



City of Westminster

Committee Agenda

Title: Pension Board

Meeting Date: Wednesday 13th March, 2024

Time: 6.30 pm

Venue: Room 18.06, 64 Victoria Street, London, SW1E 6QP

Members: Councillors:

Christopher Smith (Chair) Barbara Arzymanow
Matt Noble (Vice-Chair) Marie Holmes
Terry Neville



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, Sarah Craddock, Committee and Councillor Liaison Officer.

**Email: scraddock@westminster.gov.uk
Corporate Website: www.westminster.gov.uk**

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

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

To note any changes to the membership.

2. DECLARATIONS OF INTEREST

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

3. MINUTES

To approve the minutes of the Pension Board meeting held on 30 November 2023.

(Pages 3 - 6)

4. PENSION ADMINISTRATION UPDATE

Report of the Director of People Services.

(Pages 7 - 14)

5. LGPS PROJECTS AND GOVERNANCE UPDATE

Report of the Director of People Services.

(Pages 15 - 20)

6. FUND FINANCIAL MANAGEMENT

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

(Pages 21 - 26)

7. PERFORMANCE OF THE COUNCIL'S PENSION FUND

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

(Pages 27 - 30)

8. ANY OTHER BUSINESS

**Stuart Love
Chief Executive
28 February 2024**



CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Thursday 30 November 2023 at 6.30pm in Room 18.07 -18.08, 18th Floor, 64 Victoria Street, SW1E 6QP and via Microsoft Teams**

Members Present: Mr Chris Smith (Chair and Scheme Member Representative) , Councillor Barbara Arzymanow (Employer Representative) and Marie Holmes (Employer Representative).

Officers Present: Patrick Rowe (Strategic Manager, Tri-Borough Treasury and Pensions), Billie Emery (FM Pensions), Sarah Hay (Senior Pensions and Payroll Officer), Diana McDonnell-Pascoe (Project Manager), and Sarah Craddock (Committee and Councillor Co-ordinator).

Apologies: Councillor Matt Noble (Vice-Chair and Employer Representative) and Mr Terry Neville OBE (Scheme Member Representative).

1. MEMBERSHIP

1.1 There were no changes to the Membership.

2. DECLARATIONS OF INTEREST

2.1 There were no declarations of interest, other than the standing declarations already made by Members.

3. MINUTES

3.1 **RESOLVED:** That the minutes of the meeting held on 21 September 2023 be approved as an accurate record of proceedings.

4. UPDATE ON PENSION ADMINISTRATION STRATEGY (Agenda Item 4 on the Agenda Pack)

4.1 The Board received a report summarising the proposal to update the City of Westminster Pension Fund (COWPF) Pension Administration Strategy (PAS) with effect from April 2024. The Board noted that the PAS set out the roles and responsibilities of both the Administering Authority and the Fund

employers and had helped eliminate the backlog of over 611 cases down to six cases that came from the prior administration partner to Hampshire Pension Services (HPS).

- 4.2 The Board discussed the work that had been carried (and continues to be carried out) out to reduce the number of future queries particularly in relation to missing new starters and leavers. The Board noted that with the Pension Fund's data much improved it was a sensible time to revise the PAS to increase the scope of potential PAS changes as an added incentive for employers to continue to build on their progress made in the past year.
- 4.3 The Board heard about the proposals to increase the PAS charge for all late submission data and discussed the advantages and disadvantages of the increase in the PAS charge for submission of starters and leavers data per case from £50 to £100. The Board noted that the increase would hopefully encourage employers to submit their data in a timely manner for the sake of members, to prevent another backlog and to ensure data was not lost.
- 4.4 The Board congratulated officers on the elimination of the backlog of cases and the overall quality of data that was now held by the Pension Fund.
- 4.5 **ACTION:** That an AGM be held in March 2024 and/or in the near future.
- 4.6 **RESOLVED:** That the report be noted.
5. **LGPS PROJECTS AND GOVERNANCE UPDATE Projects (Agenda Item 5 on the Agenda Pack)**
 - 5.1 The Board received an update on the Guaranteed Minimum Pension (GMP) Project with respect to the rectification calculation result, the financial impacts of rectification on the Fund and Pension recipients and to explain the options for consideration by the Pension Fund Committee. The Board heard how work was conducted to understand how members and the Fund were both individually affected by the changes and noted that this was a statutory project affecting all LGPS schemes in England and Wales.
 - 5.2 The Board heard how all GMP errors were an administrative error dating back many years and not a member error and that the member would have had no knowledge that they were being overpaid their pension. The Board noted how collection of the historic overpayments was not going to be pursued because of this and how members receiving less of a pension were impacted the most. The Board further noted how this highlighted the importance of improving the quality of data held by the Fund so that the Fund did not knowingly pay incorrect pensions.
 - 5.3 The Board discussed the options for consideration by the Pension Fund Committee:
 - a) To not make any changes and knowingly pay incorrect pensions.
 - b) Correct the member records but put in place a balancing shortfall payment.

- c) Correct the member records but keep the current pension amount in payment. Calculate Pensions Increases (PI) each year as normal but retain the PI amount until the shortfall is made up.
- d) Correct the member records and do not mitigate any impact on the pensioner because that was the Pension Fund Committee's duty to the Fund.

The Board considered how the decision taken may be received by the Pensions Ombudsman and the reaction by the Media should there be widespread coverage of the project and negative impacts to people in receipt of their pensions.

- 5.4 The Board discussed how the Fund was currently overpaying approximately circa £100,000 per year which would only increase if the members' records were not corrected and updated. The Board noted that there were also still four hundred cases that needed manual rectification due to missing data.
- 5.5 The Board considered that the Pension Fund should not be reducing these member's pensions especially because the overpayments were due to an administrative error and they had no way of knowing that they were being paid incorrectly. The Board concluded therefore the situation these members found themselves in was in no way their fault.
- 5.6 **ACTIONS:**
 - 1. To provide an analysis of the members affected by the GMP Project.
 - 2. To provide details of how other Funds were rectifying their overpayments.
- 5.7 **RESOLVED:** That the Pension Board's comments contained at paragraph 5.5 be sent to the Pension Fund Committee for them to take into consideration when they make their final decision.

6. FUND FINANCIAL MANAGEMENT (Agenda Item 6 on the Agenda Pack)

- 6.1 The Board discussed the report which outlined the top five risks for the governance and pension administration fund which were set out in the report.
- 6.2 The Board had detailed discussions over the identified risks, that the significant price inflation was more than anticipated in the actuarial assumptions, the continuation of the global economic stability following Russia invading Ukraine, the situation with Israel and Gaza and the implications of the proposed new regulations for Local Government Pension Scheme (LGPS) administration authorities in England and Wales to assess, manage and report on climate-related risks.
- 6.3 **ACTION:** That the performance of other LGPS funds for the year to 31 March 2023 be sent to members of the Board.

6.4 RESOLVED:

- 1) That the top five risks for the Pension Fund be noted.
- 2) That the cashflow position for the pension fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast be noted.

**7. PERFORMANCE OF THE COUNCIL'S PENSION FUND
(Agenda Item 7 on the Agenda Pack)**

- 7.1 The Board received a report setting out the performance of the Pension Fund's investments to 30 September 2023, together with an update on the London CIV. The Board discussed and noted that the Fund returned -1.5 % net of fees to 30 September, underperforming the benchmark by 1.9%
- 7.2 The Board discussed the effects of the global economic stability on interest rates and inflation and hence the investments made on behalf of the Pension Fund. The Board noted the decision to diversify into renewable infrastructure had been beneficial for the Pension Fund.
- 7.3 **RESOLVED:** That the performance of the investments and the updated funding levels to 30 September 2023 be noted.

8. ANY OTHER BUSINESS

8.1 ACTIONS:

1. That the next Pension Board Members will be held on Wednesday 28 February 2024.
2. That the Chair contact a software company to provide the Board with a detailed report of the sustainable truth of all their Fund's investments.

9. TERMINATION OF MEETING

- 9.1 The meeting ended at 8.02pm.

Chair _____ Date _____



Pension Fund Board

Date:	13th March 2024
Classification:	General Release
Title:	Pension Administration Update
Report of:	Sarah Hay, Pensions Officer People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	£

1. Introduction

1.2 This report provides a summary of the performance of Hampshire Pension Services (HPS) with the Key Performance Indicators (KPIs) for the month of September 2023 through to December 2023. In section 3 I give an update on the ongoing data projects, our latest data scores and the scoring of the employer performance monitoring for 2023. In Section 4 I give a brief update on the Pensions Increase, The Pensions Regulator Code and a general cyber update.

2.1 KPI Performance

2.2 The scope of the KPIs in this report have been agreed between WCC and HPS in our agreement.

2.3 This paper covers the period of September 2023 to December 2023.

2.4 KPI performance for each month is within each partnership report. HPS report 100% compliance within the agreed KPI in each month. The majority of our KPIs require cases to be completed within 15 days. HPS do provide a breakdown for each category that shows the number of cases processed in each 5-day block.

2.5 Below I have summarised the cases completed in each category in the month.

KPI	Target Days	Sep-23	Oct-23	Nov-23	Dec-23
Active Retirement	15 days	11	9	7	4
Deferred Retirement	15 days	25	27	29	10
Estimates	15 days	57	23	29	33
Deferred Benefits	30 days	66	47	41	51
Transfers In & Out	15 days	2	4	10	6
Divorce	15 days	3	4	5	2
Refunds	15 days	5	10	17	24
Rejoiners	20 days	2	2	0	2
Interfunds	15 days	34	28	23	39
Death Benefits	15 days	8	15	20	6
Grand Total		213	169	181	177
		100%	100%	100%	100%

- 2.6 The Pension Board will want to note that the work on hold reported to us jumped from 207 cases at the end of November 2023 to 330 at the end of December 2023. This is not a true increase in cases that HPS are dealing with but rather they were under reporting work on hold previously. This came to light after I queried if all cases were included on the work on hold table as very few if any cases were listed as on hold for 31 days plus. This is not the reality for any administrative partner working on pension cases, as to progress work you are relying on responses from members and other organisations not all of whom reply in 31 days.
- 2.7 Cases not previously reported included, where a member had claimed previous LGPS service but where the previous fund had not provided information or where a death had occurred, but no beneficiary details had yet been provided were held on different processes. These processes were still monitored internally by HPS but did not feed into the SLA reports for partners. The processes have now been changed so that they are included in the outstanding SLA cases reported. This will now allow us to drill down into cases that have not moved for several months.
- 2.8 For information as at the end of December 2023, 211 cases are now reported as being 31 days plus in workflow and 124 of these are Interfunds (transfers between LGPS Funds). I now have details of some of the older Interfund transfer cases that are part of this work on hold. I am personally reviewing to see if I can help to move them into the next relevant phase or close them down if appropriate. This will take some time to progress, but I will keep you updated going forward with an aim to reduce the cases that are this old.

2.9 The fund strategy working with HPS is to increase the interaction the fund has through the member portal. I am pleased to advise the Pension Board that as at the end of December we now have 41.15% of the Funds membership registered for portal access. The plan is this year to ask HPS to breakdown the active member access via Fund employer so we can reach out to those employers specifically with lower take up rates of the portal and ask them to promote to their members.

Portal	Opted IN
Active	50.81%
Deferred	31.46%
Pensioner	44.67%
TOTAL	41.15%

2.10 HPS received one compliment in October 2023, Two in November 2023 from our members as below;

“This fully answers my query and explains for me the rationale. Thank you so much to you and your colleagues. I’ve been so impressed with the responsiveness and patience of your service.”

“Very helpful, very satisfied.”

“Prompt Response”

2.11 There were no complaints received within the period.

3. Data Work

3.1 The backlog project is down to the last cases. Of the 611 cases in scope, HPS have completed 605 with 6 remaining as of the 31st December 2023. This actually should be reduced to 4 at the end of January 2024 and work is continuing between us and HPS to iron out the final issues that are preventing the closure of these final cases.

3.2 The Fund received our data scores in November 2023 for our common and scheme specific data scores. Common data includes data that all schemes hold

including name, address, date of birth etc. Scheme specific or conditional data includes data that only defined pension schemes need including for example CARE pay. The table below demonstrates how both our common and scheme specific data have improved since 2021 when we moved to HPS. The improvement is also a demonstration of the impact that the data work we have been doing as a Fund has had. We will be reviewing a breakdown of the errors we still have to see if further action is needed but it may not be feasible to make further improvement at a reasonable cost. For example, some errors don't impact member benefits and therefore it may not be prudent to spend money to clear them up. Also, we still have records without an address but the Fund has spent money address tracing in the last few years and the majority of records where we did not have address would have been sent for tracing. I don't think another bulk address tracing exercise would be a good use of the Funds resources at the current time.

	21	22	23
Common Data Score	72%	82%	85%
Scheme Specific (Conditional Data Score)	87%	89%	92%

3.3 The employer performance letters went out in the Autumn for the first time since we joined HPS in November 2021. Essentially those letters are a measure of the employers performance following the annual return submissions at the end of April 2023. There are three areas we measure, firstly, Timelines did the employer submit the return on time did they respond to any query without being chased. Second, Financial Control does the return match what was paid to the Fund in the year is the employer deducting and paying the correct contributions on time. Lastly, Data Quality how many errors are in the data, is there missing joiners and leavers identified through the return.

3.4 You can see the summary of the employer performance scores in 2022 and in 2023 below although we did not send out the 2022 scores as we concentrated on large scale data work and embedding HPS practice with employers. The main concern for me is that we had ten employers with failing data quality in 2023 and though there is a reduction from the prior year there is still work to be done by the Employers to improve that situation. I advise that all employers did engage to resolve their data queries in the end, and I am pleased to note the improvement to the responses in 2023.

Timeliness	2023			2022		
Return received	30 April or before	Between 1 and 31 May	1 June or after	30 April or before	Between 1 and 31 May	1 June or after
Rating	Green	Amber	Red	Green	Amber	Red
No. of employers	21	13	0	22	13	0
% represented	62%	38%	0%	63%	37%	0%
Financial Control	2023			2022		
	No reconciliation issues	Minor reconciliation issues/quickly resolved	Major reconciliation issues and/or slow/failed to respond	No reconciliation issues	Minor reconciliation issues/quickly resolved	Major reconciliation issues and/or slow/failed to respond
Rating	Green	Amber	Red	Green	Amber	Red
No. of employers	33	1	0	31	1	3
% represented	97%	3%	0%	89%	3%	8%
Data Quality	2023			2022		
	Data quality good	Minor data quality issues, quickly resolved	Major data quality issues and/or slow/failed to respond	Data quality good	Minor data quality issues, quickly resolved	Major data quality issues and/or slow/failed to respond
Rating	Green	Amber	Red	Green	Amber	Red
No. of employers	6	18	10	6	11	18
% represented	18%	53%	29%	17%	32%	51%

- 3.5 The Pension Board will want to note that the proposed new PAS as covered in the last meeting, with increased potential charges for employers has gone out for consultation. At the time of writing this report no responses have been received but we have just chased in case anyone has feedback.
- 3.6 The production of Annual Benefit Statements (ABS) has continued with 99.71% Active member benefit statements now produced with 14 outstanding. All the preserved benefit statements have been produced. This is excellent production rates and does indicate the overall quality of our member data. We are continuing to work with HPS to make sure that those 14 ABS get produced.

4 Pensions Increases, Cyber Security and The Pensions Regulator Code

- 4.1 The Fund has been advised that the pension increase to be applied in April is 6.7% and this is being actioned to our pension payroll by HPS.
- 4.2 I can confirm that in line with increased cyber protection measures a full systems penetration test was carried out on the pensions software system in November. HPS are addressing issues with the supplier that come up because of testing to improve the security of the system. I cannot share details in this report which is publicly available. You should be assured that HPS will be doing full tests at least twice a year to identify and address issues.
- 4.3 The Pensions Regulator (TPR) has now published a single code of practice to include defined benefit schemes, defined contribution schemes and personal pension schemes. The code of practice amalgamates several previously separate codes but additionally enhances some requirements as well. I would recommend members of the Pension Board read the new code to be aware of the requirements in the code. We will be reviewing our policies going forward in line with the code and will update the Pension Board further in later meetings.
- 4.4 Additionally in line with the above points the Pension Board may want to note that TPR has published its regulatory intervention report in relation to a cyber breach at Capita last year. This was in relation to Capita's pension administration service that it offers to a number of pension Funds. The Pension Board may want to read the report themselves as a point of learning. We will be developing a cyber statement and a plan for our fund in conjunction with our administration partner HPS. We will update the Board in due course.

5. Summary

- 5.1 In Section 2, I covered the KPI data for the period September 2023 through to December 2023 is 100% within the agreed target.
- 5.2 In section 3, I update the Pension Board on the continuing data work projects.
- 5.3 I update the Board on the improved common and specific data scores for 22/23.
- 5.4 I update the Pension Board on the employer performance scores for 2023.
- 5.5 I have updated the Board on the Pension Increase (PI) being applied in April.

- 5.6 I have advised the Board of the new TPR single code and suggested that members may want to review the code. I have also updated the Board on a published update on the Capita cyber breach as published by the regulator.

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Pension Fund Board

Date:	13 March 2024
Classification:	General Release
Title:	LGPS Projects & Governance Update
Report of:	Diana McDonnell-Pascoe Pension Project and Governance Lead, People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	None

1. Introduction

The purpose of this paper is to update the Pension Board on the various projects and governance activities being undertaken by the Pensions and Payroll Team to improve the administration of the City of Westminster Pension Fund (COWPF) Local Government Pension Scheme (LGPS).

2. Summary

The focus for FY24/25 will be on reviewing and improving our administration governance (and compliance with the new TPR general code of practice) with a view to working with the Head of Internal Audit to draw up a formal audit that we can benchmark against and measure our governance performance. We are close to a resolution on the decision for the Guaranteed Minimum Pension Project and once the Pension Committee makes their decision, we will be implementing the GMP rectification fully. The McCloud project is continuing, and we are supporting

Hampshire Pension Services with ongoing work to get all the returns uploaded. The Pension Dashboard Programme has been reset and Civica are working with the internet service provider (ISP) to ensure connections can be made on time. The Pension Website Project has also been reset briefly as we need a content management strategy before we can move into user design however, we still intend to complete this project before the contract with Hymans Robertson expires in October / November 2024.

3. Projects

3.1. Guaranteed Minimum Pension Project

We have commenced the process of paying arrears to fifty-one members who had been underpaid. The notification letters went out at the beginning of February and so far, we have had three queries which are being dealt with. I will update on any queries further, if needs be, at the next Pension Board meeting.

I am in the process of preparing my paper for Pension Committee with respect to the members who have been receiving overpayments. The Committee requested I further explore Options 3 and 4 from my previous paper which were to either calculate and withhold PI until the overpaid pension amount balances (there is a risk of the member deceasing before balance is achieved) or to correct the member records without mitigation.

Although my paper is yet incomplete, I can tell the Board that the legal advice we have received from Eversheds Sutherland (International) LLC indicates that we may not withhold PI without the member's agreement and that the correct course of action is to correct the member records without mitigation.

I can also tell the Board that after speaking with various officers from different pension funds at the LGPS Governance Conference in January 2024, several funds have gone with Option 4 which is to correct the members' records without mitigation.

3.2. McCloud

Hampshire Pension Services (HPS) are no longer pro-actively chasing employers and have referred outstanding returns to the Fund to obtain. Of the employers with outstanding returns, there are nine outstanding returns for each of the two pay periods and there are some unusable returns.

In the absence of data being received, they will look to estimate service based on pay held on the record. This means the project can continue to completion.

HPS have fully uploaded:

- 2014-21 data – 22 returns (out of 37), five of which are the Funds largest employers.
- 2021-22 data – 20 returns (out of 36), two of which are for the Funds largest employers.

This is an ongoing project, and we will support HPS to complete it.

3.3. Pensions Dashboards Programme (PDP)

In a recent update from Civica, they explained that they are resuming work on their Internet Service Provider (ISP) solution following the PDP's reset. Initially they need to demonstrate their solution meets all the necessary standards and requirements, as set out by the PDP, and once this work is complete, they can then deliver the ISP software to Hampshire Pension Services.

3.4. Pension Website

The Pension Website has mostly completed the “Discovery” phase of the project. The outstanding task (which may take place at user design is to do with getting the views of young people). The reason behind the discovery phase taking a long time is simply that this is the first time the Fund has focused on how we disseminate and provide information for users to use i.e., focused on a communications strategy. Because of this, we focused intensely on the user

research phase to ensure we "discovered" as much as possible before going into design.

Although we commenced the design phase, it became obvious that we were going too detailed too quickly and that we needed a content management strategy first.

Therefore, we are now going to focus on getting some product management support from Digital and Innovation and content manager support from the user design team so that we can evaluate our content for retention, disposal, creation, or rewrite. Once that is complete, we can move into User Design and then website production. I will update further at the next Board meeting.

3.5. LGPS Governance Conference 2024

Sarah Hay (Strategic Pension Lead) and I attended the LGPS Governance Conference in January, and it was a worthwhile experience as we were able to network with other Funds and hear from experts in the pensions sphere and other pensions-adjacent topics. We heard from the Pensions Ombudsman amongst others and had a very timely update on Cyber Security which was held by a government official in closed session effectively. We also heard legal advice/opinion (not binding) on the new Pension Regulator general code of practice and how it might affect Funds. There were also interesting panel discussions including one on governance with respect to Academies. Sarah and I intend that in FY24/25 we will focus heavily on reviewing and improving administration governance including risk management.

3.6. The Pensions Regulator (TPR) General Code of Practice 2024

On 10th January 2024, TPR laid a new general code of practice before parliament. The new code will replace ten of the existing codes of practice. These deal with the governance and administration of pension schemes. As part of our administration governance review in FY24/25 we will review compliance with the code.

3.7. External Audit

No update.

3.8. Internal Audit

The final Q4 internal audit meeting with Moira Mackie, Head of Internal Audit, will take place on 22nd February 2024. At that meeting I intend to discuss the new general code of practice and plans for improving administration governance in FY24/25. I will update the Board at the next meeting on those plans.

Additionally, Mohibur Rahman, Head of Strategy and Performance, has agreed to mentor me to ensure we use best practice methods when setting up / improving our governance. As Mohibur works frequently with Moira, this is a good partnership for us to have.

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City of Westminster

Pension Board

Date:	13 March 2024
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 top five risks are highlighted in the report below.
- 1.2 The cashflow forecast for the next three years has been updated, with actuals to 31 December 2023 for the Pension Fund bank account and cash held at custody (Northern Trust). The bank/cashflow position continues to be stable.

2. Recommendations

- 2.1 The Board is asked to note the top five risks for the Pension Fund.
- 2.2 The Board is asked to note the cashflow position for the Pension Fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast.

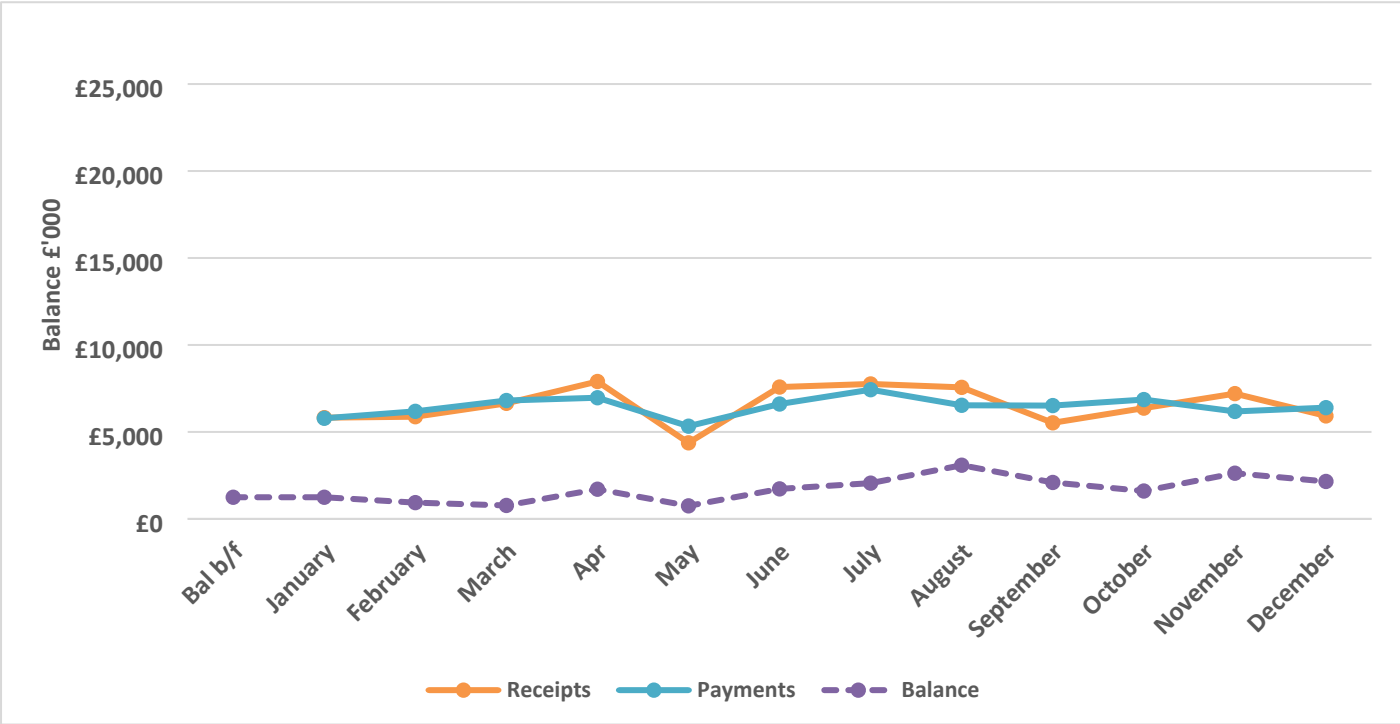
3. Risk Register Monitoring

3.1 The risk register is divided into two sections: investment and pensions administration. The risk groups have been updated to reflect the CIPFA guidance on risk categories. The current top five risks to the Pension Fund, as updated in February 2024, are highlighted in the table below:

CIPFA Risk Group	Risk Rank	Risk Description	Trending
Asset and Investment Risk	1 st /42	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty, including the conflict between Russia and Ukraine, and Israel and Gaza. Increased risk to global economic stability, with the collapse of a number of banks during 2023. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with volatility in oil and commodity prices, as well as the weakening of the pound. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.	
Liability Risk	2 nd /42	Price inflation is significantly more than anticipated in the actuarial assumptions. Inflation continues to remain in the UK and globally due to labour shortages, supply chain issues, and the ongoing Russia-Ukraine conflict, as well as the conflict in the middle East. CPI inflation was 5.1% as at January 2024, down from the peak of 11.1% in October 2022.	
Asset and Investment Risk	3 rd /42	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 £1.9m. The Fund returned 11.9% net of fees in the year to 31 December 2023, underperforming the benchmark by 1.1% net of fees.	
Regulatory and Compliance Risk	4 th /42	The Department for Levelling Up, Housing and Communities' (DLUHC's) has proposed new regulations for Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD). The first reporting year is now expected to be the financial year 2025/26, with the regulations now delayed. Therefore, the first reports will be required by December 2026.	
Liability Risk	5 th /42	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others. Current economic conditions will cause strain on smaller employers.	

4. Cashflow Monitoring and Forecasted Cashflows

- 4.1 The balance on the Pension Fund’s Lloyds bank account as at 31 December 2023 was £2.2m. This account is the Fund’s main account for day-to-day transactions, including member contributions and pension payments. Payments from the bank account will continue to exceed receipts on an annual basis. During the year, withdrawals from cash at custody are expected to take place to maintain a positive cash balance.
- 4.2 The graph shows changes in the bank balance from 1 January 2023 to 31 December 2023.



- 4.3 Payments and receipts have remained stable over the last 12 months. Officers continue to keep the cash balance under review and take action to maintain necessary liquidity. During the quarter, the Fund withdrew £4.0m from cash at custody to maintain a positive cash balance.
- 4.4 The Pension Fund held £27m in cash with Northern Trust as at 31 December 2023. Fund manager distributions and proceeds/withdrawals from the sale of assets and purchases of assets take place within the Fund’s custody account at Northern Trust. The following table shows the cash inflows and outflows within cash at custody for the three-month period from 1 October 2023 to 31 December 2023.

Cash at Custody	Oct	Nov	Dec
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	40,533	46,365	45,732
Distributions	902	1,230	2,292
Sale of assets	20,506	0	12,981
Interest	1,774	113	135
Cash withdraw	(2,000)	(2,000)	0
Foreign Exchange Gains/Losses	1	1	(6)
Purchase of Assets	(15,357)	(1)	(34,052)
Miscellaneous	0	(6)	6
Management fees	6	30	(62)
Balance c/f	46,365	45,732	27,026

- 4.5 During the quarter, an equalisation took place within the Quinbrook renewable infrastructure fund, as well as further capital calls within the Macquarie Renewable Infrastructure, Quinbrook Renewables, CVC Credit Private Debt and London CIV UK Housing funds. The Fund also received distributions of £4.4m from asset managers over the quarter to 31 December 2023.
- 4.6 The total cash balance, including the Pension Fund Lloyds bank account and cash at custody, is shown below for the period from 1 October 2023 to 31 December 2023. The total cash balance as at 31 December 2023 was £29.2m.

Cash at Custody & Bank account	Oct	Nov	Dec
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	42,628	47,969	48,359
Cash outflows	(22,217)	(6,186)	(40,516)
Cash inflows	27,558	6,576	21,335
(Withdraw)/Deposit from custody to bank account	(2,000)	(2,000)	0
(Withdraw)/Deposit from bank account to custody	2,000	2,000	0
Balance c/f	47,969	48,359	29,178

4.7 The following table illustrates the rolling cashflow for the 12-month period from 1 April 2023 to 31 March 2024 for the Pension Fund Lloyds bank account. Forecast cashflows are estimated using the previous year's actual cashflows, which are inflated and then divided equally over the 12 months.

Current Account Cashflows for period April 2023 - March 2024:

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Rolling Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	F'cast	F'cast	F'cast	
Balance b/f	774	1,707	751	1,726	2,056	3,087	2,095	1,603	2,627	2,153	2,315	1,477	£000s
Contributions	6,298	993	3,970	3,810	3,795	4,050	3,849	4,120	4,314	3,759	3,759	3,759	46,478
Various Receipts ¹	601	380	611	948	767	1,473	519	1,083	1,606	872	872	872	10,606
Pensions	(3,813)	(3,923)	(3,913)	(3,977)	(3,964)	(3,956)	(3,992)	(3,994)	(3,987)	(4,023)	(4,023)	(4,023)	(47,588)
HQRC Tax Payments	(744)	(795)	(916)	(890)	(853)	(1,192)	(927)	(887)	(852)	(681)	(681)	(681)	(10,097)
Transfers out, lump sums, death grants, refunds & misc. payments	(2,164)	(455)	(1,744)	(2,552)	(1,530)	(1,349)	(1,764)	(1,266)	(1,540)	(1,572)	(1,572)	(1,572)	(19,080)
Expenses	(245)	(157)	(32)	(9)	(185)	(18)	(176)	(32)	(17)	(194)	(194)	(194)	(1,454)
Net cash in/(out) in month	(67)	(3,956)	(2,024)	(2,670)	(1,969)	(991)	(2,492)	(976)	(475)	(1,838)	(1,838)	(1,838)	(21,135)
Withdrawal/(deposit) from custody	1,000	3,000	3,000	3,000	3,000	0	2,000	2,000	0	2,000	1,000	2,000	22,000
Balance c/f	1,707	751	1,726	2,056	3,087	2,095	1,603	2,627	2,153	2,315	1,477	1,639	

- 4.8 The three-year cashflow forecast for 2023/24 to 2025/26 for the Pension Fund's Lloyds bank account is shown below. The 2023/24 forecasted cashflows are linked to the rolling cashflow. The following years forecasts' are calculated using the previous year's cashflows which are then inflated, with pensions payable linked to CPI-inflation.

Three Year Cashflow Forecast for 2023/24 to 2025/26

	2023/24	2024/25	2025/26
	£000	£000	£000
	F'cast	F'cast	F'cast
Balance b/f	774	1,639	844
Contributions	46,478	47,408	48,356
Transfers in, overpayments, VAT reclaim, recharges & misc. receipts	10,606	10,818	11,034
Pensions	(47,588)	(50,777)	(51,792)
HMRC Tax	(10,097)	(10,299)	(10,505)
Transfers out, lump sums, death grants, refunds & misc. payments	(19,080)	(19,462)	(19,851)
Expenses	(1,454)	(1,483)	(1,512)
Net cash in/(out) in year	(21,135)	(23,795)	(24,270)
Withdrawal/(deposit) from custody cash	22,000	23,000	25,000
Deficit Recovery Contributions	0	0	0
Balance c/f	1,639	844	1,574

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

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BACKGROUND PAPERS: None.

APPENDICES: None.

ACRONYMS:

CIPFA: Chartered Institute of Public Finance and Accountancy

CPI: Consumer Prices Index



City of Westminster

Pension Board

Date:	13 March 2024
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 December 2023, together with an update on the London Collective Investment Vehicle (LCIV) and funding level.
- 1.2 The Fund returned 6.5% net of fees over the quarter to 31 December 2023, outperforming the benchmark by 0.8%.

2. RECOMMENDATION

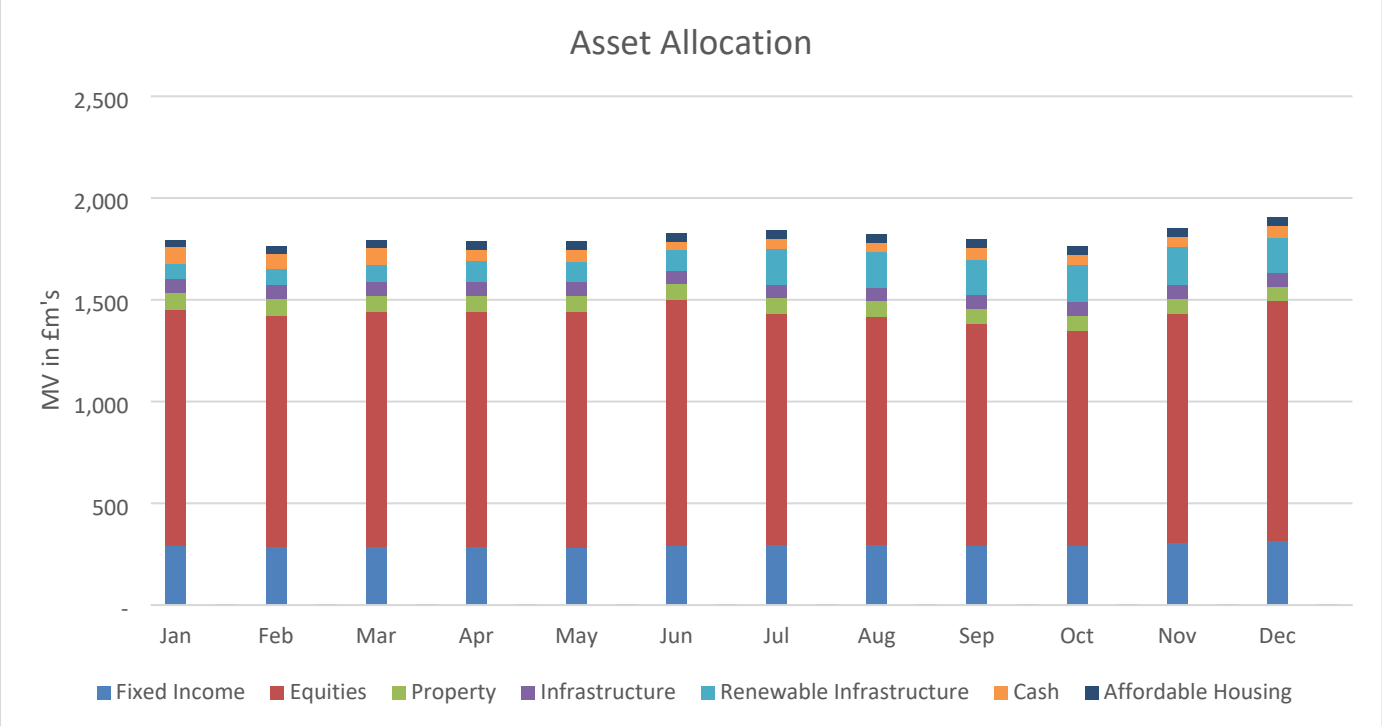
- 2.1 The Board is asked to:
 - Note the performance of the investments and the updated funding level as at 31 December 2023.

3. BACKGROUND

- 3.1 This report presents a summary of the Pension Fund's performance to 31 December 2023.
- 3.2 The market value of investments increased by £111m to £1.907bn over the quarter to 31 December 2023, with the Fund returning 6.5% net of fees. The Fund outperformed the benchmark by 0.8% net of fees, with Quinbrook Renewable Infrastructure, London CIV Global MAC and Insight Buy and Maintain Bonds being the main contributors to outperformance. The Abrdn Long Lease Property and Man Group Community Housing funds underperformed their respective benchmarks by 12% and 1.2% net of fees.
- 3.3 Over the 12-month period to 31 December 2023, the Fund underperformed its benchmark net of fees by 1.1% returning 11.9%. This underperformance can be largely attributed to the Abrdn Long Lease Property, which underperformed its benchmark by 17.8%, owing to the detraction in long-dated property over the year. The CVC Credit Private Debt mandate performed well over the one-year period, returning 12.9% net of fees, outperforming the benchmark by 8.1%.
- 3.4 Over the longer three-year period to 31 December 2023, the Westminster Fund underperformed the benchmark net of fees by 2.0%, returning 3.1% net of fees. The main driver of this underperformance was the Baillie Gifford equity mandate, which returned -1.1% net of fees, in comparison to the MSCI World which generated returns of 8.2%.
- 3.5 It should be noted that the investment advisor, Isio, continues to rate the fund managers favourably.
- 3.6 Officers are pleased to report that the City of Westminster Pension Fund was successful in retaining its accreditation to the UK Stewardship Code. The UK Stewardship Code 2020 sets high stewardship standards for asset owners and asset managers, and for service providers that support them. As per the most recent update to the signatories, the Westminster Pension Fund is amongst only a handful of LGPS funds in London to achieve signatory status.
- 3.7 The estimated funding level for the Westminster Pension Fund decreased slightly to 156% at 31 December 2023 (160% at 30 September 2023).

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The following chart shows the changes in asset allocation of the Fund from 1 January 2023 to 31 December 2023. Please note asset allocations may vary due to changes in market value.



*Fixed Income includes bonds, multi asset credit (MAC) and private debt
 **Cash includes the NT ESG Ultra Short Bond Fund and Ruffer (LCIV) Absolute Return Fund

4.2 The current Westminster Pension Fund target asset allocation is 55% of assets within equities, 19% in fixed income, 11% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and socially supported housing.

4.3 Over the quarter to 31 December 2023, capital calls relating to the Macquarie Renewable Infrastructure, Quinbrook Renewables, CVC Credit Private Debt and London CIV UK Housing funds took place. As well as this, there was an equalisation within the Quinbrook renewable infrastructure fund.

5. LONDON CIV UPDATE

5.1 The value of Westminster Pension Fund investments directly managed by the London CIV as at 31 December 2023 was £839m, representing 44% of Westminster’s investment assets. A further £463m continues to benefit from reduced management fees, through Legal and General having reduced its fees to match those available through the LCIV.

5.2 As at 31 December 2023, the London CIV had £29.4bn of assets under management of which £15.9bn are directly managed by the London CIV. All London CIV funds, that Westminster are invested in, were on normal monitoring at quarter end.

5.3 During the quarter, Aoiffin Devitt joined the London CIV as the new Chief Investment Officer, with more than 15 years' experience working within the LGPS network. Aoiffin has extensive experience in senior investment roles including as head of investment for Ireland at Hermes Fund Managers, and CIO for the Policemen's Annuity and Benefit Fund of Chicago. Recent experience also includes independent adviser roles to four local authority pension funds in the UK, as well as other investment committee positions.

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

BACKGROUND PAPERS: None.

APPENDICES: None.

ACRONYMS:

LCIV/ London CIV: London Collective Investment Vehicle

ESG: Environmental, Social and Governance

MAC: Multi Asset Credit