached for 2019/20.

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

Billie Emery pensionfund@westminster.gov.uk or 0207 641 7062

BACKGROUND PAPERS: None

APPENDICES:

- Appendix 1 – Tri-Borough Risk Management Scoring Matrix
- Appendix 2 – Pension Fund Risk Register Review at November 2018
- Appendix 3 – Cash Flow Monitoring at January 2019
- Appendix 4 – Pension Fund Forward Plan: April 2018 to March 2019
- Appendix 5 – Pension Fund Committee Draft Forward Plan: 2019/20

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Appendix 1 - Tri Borough Pension Fund 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

Control	Details required
Terminate	Stop what is being done.
Treat	Reduce the likelihood of the risk occurring.
Take	Circumstances that offer positive opportunities
Transfer	Pass to another service best placed to deal with mitigations but ownership of the risk still lies with the original service.
Tolerate	Do nothing because the cost outweighs the benefits and/or an element of the risk is outside our control.

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Pension Fund Risk Register - Investment Risk

Risk Group	New	Risk Ref.	Previous	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed on
					Fund	Employers	Reputation	Total						
Funding		1		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	3	33	Review at each triennial valuation and challenge actuary as required	3	33	05/11/2018
Governance	*	2		That the London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious	5	4	3	12	3	36	TOLERATE - 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives. Member presence on Shareholder Committee and officer groups.	2	24	05/11/2018
Funding		3		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	4	4	2	10	2	20	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	20	05/11/2018
Funding	*	4		Employee pay increases are significantly more than anticipated for employers within the Fund.	4	4	2	10	2	20	TOLERATE - 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014).	2	20	05/11/2018
Investment	*	5		Significant volatility and negative sentiment in global investment markets following disruptive politically inspired events in US.	5	4	1	10	3	30	TREAT- 1) Continued dialogue with investment managers re management of political risk in global developed markets. 2) Investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will follow post actuarial 2019 valuation.	2	20	05/11/2018
Funding	*	6		Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%	5	3	2	10	3	30	TREAT- 1) The fund holds investment in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection.	2	20	05/11/2018

Investment	*	7		Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.4m.	5	3	1	9	3	27	TREAT- 1) The Investment Management Agreements (IMAs) clearly state WCC's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be achieved.. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	2	18	05/11/2018
Investment	*	8	16	Volatility caused by uncertainty with regard to the withdrawal of the UK from the European Union, lack of any trade deal struck by 29 March 2019 and the economic after effects.	4	4	1	9	3	27	TREAT- 1) Officers to consult and engage with advisors and investment managers. 2) Future possibility of looking at move from UK to Global benchmarks on UK Equities and UK Property. 3) Possibility of hedging currency and equity index movements.	2	18	05/11/2018
Investment Page 86	*	9		Increased risk to global economic stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks. Geo-political risk as a result of events and political uncertainty.	4	3	1	8	3	24	TREAT- 1) Increased vigilance and continued dialogue with managers as to events on and over the horizon. 2) Continued investment strategy involving portfolio diversification and risk control. 3) Investment strategy review will follow post actuarial 2019 valuation.	2	16	05/11/2018
Funding	*	10		Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	16	TREAT- 1) Barnet Waddingham uses prudent assumptions on future of employees within workforce. Employer responsibility to flag up potential for major bulk transfers outside of the Westminster Fund. The potential for a significant reduction in the workforce as a result of the public sector financial pressures may have a future impact on the Fund. 2) Need to make prudent assumptions about diminishing workforce when carrying out the triennial actuarial valuation.	2	16	05/11/2018
Governance		11		London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	3	24	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	16	05/11/2018

Operational	*	12	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process	2	2	3	7	2	14	TOLERATE - Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.	2	14	05/11/2018
Funding		13	Ill health costs may exceed "budget" allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	14	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	14	05/11/2018
Funding	*	14	Impact of increases to employer contributions following the actuarial valuation	5	5	3	13	2	26	TREAT- 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	1	13	05/11/2018
Funding	*	15	Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	2	20	TOLERATE - 1) Political power required to effect the change.	2	20	05/11/2018
Governance	*	16	Changes to LGPS Regulations	3	2	1	6	2	12	TREAT - 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will considered during the 2016 actuarial valuation process. 3) Fund will respond to consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	12	05/11/2018
Governance	*	17	Failure to take difficult decisions inhibits effective Fund management	5	3	4	12	2	24	TREAT-1) Officers ensure that governance process encourages decision making on objective empirical evidence rather than emotion. Officers ensure that the basis of decision making is grounded in the Investment Strategy Statement (ISS), Funding Strategy Statement (/FSS), Governance policy statement and Committee Terms of Reference and that appropriate advice from experts is sought	1	12	05/11/2018
Funding		18	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.	5	4	2	11	2	22	Cashflow forecast maintained and monitored. Cashflow position reported to sub-committee quarterly. Cashflow requirement is a factor in current investment strategy review.	1	11	05/11/2018

Funding	*	19	4	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	5	3	3	11	2	22	TREAT- 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Investment strategy review is currently underway with an approved switch from equities to fixed income. 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 4) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	1	11	05/11/2018
Financial	*	20		Financial loss of cash investments from fraudulent activity	3	3	5	11	2	22	TREAT - 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	11	05/11/2018
Operational	*	21		Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	3	3	5	11	2	22	TREAT - 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) Phasing out of holding records via paper files. 3) Pensions Admin (Surrey County Council) manual records are locked daily in a secure safe. 4) WCC IT data security policy adhered to.	1	11	05/11/2018
Governance		22		Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	22	Officers maintain knowledge of legal framework for routine decisions. Eversheds retained for consultation on non-routine matters.	1	11	05/11/2018
Funding		23		Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	5	3	3	11	2	22	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.	1	11	05/11/2018
Governance		24		Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	20	At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Committee and officers scrutinise and challenge advice provided.	1	10	05/11/2018
Operational	*	25		Financial failure of third party supplier results in service impairment and financial loss	5	4	1	10	2	20	TOLERATE - 1) Performance of third parties (other than fund managers) regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	1	10	05/11/2018
Governance	*	26		Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	2	2	1	5	4	20	TREAT - 1) Succession planning process in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	2	10	05/11/2018
Investment		27		Failure of global custodian or counterparty.	5	3	2	10	2	20	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.	1	10	05/11/2018

Operational	*	28	9	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20	TREAT - 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant upon alternative suppliers at similar price being found promptly. 3) Fund is reliant on LGIM as transition manager. 4) Fund has the services of the London Collective Investment Vehicle (LCIV).	1	10	05/11/2018
Investment	*	29		Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	2	20	TREAT- 1) Proportion of total asset allocation made up of equities, bonds, property funds and fixed income, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential	1	10	05/11/2018
Operational	*	30		Inaccurate information in public domain leads to damage to reputation and loss of confidence	1	1	3	5	3	15	TOLERATE - 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies to ensure that news is well managed. Stage AGM every year.	2	10	05/11/2018
Governance		31		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.	4	3	3	10	2	20	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.	1	10	05/11/2018
Governance	*	32	29	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	3	3	4	10	2	20	TOLERATE - 1) Publication of all documents on external website. 2) Managers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.	1	10	05/11/2018
Funding		33		Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	3	1	9	2	18	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.	1	9	05/11/2018
Governance		34		Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	2	18	External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval)	1	9	05/11/2018

Operational	*	35	Inufficient attention paid to environmental, social and governance (ESG) issues, leading to reputational damage.	3	2	4	9	2	18	TREAT-1) Review ISS in relation to published best practice (e.g. Stewardship Code) 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors.	1	9	05/11/2018
Financial	*	36	Inaccurate cash flow forecasts or drawdown payments lead to shortfalls on cash levels and borrowing becomes necessary to ensure that funds are available	3	4	2	9	2	18	TREAT - 1) Borrowing limits with banks are set at levels that are more than adequate should cash be required at short notice. 2) Cashflow analysis of pension fund undertaken at regular intervals.	1	9	05/11/2018
Regulation		37	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)	5	2	2	9	2	18	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.	1	9	05/11/2018
Governance	*	38	Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	3	5	9	2	18	TOLERATE - 1) Ensure that an cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	9	05/11/2018
Regulation		39	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.	4	2	2	8	2	16	Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. There is a 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.	1	8	05/11/2018
Funding		40	The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	4	2	1	7	2	14	Review at each triennial valuation and challenge actuary as required. Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	1	7	05/11/2018
Regulation		41	Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	14	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.	1	7	05/11/2018

Governance	*	42	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales	3	2	1	6	2	12	TREAT- 1) Officers consult and engage with MHCLG, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines.	1	6	05/11/2018
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Pension Fund Risk Register - Administration Risk														
Risk Group	New	Risk Ref.	Previous	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed on
					Fund	Employers	Reputation	Total						
Admin	*	1		Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	27	TREAT 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers planned to be part of 2019 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	18	05/11/2018
Admin	*	2		Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	21	TREAT 1) Practice notes in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	14	05/11/2018
Admin	*	3		Bank reconciliations no longer carried out by BT. Income processing from the bank is being brought in house, no process in place yet. HCC may take on the process but no firm guarantee in place yet. Income not being posted to the system increasing workload for the pensions finance team, potentially for errors and accounts inaccuracy.	2	2	2	6	3	18	TREAT 1) Staff working with HCC and the Tri-Borough Pensions to come up with a solution to ensure bank reconciliations and income is posted promptly and accurately.	2	12	05/11/2018
Admin	*	4		Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	22	TREAT 1) Update and enforce admin strategy to assure employer reporting compliance. 2) Implementation and monitoring of a Data Improvement Plan as part of the Service Specification between the Fund and Orbis. TOLERATE 1) Northern Trust provides 3rd party validation of performance and valuation data. Admin team and members are able to interrogate data to ensure accuracy.	1	11	05/11/2018
Admin		5		Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	20	TREAT 1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place. 2) Review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams.	1	10	05/11/2018
Admin		6		BT contract wind down could lead to problems for retirements in 18/19 where data is on two different systems. All returns must be completed prior to BT contract ceasing. The move to Hampshire CC due in December 2018 and ensuring that key working practices continue such as the pension interface will be a Key to reduce risks to members.	1	2	2	5	2	10	TREAT 1) People Services are working with HCC and BT to ensure service transfer is smooth as possible. 2) 2017/18 LGPS files were checked by People Services in June 2018.	2	10	05/11/2018
Admin		7		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.	5	2	2	9	2	18	TREAT 1) Contract monitoring in place with all providers. 2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action.	1	9	05/11/2018
Admin	*	8		Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	3	3	2	8	2	16	TREAT 1) The Fund has generally good internal controls with regard to the management of the Fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches.	1	8	05/11/2018
Admin		9		Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	16	TREAT 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Process in place for Surrey CC to generate lump sum payments to members as they are due. 3) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	8	05/11/2018
Admin	*	10		Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	TREAT 1) Disaster recovery plan in place as part of the Service Specification between the Fund and Surrey County Council 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance.	1	8	05/11/2018
Admin		11		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	14	TOLERATE 1) 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	7	05/11/2018
Admin		12		Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	1	2	3	6	2	12	TOLERATE 1) Surrey CC administers pensions for Surrey, East Sussex, LB Hillingdon and the Tri-Borough. Service has been excellent since this change was made.	1	6	05/11/2018

Admin		13	Failure to pay pension benefits accurately leading to under or over payments.	2	2	2	6	2	12	TREAT 1) There are occasional circumstances where under/over payments are identified. Where underpayments 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.	1	6	05/11/2018
Admin		14	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	2	6	TREAT 1) Pension administration records are stored on the Surrey CC servers who have a disaster recovery system in place and records should be restored within 24 hours of any issue, All files are backed up daily.	2	6	05/11/2018
Admin	*	15	Unstructured training leads to under developed workforce resulting in inefficiency.	2	2	2	6	2	12	TREAT 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and Surrey County Council.	1	6	05/11/2018
Admin	*	16	Failure to identify GMP liability leads to ongoing costs for the pension fund.	3	2	1	6	1	6	TREAT 1) GMP to be identified as a Project as part of the Service Specification between the Fund and Surrey County Council.	1	6	05/11/2018
Admin	*	17	Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	10	TREAT 1) Ensure process notes are compiled and circulated in Pension Fund and Administration teams.	1	5	05/11/2018
Admin	*	18	Lack of productivity leads to impaired performance.	2	2	1	5	2	10	TREAT 1) Regular appraisals with focused objectives for pension fund and admin staff.	1	5	05/11/2018
Admin	*	19	Rise in ill health retirements impact employer organisations.	2	2	1	5	1	5	TREAT 1) Engage with actuary re assumptions in contribution rates.	1	5	05/11/2018
Admin	*	20	Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	1	5	TREAT 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	5	05/11/2018
Admin	*	21	Poor reconciliation process leads to incorrect contributions.	2	1	1	4	2	8	TREAT 1) Ensure reconciliation process notes are understood by Pension Fund team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process.	1	4	05/11/2018

	Aug-18			Sep-18			Oct-18			Nov-18			Dec-18			Jan-19		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	F'cast	Actual	Var	F'cast	Actual	Var	F'cast	Actual	Var	F'cast	Actual	Var	F'cast	Actual	Var	F'cast	Actual	Var
Balance b/f	418	543	(125)	9,106	10,055	(949)	7,793	8,068	(275)	6,481	6,219	262	5,168	5,191	(23)	3,856	2,737	1,119
Contributions	3,558	3,158	400	3,558	2,816	742	3,558	2,898	661	3,558	3,086	473	3,558	2,156	1,402	3,558	3,287	272
¹ Misc. Receipts	233	941	(707)	233	181	52	233	664	(430)	233	333	(100)	233	61	172	233	710	(477)
Pensions	(3,042)	(3,230)	189	(3,042)	(3,227)	185	(3,042)	(3,260)	218	(3,042)	(3,235)	193	(3,042)	(3,293)	251	(3,042)	(3,283)	241
HMRC Tax Payments	(625)	(555)	(70)	(625)	(563)	(62)	(625)	(564)	(61)	(625)	0	(625)	(625)	(564)	(61)	(625)	(582)	(43)
² Misc. Payments	(1,250)	(1,681)	431	(1,250)	(1,056)	(194)	(1,250)	(1,502)	252	(1,250)	(534)	(716)	(1,250)	(815)	(435)	(1,250)	(997)	(253)
Expenses	(188)	(121)	(67)	(188)	(139)	(49)	(188)	(85)	(103)	(188)	(677)	489	(188)	0	(188)	(188)	(78)	(109)
Net cash in/(out) in month	(1,313)	(1,489)	176	(1,313)	(1,987)	674	(1,313)	(1,849)	537	(1,313)	(1,027)	(285)	(1,313)	(2,454)	1,142	(1,313)	(943)	(369)
Withdrawals from Fund Managers	0	1,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Special Contributions	10,000	10,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance c/f	9,106	10,055	51	7,793	8,068	(275)	6,481	6,219	262	5,168	5,191	(23)	3,856	2,737	1,119	2,543	1,793	750

Notes

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

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

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Appendix 3: CASHFLOW MONITORING

Three Year Cashflow Forecast for 2018/19 - 2020/21

	2018/19	2019/20	2020/21
	£000	£000	£000
	F'cast	F'cast	F'cast
Balance b/f	4,667	7,917	(6,683)
Contributions	42,700	42,800	42,900
Misc. Receipts ¹	2,800	3,100	3,400
Pensions	(36,500)	(37,000)	(37,500)
HMRC Tax	(7,500)	(8,000)	(8,500)
Misc. Payments ²	(15,000)	(17,000)	(19,000)
Expenses	(2,250)	(2,500)	(2,750)
Net cash in/(out) in year	(15,750)	(18,600)	(18,600)
Withdrawals from Fund Managers	2,000	4,000	6,000
Income Distribution	0	0	0
Special Contributions*	17,000	0	0
Balance c/f	7,917	(6,683)	(19,283)

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Notes:

*Deficit recovery cotributions

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

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

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PENSION FUND COMMITTEE

Forward Plan – March 2018

Area of work	21 Jun 2018	18 Oct 2018	10 Dec 2018	14 Mar 2019
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 2017/18 Business Plan	Progress on compliance with TPR Code of Practice ESG Monitoring Update	Training Plan	Investment Strategy Statement Review Briefing on Triennial Valuation Annual report of Pension Board activities Review of Governance Compliance Statement MHCLG Pooling Guidance
Investments	Pooling and CIV update Annual report to Scheme Advisory Board re pooling arrangements	Pooling and CIV update Infrastructure Investment Strategy Equity Protection strategy	Infrastructure Investment Strategy	Pooling and CIV update Investment Strategy Review MiFID II annual review

Area of work	21 Jun 2018	18 Oct 2018	10 Dec 2018	14 Mar 2019
Administration	<p data-bbox="443 284 768 347">Voluntary Scheme Pays, Tax Paper.</p> <p data-bbox="443 467 768 563">Pension Administration Strategy (PAS) – update Initial Audits</p> <p data-bbox="443 635 797 730">Western Union certification exercise for Overseas Pensioners.</p>	<p data-bbox="848 284 1205 411">Update on Hampshire Project. Impact on Pension Administration going Forward.</p> <p data-bbox="848 483 1227 515">Discretionary Policies Paper.</p>	<p data-bbox="1254 284 1601 411">Transition Update for Hampshire Project. First Months Issues for Pension Administration.</p> <p data-bbox="1254 435 1574 531">Pension Administration Strategy (PAS) – update Initial Audits</p>	

PENSION FUND COMMITTEE

Draft Forward Plan – 2019/20

Area of work	Jun 2019	Oct 2019	Dec 2019	Mar 2020
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 2018/19 Review of Governance Compliance Statement Business Plan	Annual report of Pension Board activities Training Plan Progress on compliance with TPR Code of Practice London CIV governance update	London CIV governance review	Investment Strategy Statement Review Briefing on Triennial Valuation
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 annual review	Pooling and CIV update Investment Strategy Review

Area of work	Jun 2019	Oct 2019	Dec 2019	Mar 2020
Administration	<p>Voluntary Scheme Pays, Tax Paper.</p> <p>Pension Administration Strategy (PAS) – update Initial Audits</p> <p>Discretionary Policies Paper.</p> <p>Western Union certification exercise for Overseas Pensioners.</p>	<p>Update on Hampshire Project. Impact on Pension Administration going Forward.</p> <p>Pension Board Recruitment</p>	<p>Hampshire Project. First Months Issues for Pension Administration.</p> <p>Pension Administration Strategy (PAS) – update Initial Audits</p>	



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	14 March 2019
Classification:	General Release
Title:	Ministry of Housing, Communities and Local Government (MHCLG) statutory guidance on asset pooling in the Local Government Pension Scheme consultation
Wards Affected:	All
Policy Context:	Effective control over council activities
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> pdriggs@westminster.gov.uk 020 7641 4136

1. EXECUTIVE SUMMARY

- 1.1 The Ministry of Housing Communities and Local Government (MHCLG) has been preparing new statutory guidance on LGPS asset pooling. This guidance will set out the requirements on administering authorities, replacing previous guidance, and builds on previous ministerial communications and guidance on investment strategies.
- 1.2 The Ministry is inviting views on the draft guidance, and the consultation process will close on 28 March 2019.

2. RECOMMENDATIONS

- 2.1 The Committee is recommended to note the draft guidance on pooling and express any desired feedback for the consultation process.

3. BACKGROUND

- 3.1 The MHCLG has drafted new statutory guidance on Local Government Pension Scheme (LGPS) pooling.

- 3.2 This draft guidance replaces section 7(2)(d) of the ‘Guidance for Preparing and Maintaining an Investment Strategy’ that was issued in September 2016 and it also replaces the ‘LGPS: Investment Reform Criteria and Guidance’ that was issued in November 2015.
- 3.3 This draft guidance has been issued under the relevant powers of the Secretary of State, and Administering Authorities are required to act in accordance with it.
- 3.4 The MHCLG is conducting an informal consultation and has invited views from interested parties. The parties include the LGPS Scheme Advisory Board (SAB), Local Pension Boards, Pension Fund Committees, and companies owned by participating funds, for example, the London CIV among others.

4 MHCLG DRAFT GUIDANCE

- 4.1 In summary, the key points are as follows:
- 4.2 Pool members must appoint a pooling company to implement their investment strategies, including the selection, appointment and dismissal of investment managers.
- 4.3 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account.
- 4.4 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period. However, some existing investments may be retained by pool members on a temporary basis if the cost of moving the existing investment to a pooling vehicle exceeds the benefits of doing so.
- 4.5 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and implement revised strategies post 1 April 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.
- 4.6 There is no target set for infrastructure investment for pool members or pools, but pool members are expected to declare an ambition on investment in this investment category.
- 4.7 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports and accounts, following the CIPFA guidance ‘Preparing the Annual Report’, with effect from the 2018/19 annual report.

5 CONSULTATION ANALYSIS

- 5.1 The MHCLG’s draft Statutory guidance on asset pooling, uses the words: “must”, “should” and “may”.

5.2 The choice of language provides some indication of the extent to which Funds should adhere to the MHCLG's guidance.

5.3 The "musts"

- A reminder that assets must be pooled.
- The pool company must be appointed to implement investment strategies.
- The pool company must decide which managers are used for pool vehicles.
- The pool company must be regulated by the Financial Conduct Authority (FCA).
- A governance body must be established and maintained to set the direction of the pool and to "hold the pool company to account".

5.4 The "shoulds"

- Administering authorities should regularly review the balance between active and passive management.
- Administering authorities should take a long-term view of pooling implementation and costs, taking account of the benefits across the pool and should not seek simply to minimise costs in the short term.
- Administering authorities should only make new investments outside the pool in very limited circumstances.
- Asset allocation "strategic" should remain an administering authority decision, whilst manager selections are "tactical" and should be undertaken by the pool company. Note that committees are responsible for a range of decisions, many of which would not be defined as either strategic or tactical, e.g., choice of benchmark and mandate outperformance targets, etc.
- Transitioning of assets into the pool should be implemented as quickly and cost effectively as possible, with the process expected to take place over a relatively short period.

5.5 The "mays"

- Assets may be retained, in exceptional cases, outside the pool e.g., closed ended funds, life funds and direct property.
- Administering authorities may invest through pool vehicles in a pool other than their own.

- Pooling may result in pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure (with the definition of infrastructure to include housing).
- Administering authorities may Invest a small proportion of assets in local initiatives or in products tailored to particular liabilities specific to that pool member.
- Administering authorities may call upon members of Local Pension Boards as potential observers on pool governance bodies.

6 IMPLICATIONS

6.1 The table below outlines the main sections of the draft guidance and the implications for the Administering Authority when the Regulations come into force:

Section reference number and heading	Description/requirement of section	Implication for the Administering Authority
1 Introduction	The draft guidance has been issued under the relevant powers of the Secretary of State, and Administering Authorities are required to act in accordance with it.	The guidance forms the basis on which the Westminster pension fund will be assessed for compliance with asset pooling.
2 Definitions	This section explains the terms and definitions used in the guidance	
3 Structure and Scale	All Administering Authorities are required to pool their investments through a pool company to deliver benefits of scale and collaboration. As at 31 December 2018, 70% of the pension fund assets have been transferred to a pooling company.	With 70% of assets transferred to a pool company the pension fund is currently compliant with the statutory guidance on asset pooling.
4 Governance	Pool members must establish and maintain a pool governance body responsible for the effective governance of the pool and holding the pool companies to account. Westminster is a shareholder and member of the London CIV pool company and maintain representation on the various committees and governing bodies in London CIV.	The Westminster pension fund governance arrangements are compliant with the requirement of the statutory guidance.

5 Transition of assets to the pool	The guidance requires existing assets to be transferred to the pool as quickly and cost effectively as possible. The guidance allows temporary retention of existing assets in exceptional cases and requires these to be reviewed at least every three years.	Under the guidance the Administering Authority is required to cite exceptional circumstances in instances where existing assets are not pooled.
6 Making new investments outside the pool	The guidance discourages making new investments outside of a pool company. It also requires Administering Authorities to review their 2020 investment strategies (after the 2019 triennial valuation) to make new investments outside the pool only in very limited circumstances not normally exceeding 5% of investment assets which should be reviewed regularly. The guidance also allows pool members to invest in pools other than their own to access specialisations.	The 2019 triennial valuation is currently in progress and will conclude in December 2020 at which point the investment strategy statement will be reviewed.
7 Infrastructure Investment	Pooling will facilitate infrastructure investment.	The Westminster pension fund currently has a allocation target of 5% to Infrastructure, with a transfer of £70m in assets to Pantheon due to take place in early 2019/20.
8 Reporting	Pool members are required to report total investment costs following the <i>CIPFA guidance on preparing the Annual Report</i>	The Westminster pension fund will comply with the reporting requirements as outlined in the <i>CIPFA guidance on preparing the annual report.</i>

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

Billie Emery pensionfund@westminster.gov.uk or 0207 641 7062

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: MHCLG draft guidance on pooling

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Local Government Pension Scheme

Statutory guidance on asset pooling

Contents

Foreword

- 1 Introduction**
- 2 Definitions**
- 3 Structure and scale**
- 4 Governance**
- 5 Transition of assets to the pool**
- 6 Making new investments outside the pool**
- 7 Infrastructure investment**
- 8 Reporting**

Foreword

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Through the hard work and commitment of people across the scheme, those eight pools are now operational. Their scale makes them significant players at European or global level, and significant annual savings have already been delivered, with the pools forecasting savings of up to £2bn by 2033. Along the way many lessons have been learnt and great progress has been made in developing expertise and capacity, including in private markets and infrastructure investment.

This is a considerable achievement in itself, but there is still a long way to go to complete the transition of assets and to deliver the full benefits of scale. In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues. The time is now right for new guidance to support further progress.

1 Introduction

1.1 This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

1.2 This guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015.

2 Definitions

2.1 This guidance introduces a set of definitions for use in this and future guidance, as follows:

'Pool' the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool

'Pool member' an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance

'Pool governance body' the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)

'Pool company' the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members

'Pool fund' a regulated unitised fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS)

'Pool vehicle' an investment vehicle (including pool funds) made available to pool members by a regulated pool company

'Pooled asset' an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle

'Retained asset' an existing investment retained by a pool member during the transition period

'Local asset' a new investment by a pool member which is not a pooled asset

3 Structure and scale

3.1 All administering authorities must pool their assets in order to deliver the benefits of scale and collaboration. These include:

- reduced investment costs without affecting gross risk-adjusted returns
- reduced costs for services such as custody, and for procurement
- strengthened governance and stewardship and dissemination of good practice
- greater investment management capacity and capability in the pool companies, including in private markets
- increased transparency on total investment management costs
- diversification of risk through providing access to a wider range of asset classes, including infrastructure investments

3.2 In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:

- the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external

- the management of internally managed investments
- the provision and management of pool vehicles including pool funds

It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.

3.3 Pool companies may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients.

3.4 A pool company must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities. This helps ensure the pools comply with financial services legislation, and provides additional assurance to scheme members and employers. Depending on the structure of the pool, appropriate permissions may include permissions for execution, acting as agent, provision of advice, or such other permissions as required by the FCA. Where regulated funds (e.g. in an ACS) are operated by the pool company it should comply with relevant UK legislation.

Regular review of services and procurement

3.5 Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency. Where services are procured or shared by pool members, pool members should regularly review the rationale and cost-effectiveness of such arrangements, compared to procurement and management through the pool company. Pool members and pool companies should consider using the national LGPS procurement frameworks (www.nationallgpsframeworks.org) where appropriate.

Regular review of active and passive management

3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.

4 Governance

4.1 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account. Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.

4.2 Pool members, through their internal governance structures, are responsible for effective governance and for holding pool companies and other service providers to account. Strategic asset allocation remains the responsibility of pool members, recognising their authority's specific liability and cash-flow forecasts.

4.3 Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.

4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.

4.5 Local Pension Boards of pool members have a key role in pool governance, given their responsibilities under the LGPS Regulations 2013 (regulation 106 (1)) for assisting authorities in securing compliance with legislation, and ensuring effective and efficient governance and administration of the LGPS. They can provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers.

4.6 Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.

Strategic and tactical asset allocation

4.7 Pool members are responsible for deciding their investment strategy and asset allocation, and remain the beneficial owners of their assets, in accordance with *Guidance for Preparing and Maintaining an Investment Strategy*.

4.8 Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.

4.9 Providing pool members with asset allocation choices through an excessively wide range of pool vehicles or investment managers will restrict the pool company's ability to use scale to drive up value. On the other hand maximising scale by significantly limiting asset allocation options may not provide all pool members with the diversification needed to meet their particular liability profile and cash flow requirements. Pool members should set out in their Funding Strategy Statement and Investment Strategy Statement how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review.

4.10 Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.

4.11 Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.

5 Transition of assets to the pool

5.1 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

5.2 Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.

5.2 The transition process will incur direct or indirect costs which may fall unevenly across pool members. For example, where the selected managers are used by some pool members but not others. In such cases pool members who are already using the selected manager may incur significantly lower (if any) transition costs than those who do not.

5.3 Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government's view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.

Temporary retention of existing assets

5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.

5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.

Regular review of retained assets

5.6 Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.

6 Making new investments outside the pool

6.1 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

6.2 A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:

- Not normally exceed an aggregate 5% of the value of the pool member's assets at the point of investment.
- Be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.

6.3 Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.

6.4 During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.

7 Infrastructure investment

7.1 Infrastructure investment has the potential to provide secure long term returns with a good fit to pension liabilities, and form part of investment strategies of authorities. The establishment of the pools was intended to provide the scale needed for cost-effective investment in infrastructure, and to increase capacity and capability to invest in infrastructure.

7.2 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area. Pool companies may provide pool vehicles for investment in UK assets, or overseas assets, or both, as required to provide the risk and return profile to meet pool member investment strategies. However the Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size.

7.3 Pool companies may provide pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure, based on an assessment of the benefits and risks in relation to pool member liabilities, and non-financial factors where relevant. Pool members may invest in their own geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment.

7.4 For the purpose of producing annual reports, infrastructure assets are defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance *Preparing the Annual Report* as follows:

Infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics:

- *Substantially backed by durable physical assets;*
- *Long life and low risk of obsolescence;*
- *Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked;*
- *Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry;*
- *Returns to show limited correlation to other asset classes.*

Key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, social accommodation and private sector housing.

Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be.

7.5 All residential property is included in this definition of infrastructure. It is not restricted to social accommodation or private sector housing.

7.6 A variety of platforms may be required to implement the infrastructure investment strategies of pool members. Pool companies are expected to provide access to a range of options over time including direct and co-investment opportunities.

8 Reporting

8.1 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

8.2 In summary, pool member annual reports should include:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class
- net and gross performance of pooled assets by asset class
- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period
- net and gross performance of local assets by asset class
- total costs of local assets by asset class
 - asset transition during the reporting year
 - transition plans for local assets
 - pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
 - ongoing investment management costs by type, with a breakdown between pooled assets and local assets

8.3 Investments should be classed as pool assets on the basis of the definition in the CIPFA guidance *Preparing the Annual Report*.

For the purpose of defining those assets which are classed as being within an asset pool, 'pooled assets' are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control.

8.4 Any investment where a pool member retains the day to day management, or the responsibility for selecting or reappointing an external manager, is not a pool asset.

8.5 Pool members should provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.

8.6 The SAB will publish an annual report on the pools based on aggregated data from the pool member annual reports, in the Scheme Annual Report. Pool members should comply with all reasonable requests for any additional data and information from the SAB to enable it to publish a comprehensive report.

8.7 Pool members should ensure that pool companies report in line with the SAB Code of Cost Transparency. They should also ensure that pool companies require their internal and external investment managers to do so.

8.8 Pool members should also ensure that the annual report of the pool company is broadly consistent with the reports of pool members, and with the Scheme Annual Report, in so far as it relates to their investments, and that the report includes a narrative to explain differences. These may arise for example from reporting periods of pool companies which differ from that of the pool member.

8.9 Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.

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City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	14 March 2019
Classification:	General Release
Title:	Performance of the Council's Pension Fund
Wards Affected:	All
Policy Context:	Effective control over council activities
Financial Summary:	There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> ptriggs@westminster.gov.uk 020 7641 4136

1. Executive Summary

- 1.1 This report presents the performance of the Pension Fund's investments to 31 December 2018, together with an update of the funding position as at 31 December 2018.
- 1.2 The fund underperformed the benchmark net of fees by 1.1% over the quarter to December 2018 and the estimated funding level as at 31 December 2018 was 94.5%. Therefore, the funding position remains stable subject to market volatility.

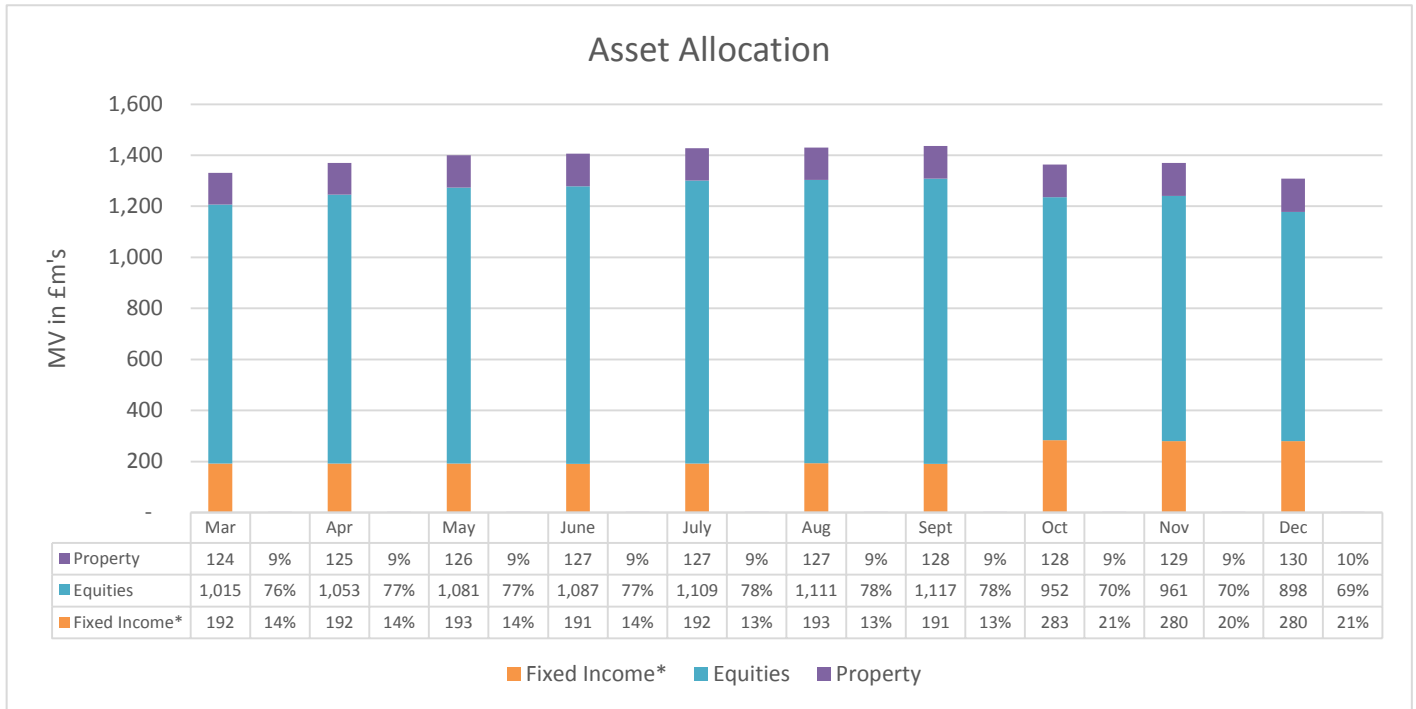
2. Recommendation

- 2.1 The Committee is asked to note the performance of the investments, and funding position.

3. Background

- 3.1 The terms of reference of the Pension Fund Committee require the committee to monitor the performance of the Pension Fund, individual fund managers, and other service providers to ensure that they remain suitable.
- 3.2 This report presents a summary of the Pension Fund's performance and estimated funding level to 31 December 2018. The investment performance report (Appendix 1) has been prepared by Deloitte, the Fund's investment adviser.
- 3.3 The Investment Performance Report shows that over the quarter to 31 December 2018, the market value of the assets decreased by £125m to a value of £1,311m (£1,436m at 30 September 2018). The fund underperformed the benchmark net of fees by 0.2%. This is mainly attributable to the negative relative returns from the Fund's equity investments. The market value of Baillie Gifford fell by £36m to £256m in the quarter to 31 December 2018 and the LGIM passive portfolio fell to £288m at 31 December 2018 (£321m at 30 September).
- 3.4 The Investment Performance Report shows that over the year to 31 December 2018, the fund marginally underperformed the benchmark net of fees by 0.1%, with Aberdeen Standard and Longview being the major contributors, offsetting underperformance from Majedie and Baillie Gifford.
- 3.5 The advisors continue to rate the fund managers favourably, with the exception of Longview and the retirement of the Chief Executive, Ramzi Rishani in December 2018 still a major concern. In January 2019, Marina Lund was appointed as the sole CEO following her role as Co-CEO since 2014. Advisors have also expressed ongoing concern about resignations and vacancies at senior management level within the London Collective Investment Vehicle (LCIV) and continue to monitor developments. Following the end of the quarter, Mike O'Donnell was appointed as the LCIV's Chief Executive Officer, and this allows the LCIV to move forward with the recruitment of a CIO.
- 3.6 The funding update (Appendix 2) has been prepared by the fund actuary, Barnett Waddingham. The estimated funding level for the Westminster City Council Fund as assessed by the actuary at 31 December 2018 was 94.5% (95.8% at 30 September 2018), a decrease of 1.3%. This was mainly due to a fall in equity markets up to 31 December. However, the position is an improvement on the March 2018 of funding level of 92.2% and is also up 15.8% on the funding level of 80% that was calculated at the triennial valuation of 31 March 2016.

3.7 The chart below shows the changes in asset allocation of the fund from 1 March 2018 to 31 December 2018. Asset allocations may vary due to changes in market value.



*Fixed Income includes bonds and Multi Asset Credit

4. Update on the London CIV

- 4.1 The value of pension fund investments transferred to the LCIV at the end of September 2018 was £547 million. This represents 43% of Westminster’s investment assets. A further £290 million continues to benefit from reduced management fees, Legal and General having reduced their fees to match those available through the LCIV.
- 4.2 A transfer out of £91m of assets managed by Longview to the LCIV took place 1 November 2018. With a total of 70% of the Westminster fund value under the LCIV’s jurisdiction at 31 December 2018, this takes the City of Westminster Pension Fund to the highest proportion of funds invested with the LCIV.
- 4.3 Mike O’Donnell has now been appointed as the London CIV’s new Chief Executive Officer with his employment having commenced on 4 March 2019. Mike is an experienced local authority Finance Director with a sound background in local government finance, so understands the needs of LCIV’s client shareholders very well. The LCIV intends to recruit to the CIO position now that the CEO appointment process has been completed.

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

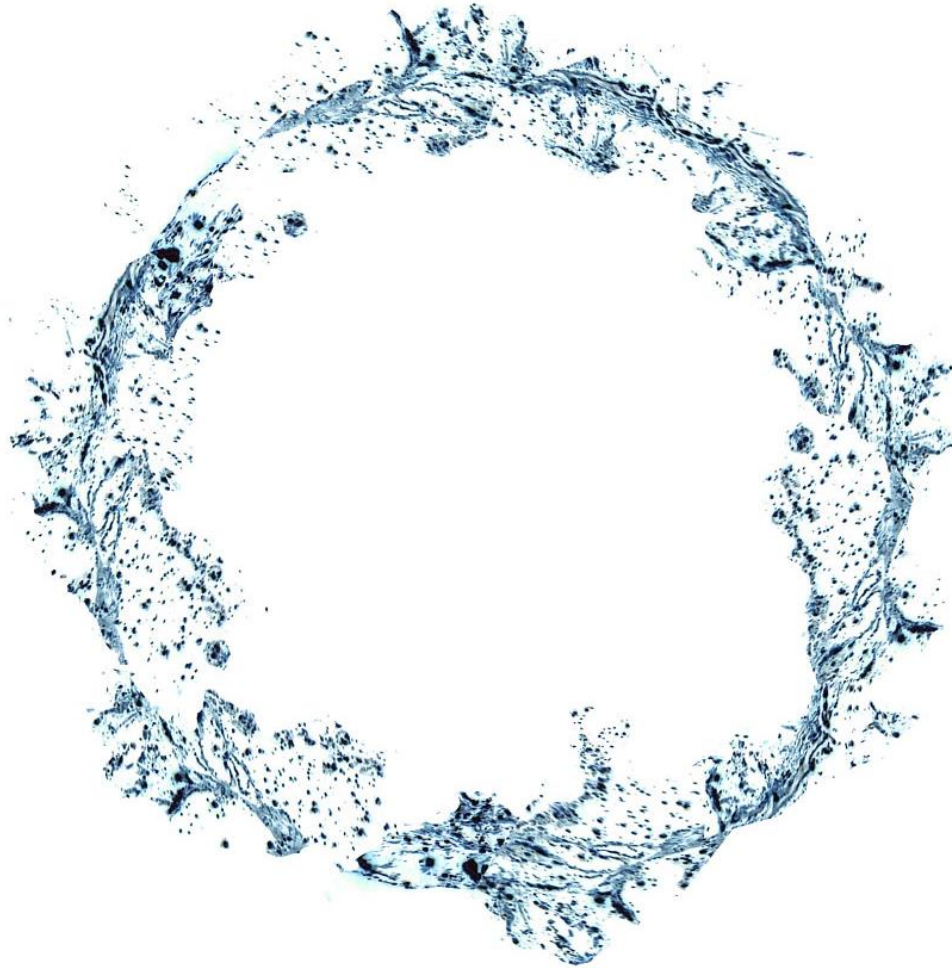
Billie Emery pensionfund@westminster.gov.uk or 0207 641 7062

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: Deloitte Investment Report, Quarter Ending 31 December 2018

Appendix 2: Barnett Waddingham Funding Update as at 31 December 2018



City of Westminster Pension Fund
Investment Performance Report to 31
December 2018

Deloitte Total Reward and Benefits Limited
March 2019

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1 Market Background

Three and twelve months to 31 December 2018

Global equity markets experienced a sharp downturn over the fourth quarter with economic data signalling a slowdown in economic activity across all global regions, fuelling fears of declining global growth. In addition, the potentially detrimental impact of monetary tightening, particularly in the US, and the ongoing US-China trade war continue to weigh on investors.

The UK equity market also fell over the fourth quarter as the FTSE All Share Index delivered a negative return of -10.2%. As well as the aforementioned global slowdown and trade war fears, UK markets were also impacted by further uncertainty over Brexit as the Prime Minister struggled to gain support from MPs for her deal and the risk of a 'cliff-edge' no deal Brexit became more pronounced.

The FTSE 100 Index fell by 9.6% while the FTSE 250 lost 13.3% over the quarter as smaller more UK-centric companies suffered most from the Brexit related uncertainty, whilst larger international companies benefitted, to some extent, from sterling weakness which boosted the value of their overseas revenues. At the sector level, Health Care was the best performing sector returning -3.2%, while Industrials was the worst performing sector delivering a return of -17.5%.

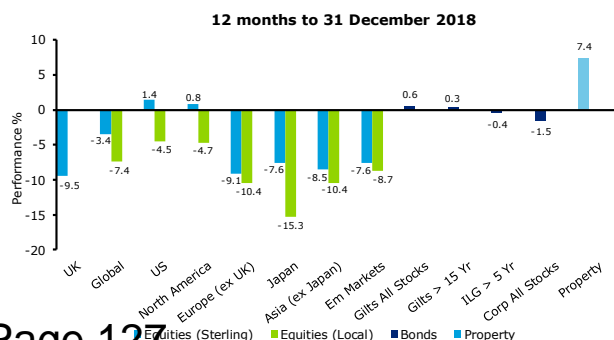
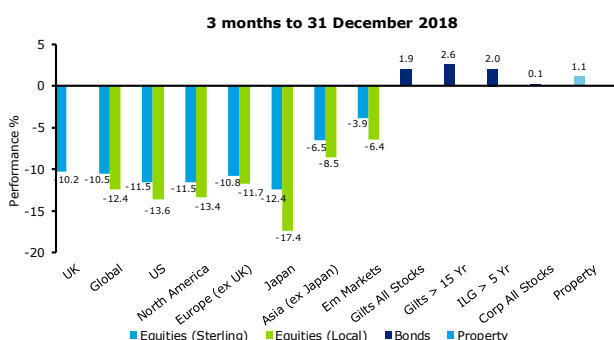
Global markets as a whole underperformed UK equities in both local currency terms (-12.4%) and sterling terms (-10.5%). The weakening of sterling over the quarter meant that currency hedging detracted from returns delivered to investors over the quarter. All regions experienced negative returns, with Japan (-17.4%) and the US (-13.6%) the worst performers when measured in local currency terms.

Nominal gilt yields fell across the curve and the All Stocks Gilts Index delivered a positive return of 1.9% over the fourth quarter. Real yields also fell with the Over 5 Year Index-Linked Gilts Index delivering a return of 2.0% over the same period. Credit spreads widened by around 30 bps over the fourth quarter, offsetting the effect of falling gilt yields. Corporate bond returns were broadly flat with the iBoxx All Stocks Non Gilt Index returning 0.1% over the quarter.

Over the 12 months to 31 December 2018, the FTSE All Share delivered a negative return of -9.5% following the sharp falls over the fourth quarter. At the sector level, all sectors experienced a negative absolute return with the exception of Health Care which returned 9.4%, whilst Telecommunications was the poorest performing sector delivering a negative return of -28.2%. Global equity markets outperformed the UK in both local (-7.4%) and sterling terms (-3.4%), driven by particularly strong performance in the US prior to the last 3 months of the year.

UK nominal gilts achieved modest returns over the 12 months to 31 December 2018, with income offsetting the slight increase in yields. The All Stocks Gilts Index returned 0.6% and the Over 15 Year Gilts Index returned 0.3% over the year. UK index-linked gilts delivered negative returns as the real yield curve steepened over the year. Real yields fell at shorter durations but rose at longer maturities with the Over 5 Year Index-Linked Gilts Index returning -0.4%. Corporate bonds underperformed gilts over the year to 31 December 2018 as credit spreads widened. The iBoxx All Stocks Non Gilt Index delivered a negative return of -1.5% over the year.

The IPD UK Monthly Property Index returned 1.1% for the quarter and 7.4% over the year to 31 December 2018. Whilst demand for UK property from both UK and overseas investors remains, and was the main driver behind the strong 12 month returns, the weaker performance in the fourth quarter suggests the property market is beginning to cool in light of Brexit uncertainty and a slowing UK economy.



2 Total Fund

2.1 Investment Performance to 31 December 2018

The following table summarises the performance of the Fund's managers.

Manager	Asset Class	Last Quarter (%)		Last Year (%)			Last 3 Years (% p.a.) ¹			Since inception (% p.a.) ¹			
		Fund		B'mark	Fund		B'mark	Fund		B'mark	Fund		B'mark
		Gross	Net ¹		Gross	Net ¹		Gross	Net ¹		Gross	Net ¹	
Majedie	UK Equity	-10.4	-10.5	-10.3	-9.5	-10.1	-9.5	5.7	5.1	6.1	10.0	9.4	8.4
LGIM	Global Equity	-13.0	-13.0	-13.0	-8.2	-8.2	-8.2	6.3	6.3	6.3	9.5	9.4	9.5
Baillie Gifford	Global Equity	-12.3	-12.4	-10.7	-4.0	-4.4	-3.8	13.8	13.5	11.9	12.4	12.0	10.3
Longview	Global Equity	-7.9	-8.1	-11.4	4.2	3.6	-3.0	14.6	13.9	11.6	12.8	12.2	9.7
Insight	Buy and Maintain	0.0	0.0	0.3	n/a	n/a	n/a	n/a	n/a	n/a	5.9	5.8	5.1
Hermes	Property	1.0	0.9	1.3	8.1	7.7	7.5	8.5	8.1	7.5	10.1	9.7	8.7
Aberdeen Standard	Property	1.7	1.6	2.4	7.5	7.0	2.6	8.2	7.7	6.1	9.0	8.5	6.2
CQS²	Multi Asset Credit	-1.9	-2.1	0.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total		-8.7	-8.8	-7.7	-4.0	-4.4	-4.3	8.2	7.8	7.2	n/a	n/a	n/a

Source: Northern Trust

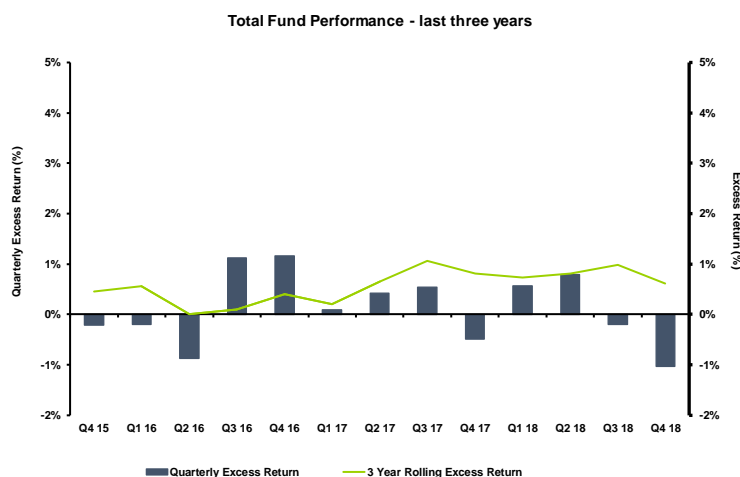
(1) Estimated by Deloitte when manager data is not available

See appendix 1 for more detail on manager fees and since inception dates

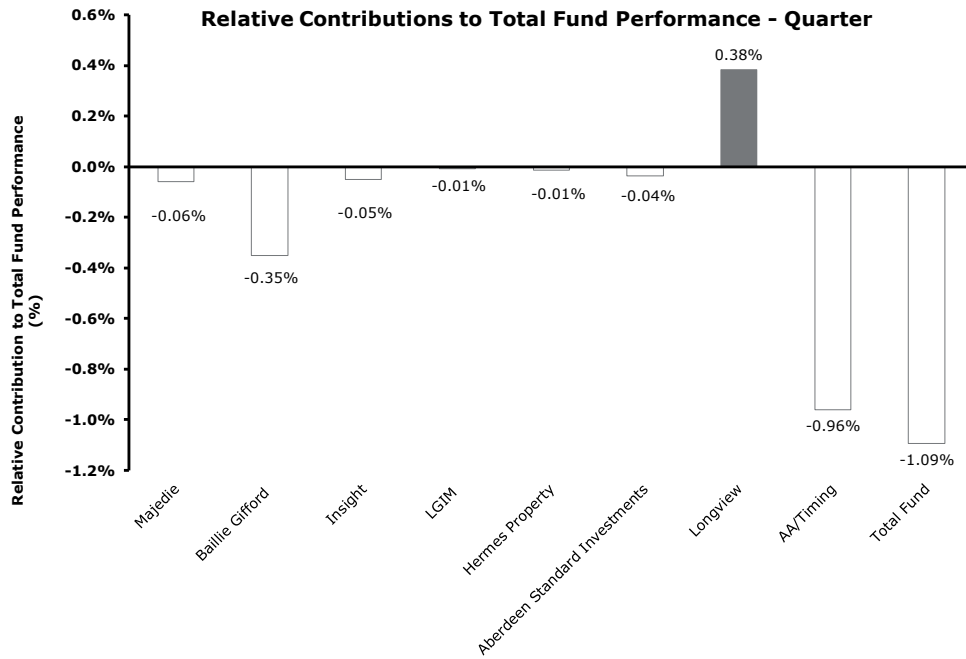
(2) CQS Fund date of inception of 30 October 2018. Returns and benchmark returns reflect CQS Multi Asset Credit Fund and benchmark returns from date of inception until end of quarter

Over the quarter to 31 December 2018, the Fund underperformed its benchmark by 1.1% on a net of fees basis. Over the 12 month period to 31 December 2018, the Fund marginally underperformed its benchmark on a net of fees basis by 0.1% whilst the Fund has outperformed its benchmark by 0.6% p.a. over the longer three year period.

The chart below shows the relative performance of the Fund over the quarter and last three years, highlighting that the rolling three-year performance is ahead of the benchmark. Please note that performance is shown net of fees versus the benchmark.

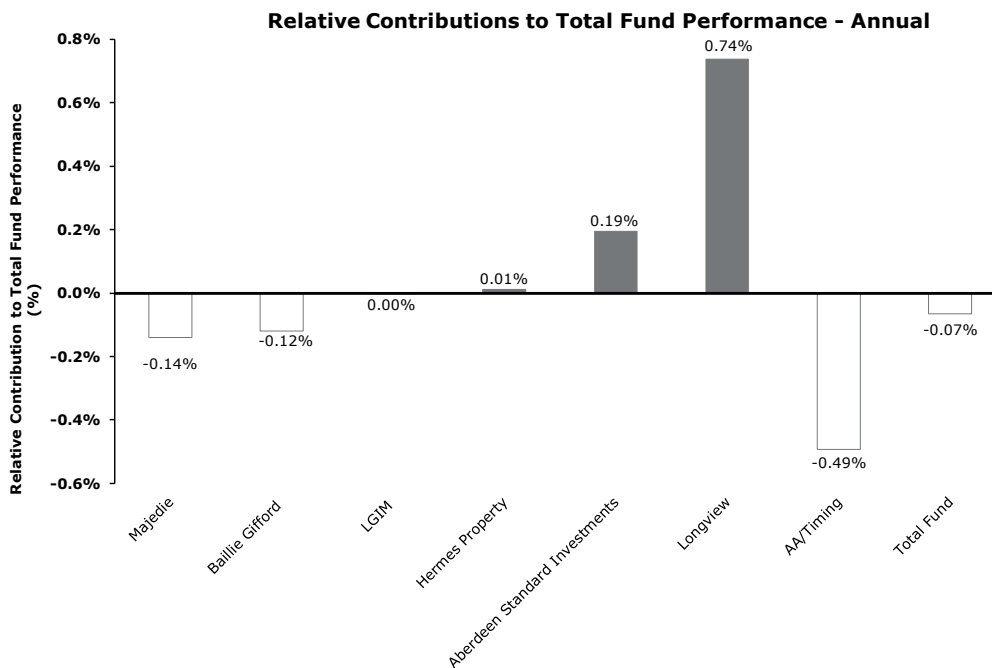


2.2 Attribution of Performance to 31 December 2018



Over the fourth quarter of 2018, the Fund underperformed its composite benchmark by 1.1% on a net of fees basis. Underperformance was largely as a result of partially disinvesting from Longview during a period of relative outperformance, this is represented by the "AA/Timing" bar. Considerable underperformance from Baillie Gifford further added to the underperformance of the Fund.

The Fund underperformed its benchmark by 0.1% over the year to 31 December 2018 with outperformance from Longview and Aberdeen Standard only partially offsetting the relative underperformance driven by Majedie, Baillie Gifford and partially disinvesting from Longview during a period of relative outperformance.



2.3 Asset Allocation as at 31 December 2018

The table below shows the assets held by manager and asset class as at 31 December 2018.

Manager	Asset Class	End Sept 2018 (£m)	End Dec 2018 (£m)	End Sept 2018 (%)	End Dec 2018 (%)	Benchmark Allocation* (%)
Majedie	UK Equity	320.9	287.6	22.3	21.9	22.5
LGIM	Global Equity (Passive)	335.4	291.8	23.4	22.3	22.5
Baillie Gifford	Global Equity	292.0	256.0	20.3	19.5	25.0
Longview	Global Equity	168.7	65.3	11.7	5.0	
	Total Equity	1,117.0	900.7	77.8	68.7	
Insight	Buy and Maintain	191.2	191.2	13.3	14.6	13.5
CQS	Multi Asset Credit	0.0	89.3	0.0	6.8	6.5
	Total Bonds	191.2	280.5	13.3	21.4	20
Hermes	Property	64.9	65.6	4.5	5.0	5
Aberdeen Standard	Property	62.9	64.0	4.4	4.9	5
	Total Property	127.8	129.6	8.9	9.9	10
	Total	1,436.0	1,310.8	100	100	100

Source: Northern Trust Figures may not sum due to rounding

* The benchmark allocation has been set to 70% equity, 20% bonds and 10% property over the fourth quarter of 2018 to better align the benchmark performance calculation with the allocation and performance of the Fund.

The market value of the assets decreased by c. £125.2m over the quarter to 31 December 2018, largely as a result of negative returns from the Fund's equity investments.

As at 31 December 2018, the Fund was 1.3% underweight to equities and 1.4% overweight to bonds compared with the amended benchmark allocation. The Fund was broadly in line with the benchmark property allocation as at 31 December 2018.

At the end of October 2018, the Fund made a 6.5% allocation to CQS' Multi Asset Credit Fund. This was funded from the Longview mandate and the benchmark allocation has been adjusted to reflect this.

2.4 Yield analysis as at 31 December 2018

The table below shows the yield as reported by the managers on each of the Fund's investments.

Manager	Asset Class	Yield as at 31 December 2018
Majedie	UK Equity	4.15%**
Baillie Gifford	Global Equity	1.41%**
LGIM	Global Equity (Passive)	0.27%*
Longview	Global Equity	2.31%
Insight	Buy and Maintain	2.88%
Hermes Property	Property	4.10%
Aberdeen Standard Investments	Long Lease Property	4.14%
CQS	Secure Income	5.80%
	Total	2.30%

*Benchmark yield is 2.8% (represents the income that would be distributed).

** Majedie and Baillie Gifford yields are provided by the London CIV and are historic yields, reflecting the distributions declared over the past 12 months as a percentage of average market value.

3 Summary of Manager Ratings

The table below summarises Deloitte's ratings of the managers employed by the Fund and triggers against which managers should be reviewed.

Manager	Mandate	Triggers for Review	Rating
Majedie	UK Equity	Further turnover within the core investment team Re-opening the UK Equity products with no clear limits on the value of assets that they would take on	1
Baillie Gifford	Global Equity	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
Longview	Global Equity	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	2
LGIM	Global Equity (Passive)	Major deviation from benchmark returns Significant loss of assets under management	1
Insight	Buy and Maintain	Departure of any of the senior members of the investment team	1
Hermes	Property	Significant growth in the value of assets invested in the fund Changes to the team managing the mandate	1
Aberdeen Standard Investments	Property	Richard Marshall leaving the business or ceasing to be actively involved in the Fund without having gone through an appropriate hand-over A build up within the Fund of holdings with remaining lease lengths around 10 years	1
CQS	Multi Asset Credit	Significant changes to the investment team responsible for the Fund	1

3.1 London CIV

Business

As at 31 December 2018, the London CIV had 14 sub-funds and assets under management of £7,447m. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased by c. £0.2bn over the quarter to £17.5bn.

Personnel

Following quarter end, it was announced that Mike O'Donnell has been appointed as the London CIV's Chief Executive, subject to FCA approval with the intention to start the role on 4 March 2019. Mike is a senior finance professional and non-executive director with a background in local government finance, including twelve years as Executive Director responsible for Finance at LB Camden and nine month seconded to Birmingham City Council. He has chaired LFAC and been president of SLT the representative group for London s151 officers.

This appointment allows the London CIV to move forward with the recruitment of a CIO. Mark Hyde-Harrison, interim CEO, will work with Mike to ensure a smooth transition and will leave his role at the end of March.

Deloitte view – It is crucial that steps are taken to rebuild the senior management team and an appropriate strategy agreed for taking the pool forward, getting "buy-in" from the shareholders. We are continuing to monitor developments on the business side as well as the new fund launches.

3.2 Majedie

Business

The total assets under management for Majedie was c. £11.8bn as at 31 December 2018, a decrease of c. £2.3bn over the fourth quarter of 2018. This large decrease in assets under management is attributable to a combination of some clients de-risking and a number of councils transferring into different pools, in addition to the fall in UK equity markets

Personnel

There were no significant team or personnel changes over the quarter to 31 December 2018.

In January 2019, a decision has been taken to replace Richard Staveley, manager of the Smaller Companies element of the UK Equity Fund. This represents c. 7% of UK Equity strategy client portfolios. Majedie felt that performance of this element of the portfolio has been disappointing and a change of manager is now appropriate. Management of the other 93% of the strategy assets remains unchanged. The UK Focus strategy is unaffected. A replacement is being sought, with Majedie stating that they will keep clients and consultants apprised with the progress on this front.

Deloitte view – We recently met with Majedie regarding recent performance and team changes. Please see Majedie UK Equity Fund Review provided by Deloitte.

3.3 Baillie Gifford

Business

Total assets under management as at 31 December 2018 was c. £173.3bn, a decrease of c. £22.7bn over the quarter. This considerable change in AuM was attributable to performance, with net cash flows positive over the period.

Personnel

There have been no significant team or personnel changes over the quarter to 31 December 2018.

Deloitte view - We continue to rate Baillie Gifford positively for its equity capabilities.

3.4 LGIM

Business

As at 30 June 2018, Legal & General Investment Management ("Legal & General") had total assets under management ("AuM") of £985bn, an increase of £2bn since 31 December 2017.

Personnel

Over the quarter, Roger Bartley, Vice Chairman of Investments, retired and Kaye Maguire, Chief Resourcing & Legal Officer also left. Neil Perry who had previously been HR Director replaced Kaye.

Following quarter end, Siobhan Boylan, Chief Financial Officer, left the firm and has been subsequently replaced by Richard Lee. Richard was the Group Performance Director and had previously held the positions of CFO and CRO for Legal & General Retirement.

Also, following quarter end, Will Riley was appointed Head of Solutions and Sonja Laud was appointed Deputy CIO. Will held a number of senior portfolio management roles at BlackRock before joining and Sonja joins from Fidelity International, where she was head of equity.

At the Index team level, there were no new joiners or leavers.

Deloitte View - We continue to rate Legal & General positively for its passive capabilities.

3.5 Longview

Business

As at 31 December 2018, Longview managed c. \$24.5bn on behalf of its clients.

Over the fourth quarter of 2018, net flows out of the firm amounted to c. \$541m including existing client flows due to continued de-risking among UK Corporate DB Pension Schemes.

Personnel

At the end of December 2018, Ramzi Rishani, Co-CEO, CIO and Founder of Longview Partners, retired from his executive role in the business. In January 2019, Marina Lund was appointed as sole CEO following her period as Co-CEO with Ramzi since 2014. Alistair Graham was appointed as CIO at the start of October 2018. Alistair had previously held the role of Head of Research.

Deloitte view – The departure of Ramzi Rishani means that both of Longview’s founding partners are no longer involved in the business. This is a significant departure given Ramzi’s previous role and involvement in the success of the business to date. Taking these factors into account, we would not put this strategy forward for new business. The decision has been taken to disinvest from the strategy, with the Longview investment used to fund a 6.5% allocation to the new fixed income strategy, managed by CQS, and remaining proceeds to be invested in a new infrastructure strategy, managed by Pantheon.

3.6 Insight

Business

Insight’s total AuM at 31 December 2018 was c. £621bn, an increase from the previous quarter (c. £604bn). The Insight Buy and Maintain fund held assets under management of c. £2.2bn as at 31 December 2018, an increase of c. £0.1bn over the quarter.

Personnel

Insight made no changes to their Buy and Maintain fund team over the quarter.

Deloitte view – We rate Insight positively for its Fixed Income capabilities but continue to monitor how growth is being managed across the business.

3.7 Hermes

Business

As at 31 December 2018, Hermes had total assets under management of c. £36.0bn, an increase of c. £0.7bn over the quarter. Within the HPUT, total assets under management remained relatively constant at c. £1.6bn at quarter end.

Personnel

There were no changes to the HPUT team over the quarter.

Deloitte view – We continue to rate the team managing HPUT and at this stage, see no reason to change this.

3.8 Aberdeen Standard Investments – Long Lease Property

Business

The Fund’s assets under management increased by £0.1bn to c. £2.4bn as at 31 December 2018.

Personnel

There were no team changes for either the Long Lease Property Fund over the fourth quarter of 2018.

Process

Since the two businesses merged, ASI has put in place a formalised process where all potential transactions are reviewed and an “allocation policy” applied where interest is expressed in the investment by more than one fund/client portfolio.

Deloitte View - We continue to rate Aberdeen Standard Investments positively for its long lease property capabilities.

3.9 CQS – Multi Asset Credit

Business

As at 31 December 2018, CQS held assets under management of c. \$17.7bn, with the Credit Multi Asset Fund managing \$7.6bn of assets.

Personnel

During December 2018, it was announced that Xavier Rolet would join CQS as CEO effective 14 January 2018. Xavier had previously held the position of CEO for the London Stock Exchange, with Sir Michael Hintze, CQS' founder, taking on the role as Senior Investment Officer. The move will allow Xavier to focus on the growth of CQS' business whilst Sir Michael can continue to oversee investment management. Both have previously worked together at Goldman Sachs and believe that their long-term relationship will have a positive impact at CQS.

There were no specific team/personnel changes to the Credit Multi Asset Fund team over the quarter.

Deloitte View - We continue to rate CQS positively for its multi asset capabilities.

4 London CIV

4.1 Investment Performance to 31 December 2018

As at 31 December 2018, the London CIV had 14 sub-funds and assets under management of £7,447m. The total assets under oversight (which includes passive investments held outside of the CIV platform) increased by c. £0.2bn over the quarter to £17.5bn.

The table below provides an overview of the sub-funds currently available on the London CIV platform.

Sub-fund	Asset Class	Manager	Total AuM as at 30 September 2018 (£m)	Total AuM as at 31 December 2018 (£m)	Number of London CIV clients	Inception Date
LCIV UK Equity	UK Equity	Majedie	526	467	3	18/05/17
LCIV Global Equity Alpha	Global Equity	Allianz Global Investors	120	106	1	02/12/15
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	2,371	2,092	12	11/04/16
LCIV Global Equity	Global Equity	Newton	616	557	3	22/05/17
LCIV Global Equity	Global Equity	Longview Partners	683	700	5	17/07/17
LCIV Equity Income	Global Equity	Epoch Investment Partners	235	222	2	08/11/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	186	276	6	11/01/18
LCIV Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	283	249	2	18/04/18
LCIV Global Total Return	Diversified growth fund	Pyrford	315	308	5	17/06/16
LCIV Diversified Growth	Diversified growth fund	Baillie Gifford	637	627	8	15/02/16
LCIV Absolute Return	Diversified growth fund	Ruffer	912	854	10	21/06/16
LCIV Real Return	Diversified growth fund	Newton	194	182	2	16/12/16
LCIV MAC	Fixed Income	CQS	492	639	9	31/5/18
LCIV Global Bond	Fixed Income	PIMCO	-	167	2	30/11/18
Total			7,572	7,447		

The London CIV launched its second Fixed Income sub fund over the quarter to 31 December 2018. The initial investment in the Global Bond sub-fund is to be managed by PIMCO. Over the quarter, the Emerging Market Equity sub-fund (managed by Henderson) and the Multi Asset Credit sub-fund (managed by CQS) both added three new London Boroughs to their client list.

5 Baillie Gifford – Global Equity

Baillie Gifford was appointed to manage an active Global Equity mandate from 18 March 2014. The manager is remunerated on an asset based fee, reflecting the total value of assets invested in the strategy across the Tri-borough. The target is to outperform the benchmark of 2% p.a.

5.1 Global Equity – Investment performance to 31 December 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Baillie Gifford – Gross of fees	-12.3	-4.0	13.8	12.4
Net of fees	-12.4	-4.4	13.5	12.0
MSCI AC World Index	-10.7	-3.8	11.9	10.3
Relative (net of fees)	-1.7	-0.6	1.6	1.7

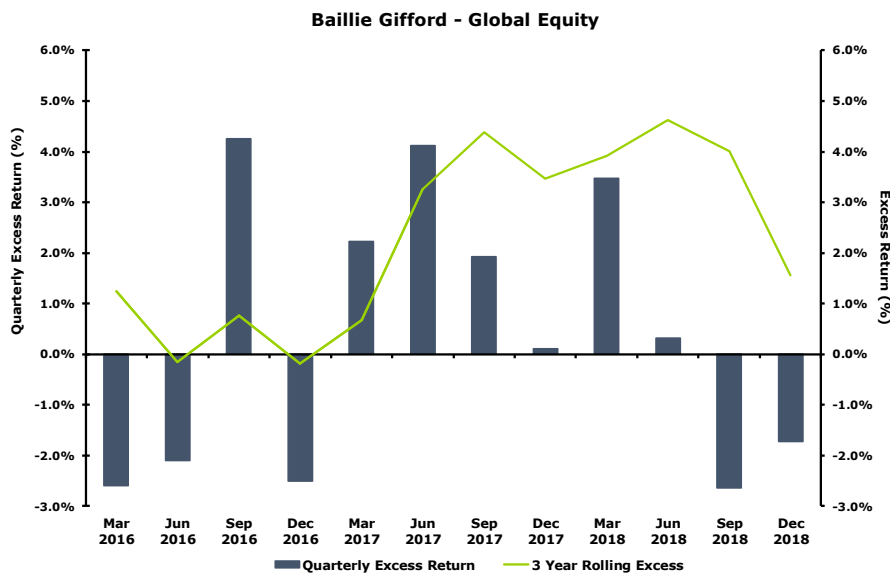
Source: Northern Trust and estimated by Deloitte.

See appendix 1 for more detail on manager fees

Inception date taken as 18 March 2014

Over the quarter to 31 December 2018, the Baillie Gifford Global Equity Alpha Fund underperformed its benchmark by 1.7% on a net of fees basis. The Fund underperformed its benchmark by 0.6% net of fees over the 12 month period.

The graph below shows the net quarterly returns and the rolling three-year excess returns relative to the benchmark. The Fund’s current three year excess return has outperformed the benchmark by 1.6% p.a. but has dropped below the outperformance target of +2% p.a.



5.2 Performance Analysis

The top 10 holdings in the portfolio account for c. 25.7% of the Fund and are detailed below.

Top 10 holdings as at 31 December 2018	Proportion of Baillie Gifford Fund
Naspers	3.9%
Amazon	3.7%
Anthem	2.9%
Prudential	2.6%
AIA	2.3%
Alphabet	2.1%
Mastercard	2.1%
Moody's	2.1%
Alibaba	2.0%
Visa	2.0%
Total	25.7%

Note: The numbers in this table may not sum due to rounding.

Source: London CIV.

The tables below show the top 5 and bottom 5 contributors to performance over the quarter to 31 December 2018.

Top 5 contributors as at 31 December 2018	Contribution (%)
Banco Bradesco	+0.45
Tesla	+0.29
ICICI Bank Limited	+0.25
ICICI Bank Limited - Sponsor	+0.24
Brasil Bolsa Balcao	+0.21

General underperformance across the portfolio was partially offset through Baillie Gifford's emerging market exposure, particularly ICICI and Banco Bradesco.

The Fund's exposure to US, UK and Ireland detracted from performance due to disappointing earnings growth projections causing a mass sell-off in the market. Long duration stocks such as GrubHub and Amazon were also particularly affected over the quarter. The strategy's holding in energy related companies, particularly Apache and EOG, detracted from performance in line with a declining oil price.

Top 5 detractors as at 31 December 2018	Contribution
Distribuidora Internacional De Alimentacion	-0.51
Apache	-0.43
GrubHub	-0.43
Advanced Micro Devices	-0.39
Stericycle Steel Dynamics	-0.36

6 LGIM – Global Equity (Passive)

Legal and General Investment Manager (“LGIM”) was appointed to manage a global equity portfolio with the objective of replicating the performance of the FTSE All World Index benchmark. The manager is remunerated on a tiered fixed fee based on the value of assets.

6.1 Passive Global Equity – Investment Performance to 31 December 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
LGIM - Gross of fees	-13.0	-8.2	6.3	9.5
Net of fees¹	-13.0	-8.2	6.3	9.4
FTSE World (GBP Hedged) Index	-13.0	-8.2	6.3	9.5
Relative (net of fees)	0.0	0.0	0.0	-0.1

Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 1 November 2012 (prior to that the mandate was an active equity mandate). The portfolio aims to track the benchmark.

The investment objective of the Fund is to track the performance of the FTSE AW-World Index (less withholding tax if applicable) - GBP Hedged (with the exception of advanced emerging markets) to within +/-0.5% p.a. for two years out of three.

The LGIM Fund successfully tracked its benchmark over the quarter to 31 December 2018. The Fund also performed in line with its benchmark over the one year and three year periods respectively.

7 Majedie – UK Equity

Majedie was appointed to manage an active UK equity mandate. The manager’s remuneration is a combination of a fixed fee based on the value of assets and a performance related fee which is payable when the excess return of the portfolio over a rolling 3 year period is more than 1% p.a. The target is to outperform the benchmark by 2% p.a.

7.1 Active UK Equity – Investment Performance to 31 December 2018

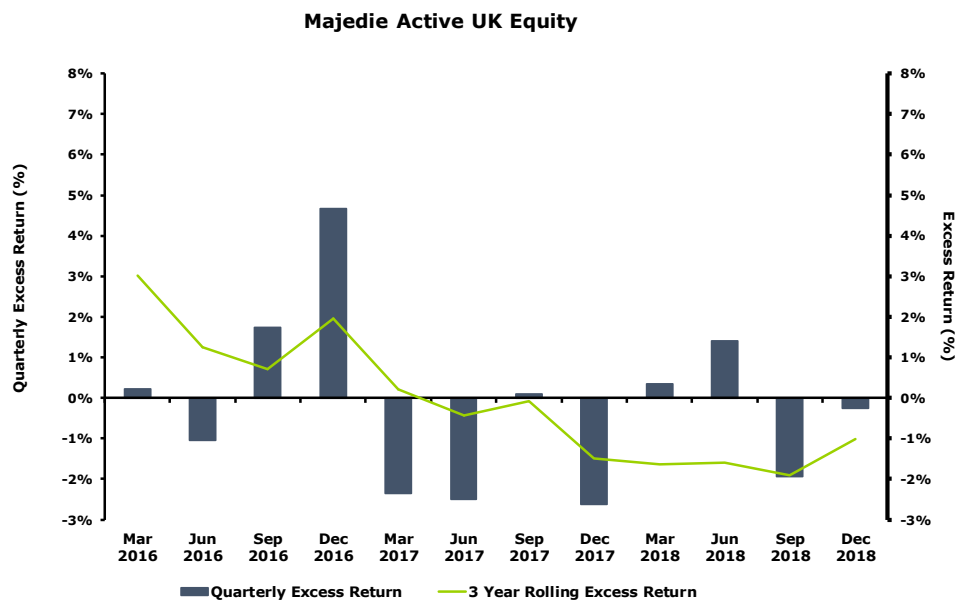
	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Majedie - Gross of fees	-10.4	-9.5	5.7	10.0
Net of fees¹	-10.5	-10.1	5.1	9.4
MSCI AC World Index	-10.3	-9.5	6.1	8.4
Relative (on a net basis)	-0.2	-0.6	-1.0	1.0

Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 31 May 2006



The Majedie UK Equity Fund underperformed its benchmark on a net of fees basis by 0.2% over the quarter to 31 December 2018. Over the one year and three year periods to 31 December 2018, the Fund underperformed its MSCI based benchmark by 0.6% and 1.0% p.a. respectively on a net of fees basis.

7.2 Performance Analysis

The top 10 holdings in the UK Equity strategy account for c. 48.4% of the Fund and are detailed below.

Top 10 holdings as at 31 December 2018	Proportion of Majedie Fund
Royal Dutch Shell	8.1%
BP	7.8%
Majedie Asset Management Special	7.6%
Tesco	4.8%
GlaxoSmithKline	4.6%
HSBC	3.4%
Orange	3.3%
WM Morrison	3.3%
Centrica	3.0%
Pearson	2.6%
Total	48.4%

Note: The numbers in this table may not sum due to rounding.

Source: London CIV.

The tables below show the top 5 and bottom 5 contributors to performance over the quarter to 31 December 2018.

Top 5 contributors as at 31 December 2018	Contribution (bps)
Gold Fields	+0.49
Acacia Mining	+0.38
Barrick Gold Corp	+0.26
Agnico Eagles Mines	+0.21
Koninklijke Kpn NV	+0.13

Top 5 detractors as at 31 December 2018	Contribution (bps)
EnSCO	-0.57
Oceaneering	-0.55
Diamond Offshore Drilling	-0.52
William Hill	-0.37
Tullow Oil	-0.32

The Fund's holdings in EnSCO plc, Oceaneering International and Diamond Offshore Drilling Inc provided the largest detractions to performance over the quarter to 31 December 2018.

8 Longview – Global Equity

Longview was appointed on 15 January 2015 to manage an active global equity mandate. The manager’s remuneration is based on the value of assets invested across the Tri-borough. The expectation is that the fund will outperform the benchmark by 3% p.a.

8.1 Active Global Equity – Investment Performance to 31 December 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Longview - Gross of fees	-7.9	4.2	14.6	12.8
Net of fees¹	-8.1	3.6	13.9	12.2
MSCI World Index	-11.4	-3.0	11.6	9.7
Relative (on a net basis)	3.3	6.6	2.3	2.5

Source: Northern Trust

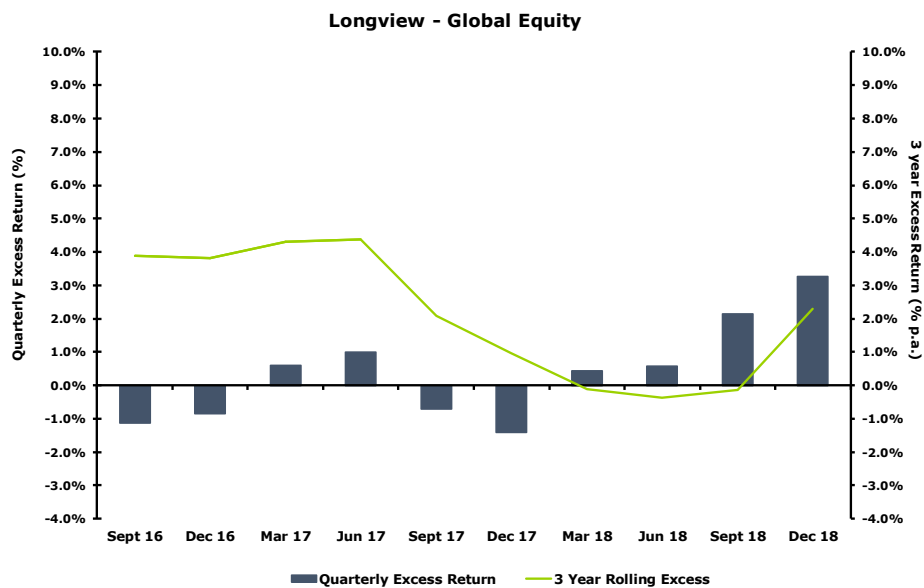
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date 15 January 2015

Longview outperformed its benchmark over the fourth quarter of 2018 by 3.3% on a net of fees basis. Over the longer one year and three year periods to 31 December 2018, Longview outperformed its benchmark by 6.6% and 2.3% p.a. on a net of fees basis.

The Fund targets an outperformance of 3% p.a. over a three year period. The chart below shows the quarter and rolling three year returns.



8.2 Performance Analysis

The tables below represent the top 5 and bottom 5 contributors to performance over the quarter to 31 December 2018.

Top 5 contributors as at 31 December 2018	Contribution
Willis Towers Watson	+0.65
Dollar General	+0.45
Pfizer	+0.44
Sanofi	+0.43
Omnicom	+0.36

The Fund's holdings in Willis Towers Watson, Dollar General and Pfizer were amongst the largest contributors to performance over the fourth quarter of 2018.

State Street were the largest detractor to performance over the quarter following an earnings miss in the previous quarter.

Top 5 detractors as at 31 December 2018	Contribution
State Street	-0.37
WPP	-0.36
Emerson Electric	-0.31
Allergan	-0.24
Zimmer Biomet	-0.24

9 Insight – Buy and Maintain

Insight was appointed to manage a buy and maintain credit portfolio. The fund aims to invest in predominantly investment grade credit which the manager believes can be held to maturity. The manager's fee is based on the value of assets.

9.1 Buy and Maintain Fund - Investment Performance to 31 December 2018

Last Quarter (%)	
Insight IBAM - Gross of fees	0.0
Net of fees¹	0.0
iBoxx £ Non-Gilt 1-15 Yrs Index	0.3
Relative (on a net basis)	-0.3

Source: Northern Trust

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date taken as 12 April 2018.

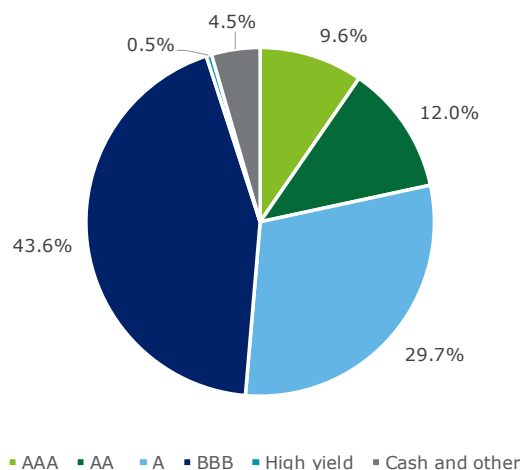
Over the quarter to 31 December 2018 the Insight Buy and Maintain Fund slightly underperformed its temporary iBoxx non-gilt benchmark on a net of fees basis.

9.2 Performance Analysis

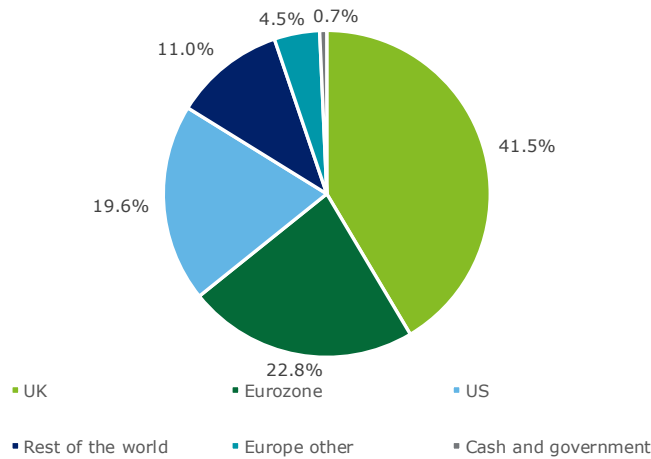
The table below summarises the Buy and Maintain portfolio's key characteristics as at 31 December 2018.

31 Dec 2018	
Yield	2.9
No. of issuers	158
Modified duration (years)	8.1
Spread duration (years)	7.6
Government spread (bps)	167
Swaps spread (bps)	155
Largest issuer (%)	1.4
10 largest issuers (%)	11.1

The graph below shows the split of the Buy and Maintain portfolio by credit rating. The Fund's investment grade holdings made up c. 94.9% of the portfolio as at 31 December 2018, with the fund predominantly invested in BBB and A rated bonds.

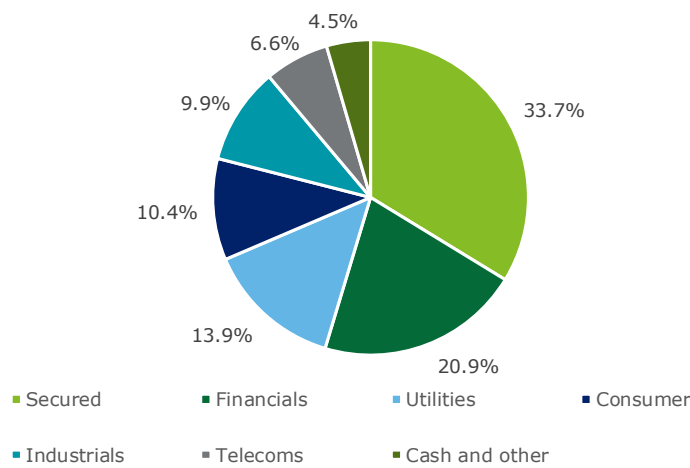


The graph below shows the split of the Buy and Maintain portfolio by country.



As at 31 December 2018, the Fund’s UK and Eurozone holdings made up c. 64.3% of the portfolio.

The graph below shows the split of the Buy and Maintain portfolio by sector as at 31 December 2018.



The table below shows the top 10 issuers by market value as at 31 December 2018.

Issuer name	Rating*	Holding (%)
Center Parcs	BBB	1.42
Income Contingent Student Loan	A	1.17
Westpac	AAA/AA	1.16
Prudential	BBB	1.15
Volkswagen	BBB	1.14
Santander	A/BBB	1.11
ESB Finance	A/BBB	1.07
American Airlines	AA	1.02
Daimler	A	1.01
Equity Release Fund	AA	1.01

*Ratings provided by Insight.

10 Hermes – Property

Hermes was appointed to manage a core UK property portfolio. The manager is remunerated on a fixed fee based on the value of assets. The target is to outperform the benchmark by 0.5% p.a.

10.1 Property – Investment Performance to 31 December 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Hermes - Gross of fees	1.0	8.1	8.5	10.1
Net of fees¹	0.9	7.7	8.1	9.7
Benchmark	1.3	7.5	7.5	8.7
Relative (on a net basis)	-0.4	0.2	0.6	1.0

Source: Hermes

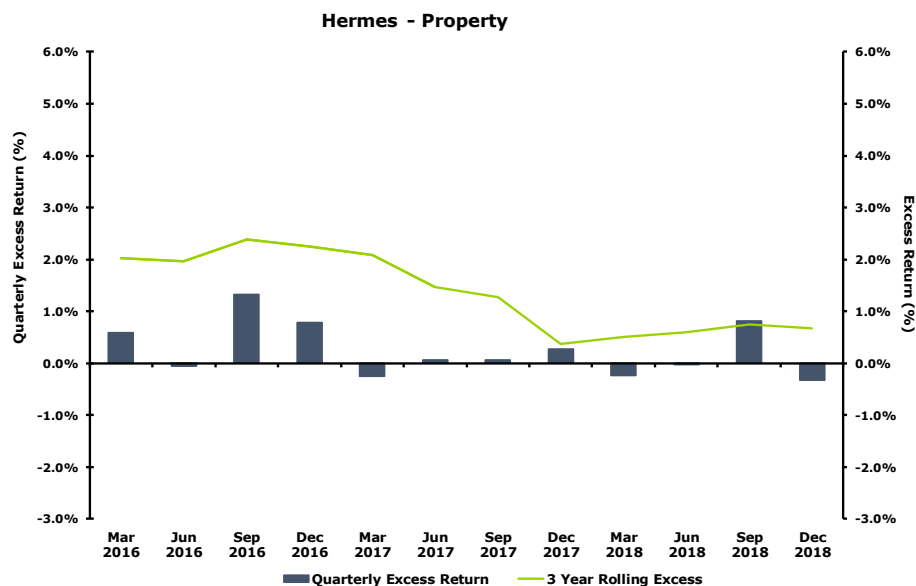
(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Inception date is taken as 26 October 2010

Over the quarter to 31 December 2018, Hermes underperformed its benchmark by 0.4% on a net of fees basis. The strategy outperformed its benchmark over both the one year and three year periods to 31 December 2018 by 0.2% and 0.6% p.a. respectively. The Fund remains above its target since inception, to outperform the benchmark by 0.5% p.a., outperforming its benchmark by 1.0% p.a. over this period.

Key contributors to the performance over the quarter came from properties in the Industrial sector, delivering the highest contribution, with the "Other" and Leisure sectors also contributing positively to performance. The Retail Warehouses sector was a detriment to performance over the quarter with valuation declines reflecting poor investor sentiment for retail assets generally, and a weak occupier demand in the retail sector.



10.2 Sales and Purchases

In November 2018, the Trust exchanged contracts to sell its Charlton Gate industrial property with a delayed sale to be completed in January 2019 so that the Trust can maximise rental income. The value of the sale is £48.5m, an 8% premium to the September valuation. This reflects an initial net yield of 3.0% and an equivalent yield of 3.85%. Despite the strong demand for Greater London industrial investments, the Trust believes that several planning risks were likely to impact expected returns.

In October 2018, the Trust sold its Sainsbury's property in Cheltenham for a price of £20.7m, reflecting a net initial yield of 5.0% and an equivalent yield of 4.5%. The agreed sale price reflects a small premium over the latest valuation by Knight Frank of £20.1m. Although the asset is let to a strong tenant for another 20 years,

the property is over-rented and the tenant is able to break its lease in 2028. Both the investment value and market liquidity of this asset are likely to fade as the period to the break reduces.

Over the quarter, the Trust secured two important lettings in two vacant units of the Summit Centre industrial estate in Heathrow covering a total area of almost 71,000 sq. ft. that will generate rental income of c. £650,000 per annum for the Trust after tenant incentives. The new tenant, MS International, will take units 5 and 6 on 20 year leases with tenant break options at year 15 and with 15 months’ rent free. The lettings were facilitated by capital works to the units of £1.5m.

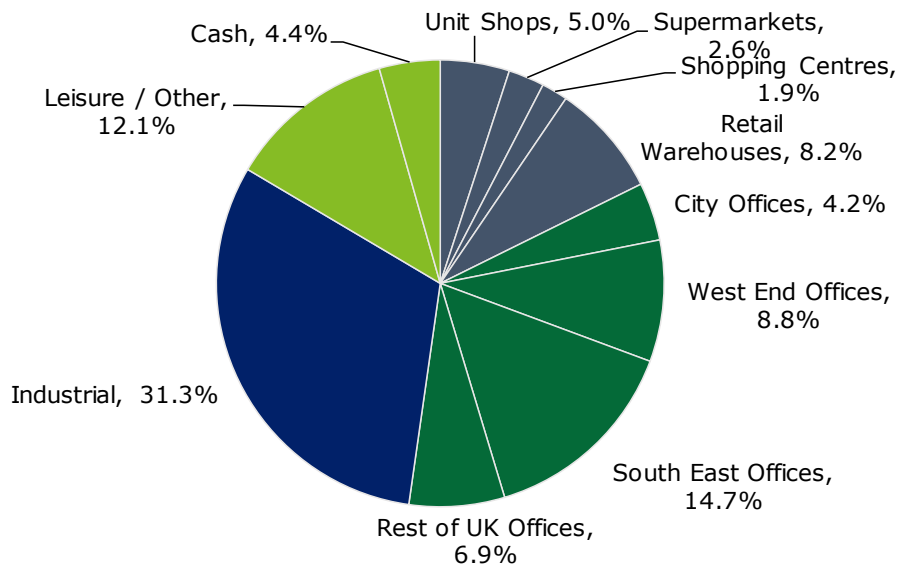
At the end of February 2018 the tenant Maplin, occupying a 7,000 sq. ft. unit, went into administration and vacated the Broadway premises in Wimbledon at the end of June 2018. The unit is situated in a good retail pitch opposite Wimbledon railway station. In November 2018 the Trust completed a new lease with Rymans to take over the unit for a 10 year term at £160,000 per annum after tenant incentives (3 months rent free). The term of the lease remains separate to the top floor of the unit which will allow the Manager to enable the possible development of a rooftop cinema and bar.

In December 2018 the Chamber of Commerce, already occupying 20,000 sq. ft in the Elliot House building in Manchester, completed a lease for the remaining vacant space (6,700 sq. ft. at the second floor and 1,500 sq. ft. at basement level) for a term until September 2029. The new leases will secure annual rental income of £160,000 per annum (£23 per sq. ft.) after tenant incentives. As part of the transaction, the tenant only break clauses due in 2024 were removed for the remaining existing leases in the building, resulting in a lease term certain until 2029 and a total rental income of £442,000 per annum. The property is now fully let.

In November 2018, the Trust completed a new lease with Bircham Dyson Bell for The Anchorage in Reading for a 7 year period which will expire in December 2025, including a tenant break option in November 2023. The lease completed will secure annual rental income of c. £170k (£27.50 per sq. ft.) after tenant incentives.

10.3 Portfolio Summary as at 31 December 2018

The Hermes Property Unit Trust invests across retail, offices, industrials and other sectors, with the split as at 31 December 2018 shown below.



The table below shows the top 10 directly held assets in the Fund as at 31 December 2018, representing c. 32.1% of the Fund.

Asset	Sub-sector	Value (£m)
Maybird Shopping Park, Stratford-upon-Avon	Retail Warehouses	86.3
8/10 Great George Street, London SW1	Offices	65.3
Polar Park, Bath Road, Heathrow	Industrial	54.7
Horndon Industrial Park, West Horndon, CM13	Industrials	49.2
Charlton Gate, London	Industrials	48.5
27 Soho Square, London W1	Offices	46.3
Broken Wharf House, London	Leisure/Other	44.3
Sainsbury's, Beaconsfield	Supermarket	42.0
Jurys Inn Hotel, Liverpool	Leisure/Other	40.8
Round Foundry & Marshalls Mill, Leeds	Offices	40.5
Total		517.9

11 Aberdeen Standard Investments – Long Lease Property

Aberdeen Standard Investments was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

11.1 Long Lease Property – Investment Performance to 31 December 2018

	Last Quarter (%)	Last Year (%)	Last 3 Years (% p.a.)	Since Inception (% p.a.)
Aberdeen Standard - Gross of fees	1.7	7.5	8.2	9.0
Net of fees¹	1.6	7.0	7.7	8.5
Benchmark	2.4	2.6	6.1	6.2
Relative (on a net basis)	-0.8	4.4	1.6	2.3

Source: Aberdeen Standard Investments

(1) Estimated by Deloitte

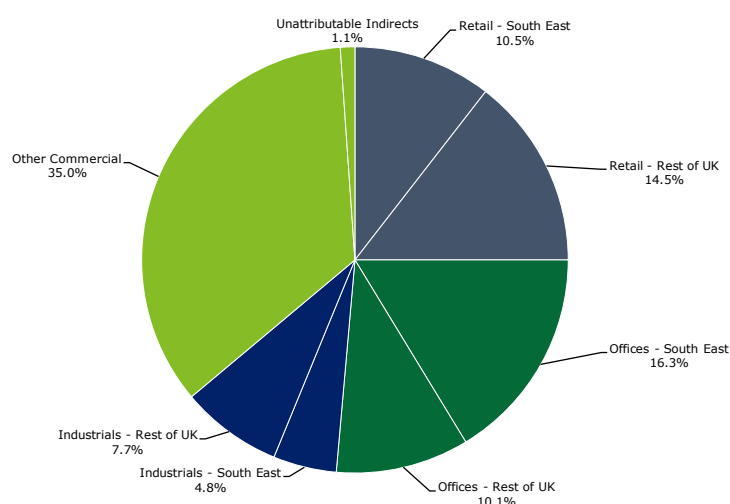
See appendix 1 for more detail on manager fees

Since inception: 14 June 2013

The ASI Long Lease Property Fund has delivered a net of fees return of 1.6% over the fourth quarter of 2018, underperforming the FTSE Gilt All Stocks Index + 2% benchmark by 0.8%.

11.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 31 December 2018 is shown in the graph below.



The Fund's allocation to the office sector increased over the quarter from 24.3% as at 30 September 2018 to 26.4% as at 31 December 2018. Over the same period the holdings in the retail sector fell by 0.9% to 25.0% and other commercial also fell by 1.1% to 35% as at the end of the fourth quarter.

The table below shows details of the top ten tenants in the Fund measured by percentage of net rental income:

Tenant	Total Rent £m p.a.	% Net Income
Tesco	8.4	8.2
Whitbread	6.4	6.3
Marston's	5.0	4.9
Sainsbury's	5.0	4.9
Asda	4.4	4.3
Salford University	4.0	4.0
QVC	4.0	3.9
Lloyds Bank	3.9	3.8
Save The Children	3.8	3.7
Park Holidays UK Limited	3.6	3.5
Total	48.6	47.4 *

*Total may not equal sum of values due to rounding

The top 10 tenants contribute 47.4% of the total net income into the Fund. Supermarkets continue to make up a significant part of the fund with Tesco, Sainsbury's and Asda contributing 17.4% to the Fund's total net rental income as at 31 December 2018.

The Fund's average unexpired lease term decreased over the quarter from 26.7 years to 26.4 years.

11.3 Sales and Purchases

Over the fourth quarter of 2018:

- The Fund completed the purchase of Lloyds Bank Plc, Chester, for c. £67m. Representing a net initial yield of 5.4% with an unexpired term of 25 years.
- The Fund also completed on three holiday parks in Suffolk and Kent operated by Park Holidays UK Limited for c. £25m, reflecting a net initial yield of 3.0%. This was an off-market transaction given ASI's previous relationship with the company, acquiring another portfolio in 2017. The transaction was structured on a ground rent basis with a lease term of 99 years and annual rent set at 12% of the underlying earnings for each park.

Following quarter end, the Fund exchanged on a 20 year unexpired term office for c. £47m. The purchase of St James Place, Cirencester, will provide a net initial yield of 4.0%.

12 CQS – Multi Asset Credit

CQS was appointed to manage a multi asset credit mandate in October 2018 with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. An annual fee covers the manager's and the London CIV platform management fees.

12.1 Multi Asset Credit – Investment Performance to 31 December 2018

Last Quarter (%)	
CQS – MAC – Gross of fees	-2.0
3 Month Libor + 4%	1.2
Relative (on a net basis)	-3.2

Source: CQS

(1) Estimated by Deloitte

See appendix 1 for more detail on manager fees

Please note that the CQS Multi Asset Credit Fund date of inception is 30 October 2018, hence the performance figures quoted above are for illustrative purposes only.

The CQS Multi Asset Credit Fund underperformed its benchmark by 3.2% on a net of fees basis over the quarter to 31 December 2018. Underperformance has been attributed to mark-to-market losses and not defaults. Hedging costs were a further detriment to performance over the quarter.

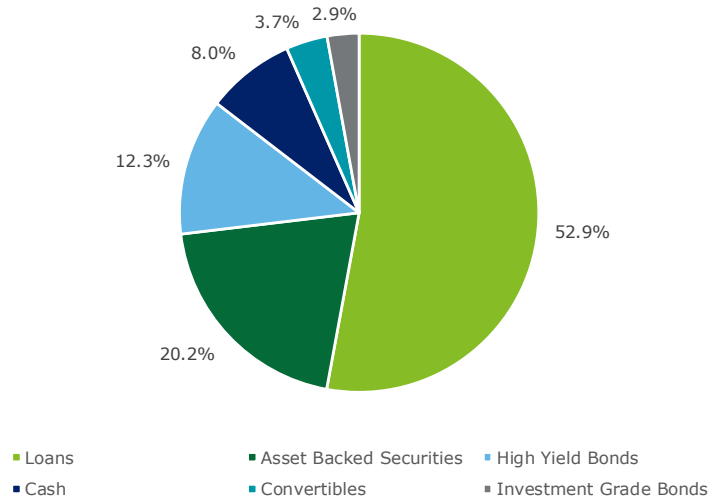
12.2 Portfolio Analysis

The table below summarises the Multi Asset Credit portfolio's key characteristics as at 31 December 2018.

31 Dec 2018	
Weighted Average Bond Rating	B+
Long Bond Equivalent Exposure with Public Rating (%)	84.5
Investment with Public Rating (%)	83.7
Yield to Maturity (%)	5.8
Spread Duration	4.1
Interest Rate Duration	1.3

12.3 Asset Allocation

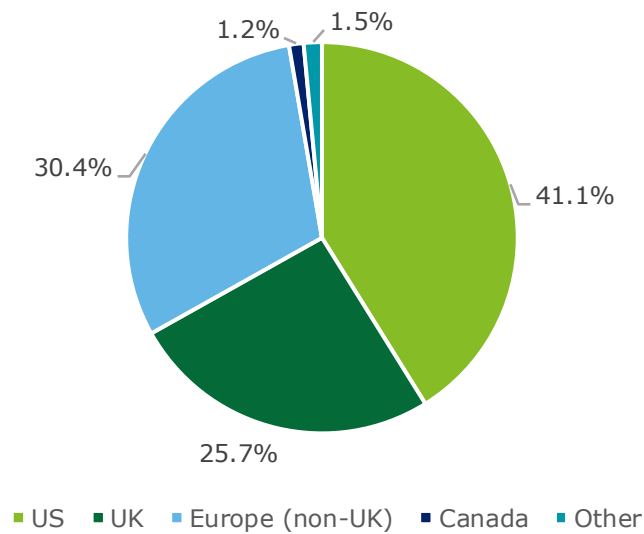
The asset allocation split of the Multi Asset Credit Fund as at 31 December 2018 is shown below.



The portfolio’s largest exposure is to loans, which provided a net contribution of -0.62% to the portfolio’s performance over the quarter to 31 December 2018. The Fund also holds large allocations to ABS and high yield bonds which contributed -0.40% and -0.46% to performance respectively over the quarter.

12.4 Country Allocation

The graph below shows the regional split of the CQS Multi Asset Credit Fund as at 31 December 2018.



Appendix 1 – Fund and Manager Benchmarks

The tables in this Appendix detail the benchmarks and outperformance targets, for the Total Fund and each individual manager.

Total Fund

Inception: 1 June 2006. Current benchmark allocation effective from 25 March 2015.

Manager	Asset Class	Long Term Strategic Benchmark Allocation	Benchmark	Outperformance Target	Inception Date	Fees (p.a.)	Tracking Error p.a.
Majedie	UK Equity	22.5	FTSE All-Share Index	+2.0 p.a. (net of fess)	31/05/06	c.35bps base fees +20 performance fee on 1 outperformance over 3 year rolling	2.0-6.0
LGIM	Global Equity	22.5	FTSE World GBP Hedged	Passive	01/11/12	13bps base fees	+/- 0.5
Baillie Gifford	Global Equity	25.0	MSCI AC World Index	+2.0 p.a. (net of fess)	18/03/14	36bps base fee	
Longview	Global Equity		MSCI World (GBP) Index	To outperform the benchmark over a market cycle	15/01/15	75bps base fees minus a rebate dependent on fund size	
Insight	Buy and Maintain	13.5	Insight Custom Benchmark	n/a	12/04/18	9.5bps base fees	
Hermes	Property	5.0	IPD UK PPFI Balanced PUT Index	+0.5 p.a. (net of fess)	26/10/10	40bps base fee	
Aberdeen Standard Investments	Property	5.0	FTSE Gilts All Stocks Index +2% p.a.	+0.5 p.a. (net of fees)	14/06/13	50bps on first £25m, 40bps on next £25m, 30bps thereafter	
CQS	Multi Asset Credit	6.5	3 Month Libor	+ 4% p.a. (net of fees)	30/10/18	40bps base fees	
	Total	100.0					

Appendix 2 – Manager Ratings

Based on our manager research process, we assign ratings to the investment managers for specific products or services. The ratings are based on a combination of quantitative and qualitative factors, where the inputs for the qualitative factors come from a series of focused meetings with the investment managers. The ratings reflect our expectations of the future performance of the particular product or service, based on an assessment of:

- The manager’s business management;
- The sources of ideas that go to form the portfolio (“alpha generation”);
- The process for including the ideas into the portfolio (“alpha harnessing”); and
- How the performance is delivered to the clients.

On the basis of the research and analysis, managers are rated from 1 (most positive) to 4 (most negative), where managers rated 1 are considered most likely to deliver outperformance, net of fees, on a reasonably consistent basis. Managers rated 1 will typically form the basis of any manager selection short-lists.

Where there are developments with an investment manager that cause an element of uncertainty we will make the rating provisional for a short period of time, while we carry out further assessment of the situation.

Appendix 3 – Risk warnings & Disclosures

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

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City of Westminster Pension Fund

Funding update report as at 31 December 2018

Barnett Waddingham LLP

11 January 2019

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Introduction

Westminster City Council, as administering authority for the City of Westminster Pension Fund (the Fund) has asked that we carry out a quarterly monitoring assessment of the Fund as at 31 December 2018. The purpose of this assessment is to provide an update on the funding position.

We have shown the funding position as at 31 December 2018 using assumptions consistent with the triennial valuation as at 31 March 2016 (the ongoing basis) and also on a "SCAPE basis" where we have used the SCAPE discount rate of CPI plus 2.4%. The SCAPE discount rate is the discount rate that will be used in the unfunded public service schemes valuations and this rate may have an influence on the assumptions that we adopt at the forthcoming 2019 triennial valuation.

The Fund participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with Local Government Pension Scheme Regulations 2013 (the Regulations).

The information in this report is addressed to and is provided for use by Westminster City Council as the administering authority to the Fund. This report may be shared with other interested parties but it does not constitute advice to them.

This report complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) and Technical Actuarial Standard 300: Pensions (TAS 300) as issued by the Financial Reporting Council (FRC).

We assess the funding position on a smoothed basis which is an estimate of the average position over a six month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are projected numbers and likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.

This is version 2 of the report which supersedes the initial report. This version contains additional information about the projected financial position of Westminster City Council up until 31 March 2020. This projection can be found in Appendix 3.

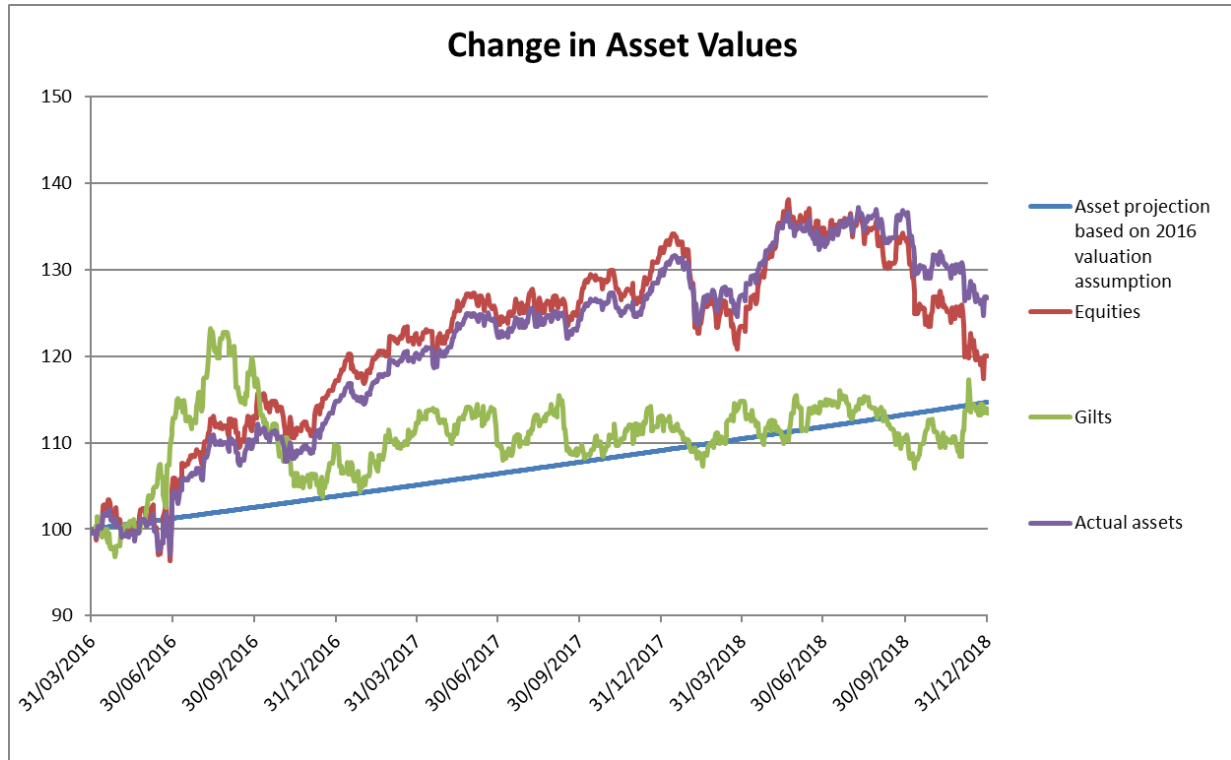
Assets

The estimated (unsmoothed) asset allocation of the City of Westminster Pension Fund as at 31 December 2018, based on data received from Westminster City Council, is as follows:

Assets (market value)	31 Dec 2018		30 Sep 2018		31 Mar 2016	
	£000s	%	£000s	%	£000s	%
UK and overseas equities	908,047	68.1%	1,103,033	76.8%	790,289	74.1%
Bonds	281,358	21.1%	191,031	13.3%	130,390	12.2%
Property	127,148	9.5%	125,928	8.8%	105,811	9.9%
Gilts	0	-	0	-	26,733	2.5%
Cash and accruals	16,780	1.3%	16,250	1.1%	13,120	1.2%
Total assets	1,333,332	100%	1,436,242	100%	1,066,343	100%

The investment return achieved by the Fund's assets in market value terms for the quarter to 31 December 2018 is estimated to be -7.2%. The return achieved since the previous valuation is estimated to be 26.8% (which is equivalent to 9.0% p.a.).

The following chart shows the changes in equity and bond markets since the previous actuarial valuation and compares them with the estimated actual fund returns and the expected fund returns assumed at the previous valuation:



As we can see the asset value as at 31 December 2018 in market value terms is more than where it was projected to be at the previous valuation.

Changes in market conditions – market yields and discount rates

The actual investment returns earned by the Fund will affect the value of the Fund’s assets. The value of the Fund’s liabilities, however, is dependent on the assumptions used to value the future benefits payable.

For the purpose of this exercise it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2016 actuarial valuation, updated where necessary to reflect market conditions. Further details of the derivation of the financial and demographic assumptions can be found in the relevant actuarial valuation report.

The following table show how these assumptions have changed since the last triennial valuation:

Assumptions (smoothed)	31 Dec 2018		30 Sep 2018		31 Mar 2016	
	Nominal % p.a.	Real	Nominal % p.a.	Real	Nominal % p.a.	Real
Pension increases (CPI)	2.76%	-	2.68%	-	2.39%	-
Salary increases	4.26%	1.50%	4.18%	1.50%	3.89%	1.50%
Discount rate	5.52%	2.75%	5.29%	2.61%	5.10%	2.71%

In addition to that, it is assumed that salaries increase in line with CPI until 31 March 2020.

The ongoing discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. Consistent with the method adopted for the 31 March 2016 valuation, we have included in the discount rate assumption an explicit prudence allowance of 1.1%.

As noted in the Introduction, the discount rate on the SCAPE basis is CPI plus 2.4% p.a.

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As we see the real discount rate is broadly similar as at the 31 March 2016 valuation, maintaining the value of liabilities used for funding purposes.

The real discount rate on the SCAPE basis is lower than on the ongoing basis and therefore would place a higher value on the liabilities.

Results

The funding position for each month has been rolled forward from the formal valuation and is shown in Appendix 1. It should be borne in mind that the nature of the calculations is approximate and so the results are only indicative of the underlying position.

The results of our assessment indicate that:

- The current projection of the smoothed funding level as at 31 December 2018 is 94.5% and the average required employer contribution would be 20.6% of payroll assuming the deficit is to be paid by 2038.
- This compares with the reported (smoothed) funding level of 80.0% and average required employer contribution of 29.1% of payroll at the 31 March 2016 funding valuation.

The ongoing discount rate underlying the smoothed funding level as at 31 December 2018 is 5.5% p.a. The investment return required to restore the funding level to 100% by 2038, without the employers paying deficit contributions, would be 5.8% p.a.

Westminster City Council

We have also estimated the funding position of Westminster City Council. The development since 31 December 2017 can be found in the table below.

Smoothed	Assets £000s	Liabilities £000s	Surplus / Deficit £000s	Funding level %	CARE ongoing cost
					(% of payroll)
31 Dec 2017	842,147	1,043,061	(200,914)	81%	17.3%
31 Mar 2018	858,830	1,044,850	(186,020)	82%	17.1%
30 Jun 2018	874,734	1,051,143	(176,410)	83%	17.1%
30 Sep 2018	883,354	1,032,151	(148,796)	86%	16.3%
31 Dec 2018	857,312	1,014,836	(157,524)	84%	15.5%

SCAPE basis

The results summarised above and in the Appendix are based on the ongoing basis. On the SCAPE basis, as at 31 December 2018, we estimate the comparable funding level for the Fund to be 89% and the average required employer contribution rate would be 27.3% of payroll assuming the deficit is to be paid by 2038. This contribution includes 18.8% of payroll towards the cost of future benefits and 8.5% of payroll towards deficit recovery.

On the SCAPE basis, as at 31 December 2018, we estimate the comparable funding level of Westminster City Council to be 79% and the average required employer contribution rate would be 33.1% of payroll assuming that the deficit is to be paid by 2038. The contribution includes 17.5% of payroll towards the cost of future benefits and 15.6% of payroll towards deficit recovery.

Although the SCAPE discount rate is used for the purpose of the valuations of the unfunded public service pension schemes rather than the LGPS, it is likely that this will be used as a guide for the purpose of the Section 13 assessments applied to the local LGPS valuations and therefore may influence the assumptions to be adopted for the Fund's 2019 valuation.

Final comments

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 include longevity risk and financial risks (including inflation and investment risk). There is more detail on this contained within the Fund's Funding Strategy Statement and the 31 March 2016 actuarial valuation report.

Note that the funding position at a future date will be dependent on the investment performance of the Fund as well as future market conditions which determine the financial assumptions.

Looking forward to 2019

Since the last valuation at 31 March 2016, assets have performed well and deficits have reduced (using assumptions consistent with the 2016 valuation), reducing the deficit recovery rate (the secondary rate).

Overall, on a basis consistent with the 2016 valuation, the total required contribution rate is estimated to have reduced since 31 March 2016. The next triennial valuation will be taking place as at 31 March 2019, with revised contribution rates payable from 1 April 2020. As part of the 2019 valuation, the Fund and Fund Actuary will work together in setting the assumptions for the valuation.

Given the improvement in funding position over the period and the level of uncertainty in the markets going forward, it may be appropriate to increase the level of prudence underlying the valuation funding assumptions.

We would be pleased to answer any questions arising from this report.



Matthew Paton FFA
Actuary
Barnett Waddingham LLP

Appendix 1 Financial position since previous valuation

Below we show the financial position on a smoothed basis for each month since the previous full valuation. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures for the previous three months are projected numbers and likely to change up until three months after the reporting date.

The results shown below are calculated on the ongoing basis.

Please note that the results shown below are sensitive to the underlying assumptions. For example, increasing the discount rate assumption by 0.5% will increase the funding level by about 9%, and increasing the CPI inflation assumption by 0.5% will reduce the funding level by about 8%.

Smoothed									
Valuation date	Assets £000s	Liabilities £000s	Surplus / Deficit £000s	Funding level %	CARE ongoing cost (% of payroll)	Past service ctbn	Total ctbn (% of payroll)	Discount rate	Return required to restore funding level (p.a.)
31 Mar 2016	1,056,747	1,320,797	(264,050)	80%	16.9%	12.2%	29.1%	5.1%	6.1%
30 Apr 2016	1,069,289	1,336,329	(267,040)	80%	17.2%	12.6%	29.8%	5.0%	6.0%
31 May 2016	1,088,792	1,362,238	(273,446)	80%	17.8%	12.8%	30.6%	4.9%	5.9%
30 Jun 2016	1,103,684	1,384,191	(280,507)	80%	18.2%	13.0%	31.2%	4.8%	5.9%
31 Jul 2016	1,121,960	1,404,739	(282,779)	80%	18.6%	13.1%	31.7%	4.8%	5.8%
31 Aug 2016	1,133,402	1,421,201	(287,799)	80%	18.9%	13.3%	32.2%	4.8%	5.9%
30 Sep 2016	1,150,014	1,437,793	(287,779)	80%	19.3%	13.3%	32.6%	4.9%	5.9%
31 Oct 2016	1,172,816	1,449,639	(276,823)	81%	19.5%	12.7%	32.2%	4.9%	5.9%
30 Nov 2016	1,185,339	1,456,544	(271,205)	81%	19.5%	12.5%	32.0%	5.0%	6.0%
31 Dec 2016	1,206,192	1,462,515	(256,323)	82%	19.6%	11.8%	31.4%	5.1%	6.0%
31 Jan 2017	1,217,761	1,466,703	(248,942)	83%	19.5%	11.5%	31.0%	5.1%	6.0%
28 Feb 2017	1,237,696	1,476,212	(238,516)	84%	19.7%	11.1%	30.8%	5.1%	5.9%
31 Mar 2017	1,261,355	1,485,068	(223,713)	85%	19.8%	10.4%	30.2%	5.0%	5.8%
30 Apr 2017	1,272,195	1,484,924	(212,729)	86%	19.7%	9.6%	29.3%	5.0%	5.8%
31 May 2017	1,291,739	1,484,738	(192,999)	87%	19.6%	8.7%	28.3%	5.0%	5.7%
30 Jun 2017	1,297,593	1,481,802	(184,209)	88%	19.4%	8.4%	27.8%	5.0%	5.7%
31 Jul 2017	1,305,713	1,480,613	(174,900)	88%	19.2%	8.0%	27.2%	5.0%	5.7%
31 Aug 2017	1,309,876	1,477,979	(168,103)	89%	19.1%	7.7%	26.8%	5.1%	5.7%
30 Sep 2017	1,313,109	1,477,681	(164,572)	89%	19.0%	7.6%	26.6%	5.1%	5.7%
31 Oct 2017	1,328,003	1,482,309	(154,306)	90%	19.0%	7.1%	26.1%	5.1%	5.6%
30 Nov 2017	1,325,817	1,479,561	(153,744)	90%	18.8%	7.2%	26.0%	5.1%	5.7%
31 Dec 2017	1,330,352	1,476,578	(146,226)	90%	18.6%	6.8%	25.4%	5.1%	5.7%
31 Jan 2018	1,341,968	1,475,210	(133,242)	91%	18.5%	6.3%	24.8%	5.1%	5.6%
28 Feb 2018	1,358,573	1,478,129	(119,556)	92%	18.5%	5.6%	24.1%	5.1%	5.6%
31 Mar 2018	1,379,889	1,481,363	(101,474)	93%	18.5%	4.8%	23.3%	5.1%	5.5%
30 Apr 2018	1,383,869	1,481,851	(97,982)	93%	18.4%	4.6%	23.0%	5.1%	5.4%
31 May 2018	1,392,524	1,488,835	(96,311)	94%	18.4%	4.6%	23.0%	5.1%	5.4%
30 Jun 2018	1,394,788	1,493,108	(98,320)	93%	18.4%	4.7%	23.1%	5.1%	5.4%
31 Jul 2018	1,409,340	1,489,981	(80,641)	95%	18.2%	3.9%	22.1%	5.1%	5.4%
31 Aug 2018	1,406,781	1,480,121	(73,340)	95%	17.9%	3.5%	21.4%	5.2%	5.5%
30 Sep 2018	1,407,799	1,468,021	(60,222)	96%	17.5%	2.9%	20.4%	5.3%	5.5%
31 Oct 2018	1,391,799	1,460,566	(68,767)	95%	17.2%	3.4%	20.6%	5.4%	5.6%
30 Nov 2018	1,383,503	1,452,101	(68,598)	95%	17.0%	3.4%	20.4%	5.4%	5.7%
31 Dec 2018	1,365,927	1,445,343	(79,416)	95%	16.7%	3.9%	20.6%	5.5%	5.8%

Appendix 2 Data, method and assumptions

Data

In completing our calculations we have used the following items of data, which we received from Westminster City Council:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 December 2018; and
- Estimated Fund returns based on Fund asset statements provided to 31 December 2018, and Fund income and expenditure as noted above.

The data has been checked for reasonableness and we are happy that the data is sufficient for the purpose of this report.

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.

Method

To assess the value of the Fund's liabilities as at 31 December 2018, we have rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2016 using the financial assumptions below and estimated cashflows paid to and from the Fund.

It is not possible to assess the accuracy of the estimated value of the liabilities as at 31 December 2018 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 December 2018 should not introduce any material assumptions in the results provided that the actual experience of the Fund is broadly in line with the underlying assumptions and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

We have been provided with the Fund assets at various dates but for dates that these are not available, we calculate the Fund assets by rolling forward the previous assets provided allowing for investment returns (estimated where necessary), and estimated cashflows paid to and from the Fund. The latest date that we have been provided with the Fund assets is 31 December 2018.

Assumptions

For the purpose of this exercise it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2016 actuarial valuation, updated where necessary to reflect market conditions.

A summary of the main financial assumptions adopted is set out in the main body of this report.

The main demographic assumptions are:

- The post retirement mortality tables adopted are the S2PA tables with a multiplier of 80% for males and 85% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long term rate of improvement of 1.5% p.a;
- The dependant post retirement mortality tables adopted are the S2PMA tables with a multiplier of 95% for males and the S2DFA tables with a multiplier of 100% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long term rate of improvement of 1.5% p.a;
- Members retire at a single age, based on the average age at which they can take each tranche of their pension; and
- It is assumed that members will exchange 50% of their commutable pension for cash at retirement.

Further details of the derivation of the financial and demographic assumptions can be found in the relevant actuarial valuation report.

Appendix 3 Projected financial position

Below we show the projected financial position on a smoothed basis for each following quarter up to 31 March 2020. We assume that the assets increase in line with the ongoing discount rate as at 31 December 2018, i.e. 5.5%. For the liabilities we show the results on both an ongoing basis and the SCAPE basis. The relevant cashflows are estimated based on the Fund accounts for the period from 31 March 2017 to 31 March 2018 and the revised contribution rates from 1 April 2017. Please note that the following projections make no allowance for the review of employer contribution rates and the funding basis of the Fund that will take place during the 2019 valuation.

Valuation date	Smoothed		Ongoing Basis		SCAPE basis		
	Assets £000s	Liabilities £000s	Surplus / Deficit £000s	Funding level %	Liabilities £000s	Surplus / Deficit £000s	Funding level %
31 Mar 2019	867,548	1,022,892	(155,345)	85%	1,089,093	(221,546)	80%
30 Jun 2019	877,922	1,031,058	(153,136)	85%	1,097,235	(219,313)	80%
30 Sep 2019	888,437	1,039,335	(150,898)	85%	1,105,480	(217,043)	80%
31 Dec 2019	899,094	1,047,724	(148,630)	86%	1,113,830	(214,737)	81%
31 Mar 2020	909,895	1,056,227	(146,333)	86%	1,122,287	(212,393)	81%

Any changes to the discount rate or inflation assumption will affect the funding level at all times in the same way as described in Appendix 1.