

# Committee Report

<b>Decision Maker:</b>	<b>PENSION FUND COMMITTEE</b>
<b>Date:</b>	<b>20 June 2019</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>Fund Financial Management</b>
<b>Wards Affected:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective control over council activities</b>
<b>Financial Summary:</b>	<b>There are no immediate financial implications arising from this report.</b>
<b>Report of:</b>	<b>Phil Triggs</b> <b><i>Tri-Borough Director of Treasury and Pensions</i></b> <a href="mailto:ptriggs@westminster.gov.uk">ptriggs@westminster.gov.uk</a> <b>020 7641 4136</b>

## 1. Executive Summary

- 1.1 The risk register is divided into two sections: governance (investment and funding) and pensions administration. The register has now been updated to illustrate risk movements using arrows.
- 1.2 The cashflow forecast for the next three years has now been updated with actuals to 31 March 2019. The bank position continues to be stable.
- 1.3 The forward plan for the upcoming year 2019/20 for the Committee is attached.

## 2. Recommendations

- 2.1 The Committee is asked to note the risk register for the Pension Fund.
- 2.2 The Committee is asked to note the cashflow position, the rolling 12-month forecast and the three-year forecast.
- 2.3 The Committee is asked to note the forward plans for 2019/20.

### 3. Risk Register Monitoring

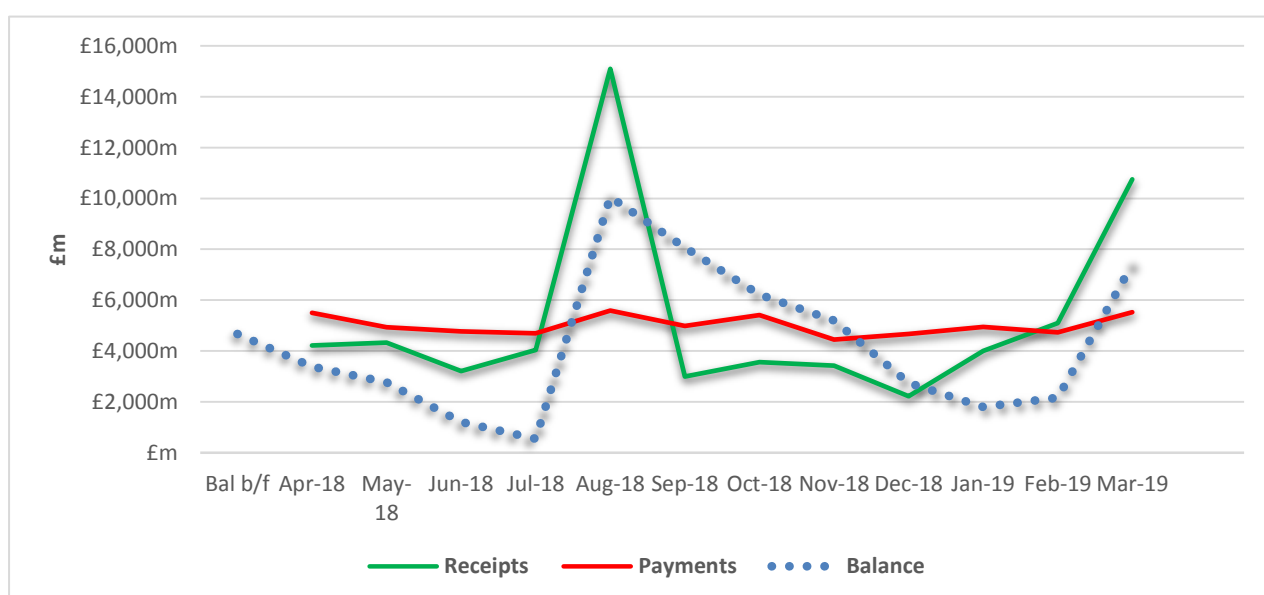
3.1 The risk register is divided into two sections: governance (investment and funding) and pensions administration. The register has now been redesigned to include arrows which illustrate the risk movement. The current top five risks to the Pension Fund are highlighted below:

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

### 4. Cashflow Monitoring and Forecasted Cashflows

4.1 The balance on the pension fund bank account as at 31 March 2019 was £7.397m. Payments from the bank account continue to exceed receipts on a monthly basis although, thanks to improved levels of deficit recovery contributions, cash inflow is expected to exceed cash outflow on an annual basis going forward.

4.2 The table below shows changes in the bank balance from 1 April 2018 to 31 March 2019.



- 4.3 The peak in receipts during August 2018 and March 2019 include a £10m and £7m deficit recovery payment, as per the Council's approved budgeted deficit recovery plan. Payments out of the Pension Fund bank account have remained stable over the year. Officers will continue to keep the cash balance under review and take appropriate action where necessary.
- 4.4 The following table illustrates the expected rolling cashflow for the 12-month period from 1 January 2019 to 31 December 2019. Actuals have been used for the quarter to 31 March 2019 with a forecast used for the remainder of the year. Forecasted cashflows are calculated using the previous year's actual monthly cashflows which are then inflated by 2%.

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

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

<sup>1</sup> Includes Transfers in, Overpayments, Bank Interest, VAT reclaim, Recharges

<sup>2</sup> Includes Transfers out, Lump Sums, Death Grants, Refunds

- 4.5 Actual cashflows against the forecast for the quarter ending 31 March 2019 is shown below. There may be monthly variances between the actual and forecasted amounts due to timing differences, e.g., transfer values in and out, payment of lump sums, retirement benefits and death grants.

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

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

<sup>1</sup> Includes Transfers in, Overpayments, Bank Interest, VAT reclaim, Recharges

<sup>2</sup> Includes Transfers out, Lump Sums, Death Grants, Refunds

**Variances during the quarter to 31 March 2019:**

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

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

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

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

<sup>1</sup> Includes Transfers in, Overpayments, Bank Interest, VAT reclaim, Recharges

<sup>2</sup> Includes Transfers out, Lump Sums, Death Grants, Refunds

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

## 5. Forward Plan

- 5.1 The Rolling Forward Plan for the Pension Fund Committee has been attached for 2019/20.

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

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**BACKGROUND PAPERS:** None

## APPENDICES:

- Appendix 1: Tri-Borough Risk Management Scoring Matrix
- Appendix 2: Pension Fund Risk Register Review at April 2019
- Appendix 3: Pension Fund Committee Forward Plan: 2019/20