



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	21 March 2017
Classification:	Public
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:	Steven Mair <i>City Treasurer</i> smair@westminster.gov.uk 020 7641 2904

1. Executive Summary

- 1.1 This report presents a variety of information that will assist the Pension Fund Committee in monitoring key areas to ensure effective control of the Fund's operations and help inform strategic decisions.

2. Recommendations

- 2.1 The Committee is asked to approve the updated risk register for the Pension Fund.
- 2.2 The Committee is asked to note the cashflow position of the Fund.

3. Risk Register Monitoring

- 3.1 The risk register for the Pension Fund was established and first approved by the Committee in May 2015. The risk register uses the scoring matrix from the Tri-Borough risk management guidance which is set out in Appendix 1.
- 3.2 At the Committee meeting in June 2016, it was reported that the risk register scoring matrix which is used to evaluate the residual risk was very subjective and would benefit from greater definition. It was agreed

that a more quantitative approach should be explored which would be more appropriate and specific to the Pension Fund.

- 3.3 Officers from the Tri-Borough Pensions Team met in October 2016 to review and develop the current scoring process, which would then be applied consistently across the three Pension Funds' risk registers.
- 3.4 It is proposed that the impact scores for each risk be broken down further and rated against the impact on cost/budget or the impact on members of the scheme as outlined below:

Impact Description	Impact on Cost/Budget	Impact on Members
1 Very Low	Up to £50k	Up to 10 members
2 Low	From £50k to £200k	11 to 100 members
3 Medium	From £200k to £1m	101 to 500 members
4 High	From £1m to £50m	501 to 5000 members
5 Very High	Above £50m	Above 5000 members

- 3.5 The scoring has been updated by officers to reflect the changes above and the proposed risk register is attached as Appendix 2 and the front summary sheet outlines the changes which have been made
- 3.6 The Committee are invited to review the new scoring process and approve the updated risk register.

4. Cashflow Monitoring

- 4.1 The cashflow forecast has been updated to reflect the actual position held at the end of December 2016. This is included at Appendix 3.
- 4.2 In September 2016, arrangements were put in place to redeem £4.5 million from both the Baillie Gifford mandate (managed by the London CIV) and the Longview mandate as previously approved by the Pension Fund Committee. Half of these funds were transferred into the bank account at the time, to service the immediate cashflow requirement. The remainder was held in a money market fund earning interest at Northern Trust until it was required in December 2016.
- 4.3 In March 2017, additional employer contributions are to be made from the Council to cover early retirement and ill-health strain costs and the unfunded pension costs. The cashflow forecast for the remainder of this financial year projects that there is no further requirement to disinvest funds.
- 4.4 The following three year forecast from 2017/18 has been updated to reflect the increased contributions levels following the outcome of the triennial valuation process.
- 4.5 The level of expenses forecasted over the next three years has significantly reduced because fund manager fees will no longer be paid

by invoice for those managers which transition onto the London CIV platform. Instead, these fees will be deducted at source and reflected in the unit price. This will reduce the requirement for holding cash.

- 4.6 The level of income distributions forecasted for the next three years has also increased significantly, as the Pension Fund will opt to receive cash distributions from mandates as they are transferred onto the London CIV. This will reduce the level of disinvestment required from fund managers over the year in order to cover the negative cashflow position.
- 4.7 Officers will continue to monitor the cash balance on a regular basis and will update the Committee as required.

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:

- Appendix 1 – Tri-Borough Risk Management Scoring Matrix
- Appendix 2 – Pension Fund Risk Register Review, March 2017
- Appendix 3 – Cash Flow Monitoring, March 2017