

City of Westminster Pension Fund

Funding Update Report
as at 30 September 2015

Graeme D Muir FFA
Barnett Waddingham LLP

3 November 2015

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1. Introduction

- 1.1. We have carried out a quarterly monitoring assessment of the City of Westminster Pension Fund (the Fund) as at 30 September 2015. The purpose of this assessment is to provide an update on the funding position.
- 1.2. We assess the funding position on a smoothed basis which is an estimate of the average position over a six month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are projected numbers and likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.
- 1.3. In addition, we assess the funding position on an unsmoothed basis where assets are taken at market value and discount rates are taken as the spot rates at the reporting date.

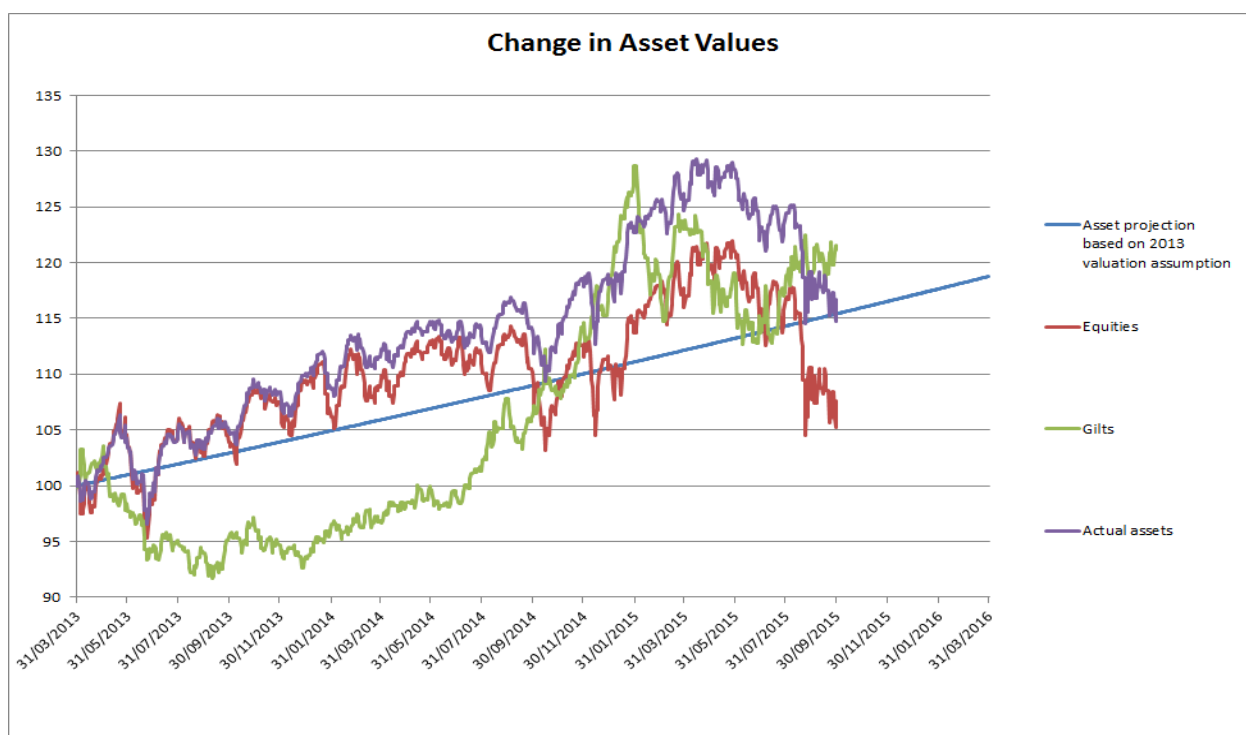
2. Assets

2.1. The estimated (unsmoothed) asset allocation of the City of Westminster Pension Fund as at 30 September 2015 is as follows:

Assets (Market Value)	30 September 2015		30 June 2015		31 March 2013	
	£000's	%	£000's	%	£000's	%
UK and Overseas Equities	751,756	73.5%	805,509	75.2%	643,179	73.6%
Bonds	142,444	13.9%	134,879	12.6%	111,092	12.7%
Property	98,128	9.6%	95,451	8.9%	35,787	4.1%
Gilts	26,151	2.6%	27,198	2.5%	49,821	5.7%
Cash and Accruals	3,876	0.4%	8,614	0.8%	34,303	3.9%
Total Assets	1,022,356	100%	1,071,652	100%	874,182	100%

2.2. The investment return achieved by the Fund's assets in market value terms for the quarter to 30 September 2015 is estimated to be -4.3%. The return achieved since the previous valuation is estimated to be 16.7% (which is equivalent to 6.4% p.a).

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



2.4. As we can see the asset value as at 30 September 2015 in market value terms is slightly more than where it was projected to be at the previous valuation.

3. Changes in market conditions – market yields and discount rates

3.1. The actual investment returns earned by the Fund will affect the value of the Fund's assets. The value of the Fund's liabilities, however, is dependent on the assumptions used to value the future benefits payable. The following table show how these assumptions have changed since the last triennial valuation:

Assumptions (Smoothed)	30 September 2015		30 June 2015		31 March 2013	
	Nominal %p.a.	Real	Nominal %p.a.	Real	Nominal %p.a.	Real
Pension Increases	2.69%	-	2.68%	-	2.74%	-
Salary Increases	4.49%	1.80%	4.48%	1.80%	4.54%	1.80%
Discount Rate						
<i>Scheduled Bodies</i>	6.06%	3.37%	5.98%	3.30%	5.90%	3.16%
<i>Admission Bodies (in service)</i>	4.79%	2.09%	4.73%	2.05%	4.90%	2.16%
<i>Admission Bodies (left service)</i>	3.00%	0.31%	2.98%	0.29%	3.50%	0.76%

Assumptions (Unsmoothed)	30 September 2015		30 June 2015		31 March 2013	
	Nominal %p.a.	Real	Nominal %p.a.	Real	Nominal %p.a.	Real
Pension Increases	2.59%	-	2.74%	-	2.80%	-
Salary Increases	4.39%	1.80%	4.54%	1.80%	4.60%	1.80%
Discount Rate						
<i>Scheduled Bodies</i>	6.10%	3.51%	6.10%	3.36%	5.91%	3.11%
<i>Admission Bodies (in service)</i>	4.77%	2.18%	4.86%	2.12%	4.86%	2.06%
<i>Admission Bodies (left service)</i>	2.92%	0.33%	3.12%	0.38%	3.40%	0.59%

3.2. The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate – the higher the real discount rate the lower the value of liabilities. As we see the real discount rates are broadly similar as at the 2013 valuation, maintaining the value of liabilities used for funding purposes.

4. Summary of results

4.1. The results of our assessment indicate that:

- the current projection of the smoothed funding level as at 30 September 2015 is 74% and the average required employer contribution would be 34.9% of payroll assuming the deficit is to be paid by 2038;
- the current projection of the unsmoothed funding level as at 30 September 2015 is 73% and the average required employer contribution would be 35.0% of payroll assuming the deficit is to be paid by 2038;
- this compares with the reported (smoothed) funding level of 74% and average required employer contribution of 29.8% of payroll at the 2013 funding valuation.

4.2. The discount rate underlying the smoothed funding level as at 30 September 2015 is 6.1% p.a. The investment return required to restore the funding level to 100% by 2038, without the employers paying deficit contributions, would be 7.4% p.a.

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

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



Graeme D Muir FFA

Partner

Appendix 1 Financial position since previous valuation

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

Valuation Date	Assets £000's	Liabilities £000's	Surplus/Deficit £000's	Funding Level %	Final Salary Ongoing (% of Payroll)	CARE Ongoing Cost	Past Service Ctn	Total Ctn (% of payroll)	Main Discount Rate	Return required to restore funding level (pa)
March 2013	866,938	1,164,198	(297,260)	74%	14.3%	13.3%	16.5%	29.8%	5.9%	7.1%
April 2013	878,910	1,165,568	(286,658)	75%	14.3%	13.8%	13.1%	26.8%	5.9%	7.1%
May 2013	888,642	1,169,568	(280,926)	76%	14.2%	13.7%	12.9%	26.6%	5.9%	7.1%
June 2013	895,688	1,170,718	(275,030)	77%	14.1%	13.5%	12.7%	26.2%	6.0%	7.1%
July 2013	904,339	1,173,403	(269,063)	77%	14.0%	13.4%	12.5%	25.9%	6.0%	7.0%
August 2013	909,690	1,175,518	(265,828)	77%	13.9%	13.3%	12.4%	25.7%	6.0%	7.1%
September 2013	918,777	1,183,051	(264,274)	78%	13.9%	13.3%	12.3%	25.7%	6.0%	7.1%
October 2013	929,362	1,191,805	(262,443)	78%	13.9%	13.4%	12.3%	25.7%	6.0%	7.0%
November 2013	938,213	1,201,055	(262,842)	78%	13.9%	13.4%	12.3%	25.7%	6.0%	7.0%
December 2013	946,872	1,211,047	(264,176)	78%	14.0%	13.4%	12.4%	25.8%	6.0%	7.0%
January 2014	954,969	1,220,108	(265,139)	78%	13.9%	13.4%	14.1%	27.5%	6.0%	7.0%
February 2014	962,658	1,228,794	(266,137)	78%	13.9%	13.4%	14.3%	27.7%	6.0%	7.0%
March 2014	1,004,578	1,236,829	(232,251)	81%	13.9%	13.4%	14.4%	27.8%	6.0%	6.9%
April 2014	1,005,726	1,247,749	(242,023)	81%	-	13.4%	15.8%	29.2%	6.0%	6.9%
May 2014	1,007,188	1,258,014	(250,825)	80%	-	13.4%	16.3%	29.7%	5.9%	6.9%
June 2014	1,009,896	1,238,977	(229,081)	82%	-	12.8%	15.5%	28.3%	6.1%	7.0%
July 2014	1,009,337	1,256,980	(247,642)	80%	-	13.0%	15.2%	28.2%	6.1%	7.0%
August 2014	1,009,990	1,267,542	(257,552)	80%	-	13.0%	15.8%	28.8%	6.0%	7.0%
September 2014	1,009,471	1,277,558	(268,087)	79%	-	13.0%	16.4%	29.4%	6.0%	7.0%
October 2014	1,023,980	1,302,309	(278,329)	79%	-	13.2%	17.1%	30.4%	5.9%	7.0%
November 2014	1,034,712	1,316,533	(281,820)	79%	-	13.3%	17.7%	31.0%	5.9%	6.9%
December 2014	1,040,341	1,330,754	(290,413)	78%	-	13.4%	18.4%	31.8%	5.9%	6.9%
January 2015	1,078,282	1,357,915	(279,633)	79%	-	13.7%	17.5%	31.2%	5.8%	6.8%
February 2015	1,091,181	1,371,376	(280,195)	80%	-	13.8%	17.9%	31.7%	5.8%	6.7%
March 2015	1,104,985	1,374,723	(269,739)	80%	-	13.7%	17.6%	31.3%	5.8%	6.8%
April 2015	1,106,355	1,376,996	(270,640)	80%	-	13.6%	17.4%	31.0%	5.9%	6.9%
May 2015	1,102,011	1,382,324	(280,313)	80%	-	13.5%	17.9%	31.4%	6.0%	7.0%
June 2015	1,088,000	1,398,944	(310,944)	78%	-	13.6%	19.2%	32.9%	6.0%	7.1%
July 2015	1,075,550	1,399,015	(323,464)	77%	-	13.4%	19.9%	33.3%	6.0%	7.2%
August 2015	1,065,910	1,403,042	(337,132)	76%	-	13.3%	20.5%	33.8%	6.1%	7.3%
September 2015	1,054,032	1,415,081	(361,048)	74%	-	13.3%	21.6%	34.9%	6.1%	7.4%

Barnett Waddingham

Public Sector Consulting

Unsmoothed										
Valuation Date	Assets £000's	Liabilities £000's	Surplus/ Deficit £000's	Funding Level %	Final Salary Ongoing (% of Payroll)	CARE Ongoing Cost	Past Service Ctbn	Total Ctbn (% of payroll)	Main Discount Rate	Return required to restore funding level (pa)
March 2013	874,182	1,175,148	(300,966)	74%	14.7%	13.6%	13.4%	27.0%	5.9%	7.1%
April 2013	886,487	1,186,870	(300,384)	75%	14.9%	13.8%	13.5%	27.3%	5.8%	7.0%
May 2013	901,919	1,182,756	(280,837)	76%	14.6%	13.5%	12.8%	26.2%	5.9%	7.0%
June 2013	862,959	1,138,024	(275,065)	76%	13.2%	13.5%	12.9%	26.4%	6.1%	7.2%
July 2013	911,592	1,173,707	(262,116)	78%	14.1%	13.5%	12.1%	25.6%	5.9%	6.9%
August 2013	897,984	1,162,093	(264,109)	77%	13.5%	13.3%	12.4%	25.7%	6.1%	7.2%
September 2013	910,261	1,176,348	(266,087)	77%	13.7%	13.3%	12.5%	25.8%	6.0%	7.0%
October 2013	944,904	1,208,939	(264,035)	78%	14.4%	13.2%	12.3%	25.5%	5.9%	6.9%
November 2013	939,772	1,206,750	(266,978)	78%	14.0%	13.4%	12.5%	25.9%	6.1%	7.1%
December 2013	953,407	1,212,836	(259,429)	79%	14.1%	13.4%	12.2%	25.6%	6.0%	7.0%
January 2014	940,435	1,213,328	(272,893)	78%	13.8%	13.4%	12.9%	26.3%	6.0%	7.0%
February 2014	979,617	1,231,045	(251,428)	80%	14.1%	13.4%	11.9%	25.3%	5.9%	6.9%
March 2014	994,420	1,226,711	(232,291)	81%	13.6%	13.2%	11.2%	24.5%	6.1%	7.0%
April 2014	1,009,341	1,247,964	(238,623)	81%	-	13.4%	15.7%	29.1%	6.0%	6.9%
May 2014	1,018,430	1,265,089	(246,660)	81%	-	13.6%	16.0%	29.5%	6.0%	6.9%
June 2014	1,005,898	1,245,649	(239,751)	81%	-	12.9%	15.8%	28.7%	6.1%	7.0%
July 2014	1,006,083	1,253,133	(247,050)	80%	-	12.9%	15.2%	28.1%	6.0%	7.0%
August 2014	1,032,413	1,288,597	(256,185)	80%	-	13.4%	15.7%	29.0%	5.9%	6.8%
September 2014	1,009,675	1,281,513	(271,838)	79%	-	13.0%	16.6%	29.6%	6.0%	7.0%
October 2014	1,013,601	1,293,450	(279,849)	78%	-	13.1%	17.2%	30.3%	6.0%	7.1%
November 2014	1,048,970	1,329,207	(280,237)	79%	-	13.6%	17.5%	31.1%	5.9%	6.9%
December 2014	1,047,254	1,339,010	(291,756)	78%	-	13.5%	18.5%	32.0%	5.8%	6.9%
January 2015	1,083,087	1,375,272	(292,185)	79%	-	14.0%	18.0%	32.0%	5.5%	6.5%
February 2015	1,107,211	1,377,004	(269,793)	80%	-	14.0%	17.1%	31.1%	5.7%	6.6%
March 2015	1,098,972	1,372,946	(273,974)	80%	-	13.6%	17.5%	31.1%	5.8%	6.8%
April 2015	1,118,105	1,391,869	(273,764)	80%	-	13.9%	17.5%	31.4%	5.9%	6.9%
May 2015	1,129,075	1,399,817	(270,742)	81%	-	13.8%	17.4%	31.2%	5.9%	6.9%
June 2015	1,071,652	1,383,734	(312,083)	77%	-	13.3%	19.4%	32.7%	6.1%	7.2%
July 2015	1,092,998	1,412,427	(319,429)	77%	-	13.7%	19.6%	33.3%	6.0%	7.1%
August 2015	1,045,267	1,390,462	(345,195)	75%	-	13.0%	21.0%	34.0%	6.1%	7.4%
September 2015	1,022,356	1,391,477	(369,121)	73%	-	12.8%	22.1%	35.0%	6.1%	7.5%