



City of Westminster

Committee Agenda

Title:

Pension Fund Committee

Meeting Date:

Wednesday 13th May, 2020

Time:

5.00 pm

Venue:

Please note that this meeting will take place virtually

Members:

Councillors:

Eoghain Murphy (Chairman)
Barbara Arzymanow

Angela Harvey
Patricia McAllister

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



If you require any further information, please contact the Committee Officer, Toby Howes, Senior Committee and Governance Officer.

**Tel: 07815 663854; Email@ thowes@westminster.gov.uk
Corporate Website: www.westminster.gov.uk**

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

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

To note any changes to the membership.

2. DECLARATIONS OF INTEREST

To receive declarations of interest by Members and Officers of any pecuniary interest or any other significant interest in matters on this agenda.

3. STRATEGIC INVESTMENT STRATEGY REVIEW

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

(Pages 3 - 30)

4. PENSION FUND PERFORMANCE TO 31 MARCH 2020 AND RISK MONITORING

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

(Pages 31 - 84)

**Stuart Love
Chief Executive
5 May 2020**



Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	13 May 2020
Classification:	General Release
Title:	Strategic Investment Strategy Review
Wards Affected:	All
Policy Context:	Effective control over council activities
Financial Summary:	There are no direct financial implications arising from this report.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> ptriggs@westminster.gov.uk 020 7641 4136

1. EXECUTIVE SUMMARY

- 1.1 This report details the investment strategy review undertaken by the Fund's investment advisor, Deloitte, shown as Appendix 1. A review of the current investment strategy has been undertaken, highlighting observations and recommendations to contemplate when considering the new investment strategy.
- 1.2 The investment strategy presented has been revised from a version compiled for the previous committee meeting, due to the ongoing impact of the COVID-19 pandemic.
- 1.3 Also attached are the management fee schedules, which detail the management fee implications, including:
 - a breakdown of current fees compared with expected fees;
 - a comparison of passive equity versus active equity management; and
 - annual fixed costs.

2. RECOMMENDATIONS

The Committee is recommended to:

- a) Reduce the equity allocation by 10% to 55%, with 5% invested within fixed income and 5% in an illiquid alternative asset class.
- b) Review the current equity portfolio and agree to the addition of a new actively managed equity mandate to complement the existing portfolio.
- c) Select renewable infrastructure as a new illiquid alternative asset class.
- d) Consider the placing of an additional 5% in fixed Income across the existing portfolios or to allocate to a new mandate, e.g., direct lending.
- e) Consider whether residential property would offer greater diversification than the existing long lease and core mandates.

3. PROPOSALS AND ISSUES

Current Investment Strategy

- 3.1 The Fund's strategic asset allocation, as at 30 November 2019, had 65% allocated to equities, 20% to fixed income, 10% to property and 5% to infrastructure. Whilst the 65% allocation to equities has contributed positively to the Fund's performance, this allocation has also increased the Fund's volatility.
- 3.2 Based on the Fund's current strategic asset allocation, the best estimate of the median expected return is 5.4% per annum., with a volatility of 13.2% per annum. Deloitte also estimates, by using its worst case scenario modelling, the one-year 95% value at risk (VAR) to be £418m.
- 3.3 The overall funding level of the Fund has improved by 18% to a 99% fund level at 31 March 2019 compared with 31 March 2016, with the Council's own funding level increasing by 16% during this period to 86%. The Council plans to pay off its deficit by 2021/22, with £22.7m deficit contributions expected in 2020/21 and £80m during 2021/22.

Issues to consider

- 3.4 The following issues have been highlighted for consideration when preparing the proposed new investment strategy:
 - Reliance on equity markets: almost two-thirds of the Fund's allocation is to equities. Given the improvement in funding level,

the Committee should consider whether the structure and allocation to equities is still appropriate.

- **Diversification:** the Fund has minimal risk mitigation from diversification of asset classes. There is scope for further diversification, particularly with the use of more illiquid assets.
- **Forward funding arrangement:** deficit recovery contributions of circa £102.7m are expected in the next two years.
- **Annual cashflow deficit:** it is estimated that going forward, the Fund will operate an annual cashflow deficit (contributions received minus pensions paid) of circa £10m. This does not take in to account the funds received from the forward funding agreement.
- **Liquidity:** the Fund holds circa £20m in cash with the global custodian, Northern Trust.
- **Generating income:** currently, income (dividends and interest) from asset managers is redistributed back into each fund. It would be relatively easy to switch to the distributing share class with no additional cost.

Strategy Proposals

3.5 Deloitte has set out three alternative strategy proposals going forward, with the aim of reducing equity allocation risk and increasing diversification:

- **Strategy 1:** Reduce equities allocation to 60%, with the additional 5% going to fixed income: this has the benefit of reducing volatility to 12.8%. However, the expected return will reduce by 0.2%.
- **Strategy 2:** Reduce equities allocation to 55%, and make a 5% allocation to fixed income and 5% to a new illiquid alternative. This would bring the volatility down to 12.6% with the expected return reducing by 0.2%.
- **Strategy 3:** Reduce equities allocation to 50%, and increase the allocation to fixed income by 5%, infrastructure by 5% and 5% to a new illiquid alternative. This would reduce the volatility to 12.3%. However, the expected return would fall by 0.3%.

Proposed strategy and implementation

3.6 As per the Deloitte strategy review, the recommended way forward would be to implement Strategy 2 and decrease the equity allocation by 10%, moving 5% to fixed income and 5% to illiquid alternatives. This would result in a decrease of 0.2% in expected return but volatility would decrease by 0.6% to 12.6% and value at risk would reduce by £30m.

- 3.7 The current equity allocation comprises of 70% within the LGIM Global Passive fund and 30% within Baillie Gifford Alpha Growth mandate. In order to improve diversification within this asset class, it is suggested that a third global equity manager is selected to complement the other two managers. When selecting a new equity manager, the Pension Fund Committee should consider the options available on the London CIV platform and may also want to consider funds with an ESG specific approach.
- 3.8 To further increase the Fund's diversification, it is recommended that the additional 5% investment within fixed income is allocated to a new strategy where the Fund can benefit from an alternative source of return and illiquidity premium. An allocation to direct lending would be expected to deliver attractive returns and would assist the Fund's ability to meet future cash flows.
- 3.9 Additionally, there is potential within the real estate asset allocation, other than the core and long lease property mandates, which may be more attractive in the current market. Given that the core and long lease mandates are starting to look increasingly similar, moving in to residential property or affordable housing could offer another form of diversification.
- 3.10 This has come more into focus given the portfolio manager for the long lease property fund (Aberdeen Standard), Richard Marshall, has announced his retirement. Given the current illiquidity in property and the fact the long lease fund is currently "locked up", this is not an immediate priority for the Fund.
- 3.11 The recommended 5% allocation to an illiquid alternative could provide an opportunity for the Fund to invest within renewable infrastructure. With the UK government's pledge to target net zero greenhouse gas emissions by 2050, a significant amount of investment is required within the renewable infrastructure space.
- 3.12 There are a number of specialist managers targeting renewable developments. Given the large commitments flowing into core infrastructure assets, these speciality managers can gain a competitive advantage. It should be noted that investors should be willing to accept the development risk that comes with this asset class, which can offer higher returns but with a greater risk of default.

4 MANAGEMENT FEE IMPLICATIONS

- 4.1 The Pension Fund Committee should note the management fee schedules, current fees compared with expected fees, passive versus active equity management fees and annual fixed costs relating to the Pension Fund.

- 4.2 As set out in Appendix 2, the annual fixed costs charged to the Pension Fund relating to pooling and investment management advisory fees total £128k per annum.
- 4.3 The management fee schedule, within Appendix 2, sets out the annual management charge within each mandate, along with the additional London CIV management fees for those pooled in the LCIV and any performance fees. The London CIV management fee ranges from 5bps for active equity management to 0.5bp for passive equities.
- 4.4 A comparison of active and passive equity management fees is shown within Appendix 2. With funds invested with an active equity manager, up to 93% could be saved on fees annually if the cash were to be invested within a passive mandate. It should be noted that the performance volatility of the active equity asset managers should also be taken into consideration.
- 4.5 Using asset values as at 31 January 2020, the following table breaks down the management fees under the current investment strategy compared with the expected fees if Strategy 2 were to be implemented. It is anticipated that there would be a slight increase in fees of circa 3% if Strategy 2 was implemented. This is a result of a reduction in the allocation to equities moving to illiquid asset classes, which generally have a higher management cost associated with them.

Table 1

Asset Managers	Current Strategy	Current Fees	Strategy 2 Proposal	Estimated Fees
Equity	65%	£3,409,074	55%	£2,242,416
Passive Equities	22.5%	£178,091	18.3%	£145,111
Global Active	20.0%	£1,143,985	36.7%	£2,097,305
UK Active	22.5%	£2,086,999	0.0%	£0
Fixed Income	20%	£730,836	25%	£1,271,910
Multi Asset Credit	6.5%	£532,571	6.5%	£532,571
Bonds	13.5%	£198,265	13.5%	£198,265
Illiquid Strategy	0.0%	£0	5%	£541,074
Property	10%	£1,164,877	10%	£1,164,877
Property	5.0%	£306,889	5.0%	£306,889
Property	5.0%	£316,915	5.0%	£316,915
Infrastructure	5%	£541,074	5%	£541,074
Infrastructure	5.0%	£541,074	5.0%	£541,074
Illiquid Return	0%	£0	5%	£772,963
Renewable Infrastructure	0.0%	£0	5.0%	£772,963
	100%	£5,845,862	100%	£5,993,240

Please note the data above excludes performance fees.

5 TIMING CONSIDERATIONS

- 5.1 Following the global COVID-19 outbreak during February and March 2020, global equity markets have been significantly impacted and have seen the greatest fall in equity markets since the financial crisis of 2008.
- 5.2 As at 31 March 2020, the FTSE 100 index has fallen 25% from 31 December 2019. Globally, markets have also seen massive falls in market value, with the Dow Jones Industrial average index falling by 23% over the same period. Since this fall, however, global markets have recovered, with the Dow Jones having recovered by 8.2% at the end of trading on 4 May 2020.
- 5.3 Since the Majedie UK Equities transition on 18 November 2020, the value of the UK Equities fund has fallen by 15.5% compared with the FTSE World which has dropped 10.4% during the same period to 9 March 2020. This has resulted in a saving of circa £14.4m by transitioning from UK active equities into global passive.
- 5.4 Despite the market volatility of the last two months, equity markets have been calmer in recent weeks, with the “fear index”, the Vix, falling back considerably from highs of 82 on 16 March 2020 to 32 at 5 May 2020.
- 5.5 Therefore, the Pension Fund Committee should take into consideration the timings of any potential transitions within equity allocations as the continued impact of the COVID-19 impact on global markets is currently unknown.

6 RECOMMENDATIONS AND NEXT STEPS

- 6.1 The Committee should discuss and agree the most appropriate strategic asset allocation for the Fund going forward. The following proposals, as recommended by the investment advisor, should be taken in to consideration:
 - a) Reducing the equities allocation by 10% to 55%, with 5% invested within fixed income and 5% in an illiquid alternative asset class.
 - b) Review the current equity portfolio and consider adding a new active equity mandate to complement the existing portfolio.
 - c) Selecting renewable infrastructure as a new illiquid alternative asset class.
 - d) Whether to place the additional 5% in fixed income across the existing portfolios, or to allocate to a new mandate, e.g., direct lending.
 - e) Consider whether residential property would offer greater diversification than the existing long lease and core mandates.

- 6.2 Upon agreement of the above recommendations, a timeline for implementation, setting out a plan for 2020 in order of preference, will be established.

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

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS:

None

APPENDICES:

Appendix 1: Investment Strategy Review
Appendix 2: Management Fee Schedules

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Introduction

Investment Strategy Review

This report has been prepared for the City of Westminster Pension Fund Committee ("the Committee"). The Purpose of which is to provide a review of the City of Westminster Pension Fund's (the "Fund") current investment strategy, highlighting our observations that we believe the Committee should consider when deciding on a new investment strategy and detailing our recommendations given our findings.

In this report we provide an update on how the Funds asset portfolio has evolved since 2016, the results of the 2019 Actuarial Valuation and the current investment strategy. A review of the current investment strategy is given through our observations of issues that the Committee should consider and we provide our recommendation given these observations. Finally, a set of next steps the Committee could take is provided.

Recap of the Fund

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Recap of the Fund

2016 asset allocation

Asset allocation 30 June 2016

Manager	Asset Class	End Jun 2016 (£m)	End Jun 2016 (%)	Benchmark Allocation (%)
Majedie	UK Equity	250.6	22.8	22.5
LGIM	Global Equity (Passive)	243.2	22.1	22.5
Baillie Gifford	Global Equity	191.3	17.4	25.0
Longview	Global Equity	121.9	11.1	
	Total Equity	807.0	73.4	70.0
Insight	Fixed Interest Gilts (Passive)	18.8	1.7	20.0
Insight	Sterling Non-Gilts	163.2	14.8	
	Total Bonds	182.0	16.6	20.0
Hermes	Property	55.5	5.3	5.0
Standard Life	Property	51.8	4.7	5.0
	Total Property	107.3	10.0	10.0
Cash	In-House Cash	0.3	0.0	-
	Total	1,096.3	100	100

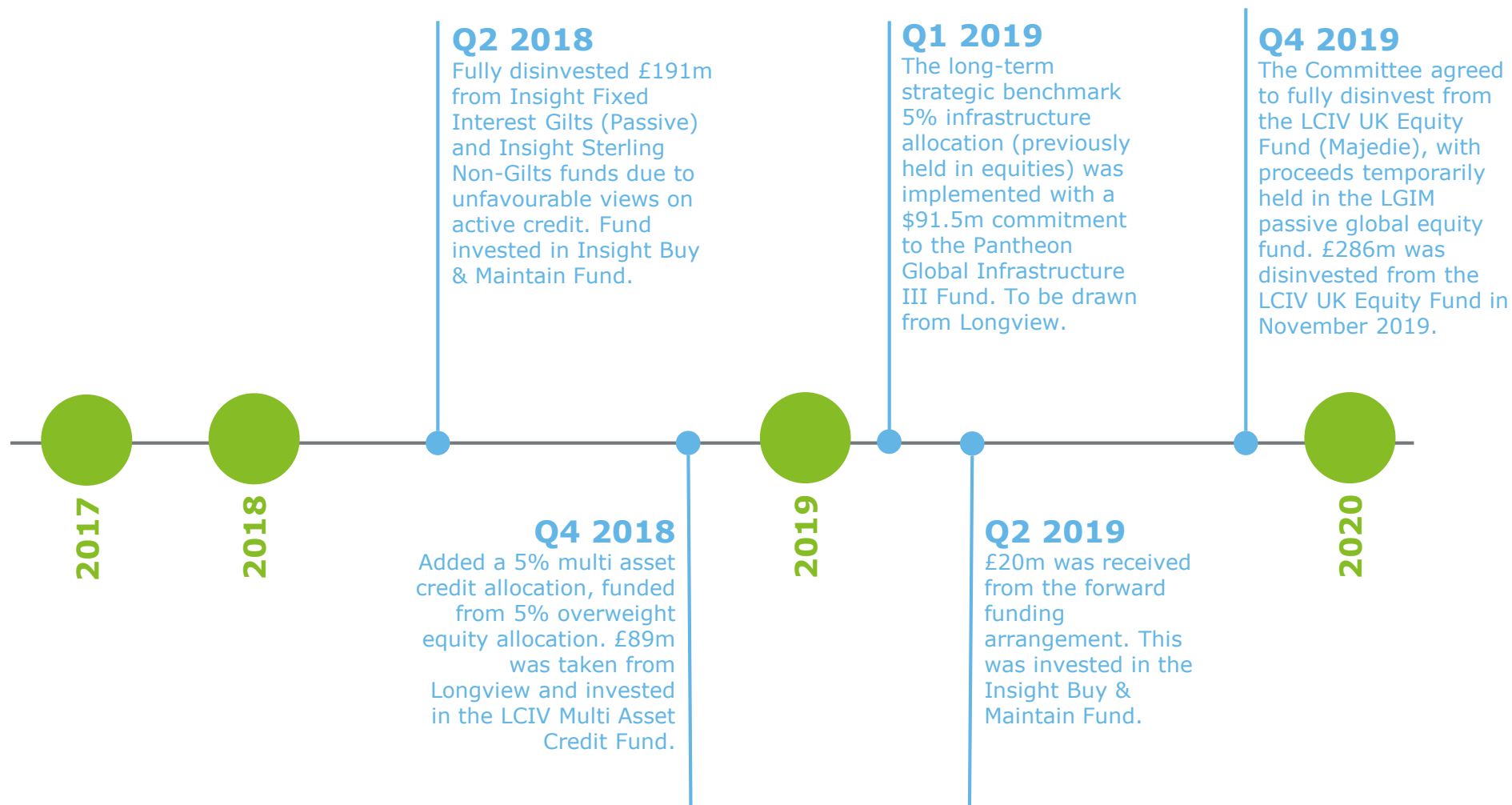
Benchmark allocation set to 70% equity, 20% bonds and 10% property, however the long term benchmark allocation includes a 5% allocation to infrastructure, to be funded from the equity portfolio.

Recap of the Fund

Changes to portfolio since 2016 valuation

Changes since 2016 actuarial valuation

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Recap of the Fund

2019 asset allocation

Asset allocation

Manager	Asset Class	End Nov 2019 (£m)	End Nov 2019 (%)	Estimated End March 2020 (£)	Estimated End March 2020 (%)	Benchmark Allocation (%)
LCIV	UK Equity (Majedie, active)	9.0	0.6	0.0	0.0	22.5
LGIM	Global Equity (Passive)	646.9	42.4	523.4	39.6	22.5
LCIV	Global Equity (Baillie Gifford, active)	317.4	20.8	276.4	20.9	20.0
Longview	Global Equity (active)	71.4	4.7	55.5	4.2	0.0
	Total Equity	1,044.7	68.5	855.3	64.8	65.0
Page 17 Insight	Buy and Maintain Credit	231.5	15.2	219.1	16.6	13.5
LCIV	Multi Asset Credit	93.8	6.2	78.8	6.0	6.5
	Total Fixed Income	325.3	21.3	297.8	22.0	20.0
Hermes	Core Property	67.1	4.4	62.2	4.7	5.0
Aberdeen Standard	Long Lease Property	67.1	4.4	68.6	5.2	5.0
	Total Property	134.2	8.8	130.8	9.9	10.0
Pantheon	Global Infrastructure	20.1	1.3	17.8	1.3*	5.0
	Total Infrastructure Equity	20.1	1.3	17.8	1.3	5.0
Cash	In-House Cash	1.1	0.1	19.0	1.4	-
Total		1,525.5	100	1,320.7	100	100

End March allocations are estimated, based on available data.

*Estimated, based on 10% write-down estimate from Pantheon. Accounts for £0.7m distribution in Q1.

Current investment strategy

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Current investment strategy

2019 actuarial valuation

Current strategy

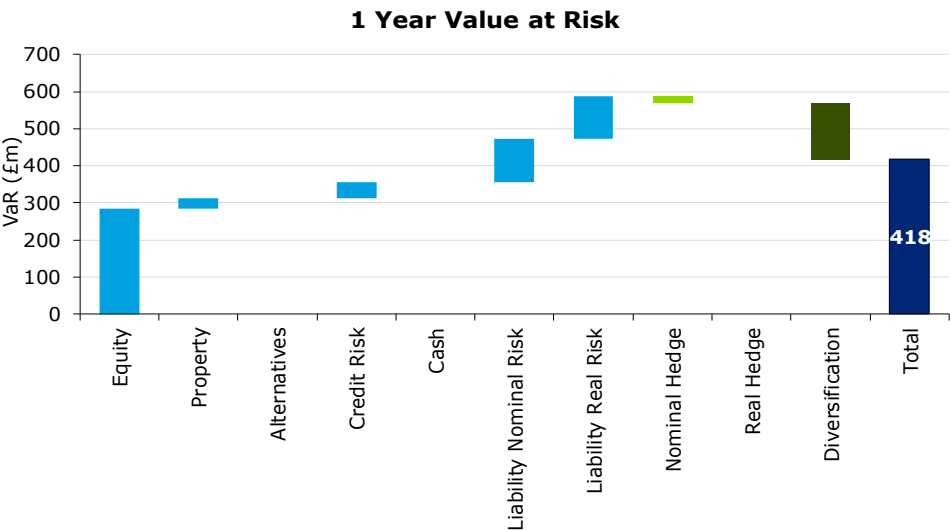
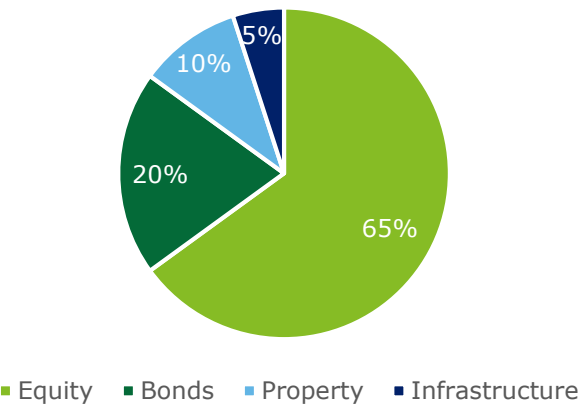
Based on the current strategic benchmark, the Fund’s median best estimate expected return is 5.4% p.a., with a volatility of 13.2%. Whilst the 65% strategic allocation to equities contributes positively to the Fund’s expected return, this allocation also has the impact of increasing Fund volatility.

1 Year 95% Value at Risk (“VaR”) is a representation of how the deficit/surplus could change given a 1 in 20 year worst case scenario. This analysis is useful as it allows us to quantify the risk within the portfolio and determine as to whether or not the Fund could withstand such an event.

Based on our stochastic model, we estimate the Fund to have a VaR of £418m.

Key metrics	
Expected return	5.4% p.a.
Volatility	13.2%
1 year 95% Value at Risk	£417.7m

Current benchmark allocation



Current investment strategy

2019 actuarial valuation

Funding level

As at 31 March 2019, the Council's funding level stands at 86% - increasing from 70% as at 31 March 2016. The Council plans to pay off its past deficit of c. £152m (as at 31 March 2019) in 2021/22.

The funding position of the whole Fund, including the Council, was 99% as at 31 March 2019. This represents an increase in funding level of 19% since 31 March 2016 where the funding position stood at 80%.

Funding position as at 31 March 2019

Westminster City Council	86%
Total Fund	99%

Source: Copy of SLT Pensions Survey

Forward funding arrangement

The Fund received a £20m payment in Q2 2019 through a forward funding arrangement, which was invested in the Insight Buy & Maintain Fund. Through the same forward funding arrangement, it is expected that a further £80m will be received in April 2021. Deficit recovery payments are expected to be £23m, c. £14m of which will be an upfront sum.

Current investment strategy

Issues to consider

Reliance on equity markets

The Fund's current strategic benchmark includes a 65% allocation to equities, with the actual allocation being almost in line. The Fund's infrastructure mandate with Pantheon is still in drawdown, with c. £50m still to be drawn. This is to be funded from equities, in particularly Longview, which had c.£55m as at 31 March 2020. We estimate that once Pantheon is fully drawn, the equity allocation will be c. 62%.

Given the change in funding level over the past three years, the Committee should consider whether the overall equity allocation and structure of the equity portfolio is still appropriate.

Diversification

As shown on the earlier VaR chart, the Fund has little risk reduction from diversification.

While the fund has allocations to credit, property and infrastructure, there is scope to add further diversification, particularly with the use of more illiquid asset classes.

Approximately 84% of the Fund's assets are daily liquid, with a further c. 15% in monthly liquid funds. Only 5% of the benchmark allocation is in a long term illiquid strategy and therefore benefitting from the illiquidity premium available to pensions schemes with a long term time horizon.

Current investment strategy

Cashflow considerations

Forward funding arrangement

As mentioned earlier in this paper, £20m was received in Q2 2019 and invested in the Insight Buy & Maintain Fund. A further £100-110m is expected to be received in April 2021.

Annual cashflow deficit

Based on estimations of the Fund's outgoing cashflows and projected contributions and receipts, the Fund is expected to be in an annual cashflow deficit of **£10-11m** in future years. This does not take into account funds received from the forward funding arrangement.

Next year, the Fund is expected to receive a £23m deficit recovery contribution, £14m of which will be an upfront sum. Approximately £10m of the £80m forward funding arrangement to be paid in April 2021 is currently earmarked to be used to cover the expected annual cashflow deficit. Based on this, the Fund should have no requirement to take income from the investment portfolio for the next two years. However beyond this period, the Fund may need regular income distributions from its investments. This is also under the assumption that current income from the portfolio continues to be distributed.

Currently, the Fund receives income from both Hermes and Pantheon. Hermes distributes a variable quarterly amount based on rents collected, whilst Pantheon distributes variable amounts at various timings dependent on the underlying investments. Based on Hermes' current running yield of 3.2% and Pantheon's expected yield of 5.0%, we estimate that the Fund currently receives an income of **c. £3.1m per annum**. If the Fund was invested in line with the strategic benchmark (i.e. the Pantheon mandate fully drawn) we estimate the Fund would receive an income of **c. £6.3m** each year.

It should be noted that Hermes have the discretion to defer income for up to three quarters.

Liquidity

The Fund holds c. £20m in cash within a Northern Trust account. This account is used to hold liquidity to cover transfer values and other miscellaneous payments.

Current investment strategy

Cashflow considerations

Generating income

The table below shows the potential income that could be received from each fund within the remainder of the portfolio, not including Hermes and Pantheon. Whilst income for the majority of the Fund's portfolio is currently re-distributed back into each fund, each strategy has a distributing shareclass or equivalent which can be "switched on" relatively easily with no added cost.

Fund	Estimated yield p.a.	Income p.a. if invested as strategic benchmark	Timing	How to switch on
LCIV Global Alpha	c. 1.0% (based on dividends)	£3.1m	Quarterly (end March, June, September and December)	Subscription form
GIM Global Equity	c. 2.5% (via NIS facility)	£17.2m	Monthly	Signed instruction
Insight Buy & Maintain	c. 2.2%	£4.5m	Quarterly (up to 20 days after end February, May, August and November)	Subscription form
LCIV MAC	c. 0.5% (based on income, net of expenses)	£0.5m	Once per annum in February	Subscription form
ASI Long Lease Property	c. 4.1%	£3.1m	Quarterly (end January, April, July, November)	Side letter
Total		c. £28.4m		

Strategy proposal

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Strategy proposal

Possible solutions

Strategic allocation

We modelled three alternative strategies alongside the current strategic benchmark, with a theme focussing on reducing the equity risk and increasing portfolio diversification. The three strategies' asset allocations are provided in the table below, alongside expected return, volatility and Value at Risk figures of each strategy:

	Current	Strategy 1	Strategy 2	Strategy 3
Equity	65%	60%	55%	50%
Fixed income	20%	25%	25%	25%
Property	10%	10%	10%	10%
Infrastructure	5%	5%	5%	10%
Illiquid Alternative	-	-	5%	5%
Expected return	5.4%	5.2%	5.2%	5.1%
Volatility	13.2%	12.8%	12.6%	12.3%
Value at Risk	£417.7m	£403.6m	£392.7m	£382.0m

As the table shows, all three alternative strategies have slightly lower best estimate returns. We feel a slight reduction in the expected return is appropriate given the current funding position. Importantly, each strategy has significantly lower volatility as a result of reducing the equity allocation and increasing diversification, in particular making use of illiquid alternatives.

Strategy proposal

Strategy 2

To implement Strategy 2, the Fund would be required to:

Decrease the equity allocation by c. 7%

Make a c. 3% allocation to a new fixed income strategy / rebalance the existing portfolio

Make a 5% allocation to a new illiquid alternative

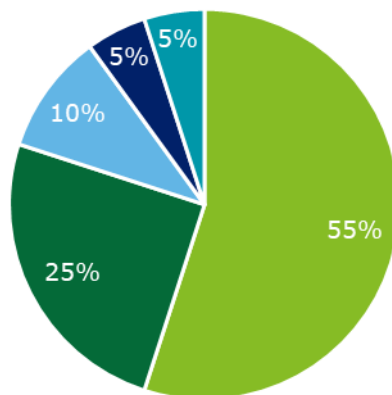
This would result in:

A 0.2% decrease in expected return

A 0.6% decrease in expected volatility

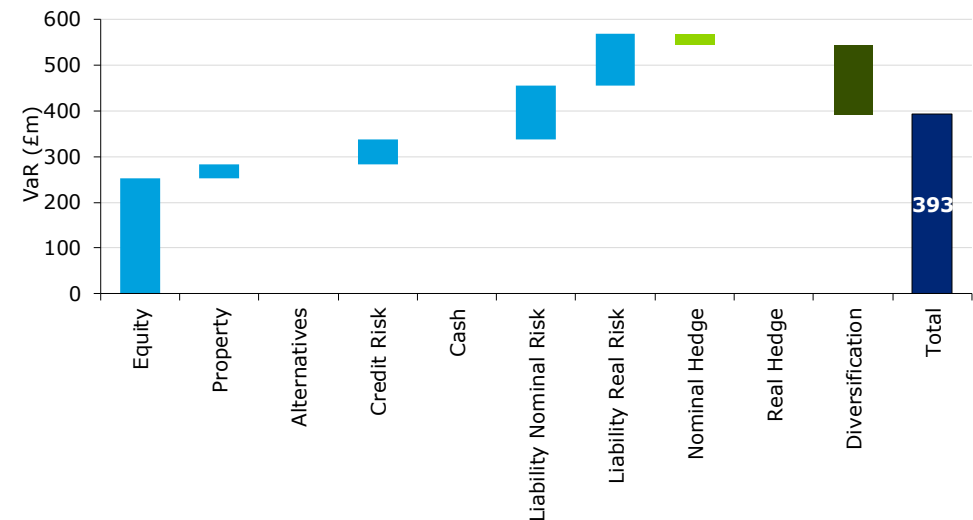
A c. £30m decrease in equity portfolio Value at Risk

Strategy 2 benchmark allocation



■ Equity ■ Fixed income ■ Property ■ Infrastructure ■ Illiquid Alternative

1 Year Value at Risk



Conclusion

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Conclusion

Recommendations and next steps

Investment strategy

The Committee should discuss and agree the most appropriate strategic allocation for the Fund going forward. We have recommended a strategy which we believe is suitable for Fund given the funding position and current investment markets. Specifically we have suggested:

1. Reducing the strategic equity allocation by c. 10% to 55%, increasing the fixed income allocation to 25% and introducing a 5% allocation to a new illiquid alternative.
2. Consider Renewable Infrastructure as a new illiquid alternative. This may require training on the asset class ahead of assessing suitable strategies.
3. Consider whether the 5% increase to fixed income should be to a new mandate or to rebalance the existing portfolio.
4. Following the real estate training session, review the appropriateness of the current property portfolio and agree next steps and consider whether a residential property allocation may offer more diversification than the current long lease mandate.
5. Review the equity portfolio and in particular, give consideration to adding a new mandate that would compliment the Baillie Gifford fund.

Risk Warnings

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

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Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	13 May 2020
Classification:	General Release
Title:	Pension Fund Performance to 31 March 2020 and Risk Monitoring
Wards Affected:	All
Policy Context:	Effective control over council activities
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> 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 2020, together with an update of the Pension Fund risk registers.
- 1.2 The Fund underperformed the benchmark gross of fees by 1.43% over the quarter end year to 31 March 2020.
- 1.3 The risk register is divided into two sections: governance (investment and funding) and pensions administration. The top five risks are highlighted in the report below.

2. Recommendations

- 2.1 The Committee is asked to note:
 - the performance of the Fund's investments to 31 March 2020;
 - the risk registers for the Pension Fund, as updated in May 2020.

3. Pension Fund Performance

- 3.1 This report provides an update of the Pension Fund's performance to 31 March 2020. The performance analytics report (Appendix 1) has been prepared by Northern Trust, the Fund's global custodian.
- 3.2 The performance analytics report shows that, over the quarter to 31 March 2020, the Fund underperformed its benchmark gross of fees by 1.43%. As a result of COVID-19 impacting global markets and complexities in illiquid asset valuations over the quarter, the market value of the Fund's investment assets fell by £222m to £1.324bn.
- 3.3 The majority of mandates provided a negative return during the quarter. However, Aberdeen Standard and Pantheon provided a positive return of 1.62% and 14.33% gross of fees. Baillie Gifford, Hermes and Pantheon outperformed their benchmark gross of fees by 2.33%, 0.65% and 12.13% respectively.
- 3.4 Over the year, the Fund returned -7.02% gross of fees, underperforming its benchmark gross of fees by 1.43%, largely as a result of the impact of COVID-19 on equities and multi asset credit. During this period, Longview and CQS significantly underperformed their benchmarks by 9.19% and 18.78% (gross of fees) respectively.
- 3.5 Over the longer three-year period to 31 March 2020, the Fund provided a positive return of 1.25%, marginally underperforming its benchmark (gross of fees) by 0.26%, with Aberdeen Standard and Baillie Gifford being the major positive contributors. Longview underperformed its benchmarks gross of fees by 3.34% during this period.

4. Risk Register Monitoring

- 4.1 The pension fund risk register (presented as Appendix 2 and 3) is divided into two sections: governance (investment and funding) and pensions administration. The current top five risks to the Pension Fund are highlighted below:
 - The global outbreak of COVID-19 impacting stock markets worldwide, as well uncertainty surrounding illiquid asset values including property and infrastructure (investment risk).
 - The London Collective Investment Vehicle (LCIV) disbanding or the partnership fails to produce proposals/solutions deemed sufficiently ambitious. The LCIV is still waiting to get the change of business plan signed by all 32 London Boroughs, with one borough holding back its signature (governance risk).
 - Significant volatility and negative sentiment in global investment markets following disruptive geopolitical uncertainty caused by the ongoing trade war between the US and China. (investment risk).

- COVID-19 affecting the day-to-day functions of the Pensions Administration services, including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds (administration risk).
- Volatility caused by uncertainty with regard to the UK's exit from the European Union, lack of trade deal and the economic after effects. There will be a transition period until the end of 2020, during which time the UK and EU will negotiate new arrangements from 2021 (investment risk). COVID-19 has placed additional uncertainty with regard to this deadline being achieved.

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: Northern Trust Performance Analytics

Appendix 2: Tri-Borough Risk Management Scoring Matrix

Appendix 3: Pension Fund Risk Register Review at 5 May 2020



NORTHERN
TRUST

City of Westminster Total Fund

Investment Risk & Analytical Services

March 31, 2020

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SECTION 1

City of Westminster Total Fund

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Investment Risk & Analytical Services

March 31, 2020

Investment Hierarchy

Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return							Inception to Date	Inception Date
			One Month	Three Months	One Year	Three Years	Five Years	Ten Years			
City of Westminster Total Fund	1,323,832,749	100.00	-10.53	-14.18	-7.02	1.25	4.33	7.20	7.73	30/09/2009	
City of Westminster Total BM			-8.68	-12.75	-5.59	1.50	4.24	6.59	7.23	30/09/2009	
Excess Return			-1.86	-1.43	-1.43	-0.26	0.09	0.61	0.50	30/09/2009	
Equities	855,308,353	64.61	-12.62	-18.60	-10.21	0.29	4.21	-	5.67	30/09/2014	
UK Equities	3,046	0.00	-	-	-	-	-	-	-	30/09/2014	
Majedie	3,046	0.00	-	-	-	-	-	-	-	30/09/2011	
FTSE ALL Share GBP			-	-	-	-	-	-	-	30/09/2011	
Excess Return			-	-	-	-	-	-	-	30/09/2011	
FTSE All Share GBP + 2%pa			-	-	-	-	-	-	-	30/09/2011	
Excess Return			-	-	-	-	-	-	-	30/09/2011	
Global Equities	855,305,307	64.61	-12.62	-18.60	-8.12	2.75	6.00	-	7.50	30/09/2014	
Bain & Gifford	276,396,590	20.88	-10.76	-13.16	-1.27	6.61	9.96	-	11.58	18/03/2014	
MSCI AC World GBP Net			-10.89	-15.99	-6.74	1.79	6.62	-	8.51	18/03/2014	
Excess Return			0.13	2.83	5.47	4.83	3.34	-	3.06	18/03/2014	
MSCI AC World GBP Net +2%pa			-10.68	-15.49	-5.08	3.69	8.56	-	10.49	18/03/2014	
Excess Return			-0.08	2.33	3.81	2.92	1.40	-	1.09	18/03/2014	
LGIM	523,405,269	39.54	-13.25	-20.81	-11.05	0.84	2.93	-	7.73	31/10/2012	
FTSE World GBP Hedged			-13.30	-20.81	-11.03	0.82	2.92	-	7.73	31/10/2012	
Excess Return			0.05	0.01	-0.03	0.02	0.01	-	0.00	31/10/2012	
Longview Partners	55,503,448	4.19	-15.68	-22.48	-13.36	0.77	6.42	-	8.05	20/01/2015	
MSCI World TR Net (GBP)			-10.62	-15.65	-5.83	2.21	7.03	-	7.99	20/01/2015	
Excess Return			-5.06	-6.83	-7.53	-1.44	-0.61	-	0.06	20/01/2015	
MSCI World TR Net (GBP) +2% pa			-10.41	-15.16	-4.16	4.11	8.97	-	9.95	20/01/2015	
Excess Return			-5.27	-7.32	-9.19	-3.34	-2.55	-	-1.90	20/01/2015	
Fixed Income	297,833,033	22.50	-10.22	-8.74	-4.00	-0.02	1.65	-	2.67	30/09/2014	
Insight IM (Core)	219,068,167	16.55	-7.55	-5.38	0.17	1.86	2.86	-	5.53	30/09/2011	
iBoxx £ Non-Gilts 1-15			-4.58	-2.97	0.72	1.68	2.60	-	4.80	30/09/2011	
Excess Return			-2.97	-2.41	-0.55	0.17	0.26	-	0.73	30/09/2011	
iBoxx £ Non-Gilts 1-15 +0.9%pa			-4.50	-2.75	1.58	2.57	3.49	-	5.39	30/09/2011	
Excess Return			-3.05	-2.63	-1.41	-0.72	-0.63	-	0.14	30/09/2011	
Insight IM (Gilts)	0	0.00	-	-	-	-	-	-	-	30/09/2011	
FTSE Gilts Up to 15 Yrs			-	-	-	-	-	-	-	30/09/2011	
Excess Return			-	-	-	-	-	-	-	30/09/2011	

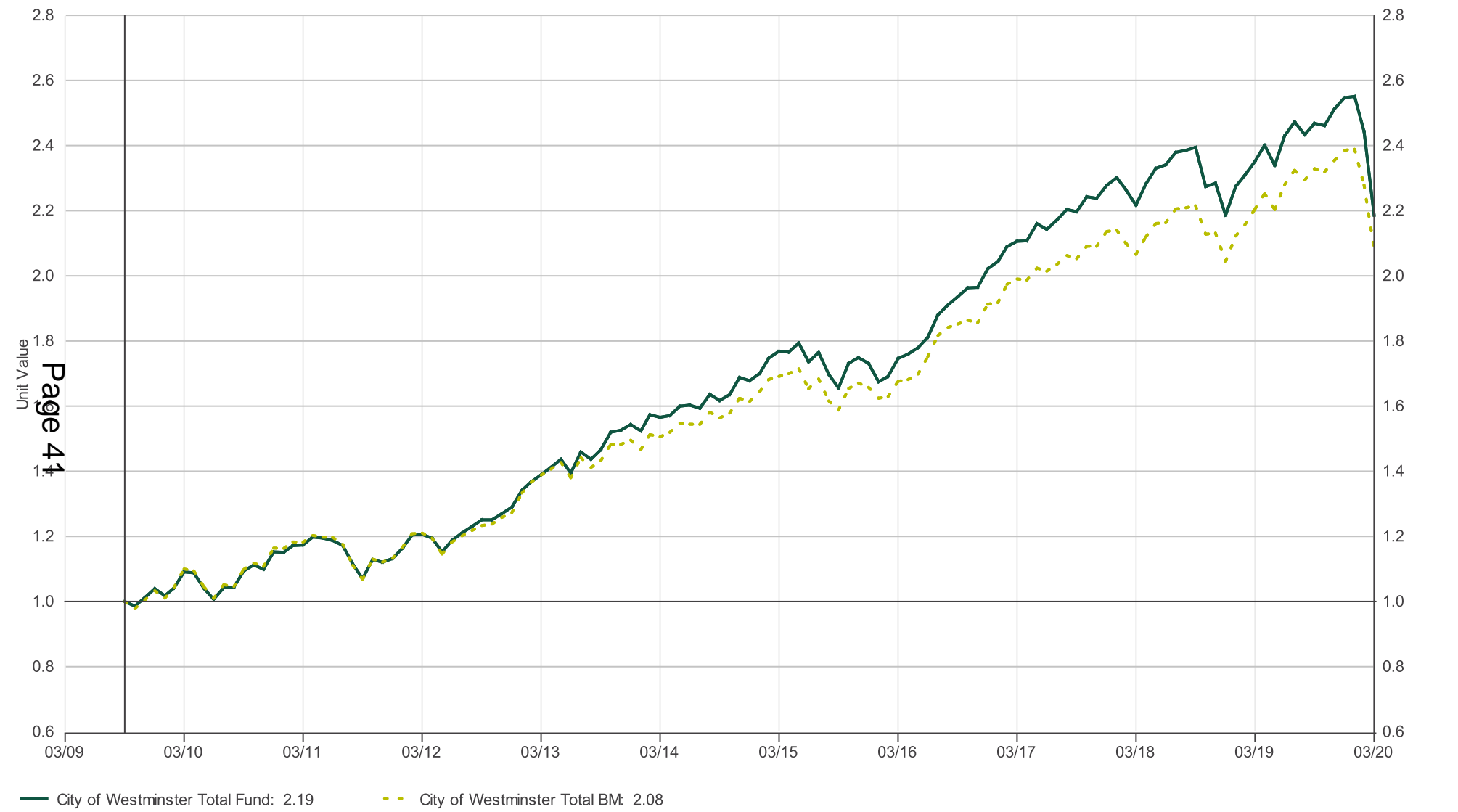
Account/Group	Ending Market Value GBP	Ending Weight	% Rate of Return							
			One Month	Three Months	One Year	Three Years	Five Years	Ten Years	Inception to Date	Inception Date
LCIV Global MAC	78,764,866	5.95	-16.88	-16.95	-13.84	-	-	-	-9.52	30/10/2018
3 Month Libor + 4%			0.41	1.24	4.95	-	-	-	5.02	30/10/2018
Excess Return			-17.29	-18.19	-18.78	-	-	-	-14.54	30/10/2018
Real Estate	130,847,680	9.88	-0.29	0.72	3.78	7.13	7.52	-	8.14	30/09/2014
Hermes Property	62,256,056	4.70	-1.14	-0.26	1.60	6.50	7.60	-	8.81	30/09/2011
IPD UK PPFI Balanced PUT			-1.03	-1.03	0.54	5.61	6.64	-	7.49	30/09/2011
Excess Return			-0.11	0.78	1.06	0.89	0.96	-	1.32	30/09/2011
IPD UKPPFI Balanced PUT+0.5%pa			-0.99	-0.91	1.04	6.10	7.14	-	7.82	30/09/2011
Excess Return			-0.15	0.65	0.57	0.40	0.46	-	0.99	30/09/2011
Standard Life Property	68,591,625	5.18	0.50	1.62	5.92	7.73	7.41	-	8.34	14/06/2013
FTSE Gilts All Stocks + 2.0%pa			1.57	6.81	11.98	6.65	6.76	-	7.36	14/06/2013
Excess Return			-1.07	-5.20	-6.06	1.08	0.65	-	0.98	14/06/2013
FTSE Gilts All Stock Index			1.42	6.32	9.94	4.63	4.75	-	5.34	14/06/2013
Excess Return			-0.92	-4.70	-4.02	3.10	2.66	-	3.00	14/06/2013
Cash	19,204,776	1.45	0.18	9.90	-10.05	1.83	1.88	-	1.70	30/09/2014
In-House Cash	19,204,776	1.45	0.18	9.90	-10.05	1.83	1.88	-	1.68	31/08/2014
Infrastructure	20,638,907	1.56	10.24	14.33	-	-	-	-	11.86	15/04/2019
Pantheon Global Infrastructure	20,638,907	1.56	10.24	14.33	-	-	-	-	11.86	15/04/2019
3 Month Libor + 8%			0.73	2.20	-	-	-	-	10.39	15/04/2019
Excess Return			9.51	12.13	-	-	-	-	1.47	15/04/2019

Market Value Summary - One Month

Account/Group	29/02/2020 Market Value	Net Contribution*	Income	Fees	Appreciation	31/03/2020 Market Value
City of Westminster Total Fund	1,480,790,642	-1,016,309	19,414	16,309	-155,960,997	1,323,832,749
Equities	979,225,741	-317,234	111	21,213	-123,600,266	855,308,353
UK Equities	3,663	-704	86	0	0	3,046
Majedie	3,663	-704	86	0	0	3,046
Global Equities	979,222,078	-316,530	25	21,213	-123,600,266	855,305,307
Baillie Gifford	310,047,093	-295,318	25	0	-33,355,211	276,396,590
LGIM	603,348,600	-21,213	0	21,213	-79,922,118	523,405,269
Longview Partners	65,826,385	0	0	0	-10,322,937	55,503,448
Fixed Income	331,838,691	-99,004	9	0	-33,906,663	297,833,033
Insight IM (Core)	236,966,735	0	0	0	-17,898,568	219,068,167
Insight IM (Gilts)	0	0	0	0	0	0
LCIV Global MAC	94,871,956	-99,004	9	0	-16,008,095	78,764,866
Real Estate	131,679,273	-451,417	124	-4,904	-380,300	130,847,680
Hermes Property	63,435,119	-456,321	124	0	-722,867	62,256,056
Standard Life Property	68,244,154	4,904	0	-4,904	342,567	68,591,625
Cash	19,927,310	-756,359	19,169	0	14,657	19,204,776
In-House Cash	19,927,310	-756,359	19,169	0	14,657	19,204,776
Infrastructure	18,119,626	607,705	1	0	1,911,575	20,638,907
Pantheon Global Infrastructure	18,119,626	607,705	1	0	1,911,575	20,638,907

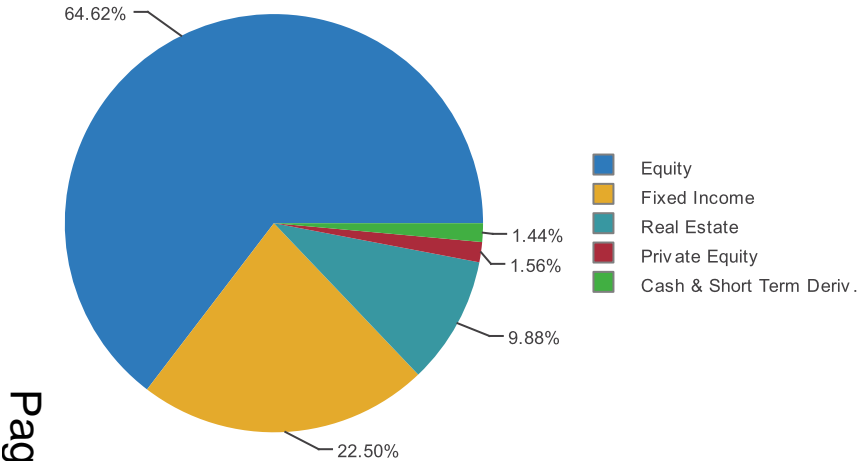
*Net Contributions include Cash Contributions/Distributions, Security Deliveries/Receipts, Fees/Fee Rebates, Inter Account transfers for Consolidations & Benefits Payments.
Copied History or Backloaded Data may not display the correct Contributions/Withdrawals creating misrepresentation.

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	1,480,791
Net Contribution	-1,016
Income	19
Fees	16
Appreciation	-155,961
Ending Market Value	1,323,833

*Market Values are in 000s.

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Equity	855,476,430	64.62	-12.62	-18.60	-18.60	-10.17	0.29	4.20	
Common Stock	855,476,430	64.62	-12.62	-18.60	-18.60	-10.17	0.29	4.20	
Fixed Income	297,833,024	22.50	-10.22	-8.75	-8.75	-4.00	-0.00	1.73	
Marketable Bonds	219,068,167	16.55	-7.55	-5.38	-5.38	0.17	1.79	3.04	
Collateralized Mortgage Oblig.	78,764,857	5.95	-16.89	-16.96	-16.96	-13.85			
Real Estate	130,847,555	9.88	-0.29	0.72	0.72	3.85	7.25	7.61	
Private Equity	20,623,432	1.56	10.23	14.33	14.33				
Cash & Short Term Deriv.	19,052,308	1.44	0.22	9.88	9.88	3.65	1.96	1.27	
Pending Cash	0	0.00	-	-	-	-	-	-	-
Total Fund Gross of Fees	1,323,832,749	100.00	-10.53	-14.18	-14.18	-7.02	1.25	4.33	7.73
City of Westminster Total BM			-8.68	-12.75	-12.75	-5.59	1.50	4.24	7.23
Excess Return			-1.86	-1.43	-1.43	-1.43	-0.26	0.09	0.50

Excess is calculated using arithmetic methodology

SECTION 2

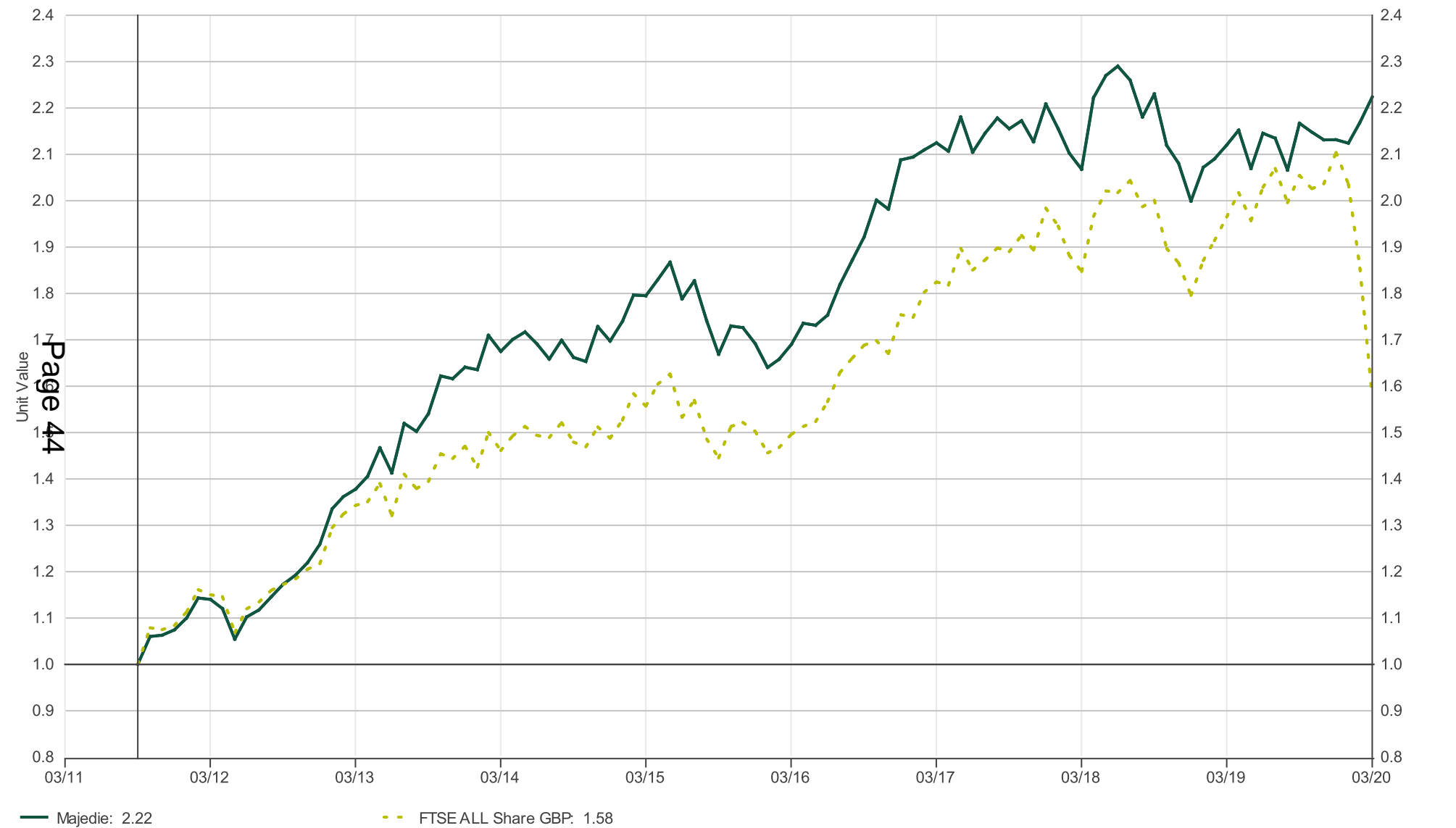
Majedie

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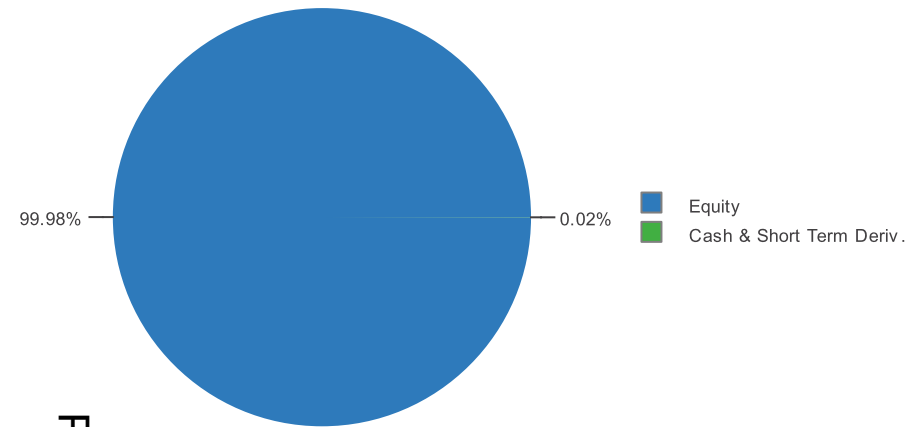
March 31, 2020

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	4
Net Contribution	-1
Income	0
Fees	0
Appreciation	0
Ending Market Value	3

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Equity	3,045	99.98							
Common Stock	3,045	99.98							
Cash & Short Term Deriv.	1	0.02							
Total Fund Gross of Fees	3,046	100.00							

Excess is calculated using arithmetic methodology

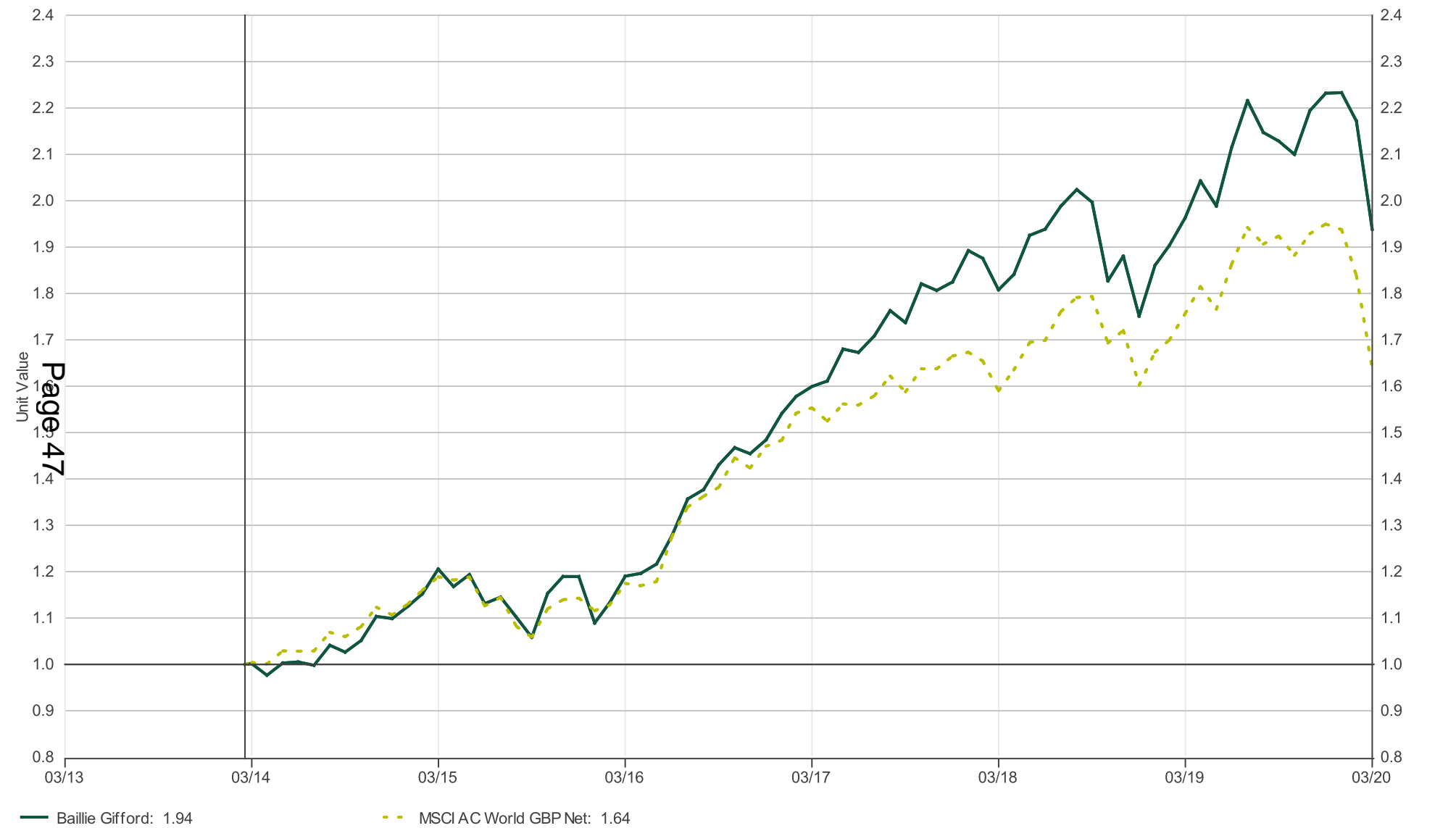
SECTION 3

Baillie Gifford

Investment Risk & Analytical Services

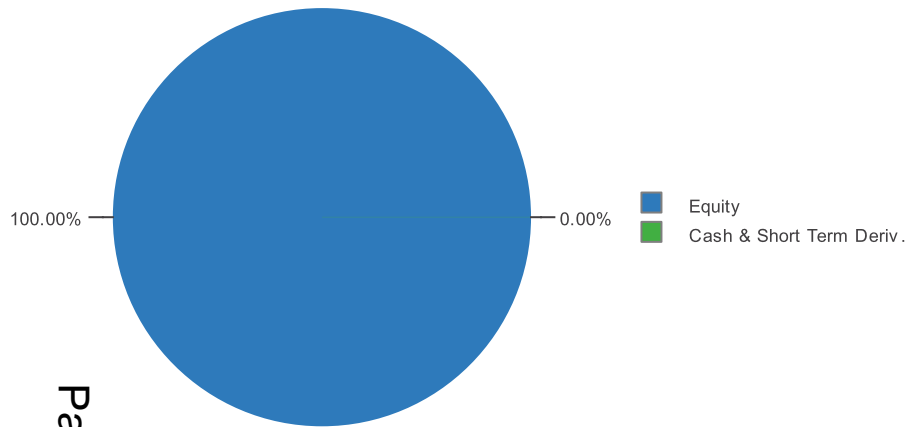
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Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	310,047
Net Contribution	-295
Income	0
Fees	0
Appreciation	-33,355
Ending Market Value	276,397

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Equity	276,396,564	100.00	-10.77	-13.17	-13.17	-1.19	6.68	9.97	
Common Stock	276,396,564	100.00	-10.77	-13.17	-13.17	-1.19	6.68	9.97	
Cash & Short Term Deriv.	26	0.00	0.01	0.01	0.01	0.40	0.34		
Pending Cash	0	0.00	-	-	-	-	-	-	-
Total Fund Gross of Fees	276,396,590	100.00	-10.76	-13.16	-13.16	-1.27	6.61	9.96	11.58
MSCI AC World GBP Net			-10.89	-15.99	-15.99	-6.74	1.79	6.62	8.51
Excess Return			0.13	2.83	2.83	5.47	4.83	3.34	3.06

Excess is calculated using arithmetic methodology

SECTION 4

LGIM

Investment Risk & Analytical Services

March 31, 2020

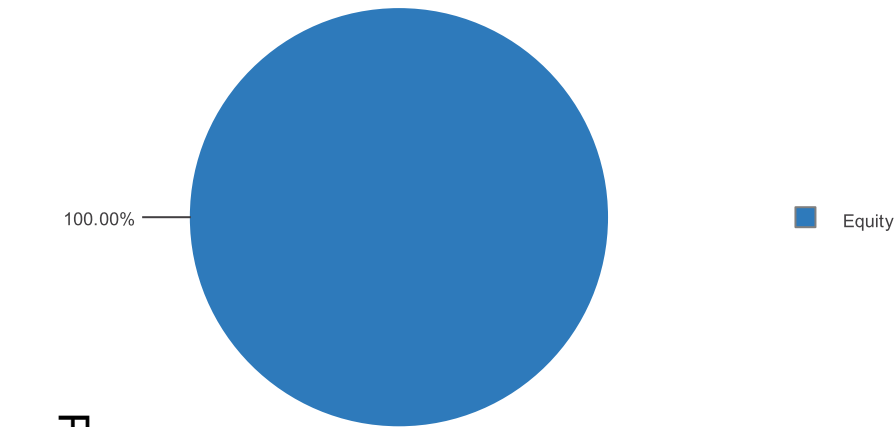
Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS

MARKET VALUE SUMMARY OVER TIME



	1 Mo
Beginning Market Value	603,349
Net Contribution	-21
Income	0
Fees	21
Appreciation	-79,922
Ending Market Value	523,405

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Equity	523,405,269	100.00	-13.25	-20.81	-20.81	-11.05	0.84	2.92	
Common Stock	523,405,269	100.00	-13.25	-20.81	-20.81	-11.05	0.84	2.92	
Cash & Short Term Deriv.	0	0.00							
Pending Cash	0	0.00	-	-	-	-	-	-	-
Total Fund Gross of Fees	523,405,269	100.00	-13.25	-20.81	-20.81	-11.05	0.84	2.93	7.73
FTSE World GBP Hedged			-13.30	-20.81	-20.81	-11.03	0.82	2.92	7.73
Excess Return			0.05	0.01	0.01	-0.03	0.02	0.01	0.00

Excess is calculated using arithmetic methodology

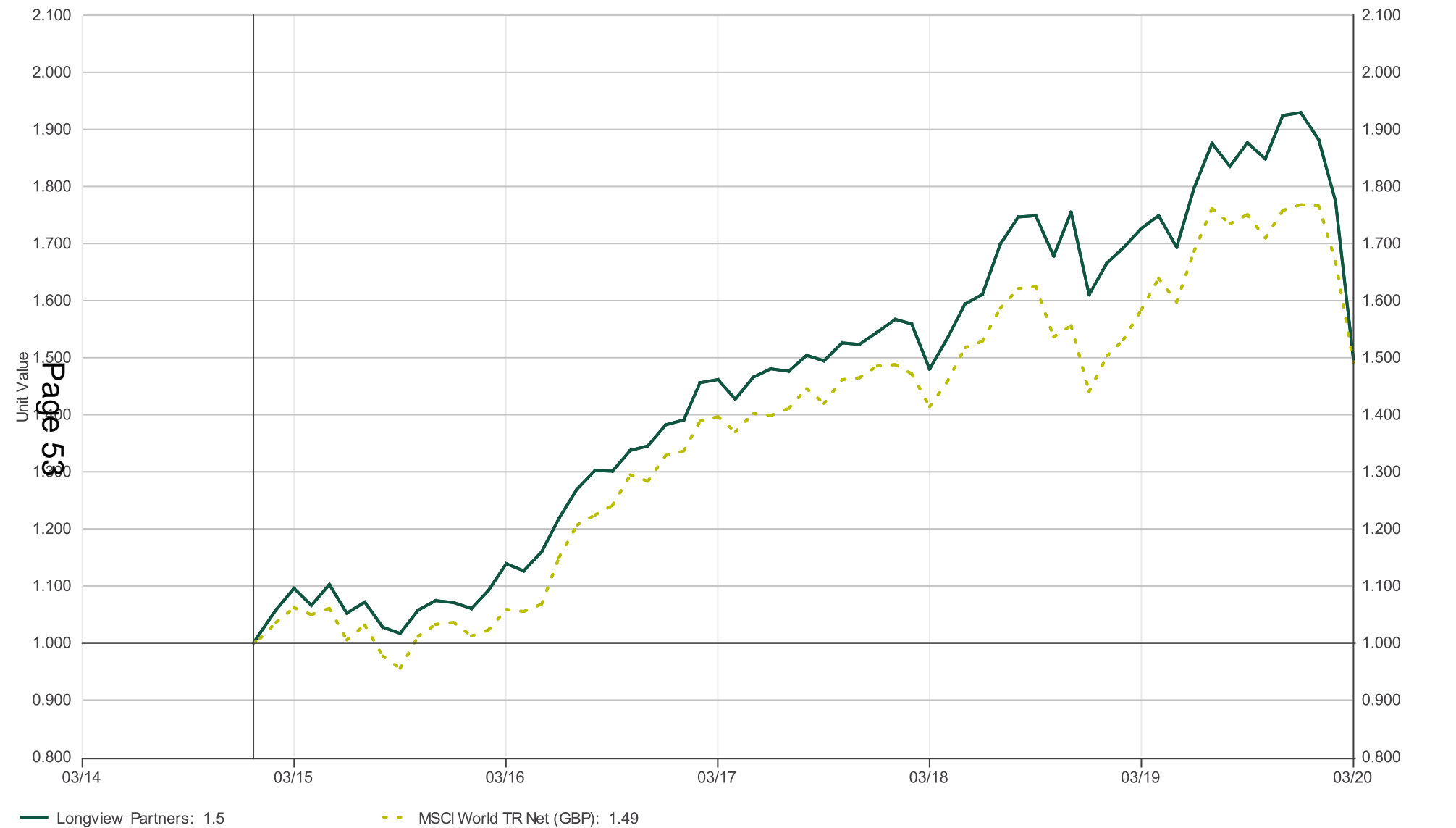
SECTION 5

Longview Partners

Investment Risk & Analytical Services

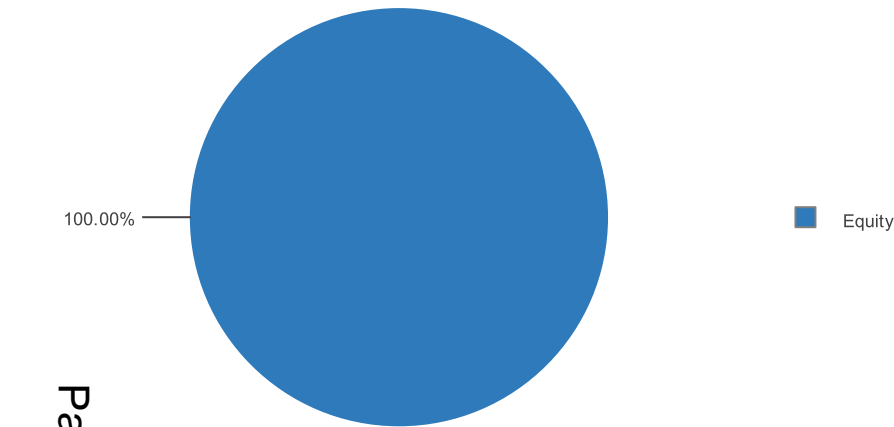
March 31, 2020

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	65,826
Net Contribution	0
Income	0
Fees	0
Appreciation	-10,323
Ending Market Value	55,503

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Equity	55,503,448	100.00	-15.68	-22.48	-22.48	-13.36	0.77	6.42	8.05
Common Stock	55,503,448	100.00	-15.68	-22.48	-22.48	-13.36	0.77	6.42	8.05
Total Fund Gross of Fees	55,503,448	100.00	-15.68	-22.48	-22.48	-13.36	0.77	6.42	8.05
MSCI World TR Net (GBP)			-10.62	-15.65	-15.65	-5.83	2.21	7.03	7.99
Excess Return			-5.06	-6.83	-6.83	-7.53	-1.44	-0.61	0.06

Excess is calculated using arithmetic methodology

SECTION 6

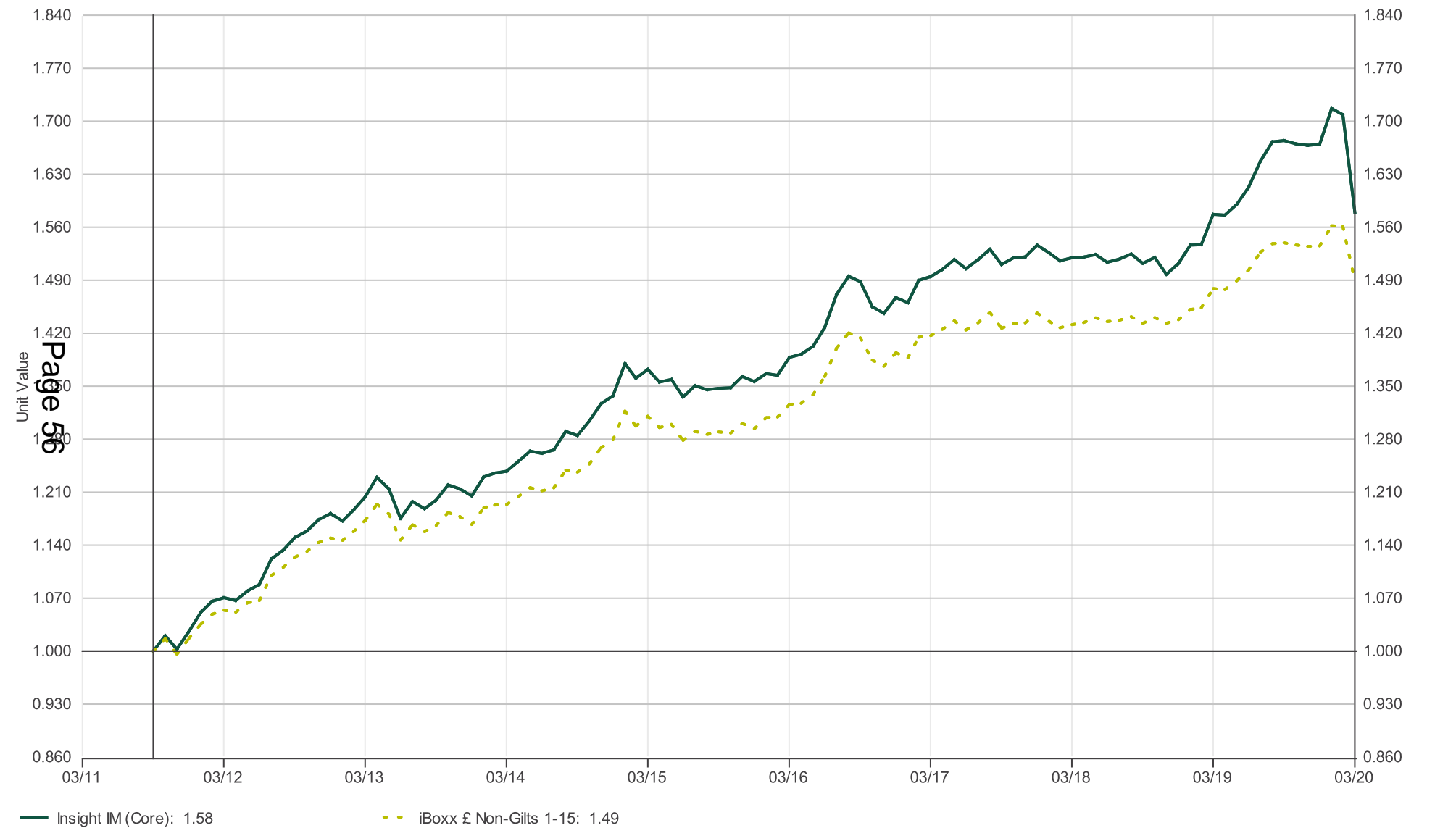
Insight IM (Core)

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Investment Risk & Analytical Services

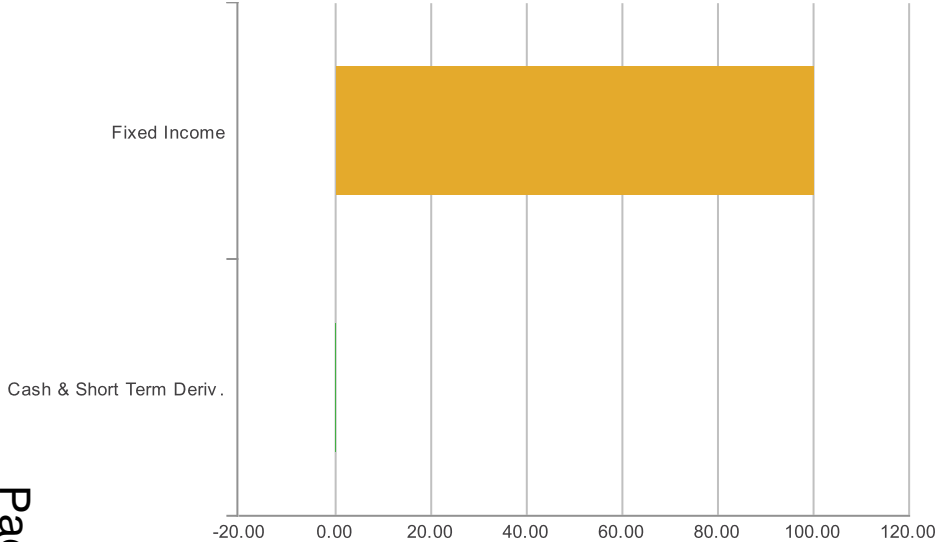
March 31, 2020

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	236,967
Net Contribution	0
Income	0
Fees	0
Appreciation	-17,899
Ending Market Value	219,068

*Market Values are in 000s.

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Fixed Income	219,068,167	100.00	-7.55	-5.38	-5.38	0.17	1.85	2.92	
Marketable Bonds	219,068,167	100.00	-7.55	-5.38	-5.38	0.17	1.89	3.19	
Cash & Short Term Deriv.	-0	-0.00					1.25	1.08	
Total Fund Gross of Fees	219,068,167	100.00	-7.55	-5.38	-5.38	0.17	1.86	2.86	5.53
iBoxx £ Non-Gilts 1-15			-4.58	-2.97	-2.97	0.72	1.68	2.60	4.80
Excess Return			-2.97	-2.41	-2.41	-0.55	0.17	0.26	0.73

Excess is calculated using arithmetic methodology

Greatest Asset Impact - One Month

TOP LARGEST HOLDINGS

Asset Description	Sector/Industry	Country	31/03/2020 Market Value	Gain/Loss	31/03/2020 Weight	Base Return	Contribution to GOF
INSIGHT GLOBAL FUNDS II BUY AND ...	Corporates	Ireland	219,068,167	-17,898,568	100.00	-7.55	-7.55
UNITED STATES DOLLARS	Cash & Short Term Deriv.	United States	-0	0	-0.00	0.00	0.00
SubTotal			219,068,167	-17,898,568	100.00		-7.55

LARGEST POSITIVE IMPACT

Asset Description	Sector/Industry	Country	31/03/2020 Market Value	Gain/Loss	31/03/2020 Weight	Base Return	Contribution to GOF
UNITED STATES DOLLARS	Cash & Short Term Deriv.	United States	-0	0	-0.00	0.00	0.00
INSIGHT GLOBAL FUNDS II BUY AND ...	Corporates	Ireland	219,068,167	-17,898,568	100.00	-7.55	-7.55
SubTotal			219,068,167	-17,898,568	100.00		-7.55

LARGEST NEGATIVE IMPACT

Asset Description	Sector/Industry	Country	31/03/2020 Market Value	Gain/Loss	31/03/2020 Weight	Base Return	Contribution to GOF
INSIGHT GLOBAL FUNDS II BUY AND ...	Corporates	Ireland	219,068,167	-17,898,568	100.00	-7.55	-7.55
UNITED STATES DOLLARS	Cash & Short Term Deriv.	United States	-0	0	-0.00	0.00	0.00
SubTotal			219,068,167	-17,898,568	100.00		-7.55

BEST PERFORMERS

Asset Description	Sector/Industry	Country	31/03/2020 Market Value	Gain/Loss	31/03/2020 Weight	Base Return	Contribution to GOF
UNITED STATES DOLLARS	Cash & Short Term Deriv.	United States	-0	0	-0.00	0.00	0.00
INSIGHT GLOBAL FUNDS II BUY AND ...	Corporates	Ireland	219,068,167	-17,898,568	100.00	-7.55	-7.55
SubTotal			219,068,167	-17,898,568	100.00		-7.55

WORST PERFORMERS

Asset Description	Sector/Industry	Country	31/03/2020 Market Value	Gain/Loss	31/03/2020 Weight	Base Return	Contribution to GOF
INSIGHT GLOBAL FUNDS II BUY AND ...	Corporates	Ireland	219,068,167	-17,898,568	100.00	-7.55	-7.55
UNITED STATES DOLLARS	Cash & Short Term Deriv.	United States	-0	0	-0.00	0.00	0.00
SubTotal			219,068,167	-17,898,568	100.00		-7.55
Total Fund Gross of Fees			219,068,167			-7.55	

SECTION 7

LCIV Global MAC

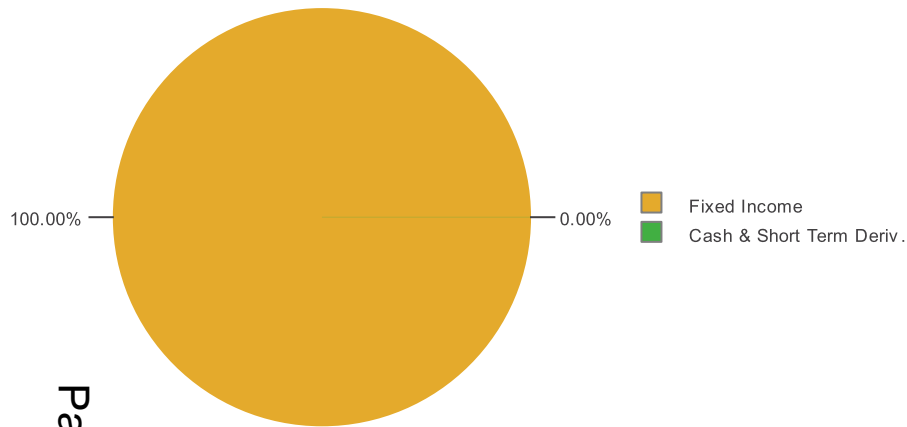
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Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

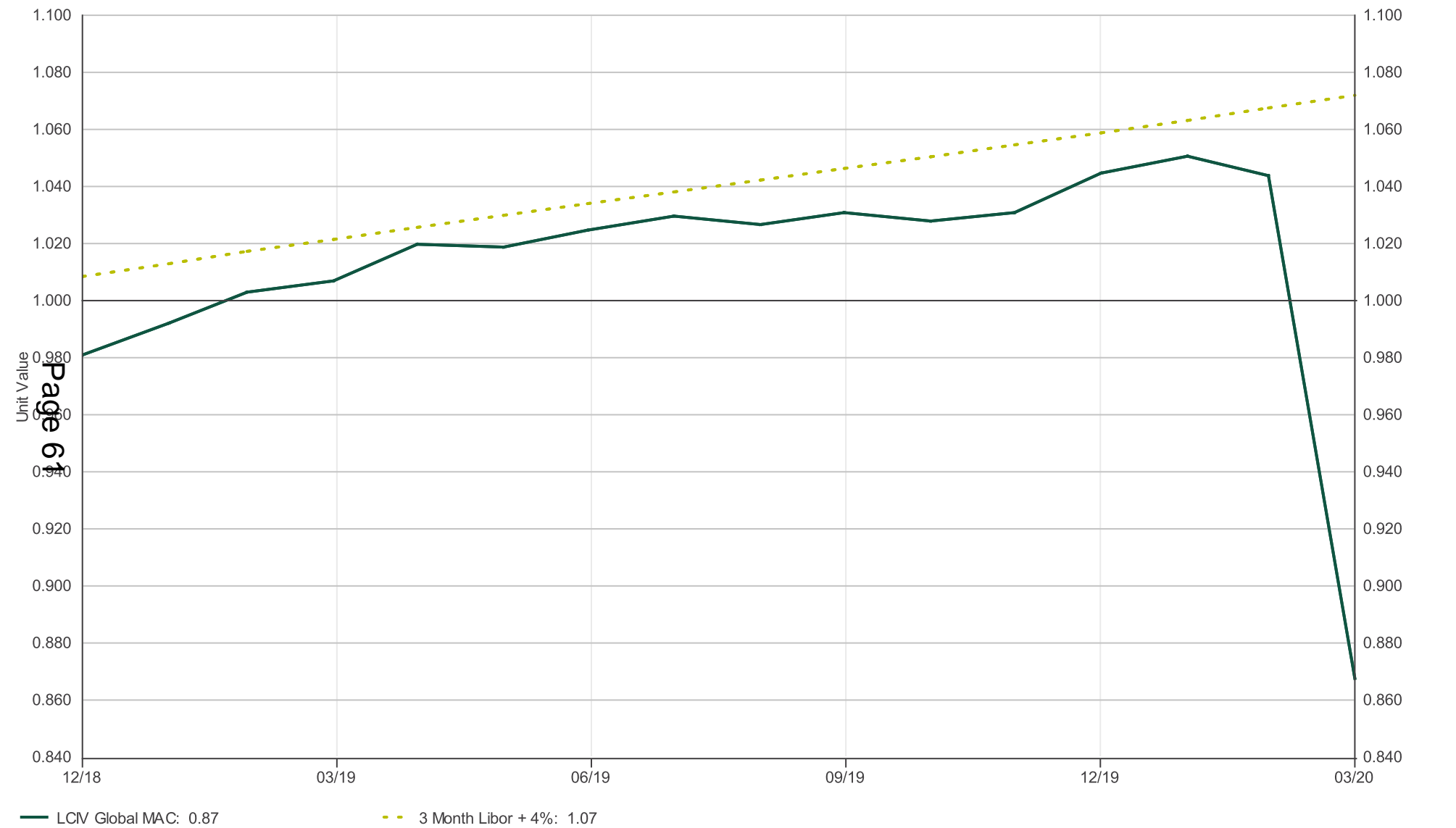
	1 Mo
Beginning Market Value	94,872
Net Contribution	-99
Income	0
Fees	0
Appreciation	-16,008
Ending Market Value	78,765

*Market Values are in 000s.

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Fixed Income	78,764,857	100.00	-16.89	-16.96	-16.96	-13.85			-9.53
Collateralized Mortgage Oblig.	78,764,857	100.00	-16.89	-16.96	-16.96	-13.85			-9.53
Cash & Short Term Deriv.	9	0.00	0.01	0.01	0.01				
Pending Cash	0	0.00	-	-	-	-	-	-	-
Total Fund Gross of Fees	78,764,866	100.00	-16.88	-16.95	-16.95	-13.84			-9.52
3 Month Libor + 4%			0.41	1.24	1.24	4.95			5.02
Excess Return			-17.29	-18.19	-18.19	-18.78			-14.54

Excess is calculated using arithmetic methodology

Growth Over Time - Inception to Date



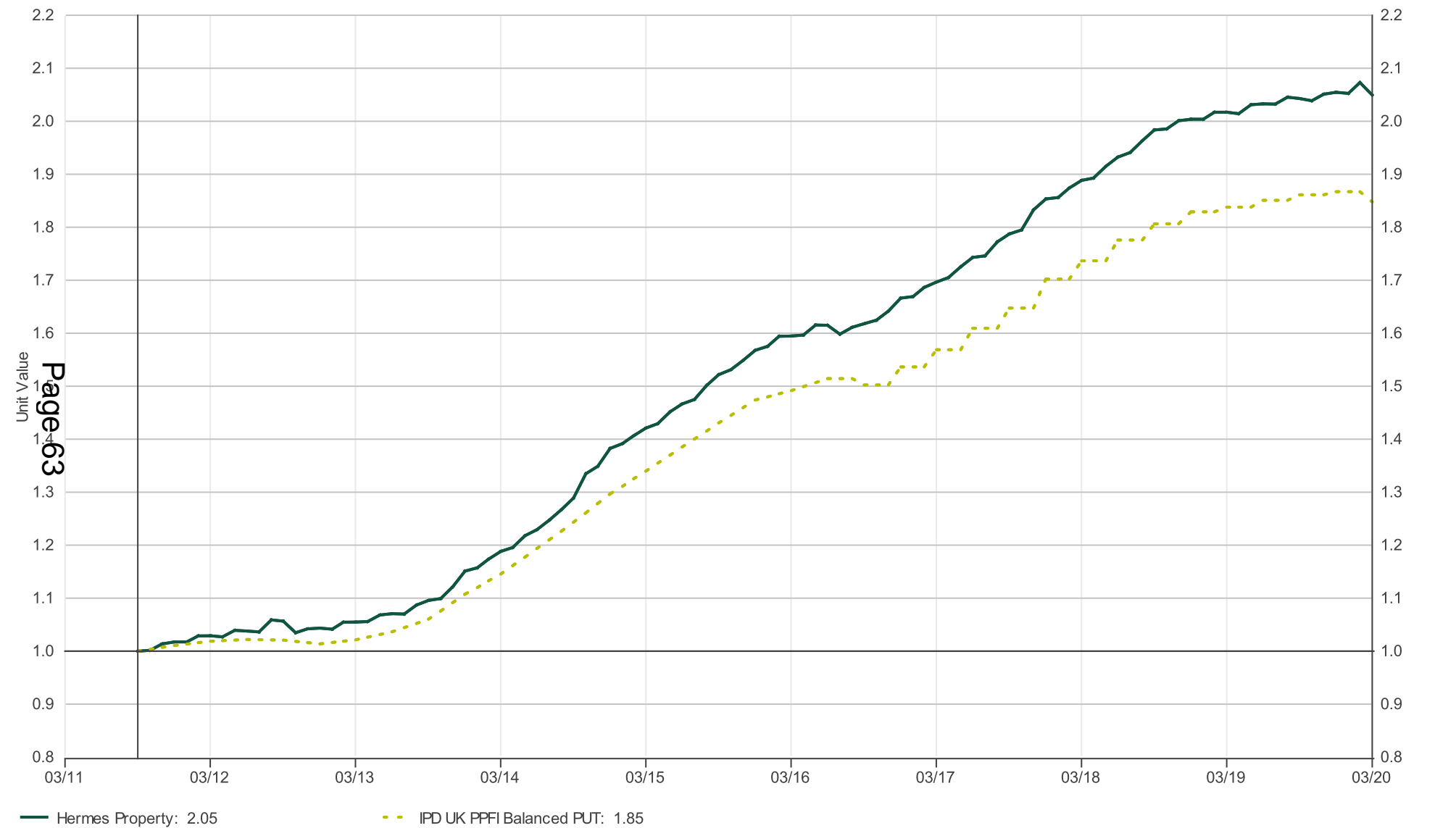
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Hermes Property

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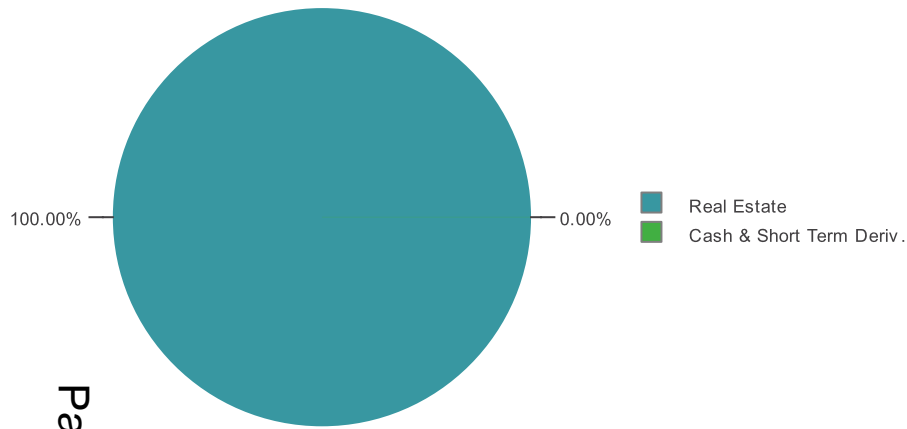
March 31, 2020

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	63,435
Net Contribution	-456
Income	0
Fees	0
Appreciation	-723
Ending Market Value	62,256

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Real Estate	62,255,931	100.00	-1.15	-0.26	-0.26	1.68	6.71	7.78	
Cash & Short Term Deriv.	125	0.00	0.04	0.08	0.08	0.47	0.37	0.33	
Pending Cash	0	0.00	-	-	-	-	-	-	-
Total Fund Gross of Fees	62,256,056	100.00	-1.14	-0.26	-0.26	1.60	6.50	7.60	8.81
IPD UK PPFI Balanced PUT			-1.03	-1.03	-1.03	0.54	5.61	6.64	7.49
Excess Return			-0.11	0.78	0.78	1.06	0.89	0.96	1.32

Excess is calculated using arithmetic methodology

SECTION 9

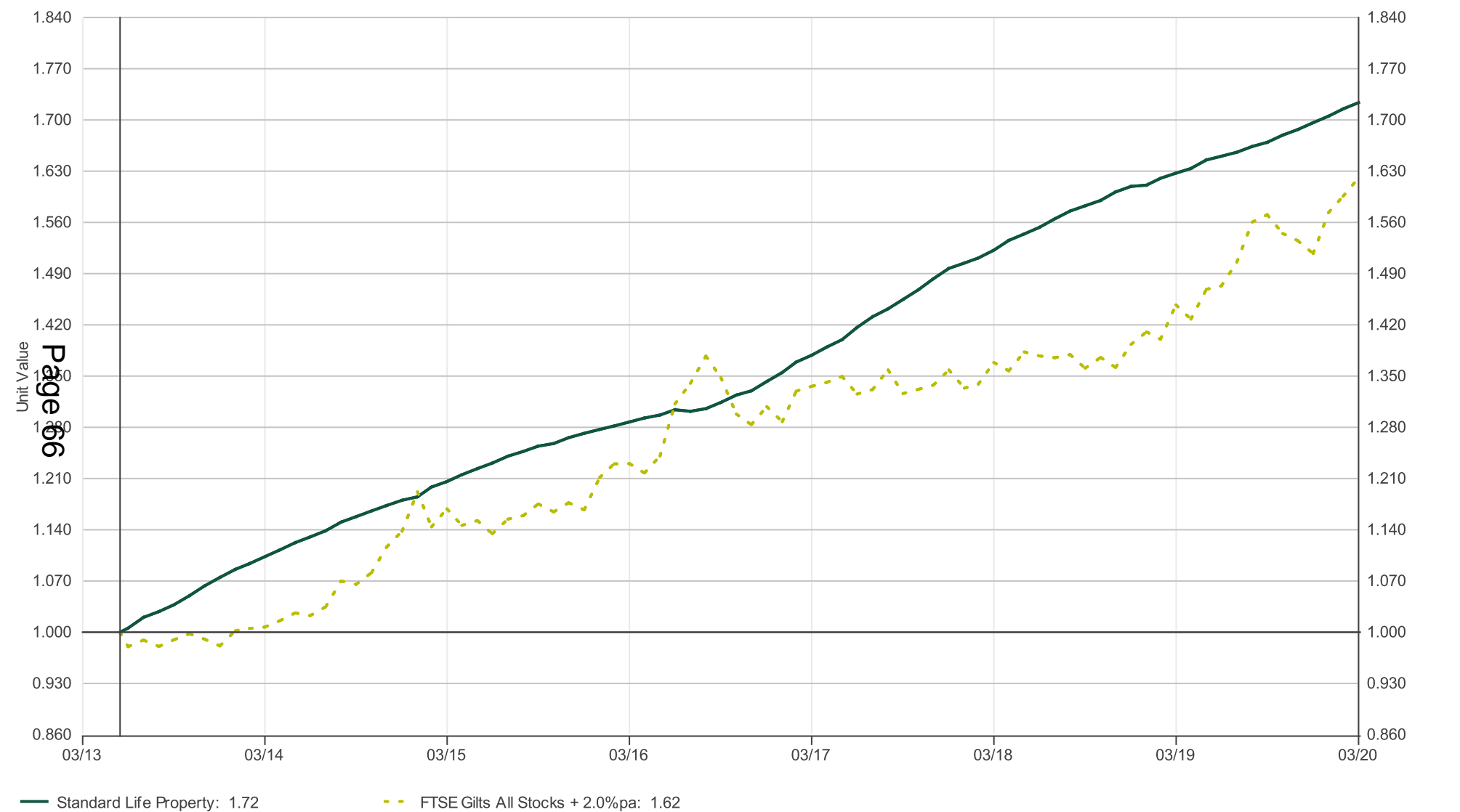
Standard Life Property

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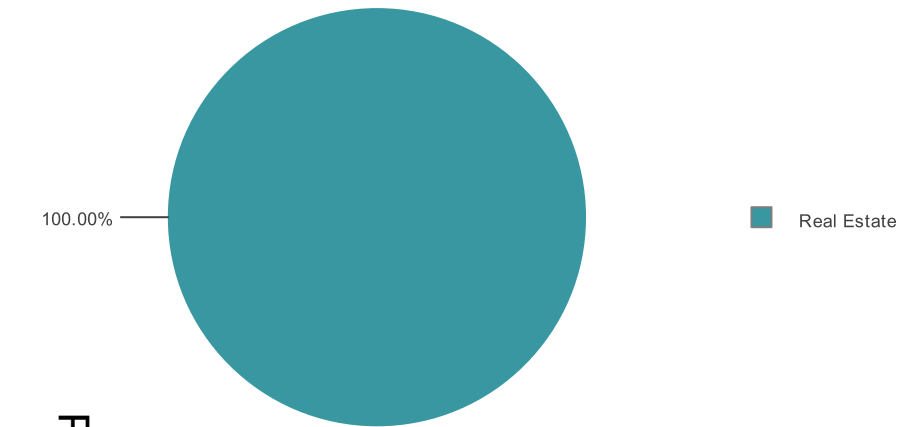
March 31, 2020

Growth Over Time - Inception to Date



Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

	1 Mo
Beginning Market Value	68,244
Net Contribution	5
Income	0
Fees	-5
Appreciation	343
Ending Market Value	68,592

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Real Estate	68,591,625	100.00	0.50	1.62	1.62	5.92	7.73	7.41	
Cash & Short Term Deriv.	0	0.00							
Pending Cash	0	0.00	-	-	-	-	-	-	-
Total Fund Gross of Fees	68,591,625	100.00	0.50	1.62	1.62	5.92	7.73	7.41	8.34
FTSE Gilts All Stocks + 2.0%pa			1.57	6.81	6.81	11.98	6.65	6.76	7.36
Excess Return			-1.07	-5.20	-5.20	-6.06	1.08	0.65	0.98

Excess is calculated using arithmetic methodology

SECTION 10

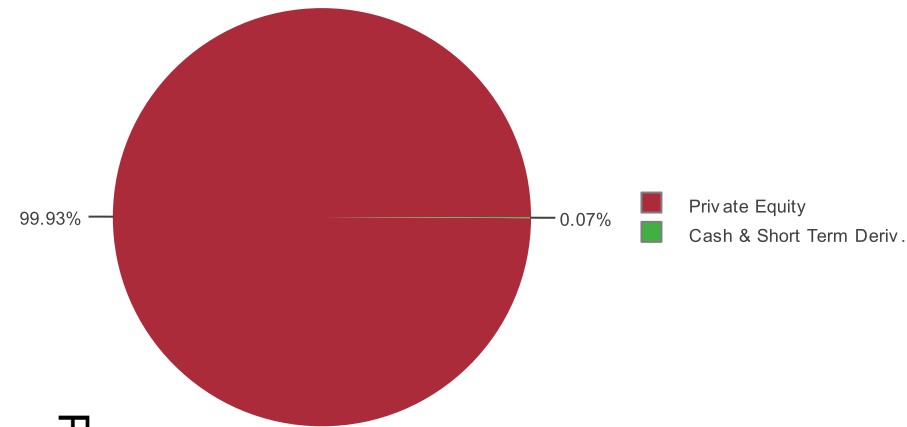
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Asset Class Performance

ASSET CLASS ENDING WEIGHTS



MARKET VALUE SUMMARY OVER TIME

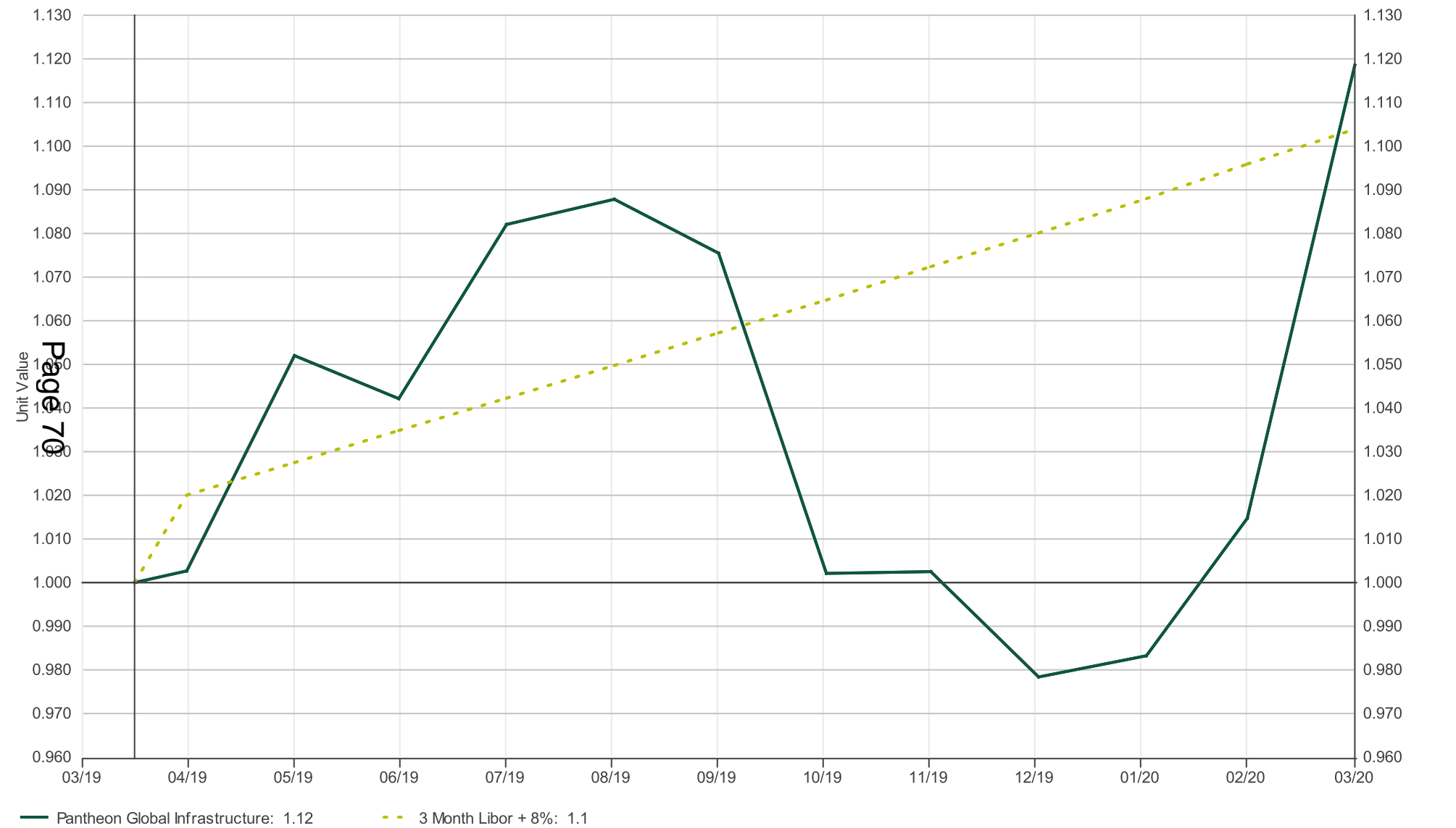
	1 Mo	3 Mos	1 Yr
Beginning Market Value	18,120	17,784	
Net Contribution	608	295	
Income	0	0	
Fees	0	0	
Appreciation	1,912	2,561	
Ending Market Value	20,639	20,639	20,639

**Market Values are in 000s.*

Asset Class	End MV	End Wt	1 Mo	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	ITD
Private Equity	20,623,432	99.93	10.23	14.33	14.33				
Cash & Short Term Deriv.	15,476	0.07	11.40	15.46	15.46				-14.12
Pending Cash	0	0.00	-	-	-	-	-	-	-
Total Fund Gross of Fees	20,638,907	100.00	10.24	14.33	14.33				11.86
3 Month Libor + 8%			0.73	2.20	2.20				10.39
Excess Return			9.51	12.13	12.13				1.47

Excess is calculated using arithmetic methodology

Growth Over Time - Inception to Date



SECTION 11

Appendix

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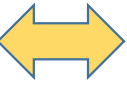




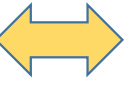
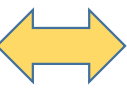





Appendix 1 - Tri Borough Pension Fund Risk Management Scoring Matrix		
Scoring (Impact)		
Impact Description	Category	Description
1 Very Low	Cost/Budgetary Impact	£0 to £25,000
	Impact on life	Temporary disability or slight injury or illness less than 4 weeks (internal) or affecting 0-10 people (external)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





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

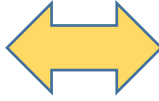
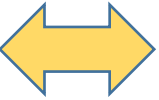




Control	Details required
Terminate	Stop what is being done.
Treat	Reduce the likelihood of the risk occurring.
Take	Circumstances that offer positive opportunities
Transfer	Pass to another service best placed to deal with mitigations but ownership of the risk still lies with the original service.
Tolerate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




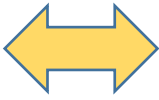
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Pension Fund Risk Register - Administration Risk													
Risk Group	Risk Ref.	Movement	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Admin	1	NEW	COVID-19 affecting the day to day functions of the Pensions Administration services including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds.	2	4	3	9	4	36	TREAT 1) The Pensions Administration team have shifted to working from home. 2) The administrators have prioritised death benefits, retirements including ill health and refunds. If there is any spare capacity the administrators will prioritise transfers and divorce cases. 3) Revision of processes to enable electronic signatures and configure the telephone helpdesk system to work from home. 4) Maintain regular contact with the Surrey administration team.	3	27	05/05/2020
Admin	2	↔	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints. There is a concern regarding the high level of senior management departures.	1	4	3	8	4	32	TREAT 1) Surrey CC administers pensions for Surrey, East Sussex, LB Hillingdon and the Tri-Borough. 2) Officers will continue to monitor ongoing staffing changes at Surrey CC. 3) Ongoing monitoring of contract and KPIs. 4) Nick Weaver was appointed as Head of Pensions Administration in Q4 of 2019/20.	3	24	05/05/2020
Admin	3	↔	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 part of 2019 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	18	05/05/2020
Admin	4	↔	Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	21	TREAT 1) Practice notes in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	14	05/05/2020
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	05/05/2020
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	05/05/2020
Admin	7	↔	Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	5	2	2	9	2	18	TREAT 1) Contract monitoring in place with all providers. 2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action. 3) Take advice from the investment advisor on manager ratings to inform decisions on asset managers.	1	9	05/05/2020
Admin	8	↔	Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	3	3	2	8	2	16	TREAT 1) The Fund has generally good internal controls with regard to the management of the Fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches. 3) Staff have had more time to work on the implementation of GDPR.	1	8	05/05/2020
Admin	9	↔	Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	16	TREAT 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Process in place for Surrey CC to generate lump sum payments to members as they are due. 3) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	8	05/05/2020


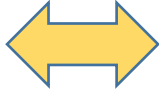
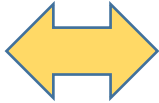


Admin	10		Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	TREAT 1) Disaster recovery plan in place as part of the Service Specification between the Fund and Surrey County Council 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance.	1	8	05/05/2020
Admin	11		Poor reconciliation process leads to incorrect contributions.	2	1	1	4	3	12	TREAT 1) Ensure reconciliation process notes are understood by Pension Fund team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process. 3) Contributions reconciliation is undertaken by the pensions team.	2	8	05/05/2020
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	05/05/2020
Admin	13		Failure to detect material errors in the bank reconciliation process.	2	2	2	6	3	18	TREAT 1) Bank reconciliation carried out in-house by the pensions team, alongside the WCC income management team.	1	6	05/05/2020
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	05/05/2020
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. 2) Officers regularly attend training events and conferences. 3) Officer in place to record and organise training sessions for officers and members.	1	6	05/05/2020
Admin	16		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	05/05/2020
Admin	17		Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	10	TREAT 1) Ensure process notes are compiled and circulated in Pension Fund and Administration teams.	1	5	05/05/2020
Admin	18		Lack of productivity leads to impaired performance.	2	2	1	5	2	10	TREAT 1) Regular appraisals with focused objectives for pension fund and admin staff.	1	5	05/05/2020
Admin	19		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	05/05/2020
Admin	20		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	05/05/2020
Admin	21		Failure to identify GMP liability leads to ongoing costs for the pension fund.	1	2	1	4	1	4	TREAT 1) GMP identified as a Project as part of the Service Specification between the Fund and Surrey County Council, with minimal effect on the Fund.	1	4	05/05/2020








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						
Investment	1		The global outbreak of COVID-19 impacting stock markets worldwide, as well uncertainty surrounding illiquid asset values including property and infrastructure.	5	4	2	11	4	44	TREAT - 1) The officers will continue to monitor the impact on an ongoing basis. 2) The Fund holds a diversified portfolio, which should reduce the impact of stock market movements. 3) Asset allocation will be reviewed in Q1 of 2020/21. 4) Pension Fund Officers in frequent contact with Fund Managers and the Funds investment advisor.	3	33	05/05/2020
Governance	2		That the London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious. The LCIV is still to get the change of business plan signed by all 32 London Boroughs.	4	4	3	11	3	33	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) Jason Fletcher was appointed as the permeant CIO during April and is join to begin the role in July 2020. Jason has over 25 years worth of experience in the financial services industry and held the position of CIO at the LGPS Central pool. The LCIV have also appointed Jacquelin Jackson as the Head of Responsible Investment and lead the pool in their commitment to responsible investment and better understanding LCIV clients ESG requirements. Following Kevin Cullen's retirement, Cameron McMullen will be joining the LCIV as the new Client Relations Director.	3	33	05/05/2020
Investment	3		Significant volatility and negative sentiment in global investment markets following disruptive geo-political uncertainty caused by the ongoing trade war between the US and China.	5	4	1	10	4	40	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 take place in Q1 of 2020/21.	3	30	05/05/2020
Investment	4		Volatility caused by uncertainty with regard to the UK's exit from the European Union, lack of trade deal and the economic after effects. There will be a transition period until the end of 2020, during which time the UK and EU will negotiate new arrangements from 2021.	4	4	1	9	3	27	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 exited the EU on 31 January 2020, there is now a transition period until the end of 2020. During this time current rules on trade, travel and business for the UK and EU will apply.	3	27	05/05/2020

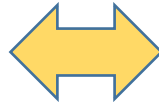





Funding	5		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	22	TOLERATE: The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	22	05/05/2020
Funding	6		Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%.	5	3	2	10	3	30	TREAT- 1) Actuarial valuation results show an increase in the CPI assumption of 0.2% from the 2016 valuation. 2) The fund holds investment in index-linked bonds (RPI protection which is higher than CPI and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection.	2	20	05/05/2020
Funding	7		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 2020/21 of members transferring out to DC schemes.	2	20	05/05/2020
Funding	8		Employee pay increases are significantly more than anticipated for employers within the Fund.	4	4	2	10	2	20	TOLERATE - 1) Actuarial valuation assumptions show a decrease in salary increases by 0.3% from 2016. 2) Fund employers should monitor own experience. 3) 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. 4) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014).	2	20	05/05/2020
Funding	9		Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	2	20	TOLERATE - 1) Political power required to effect the change.	2	20	05/05/2020
Investment	10		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 £1.5m.	5	3	1	9	3	27	TREAT- 1) The Investment Management Agreements (IMAs) clearly state WCC's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	2	18	05/05/2020

Operational	11		Insufficient attention paid to environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in September 2019, how this will effect the Pension Fund going forward is currently unknown.	3	2	4	9	3	27	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. 4) Following a carbon review of the Pension Fund investments, the Fund may consider investing in low carbon assets. 5) An ESG and RI Policy has been drafted for the Pension Fund.	2	18	05/05/2020
Governance	12		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	3	18	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	05/05/2020
Investment	13		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 take place in Q1 of 2020/21.	2	16	05/05/2020
Governance	14		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 shareholder 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) Jason Fletcher was appointed as the permanent CIO during April and is join to begin the role in July 2020. Jason has over 25 years worth of experience in the financial services industry and held the position of CIO at the LGPS Central pool. The LCIV have also appointed Jacquelin Jackson as the Head of Responsible Investment and lead the pool in their commitment to responsible investment and better understanding LCIV clients ESG requirements. Following Kevin Cullen's retirement, Cameron McMullen will be joining the LCIV as the new Client Relations Director.	2	16	05/05/2020

Funding	15		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	05/05/2020
Funding	16		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	TOLERATE: Review "budgets" at each triennial valuation and challenge actuary as required. Charge capital cost of ill health retirements to admitted bodies at the time of occurring. Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	14	05/05/2020
Funding	17		Impact of increases to employer contributions following the actuarial valuation	5	5	3	13	2	26	TREAT- 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	1	13	05/05/2020
Funding	18		There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	5	4	3	12	2	24	TREAT: 1) Cashflow forecast maintained and monitored. 2) Cashflow position reported to committee quarterly. 3) Cashflow requirement is a factor in current investment strategy review.	1	12	05/05/2020
Governance	19		Failure to take difficult decisions inhibits effective Fund management	5	3	4	12	2	24	TREAT-1) Officers ensure that governance process encourages decision making on objective empirical evidence rather than emotion. Officers ensure that the basis of decision making is grounded in the Investment Strategy Statement (ISS), Funding Strategy Statement (/FSS), Governance policy statement and Committee Terms of Reference and that appropriate advice from experts is sought.	1	12	05/05/2020
Governance	20		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 be considered during the 2016 actuarial valuation process. 3) Fund will respond to consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	12	05/05/2020

Funding	21		Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	5	3	3	11	2	22	TREAT- 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Investment strategy review is currently underway with an approved switch from equities to fixed income. 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 4) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	1	11	05/05/2020
Financial	22		Financial loss of cash investments from fraudulent activity.	3	3	5	11	2	22	TREAT - 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	11	05/05/2020
Operational	23		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)WCC IT data security policy adhered to. 3) Implementation of GDPR.	1	11	05/05/2020
Governance	24		Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	22	TREAT: 1) Officers maintain knowledge of legal framework for routine decisions. 2) Eversheds retained for consultation on non-routine matters.	1	11	05/05/2020
Funding	25		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	TREAT: 1) 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	05/05/2020
Regulation	26		A change in government may result in new wealth sharing policies which could negatively impact the value of the pension fund assets.	5	5	1	11	2	22	TREAT: 1) 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	11	05/05/2020
Governance	27		Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	2	2	1	5	4	20	TREAT - 1) Succession planning process in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	2	10	05/05/2020
Governance	28		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	TREAT: 1) At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Committee and officers scrutinise and challenge advice provided.	1	10	05/05/2020

Operational	29		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	05/05/2020
Investment	30		Failure of global custodian or counterparty.	5	3	2	10	2	20	TREAT: 1) At time of appointment, ensure assets are separately registered and segregated by owner. 2) Review of internal control reports on an annual basis. 3) Credit rating kept under review.	1	10	05/05/2020
Operational	31		Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	20	TREAT - 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant upon alternative suppliers at similar price being found promptly. 3) Fund is reliant on LGIM as transition manager. 4) Fund has the services of the London Collective Investment Vehicle (LCIV).	1	10	05/05/2020
Investment	32		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, infrastructure 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	05/05/2020
Governance	33		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	TREAT: 1) Person specifications are used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge. 4) Officers maintain their CPD by attending training events and conferences.	1	10	05/05/2020
Governance	34		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	05/05/2020
Operational	35		Inaccurate information in public domain leads to damage to reputation and loss of confidence.	1	1	3	5	3	15	Treat: 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. 3) Stage AGM every year.	2	10	05/05/2020

Funding	36		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	TREAT: 1) 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. 2) Cashflow position monitored monthly.	1	9	05/05/2020
Governance	37		Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	2	18	TREAT: 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval).	1	9	05/05/2020
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 a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	9	05/05/2020
Regulation	39		Loss of flexibility to engage with Fund Managers and loss of elective professional status with any or all of the existing Fund managers and counterparties resulting in reclassification. (The Fund is a retail client to counterparties unless opted up).	3	2	2	7	2	14	TREAT: 1) 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. 2) Maintaining up to date information about the fund on relevant platforms. 3) Fund can opt up with prospective clients. 4) 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. 5) Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	7	05/05/2020
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 - 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.	1	7	05/05/2020
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	TREAT: 1) Review at each triennial valuation and challenge actuary as required. Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	1	7	05/05/2020

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