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City of Westminster

Committee Agenda

Title:	**Pension Board**
Meeting Date:	**Monday 13th May, 2019**
Time:	**6.30 pm**
Venue:	**Room 18.02, 18th Floor, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:** Angela Harvey Guthrie McKie **Employer Representative:** Marie Holmes **Scheme Member Representatives**: Terry Neville Christopher Smith Chris Walker

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

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

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

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

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

AGENDA

PART 1 (IN PUBLIC)

9. LOCAL GOVERNMENT ASSOCIATION SUMMARY ON PROPOSED CAP ON EXIT PAYMENTS IN THE PUBLIC SECTOR **(Pages 113 - 130)**

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.

Item No	Grounds	Para. of Part 1 of Schedule 12A of the Ac
12 and 13	Information relating to any individual and information relating to the financial and business affairs of an individual including the authority holding the information and legal advice	3

12. PENSION FUND COSTS

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

13. UK EQUITY MANDATE REVIEW

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

Stuart Love
Chief Executive
8 May 2019

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CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Tuesday 29th January, 2019**, Room 18.4, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillor Angela Harvey (Chairman and Employer Representative), Terry Neville (Vice-Chairman and Scheme Member Representative), Councillor Guthrie McKie (Employer Representative) and Martin Colwell (Scheme Member Representative).

Also Present: Matthew Hopson (Strategic Investment Manager, Treasury and Pensions), Joanne Meagher (Head of Operational People Services), Sarah Hay (Senior Pensions and Payroll Officer) and Kisi Smith-Charlemagne (Senior Committee and Governance Officer).

Apologies for Absence: Councillor Guthrie McKie and Chris Walker.

1 MEMBERSHIP

1.1 It was noted that Martin Colwell was deputising for Chris Walker.

2 DECLARATIONS OF INTEREST

2.1 Terry Neville declared that he is a councillor at the London Borough of Enfield, however he is a scheme member of the Westminster Pension Fund.

3 MINUTES

3.1 **RESOLVED:**

That the Minutes of the meeting held on 26 November 2018 be signed by the Chairman as a correct record of proceedings.

4 TERMS OF REFERENCE

4.1 Members had before them the Board's Terms of Reference. Members commented that the Terms of Reference was useful in clarifying the Board's role and remit. The Board's function as playing a scrutiny role to assist Pension Fund Committee and looking at specific matters, such as the

administration of the Pension Fund Scheme and how it impacted on scheme members was also recognised.

5 FUND FINANCIAL MANAGEMENT

5.1 Matthew Hopson (Strategic Investment Manager) presented the report and updated Members in respect of the Risk Register, cashflow position, three year forecast and the forward plans for the Pension Fund Committee and the Board respectively.

5.2 During the Board's' discussions, Members commented that the Risk Register was easy to follow, however it was difficult to identify what risks were of greater importance than others. Members welcomed the improvement in the levels of deficit for the Fund. Members felt that the expenses costs should be reducing, for example, in respect of fund manager fees as more costs were shared with the London Collective Investment Vehicle (LCIV). In respect of cashflow, reasons were sought as to the spike in the bank balance in August 2018. Members also queried why there was sometimes a fair degree of variance between forecasts and actuals with regard to the Fund's costs.

5.3 In reply, Matthew Hopson advised that the Council had made a £10m deficit recovery payment in August 2018 which explained the hike in the bank balance at that time. He advised Members that a further explanation could be given with regard to costs forecasts and actuals at a future meeting.

5.4 The Chairman requested a report to a future meeting to provide details with regard to forecasts and why these sometimes varied widely from actual costs.

5.5 **RESOLVED:**

1. That the Risk Register of the Pension Fund be noted.

2. That the cashflow position and three year forecast be noted.

3. That the forward plan of the Pension Fund Committee be noted.

4. That the forward plan for the Pension Board 2019/20 be noted.

6 QUARTERLY FUND PERFORMANCE

6.1 Matthew Hopson presented the report and advised that the Fund had outperformed its benchmark for the quarter up to September 2018 by 0.2% and the estimated funding level as of 31 December 2018 was 94.5%. He confirmed advised that the transfer of £91m of assets managed by Longview to LCIV had been completed on 1 November 2018.

6.2 In noting further transfer of funds to the LCIV, Members asked whether this had led to any savings. It was commented that the diversification of funds was prudent considering the current economic situation and the potential volatility of markets and it was important to ensure there were sufficient funds to make

pension payments. Members also queried if the performance figures of the Fund for the latest quarter were available.

6.3 In reply to issues raised by Members, Matthew Hopson advised that there had been fee savings made in respect of the passive mandates held by the LCIV. Members noted that the latest quarterly report figures were not available at the time the report was produced.

6.4 Members concurred with the Chairman's suggestion that future Board meetings be scheduled so that the latest quarterly performance figures were available. Matthew Hopson agreed to liaise with Committee and Governance Services to provide dates of when performance figures for each quarter would become available. Committee and Governance Services would then advise the Chairman of these dates accordingly to use as a basis for proposing future Board dates.

6.5 **RESOLVED:**

That the performance of the investments and funding position be noted.

7 HAMPSHIRE COUNTY COUNCIL IBC UPDATE

7.1 Joanne Meagher (Head of Operational People Services) presented the report that provided an update of the transfer of payroll services to Hampshire County Council (HCC) through the IBC solution. Joanne Meagher advised that the transfer would lead to changes as to how employee contributions are calculated. Auto-enrolment for some employees where opt out dates are not held may also have some impact on the Fund.

7.2 Members sought a further explanation as to what changes would be made to monthly pension contributions compared to how they were calculated under the previous payroll provider.

7.3 In reply, Joanne Meagher advised that the current system calculated pensionable pay by determining annual salary through the grossing of 12 monthly salary payments. The annual salary calculated would then determine the pension contribution rate. The IBC solution worked differently in that it takes the base salary for the year, plus a rolling 12 month look at any additional one off payments made to determine the contribution banding. If an additional payment was made, this would influence the contribution rate for the whole 12 months, whereas under the present system, a higher contribution rate would be payable for the month where the one off additional payment had been made. Joanne Meagher added that it was felt that the new system was a fairer, more equitable solution and would nevertheless ensure a low risk of over payments.

7.4 **RESOLVED:**

That the update be noted.

8 MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT ASSET POOLING

8.1 Matthew Hopson introduced the report and advised that the new draft guidance was a reminder to Local Government that it should be pooling assets. He advised Members that the biggest change would be the Administering authority no longer having control of manager selection for its investments and this would be carried out by the asset pool, in Westminster's case, the London CIV.

8.2 Members expressed some concern over this change. Matthew Hopson informed Members that a response would be drafted by officers to the consultation on asset pooling asserting the Fund's concerns.

8.3 The Board raised concerns regarding the pooling of fixed income. It was also commented that the Board's Terms of Reference should reflect the updated guidance form the Ministry of Housing, Communities and Local Government on asset pooling.

8.4 **RESOLVED:**

That the draft guidance on pooling be noted.

9 MEMBERS TRAINING

9.1 Members had before them a revised Knowledge and Skills Self-Assessment Form following earlier feedback from the Board. Members felt that training sessions should be no longer than 30 to 60 minutes. Some statements in the form were perhaps not entirely appropriate, such as the statement *"I have all the knowledge detailed below and do not require additional training".* Members expressed an interest in more information on the role of fund managers, including the appointment process and fee structures, and on receiving more information generally on financial markets and products knowledge.

9.2 **RESOLVED:**

That the updated Knowledge and Skills Self-Assessment training form be noted.

10 COMMUNICATIONS POLICY

10.1 Members had before them a revised Communications Policy for the Pension Fund that had been amended following suggestions from the Board at its previous meeting. Members suggested a few further minor changes to the text and advised that the active member carer stream had not been entered into the Policy's glossary.

11 PENSION ADMINISTRATION UPDATE

11.1 Joanne Meagher presented the report and advised that the Pension Manager position at Surrey County Council, who administered the pension, was now vacant. Details were awaited in respect of this position being filled. A few issues had arisen in respect of one retirement benefit processed late and two benefit statements being sent late. In respect of data cleansing, Joanne Meagher advised that data accuracy for common data was 77% and the scheme specific accuracy score was 71%. It was acknowledged that this needed to improve and the Fund's actuary would inform the Council of its data issues which would be used to form a Data Improvement Plan. Joanne Meagher then referred to the key performance indictor scores as set out in the appendix of the report.

11.2 Members expressed concern in respect of the data accuracy score, noting that it was a requirement from the Pension Regulator for fund data accuracy to be measured. The Chairman requested that a report on data accuracy and steps being put place to improve accuracy be presented to the Board at the next meeting.

12 PENSION FUND COMMITTEE DATES

12.1 The Board noted that the dates of the Pension Fund Committee for the municipal year 2019-20 had been agreed by Council at its meeting on 23 January 2019. Committee and Governance Services were to circulate these dates to the Board.

13 FORWARD PLAN AND PENSION BOARD DATES

13.1 Members noted the Board's forward plan. The Chairman would discuss future Board dates with Committee and Governance Services before proposing possible dates to other Members. As discussed under item 6 on the agenda, Quarterly Performance Fund, every effort would be made to ensure that the dates coincided with when the latest quarterly performance figures were available.

14 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

14.1 There was no other business.

15 EXCLUSION OF PRESS AND PUBLIC

15.1 **RESOLVED:**

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 circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

16 MINUTES

16.1 **RESOLVED:**

That the confidential Minutes of the meeting held on 26 November 2018 be signed by the Chairman as a correct record of proceedings.

17 FUND COST SUMMARY

17.1 **RESOLVED:**

That the Pension Fund costs and the associated LCIV savings and costs be noted.

18 INFRASTRUCTURE INVESTMENT STRATEGY

18.1 **RESOLVED:**

That the infrastructure manager selected by the Pension Fund Committee be noted.

The Meeting ended at 8.18 pm.

CHAIRMAN: _____ **DATE** _____

City of Westminster

Pension Board

Date:	**13th May 2019**
Classification:	**General Release**
Title:	**Pension Administration Update**
Report of:	**Sarah Hay, Pensions Officer 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 Surrey County Council (SCC) with the Key Performance Indicator (KPI) for the period January 2019 to March 2019. The detailed KPIs are shown in Appendix 1, There have been some performance concerns in the period outlined in section 2. This report also provides the detail of the current data cleansing projects and the progress that has been made in resolving data queries ahead of the pension fund valuation in section 3. Section 4 outlines the progress that is being made in creating a WCC end of year file with section 5 outlining the current progress on the Western Union existence check for overseas pensioners. Finally, section 6 confirms the current position with Hampshire County Council (HCC) and the insourcing of City West Homes (CWH) in April 2019.

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 the period of January 2019 to March 2019.

2.3. Surrey County Council have appointed an interim Pension Manager, Andrew Marston. The Pensions officer has attended a first quarterly contract meeting with Mr Marston on the 24th of April. Mr Marston also attended the WCC Pension AGM on the 17th of April.

2.4. KPI performance in appendix 1 is summarised below:

2.5. There have been a few issues identified in the KPI for the first 3 months of 2019. This appears to have originated in January 2019 with responses received from members primarily confirming that they wished to take their preserved pension not being actioned by the administration team as they were recorded as a different case type. The pension officer has raised the matter with the administration team directly in Lewes, East Sussex where our administration is carried via a visit on the 25th April. The head administration officer has confirmed that everyone has been asked to check workflow systems with managers checking daily to ensure this is not repeated.

2.6. One Retirement option form was issued in late January, In addition there were 5 late payments of lump sums and 5 late payment of pension over the 3 months of the KPI period caused by the returned forms not being addressed correctly by the workflow monitoring as outlined above (section 2.5).

2.7. There were 4 late refunds processed in January and February 2019. 1 dependent was written to late following a death in January 2019. 3 deferred benefit statements were sent late over the period. 1 notification to the member for the payment of a preserved pension was sent late.1 transfer out was paid late and finally 2 responses to correspondence within 10 days were sent late during the period.

3. Data Cleansing

3.1 There are two data cleansing projects ongoing within the fund. Firstly, we have agreed with Surrey that we would fund an additional administration resource at a cost of £14,500 for six months to remove as many critical errors in our data, primarily in relation to membership data that is valuation impacting.

3.2 There were 1283 total errors across the 5 memberships groups of actives, deferred, pensioners, dependants and undecided, at the end of April 2019, this has gone down by 39%. There are 533 active level queries that appeared to be WCC employer cases. However, we have referred 185 of these records to Surrey technical team to identify the true employer as these are not WCC, leaving 348 WCC employer cases for the WCC project team to work through.

3.3 We have also agreed with Surrey to outsource the completion of approximately 1500 status 2 cases across the City of Westminster (CoW) pension fund to JLT at a cost of up to £19 a case. Status 2 cases are member records that the administrators believe that a member has left the pension fund, but the fund employer has not provided the leaver data to complete as a refund

or a preserved benefit, leaving the record sitting as a liability. Additionally Surrey are running the project with JLT with 4 other funds.

3.4 The status 2 project has been running since March 2019 (with additional temporary resource) in 2 parts; a) to ensure that COW pension fund employers with status 2 cases, complete and forward their leaver data. b) to produce leaver data for the 906 cases for which Westminster City Council (WCC) is the employer.

3.5 All COW pension fund employers have forwarded their completed status 2 leaver data to Surrey. The 906 WCC employer cases occurred primarily when BT was the WCC payroll / HR provider. As at the end of April 2019, 77% of cases (699 cases in total) have been completed and are with Surrey, ready to send to JLT.

4. LGPS End of Year File 18 / 19

4.1 The LGPS end of year project is ongoing at the moment. Progress has been made but resolving cases where the member had a period of absence with reduced pay have proven time consuming and complicated. The regulations require the calculation of an Assumed Pensionable Pay (APP). In these cases, because Agresso did not do this calculation correctly most of these cases involve a complete recalculation over a number of months. There are 35 cases that still require calculation at the time of writing this report. I would hope to have the WCC file ready for upload by the end of May 2019 at the latest.

4.2 People Services are also monitoring closely that the other fund employers submit their end of year files by 30th of April 2019 to ensure that pension fund valuation can proceed on time.

5. Western Union Existence Checking

5.1 The fund has started an existence checking exercise with Western Union for all of our overseas based pensioners. The existence checking will involve inviting the pensioner to attend a local WU office with identification to confirm their continued entitlement to benefit from the fund. For attending the existence check the member will be given £10 for their inconvenience but this will help the fund reduce or stop overpayments following a members death. Pensioners whom are based within the United Kingdom have their records subject to monthly mortality screening and therefore the risk of overpayment for these members is much lower.

5.2 When we started looking at the existence exercise we realised that many of our pensioner records did not hold a full name but only initials and a surname. In order to complete a full existence check, we need to hold the full name so that the Western Union agent can check the name against the members identification. 91 individuals were written to in March and asked to confirm their full name for our records. We had 36 responses with full names in the first 3 weeks plus we were notified of 4 pensioner deaths. We have then moved to

start full existence checking for 171 people that includes people we already had full name details for and the 36 people who had responded in time to be included in this years project.

5.3 Responses have continued to come in from those members we wrote to in March and 16 additional people have confirmed their full name and will be included in next years existence exercise. At the time of writing this report we are waiting for 35 responses for full name details. A decision has been taken to run a life certificate exercise for any record that we have not had a response for by Friday 3rd of May with pensions being suspended from July without a response.

5.4 The first warm up letters are due to go to pensioners in the first week of May, this letter will introduce Western Union as our partner and advise that the existence exercise will be starting the following month with details to follow. The warm up letter is to reduce the concern amongst pensioners of fraud which can occur when this exercise is first implemented.

6. Hampshire City Council (HCC) and City West Homes (CWH)

6.1 The new HR / Payroll contract with HCC is still in a stabilisation period. There have been a few issues setting up suppliers for payment for the first time in SAP and a few HR/ Payroll issues. The service is much improved than under the previous provider BT. In addition, we insourced 426 staff from City West Homes on the 1st of April 2019. Payroll in April was successful and the fund will have a number of people being opted into the LGPS for the first time. A number of people at CWH had previously only had access to the peoples pension which is a lower costing and benefit pension arrangement. We have a few people opt out of the LGPS from the transferred staff but also a number of people taking up the 50 / 50 option that the LGPS offers so we are pleased to note that people are considering this when they look at the additional cost of the LGPS benefit.

7. Summary

7.1 The Pension Administration KPIs were disappointing in the period particularly in January 2019. People services will be monitoring KPI's on a monthly basis, ensuring that the administration management understand our focus on ensuring that payments are made to people accurately and on time. Internally we have to push through the work on the LGPS end of Year file for WCC and ensure that work continues to progress on our data cleansing projects as well to ensure the data is fit for valuation purposes.

Westminster County Council - January 2019 to March 201

Description	Target time/date as per Partnership Agreement	Target	Actual Score for Quarter	Quantity January 2019
Pension Administration				
Death Benefits Notify potential beneficiary of lump sum death grant	5 days	**100%**	%	0
Write to dependant and provide relevant claim form	5 days	**100%**	%	3
Set up any dependants benefits and confirm payments due	14 days	**100%**	%	0
Retirements Retirement options issued to members	5 days	**100%**	%	8
New retirement benefits processed for payment following receipt of all necessary documents	5 days	**100%**	%	2
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		%	2
Refunds of Contributions Refund paid following receipt of claim form	14 days	**100%**	%	8
Deferred Benefits Statements sent to member following receipt of leaver notification	30 days	**100%**	%	36
Notification to members 2 months before payments due	2 months		%	51
Lump Sum (on receipt of all necessary documentation)	5 days		%	21
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		%	21

New Joiners New starters processed	30 days	**100%**	%	115
Transfers In Non LGPS transfers-in quotations	30 days	**100%**	%	2
Non LGPS transfers-in payments processed	30 days	**100%**	%	0
Transfers Out Non LGPS transfers-out quotations processed	30 days	**100%**	%	6
Non LGPS transfers out payments processed	30 days	**100%**	%	0
Interfunds In - Quotations	30 days	**100%**	%	2
Interfunds In - Actuals	30 days	**100%**	%	
Interfunds Out - Quotations	30 days	**100%**	%	14
Interfunds Out - Actuals	30 days	**100%**	%	4
Estimates				
1-10 cases	5 Days		%	9
11-50 cases	Agreed with WCC		%	0
51 cases or over	Agreed with WCC		%	0
Material Changes				
Any changes to data which materially affect actual or potential benefits to be processed within 30 days of receiving all necessary data	30 days		%	12
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			
Issue of monthly payslips	3 days before pay day			
RTI file submitted to HMRC	3 days before pay day			
BACS File submitted for payment	3 days before pay day			
P35	EOY			

Annual Exercises			Date Achieved	
Annual Benefit Statements Issued to Active members	31 August each year			
Annual Benefit Statements Issued to Deferred members	31 August each year			
P60s Issued to Pensioners Non LGPS transfers-in quotations processed within 20 days	31 May each year			
Apply Pensions Increase to Pensioners	April each year			
Pensioners Newsletter	April each year			
Customer Service				
Correspondence				
Acknowledgement if more than 5 days	2 days			
Response	10 days			11
3rd party enquires	10 days			
Helpdesk Enquiries				
Volumes of Enquiries Handled By Helpdesk	Number of Enquiries Handled			454
Customer Surveys				
Monthly survey to retirees	Percentage Satisfied with Service			

9 Results on KPI Reporting

Actual Score January 2019	Comments	Quantity February 2019	Actual Score February 2019	Comments	Quantity March 2019	Actual Score March 2019	Comments
N/A		3	100%		2	100%	
67%	1 case late	2	100%		2	100%	
N/A		2	100%		1	100%	
88%	1 case late	1	100%		7	100%	
100%		6	100%		3	100%	
100%		6	100%		3	100%	
75%	2 cases late	11	82%	2 cases late	7	100%	
100%		40	95%	2 cases late	48	98%	1 case late
100%		0	N/A		43	98%	1 case late
86%	3 cases late	21	95%	1 case late	23	96%	1 case late
86%	3 cases late	21	95%	1 case late	23	96%	1 case late

100%		4	100%		154	100%	February New Starters
100%		1	100%		4	100%	
N/A		0	N/A		0	N/A	
83%	1 case late	7	100%		9	100%	
N/A		1	100%		0	N/A	
100%		8	100%		9	100%	
N/A		2	100%		0	N/A	
100%		11	100%		17	100%	
100%		5	100%		6	100%	
100%		0	N/A		1	100%	
N/A		0	N/A		0	N/A	
N/A		0	N/A		0	N/A	
100%		34	100%		25	100%	
100%			100%			100%	
100%			100%			100%	
100%			100%			100%	
100%			100%			100%	
31-Mar-18			31-Mar-18			31-Mar-18	

Annual			Annual			Annual	
Annual			Annual			Annual	
100%	Issued April 2018		100%	Issued April 2018		100%	Issued April 2018
100%			100%			100%	
100%	Issued March 2018		100%	Issued March 2018		100%	
91%	1 case late	17	100%		18	94%	1 case late
N/A							
-	88% FPF Rate	420	-	88%	379	-	89%

Trend	People services Comments
	1 case late in January 19
	1 case late in January 19
	4 cases late in January and February 19
	3 cases late in February and March 19
	Note the large number of cases were processed in January and March, none in February, 1 case was late in March.
	5 cases late over the period.
	5 cases late over the period.

	Large numbers processed through by Surrey following Hampshire go live in December 18.
	no cases in period.
	1 case late in January but not impacting an immediate benefit
	no cases late this period.
	no cases in period.
	no cases in period.

	2 cases late in in January and March 19

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Responsible Capitalism

Emily Barnard — Fund Analyst

Tom Morris — Fund Manager

Nuance in the age of outrage

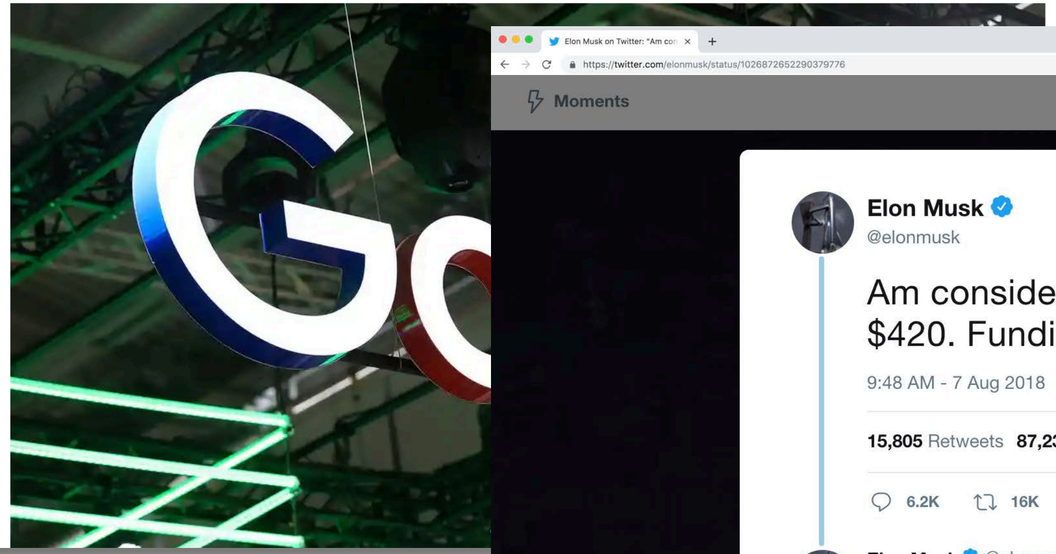
"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."

Source: Tom Toro, New Yorker

https://www.theguardian.com/technology/2017/mar/25/google-youtube-advertising-extremist-content-att-verizon

Google's bad week: YouTube loses millions as advertising row reaches US

Major brands including Verizon and Walmart pulled their ads after they were found to be appearing next to videos promoting extremist views or hate speech



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New Vale mine disaster in Brazil is one more corporate failure

https://twitter.com/elonmusk/status/1026872652290379776

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Am considering taking Tesla private at $420. Funding secured.

9:48 AM - 7 Aug 2018

15,805 Retweets **87,235** Likes

6.2K 16K 87K

Elon Musk @elonmusk · 7 Aug 2018

Shareholders could either to sell at 420 or hold shares & go private

1.3K 2.1K 19K

Dave L @heydave7 · 7 Aug 2018

Replying to @elonmusk

Though I understand your reasons, please don't take Tesla private. There are hundreds of thousands of retail investors who have placed significant resources and risk into investing into Tesla for the long-term and would not think it's fair.

16 10 159


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KOMATSU


Baidu 百度
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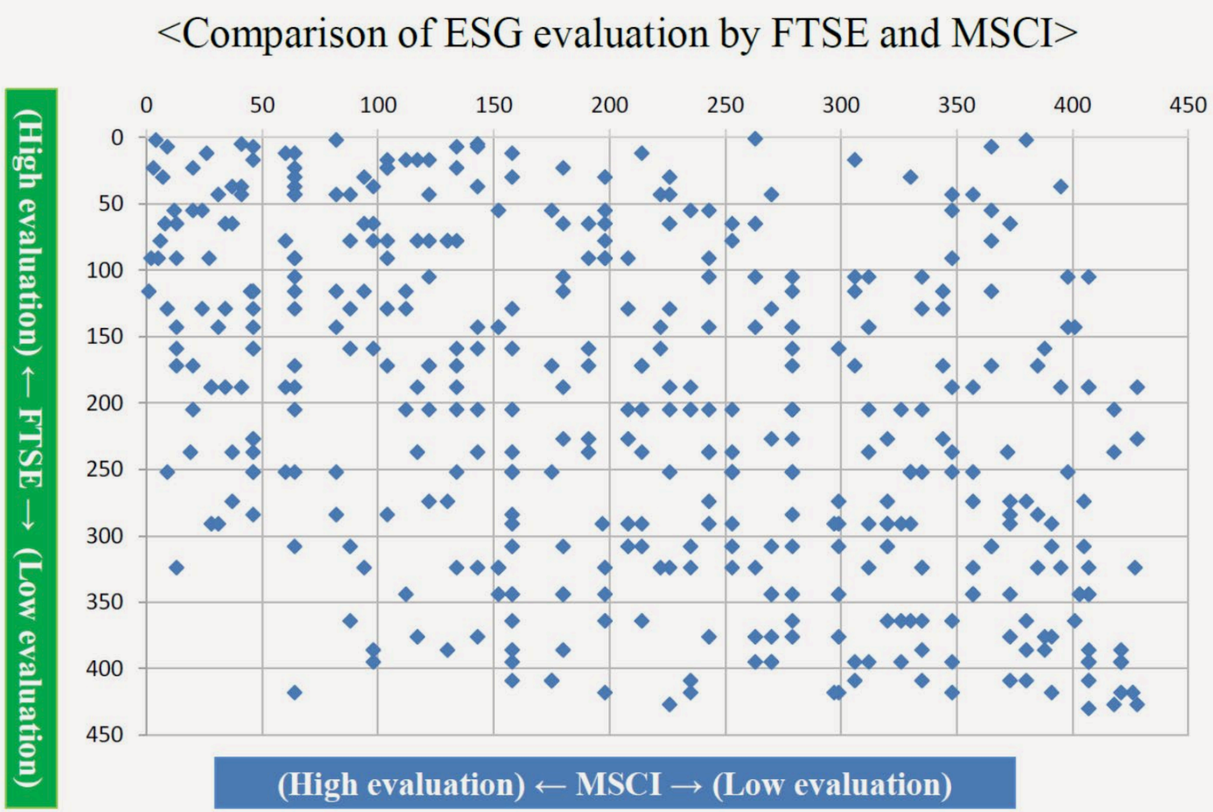
ESG ratings scattergun



Source: GPIF

Part of Leicester's garment industry has become detached from UK employment law, "a country within a country", as one factory owner puts it, where "£5 an hour is considered the top wage", even though that is illegal.

— Financial Times, May 2018

£3.75

on boohoo.com
100% polyester

Burberry stops burning unsold goods and using real fur

6 September 2018

Share

Burberry said it would expand efforts to donate or recycle unsold stock

British luxury goods maker Burberry has announced that it will stop the practice of burning unsold goods, with immediate effect.

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HSBC faces call to end all new coal power financing

Schroders and Hermes urge rethink of decision to exclude three Asian nations from global halt

al near an open pit mine in Indonesia's East Kalimantan province © Bloomberg

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Insurers pledge fairer premiums for long-term customers

8 May 2018 Share

The insurance industry has pledged to crack down on "excessive" differences in premiums for new customers and existing policyholders.

Top Stories

Wikileaks co-founder Julian Assange arrested
He took refuge in Ecuador's London embassy in 2012 to avoid extradition to Sweden over an alleged sexual assault.
24 minutes ago

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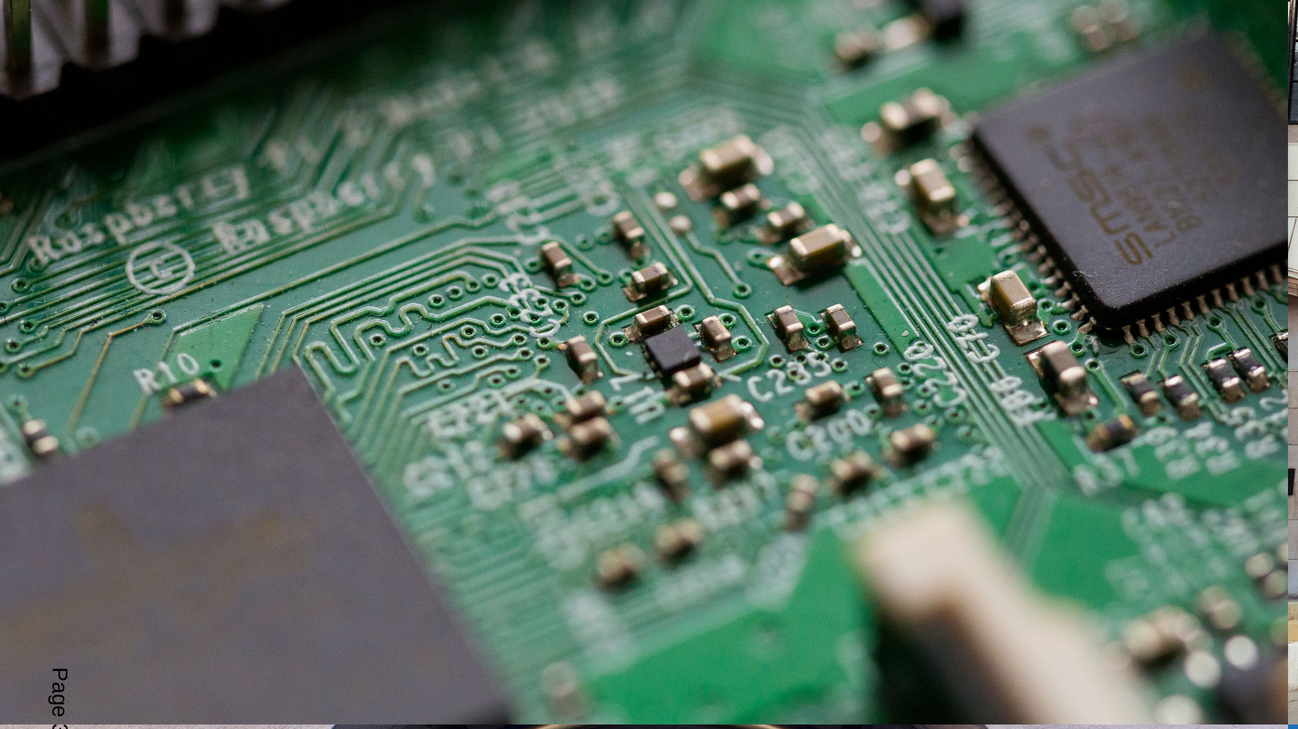
14 minutes ago

May faces MPs after EU summit
8 April 2019

Features

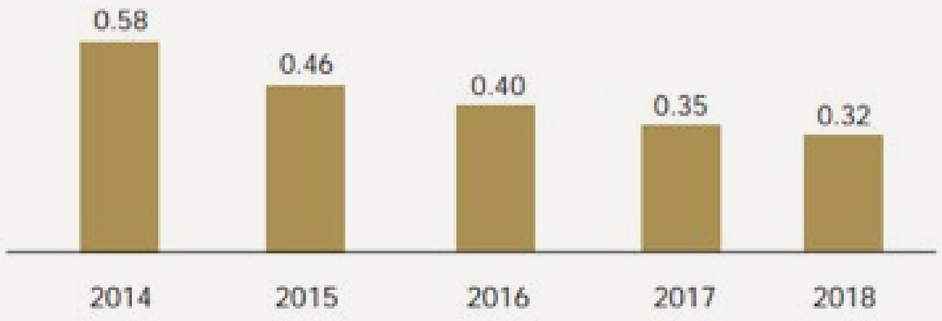
Trick or treat? Halloween deadline is both


Raspberry Pi
R10
C233
C200

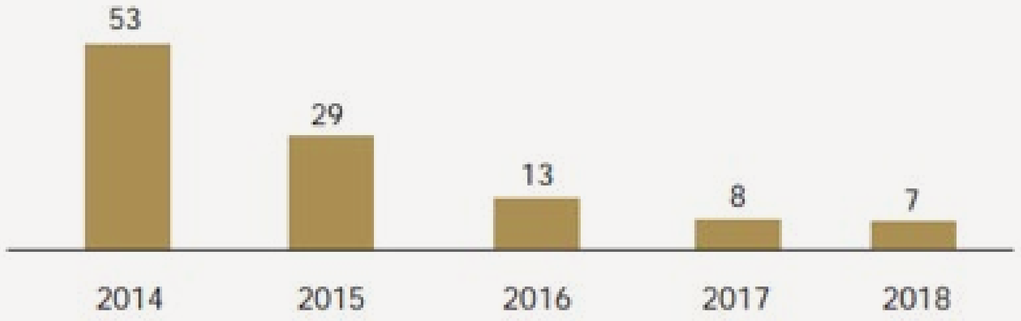

FEDERAL RESERVE BANK
SAN FRANCISCO


BARRICK
BARRICK

TOTAL REPORTABLE INJURY FREQUENCY



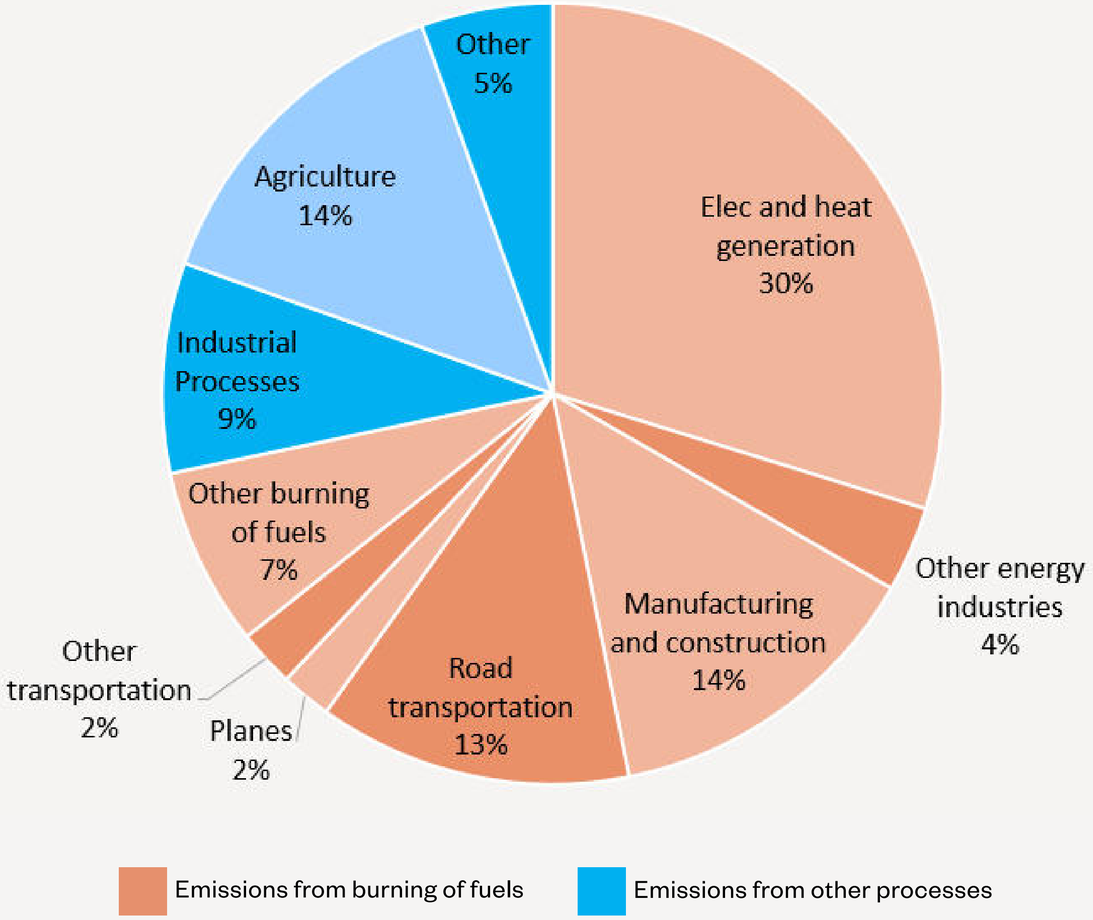
REPORTABLE ENVIRONMENTAL INCIDENTS




CRANE 2
mondi

Mondi working in collaboration with an industry partner have developed the first paper-based biodegradable food bag

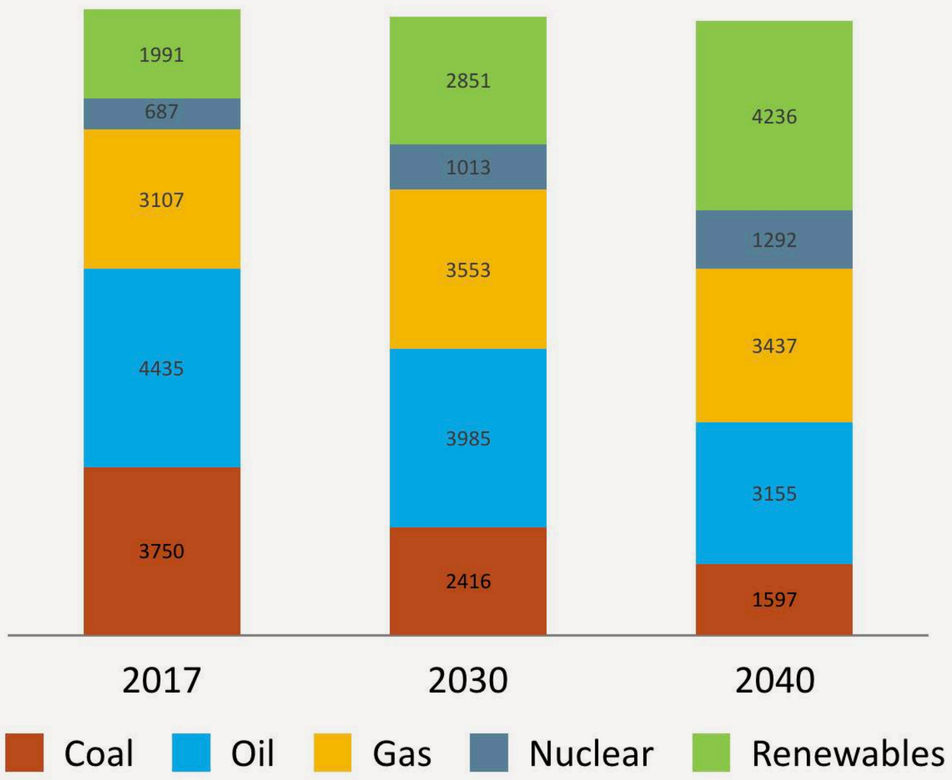
Global CO2 emissions from human activities - 2015



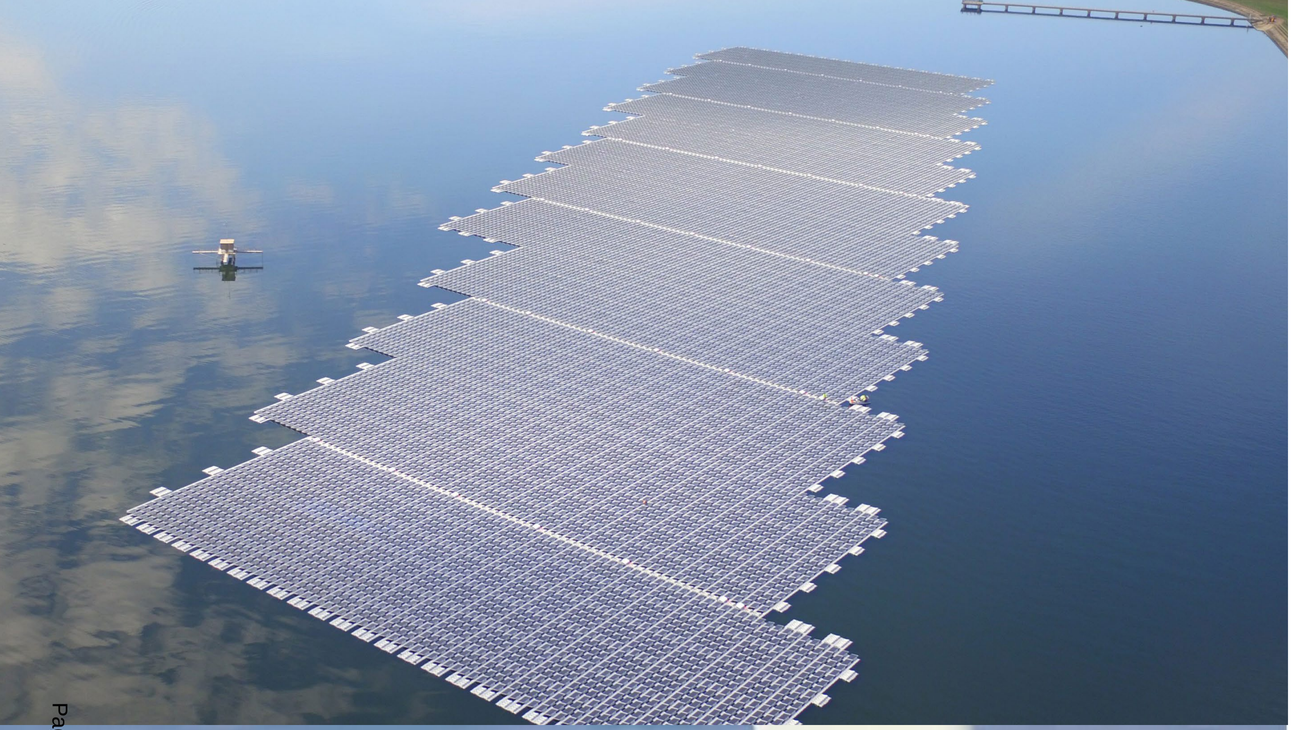
Source: IEA

Energy sources — Now and in the future

Shares of global primary energy, 2017, 2030 and 2040 under the IEA's Sustainable Development Scenario, Mtoe



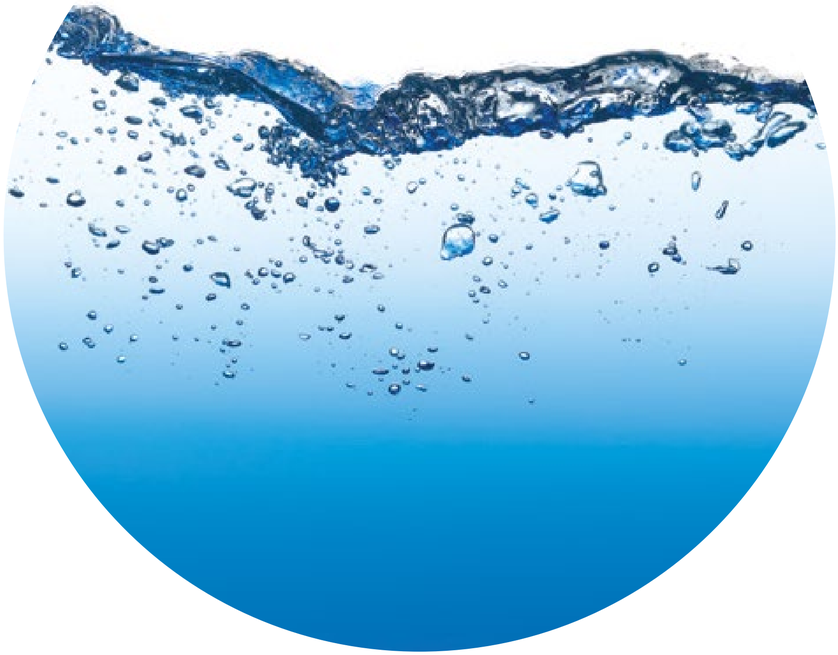
Source: OECD/IEA 2017 World Energy Outlook, IEA Publishing



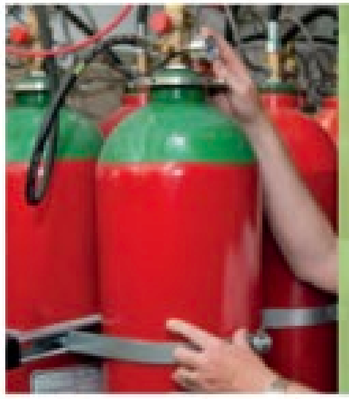
‘It is anticipated that almost all of the growth in listed renewable energy over the next decade will be driven by companies that do not have renewable energy as their main business. The Fund should be able to participate in this growth.’

—Norwegian Government, March 2019


MARLOWE
PLC



Fire protection



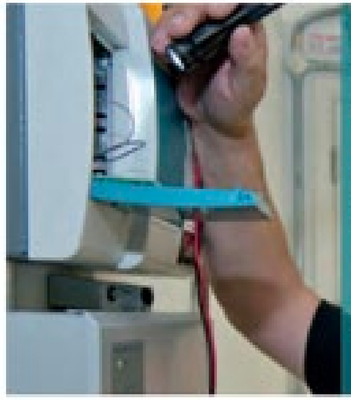
The fire protection market in the UK is worth an estimated

£1.5bn

at 31 March 2018

Growing at an estimated 5% per year

Security systems



The security systems market in the UK is worth an estimated

£1.4bn

at 31 March 2018

Growing at an estimated 4% per year

Water treatment

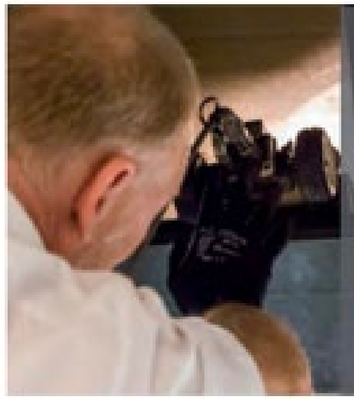
The water treatment market in the UK is worth an estimated

£700m

at 31 March 2018

Growing at an estimated 4% per year

Air quality



The air quality market in the UK is worth an estimated

£300m

at 31 March 2018

Growing at an estimated 7% per year

IMPORTANT INFORMATION

The following notes should be read in conjunction with the attached document

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City of Westminster

Pension Board

Date:	**13 May 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** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1. Executive Summary

1.1 The risk register is divided into two sections: governance (investment and funding) and pensions administration. The register has now been updated to illustrate risk movements using arrows. The current top five risks to the Pension Fund are highlighted below:

- The London CIV disbands or fails to produce proposals deemed sufficiently ambitious (Governance).
- Scheme members live longer than expected leading to higher than expected liabilities (Governance).
- Significant volatility and negative sentiment in global investment markets following global disruptive political/economic events (Governance).
- Price inflation is significantly more than anticipated in the actuarial assumptions (Governance).
- Structural changes in an employer's membership or an employer fully/partially closing its LGPS offering (Administration).

1.2 The cashflow forecast for the next three years has now been updated with actuals to 31 March 2019. The bank position continues to be stable.

1.3 The forward plans for the upcoming year 2019/20 for the Pension Fund Committee and the Pension Board are attached.

2. Recommendations

2.1 The Board is asked to note the risk register for the Pension Fund.

2.2 The Board is asked to note the cashflow position, the rolling 12-month forecast and the three-year forecast.

2.3 The Board is asked to note the forward plans for the Pension Fund Committee and the Pension Board.

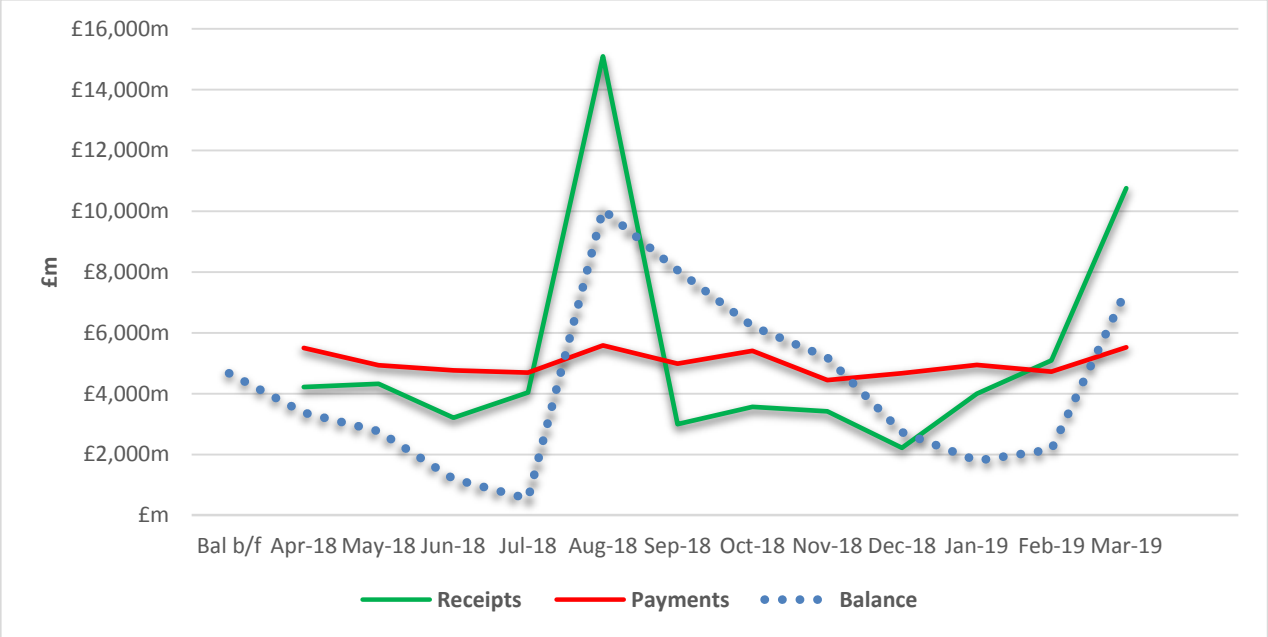
3. Risk Register Monitoring

3.1 The risk register is divided into two sections: governance (investment and funding) and pensions administration. The register has now been redesigned to include arrows which illustrate the risk movement.

4. Cashflow Monitoring and Forecasted Cashflows

4.1 The balance on the pension fund bank account as at 31 March 2019 was £7.397m. 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 April 2018 to 31 March 2019.



4.3 The peak in receipts during August 2018 and March 2019 include a £10m and £7m deficit recovery payment, as per the Council's approved budgeted deficit recovery plan. Payments out of the Pension Fund bank account have remained stable over the year. Officers will continue to keep the cash balance under review and take appropriate action where necessary.

4.4 The following table illustrates the expected rolling cashflow for the 12-month period from 1 January 2019 to 31 December 2019. Actuals have been used for the quarter to 31 March 2019 with a forecast used for the remainder of the year. Forecasted cashflows are calculated using the previous year's actual monthly cashflows which are then inflated by 2%.

Cashflows Actuals and Forecast for period January 2019 to December 2019:

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Forecasted Rolling Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	
Balance b/f	**2,737**	**1,793**	**2,162**	***7,397***	***6,106***	***5,494***	***3,924***	***2,264***	***772***	***8,783***	***6,930***	***5,336***	***£000s***
Contributions	3,287	3,119	3,266	*3,017*	*3,405*	*3,140*	*2,910*	*3,163*	*2,821*	*2,902*	*3,091*	*3,192*	*37,314*
Misc. Receipts[1]	710	1,973	490	*1,204*	*924*	*68*	*129*	*942*	*182*	*665*	*333*	*61*	*7,681*
Pensions	(3,283)	(3,263)	(3,281)	*(3,241)*	*(3,210)*	*(3,203)*	*(3,195)*	*(3,236)*	*(3,232)*	*(3,265)*	*(3,240)*	*(3,298)*	*(38,948)*
HMRC Tax Payments	(582)	(604)	(564)	*(570)*	*(643)*	*(569)*	*(614)*	*(556)*	*(564)*	*(565)*	*(565)*	*(565)*	*(6,961)*
Misc. Payments[2]	(997)	(811)	(1,165)	*(1,530)*	*(1,076)*	*(966)*	*(722)*	*(1,684)*	*(1,057)*	*(1,505)*	*(535)*	*(817)*	*(12,866)*
Expenses	(78)	(47)	(510)	*(170)*	*(12)*	*(41)*	*(168)*	*(121)*	*(139)*	*(85)*	*(678)*	*(378)*	*(2,426)*
Net cash in/(out) in month	**(943)**	**368**	**(1,765)**	***(1,291)***	***(612)***	***(1,571)***	***(1,660)***	***(1,491)***	***(1,990)***	***(1,852)***	***(1,594)***	***(1,805)***	***(16,205)***
Withdrawals from Fund Managers	0	0	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	***0***
Deficit Recovery	0	0	7,000	*0*	*0*	*0*	*0*	*0*	*10,000*	*0*	*0*	*0*	***17,000***
Balance c/f	**1,793**	**2,162**	**7,397**	***6,106***	***5,494***	***3,924***	***2,264***	***772***	***8,783***	***6,930***	***5,336***	***3,532***	

[1] Includes Transfers in, Overpayments, Bank Interest, VAT reclaim, Recharges
[2] Includes Transfers out, Lump Sums, Death Grants, Refunds

4.5 Actual cashflows against the forecast for the quarter ending 31 March 2019 is shown below. 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.

Cashflows Actuals/Forecast for 1 January to 31 March 2019:

	Jan-19			Feb-19			Mar-19		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
	F'cast	Actual	Var	F'cast	Actual	Var	F'cast	Actual	Var
Balance b/f	**3,856**	**2,737**	**1,119**	**2,543**	**1,793**	**750**	**1,231**	**2,162**	**(931)**
Contributions	3,558	3,287	272	3,558	3,119	439	3,558	3,266	292
Misc. Receipts[1]	233	710	(477)	233	1,973	(1,740)	233	490	(256)
Pensions	(3,042)	(3,283)	241	(3,042)	(3,263)	222	(3,042)	(3,281)	239
HMRC Tax Payments	(625)	(582)	(43)	(625)	(604)	(21)	(625)	(564)	(61)
Misc. Payments[2]	(1,250)	(997)	(253)	(1,250)	(811)	(439)	(1,250)	(1,165)	(85)
Expenses	(188)	(78)	(109)	(188)	(47)	(141)	(188)	(510)	323
Net cash in/(out) in month	**(1,313)**	**(943)**	**(369)**	**(1,313)**	**368**	**(1,681)**	**(1,313)**	**(1,765)**	**452**
Withdrawals from Fund Managers	0	0	0	0	0	0	2,000	0	2,000
Deficit Recovery	0	0	0	0	0	0	7,000	7,000	0
Balance c/f	**2,543**	**1,793**	**750**	**1,231**	**2,162**	**(931)**	**8,918**	**7,397**	**1,521**

[1] Includes Transfers in, Overpayments, Bank Interest, VAT reclaim, Recharges
[2] Includes Transfers out, Lump Sums, Death Grants, Refunds

Variances during the quarter to 31 March 2019:

- Miscellaneous receipts were larger than anticipated during January and February 2019 due to large transfer values in.
- Expenses were lower than expected during January and February 2019, due to issues raising POs following the SAP migration. However, there was a significant increase in expenses throughout March 2019 due to payment of invoices before year end and reimbursement of the General Fund in relation to the employee recharges.
- Additionally, there was more cash within the bank account at the end of March 2019 than expected. Therefore a manager portfolio withdrawal was not required.

4.6 The three-year cashflow forecast for 2019/20 to 2021/22 is shown below. Forecasted cashflows are calculated using the previous year's cashflows which are then inflated by 2%.

Three Year Forecast for 2019/20 to 2021/22:

	2019/20	2020/21	2021/22
	£000	£000	£000
	F'cast	F'cast	F'cast
Balance b/f	**7,397**	**12,188**	**1,154**
Contributions	37,330	38,076	38,838
Misc. Receipts[1]	7,686	7,840	7,997
Pensions	(38,964)	(39,744)	(40,538)
HMRC Tax	(6,964)	(7,103)	(7,245)
Misc. Payments[2]	(12,870)	(13,128)	(13,390)
Expenses	(2,427)	(2,476)	(2,525)
Net cash in/(out) in year	**(16,209)**	**(16,534)**	**(16,864)**
Withdrawals from Fund Managers	0	5,500	17,000
Deficit Recovery	21,000	0	0
Balance c/f	**12,188**	**1,154**	**1,290**

[1] Includes Transfers in, Overpayments, Bank Interest, VAT reclaim, Recharges
[2] Includes Transfers out, Lump Sums, Death Grants, Refunds

4.7 Deficit Recovery payments for the three years following 2019/20 will become evident after the 2019 actuarial valuation process.

5. Forward Plan

5.1 The Rolling Forward Plan for the Pension Fund Committee and Pension Board have 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 April 2019
Appendix 3 – Pension Board Forward Plan: 2019/20
Appendix 4 – Pension Fund Committee Forward Plan: 2019/20

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.	A clear description of the specific actions to be taken to control the risk or opportunity
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.	The name of the service that the risk is being transferred to and the reasons for the transfer.
Tolerate	Do nothing because the cost outweighs the benefits and/or an element of the risk is outside our control.	A clear description of the specific reasons for tolerating the risk.

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Pension Fund Risk Register - Administration Risk													
Risk Group	Risk Ref.	Movement	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				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**	29/04/2019
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**	29/04/2019
Admin	3		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.	2	**12**	29/04/2019
Admin	4		Poor reconciliation process leads to incorrect contributions.	2	1	1	4	2	**8**	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. 3) Contributions reconciliation is now undertaken by the pensions team following the end of the BT contract.	3	**12**	29/04/2019
Admin	5		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. TREAT 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**	29/04/2019
Admin	6		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. 5) Internal Audits during 2018/19 showed satisfactory assurance with recommendations implemented during the year.	1	**10**	29/04/2019
Admin	7		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. 3) 2018/19 return is being compiled	2	**10**	29/04/2019
Admin	8		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**	29/04/2019
Admin	9		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. 3) Staff have had more time to work on the implementation of GDPR	1	**8**	29/04/2019
Admin	10		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**	29/04/2019

Admin	11		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**	29/04/2019
Admin	12		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	**14**	TREAT 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**	29/04/2019
Admin	13		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 have come up with a solution to ensure bank reconciliations and income is posted promptly and accurately.	1	**6**	29/04/2019
Admin	14		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**	29/04/2019
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**	29/04/2019
Admin	16		Failure to identify GMP liability leads to ongoing costs for the pension fund.	3	2	1	6	2	**12**	TREAT 1) GMP to be identified as a Project as part of the Service Specification between the Fund and Surrey County Council.	1	**6**	29/04/2019
Admin	17		Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	3	**9**	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**	29/04/2019
Admin	18		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**	29/04/2019
Admin	19		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**	29/04/2019
Admin	20		Rise in ill health retirements impact employer organisations.	2	2	1	5	2	**10**	TREAT 1) Engage with actuary re assumptions in contribution rates.	1	**5**	29/04/2019
Admin	21		Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	2	**10**	TREAT 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	**5**	29/04/2019

Pension Fund Risk Register - Investment Risk													
Risk Group	Risk Ref.	Movement	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Governance	1		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) Now permanent CEO in place with appointment of CIO to follow	2	**24**	29/04/2019
Funding	2		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	3	**33**	Revised actuarial assumptions shows mortality rates levelling out.	2	**22**	29/04/2019
Investment	3		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**	29/04/2019
Funding	4		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**	29/04/2019
Funding	5		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	4	4	2	10	2	**20**	1) 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) No evidence in 2018/19 of members transferring out to DC schemes.	2	**20**	29/04/2019
Funding	6		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**	29/04/2019
Funding	7		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**	29/04/2019

Investment	8		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**	29/04/2019
Investment	9		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. 4) The UK is currently still part of the EU, so risk remains stable.	2	**18**	29/04/2019
Governance	10		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**	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. 3) Uncertainty surrounding new MHCLG pooling guidance.	3	**18**	29/04/2019
Investment	11		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**	29/04/2019
Governance	12		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**	1) 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) LCIV have recently appointed a new CEO.	2	**16**	29/04/2019
Funding	13		Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	**16**	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**	29/04/2019

Operational	14		Inaccurate information in public domain leads to damage to reputation and loss of confidence	1	1	3	5	3	**15**	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.	3	**15**	29/04/2019
Funding	15		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**	29/04/2019
Funding	16		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**	29/04/2019
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**	29/04/2019
Governance	18		Changes to LGPS Regulations	3	2	1	6	3	**18**	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**	29/04/2019
Funding	19		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**	29/04/2019
Funding	20		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**	29/04/2019

Financial	21		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**	29/04/2019
Operational	22		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. 5) Implementation of GDPR	1	**11**	29/04/2019
Governance	23		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**	29/04/2019
Funding	24		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 or guarantees in place at time of signing the admission agreement. Regular monitoring of employers and follow up of expiring bonds.	1	**11**	29/04/2019
Governance	25		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**	29/04/2019
Governance	26		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**	29/04/2019
Operational	27		Financial failure of third party supplier results in service impairment and financial loss	5	4	1	10	2	**20**	TREAT - 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**	29/04/2019
Investment	28		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**	29/04/2019
Operational	29		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**	29/04/2019

Investment	30		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 problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.	1	**10**	29/04/2019
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**	29/04/2019
Governance	32		Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	3	3	4	10	2	**20**	TREAT - 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**	29/04/2019
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**	29/04/2019
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**	29/04/2019
Operational	35		Insufficient 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**	29/04/2019
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**	29/04/2019

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**	29/04/2019
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**	TREAT - 1) Ensure that an cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	**9**	29/04/2019
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**	29/04/2019
Operational	40		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**	TREAT - Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.	1	**7**	29/04/2019
Funding	41		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**	29/04/2019
Regulation	42		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**	29/04/2019

Appendix 3

PENSION BOARD **Forward Plan – 2019/20**

Area of work	May 2019	Sept 2019	Dec 2019	Feb 2020
Standing Items	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan Fund Cost Summary	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	Investment Strategy Statement Review Briefing on Triennial Valuation Annual report of Pension Board activities Review of Governance Compliance Statement	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
Investments	Pooling and CIV update Investment Strategy Review MiFID II annual review	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

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

Appendix 4

PENSION FUND COMMITTEE **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	Voluntary Scheme Pays, Tax Paper. Pension Administration Strategy (PAS) – update Initial Audits Discretionary Policies Paper. Western Union certification exercise for Overseas Pensioners.	Update on Hampshire Project. Impact on Pension Administration going Forward. Pension Board Recruitment	Hampshire Project. First Months Issues for Pension Administration. Pension Administration Strategy (PAS) – update Initial Audits	

City of Westminster

Pension Board

Date:	**13 May 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** ***Tri-Borough Director of Treasury and Pensions*** **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 March 2019, together with an update of the funding position as at 31 December 2018.

1.2 The Fund underperformed the benchmark net of fees by 0.9% over the year to 31 March 2019 and the estimated funding level as at 31 December 2018 was 94.5%. Therefore, the funding position remains stable subject to market volatility. An updated funding level will be provided once the triennial actuarial valuation has taken place.

2. Recommendation

2.1 The Board 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 to 31 March 2019 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 year to 31 March 2019, the market value of the assets increased by £73m to a value of £1,402m (£1,330m at 31 March 2018). Over the year the Fund marginally underperformed the benchmark net of fees by 0.9%. This is mainly attributable to underperformance within the Majedie and Baillie Gifford mandates. However, this has been partly offset by strong performance from Longview, who outperformed their benchmark net of fees by 4.0% over the year.

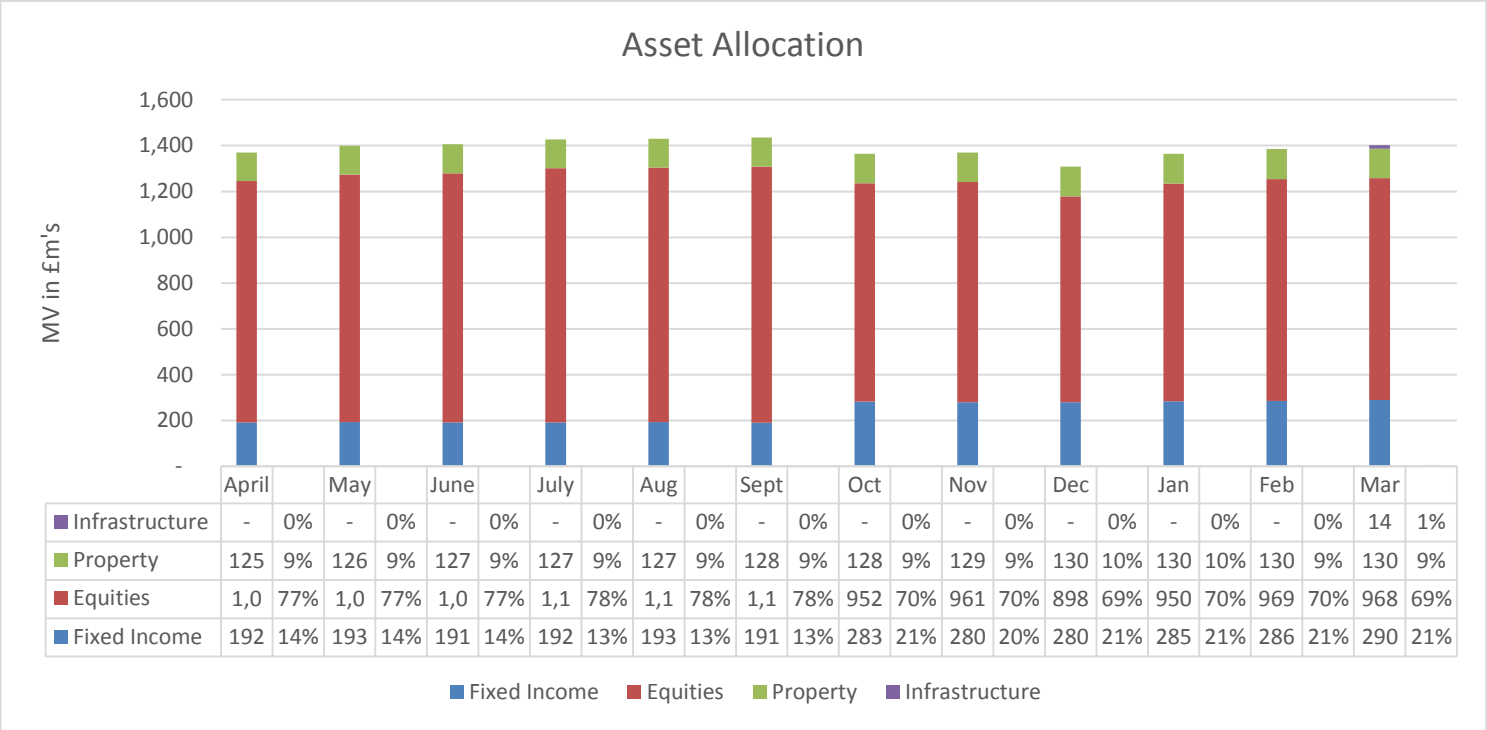
3.4 Over the longer three-year period to 31 March 2019, the Fund outperformed the benchmark net of fees by 0.5%, with Aberdeen Standard and Baillie Gifford being the major contributors. Both Majedie and Longview underperformed their benchmarks net of fees by 2.2% and 0.2% respectively during this period.

3.5 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 2018.

3.6 However, the position is an improvement on the 31 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. An up-to-date funding level will be provided by the actuary once they have completed the triennial review as the actuarial assumptions and membership data are likely to change.

4. Asset Allocation and Summary of Changes for 2018/19

4.1 The chart below shows the changes in asset allocation of the Fund from 1 April 2018 to 31 March 2019. Asset allocations may vary due to changes in market value.



	April		May		June		July		Aug		Sept		Oct		Nov		Dec		Jan		Feb		Mar	
Infrastructure	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%	14	1%
Property	125	9%	126	9%	127	9%	127	9%	127	9%	128	9%	128	9%	129	9%	130	10%	130	10%	130	9%	130	9%
Equities	1,0	77%	1,0	77%	1,0	77%	1,1	78%	1,1	78%	1,1	78%	952	70%	961	70%	898	69%	950	70%	969	70%	968	69%
Fixed Income	192	14%	193	14%	191	14%	192	13%	193	13%	191	13%	283	21%	280	20%	280	21%	285	21%	286	21%	290	21%

*Fixed Income includes bonds and Multi Asset Credit

4.2 The Westminster Pension Fund target asset allocation is 65% of assets within equities, 20% in fixed income, 5% within infrastructure and 10% in property.

4.3 On 6 April 2018, the Fund transitioned £174m of assets in to the Insight Asset Management Buy and Maintain Bonds portfolio from the Insight Gilt and Non-Gilt funds, following a fixed income manager selection process held by the Pension Fund Committee during November 2017.

4.4 In June 2018, the Fund's investment advisor undertook a review of the Longview equity mandate with the Fund being 12% overweight against its policy asset allocation to equities. The Pension Fund Committee elected to rebalance the Fund's portfolio by gradually selling down its holdings in the Longview mandate, with the intention of transferring the portfolio into fixed income (multi asset credit) and infrastructure asset classes.

4.5 During August 2018, the Pension Fund Committee elected to further diversify the Fund in to a Multi Asset Credit (MAC) portfolio by selecting CQS as a fixed income manager via the London CIV platform. The LCIV CQS MAC fund offers diversification in a wide variety of different fixed income securities that are resilient at different stages of the economic cycle. A £91m transfer of assets from Longview to the CQS MAC portfolio took place on 30 October 2018.

4.6 In December 2018, following a manager selection process, the Pension Fund Committee selected Pantheon Asset Management as the Fund's Infrastructure Manager. The remainder of the portfolio held with Longview will be sold and £70m transitioned in to the Pantheon Global Infrastructure Fund III. The first drawdown took place on 20 March 2019, with £14m in cash held within the global custodian transferred to Pantheon.

4.7 The value of Pension Fund investments transferred to the LCIV at 31 March 2019 was £989 million. With a total of 70% of the Westminster Fund value under the LCIV's jurisdiction at 31 March 2019, this takes the City of Westminster Pension Fund to the highest proportion of funds invested with the LCIV in comparison with the other London Boroughs.

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 March 2019
Appendix 2: Barnett Waddingham Funding Update as at 31 December 2018

Deloitte.

City of Westminster Pension Fund

Annual Investment Performance to 31 March 2019

Deloitte Total Reward and Benefits Limited
April 2019

Asset Mix

The Fund employs 8 different investment organisations to manage its assets. In addition, the Fund has appointed Pantheon to manage an Infrastructure Equity allocation, however no assets have been drawn down or invested at this stage.

Each manager has a clear performance objective and the Pensions Committee and Officers regularly monitor the performance of the managers to check that they are managing the assets appropriately.

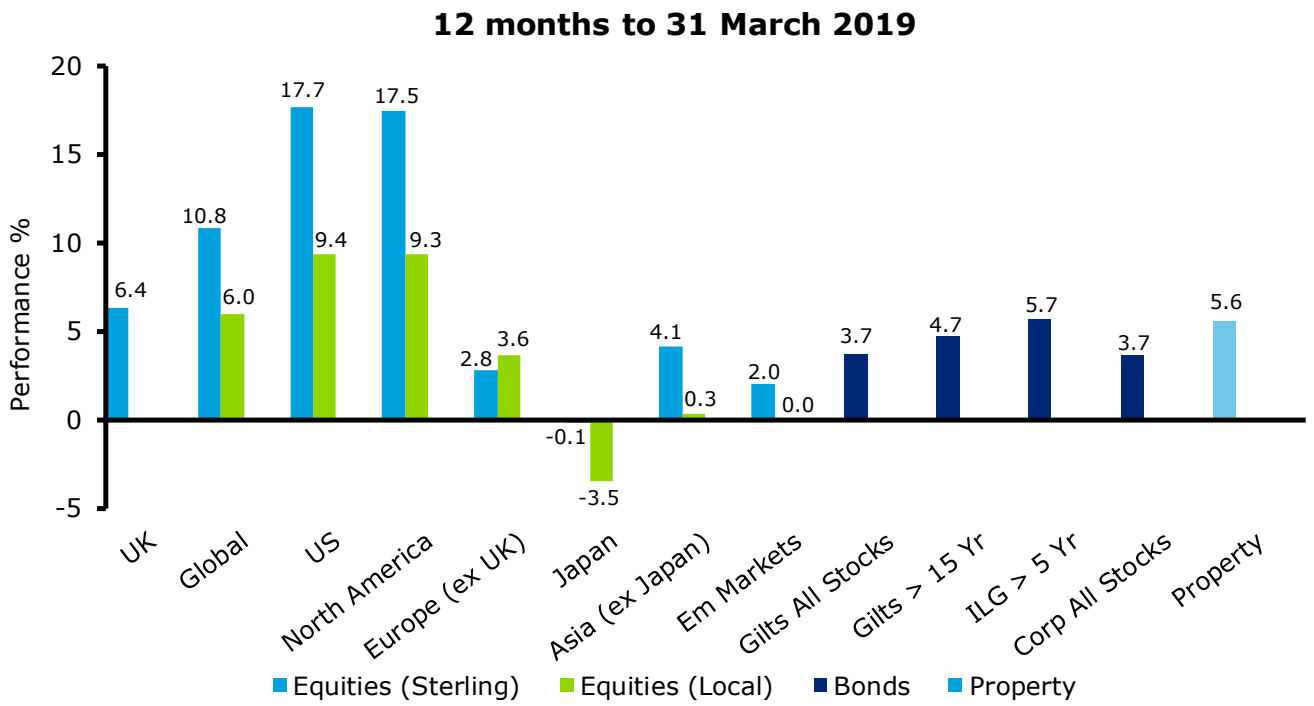
Manager	End March 2019 (%)	Benchmark (%)	Role for Westminster
Equities			
Majedie	21.0	22.5	To actively manage a portfolio of predominantly UK equities with the objective of outperforming the UK equity market
LGIM	23.4	22.5	To invest in a portfolio of global equities with the objective of matching the performance of a global benchmark
Baillie Gifford	20.4	25.0	To actively manage global equity portfolios with the objective of outperforming the global equity benchmark
Longview	5.0		
Fixed Income – Bonds			
Insight	14.3	13.5	To manage a buy and maintain credit portfolio. The fund aims to invest in predominately investment grade credit which the manager believes can be held until maturity
Fixed Income – Multi Asset Credit			
CQS	6.6	6.5	To manage a multi asset credit mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. over a 4-year rolling period
Property			
Hermes	4.7	5.0	To invest in a portfolio of commercial UK property with the objective of outperforming a benchmark based on the performance of other similar UK property funds
Aberdeen Standard	4.6	5.0	To invest in a portfolio of commercial UK property where the focus is on properties with long leases, let to high quality tenants. Performance is compared against a UK government bonds benchmark
Total	100.0	100.0	

Market background

Over the 12 months to 31 March 2019, the FTSE All Share delivered a positive return of 6.4% as the rebound in the most recent quarter offset the sharp fall at the end of 2018. At the sector level there was a wide dispersion of returns. Technology was the best performing sector returning 28.2%, whilst Telecommunications was the poorest performing sector delivering a negative return of -18.8%. Global equities performed broadly in line with UK equities in local terms (6.0%) but outperformed in sterling terms (10.8%) due to the depreciation of sterling over the year.

UK nominal gilts achieved positive returns over the 12 months to 31 March 2019, as nominal gilt yields fell by c. 20bps over the period. The All Stocks Gilts Index returned 3.7% and the Over 15 Year Gilts Index returned 4.7% over the year. UK index-linked gilts delivered positive returns as real yields also fell across the curve, particularly at shorter durations, with the Over 5 Year Index-Linked Gilts Index returning 5.7%. Corporate bonds performed similarly to gilts over the year, as their higher income yield was offset by a widening in credit spreads. The iBoxx All Stocks Non Gilt Index delivered a return of 3.7%.

The MSCI UK All Property Property Index returned 5.6% over the 12 months to 31 March 2019 as the property market has begun to cool in recent quarters in light of uncertainty over Brexit and a slowing UK economy.



Fund Performance

The following table summarises the fund performance over the one-year and three-year period to 31 March 2019.

Manager	Asset Class	12 Months (%)			Last 3 Years (% p.a.)[1]		
		Fund		B'mark	Fund		B'mark
		Gross	Net		Gross	Net	
Majedie	UK Equity	2.5	1.9	6.4	7.9	7.3	9.5
LGIM	Global Equity	5.1	5.0	5.0	10.8	10.8	10.8
Baillie Gifford	Global Equity	8.6	8.2	10.5	18.2	17.9	14.4
Longview	Global Equity	16.6	16.0	12.0	14.9	14.2	14.4
Insight[2]	Buy and Maintain	n/a	n/a	n/a	n/a	n/a	n/a
Hermes	Property	6.8	6.4	5.8	8.2	7.8	7.2
Aberdeen Standard	Property	6.9	6.4	5.8	8.1	7.6	5.6
CQS[3]	Multi Asset Credit	n/a	n/a	n/a	n/a	n/a	n/a
Total		6.1	5.8	6.7	10.5	10.1	9.6

Source: Northern Trust

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

(2) Insight date of inception of 9 April 2018, therefore 12 month and 3 year performance not available (3) CQS Fund date of inception of 30 October 2018, 12 month and 3 year performance not available

The Fund has delivered 5.8% on a net of fees basis over the 12 months to 31 March 2019, underperforming its benchmark by 0.9%. Strong outperformance from Longview was offset by underperformance from Majedie and Baillie Gifford.

Over the longer three-year period, the Fund has outperformed its benchmark by 0.5% p.a. on a net of fees basis. Aberdeen Standard Investments, Baillie Gifford and Hermes each outperformed their respective benchmarks over this period.

Deloitte.

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City of Westminster Pension Fund

Funding update report as at 31 December 2018

Barnett Waddingham LLP

11 January 2019

Contents

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.

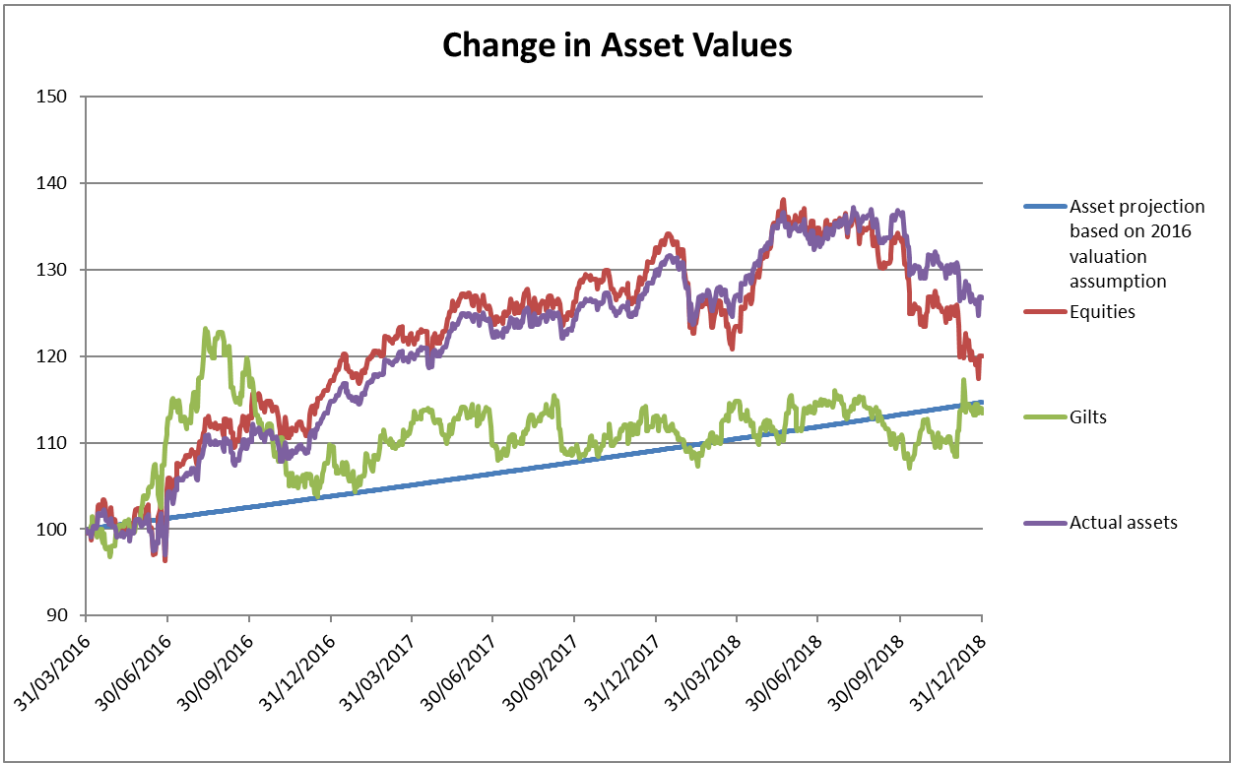
Assets

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	Real	Nominal	Real	Nominal	Real
	% p.a.		% p.a.		% p.a.	
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

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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 satisifed 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.

BARNETT WADDINGHAM
beyond the expected

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.

Smoothed		Ongoing Basis			SCAPE basis		
Valuation date	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.

City of Westminster

Pension Board

Date:	**13 May 2019**
Classification:	**General Release**
Title:	**City of Westminster response to 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** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1. EXECUTIVE SUMMARY

1.1 At the Local Pension Board meeting of 19 January 2019, the Board considered new statutory guidance on LGPS asset pooling from MHCLG. This guidance set out the requirements on administering authorities that builds on previous ministerial communications and guidance on investment strategies.

1.2 This guidance was presented at the Pension Fund Committee meeting of 14 March 2019. Each section of the guidance was included with implications for the administering authority for Committee members to consider.

1.3 Following the approval of the Pension Fund Committee, the consultation response was then submitted to MHCLG.

2. RECOMMENDATIONS

2.1 The Pension Board is recommended to note the response to the consultation at Appendix 1 and the report taken to the Pension Fund Committee at Appendix 2.

2.2 The original draft guidance from MHCLG can be found at Appendix 3 for reference.

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

Mat Dawson 0207 641 1075

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: Pooling Response: City of Westminster
Appendix 2: Committee Report 19 March 2019
Appendix 3: MHCLG: Draft Guidance on Pooling

Local Government Pension Scheme

Statutory Guidance on Asset Pooling

Consultation Response

The Council welcomes the opportunity to respond to the draft statutory guidance on asset pooling.

Mandatory Approach

Looking at England and Wales in total, the guidance makes pooling mandatory even when there is a potential loss to the administering authority of following the guidance. There will be a number of occasions where the cost of the pool's offering may be higher than is currently being paid. In this instance, there should not be a requirement to pool assets where the cost to the local authority has not decreased, or the fee structure is not consistent with the current, agreed, low cost arrangements.

Accountability

The guidance envisages that the Administering Authorities will delegate their investment management processes to the pool. Administering authorities and their pension fund committees that are delegated with responsibility for manager selection will continue to be held accountable for the performance of the Pension Fund by the decisions that they make, and will still hold fiduciary responsibility but, under the new pooling proposals, will not have the decision-making powers over manager selection. It needs to be clear in communications to members and officers that there have been changes to accountability, such that for pooled funds, strategic asset allocation is the responsibility of committees, but manager selection is not.

Fee Savings

The guidance document assumes that pooling is a solution that works and that the Government's criteria on structure and scale are proven. Pooling has undoubtedly resulted in numerous well reported instances of lower fees, but a combination of frameworks, competitive procurement and collaborative LGPS fee scales had already achieved notable fee savings, outside of pooling in some cases.

With pooling, there are significant overheads arising from the implementation and operation of the pools. Moreover, the full impact of LGPS pensions provision for pool employees (where this is made available) is not yet costed in some pools. The cost/benefit equation is not yet proven in the long term.

With regard to net of fees outperformance, fund objectives on investment will come about from sustained benchmark outperformance, not singly from cost reduction. The long-term cost/benefit equation will not be available for at least five years, so it far too early to tell yet as to whether pools will produce consistent outperformance over benchmarks that some well-run administering authorities, by themselves, have generated over many years.

Large Client Base

With regard to the London Collective Investment Vehicle (LCIV), given London's wide range of investment styles, investment strategies, funding levels and cash flow positions, the challenge of dealing with a wide spectrum of requirement will result in LCIV requiring a large product base than the other pools.

Thus, with the LCIV required to please many stakeholders, the scope for economies will be much reduced. This makes the link to a mandatory approach to pooling far more tenuous in terms of an optimal outcome reference superior investment returns and low cost.

Active/Passive

On Funds considering moving from active to passive management where active management has not generated better net performance over a reasonable time period, this is regarded as over simplistic and fails to take account of the complicated funding challenges which LGPS administering authorities have to meet, particularly those that have past deficits to eliminate, or those who have negative cash flow and require investment income to meet pension payments. Passive management is not a panacea for these particular challenges.

We do not support the pool being involved in the decision of active or passive management. Such a choice arises from a strategic decision and sits 100% with the Administering Authority.

Infrastructure

We agree that infrastructure has the potential to provide secure long-term CPI protected returns for the Fund. However, reference should be made to the need to fully understand the risk/return equation and implications for illiquidity, as well as the existence of other asset classes that can provide the same types of protected returns.

Investing in Other Pools

Mention is made to the potential for investing in other pools. There is a lack of clarity as to which type of investment this may apply to, the criteria for making such a decision, and how this would work in practice from both the Fund perspective and from the Pools' perspective (i.e. the Fund's current Pool and any alternative Pool being considered). In practice, the costs of servicing an authority outside a pool's usual participants may cause pools to reject "outside" participation.

Threshold for Investing Outside the Pool

The current guidance indicates that passive life funds sit outside the pool and that from 2020, pool members should make new investments outside the pool only in very limited circumstances. We question whether life funds should be deemed as not pooled, as they are effectively pooled with other investors of the investment manager and have LGPS collaborative fee scales.

The threshold of 5% for making investments outside the pool is far too low and should be in the region of 20%.

Our Preference

Given the concerns that we have expressed above, our preference would be that the existing guidance and regulations should encourage rather than give compulsion to pooling. Prior to compulsion, the Council would prefer to see hard, long-term evidence of better investment outcomes arising from pooling.

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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** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@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 would not 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 *CIPFA guidance on preparing the Annual Report*	The Westminster pension fund will comply with the reporting requirements as outlined in the *CIPFA guidance on preparing the annual report.*

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

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

Pension Board

Date:	**13 May 2019**
Classification:	**General Release**
Title:	**Local Government Association summary on proposed cap on exit payments in the public sector**
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** ***Tri-Borough Director of Treasury and Pensions*** **ptriggs@westminster.gov.uk** **020 7641 4136**

1. EXECUTIVE SUMMARY

1.1 In 2015, the Government first announced plans to introduce a cap on exit payments in the public sector. The cap includes any pension strain cost. The cap was legislated for in the Enterprise Act 2016, which amends the Small Business, Enterprise and Employment Act 2015, but required secondary legislation to be introduced.

1.2 The cap will apply to the whole of the public sector. At the first stage the Regulations will apply to exit payments made by all local authorities, the UK Civil Service, the NHS in England and Wales, academy schools, Police Forces (including civilian staff) and Fire and Rescue Authorities.

1.3 Exceptions are housing management companies, further and higher education corporations and sixth form college corporations who are not covered by the Regulations.

1.4 On 10 April 2019, HM Treasury opened a consultation on draft Regulations, directions and guidance to implement the exit cap. The consultation will run for 12 weeks and close on 3 July 2019.

2. RECOMMENDATIONS

2.1 The Pension Board is recommended to note the report and make appropriate comments and feedback with a view to making a suitable response.

3. THE EXIT CAP

3.1 The background of the proposed cap is the prevention of senior staff retiring early with significant six-figure pension strain and other statutory redundancy pay-offs.

3.2 Payments related to death in service, ill health retirement, pay in lieu of holiday and payments made in compliance with an order made by a court or tribunal are not exit payments for the purposes of these Regulations.

3.3 If the cap is imposed, with an individual taking an early, enforced retirement as a result of the local authority's implementation of business efficiency changes (applies to officers aged over 55), whereas under the current regime that officer's pension would be made up to retirement age with no pensions reduction, under the new rules, the total of the statutory redundancy payment and the pension strain would not be allowed to exceed £95,000. A total exit payment above £95,000 would not be permitted. As a result, the officer would suffer an actuarial reduction in their pension.

3.4 The exit payment cap covers redundancy payments (including statutory redundancy payments), severance payments, pension strain costs, and all other payments made, as a result of termination of employment. The statutory redundancy element of an exit payment cannot be reduced. If the cap is exceeded, other elements that make up the exit payment must be reduced, in order that an exit payment at or below £95,000 is achieved.

3.5 The proposed Regulations do not apply to the lump sum element of a retiree's pension.

4. APPLYING THE CAP IN THE LGPS

4.1 The impact of the Regulations on a LGPS member if the cap would be exceeded and the exit payment includes pension strain cost is not 100% clear in the consultation document. It is understood that the policy intent is for the member's pension benefits to be actuarily reduced to the extent that the total exit payment cap of £95,000 is not breached, with the member having the option of paying extra to buy out some or all of the reduction, or the member taking the pension cut.

4.2 Amendments to current Regulations would be required to facilitate this change, plus guidance from the Government Actuary Department on how to calculate the pension reduction.

4.3 A person who receives any exit payment must inform any other public body that employs them about that payment. Employers are required to record and publish information about capped exit payments.

5. THE CONSULTATION

5.1 The consultation invites responses from employing bodies within scope and out of scope of the Regulations, employees, bodies representing those employers or employees, academics with expertise in this area, public and private sector pay, pension, remuneration and HR professionals, anyone else who might be impacted by this consultation

5.2 Westminster will be responding formally to the consultation ahead of the deadline on 3 July 2019.

5.3 The following questions have been asked:

1. Does draft schedule 1 to the regulations capture the bodies intended? If not, please provide reasons.

2. Do you agree with the current list of bodies in scope, for the first round of implementation? If not, please provide reasons.

3. Do you agree with the exemptions outlined? If not, please provide evidence.

4. Does the guidance adequately support employers and individuals to apply the draft regulations as they stand? If not, please provide information on how the guidance could be enhanced.

5. Is the guidance sufficiently clear on how to apply the mandatory and discretionary relaxation of the regulations, especially in the case of whistleblowers?

6. Is there further information or explanation of how the regulations should be applied which you consider should be included in the guidance? If so, please provide details.

7. Are there other impacts not covered above which you would highlight in relation to the proposals in this consultation document?

8. Are you able to provide information and data in relation to the impacts set out above?

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

Mat Dawson 0207 641 1075

BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: Restricting Exit Payments in the Public Sector: Consultation on Implementation of Regulations

Open consultation

Restricting exit payments in the public sector: consultation on implementation of regulations

Published 10 April 2019

Contents

This publication is available at https://www.gov.uk/government/consultations/restricting-exit-payments-in-the-public-sector/restricting-exit-payments-in-the-public-sector-consultation-on-implementation-of-regulations

0.1 Executive summary

Exit payments to employees leaving the public sector workforce in 2016-2017 cost the taxpayer £1.2 billion[1], with payments at and above £100,000 amounting to £0.2 billion. Exit payments can be important to employers' ability to reform and react to new circumstances, whilst providing support for employees as they find new employment or as a bridge until retirement age. However, public sector employers have a responsibility to demonstrate that they are using public money efficiently and responsibly, and to ensure that pay and terms are always proportionate, justifiable and fair to the taxpayers who fund them.

The government does not believe that the majority of six figure exit payments, which are far in excess of those available to most workers in the public sector or wider economy, are proportionate or provide value for money for taxpayers.

The government therefore introduced powers to cap exit payments in the public sector at £95,000 in the Small Business, Enterprise and Employment Act 2015. This consultation sets out the proposed method of implementing that cap, including which bodies should be in scope.

These regulations will help public sector employers to ensure exit payments represent value for money to the taxpayer who funds them.

1. Introduction

1.1 Policy background

Exit payments associated with loss of employment, including redundancy, are important to employers' ability to reform, and an important source of support for employees as they find new employment, or as a bridge until retirement age. However, it is also important that exit payments are proportionate and fair to the taxpayer and the government is concerned about the number of exit payments made to public sector workers that exceed or come close to £100,000.

Such payments can exceed three times the average annual earnings in the public sector[2], and are far higher than the value of exit payments made to the majority of public sector workers[3]. The government does not believe that such payments often provide value for money or are fair to the taxpayers who fund them.

The government legislated for a cap of £95,000 on exit payments (the cap) in the public sector in the Small Business Enterprise and Employment Act 2015 (the 2015 act) as amended by the Enterprise Act 2016 (the 2016 act). The 2015 act sets out the duty to implement the cap through secondary legislation.

This consultation sets out the proposed draft regulations, schedule to the regulations, accompanying guidance and directions. The government welcomes comments on the draft regulations.

The draft schedule 1 sets out in detail the proposed scope of the regulations for this first stage of implementation. The government will expand the bodies in scope to the whole of the public sector in due course, with exemptions for certain bodies. Exemptions will be considered on a case by case basis, taking into account the nature of and functions undertaken by the employer.

1.2 Policy intention

Sections 153A to 153C of the 2015 act enable HM Treasury to make regulations restricting public sector exit payments to a maximum of £95,000. The draft regulations define the types of payments intended to be subject to the cap, how the proposed cap is intended to operate, and the scope of the regulations. The bodies in scope of the draft regulations are set out in schedule 1 of the draft regulations. It is the government's intention to extend the scope of the regulations to the whole public sector in due course.

1.3 Aim and scope of the consultation

The government will consider the consultation responses and decide on how best to achieve its aims in relation to the questions and proposals set out in this document. Responses are particularly welcomed from:

- employing bodies within the scope of the draft regulations as well as employing bodies within the wider public sector but not included in schedule 1 at present
- bodies representing public sector employers
- employees and their representative bodies
- members of the academic community with expertise in this area
- pay, pension, remuneration and HR professionals in both the private and public sectors
- anyone else who may be impacted by this consultation

1.4 How to respond

This consultation will run for twelve weeks and will close on 3 July. Responses can be submitted online (https://www.smartsurvey.co.uk/s/QABLW/) or sent by email to: ExitPaymentCap@hmtreasury.gov.uk with the subject heading 'Consultation on Exit Payment Cap'.

Alternatively please send responses by post to:

Workforce, Pay & Pensions Team,
HM Treasury,
1 Horse Guards Road,

London
SW1A 2HQ

When responding please say if you are a business, individual or representative body. In the case of representative bodies, please provide information on the number and nature of people you represent.

1.5 Consultation principles

This consultation is being run in accordance with the government's consultation principles (https://www.gov.uk/government/publications/consultation-principles-guidance).

1.6 Privacy notice

This notice sets out how HM Treasury will use your personal data for the purposes of the 'public sector exit payment' and explains how your rights under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA).

Your data (data subject categories)

The personal information relates to you as either a member of the public, parliamentarians, and representatives of organisations or companies.

The data we collect (data categories)

Information may include your name, address, email address, job title, and employer of the correspondent, as well as your opinions. It is possible that you will volunteer additional identifying information about themselves or third parties.

Legal basis of processing

The processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in HM Treasury. For the purpose of this consultation the task is consulting on departmental policies or proposals or obtaining opinion data in order to develop good effective government policies.

Special categories data

Any of the categories of special category data may be processed if such data is volunteered by the respondent.

Legal basis for processing special category data

Where special category data is volunteered by you (the data subject), the legal basis relied upon for processing it is: the processing is necessary for reasons of substantial public interest for the exercise of a function of the Crown, a Minister of the Crown, or a government department.

This function is consulting on departmental policies or proposals, or obtaining opinion data, to develop good effective policies.

Purpose

The personal information is processed for the purpose of obtaining the opinions of members of the public and representatives of organisations and companies, about departmental policies, proposals, or generally to obtain public opinion data on an issue of public interest.

Who we share your responses with

Information provided in response to a consultation may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA) and the Environmental Information Regulations 2004 (EIR).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury. Where someone submits special category personal data or personal data about third parties, we will endeavour to delete that data before publication takes place.

Where information about respondents is not published, it may be shared with officials within other public bodies involved in this consultation process to assist us in developing the policies to which it relates. Examples of these public bodies (https://www.gov.uk/government/organisations).

As the personal information is stored on our IT infrastructure, it will be accessible to our IT contractor, NTT. NTT will only process this data for our purposes and in fulfilment with the contractual obligations they have with us.

How long we will hold your data (Retention)

Personal information in responses to consultations will generally be published and therefore retained indefinitely as a historic record under the Public Records Act 1958.

Personal information in responses that is not published will be retained for three calendar years after the consultation has concluded.

Your rights

- you have the right to request information about how your personal data are processed and to request a copy of that personal data
- you have the right to request that any inaccuracies in your personal data are rectified without delay
- you have the right to request that your personal data are erased if there is no longer a justification for them to be processed
- you have the right, in certain circumstances (for example, where accuracy is contested), to request that the processing of your personal data is restricted
- you have the right to object to the processing of your personal data where it is processed for direct marketing purposes
- you have the right to data portability, which allows your data to be copied or transferred from one IT environment to another

How to submit a Data Subject Access Request (DSAR)

To request access to personal data that HM Treasury holds about you, contact:

HM Treasury Data Protection Unit
G11 Orange
1 Horse Guards Road
London
SW1A 2HQ

dsar@hmtreasury.gov.uk

Complaints

If you have any concerns about the use of your personal data, please contact us via this mailbox: privacy@hmtreasury.gov.uk.

If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner, the UK's independent regulator for data protection. The Information Commissioner can be contacted at:

Information Commissioner's Office
Wycliffe House
Water Lane

Wilmslow
Cheshire
SK9 5AF

0303 123 1113

casework@ico.org.uk

Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

Contact details

The data controller for any personal data collected as part of this consultation is HM Treasury, the contact details for which are:

HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

020 7270 5000

public.enquiries@hmtreasury.gov.uk

The contact details for HM Treasury's Data Protection Officer (DPO) are:

The Data Protection Officer
Corporate Governance and Risk Assurance Team
Area 2/15
1 Horse Guards Road
London
SW1A 2HQ

privacy@hmtreasury.gov.uk

2. Proposed scope of draft regulations

Employers in the whole of the public sector have a responsibility to demonstrate that they are using public money efficiently and responsibly, and to ensure that pay and terms are always proportionate, justifiable and fair to taxpayers.

In order to determine the scope of the cap, HM Treasury will be guided by the Office for National Statistics (for National Account purposes) classification of bodies within the central and local government, and non-financial public corporation sectors. There will be a limited number of

exemptions.

The government is proposing a staged process of implementation across the public sector. The first stage will capture most public sector employees, before extending the cap to the rest of the public sector in the second stage. Prioritising in this way will ensure most exit payments in the public sector are limited to £95,000 without further delay, while work continues on expanding the scope of the regulations.

2.1 Bodies in scope of the current draft regulations

The draft regulations apply to payments made by public sector authorities to employees and by public sector offices to office holders. However, they do not apply to the following payments:

A. Payments made by a relevant Scottish authority, as defined in s 153B(5) of the 2015 act (see section 4.1 below)

B. A relevant Welsh exit payment, as defined in s 153B(6) of the 2015 act

C. Payments made by Northern Irish authorities which wholly or mainly exercise devolved functions

The following categories of public sector employer are within scope of these regulations where they fall within the responsibility of the UK government, regarding their employment:

- the UK Civil Service, its executive agencies, non-ministerial departments and non-departmental public bodies (including Crown non-departmental public bodies and Her Majesty's Prison and Probation Service)
- the NHS in England and Wales[4]
- academy schools
- local government including fire authorities' employees and maintained schools
- police forces, including civilian and uniformed officers

Some bodies have more than one classification.For example, if an executive agency is also classified as a type of body not currently in scope of the cap, such as a trading fund, it should not be captured during this round of implementation.

The full list of proposed public sector bodies in scope of the draft regulations are listed in draft schedule 1. The categories of final employers which will be included in schedule 1 is subject to responses to the consultation.

All public sector employers should make value for money decisions on exit payments, and spend public money responsibly. It is the government's strong expectation that bodies not in the proposed scope of these regulations will come forward with their own, commensurate cap on exit payments.

2.2 Bodies and payments exempt in the draft regulations

The government proposes that the Secret Intelligence Service, the Security Service, the Government Communications Headquarters and the Armed Forces should be exempt from the cap. Therefore, these employers are not listed in draft schedule 1 to the regulations.

Careers in these organisations have unique features, and the special requirements made of individuals – including the transition to civilian life – are reflected in the range and level of compensation payments for these workforces. Compensation and resettlement payments make up a core part of the overall remuneration and reward package for those working in these fields, and payments are sometimes required in order to ensure that individuals are properly compensated for what can be lifelong impacts, felt at relatively early ages. The government believes it is right that – in general – these employers have flexible and responsive remuneration practices which may fall outside of the scope of the draft regulations.

As a general rule accrued pension rights, including rights to pension commutation lump sums, are not within scope of the draft regulations because they do not normally involve any cost to the employer. However, in some cases pension payments do involve an additional employer cost relating to an exit and often represent a significant amount of an individual's exit payment. For this reason they are within scope of the draft regulations unless an exemption applies. These payments arise when an employer has to make a 'pension strain' payment, for example to provide the pension scheme member with an immediate unreduced pension before the member's Normal Pension Age or when an employer has to make a pension commutation related payment.

Fire and Rescue Authorities (FRAs) have discretion to remove the current commutation lump sum restriction (of 2.25 x pension) that applies to firefighter members of the 1992 Firefighters' Pension Scheme who are under age 55 and have less than 30 years' service. Where a FRA exercises this discretion, this results in an employer related cost because it is required to make a payment equivalent to the additional amount to the member's pension fund account. It is proposed that these payments should be exempt from the scope of the regulations as they do not fund an increase in the actuarial value of the firefighter's pension.

Therefore, regulation 7(c)(i) exempts payments made by a FRA to their pension fund account, where the FRA exercises its discretion to allow a firefighter (who is subject to the above 2.25 times pension commutation lump sum restriction) to commute up to a maximum of 25% of their annual pension for a pension lump sum. Effectively, this discretion aligns with the commutation entitlement available to firefighters who are aged 55 or over, or who have accrued the maximum 30 years' service.

The government is also considering an exemption for payments made by FRAs to their pension fund account in respect of firefighters who are unable to maintain operational fitness through no fault of their own and where the FRA has agreed to put into payment an authority initiated early retirement pension. This will honour the government's previous commitment

(https://publications.parliament.uk/pa/cm201415/cmhansrd/cm141215/wmstext/141215m0001.htm) that firefighter members of the 2006 and 2015 Firefighters' Pension Schemes in these circumstances should be awarded an unreduced pension if they cannot be redeployed.

Question 1

Does draft schedule 1 to the regulations capture the bodies intended (described in section 2.1 above)? If not, please provide details.

Question 2

Do you agree with the current list of bodies in scope, for the first round of implementation? If not, please provide reasons.

Question 3

Do you agree with the exemptions outlined? If not, please provide evidence.

3. Guidance and directions

The government welcomes comment on the attached guidance and directions.

The guidance aims to explain, in plain English, how the draft regulations should be applied. In particular, the guidance details the circumstances in which the cap may and must be relaxed, and which actors have the power to relax the cap.

Section 5 of the guidance and the separate mandatory HMT directions are intended to ensure that the cap must be relaxed in specific mandatory cases, for example where a settlement agreement is entered into following a whistleblowing or discrimination complaint, and where it may be relaxed in specific discretionary cases, for example where imposing the cap would cause undue hardship.

This reflects the government's position – and the position reflected in the draft regulations – that the public sector exit payment cap is not designed to discourage workers from making disclosures covered by whistleblowing law or to prevent such people from receiving an appropriate remedy from an employment tribunal.

Question 4

Does the guidance adequately support employers and individuals to apply the draft regulations as they stand? If not, please provide information on how the guidance could be enhanced.

Question 5

Is the guidance sufficiently clear on how to apply the mandatory and discretionary relaxation of the regulations, especially in the case of whistleblowers?

Question 6

Is there further information or explanation of how the regulations should be applied which you consider should be included in the guidance? If so, please provide details.

4. Devolution summary and equalities impacts

4.1 Devolution

The cap policy extends to all the bodies where employment terms are subject to approval by the UK government (subject to exemptions set out in the remaining paragraphs of section 4.1).

Payments made by authorities which wholly or mainly exercise functions that could be devolved to Northern Ireland are not covered by the draft regulations.

Payments made by a relevant Scottish authority, namely the Scottish Parliamentary Corporate authority or any authority which wholly or mainly exercises functions devolved to Scotland are also not covered by these regulations, with the exception of payments made by the Scottish Administration to holders of non-ministerial offices in the administration or to staff of the administration, which are covered by these regulations.

Relevant Welsh exit payments, namely payments made to the holders of the offices specified in s 153B(6) of the Enterprise Act 2016 are not covered by these regulations.

The regulations contain a power in regulation 12 to relax the exit payment cap following compliance with HMT directions or with consent of HMT, however this power does not apply to exit payments made by a devolved Welsh authority.

4.2 Equalities

An equalities impact assessment of the cap (https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap/consultation-on-a-public-sector-exit-payment-cap#impact-analysis) was conducted in the previous consultation, ahead of legislation on the policy.

If, following consultation, the government decides to implement a two stage implementation process, it will do so on the basis of a further assessment of the equalities impact.

Question 7

Are there other impacts not covered above which you would highlight in relation to the proposals in this consultation document?

Question 8

Are you able to provide information and data in relation to the impacts set out above?

5. Summary of questions

Question 1

Does draft schedule 1 to the regulations capture the bodies intended (described in section 2.1 above)? If not, please provide details.

Question 2

Do you agree with the current list of bodies in scope, for the first round of implementation? If not, please provide reasons.

Question 3

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Are you able to provide information and data in relation to the impacts set out above?

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1. Whole of Government Accounts 2016-17 (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/720178/WGA_2016-17_web.pdf), page 70. ↩
2. Mean public sector earnings according to the ONS: £29,574 ↩
3. Whole of Government Accounts 2016-17 (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/720178/WGA_2016-17_web.pdf), page 70, Table 4.E. ↩
4. The 2015 Act confers power to cap exit payments in the NHS in Wales, because the compensation schemes are not devolved to Welsh ministers. ↩