



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	23 June 2022
Classification:	Public
Title:	Pension Fund Annual Report and Statement of Accounts 2021-22
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 <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 draft Westminster Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2022.

2. Recommendations

The Committee is recommended to:

- 2.1 Approve the draft Pension Fund Annual Report for 2021/22.
- 2.2 Delegate completion and approval of the final document to the Tri-Borough Director of Treasury and Pensions in consultation with the Chairman.
- 2.3 Note the Pension Fund accounts for 2021/22.

3. Background

- 3.1 The Pension Fund's Annual Statement of Accounts for 2021/22 were prepared and ready to be submitted to the Council's external auditors for external audit on 13 May 2022. The Fund is still awaiting the commencement of the external audit. It is anticipated that there will be no significant findings.
- 3.2 The accounts were prepared two weeks in advance of the statutory requirement of 31 May 2022 (although due to continued COVID-19 interruptions, this deadline is currently extended to 31 July 2022). The draft Statement of Accounts will be presented at the Audit and Performance Committee on 27 June 2022 and are due to be re-presented once the external audit process is finalised.
- 3.3 The production of the Pension Fund Annual Report, which includes the Pension Fund Accounts, is a regulatory requirement and needs to be approved by the Pension Fund Committee by 1 December following the year end. The draft Pension Fund Annual Report for 2021/22 is attached at Appendix 1.
- 3.4 Committee members are asked to comment on any matters in the draft Pension Fund Annual Report and delegate approval of the final document to the Tri-Borough Director of Treasury and Pensions in consultation with the Chairman.

4. Annual Report Overview

- 4.1 The Pension Fund's market value was £1.858bn at 31 March 2022, a net increase in Fund value of £124.4m, compared with an increase in value of £428.2m during the 2020/21 year. This is due to equities performing exceptionally well during 2020/21 and then tailing off from this performance during 2021/22.
- 4.2 The Fund returned 3.6% over the financial year to 31 March 2022, underperforming its benchmark by -3.5% net of fees. This was largely as a result of poor performance within the global equity and fixed income portfolios. Baillie Gifford returned -6.63% net of fees over the year, significantly underperforming the MSCI World index by -19.05%. Insight bonds also provided negative returns during this period, returning -5.04% and underperforming its benchmark by -1.57% net of fees.
- 4.3 However, it should be noted that the Ayr long lease mandate, Pantheon infrastructure mandate and Quinbrook renewables fund performed well over the year, returning 14.37%, 19.97% and 16.80% net of fees respectively.

- 4.4 The Pension Fund has benefitted from its continuing deficit recovery contributions, with improving cash flow, and no need to liquidate assets in the short term to pay benefits. The Fund received £80m in deficit recovery contributions during 2021/22, of which £56m was paid over to Northern Trust to hold at custody.
- 4.5 The estimated funding level for the Westminster Pension Fund has remained stable at 103% at 31 March 2022 (103% at 31 December 2021). The Council paid off its deficit during 2022, with a final payment of £80m in the financial year 2021/22. During the year, the Pension Fund changed actuaries from Barnett Waddingham to Hymans Robertson. The next valuation will take place as at 31 March 2022.
- 4.6 The Pensions Administration service transitioned from Surrey County Council to Hampshire Pension Services (HPS) from 8 November 2021. This included a change in administration software from Heywood's Altair to Civica. Following this transition, the service level KPIs are now consistently 100% every month. The business as usual work of pension administration is well managed by HPS and standard pension processes, including retirements, refunds and death cases are handled sensitively and within the agreed timescales.
- 4.7 During 2021/22, the administration costs increased by 65% to £1.617m, largely as a result of the pension administration transition from Surrey CC to HPS, which incurred large one-off fees. It is anticipated that administration fees will decrease significantly following this transition.

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: Pension Fund Annual Report and Statement of Accounts 2021/22