Annual Report

City of Westminster Pension Fund • 2023/24

City of Westminster

Contents

1. Preface

Report from Chair of the Pension Fund Committee

WELCOME TO THE ANNUAL REPORT OF THE CITY OF WESTMINSTER PENSION FUND.

The Pension Fund Committee is responsible for overseeing the governance of the Westminster City Council Pension Fund, including investment management and pensions administration. As the Chair of this Committee, I am pleased to introduce the Pension Fund's Annual Report for the year 2023/24.

For the first time in history the Pension Fund's net assets stand at over £2bn on 31 March 2024, a net increase in Fund value of £217m from a year earlier. This is largely due to equities, private debt and fixed income assets performing well, with the Fund returning 13.3% net of fees over the year. The Westminster Pension Fund is ranked within the upper quartile of LGPS fund scheme returns for this period, with the high diversification of assets protecting against volatility within global markets and the impacts of inflation and Bank of England base rate rises.

As per the 2022 actuarial valuation, the Westminster Pension Fund is ranked as the second best funded LGPS scheme in the LGPS. At 31 March 2024, Westminster's funding level had increased to 163%, up 35% from the 31 March 2022 triennial valuation. Returns have comfortably exceeded the discount rate during this period, largely as a result of excellent performance right across the Fund's asset classes.

Following a review of the strategic asset allocation during the year, the Pension Fund Committee elected to transition 5% from global equities into the Quinbrook Renewables Impact Fund. The total amount invested within renewable infrastructure at 31 March 2024 was circa £196m. The Fund's renewable infrastructure managers provide renewable energy to homes and businesses across the United Kingdom and globally. Assets include solar farms, hydropower, wind farms and battery storage, with an estimated 25,000 homes powered per annum, 822 jobs created for local communities and £23m contributed to local economies.

During the year, the Fund appointed the London CIV to manage a 2.5% allocation to affordable housing, focusing on affordable, specialist and transitional supported housing. Alongside the Fund's existing Man Group Community Housing Fund, Westminster had circa £40m invested within the asset class at 31 March 2024. It is estimated that the Fund's affordable housing managers have so far delivered 298 affordable homes for local communities across the UK.

The Fund maintains a close working relationship with its LGPS pool, the London Collective Investment Vehicle (LCIV), to achieve efficiencies through pooling of Pension Fund assets. The Fund continues to benefit from the lower fees negotiated, as well as making use of other services provided by the LGPS asset pool, including climate related reporting and asset manager engagement. The Fund's proportion of pooled assets is close to 70%, making the Westminster Pension Fund one of the biggest supporters of the London CIV pool.

The Fund continues to publish a Responsible Investment Statement annually, which details the significant steps taken by the Fund to reduce its carbon footprint, as well as addressing other environmental, governance and social issues. At 31 December 2023, it is estimated that the Fund has reduced its CO2 emissions by circa 59% since the implementation of the carbon reduction strategy in 2019.

During the year I represented the Westminster Pension Fund at the Local Authority Pension Fund Awards 2023. The Fund was nominated for the LGPS Fund of the Year award, narrowly missing out to Hammersmith and Fulham. This is testament to the Fund's robust investment strategy, excellent oversight and governance processes and exceptional performance over the year.

I am very pleased to announce that the Westminster Pension Fund has retained its signatory status to the UK Stewardship Code. The UK Stewardship Code sets high stewardship standards for asset owners and asset managers, and for the service providers that support them. Westminster is one of only a limited number of LGPS schemes to achieve this accolade, an achievement of which the Committee and its officers are very proud.

Finally, I would like to thank all those involved in the governance of the Westminster City Council Pension Fund during the year, especially the members of the Pension Fund Committee, the Local Pension Board, and the officers and support staff.

Report from Chair of the Pension Fund Committee (continued)

Councillor Robert Eagleton
Chair of the Pension Fund Committee

Introduction

The City of Westminster Pension Fund is part of the national Local Government Pension Scheme (LGPS), administered by Westminster City Council. It is a contributory defined benefit pension scheme established under statute, which provides for the payment of benefits to employees and former employees of the Westminster City Council and the admitted and scheduled bodies in the Fund.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and returns from the Fund's investments. Employer contribution rates are set by the Fund's actuary at the actuarial valuation which is carried out every three years. The most recent revaluation, carried out as at 31 March 2022, was used to set contribution rates with effect from 1 April 2023 through to April 2026. Employee contribution rates are based on employee salaries, set annually in accordance with LGPS regulations.

A new LGPS scheme was introduced with effect from 1st April 2014. One of the main changes is that a scheme member's pension is no longer based on their final salary but on their earnings throughout their career. This is known as a Career Average Revalued Earnings (CARE) scheme. Everything built up in the Scheme before 1st April 2014 is protected so benefits up to that date will be based on the scheme member's final year's pay.

Benefits payable from the Fund are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary consist of:

- A pension based on career average earnings (revalued in line with the Consumer Price Index)
- Pensionable pay to include non-contractual overtime and additional hours
- Flexibility for member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health

The Fund is governed by the Public Service Pensions Act 2013 and the LGPS Regulations 2013 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2016. The content and format of this annual report is prescribed by the LGPS Regulations 2013.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together several separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

Detailed guidance on the accounting and disclosure requirements for LGPS financial statements and annual report is published by CIPFA annually and can be found online. This guidance includes a Code disclosure checklist, listed by must, should and may, which the City of Westminster has applied in the preparation of the annual report and accounts.

Introduction (continued)

This annual report comprises the following sections:

- **Management and Financial Performance** which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.
- **Investment Policy and Performance** detailing the Fund's investment strategy, arrangements and performance.
- **Scheme Administration** which sets out how the Scheme's benefits and membership are administered.
- The funding position of the Fund with a statement from the Fund's actuary.
- **The Fund's annual accounts** for the year ended 31 March 2024
- **Asset Pools** and their governance structure including costs
- **List of contacts** and a glossary of some of the more technical terms
- **Appendices** setting out the various regulatory policy statements of the Fund:
  - Governance Compliance Statement
  - Investment Strategy Statement
  - Communication Policy
  - Funding Strategy Statement
- Further information about the Local Government Pension Scheme can be found on our website. Please ***click here*** to be directed.

2.

Management and Financial Performance

Governance Arrangements

PENSION FUND COMMITTEE

Westminster City Council has delegated responsibility for pension matters to the Pension Fund Committee (the Committee). The Committee obtains and considers advice from the Tri-Borough Director of Pensions and Treasury, the Section 151 Officer and, as necessary, from the Fund's appointed actuary, advisors and investment managers.

Terms of Reference for the Pension Fund Committee are set out in Appendix 1 as part of the Governance Compliance Statement.

The Committee is made up of four elected Members of the Council (three from the majority party and one minority party representative) who meet at least four times a year. All members have full voting rights.

The Pension Fund Committee membership during 2023/24 and record of attendance is shown in the following table:

Councillor	29 Jun 2023	19 Oct 2023	29 Nov 2023	7 Mar 2024
Cllr Robert Eagleton (Chair)	✓	✓	✓	✓
Cllr Maggie Carman	✓	✓	✓	✓
Cllr Ryan Jude	✓	✓	✓	×
Cllr Ed Pitt-Ford	✓	✓	✓	✓

Councillors may be contacted at 64 Victoria Street, London, SW1E 6QP.

During the year the Pension Fund Committee undertook the following work:

- Oversight and governance of the pension administration projects
- Review and monitoring of quarterly performance
- Review of the quarterly pension administration KPIs
- Monitoring of the Fund's risk registers and quarterly cashflows
- Approval of the business plan and budget for the year
- Review of the investment management consultant and a review of their objectives
- Approval of the Annual Report and Accounts
- A review of the Fund's asset allocation
- Review and approval of the Responsible Investment Statement for 2024
- Shortlisting and appointment of a new Affordable Housing asset manager
- Review and approval of the Stewardship Report for 2024
- Approval of the updated Investment Strategy Statement (ISS)
- Approval of the Pensions Administration Strategy (PAS)

LOCAL PENSION BOARD

At the start of 2015/16, the Pension Fund Committee established a local Pension Board in compliance with the requirements of the Public Service Pensions Act. The purpose of the Board is to provide oversight of the Fund Committee.

Terms of Reference for the Local Pension Board can be found on the Pension Fund website at. Please *click here* to be directed.

The Board comprises five members – three representing the employers and two employee representatives. The Chairman is elected by the Board. All members have full voting rights.

The Board membership during 2023/24 and record of attendance is shown in the following table:

Board Member	6 Jul 2023	21 Sep 2023	30 Nov 2023	13 Mar 2024
Christopher Smith (Chair)	✓	✓	✓	✓
Cllr Matt Noble (Vice-Chair)	✓	✓	×	✓
Cllr Barbara Arzymanow	✓	✓	✓	✓
Marie Holmes	×	✓	✓	✓
Terry Neville	✓	✓	×	✓

Governance Arrangements (continued)

During the year the Pension Board undertook the following work:

- Oversight and governance of the pension administration projects
- Review and monitoring of quarterly performance
- Review of the quarterly pension administration KPIs
- Monitoring of the Fund's risk registers and quarterly cashflows
- Review of the Responsible Investment Statement for 2024
- Update and review of the cyber security for pension administration
- Review of the LGPS consultation response
- Review of the Pensions Administration Strategy (PAS)

CONFLICTS OF INTEREST

The Pension Fund is governed by elected members acting as trustees and the Code of Conduct for elected members sets out how any conflicts of interests should be addressed. A copy is available from Legal and Democratic Services at 64 Victoria Street, London, SW1E 6QP or by telephone: 020 7641 3160.

The Code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of those who work for or on behalf of the Council. The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

The Code also requires elected members to register disclosable pecuniary interests.

GOVERNANCE COMPLIANCE STATEMENT

The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure the governance arrangements in place against a set of best practice principles. This measurement should result in a statement of full, partial or non-compliance with a further explanation provided for any non- or partial compliance.

The key issues covered by the best practice principles are:

- Formal committee structure;
- Committee membership and representation;
- Selection and role of lay members;
- Voting rights;
- Training, facility time and expenses.

The Fund's Governance Compliance statement can be found in Section 9.

COMMITTEE AND BOARD MEMBER TRAINING

All Committee and Board members are required to have sufficient knowledge and understanding of pensions matters to undertake their roles. Board members are expected to comply with a separate policy on knowledge and understanding and maintain appropriate records.

The Tri-Borough Treasury and Pensions team host half day training sessions for all members to attend during the year. Please see following record of member training and attendance during the year:

Member	29 Mar 2023	7 Sept 2023
Cllr Robert Eagleton (Chair)	✓	✓
Cllr Maggie Carman	✓	✓
Cllr Ryan Jude	✓	✓
Cllr Ed Pitt-Ford	✓	✓
Christopher Smith (Chair)	✓	✓
Cllr Matt Noble (Vice-Chair)	✓	✓
Cllr Barbara Arzymanow	✓	✓
Marie Holmes	✓	✓
Terry Neville	✓	✓

Training sessions during the year covered a diverse range of topics, including:

- private markets
- climate reporting
- current economic conditions facing the pensions world
- engagement versus divestment
- an update on the pooling consultation
- an overview of the current state of the economy
- insights into Artificial Intelligence (AI)

FREEDOM OF INFORMATION REQUESTS

The public have the right to ask to see recorded information held by public authorities, as set out in the Freedom of Information Act 2000. During the year, the Fund received 7 Freedom of Information requests (FOIs), 4 were responded to within the statutory deadline of 20 working days. The remaining requests were responded to shortly after their deadlines, due to a delay in information requested from third parties.

Scheme Management and Advisors

EXTERNAL PARTIES		
Investment Adviser	Isio	
Investment Managers	**Equities (Active)**	**Fixed Income**
	London LGPS CIV Ltd - Baillie Gifford	Insight Investment
	London LGPS CIV Ltd - Morgan Stanley	London LGPS CIV Ltd – CQS & PIMCO
	Equities (Passive)	Northern Trust
	Legal and General Investment Management	**Multi Asset**
	Alternatives	London LGPS CIV Ltd – Ruffer
	Pantheon Ventures	**Property**
	Macquarie Asset Management	Man Group
	Quinbrook Partners	Abrdn
	CVC Credit	London LGPS CIV Ltd – Octopus & CBRE
Asset Pool	London CIV	
Custodian	Northern Trust	
Banker	Lloyds Bank	
Actuary	Hymans Robertson	
Auditor	Grant Thornton UK LLP	
Legal Adviser	Eversheds	
Scheme Administrators	Hampshire Pension Services	
AVC Providers	Aegon	Utmost Life and Pensions

Contact details are provided in Section 8 of this report.

OFFICERS		
Executive Director Finance and Resources & Section 151 Officer	Gerald Almeroth	
Director of People Services	Lee Witham to Nov 23	Antony Berge from Dec 23
Tri-Borough Director of Treasury & Pensions	Phil Triggs	
Tri-Borough Accounting Team	Mathew Dawson	Julia Stevens
	Patrick Rowe	Sian Cogley
	Billie Emery	Ruby Vuong
	Sukhdev Singh	Alastair Paton
Pensions and Payroll Officers	Sarah Hay	Diana McDonnell-Pascoe

Risk Management

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee.

In order to manage risks a Pension Fund Risk Register is maintained and reviewed quarterly. Risks identified have been reduced through planned actions. The risk objective areas of risk have been updated to reflect the CIPFA risk classifications. The Risk Register is managed by the Tri-Borough Director of Pensions and Treasury.

The key risks identified within the Pension Fund risk register, as updated in June 2024, are:

Objective area at risk	Risk	Risk rating	Mitigating actions
Liability Risk	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. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.	High	TREAT: 1) Continued dialogue with investment managers re management of political risk in global developed markets. 2) Investment strategy involving portfolio diversification and risk control. 3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes. 4) As at June 2024, the value of investments to Russia or Ukraine within the Pension Fund's asset classes is valued at 0, with low direct exposure to the Israel and Gaza regions.
Regulatory and Compliance Risk	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales. Consultation on Next Steps on Investments released during Summer 2023, the Fund has submitted a response.	Medium	TOLERATE: 1) Officers consult and engage with the Department for Levelling Up, Housing and Communities (DLUHC), LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new DLUHC pooling guidance, expected sometime during 2024.
Liability Risk	Price inflation is significantly more than anticipated in the actuarial assumptions. CPI inflation was 2.3% as at April 2024, down from the peak of 11.1% in October 2022. Inflation remains above the BOE's 2% target, mainly due to high energy and food prices. It is anticipated that the BOE MPC will start to cut base rate from summer 2024.	Medium	TREAT: 1) The Fund holds investments in bonds, inflation linked long lease property, private debt and infrastructure to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) The Pension Fund has increased its holdings within infrastructure and has started to drawdown into the LCIV UK housing fund. 3) Officers continue to monitor CPI inflation on an ongoing basis.

Risk Management (continued)

Risks arising from financial instruments are outlined in the notes to the Pension Fund Accounts (Note 15).

The Funding Strategy Statement (at Appendix 4) sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently if required.

Objective area at risk	Risk	Risk rating	Mitigating actions
Administrative and Communicative Risk	The increase in online hacking poses a continual risk to members personal data, as well as potential disruption issues for members accessing the online pension portal. In these instances, Hampshire Pension Services would need to take the portal offline to ensure the system and data is secure.	Medium	TREAT: 1) The Hampshire Pension Portal has several layers of security in place to ensure the security of member data and access to the portal. 2) HPS undertake penetration testing on a regular basis (at least twice a year), in conjunction with Civica to ensure any risks/weaknesses in the systems security is identified and rectified. 3) Civica undertake upgrades and maintenance to the pension portal on a continual basis.
Administrative and Communicative Risk	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	Medium	TREAT: 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers part of the actuarial valuation, which took place on 31 March 2022. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.
Administrative and Communicative Risk	Failure of cyber security measures, including information technology systems and processes, leading to loss, disruption or damage to the scheme or its members.	Low	TREAT: 1) The Council has a data recovery plan in place, with files uploaded to the cloud every night. 2) As a Council we are continuing to invest in technologies to block and filter phishing emails as well as ensuring our systems are up to date to protect us and our devices against these threats. 3) The IT team continuously review and update the cyber security policies, including the Information Security policy, Acceptable Use policy, Email and Internet policy, Social Media policy, Password Management policy and Data Disposal policy.
Administrative and Communicative Risk	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	Low	TREAT: 1) Update and enforce pension administration strategy to assure employer reporting compliance.

Risk Management (continued)

THIRD PARTY RISKS

The Council has outsourced the following functions of the Fund:

- Investment management;
- Custodianship of assets;
- Pensions administration.

As these functions are outsourced, the Council is exposed to third party risk. A range of investment managers are used to diversify manager risk.

To mitigate the risks regarding investment management and custodianship of assets, the Council obtains independent internal controls assurance reports from the reporting accountants to the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal control highlighted by the controls assurance reports are reviewed and reported as necessary to the Pension Committee.

The Council's internal audit service undertakes planned programmes of audits of all the Councils' financial systems on a phased basis, all payments and income/contributions are covered by this process as and when the audits take place.

The results of these reviews are summarised below and cover 100% of investment holdings at 31 March 2024.

Fund manager	Type of assurance	Control framework	Compliance with controls	Reporting accountant
Abrdn [1]	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Baillie Gifford (LCIV) [2]	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
CBRE (LCIV) [3]	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte
CQS (LCIV) [4]	ISAE3402	Reasonable assurance	Reasonable assurance	RSM LLP
Man Group [5]	ISAE3402	Reasonable assurance	Reasonable assurance	GT LLP
Insight [6]	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
LGIM [7]	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
PIMCO (LCIV) [8]	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
Octopus (LCIV)	ISAE3402	Reasonable assurance	Reasonable assurance	Haysmacintyre
Macquarie [9]	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
Morgan Stanley (LCIV) [10]	SSAE18	Reasonable assurance	Reasonable assurance	Deloitte
Pantheon Ventures [11]	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Quinbrook [12]	ISAE3402	Reasonable assurance	Reasonable assurance	BDO LLP
Ruffer (LCIV) [13]	ISAE3402	Reasonable assurance	Reasonable assurance	EY LLP
CVC Credit [14]	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte
Custodian				
Northern Trust	SOC1	Reasonable assurance	Reasonable assurance	KPMG LLP

Periods covered by the above reports are typically not aligned with the Pension Fund's financial year. The following bridging statements have been provided:

[1] Abrdn – "To the best of my knowledge there have been no material changes in the operation of the internal controls covered within the report that would be likely to impact the auditors' opinion for the period 1 Oct 23 to 31 Mar 23."

[2] Baillie Gifford – Report to 30 Apr 23

[3] CBRE – "to the best of our knowledge, there have been no other substantial changes to the systems and processes which would adversely alter the control environment to 31 March 2024."

[4] CQS – "On behalf of CQS, we note that we do not believe there have been any changes to the procedures and controls described in that report for the period 1 Jan 24 to 31 Mar 24 that would result in a change in results of the assurance report."

[5] Man Group – relates to administrator Ocorian, from the period 1 Nov 20 to 31 Oct 21 with report dated 29 Mar 23.

[6] Insight – "To the best of our knowledge there have been no material adverse changes to the control environment and/or objectives, and the control environment continued to operate substantially in accordance with the objectives, policies and procedures as stated and tested in the latest available report, to 31 Jan 24."

[7] LGIM – "No significant changes for the period from 1 Jan 23 to 31 Dec 23."

[8] PIMCO (LCIV) – "During 1 Oct 23 through 31 Mar 24, we have not had any adverse changes to the control environment."

[9] Macquarie – "To the best of our knowledge, as of March 31,2024, there were no material changes in the internal controls described in the ISAE 3402 Report."

[10] Morgan Stanley – "To the best of our knowledge the internal control environment covered has not changed materially through the period of 1 Jul 23 to 31 Mar 24."

[11] Pantheon – Report to 30 Sep 23

[12] Quinbrook – Report to 30 Sep 23

[13] Ruffer – "We confirm that between 1 Apr 23 and 31 Mar 24 there were no known material changes to the control framework of Ruffer LLP."

[14] CVC Credit – relates to administrator Apex, from the period 1 Oct 22 to 30 Sep 23, no material changes to 22 Jan 24.

INTERNAL AUDIT TESTING

The Council's Internal Audit function provides a level of assurance over the Pension Fund's activities, including investment records, financial and performance reporting, pensions administration, systems and controls and organisational and management requirements. The most recent internal audit of the Pension Fund investment process took place during November 2022 with the final report issued during February 2023. The Fund was awarded a substantial audit opinion, which is the highest level of assurance possible.

ASSURANCE OPINION

	Nil	Limited	Satisfactory	Substantial
Audit Opinion				☑

RECOMMENDATIONS SUMMARY

Area of Scope	Rating	Number of Recommendations		
		High	Medium	Low
Governance Arrangements	Satisfactory	-	1	1
Investments and Accounting for Assets	Substantial	-	-	-
Valuation of Pension Fund	Substantial	-	-	-
Performance and Financial Reporting	Substantial	-	-	-

Two audit recommendations were raised following the internal audit, as of 31 March 2024 all recommendations have been fully or partially implemented.

Financial Performance

The Fund asset value increased by £219.6m to £2.014bn as at 31 March 2024 from £1.794bn as at 31 March 2023. This was largely as a result of positive performance within the global equity mandates, fixed income portfolios and private debt fund.

The most recent triennial valuation took place as at 31 March 2022, this covers the three financial years from 2023/24. The funding level increased greater than anticipated during the 2022 valuation to a 128% funding level as at 31 March 2022, up 29% from the 2019 valuation. However, funding levels for different employers vary significantly.

ANALYTICAL REVIEW

Fund Account	2020/21	2021/22	2022/23	2023/24
	£'000	**£'000**	**£'000**	**£'000**
Dealings with members				
Contributions	(61,192)	(124,937)	(52,026)	(62,946)
Pensions	64,076	62,501	69,721	77,739
Net (additions)/withdrawals from dealings with members	2,884	(62,436)	17,695	14,793
Management expense	10,087	13,309	13,064	22,626
Net investment returns	(8,665)	(7,848)	(19,455)	(28,091)
Change in market value	(432,486)	(67,446)	70,478	(228,878)
Net (increase)/decrease in the Fund	**(428,181)**	**(124,421)**	**81,782**	**(219,550)**

Over the four-year period, contributions received have exceeded pensions paid by £27.1m. This is due to the increased level of deficit recovery contributions to bring the funding level to over 100%.

Net investment returns in 2023/24 have increased from 2022/23, due to positive returns over the year and the illiquid asset classes starting to pay out distributions.

During 2023/24, the net increase in Fund value was £219.6m, compared to a decrease in value of £81.8m during 2022/23. This is largely due to positive performance within the equity mandates during the year, which account for c.62% of the total Fund value.

Management expenses increased by 73% in the year to 31 March 2024. This is as a result of increases in administration and governance fees, as well as an equalisation payment consisting of interest and management fees in relation to the £90m top-up of the Quinbrook Renewables fund.

Both Officers and the Pension Fund Committee monitor investment performance closely and refer to independent investment advisers as necessary to ensure the Fund's investments are being managed effectively.

Financial Performance (continued)

Net Asset Statement	2020/21	2021/22	2022/23	2023/24
	£'000	**£'000**	**£'000**	**£'000**
Equities	150	150	150	150
Pooled Investment Vehicles	1,684,306	1,842,280	1,770,354	1,966,455
Cash Deposits	62,788	15,816	19,465	40,708
Other	109	116	53	157
Total Investment Assets	1,747,353	1,858,362	1,790,022	2,007,470
Current assets	5,198	19,094	5,211	7,779
Current Liabilities	(836)	(1,320)	(878)	(1,346)
Total Net Assets available to fund benefits	**1,751,715**	**1,876,136**	**1,794,354**	**2,013,903**

The points to note are:

- 62% of investment vehicles comprise of global equity shareholdings, 18% within fixed income funds, 13% is invested in infrastructure, 5% in property funds while the remaining 2% is invested in cash and equivalents (65% within equity pooled funds, 20% within fixed income funds, 8% is invested in infrastructure, 6% in property pooled funds and remaining 1% in cash and equivalents in 2022/23). Please note fixed income includes global bonds, multi asset credit, absolute return and private debt.
- The overall value of pooled investment vehicles increased by £196.1m (11%) during the year, largely due to positive performance within the equity, private debt and fixed income asset classes.
- Cash deposits increased by £21.2m due to increased investment income during the year and asset manager redemptions.
- Current assets increased by £2.6m to £7.8m at 31 March 2024, whilst current liabilities also increased by £0.5m during the year.

Further details are given in the Investment Policy and Performance Section.

Financial Performance (continued)

ANALYSIS OF DEALINGS WITH SCHEME MEMBERS

Contributions Receivable	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
- Members	(10,854)	(11,775)	(13,060)	(14,699)
- Employers	(46,660)	(108,054)	(31,645)	(35,270)
- Transfers in	(3,678)	(5,108)	(7,321)	(12,977)
Total Income	**(61,192)**	**(124,937)**	**(52,026)**	**(62,946)**

Benefits/Expenses	2020/21	2021/22	2022/23	2023/24
	£'000	**£'000**	**£'000**	**£'000**
- Pensions	49,146	49,617	51,752	57,304
- Lump sum retirements and death benefits	8,677	6,539	8,019	9,693
- Transfers out	5,602	5,785	9,505	10,101
- Refunds	130	102	156	308
- Payments in respect of tax	521	458	289	334
Total Expenditure	64,076	62,501	69,721	77,740
Net Dealings with Members	2,884	(62,436)	17,695	14,794

The key variances were due to the following:

- Employer contributions increased by £3.6m during 2023/24, this is largely due to the increase in the number of actives and pay increases during the year.
- Transfers in increased during the year, reflecting a higher number of new starters joining the scheme and members choosing to transfer in benefits on commencement of employment.
- Pension payments increased by £5.6m during 2023/24, as a result of the increases in pension payments, which are linked to CPI.
- Transfers out increased slightly during 2023/24 due to members choosing to transfer their benefits to another employer or remove them under the freedom of choice legislation.
- There were payments in respect of tax of £0.334m during 2023/24, this relates to VSP tax payments in respect of members' annual/lifetime allowances.

Financial Performance (continued)

ANALYSIS OF OPERATIONAL EXPENSES

The costs of running the pension fund are shown below.

	2021/22	2022/23	2023/24
	£'000	**£'000**	**£'000**
Administration			
Employees	359	302	331
Supplies and services	1,258	474	612
	1,617	**776**	**943**
Governance and Oversight			
Employees	228	227	236
Investment advisory services	102	75	53
Governance and compliance	20	33	37
External audit	48	36	94
Actuarial fees	12	17	8
	410	**388**	**428**
Investment Management			
Management fees	7,688	8,458	9,816
Performance fees	-	-	-
Custodian fees	48	54	38
Transaction Costs	3,546	3,388	5,767
Interest Payable on Equalisation	-	-	5,634
	11,282	**11,900**	**21,255**
Total	**13,309**	**13,064**	**22,626**

The key variances were due to the following:

- During 2023/24, the administration costs increased by 21% to £943k, largely as a result of an increase in the administration staff recharge, pension administration contract and project costs.
- Governance and oversight costs during 2023/24 increased by 10% from 2022/23, this is largely due to a significant increase in the external audit fee.
- Investment management costs have increased during 2023/24 by 79% to £21.3m. This is due to the transition of investments to more complex asset classes, which attract a higher cost of management. As well as this, the fund topped up its Quinbrook Renewables allocation by £90m, this attracted additional costs in relation to management fees and interest payable.

Financial Performance (continued)

EMPLOYER AND EMPLOYEE CONTRIBUTION RATES

Employer contribution rates are set triennially as part of the actuarial valuation, with the most recent valuation taking place on 31 March 2022. Employer contributions need to be set at a level which ensures the Fund has enough money to pay member benefits. Employee contribution rates are based on employee salaries, with rates currently between 5.5% and 12.5% of pensionable pay.

The employer and average employee contribution rates for each active employer as a percentage of pensionable pay, for 2023/24, is shown in the table below.

Administering Authority	Employer Contribution Rate	Employee Contribution Rate
	%	%
Westminster City Council	16.8%	7.8%
All Souls	16.9%	5.9%
Barrow Hill Junior	16.9%	7.3%
Burdett Coutts	16.7%	5.8%
Christ Church Bentinck Primary	16.8%	6.0%
College Park	16.8%	5.9%
Dorothy Gardner Centre	16.9%	6.4%
Edward Wilson	16.8%	6.2%
Essendine Primary	16.7%	5.7%
George Eliot	16.8%	5.8%
Hallfield	16.8%	6.2%
Hampden Gurney Primary	16.8%	6.2%
Mary Paterson Nursery School	16.8%	6.3%
Our Lady of Dolours Primary School	16.8%	6.1%
Portman Early Childhood Centre	16.8%	6.0%

Administering Authority	Employer Contribution Rate	Employee Contribution Rate
Queen Elizabeth II	16.8%	6.0%
Queen's Park	16.8%	6.1%
Robinsfield	16.8%	7.0%
Soho Parish	16.6%	5.9%
St Augustine's High School	16.9%	6.5%
St. Augustine's Primary School	16.8%	5.9%
St Barnabas	16.8%	5.9%
St Clement Danes	16.8%	6.2%
St Gabriel's	16.8%	6.1%
St George Hanover Square	16.8%	5.9%
St James & St Johns	16.8%	6.1%
St Lukes	16.8%	6.3%
St Mary Bryanston Square	16.8%	6.0%
St Mary Magdalene	16.8%	6.3%
St Mary of the Angels	16.8%	6.0%
St Matthew's	16.8%	5.9%
St Peters CE	16.7%	6.5%
St Peters Eaton Square	17.2%	6.1%
St. Edward`s RC Primary School	16.9%	6.2%
St. Saviours Primary School	16.5%	6.0%
St Vincent De Paul Primary School	16.8%	5.9%
St. Vincent`s RC Primary School	16.8%	5.8%
St Stephens CE primary School	16.8%	5.7%
Tachbrook Nursery	16.8%	6.1%

Financial Performance (continued)

SCHEDULED BODIES

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g. academy schools.

Scheduled Bodies	Employer Contribution Rate	Employee Contribution Rate
	%	%
Ark Atwood Primary Academy	18.5%	5.8%
Beachcroft Academy	16.5%	6.4%
Churchill Gardens Academy	17.6%	5.7%
Gateway Academy	19.2%	6.1%
Grey Coat Hospital Academy	18.2%	6.8%
Harris Westminster Free School	16.6%	6.8%
Harris Academy St Johns Wood	18.3%	6.3%
King Solomon Academy	16.4%	7.1%
Marylebone Boys School	18.9%	6.4%
Millbank Primary Academy	17.6%	6.5%
Paddington Academy	17.4%	6.8%
Pimlico Academy	17.6%	7.4%
Pimlico Free School	17.6%	5.5%
St Georges Maida Vale Academy	18.4%	6.5%
St Joseph's Catholic Primary Academy	14.9%	5.8%
St Marylebone Academy	17.8%	6.4%
St Marylebone Bridge School	16.0%	6.2%
Westminster Academy	17.0%	6.3%
Westminster City School	18.7%	6.5%
Wilberforce Academy	20.3%	6.3%

ADMITTED BODIES

Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation.

Admitted Bodies	Employer Contribution Rate	Employee Contribution Rate
	%	%
Accent Catering	28.0%	5.5%
Continental Landscapes Ltd	30.3%	5.6%
Creative Education Trust	17.6%	8.7%
Gold Care Homes	31.3%	6.5%
Housing and Communities Agency	25.4%	8.8%
Independent Housing Ombudsman	23.9%	7.1%
Pinnacle Housing	32.4%	6.4%
Regulator for Social Housing	27.4%	8.8%

Financial Performance (continued)

LATE AND OVERDUE CONTRIBUTIONS

As part of the Fund's Pensions Administration Strategy (PAS), officers monitor employer performance including payment of contributions and submission of monthly returns. As part of this monitoring process, the Fund has the ability to charge employers, as per the PAS, which can be found in section 9 of this report.

The following table details the number of late contribution payments made during the financial year 2023/24. There was a total of 13 late payments during the year, in relation to employer and employee contributions, however the option to levy interest on overdue contributions was not exercised.

Month	Number of Late Payments
April	1
May	-
June	1
July	1
August	2
September	1
October	2
November	-
December	2
January	1
February	1
March	1
Total	**13**

PENSION OVERPAYMENTS, RECOVERIES AND WRITE OFFS

The Fund's administrator, Hampshire Pension Services, monitors pension overpayments throughout the year. Due to time constraints and excess costs in relation to recovery, any pension payments valued at £250 or less are automatically written off. It is broadly estimated that Fund writes off approximately £25,000 - £35,000 in overpaid pension each year.

The Pension Fund does however attempt to pursue those overpayments above the £250 threshold. During 2023/24, the Fund raised invoices totalling £34k in relation to pension overpayments, of these c.£14k were paid, c.£3k were written off and the remaining c.£17k was outstanding at 31 March 2024.

As part of the Guaranteed Minimum Pension (GMP) exercise the Fund has agreed not to seek repayment of overpaid pensions that were caused as a result of incorrect GMP data. The approximate rate of overpayment ongoing in relation to GMP is £102k per annum, though this is subject to change as pension increases are applied and members decease. The Fund is due to put through reductions to cease this continuing overpayment in the new financial year with notice to those impacted.

ACTIONS TAKEN AGAINST FRAUD

Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss due to fraud is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).

Officers are not aware of any instances of fraud, credit losses, provisions, contingent liabilities, or impairments during the year.

3.

Investment Policy and Performance

Investment Policy

INVESTMENT STRATEGY STATEMENT

The Pension Fund Committee sets out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS). The ISS has been updated following the asset allocation strategy review during 2023 and can be found within section 9 (appendices).

The ISS sets out responsibilities relating to the overall investment policy of the Fund including:

- asset allocations
- restrictions on investment types
- methods of investment management
- performance monitoring.

The ISS also sets out the Fund's approach to responsible investment and corporate governance issues, and how the Fund demonstrates compliance with the "Myners Principles". These Principles are a set of recommendations relating to the investment of pension funds originally prepared by Lord Myners in 2001 and subsequently endorsed by Government. The current version of the Myners Principles covers the following areas:

- Effective decision making;
- Clear objectives;
- Risk & liabilities;
- Performance Measurement;
- Responsible ownership;
- Transparency and reporting.

The LGPS (Management and Investment of Funds) Regulations 2016, requires the Fund to publish an Investment Strategy Statement (ISS), which replaces the Statement of Investment Principles.

The ISS addresses each of the objectives included in the 2016 Regulations, namely:

- The administering requirement to invest fund money in a wide range of instruments
- The administering authority's assessment of the suitability of particular investments and types of investment
- The administering authority's approach to risk, including the ways in which risks are to be measured and managed
- The administering authority's approach to pooling investments, including the use of collective investment vehicles
- The administering authority's policy on how social, environmental and governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

The investment strategy is consistent with the funding policy. Future investment return expectations within the FSS are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities.

FUNDING STRATEGY STATEMENT

The Funding Strategy Statement (Section 9) sets out the aims and purpose of the pension fund and the responsibilities of the administering authority as regards funding the scheme.

Its purpose is:

- To establish a clear and transparent fund-specific strategy to identify how employers' pension liabilities are best met going forward;
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible;
- To take a prudent longer-term view of funding those liabilities.

Any actuarial works undertaken during 2023/24 have been in accordance with the FSS. This includes the valuation of assets and liabilities, calculation of employer contributions, cessations and new admissions.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

Asset Allocation

The strategic asset allocation is agreed by the Pension Fund Committee and the Fund's advisers. The allocation effective during the year ended 31 March 2024 was as follows:

Asset Class	Target Allocation %
Equities	55.0
Cash & Equivalents	0.0
Fixed Income	19.0
Property	10.0
Infrastructure	16.0
TOTAL	**100.0**

*Fixed income includes global bonds, multi asset credit, absolute return and private debt

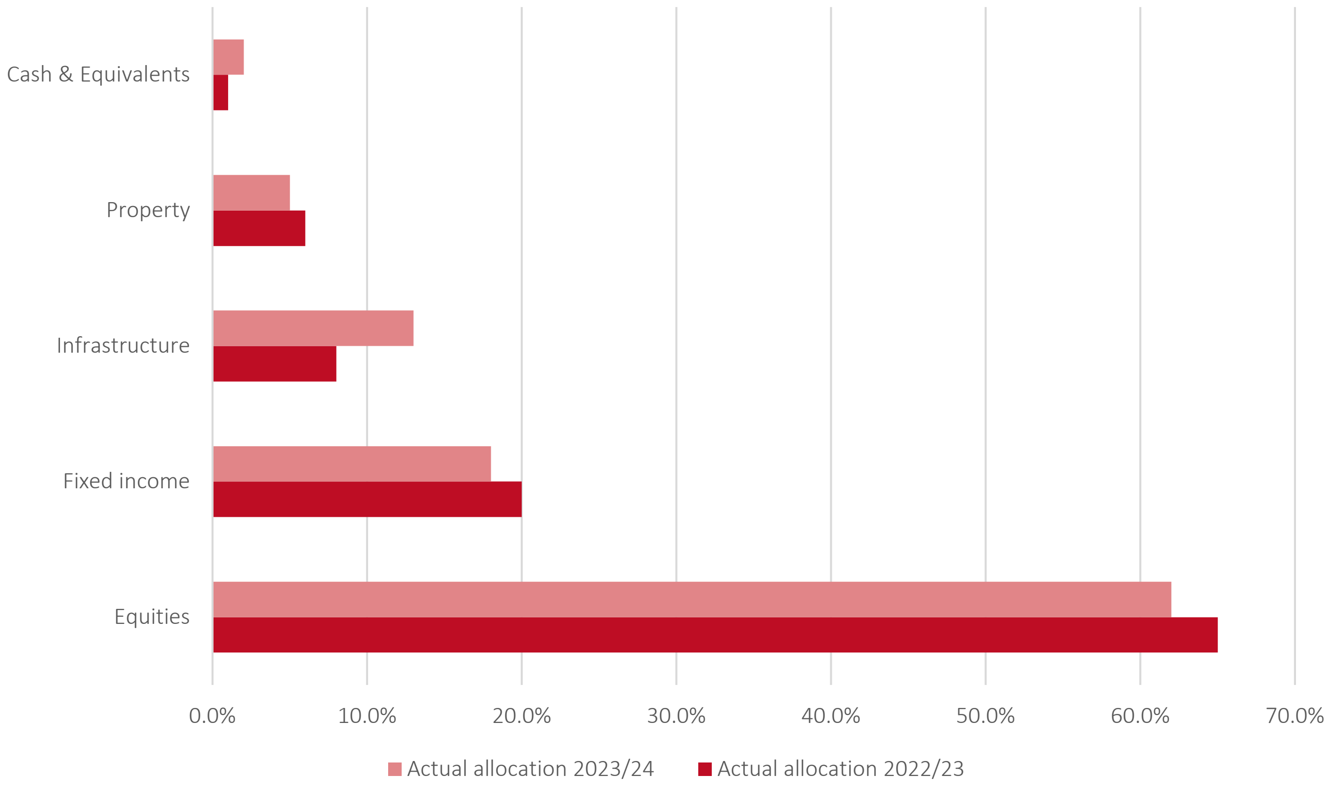
The Pension Fund Committee holds Fund Managers accountable for decisions on asset allocation within the Fund mandate under which they operate. In order to follow the Myners Principles, fund managers are challenged formally about asset allocation decisions.

Investment portfolios are reviewed at each Committee meeting in discussion with the investment adviser and officers, and fund managers are called to a Committee meeting if there are issues that need to be addressed. Officers meet fund managers regularly and advice is taken from the investment adviser on matters relating to fund manager arrangement and performance.

Fund managers provide a rationale for asset allocation decisions based upon their research resource in an effort to ensure that they are not simply tracking the peer group or relevant benchmark index. The Fund's asset allocation strategy can be found in the ISS.

The asset allocation of the Pension Fund at the start and end of the financial year is set out below. These figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset allocation decisions made by the Pension Fund Committee.

During the year, the Committee agreed to reduce the active equity allocation by 5% and to transition these funds into renewable infrastructure. In addition, the Committee allocated 2.5% (£45m) to the London CIV UK Housing fund. A decision was also taken by the Committee during October 2023 to top-up the CVC Credit Private debt mandate, to ensure the allocation remains in line with the 6% strategic asset allocation.



Asset Allocation (continued)

LGPS AVERAGE ASSET ALLOCATION

The Pensions and Investments Research Consultants (PIRC), report annually on the average asset allocation across the LGPS Universe. As at 31 March 2024, the City of Westminster Pension Fund had 11% more allocated to equities compared to the LGPS average, whereas the Fund had 6% less allocated to bonds. It should be noted that when comparing asset allocation to performance, factors such as funding level and manager selection should also be taken into consideration.

Asset Allocation	Equity	Bonds	Alternatives	Property	Cash	Private Debt
Universe Average*	**51**	**17**	**17**	**8**	**3**	**4**
City of Westminster	*62*	*11*	*13*	*5*	*4*	*5*
Variance	**11**	**(6)**	**(4)**	**(3)**	**1**	**1**

*At the 31 March 2024 the Universe was comprised of 63 funds

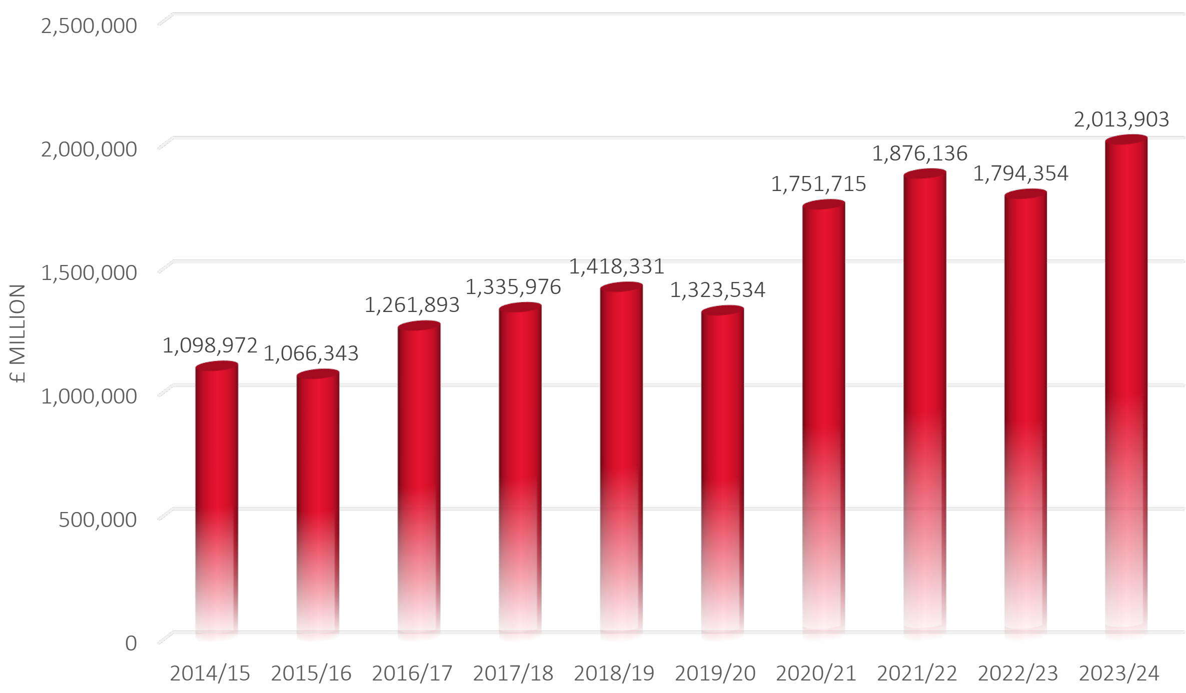
This data has been extracted from the PIRC 2023/24 Local Authority Fund Statistics.

FUND VALUE

The value of the Fund has more than doubled over the past ten years. The slight fall in value in 2015/16 reflected uncertainty around the strength of the global economy and China in particular, but the Fund recovered well and continued to make gains up to 2018/19. The Fund value fell during 2019/20, due to the COVID-19 outbreak impacting global markets. However the Fund recovered well during the two years to 2021/22, this was largely due to positive performance and sizable deficit recovery receipts received during this period. The Fund value did fall during 2022/23 as a result of market uncertainty with rising global inflation levels and gas/commodity prices.

The Fund is invested to meet liabilities over the medium to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile and do not necessarily indicate the underlying health of the Fund.

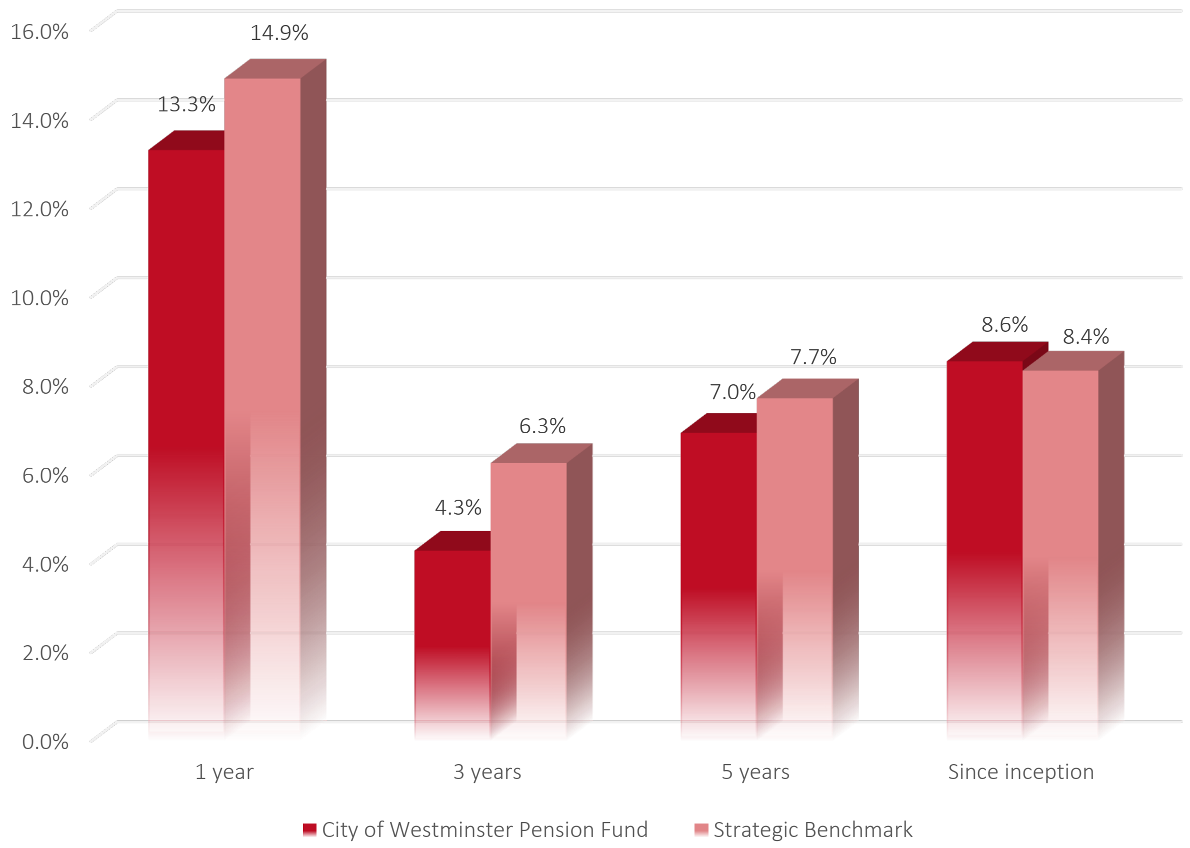
FUND ASSETS



Investment Performance

The Fund returned 13.3% over the year to 31 March 2024, underperforming its benchmark by 1.60% net of fees, as shown below. This underperformance can be largely attributed to the Long Lease Property Fund, owing to the detraction in long-dated property over the year. Alongside this, the active equity mandates also underperformed their benchmarks as a result of their underlying style biases, despite delivering positive absolute returns during the period.

ANNUALISED FUND PERFORMANCE



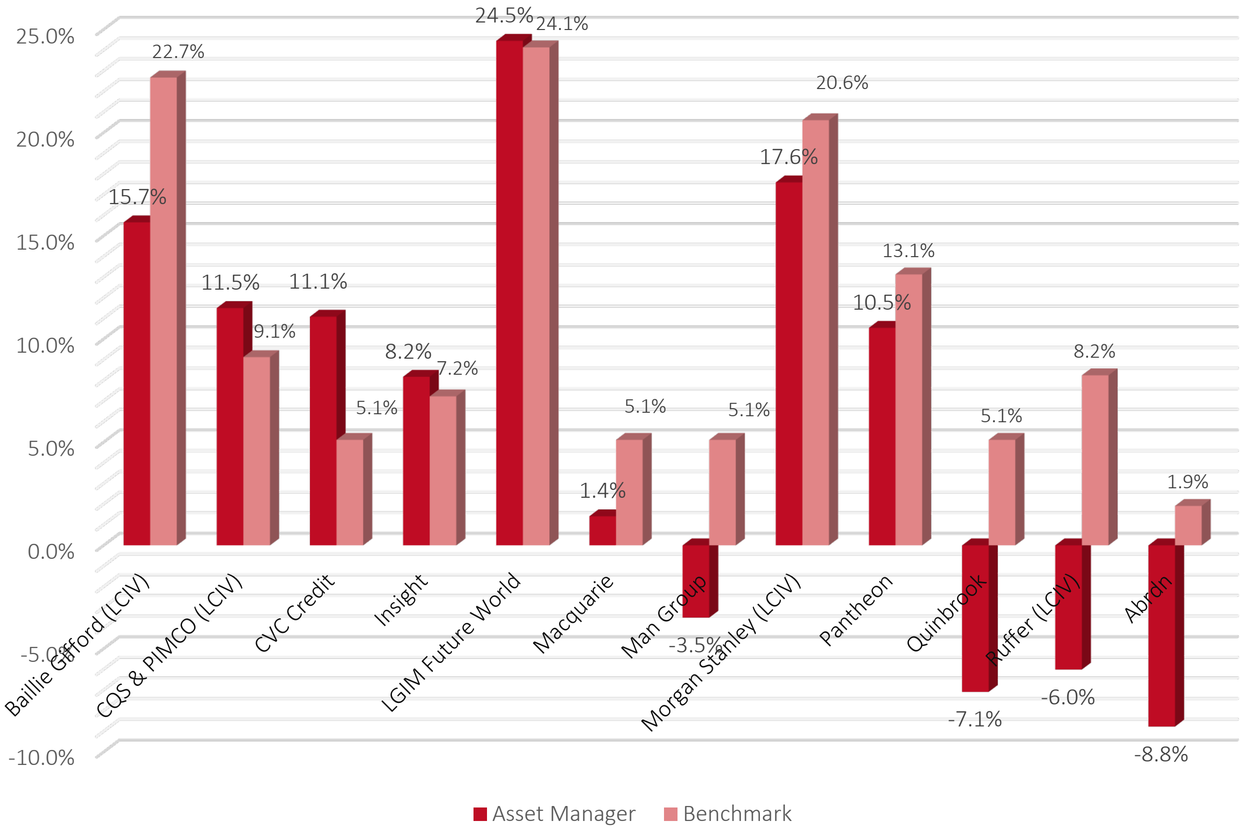
Performance of the Fund is measured against an overall strategic benchmark. Below this, each fund manager is given individual performance targets which are linked to index returns for the assets they manage.

Performance of fund managers is reviewed quarterly by the Pension Fund Committee, which is supported by the Fund's independent investment advisor, Isio.

Investment Performance (continued)

The following chart depicts each asset managers performance over the year to 31 March 2024, against their respective benchmarks. The active equity managers, Baille Gifford and Morgan Stanley, both delivered positive absolute returns over the year, but underperformed the wider global equity market benchmark as a result of their underlying style biases. The Fund's property and renewable infrastructure mandates also underperformed their respective benchmarks over the one-year period. CQS and PIMCO, CVC Credit and Insight all outperformed their respective benchmarks over the same period.

ANNUALISED FUND MANAGER PERFORMANCE



Please note it is too early to measure performance of the LCIV UK Housing Fund.

The portfolio is a mixture of active and passively managed asset classes:

- Targets for active fund mandates are set to out-perform the benchmark by a set percentage through active stock selection and asset allocation.
- Targets for passive funds are set to achieve the benchmark through investment in a stable portfolio.

Asset manager benchmarks are shown in the table below:

Manager	Benchmark
LGIM	Solactive ESG Global Markets
Baillie Gifford (LCIV)	MSCI AC World
Morgan Stanley (LCIV)	MSCI AC World
Insight	Insight Custom Benchmark
CQS & PIMCO (LCIV)	3 Month SONIA
CVC Credit	3 Month SONIA
Abrdn	FTSE Gilts All Stocks Index +2% p.a.
Man Group	3 Month SONIA
CBRE & Octopus (LCIV)	3 Month SONIA
Pantheon	3 Month SONIA
Macquarie	3 Month SONIA
Quinbrook	3 Month SONIA
Ruffer (LCIV)	3 Month SONIA

Investment Performance (continued)

Annually the Pensions and Investments Research Consultants (PIRC) compile a list of Local Authority pension performance analytics, ranking each Fund according to their performance in the 1-year to 30-year time periods. In the wider LGPS Universe, the average 1-year Fund return to 31 March 2024 was 9.2% compared to a 5-year average return of 6.5% p.a. As at 31 March 2024 the Universe comprised of 63 funds with a total value of £266bn.

The City of Westminster Pension Fund placed in the upper quartile of fund returns for the 1-year period, this was largely due to excellent performance within the equity and fixed income mandates. Over the longer 10-year period the Fund placed in the median to upper quartile of pension fund performance. The table below shows the LGPS Universe average returns compared to the Fund over the 1-year to 30-year period, along with average LPGS returns by asset class over the same time periods.

LGPS AVERAGE PERFORMANCE

Performance	1 Year	3 Yrs (% p.a.)	5 Yrs (% p.a.)	10 Yrs (% p.a.)	20 Yrs (% p.a.)	30 Yrs (% p.a.)
Universe Average	9.2	5.3	6.5	7.6	7.7	7.4
City of Westminster*	***13.3***	***4.3***	***7.0***	***7.7***	**-**	**-**
Average Returns by asset class						
Equity	16.3	7.8	9.3	9.6	9.3	8.3
Bonds	4.4	-2.5	0.1	2.9	4.5	5.5
Private Debt	8.2	6.4	5.3	-	-	-
Hedged Fund	4.2	4.3	6.2	5.3	-	-
Diversified Growth	3.2	1.6	3.1	2.9	-	-
Infrastructure	2.7	8.9	6.7	8.7	-	-
Private Equity	1.6	12.5	12.9	13.5	11.4	-
Property	-3.2	1.7	1.4	5.3	5.2	6.8

*The City of Westminster Pension Fund has performance data up to the 10-year period.
This data has been extracted from the PIRC 2023/24 Local Authority Fund Statistics.

Corporate Governance

RESPONSIBLE INVESTMENT AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

The Pension Fund has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. It believes that following good practice in terms of social, environmental and ethical issues is generally likely to have a favourable effect on the long-term financial performance of a company and will improve investment returns to its shareholders.

The Fund investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

The Fund's investment managers have adopted socially responsible investment policies which are subject to regular review both by officers and by the Council's Pension Committee.

The Pension Fund recognises that the neglect of corporate social responsibility and poor attention paid to environmental, social and governance (ESG) issues may lead to poor or reduced shareholder returns. This presents a significant responsibility for the Pension Fund Committee (the Committee). The ESG approach has become integral to the Fund's overall investment strategy.

The Fund's policies on environmental, social and governance (ESG) issues and responsible investment can be found within the Investment Strategy Statement (ISS). In addition to this, the Fund has a Responsible Investment Statement which is reviewed annually and can be found within section 9.

PROFESSIONAL BODIES

The Council is a member of the CIPFA Pensions Network which provides a central coordination point for all LGPS funds and local authority members.

CIPFA staff and the network more generally are able to advise subscribers on all aspects of pensions and related legislation. Relevant training and seminars are also available to officers and members of participating funds.

While the Fund is a member of the Pensions Lifetime and Savings Association (PLSA) as well as the Local Authority Pension Fund Forum (LAPFF), it does not subscribe to nor is it a member of UK Sustainable Investment & Finance Association or the Institutional Investors Group on Climate change or any other bodies.

COLLABORATIVE VENTURES

The Fund has been working closely with other London LGPS funds in the London Collective Investment Vehicle set up to enable greater buying power, reduced fees and enhanced governance arrangements. The City of Westminster is a shareholder in London LGPS CIV Limited.

Following FCA approval in 2016, the LCIV has continued to trade and the City of Westminster Pension Fund transferred the Baillie Gifford mandate (valued at £178m) into the LCIV in April 2016. This was followed by transferring the Majedie portfolio in May 2017 (valued at £308m), the CQS multi asset credit fund in November 2018 (valued at £91m). In addition to this this, the Fund transitioned proceeds from the Majedie sale into the LCIV Morgan Stanley Global Sustain fund during November 2020 (valued at £328m). During January 2022, the fund transitioned sale proceeds from the Longview equity mandate into the LCIV Ruffer absolute return fund (valued at £50m).

SEPARATION OF RESPONSIBILITIES

The Fund employs a global custodian (Northern Trust), independent to the investment managers, to be responsible for the safekeeping of all of the Fund's investments. Northern Trust is responsible for the settlement of all investment transactions and the collection of income.

The Fund's bank account is held with Lloyd's Bank. Funds not immediately required to pay benefits are held as interest bearing operational cash with Lloyds Bank.

The actuary is responsible for assessing the long-term financial position of the pension fund and issues a Rates and Adjustments Certificate following the triennial valuation of the Pension Fund, which sets out the minimum contributions which each employer in the Scheme is obliged to pay over the following three years.

STEWARDSHIP CODE

The Pensions Committee believes that investor stewardship is a key component of good governance and is committed to exercising this responsibility with the support of its investment managers. In line with this approach, all of the Council's equity investment managers are signatories to the UK Stewardship Code.

The Pension Fund Committee believes that companies should be accountable to shareholders and should be structured with appropriate checks and balances so as to safeguard shareholders' interests and deliver long-term returns.

The Pension Fund Committee encourages fund managers to consider a range of factors before making investment decisions, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental and social issues. Such considerations may also be linked to voting choices at company AGMs.

The Pension Fund Committee's role is not to micro-manage companies but provide perspective and share with boards and management our priorities for investment and approach to corporate governance. The ultimate aim is to work with management, shareholders and stakeholders to bring about changes that enhance long-term performance.

A significant achievement for the Pension Fund during the year was to retain signatory status to the UK Stewardship Code. The Fund's Stewardship Report for 2024 can be located using in section 9 of this Annual Report.

CODE OF TRANSPARENCY

Following the shift towards investment management fee transparency and consistency within the LGPS, the Scheme Advisory Board (SAB) has developed a voluntary Code of Transparency for LGPS asset managers. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and is included in the government's investment reform guidance and criteria for LGPS pooling.

The Code is voluntary and details the provision of transparent and consistent investment cost and fee information between investment managers and administering authorities. Signatories to the code are required to complete a template which details management expenses associated with the running of the fund, including direct and indirect costs.

Asset managers which sign up to the code are required to put systems in place within 12 months of signing up to allow the automatic submission of the templates to each Administrating Authority. The SAB reserves the right to remove any signatory which is reported by an Administering Authority to be in breach of the code.

The Fund uses the templates completed by the asset managers to compile the management expenses of the Pension Fund at a detailed level. This data is used to inform investment decisions, including manager selection, risk management and holding mangers to account in regard to performance fees.

LGPS ADVISORY BOARD
CODE OF TRANSPARENCY

VOTING 2023/24

Fund managers have the delegated authority to vote at shareholder meetings in accordance with their own guidelines, which have been discussed and agreed with the Pensions Committee. The Officers keep under close review the various voting reports that it receives from Fund managers.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

Additionally, the Fund is a member of the Pension and Lifetime Savings Association (PLSA) and the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners.

Our equity manager proxy voting for 2023/24 is shown in the following table.

Asset Manager	Number of resolutions	For	Against	Other
Baillie Gifford Paris Aligned (LCIV)	**1,303**	1,059	172	72
Ruffer (LCIV)	**1,053**	949	68	36
Legal & General	**52,164**	41,869	10,154	141
Morgan Stanley (LCIV)	**701**	588	85	28
TOTAL	**55,221**	**44,465**	**10,479**	**277**

4. Scheme Administration

Scheme Administration

SERVICE DELIVERY

Although the LGPS is a national scheme, it is administered locally. Westminster City Council has a statutory responsibility to administer the pension benefits payable from the Pension Fund on behalf of the participating employers and the past and present members and their dependents.

The City Council administers the scheme for 29 employers (a list of employers is provided at the end of this section). These employers include not only the City Council, but also academy schools within the borough and a small number of organisations linked to the Council which have been admitted to the Pension Fund under agreement with the City Council.

A contractual arrangement is in place with Hampshire Pension Services for the provision of pension administration services. Performance of this service against targets within the contract is reported on page 20. The City Council's Human Resources provide oversight of the administration service.

COMMUNICATION POLICY STATEMENT

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a communication policy statement, which can be found within section 9. The Communication Policy details the overall strategy for involving stakeholders in the Pension Fund. A key part of this strategy is a dedicated Pension Fund website, which includes a great deal more information about the benefits of the Fund and this can be accessed by *clicking here*.

Please see following summary of communication with members and employers, including type, communication method and frequency, during the year 2023/24.

Member/ Employer	Details	Date
Member	**Pension mailing** Payslips, P60 and pensioner newsletters. Electronic and paper copies sent to members depending on their preferences.	Apr/May 2023
Employer	**Employer Newsletter**	Apr 2023
Member	**Annual Benefit Statements** Electronic and paper copies sent to members depending on their preferences.	Aug 2023
Employer	**STOP PRESS communication** Emails sent to advise that active member annual benefit statements were published and available.	Aug 2023

Member/ Employer	Details	Date
Member	**Pension Savings Statements** Statement sent to members where appropriate, and also available to view online.	Sept/Oct 2023
Employer	**Annual return** Employer Performance letters issued via email.	Oct 2023
Employer	**Data Validation Exercise** Communication issued to employers where appropriate.	Oct 2023
Employer	**Employer Newsletter**	Oct 2023
Employer	**STOP PRESS communication** Communication to employers on Local Government Pay deal – 23/24.	Nov 2023
Employer	**Employer Newsletter**	Dec 2023
Member	**Life-certificates** Mailed or emailed to overseas members.	Dec 2023
Member	**Active and Deferred newsletters** Communication to members on change of regulation for McCloud. Sent via email, with letters sent to those without email addresses.	Dec 2023 Reminder sent: Feb 2024
Member	**Preserved refund reminder letters**	Dec 2023/ Jan 2024
Employer	**STOP PRESS communication** Communication to employers to advise of 24/25 employee contribution band changes.	Feb 2024

ADMINISTRATION UPDATE

The City of Westminster Pension Fund has not PAS charged any employer for the late payment of pension contributions in the year April 2023 to March 2024. Charges have been raised under the Funds Pension Administration Strategy (PAS) for some employers in relation to the late submission of data including the annual return, pension schedules and remittances. The Fund has also issued some PAS charges for missing member data in relation to joiners and leavers of the scheme identified through the annual return process.

The Fund has seen a significant improvement in our overall data quality over the last three years and we have eliminated the backlog of leavers cases that we had when we migrated to Hampshire Pension Services (HPS) in November 2021. The Fund acknowledges the efforts of our employers to improve of our member data in the last three years.

The Common data score as measured in November 2023 is 85% improved from 72% in November 2021. The Scheme Specific data score is 92% as measured in November 2023 improved from 87% in November 2021.

The Fund is signed up to the National Fraud initiative and participates in this biannual exercise. The Fund also engages in mortality checking though our monthly pension payroll processes run by our administration partner Hampshire Pension Services (HPS). HPS contact pensioner members who do not reside in the UK for confirmation of continued entitlement to payment of pension. Where there is an overpayment on pension following a death of more than £250 the Fund will attempt to retrieve that sum.

The Fund through our administration partner HPS sends out quarterly digital newsletters to our Fund employers called "Pension Matters". These newsletters include a range of information to support employers in their role and to support the staff that are in the LGPS scheme or eligible for the scheme. HPS also sends out a number of "Stop Press" notices to employers on a range of specific topics throughout the year this includes when Annual Benefit Statements (ABS) are produced each August.

The Fund encourages all members to sign up for the member portal and e-mails active and deferred members who have registered when their ABS is ready. The Fund officers support events throughout the year in relation to matters impacting pension entitlement including sessions to support members to understand their ABS and supporting people with individual queries through private surgeries where members can discuss enhancing their pension or transferring in prior pension service to the scheme. Officers also support members subject to potential reorganisation and exit from scheme employers.

We are pleased that our relationship with our administration partner HPS remains positive. Our monthly KPI are all 100% and with the removal of the prior backlog the Fund is moving onto ensuring that certain cases that were waiting on responses from either the members or other third parties are being proactively chased to reduce our work in progress.

VALUE FOR MONEY STATEMENT

The Westminster Fund believes that the Fund provides excellent value for money and cost efficiencies for its scheme members and the local taxpayers. By partnering with three London boroughs, the Fund has been able to provide savings on the governance and staffing arrangements, with costs shared across the four boroughs. The shared Treasury and Pensions team provides effective cost savings, invaluable knowledge, skills and excellent governance arrangements, which safeguard collectively over £6.2bn in LGPS assets.

The Westminster Fund administration function is outsourced to Hampshire Pension Services, under a shared services arrangement. At 31 March 2023, the Fund's administration costs per member were 21% below that of the average London LGPS Pension Fund and 30% less than the average inner London Fund.

During 2023/24, the administration costs increased by 21%, largely as a result of an increase in the administration staff recharge, pension administration contract and project costs. The number of FTE staff members across Hampshire and Westminster working on the administration function during 2023/24 was 9.8.

CYBER-SECURITY

Westminster City Council are continuing to invest in technologies to block and filter phishing emails, as well as ensuring systems are up to date to protect us and our devices against cyber threats. The Information Technology team continuously review and update the cyber security policies, including the Information Security policy, Acceptable Use policy, Email and Internet policy, Social Media policy, Password Management policy and Data Disposal policy.

The Hampshire Pension Portal has several layers of security in place to ensure the security of member data and access to the portal. Hampshire Pension Services undertake penetration testing on a regular basis (at least twice a year), in conjunction with the administration system provider to ensure any risks and weaknesses in the systems security are identified and rectified. The system provider also undertakes upgrades and maintenance to the pension portal on a continual basis.

MAJOR PROJECTS

GMP Reconciliation and Rectification Project 2016 - 2025

In the financial year 2023-24, the Fund continued the GMP rectification project and completed the bulk rectification exercise. The Fund found that:

- 730 members had no change to their pension benefit as their GMP was correct.
- 55 members received an increase in their pension benefit, as they had historically been underpaid due to incorrect GMP.
- 291 members received a decrease in their pension benefit, as they had historically been overpaid due to incorrect GMP.
- 241 members had cases that needed individual review.

The Fund is continuing the project in the current financial year with the rectification of individual cases to complete the project.

McCloud

Since 1st October 2023, Hampshire Pension Services have been correctly applying the McCloud underpin calculation in all deferred, retirement and death calculations, and have increased benefits in a handful of cases where the underpin has had this effect. All members who are in scope for the McCloud underpin have been flagged in UPM, the pensions software, to ensure they are assessed correctly at the point of leaving the scheme. The work to recalculate deferred benefits will commence after this year's statements have been produced; and the active benefit statement calculation will be updated by Civica, to calculate the underpin as standard from 2025.

Pensions Dashboard Programme (PDP)

On 8th June 2023, a written ministerial statement was issued confirming that amended regulations would be laid with a new approach to delivery. The previous staging timeline set out in legislation, was replaced with a connection deadline of 31 October 2026. However, the PDP remained in a state of 'reset' until 4 October 2023, when they held a webinar to reintroduce pensions dashboards. On 26 March 2024, The Pensions Regulator issued a "Know your 'connect by' date" email to all LGPS' confirming that we must connect to dashboards by 31 October 2025. Hampshire Pensions Service's focus in 2024 will be to work to implement all the necessary software – the first software release is expected later this year.

Administration Management Performance

The administration of the Fund is managed by Westminster City Council and undertaken by Hampshire Pension Services (HPS) under a contractual arrangement operational from 8 November 2021. Officers monitor the contract via monthly meetings with HPS and monitoring of KPIs and membership data statistics, which are reported to the Pension Fund Committee on a quarterly basis.

PERFORMANCE INDICATORS

The administration contract includes a number of performance indicators included to ensure that service to members of the Pension Fund is effective. The targets are set out below, as per the updated Preparing the Pension Fund Annual Report Guidance for LGPS Funds, along with actual performance for the financial years 2023/24 and 2022/23. 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.

Table A - Total number of Casework

Ref	Casework KPI	Total number of cases open as at 31 March 2023	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in 2023/24	Total % of cases completed in 2023/24	Total number of cases set up but not due	Total number of cases completed in 2022/23	Total % of cases completed in 2022/23
A1	Deaths recorded of active, deferred, pensioner and dependent members	4	131	135	100%	57	163	100%
A2	New dependent member benefits	19	64	83	100%	7	62	100%
A3	Deferred member retirements	5	239	244	100%	15	222	100%
A4	Active member retirements	1	81	82	100%	4	66	100%
A5	Deferred benefits	28	470	498	100%	55	439	100%
A6	Transfers in (including interfunds in, club transfers)	0	213	213	100%	6	143	100%
A7	Transfers out (including interfunds out, club transfers)	0	144	144	100%	16	148	100%
A8	Refunds	13	148	161	100%	5	129	100%
A9	Divorce quotations issued	0	30	30	100%	2	16	100%
A10	Actual divorce cases	0	2	2	100%	3	2	100%
A11	Member estimates requested either by scheme member and employer	39	418	457	100%	80	500	100%
A12	New joiner notifications	0	1,257	1,257	100%	0	1,587	100%
A13	Aggregation cases	4	18	22	100%	6	40	100%
A14	Optants out received after 3 months membership	0	45	45	100%	0	20	100%

Administration Management Performance (continued)

Ref	Casework KPI	Total number of cases open as at 31 March 2023	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in 2023/24	Total % of cases completed in 2023/24	Total number of cases set up but not due	Total number of cases completed in 2022/23	Total % of cases completed in 2022/23
Total		113	3,260	3,373	100%	256	3,537	100%

Table B - Time taken to process casework

Ref	Casework KPI	Suggested fund target*	Actual fund target	% completed within fund target in year	% completed in previous year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	5 days	100%	100%
B2	Communication issued confirming the amount of dependents pension	10 days	15 days	100%	100%
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days	15 days	100%	100%
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days	15 days	100%	100%
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days	15 days	100%	100%
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days	15 days	100%	100%
B7	Payment of lump sum (both actives and deferreds)	15 days	10 days	100%	100%
B8	Communication issued with deferred benefit options	30 days	30 days	100%	100%
B9	Communication issued to scheme member with completion of transfer in	15 days	15 days	100%	100%
B10	Communication issued to scheme member with completion of transfer out	15 days	15 days	100%	100%
B11	Payment of refund	10 days	15 days	100%	100%
B12	Divorce quotation	45 days	15 days	100%	100%
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days	15 days	100%	100%
B14	Communication issued to new starters	40 days	20 days	100%	100%
B15	Member estimates requested by scheme member and employer	15 days	15 days	100%	100%

Administration Management Performance (continued)

Communications and engagement

Ref		Percentage as at 31 March
	Engagement with online portals	
C1	% of active members registered	52.34%
C2	% of deferred member registered	33.33%
C3	% of pensioner and survivor members	46.85%
C4	% total of all scheme members registered for self-service	43.09%
C5	Number of registered users by age	See separate table
C6	% of all registered users that have logged onto the service in the last 12 months	70.64%
	Communication	
C7	Total number of telephone calls received in year	2,182
C8	Total number of email and online channel queries received	2,560
C9	Number of scheme member events held in year (total of in-person and online)	0
C10	Number of employer engagement events held in year (in-person and online)	34
C11	Number of active members who received a one-to-one (in-person and online)	0
C12	Number of times a communication (i.e newsletter) issued to:	0
	a)Active members	3 (ABS, PSS, newsletter)
	b)Deferred members	2 (ABS, newsletter)
	c)Pensioners	3 (Payslip/P60, newsletter, life certificate)

C5: Registrations by age

Under 30	30 - 44	45-54	55-64	65-74	75+	Total
305	1,435	1,442	2,611	1,779	713	**8,285**

Administration Management Performance (continued)

Administration KPI table D – Resources

Ref	Resources	
D1	Total number of all administration staff (FTE)	6.5
D2	Average service length of all administration staff	6 years 2 months
D3	Staff vacancy rate as %	11.20%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	2,923
D5	Ratio of administration staff (excluding management) to total number of scheme members	3,166

Table E - Data Quality

Ref		Active	Deferred
	Annual Benefit Statements		
E1	Percentage of annual benefit statements issued as at 31 August	99.38%	99.93%
	Short commentary if less than 100%	30 statements outstanding at 31/8/23 which needed data from employers.	5 statements outstanding at 31/8/23 which needed a data cleanse on their record before they could be run
	Data category		
E3	Common data score	85%	
E4	Scheme specific data score	92%	
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	3.64%	
E6	Percentage of active, deferred and pensioner members with an email address held on file	69%	
	Employer performance		
E7	Percentage of employers set up to make monthly data submissions	0	
E8	Percentage of employers who submitted monthly data on time during the reporting year	N/A	

Please note, given the change in KPI reporting categories for the current financial year, the KPI numbers for 2022/23 will look significantly different from those reported in last year's Annual Report

HAMPSHIRE PENSION SERVICES

The Pension Fund uses the Hampshire Pension Service on-line pension portal, which enables members to:

- Update personal details
- Check membership records and calculate pension projections
- View payslips and P60s
- Nominate beneficiaries

Scheme employers can use the new system to:

- Submit starter and leaver details and other changes online
- View and update employee details
- Run benefit calculations, e.g. early retirements

If you need more information about the Scheme, you should contact Hampshire County Council at the following address:

Hampshire Pension Services
Hampshire County Council
2nd Floor EII East
The Castle
Winchester
SO23 8UJ
Email: *pensions@hants.gov.uk*

General enquiries and complaints:
Phone: 01962 845588

INTERNAL DISPUTE RESOLUTION PROCEDURE

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, fund members are entitled to contact The Pensions Advisory Service (TPAS), who can provide free advice.

IDRP Stage 1 involves making a formal complaint in writing. This would normally be considered by the body that made the decision in question. In the event that the fund member is not satisfied with actions taken at Stage 1 the complaint will progress to Stage 2.

IDRP Stage 2 involves a referral to the administering authority, Westminster City Council to take an independent view.

IDRP Stage 3 is a referral of the complaint to the Pension Ombudsman.

Please see page 20 for details of all IDRP and Pensions Ombudsman cases during 2022/23.

Both TPAS and the Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
E14 4PU

Tel: 0800 917 4487

MEMBER SATISFACTION

Hampshire Pension Service conduct customer satisfaction surveys throughout the course of the year to allow members to provide feedback. The survey is advertised on their website, in their email signatures and is included in any bulk email communications.

During 2023/24, HPS received a total of 376 responses through their customer satisfaction survey, an increase of 126 from 2022/23. Of these responses, 64% of members were satisfied with the administration service provided during 2023/24, compared to 56% during 2022/23.

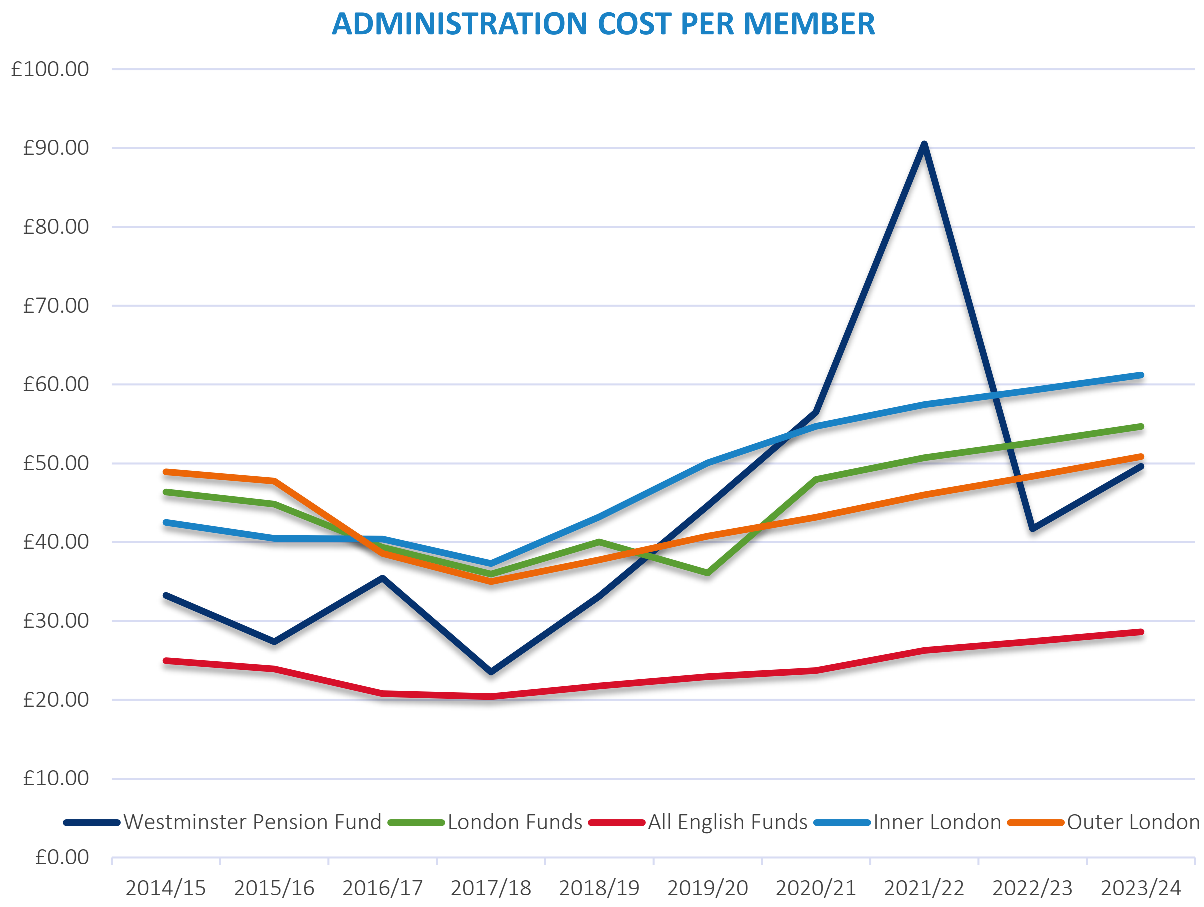
HPS follow up on any responses where the member is not satisfied to find out how they could have improved their experience. Where possible, Hampshire use this feedback to make improvements to the service, processes and communications.

COMPLAINTS RECEIVED

The pension administrators occasionally deal with members of the Fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (IDRP).

There was two level 1 IDRP cases during 2023/24, with one progressing to level 2. In addition, there was one other level 1 IDRP case relating to 2022/23, which progressed to level 2 during the year. All three cases were closed as at 31 March 2024. There were no Pension Ombudsman rulings during the year.

Administration Management Performance (continued)



The administration of the Fund comprises:

- 6.5 full-time equivalent (FTE) staff engaged by Hampshire CC working directly on pension administration for Westminster
- 3.3 fte Westminster HR staff to deal with internal administration.
- 1.9 fte Westminster Finance staff, assigned to the oversight and governance of the Pension Fund.

Surrey County Council was appointed as the Fund's administrator during 2014 with costs rising as a result of this change. This increased in the years to 2020/21 due to ad hoc administration works in relation to data cleansing, GMP reconciliation, microfiche retrieval works and an increase in the annual administration charge.

Costs rose significantly during 2021/22, largely as a result of the pension administration transition from Surrey CC to Hampshire Pension Services and the change of administration software providers from Heywood's to Civica. Since this transition, administration fees have decreased. There has been an increase in administration costs during 2023/24, largely due to an increase in the administration staff recharge, pension administration contract and project costs.

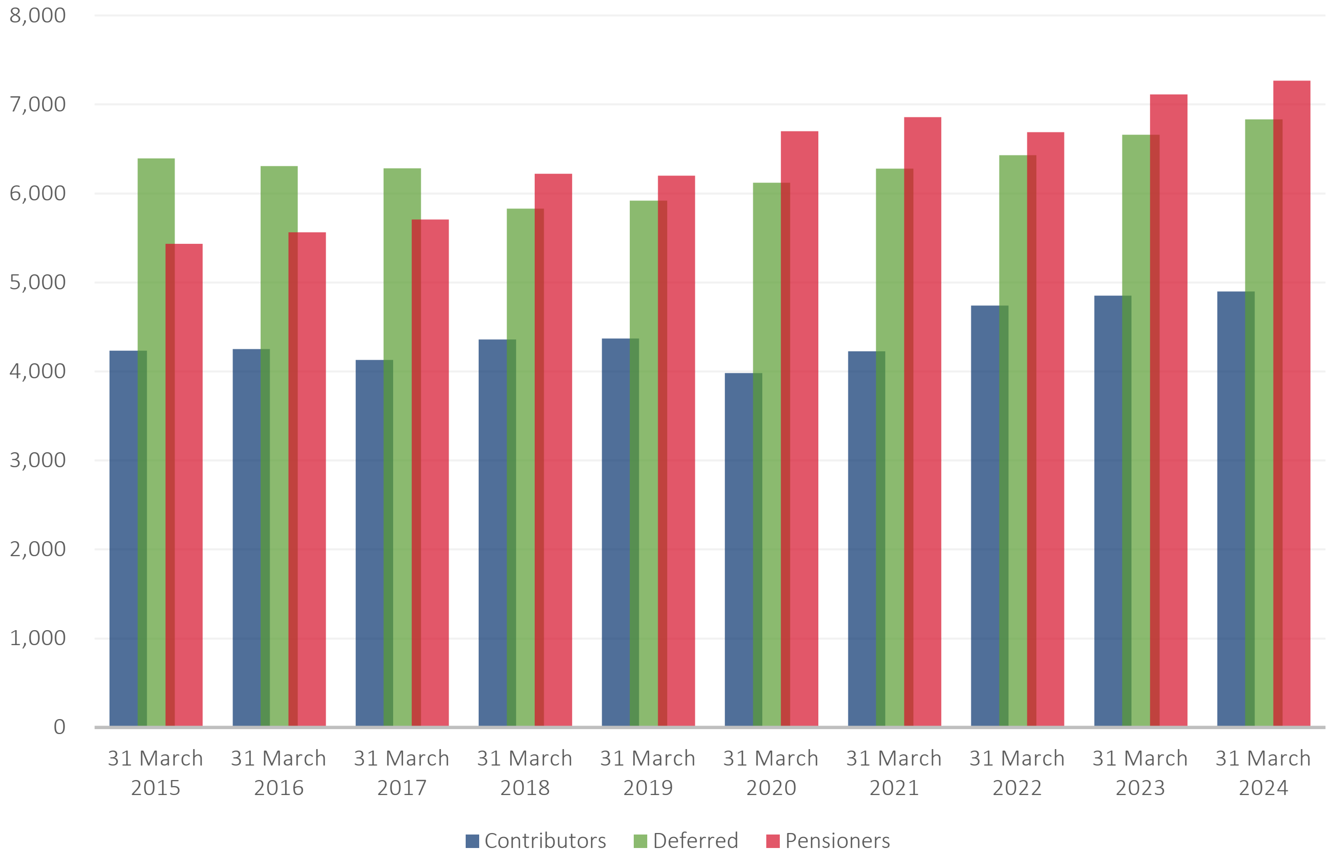
At 31 March 2024, the Fund's administration costs per member were estimated to be 9% below that of the average London LGPS Pension Fund and 19% less than the average inner London Fund.

MEMBERSHIP NUMBERS AND TRENDS

Overall membership has increased 18% over the past 10 years from 16,060 to 18,998.

Over this period, the number of pensioners and deferred members has continued to rise in common with other local government pension funds, reflecting the increasing maturity of the Fund. The number of contributing members has also increased, following the introduction of auto-enrolment and the increase in employers admitted into the Scheme.

FUND MEMBERSHIP



Administration Management Performance (continued)

The total number of pensioners in receipt of enhanced benefits due to ill health or early retirement on the grounds of redundancy or efficiency of the service is given in the following table, as at each year on 31 March. This has increased year on year since 31 March 2021.

Reason for Leaving	2020/21	2021/22	2022/23	2023/24
Ill Health Retirement	2	3	9	11
Early Retirement	10	19	17	17
Total	**12**	**22**	**26**	**28**

Administration Management Performance (continued)

CONTRIBUTING EMPLOYERS AND CONTRIBUTIONS RECEIVED

Below is a list of the current active contributing employers and the contributions received for 2023/24 (figures include early retirement and deficit funding contributions).

Administering Authority	Employees Contributions	Employers Contributions	Total Contributions
	£'000	**£'000**	**£'000**
Westminster City Council	(10,524)	(23,235)	(33,759)
All Souls	(18)	(51)	(69)
Barrow Hill Junior	(25)	(59)	(84)
Burdett Coutts	(11)	(31)	(42)
Christ Church Bentinck Primary	(18)	(50)	(68)
College Park	(43)	(123)	(166)
Dorothy Gardner Centre	(31)	(82)	(113)
Edward Wilson	(23)	(64)	(87)
Essendine Primary	(34)	(96)	(130)
George Eliot	(14)	(41)	(55)
Hallfield	(51)	(137)	(188)
Hampden Gurney Primary	(21)	(57)	(78)
Mary Paterson Nursery School	(17)	(46)	(63)
Our Lady of Dolours Primary School	(21)	(57)	(78)
Portman Early Childhood Centre	(50)	(139)	(189)
Queen Elizabeth II	(48)	(134)	(182)
Queen's Park	(21)	(57)	(78)
Robinsfield	(16)	(39)	(55)
Soho Parish	(17)	(49)	(66)

Administering Authority	Employees Contributions	Employers Contributions	Total Contributions
St Augustine's High School	(85)	(222)	(307)
St. Augustine's Primary School	(12)	(33)	(45)
St Barnabas	(12)	(34)	(46)
St Clement Danes	(17)	(45)	(62)
St Gabriel's	(19)	(51)	(70)
St George Hanover Square	(5)	(13)	(18)
St James & St Johns	(16)	(43)	(59)
St Lukes	(8)	(21)	(29)
St Mary Bryanston Square	(15)	(43)	(58)
St Mary Magdalene	(25)	(68)	(93)
St Mary of the Angels	(26)	(74)	(100)
St Matthew's	(14)	(40)	(54)
St Peters CE	(18)	(48)	(66)
St Peters Eaton Square	(15)	(43)	(58)
St. Edward`s RC Primary School	(23)	(63)	(86)
St. Saviours Primary School	(25)	(69)	(94)
St Vincent De Paul Primary School	(19)	(54)	(73)
St. Vincent`s RC Primary School	(19)	(54)	(73)
St Stephens CE primary School	(2)	(7)	(9)
Tachbrook Nursery	(13)	(35)	(48)
Total Contributions from Administering Authority	(11,391)	(25,607)	(36,998)

Administration Management Performance (continued)

SCHEDULED BODIES

The Fund provides pensions not only for employees of Westminster City Council, but also for the employees of a number of scheduled and admitted bodies.

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g. academy schools.

Scheduled Bodies	Employees Contribution	Employers' Contributions	Total Contributions
	£'000	£'000	£'000
Ark Atwood Primary Academy	(24)	(75)	(99)
Beachcroft Academy	(27)	(69)	(96)
Churchill Gardens Academy	(19)	(59)	(78)
Gateway Academy	(33)	(105)	(138)
Grey Coat Hospital Academy	(81)	(213)	(294)
Harris Westminster Free School	(28)	(68)	(96)
Harris Academy St Johns Wood	(79)	(231)	(310)
King Solomon Academy	(355)	(818)	(1,173)
Marylebone Boys School	(60)	(176)	(236)
Millbank Primary Academy	(24)	(65)	(89)
Paddington Academy	(96)	(245)	(341)
Pimlico Academy	(245)	(582)	(827)
Pimlico Free School	(24)	(77)	(101)

Scheduled Bodies	Employees Contribution	Employers' Contributions	Total Contributions
	£'000	£'000	£'000
Sir Simon Milton University Technical College	-	(42)	(42)
St Georges Maida Vale Academy	(78)	(219)	(297)
St Josephs Catholic Primary Academy	(20)	(51)	(71)
St Marylebone Academy	(95)	(263)	(358)
St Marylebone Bridge School	(30)	(78)	(108)
Westminster Academy	(40)	(107)	(147)
Westminster City School	(69)	(200)	(269)
Wilberforce Academy	(11)	(34)	(45)
Total Contributions from Scheduled Bodies	**(1,438)**	**(3,777)**	**(5,215)**

Administration Management Performance (continued)

ADMITTED BODIES

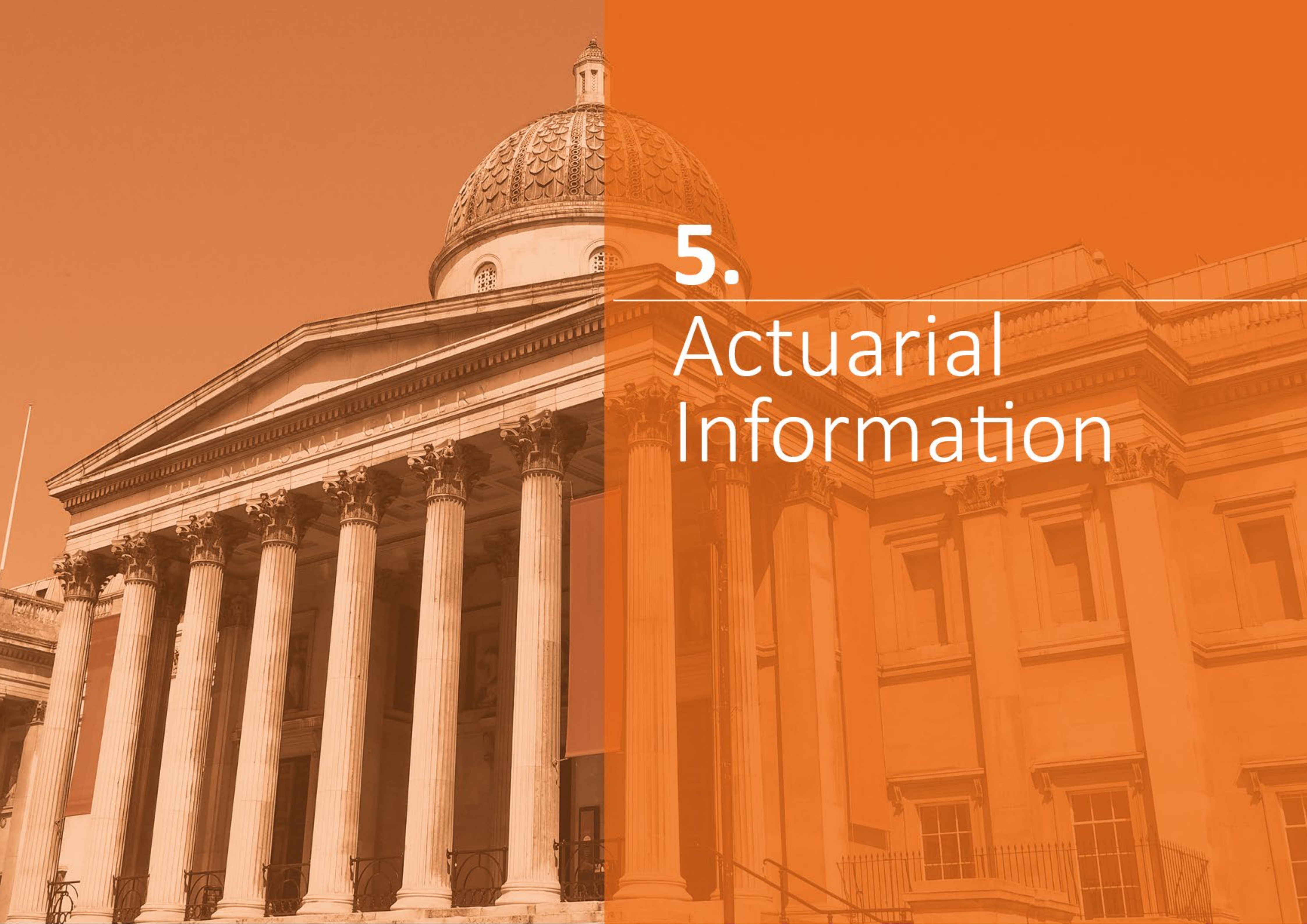
Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation. Examples of admitted bodies are not for profit organisations linked to the Council and contractors who have taken on delivery of services with Council staff also transferred to third parties.

Admitted Bodies	Employees Contribution	Employers Contributions	Total Contributions
	£'000	**£'000**	**£'000**
Accent Catering	(1)	(7)	(8)
Compass	(26)	(94)	(120)
Continental Landscapes Ltd	(1)	(5)	(6)
Creative Education Trust	(186)	(375)	(561)
Gold Care Homes	(2)	(10)	(12)
Housing and Communities Agency	(230)	(664)	(894)
Independent Housing Ombudsman	(1,081)	(3,654)	(4,735)
Pinnacle Housing	(2)	(12)	(14)
Regulator for Social Housing	(342)	(1,064)	(1,406)
Total Contributions from Admitted Bodies	**(1,871)**	**(5,885)**	**(7,756)**
Grand Total	**(14,700)**	**(35,269)**	**(49,969)**

EMPLOYER ANALYSIS

The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding pensions liabilities).

Employer Type	Active	Ceased	Total
Administering Authority	1	-	1
Scheduled Body	20	-	20
Admitted Body	9	(1)	8
Total	**30**	**(1)**	**29**



5. Actuarial Information

Report by Actuary

INTRODUCTION

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

DESCRIPTION OF THE FUNDING POLICY

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- where appropriate, ensure stable employer contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy;
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions are designed to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 17 years.

FUNDING POSITION AS AT THE LAST FORMAL FUNDING VALUATION

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,876 million, were sufficient to meet 128% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £410 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

PRINCIPAL ACTUARIAL ASSUMPTIONS AND METHOD USED TO VALUE THE LIABILITIES

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

METHOD

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

ASSUMPTIONS

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial Assumptions	31 March 2022
CPI Inflation	2.7% p.a.
Salary increases	3.7% p.a.
Discount Rate:	
Scheduled bodies	4.8% p.a.
Admitted bodies	4.8% p.a.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Assumptions	Males	Females
Current Pensioners	22.3 years	24.7 years
Future Pensioners*	23.6 years	26.2 years

*Aged 45 at the 2022 Valuation

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's *website*.

EXPERIENCE OVER THE PERIOD SINCE 31 MARCH 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Adrian Loughlin FFA

9 May 2024

For and on behalf of Hymans Robertson LLP

6.

Pension Fund Accounts

Statement of Responsibilities

Responsibility for the Financial Statements, which form part of this Annual Report, is set out in the following declaration.

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs, in line with statute this is the Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

THE SECTION 151 OFFICER'S RESPONSIBILITIES

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts and of its Pension Fund Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), are required respectively to present fairly the financial position of the Council and of the Pension Fund at the accounting date and the income and expenditure for the year then ended.

In preparing these Statements of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts;
- made judgments and estimates that were reasonable and prudent; and
- complied with the Code.

The Section 151 Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Gerald Almeroth

Executive Director - Finance and Resources
Section 151 Officer

APPROVAL OF STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by the Westminster City Council Audit and Performance Committee.

Councillor Aziz Toki

Chairman of the Audit and Performance Committee

Independent Auditors Report

Independent auditor's statement to the members of Westminster City Council on the pension fund financial statements of the City of Westminster Pension Fund included within the City of Westminster Pension Fund Annual Report

OPINION

We have examined the pension fund financial statements of City of Westminster Pension Fund (the 'pension fund') for the year ended 31 March 2024 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the pension fund financial statements are consistent, in all material respects, with the audited financial statements of Westminster City Council for the year ended 31 March 2024 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We have not considered the effects of any events between 28 October 2024, being the date we signed our report on the audited financial statements of Westminster City Council, and the date of this statement.

RESPECTIVE RESPONSIBILITIES OF THE SECTION 151 OFFICER AND THE AUDITOR

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Executive Director - Finance and Resources (Section 151 Officer) is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Our responsibility is to state to the members of Westminster City Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Westminster City Council.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of Westminster City Council describes the basis of our opinion on those financial statements.

USE OF THIS AUDITOR'S STATEMENT

This statement is made solely to the members of Westminster City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Westminster City Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Westminster City Council and the members of Westminster City Council. as a body, for our work, for this statement, or for the opinions we have formed.

Grant Patterson

Grant Patterson, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

28 October 2024

Pension Fund Accounts and Explanatory Notes

FUND ACCOUNT

2022/23		Notes	2023/24
£'000			**£'000**
	Dealings with members, employers and others directly involved in the fund		
(31,645)	Contributions From Employers	6	(35,269)
(13,060)	Contributions From Members	6	(14,700)
(7,321)	Individual Transfers in from Other Pension Funds		(12,977)
(52,026)			(62,946)
	Benefits		
51,752	Pensions	7	57,304
8,019	Commutation, Lump Sum Retirement and Death Benefits	7	9,693
289	Payments in respect of tax		334
	Payments to and on Account of Leavers		
9,505	Individual Transfers Out to Other Pension Funds		10,101
156	Refunds to Members Leaving Service		308
69,721			77,740

Pension Fund Accounts and Explanatory Notes (continued)

2022/23		Notes	2023/24
£'000			**£'000**
17,695	Net (Additions)/Withdrawals from Dealings with Members		14,794
13,064	Management Expenses	8	22,626
30,759	Net (additions)/withdrawals including management expenses		37,420
	Returns on Investments		
(19,074)	Investment Income	9	(28,019)
(381)	Other Income	-	(72)
(19,455)			(28,091)
70,478	(Profit) and loss on disposal of investments and changes in the market value of investments	11	(228,878)
51,023	Net return on investments		(256,969)
81,782	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(219,549)
(1,876,136)	Opening Net Assets of the Scheme		(1,794,354)
(1,794,354)	Closing Net Assets of the Scheme		(2,013,903)

Net Assets Statement for the year ended 31 March 2024*

2022/23		Notes	2023/24
£'000			**£'000**
	Investment assets		
150	Equities	11	150
1,770,354	Pooled Investment Vehicles	11	1,966,455
	Other Investment Balances:		
53	Income Due	11	157
19,465	Cash Deposits	11	40,708
1,790,022	Total Investment Assets		2,007,470
-	**Investment Liabilities**		-
1,790,022	**Net Value of Investment Assets**	10	2,007,470
5,211	Current Assets	18	7,779
(879)	Current Liabilities	19	(1,346)
1,794,354	Net Assets of the Fund Available to Fund Benefits at the Period End		2,013,903

* The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 17.

Note 1 Description of the City of Westminster Pension Fund

a) General

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by the Westminster City Council. It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the Westminster City Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1st April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

b) Funding

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from interest and dividends on the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employers also pay contributions into the Fund based on triennial funding valuations. The 31 March 2022 valuation covers the three financial years to 31 March 2026.

Currently employer contribution rates range from 15.0% to 32.4% of pensionable pay, as per the 2022 valuation.

Note 1 Description of the City of Westminster Pension Fund (continued)

c) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table:

	Service pre-1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable pay	Each year worked is worth 1/60 x final pensionable pay
Lump Sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average revalued earnings (CARE) scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions, and death benefits.

Westminster Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the pension fund. The Fund has appointed Aegon and Utmost Life and Pensions as its AVC providers. AVCs are paid to the AVC providers by employers and specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

d) Governance

The Council has delegated management of the fund to the Pension Fund Committee (the ‘Committee’) who decide on the investment policy most suitable to meet the liabilities of the Fund and have the ultimate responsibility for the investment policy. The Committee is made up of four Members of the Council each of whom has voting rights.

The Committee reports to the Full Council and has full delegated authority to make investment decisions. The Committee considers views from Council Officers including the Tri-Borough Director of Pensions and Treasury, and obtains, as necessary, advice from the Fund’s appointed investment advisors, fund managers and actuary.

In line with the provisions of the Public Service Pensions Act 2013 the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets quarterly and has its own Terms of Reference. Board members are independent of the Pension Fund Committee.

The Section 151 Officer is responsible for the preparation of the Pension Fund Statement of Accounts. The Audit and Performance Committee is responsible for approving the financial statements for publishing.

Note 1 Description of the City of Westminster Pension Fund (continued)

e) Investment Principles

In accordance with the LGPS (Management and Investment of Funds) Regulations 2016 the Committee approved an Investment Strategy Statement on 19 October 2023 (available on the Council's website). The Statement shows the Authority's compliance with the Myners principles of investment management.

The Committee has delegated the management of the Fund's investments to external investment managers (see Note 10) appointed in accordance with regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

f) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the City of Westminster Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

31 March 2023		31 March 2024
29	Number of employers with active members	29
4,853	Active members	4,899
6,661	Pensioners receiving benefits	6,832
7,111	Deferred Pensioners	7,267
18,625		**18,998**

Note 2 Basis of preparation of financial statements

The Statement of Accounts summarise the Fund's transactions for 2023/24 and its position at year end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Authority has opted to disclose this information in Note 17.

The Pension Fund Accounts have been prepared on a going concern basis, with the assumption that the functions of the authority will continue in operational existence for the foreseeable future. The Westminster City Council Pension Fund remains a statutory open scheme, with a strong covenant from the active employers and is therefore able to take a long term outlook when considering the general investment and funding implications of external events.

Note 3 Summary of significant accounting policies

FUND ACCOUNT – REVENUE RECOGNITION

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. The employer contribution rate is set at a percentage rate recommended by the actuary in the payroll period to which they relate. Employee contribution rates are based on employee salaries, set annually in accordance with LGPS regulations.

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements.

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset in the net asset statement.

Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits and losses during the year.

FUND ACCOUNT – EXPENSE ITEMS

d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is an exempt approved fund under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Voluntary Scheme Pays (VSP), Mandatory Scheme Pays (MSP) and lifetime allowance

Members are entitled to request the Pension Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension.

Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

Note 3 Summary of significant accounting policies (continued)

g) Management Expenses

Pension fund management expenses are accounted for in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs 2016.

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.

All investment management expenses are accounted for on an accruals basis. The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

NET ASSETS STATEMENT

h) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14).

i) Derivatives

The Fund uses derivative financial instruments indirectly to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

j) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions which are repayable on demand without penalty.

l) Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 17).

n) Additional Voluntary Contributions

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 20).

o) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 21.

Note 4 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 3 above, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

There were no such critical judgements made during 2023/24.

Note 5 Assumptions made about the future and other major sources of uncertainty

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £30m. A 0.1% increase in assumed earnings would increase the value of liabilities by approximately £1m and a year increase in life expectancy would increase the liability by about £69m.
Infrastructure - Pantheon (Note 13a)	Valuation based on latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	The inputs used by the General Partner during valuation include, but are not limited to, prices and other relevant information generated by the market transactions, type of security, size of the position, purchase price, purchases of the same or similar securities by other investors, marketability, foreign exchange rates, degree of liquidity, restrictions on the disposition, latest round of financing data, completed or pending third-party transactions in the underlying investment or comparable issuers, current financial position and operating results among other factors. Having consulted with the investment manager, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges +/-10%.
Renewable Infrastructure - Quinbrook (Note 13a)	Valuation based on latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	The valuation of the fund is estimated to be within a +16.6%/- 13.8% flex range based on the actual valuation range calculated. The % flex will be an implied rate based on the actual valuation range calculated, which in turn will be based on a sensitivity analysis for the current holdings.
Renewable Infrastructure - Macquarie (Note 13a)	Valuation based on latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	The valuation of the fund is estimated to be within a +/- 10% range and with a lower boundary on the downside i.e. not capturing any potential long-term upsides such as repowering or asset life extensions.
Affordable Housing - Man Group (Note 13a)	Valuation based on independent valuations for freehold and leasehold properties less any debt within the individual property fund plus/minus other net assets.	The valuation of the fund is estimated to be within a +9.4%/-8.7% range. These ranges relate specifically to the valuation of completed sites. They are based on stress tests reflecting potential changes in market environment, particularly changes in house prices and inflation/interest rates.
Private Debt - CVC Credit (Note 13a)	Valuation based on latest available fair value provided by the manager, adjusted for cash movements subsequent to that date.	The fund uses Lincoln spreads to value the investments. Having consulted with the investment manager, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges +/-11.4%.
Affordable Housing - London CIV (Note 13a)	Valuation based on independent valuations for freehold and leasehold properties less any debt within the individual property fund plus/minus other net assets.	The accounting treatment of fund means that the sensitivity of this valuation is geared by the 34 times. This means that a movement of +/- 1.5% of the NAV will make this valuation change by +/- 50%.

PENSION FUND LIABILITY

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 16. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

Note 6 Contributions receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund. The table below shows a breakdown of the total amount of employers' and employees' contributions.

BY AUTHORITY

2022/23		2023/24
£'000		£'000
(34,505)	Administering Authority	(36,998)
(4,611)	Scheduled bodies	(5,215)
(5,589)	Admitted bodies	(7,756)
(44,705)	**Total**	**(49,969)**

BY TYPE

2022/23		2023/24
£'000		£'000
(13,060)	Employees' normal contributions	(14,700)
	Employer's contributions:	
(30,070)	Normal contributions	(34,656)
(32)	Deficit recovery contributions	(55)
(1,543)	Augmentation contributions	(558)
(44,705)	**Total**	**(49,969)**

Note 7 Benefits payable

The table below shows a breakdown of the total amount of benefits payable by category.

BY TYPE

2022/23		2023/24
£'000		£'000
51,752	Pensions	57,304
6,675	Commutation and lump sum retirement benefits	8,908
1,344	Lump sum death benefits	785
59,771	**Total**	**66,997**

BY AUTHORITY

2022/23		2023/24
£'000		£'000
46,243	Administering Authority	51,580
2,745	Scheduled Bodies	3,080
10,783	Admitted Bodies	12,337
59,771	**Total**	**66,997**

Note 8 Management Expenses

The table below shows a breakdown of the management expenses incurred during the year.

2022/23		2023/24
£'000		£'000
776	Administration Expenses	943
388	Oversight and Governance	428
11,900	Investment Management Expenses	21,255
13,064	**Total**	**22,626**

Investment management expenses are further analysed below in line with the CIPFA Guidance on Accounting for Management Costs in the LGPS.

2022/23		2023/24
£'000		£'000
8,458	Management fees	9,816
54	Custody fees	38
3,388	Transaction costs	5,767
-	Interest Payable on equalisation	5,634
11,900	**Total**	**21,255**

Note 9 Investment Income

The table below shows a breakdown of investment income for the year:

2022/23		2023/24
£'000		**£'000**
15,354	Pooled investments - unit trusts and other managed funds	17,034
(89)	Pooled property investments	-
3,552	Alternatives Income	9,561
257	Interest and cash deposits	1,424
19,074	**Total before taxes**	**28,019**

Note 10 Investment Management Arrangements

As at 31 March 2024, the investment portfolio is managed by sixteen external managers:

- The UK property portfolio is managed by Abrdn;
- Private debt is manager by CVC Credit;
- Fixed income mandates are managed by CQS and PIMCO (Multi Asset Credit, via the London CIV), Insight (Bonds) and Northern Trust (short bonds);
- Multi asset is managed by Ruffer (absolute return, via the London CIV);
- Affordable Housing is managed by Man Group and CBRE & Octopus (via the London CIV);
- Alternatives are managed by Pantheon (Infrastructure), Macquarie (Renewable Infrastructure) and Quinbrook (Renewable Infrastructure);
- Equity portfolios are split between Baillie Gifford (active global, managed by the London CIV), Morgan Stanley (active global, managed by the London CIV) and Legal and General Investment Management (passive global).

All managers have discretion to buy and sell investments within the constraints set by the Committee and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares. Northern Trust acts as the Fund's global custodian. They are responsible for safe custody and settlement of all investment transactions and collection of income. The bank account for the Fund is held with Lloyds Bank.

The market value and proportion of investments managed by each fund manager at 31 March 2024 was as follows:

31 March 2023 Market Value	%	Fund Manager	Mandate	31 March 2024 Market Value	%
£'000				£'000	
Investments managed by the London CIV asset pool:					
150	0.0%	London CIV	Share Capital	150	0.0%
150	**0.0%**	**UK Equity**		**150**	**0.0%**
377,909	21.1%	London LGPS CIV Ltd - Baillie Gifford	Global Equity (Active)	385,318	19.2%
369,877	20.7%	London LGPS CIV Ltd - Morgan Stanley	Global Equity (Active)	381,032	19.0%
29	0.0%	LGIM Passive	World Equity (Passive)	28	0.0%
408,239	22.8%	LGIM Future World	World Equity (Passive)	476,540	23.7%
1,156,054	**64.6%**	**Global Equity**		**1,242,918**	**61.9%**
86,715	4.8%	London LGPS CIV Ltd – CQS & PIMCO	Multi Asset Credit	90,024	4.5%
86,715	**4.8%**	**Fixed Income**		**90,024**	**4.5%**
37,123	2.1%	London LGPS CIV Ltd - Ruffer	Absolute Return	34,894	1.7%
37,123	**2.1%**	**Multi Asset**		**34,894**	**1.7%**
-	-	London CIV – CBRE & Octopus	Property	218	0.0%
-	**0.0%**	**Affordable Housing**		**218**	**0.0%**
1,280,042	**71.5%**	**Total pooled**	**Sub-Total**	**1,368,204**	**68.1%**
Investments managed outside of the London CIV asset pool:					
25,412	1.4%	Northern Trust Short ESG Fund	Bonds	511	0.1%
154,786	8.6%	Insight Buy and Maintain Bond Fund	Bonds	134,487	6.7%
180,198	**10.0%**	**Bonds**		**134,998**	**6.8%**
78,633	4.4%	Abrdn Long Lease Property	Property	67,972	3.4%

Note 10 Investment Management Arrangements (continued)

31 March 2023 Market Value	%	Fund Manager	Mandate	31 March 2024 Market Value	%
£'000				£'000	
78,633	**4.4%**	**Property**		**67,972**	**3.4%**
37,951	2.1%	Man Group Community Housing Fund	Affordable Housing	39,405	2.0%
37,951	**2.1%**	**Affordable Housing**		**39,405**	**2.0%**
63,717	3.6%	Pantheon Global Infrastructure	Infrastructure	69,463	3.5%
28,370	1.6%	Macquarie GIG Renewable Energy	Infrastructure	43,095	2.1%
56,922	3.2%	Quinbrook Renewables Impact Fund	Infrastructure	152,509	7.6%
149,009	**8.4%**	**Infrastructure**		**265,067**	**13.2%**
44,700	2.5%	CVC Credit Direct Lending Fund	Private Debt	90,987	4.5%
44,700	**2.5%**	**Private Debt**		**90,987**	**4.5%**
490,491	**27.4%**	**Total outside pool**	**Sub-total**	**598,429**	**29.9%**
19,489	1.1%	Cash deposits		40,837	2.0%
1,790,022	**100%**	**Total investments at 31 March**		2,007,470	100%

Note 11 Reconciliation in movement in investments

2022/23	Market value 1 April 2022	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2023
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Private Equity [15]	150	-	-	-	150
Pooled investments [16]	1,661,610	55,808	(142,373)	(77,018)	1,498,027
UK property unit trust [17]	103,750	111	(3,368)	(21,861)	78,632
Alternatives [18]	76,920	113,494	(24,809)	28,090	193,695
Total	1,842,430	169,413	(170,550)	(70,789)	1,770,504
Cash deposits	15,816			348	19,465
Amounts receivable for sales of investments	-			-	-
Investment income due	116			-	53
Spot FX contracts	-			(37)	-
Amounts payable for purchases of investments	-			-	-
Net investment assets	**1,858,362**			**(70,478)**	**1,790,022**

[15] Includes London CIV Share Capital
[16] Includes equities, multi asset, absolute return, affordable housing and bonds
[17] Includes the long lease property fund
[18] Includes infrastructure and private debt

Note 11 Reconciliation in Movement in Investments (continued)

2023/24	Market value 1 April 2023	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2024
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Private Equity [19]	150	-	-	-	150
Pooled equity investments [20]	1,498,027	3,996	(178,938)	219,354	1,542,439
UK property unit trust [21]	78,632	67	(4,296)	(6,433)	67,970
Alternatives [22]	193,695	194,409	(48,243)	16,185	356,046
Total	**1,770,504**	**198,472**	**(231,477)**	**229,106**	**1,966,605**
Cash deposits	19,465			(207)	40,708
Amounts receivable for sales of investments	-			-	-
Investment income due	53			-	157
Spot FX contracts	-			(21)	-
Amounts payable for purchases of investments	-			-	-
Net investment assets	**1,790,022**			**228,878**	**2,007,470**

[19] Includes London CIV Share Capital
[20] Includes equities, multi asset, absolute return, affordable housing and bonds
[21] Includes the long lease property fund
[22] Includes infrastructure and private debt

Note 12 Investments exceeding 5% of net assets

The table below shows the Fund's investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

31 March 2023 Market Value		Holding	31 March 2024 Market Value	
£'000	**% Holding**		**£'000**	**% Holding**
408,239	22.8%	LGIM Future World	476,540	23.7%
369,877	20.7%	London LGPS CIV Ltd - Morgan Stanley	381,032	19.0%
377,909	21.1%	London LGPS CIV Ltd - Baillie Gifford	385,318	19.2%
154,782	8.6%	Insight Buy and Maintain Bond Fund	134,487	6.7%
86,706	4.8%	London LGPS CIV Ltd – CQS & PIMCO*	-	-
78,633	4.4%	Abrdn Long Lease Property*	-	-
56,922	3.2%	Quinbrook Renewables Impact Fund	152,509	7.6%
1,533,068	**85.6%**	Total Top Holdings	**1,529,886**	**76.2%**
1,790,022		**Total Value of Investments**	**2,007,470**	

*Both the CQS & PIMCO Multi Asset Credit and Abrdn Long Lease Funds had less than 5% of net assets under management at 31 March 2024, therefore, have been excluded from the note for the year 2023/2024.

Note 13a Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Description of asset	Valuation hierarchy 22/23	Valuation hierarchy 23/24	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Equity Funds UK and Overseas Managed Funds	Level 2	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required
Quoted UK and Overseas Bonds	Level 2	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled Long Lease Property Fund	Level 2	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price.	Fund Manager In house evaluation of market data	Not required
Pooled Investments – Multi Asset Credit	Level 2	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required
Pooled Investments – Absolute Return	Level 2	Level 2	The NAV for each share class is calculated based on the market value of the underlying assets.	Evaluated price feeds	Not required
Pooled investments - Affordable Housing	Level 3	Level 3	Independent valuations for freehold and leasehold properties less any debt within the individual property fund plus/minus other net assets.	Freehold and leasehold properties valued on an open market basis. Valuation carried out in accordance with the principles laid down by the RICS Appraisal and Valuation Manual and independent audit review of the net assets within the individual property fund.	Upward valuations are only considered where there is validation of the investment objectives and such progress can be demonstrated Downward valuations are enacted where the manager considers there is an impairment to the underlying investment
Pooled Investments - Infrastructure	Level 3	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required.	Manager valuation statements are prepared in accordance with ECVA guidelines	Upward valuations are only considered when there is validation of the investment objectives and such progress can be demonstrated
Pooled Investments - Private debt	Level 3	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date.	Credit ratings and default history within the pool.	Valuations could be affected by changes to expected cashflows or default in the underlying loans.

SENSITIVITY OF ASSETS VALUED AT LEVEL 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2024	Value on increase	Value on decrease
		£000	£000	£000
Pantheon - Infrastructure (a)	10.0%	69,458	76,404	62,512
Quinbrook - Renewable Infrastructure (b)	+16.6%/-13.8%	152,509	177,825	131,462
Macquarie - Renewable Infrastructure (c)	10.0%	43,094	47,404	38,785
Man Group - Affordable Housing (d)	+9.4%/-8.7%	39,405	43,109	35,976
CVC Credit – Private Debt (e)	11.4%	90,984	101,356	80,612
London CIV – UK Housing (f)	50%	217	325	108
Total		**395,667**	**446,423**	**349,455**

a. The inputs used by the General Partner during valuation include, but are not limited to, prices and other relevant information generated by the market transactions, type of security, size of the position, purchase price, purchases of the same or similar securities by other investors, marketability, foreign exchange rates, degree of liquidity, restrictions on the disposition, latest round of financing data, completed or pending third-party transactions in the underlying investment or comparable issuers, current financial position and operating results among other factors.
b. The valuation of the fund is estimated to be within a +16.6%/- 13.8% flex range based on the actual valuation range calculated. The % flex will be an implied rate based on the actual valuation range calculated, which in turn will be based on a sensitivity analysis for the current holdings.
c. The valuation of the fund is estimated to be within a +/- 10% range and with a lower boundary on the downside i.e. not capturing any potential long-term upsides such as repowering or asset life extensions.
d. The valuation of the fund is estimated to be within a +9.4%/-8.7% range. These ranges relate specifically to the valuation of completed sites. They are based on stress tests reflecting potential changes in market environment, particularly changes in house prices and inflation/interest rates.
e. The fund uses Lincoln spreads to value the investments.
f. The accounting treatment of fund means that the sensitivity of this valuation is geared by the 34 times. This means that a movement of +/- 1.5% of the NAV will make this valuation change by +/- 50%.

As at 31 March 2023:

Description of asset	Assessed Valuation Range (+/-)	Value at 31 March 2023	Value on increase	Value on decrease
		£000	£000	£000
Pantheon - Infrastructure (a)	+/-10.0%	63,705	70,075	57,334
Quinbrook - Renewable Infrastructure (b)	+24.6%/-20.6%	56,922	70,925	45,196
Macquarie - Renewable Infrastructure (c)	+/-10.0%	28,369	31,206	25,532
Man Group - Affordable Housing (d)	+9.5%/-8.8%	37,951	41,556	34,611
CVC Credit – Private Debt (e)	+/-11.2%	44,699	49,705	39,692
Total		**231,646**	**263,467**	**202,365**

a. The inputs used by the General Partner during valuation include, but are not limited to, prices and other relevant information generated by the market transactions, type of security, size of the position, purchase price, purchases of the same or similar securities by other investors, marketability, foreign exchange rates, degree of liquidity, restrictions on the disposition, latest round of financing data, completed or pending third-party transactions in the underlying investment or comparable issuers, current financial position and operating results among other factors.
b. The valuation of the fund is estimated to be within a +24.6%/- 20.6% flex range based on the actual valuation range calculated. The % flex will be an implied rate based on the actual valuation range calculated, which in turn will be based on a sensitivity analysis for the current holdings.
c. The valuation of the fund is estimated to be within a +/- 10% range and with a lower boundary on the downside i.e. not capturing any potential long-term upsides such as repowering or asset life extensions.
d. The valuation of the fund is estimated to be within a +9.5%/-8.8% range. These ranges relate specifically to the valuation of completed sites. They are based on stress tests reflecting potential changes in market environment, particularly changes in house prices and inflation/interest rates.
e. The fund uses Lincoln spreads to value the investments. Following the banking turmoil, CVC liaised with Lincoln to confirm the continued relevance of the private credit spreads. Lincoln confirmed that they had not identified any impact on private credit spreads to date, and added that the movements in the public credit markets were less material than they would have anticipated.

Note 13b Valuation of Financial Instruments carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices. The bid value is based on the market quotation of the relevant stock exchange.

Level 2 – where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include infrastructure, which the Fund holds assets in, unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value is observable.

		31 March 2023				31 March 2024
Quoted Market Price Level 1	**Using Observable Inputs Level 2**	**With Significant Unobservable Inputs Level 3**		**Quoted Market Price Level 1**	**Using Observable Inputs Level 2**	**With Significant Unobservable Inputs Level 3**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial Assets			
-	1,538,709	231,795	Financial assets at fair value through profit and loss	-	1,570,789	395,816
-	-	-	Financial liabilities at fair value through profit and loss	-	-	-
-	**1,538,709**	**231,795**	**Total**	**-**	**1,570,789**	**395,816**

Note 13c Reconciliation of Fair Value Measurements within Level 3

2023/24	Opening balance	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CVC Credit - Private Debt	44,699	-	-	47,256	(6,659)	5,688	-	90,984
Share Capital	150	-	-	-	-	-	-	150
Pantheon - Infrastructure	63,705	-	-	969	(1,617)	6,049	352	69,458
Quinbrook - Renewable Infrastructure	56,922	-	-	131,947	(41,249)	4,889	-	152,509
Macquarie - Renewable Infrastructure	28,369	-	-	14,237	(1,046)	1,534	-	43,094
Man Group - Affordable Housing	37,951	-	-	3,083	(689)	(940)	-	39,405
London CIV - Affordable Housing	-	-	-	462	(274)	29	-	217
Total	**231,796**	**-**	**-**	**197,954**	**(51,534)**	**17,249**	**352**	**395,817**

2022/23	Opening balance	Transfers into Level 3	Transfers out of Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CVC Credit - Private Debt	-	-	-	46,825	(5,466)	3,340	-	44,699
Share Capital	150	-	-	-	-	-	-	150
Pantheon - Infrastructure	48,970	-	-	13,765	(9,200)	6,707	3,463	63,705
Quinbrook - Renewable Infrastructure	18,183	-	-	37,560	(10,298)	11,477	-	56,922
Macquarie - Renewable Infrastructure	9,767	-	-	15,344	(1,252)	4,510	-	28,369
Man Group - Affordable Housing	29,514	-	-	11,570	(6,475)	3,342	-	37,951
Total	**106,584**	**-**	**-**	**125,064**	**(32,691)**	**29,376**	**3,463**	**231,795**

Note 14a Classification of Financial Instruments

The following table shows the classification of the Fund's financial instruments.

		31 March 2023				31 March 2024
Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial Assets			
			Pooled funds - investment vehicles			
1,498,178			Pooled funds	1,542,590		
78,631			UK Unit Trust - Property	67,970		
193,695			Infrastructure	356,045		
	774		**Cash Balances (held directly by Fund)**		3,384	
	53		**Other Investment Balances**		157	
	19,465		**Cash Deposits**		40,708	
	1,015		**Debtors***		713	
1,770,504	**21,307**	-		**1,966,605**	**44,962**	-

Note 14a Classification of Financial Instruments (continued)

31 March 2023				31 March 2024		
Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Financial Liabilities			
-	-	-	Other Investment Balances	-	-	-
-	-	(123)	Creditors	-	-	(490)
-	**-**	**(123)**		**-**	**-**	**(490)**
1,770,504	21,307	(123)	**Total**	1,966,605	44,962	(490)
	1,791,688				**2,011,077**	

*Please note 31 March 2023 debtors figure has been restated for consistency with 31 March 2024.

Note 14b Net Gains and Losses on Financial Instruments

This table summarises the net gains and losses on financial instruments classified by type of instrument.

31 March 2023		31 March 2024
£'000		**£'000**
	Financial Assets	
(70,789)	Fair value through profit and loss	229,106
311	Loans and receivables	(228)
(70,478)		228,878
	Financial Liabilities	
-	Financial liabilities at amortised cost	-
-		-
(70,478)	**Total**	**228,878**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 15 Nature and extent of risks arising from Financial Instruments

RISK AND RISK MANAGEMENT

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk-management strategy rests with the Committee. Risk management policies are established that aim to identify and analyse the investment risks faced by the Fund and these are regularly reviewed in the light of changing market and other conditions.

a) Market Risk

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities.

To mitigate market risk, the Committee and its investment advisors undertake regular monitoring of market conditions and benchmark analysis.

Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital.

The maximum risk resulting from financial instruments (with the exception of derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

The Fund has determined that a 9.62% increase or decrease in market price risk (calculated as a weighted average of PIRC estimated volatilities of asset classes held by the Fund) is reasonable for 2023/24. This analysis excludes debtors, creditors, other investment balances and forward foreign exchange, as these financial instruments are not subject to price risk.

Assets exposed to price risk	Price Risk	Value	Value on price increase	Value on price decrease
		£'000	£'000	£'000
As at 31 March 2023	10.95%	1,790,022	1,986,029	1,594,014
As at 31 March 2024	**9.62%**	2,007,470	2,200,589	1,814,351

Note 15 Nature and extent of risks arising from Financial Instruments (continued)

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Committee and its investment advisors regularly monitor the Fund's interest rate risk exposure during the year.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk	Value	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Fixed Income - Global Bonds	154,786	145,086	164,486
Fixed Income - Global Multi Asset Credit	86,715	84,252	89,177
Absolute Return	37,123	36,065	39,629
Cash and Cash Equivalents	20,263	20,263	20,263
As at 31 March 2023*	**298,887**	**285,666**	**313,555**

Assets exposed to interest rate risk	Value	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Fixed Income - Global Bonds	134,487	125,543	143,430
Fixed Income - Global Multi Asset Credit	90,024	87,728	92,319
Absolute Return	34,894	34,719	36,066
Cash and Cash Equivalents	44,222	44,222	44,222
As at 31 March 2024	**303,627**	**292,212**	**316,037**

*Please note 31 March 2023 figures have been restated for consistency with 31 March 2024.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. The Fund aims to mitigate this risk through the use of hedging, which is applied to the LGIM equities mandate. The Committee recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

Overseas equities, fixed interest securities and futures, cash in foreign currencies, forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of these assets had there been a 5.08% strengthening/weakening of the pound against foreign currencies during 2023/24 (calculated based upon weighted average of PIRC estimated volatilities of currencies held by the Fund).

Note 15 Nature and extent of risks arising from Financial Instruments (continued)

Assets exposed to currency risk		Value	Value on foreign exchange rate increase	Value on foreign exchange rate decrease
		£'000	£'000	£'000
As at 31 March 2023	6.35%	689,703	733,499	645,907
As at 31 March 2024	**5.08%**	697,938	733,393	662,483

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors the state of its admitted bodies.

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Committee monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2024, liquid assets were £1,544m representing 77% of total fund assets (£1,480m at 31 March 2023 representing 83% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

Note 16 Funding Arrangements

The LGPS Regulations require that a full actuarial valuation of the Fund is carried out every three years. The purpose of this is to establish that the City of Westminster Pension Fund is able to meet its liabilities to past and present contributors and to review the employer contribution rates.

The latest full triennial valuation of the Fund was carried out by Hymans Robertson, the Fund's actuary, as at 31 March 2022 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The results were published in the triennial valuation report dated 29 March 2023, with the funding level rising to 128%. The report and Funding Strategy Statement are both available on the Council's website.

The valuation report details the fund assumptions and employer contribution rates for the three years from 2023/24. The actuary's smoothed market value of the scheme's assets at 31 March 2022 was £1,876m and the Actuary assessed the present value of the funded obligation at £1,466m. This indicates a net surplus of £410m, which equates to a funding position of 128% (2019: £20m net liability and 99%).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

2022 Allocation	%
Fixed Income	19.0
Equities	60.0
Alternatives	11.0
Property	10.0
Total	**100.0**

Financial assumptions	2019 %	2022 %
Discount rate - scheduled bodies	4.8	4.8
Discount rate - admitted bodies	3.3	4.8
RPI	3.6	3.7
CPI	2.6	2.7
Pension increases	2.6	2.7
Long-term pay increases	3.6	3.7

The contribution rate is set on the basis of the cost of future benefit accrual, as set out in the Funding Strategy Statement. Each employer has a contribution rate which is appropriate to their circumstances. The common future service contribution rate for the Fund was set at 17.5% of pensionable pay (2019: 17.9%).

The triennial valuation also sets out the individual contribution rate to be paid by each employer from 1 April 2023 depending on the demographic and actuarial factors particular to each employer. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

Note 17 Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2024. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

31 March 2023		31 March 2024
£'000		**£'000**
(1,707,000)	Present Value of Promised Retirement Benefits	(1,728,000)
1,790,022	Fair Value of Scheme Assets (bid value)	2,007,470
83,022	**Net Liability**	**279,470**

ASSUMPTIONS

To assess the value of the Fund's liabilities at 31 March 2024, the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2022 have been rolled forward, using financial assumptions that comply with IAS19.

DEMOGRAPHIC ASSUMPTIONS

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2022. Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a..

Assumed life expectancy from age 65 is:

Life expectancy from age 65 years		31 March 2023	31 March 2024
Retiring today	Males	22.0	21.9
	Females	24.5	24.3
Retiring in 20 years	Males	23.2	23.1
	Females	26.0	25.8

FINANCIAL ASSUMPTIONS

The main financial assumptions are:

	31 March 2023	31 March 2024
	%	%
CPI Increases	3.00	2.80
Salary increases	4.00	3.80
Pension increases	3.00	2.80
Discount rate	4.75	4.80

Note 18 Current Assets

31 March 2023		31 March 2024
£'000		**£'000**
	Debtors:	
2,196	Contributions due - employers	2,525
966	Contributions due - employees	1,090
1,275	Sundry debtors	780
774	Cash balances	3,384
5,211	**Total**	**7,779**

ANALYSIS OF DEBTORS

31 March 2023		31 March 2024
£'000		**£'000**
259	Central Government Bodies	68
894	Other entities and individuals	559
3,284	Administering Authority	3,768
4,437	**Total**	**4,395**

Note 19 Current Liabilities

31 March 2023		31 March 2024
£'000		**£'000**
(879)	Sundry creditors	(1,346)
(879)	**Total**	**(1,346)**

31 March 2023		31 March 2024
£'000		£'000
(756)	Central government bodies	(855)
(26)	Other entities and individuals	(248)
(97)	Administering Authority	(243)
(879)	**Total**	**(1,346)**

Note 20 Additional Voluntary Contributions

The Pension Fund's Additional Voluntary Contributions (AVC) providers are Aegon and Utmost Life and Pensions. The table below shows information about these separately invested AVCs.

31 March 2023 Market Value		31 March 2024 Market Value
£'000		**£'000**
731	Aegon	962
316	Utmost Life and Pensions	333
1,047	**Total**	**1,295**

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

Note 21 Related Party Transactions

The Fund is administered by Westminster City Council, the largest scheme employer, who has paid £22.7m in contributions over the year to 31 March 2024. The Council incurred costs of £0.565m in the period 2023/24 (2022/23: £0.528m) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Fund uses the same Banking and Control Service provider as WCC and no charge is made in respect of this.

Each member of the Pension Fund Committee is required to declare their interests at each meeting. Councillor Pitt-Ford has declared that he holds shares with Octopus Group Holdings Ltd and Octopus Renewables Infrastructure Trust Plc. During the year, the Fund appointed the London CIV to manage an allocation to affordable housing, with underlying managers CBRE and Octopus. Councillor Pitt-Ford was not present for discussions in relation to this manager appointment.

As the Chair of the Pension Fund Committee, Councillor Eagleton attended the Local Authority Pension Fund Investment Awards dinner for local government stakeholders. This event took place during September 2023, and the City of Westminster Pension Fund was shortlisted for the Fund of the Year Award.

The Pension Fund is a minority shareholder in the London CIV Asset Pool, and shares valued at £150k are included as long-term investments in the net asset statement. A mixed portfolio of pension fund investments is managed by the regional asset pool as shown in Note 10.

KEY MANAGEMENT PERSONNEL REMUNERATION

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Director of Finance and Resources, the Tri-Borough Director of Pensions and Treasury Management and the Director of People Services. There were no costs apportioned to the Pension Fund in respect of the Director of Finance and Resources post for 2022/23 and 2023/24. Total remuneration payable to key management personnel from the Pension Fund is set out below:

31 March 2023		31 March 2024
£'000		**£'000**
40	Short-term benefits	39
(87)	Post-employment benefits	8
(47)	**Total**	**47**

Note 22 External audit costs

The external fee payable to the Fund's external auditors Grant Thornton UK LLP was £94k (£36k in 2022/23).

31 March 2023		31 March 2024
£'000		**£'000**
36	External audit fees	94
36	**Total**	**94**

Note 24 Contractual Commitments

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

Note 23 Events after the reporting period

The Fund has committed $91.5m (£72.5m) to the Pantheon Global Infrastructure Fund III, of this commitment $8.5m (£6.7m) was still outstanding at 31 March 2024. Alongside this, the Fund has committed £150m to the Quinbrook Renewables Impact Fund with £10.7m outstanding as at 31 March 2024. The Fund has also committed €55m (£47.0m) to the Macquarie Renewable Energy Fund, €8.7m (£7.4m) of which was outstanding at 31 March 2024. The Fund has a £50m commitment to the Man Group Affordable Housing Fund, with £10.3m outstanding as at 31 March 2024. The Fund has a commitment of £110m to CVC Credit Private Debt Fund III and £110m to CVC Credit Private Debt Fund IV, with £24.4m outstanding in fund III and £110m outstanding in fund IV at 31 March 2024. During the year the Fund committed £45m to the London CIV UK Housing fund, with £44.8m outstanding at 31 March 2024.

7. Asset Pools

Asset Pool Background and Governance

BACKGROUND

During 2015 the Department for Levelling Up, Housing and Communities (DLUHC) issued guidance on LGPS asset pooling (LGPS: Investment Reform Criteria and Guidance), which sets out how the government expected funds to establish asset pooling arrangements. In January 2019, the DLUHC issued a consultation and draft guidance on asset pooling within the LGPS, setting out changes to the pooling framework. This guidance will set out the requirements on administering authorities, replacing previous guidance, and build on previous ministerial communications and guidance on investment strategies.

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

The pension funds across England and Wales have come together to form eight asset pools. The Fund joined the London Collective Investment Vehicle (LCIV) in December 2015, the pool comprises of the 32 local authorities within London and has c.£31.6bn under management, with 24 funds launched as of 2023/24.

The Fund has transitioned assets into the London CIV with a value of £1.368bn or 68% as at the 31 March 2024. Going forward the Fund will look to transition further assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

GOVERNANCE

There are a number of governance issues to be considered under pooling arrangements such as the relationship between the pension fund and asset pool, governance structure of the pool and the role of administering authorities.

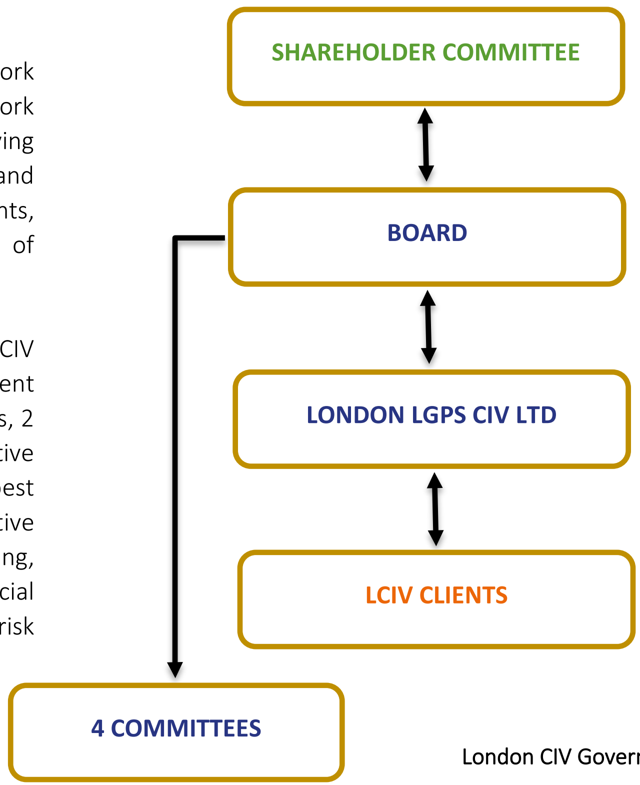
The London CIV Shareholder Committee is responsible for scrutinising the actions of the LCIV Company Board, reporting and transparency, consultation on the strategy, responsible investment and emerging issues. The Committee comprises of 12 members including Councillors and Treasurers from the LLAs.

The Corporate Governance and Controls framework was updated during September 2018. This framework details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting.

Following a review during 2023, the London CIV Company Board comprises of an independent Chairman, 3 Independent Non-Executive Directors, 2 Shareholder nominated NEDs, and 2 Executive Directors. The Board has a duty to act in the best interests of the shareholders and has collective responsibility for; strategy oversight, budgeting, performance review, major decision making, financial reporting and controls, compliance and risk management, key policies and governance.

The London CIV has four Committees, responsible for investment oversight, audit and risk, remuneration and nominations and day to day operations of the company. These comprise of executive and non-executive members.

External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the DLUHC. The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.



London CIV Governance Structure

Pool Set Up Costs

POOL SET UP AND TRANSITION COSTS

The set up and transition costs incurred by the Fund in relation to pooling are detailed in the following table.

	2023/24			
	Direct	Indirect	Total	Cumulative
	£'000	**£'000**	**£'000**	**£'000**
Set up costs				
Other costs	1	101	102	793
Total set up costs	**1**	**101**	**102**	**793**
Transition costs				
Taxation	-	-	-	130
Other transition costs	-	-	-	1,079
Total transition costs	**-**	**-**	**-**	**1,210**

TOTAL EXPECTED COSTS AND SAVINGS

The Pension Fund has six mandates held with the London CIV pool company; Baillie Gifford Paris Aligned Alpha Growth Equities, Morgan Stanley Global Quality Equities, LGIM Future World Equities, Ruffer Absolute Return, London CIV UK Housing Fund (CBRE & Octopus) and CQS & PIMCO Multi Asset Credit. The following table details actual and forecasted costs and savings to 2027/28 by pooling these funds.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Set up costs	(94)	(94)	(116)	(120)	(116)	(101)	(112)	(110)	(108)	(110)
Transition costs	(3)	(65)	(838)	0	(147)	0	0	0	0	0
Fee savings/(costs)	(495)	(27)	957	1,563	1,526	1,309	1,466	1,434	1,403	1,434
Net savings/(costs) realised	**(592)**	**(186)**	**3**	**1,443**	**1,263**	**1,208**	**1,354**	**1,324**	**1,295**	**1,324**

The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view to transitioning assets across to the London CIV as soon as there are appropriate sub-funds to meet the Fund's investment strategy requirements.

Other Investment Management Costs

The table below splits investment management costs between pooled and non-pooled.

	Asset Pool			Non-asset pool			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Management fees	4,515	-	4,515	5,301	-	5,301	9,816
Asset pool shared costs	-	-	-	-	-	-	-
Transaction costs	-	3,186	3,186	5,634	2,581	8,215	11,401
Custody	-	-	-	38	-	38	38
Total	**4,515**	**3,186**	**7,701**	**10,973**	**2,581**	**13,554**	**21,255**

An analysis of operational expenses including variances to prior years can be found within section 2 of this report.

Asset Allocations

Asset allocation is separated by pooled, under pool management and non-pooled in the following table.

Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
	£'000	**£'000**	**£'000**	**£'000**
Equities	766,351	476,568	-	**1,242,919**
Bonds	90,024	-	134,998	**225,021**
Property	218	-	107,377	**107,594**
Hedge funds	-	-	-	**-**
Diversified Growth Funds	-	-	-	**-**
Private equity	150*	-	-	**150**
Private debt	-	-	90,987	**90,987**
Infrastructure	-	-	265,066	**265,066**
Derivatives	-	-	-	**-**
Cash and net current assets	-	-	40,838	**40,838**
Other	34,894	-	-	**34,894**
Total	**891,636**	**476,568**	**639,267**	**2,007,470**

*£150k relates to the share capital of the London CIV

See section 3 of this report for more information regarding Fund performance and asset management.

The following table splits out the Fund's assets by UK investment. This data covers some but not all of the assets included in the asset classes in the net asset statement, and it is not expected that it sums to 100% of assets.

Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
	£'000	**£'000**	**£'000**	**£'000**
UK Listed Equities	32,382	15,916	-	**48,298**
UK Government Bonds	11,596	-	3,889	**15,485**
UK Infrastructure	218	-	286,038	**286,256**
UK Private Equity	150	-	-	**150**

Levelling Up

As part of the government's Levelling up plans, funds are required to publish plans for increasing investment in line with an ambition of up to 5% of assets to be invested in projects which support levelling up. Levelling up refers to assets which make a measurable contribution to one of the missions set out in the Government's Statement of Levelling Up Missions 11 (which is made under Section 1 of the Levelling Up and Regeneration Act 2023) and support any local area within the United Kingdom. The following table details the amount and type of UK levelling up investments that have been made through the Fund's LGPS pool, London CIV, and outside the pool. Levelling up assets outside the pool include infrastructure and affordable housing assets, given the illiquid nature of these asset classes it would not be beneficial for the Fund to transition these into the pool. The Fund allocated 2.5% to affordable housing with the pool company (London CIV) during the year, with capital calls starting to take place during the last two quarters.

Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
	£'000	**£'000**	**£'000**	**£'000**
Additional memorandum: UK Levelling up	218	-	191,914	**192,131**

As shown in the following table, the Fund has 13% of investments within the strategic asset allocation allocated to UK levelling up initiatives, including affordable housing (5%) and renewable infrastructure (8%). As at 31 March 2024, the Fund had 10% of assets physically invested within levelling up assets, up from 5% in 2022/23, with the Fund on track to be fully drawn in the coming years.

	Assets committed	Previous Year Actual Allocation	Current Year Actual Allocation
	%	**%**	**%**
UK Levelling up	13%	5%	10%

8.

Glossary and Contacts

Glossary of Terms

ACCOUNTING POLICIES

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

ACCRUALS

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

ACTIVE MANAGEMENT

Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

ACTIVE MEMBER

Current employee who is contributing to a pension scheme.

ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

ACTUARY

An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

ADMITTED BODY

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

ASSET ALLOCATION

The apportionment of a Fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

BENCHMARK

A measure against which the investment policy or performance of an investment manager can be compared.

BONDS

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date, but which can be traded on a recognised stock exchange in the meantime.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED MEMBERS

Scheme members, who have left employment or ceased to be active members of the scheme whilst remaining in employment but retain an entitlement to a pension from the scheme.

DEFINED BENEFIT SCHEME

A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

DERIVATIVE

A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date

EMPLOYER CONTRIBUTION RATES

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

EQUITIES

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

EXCHANGE TRADED

This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

FINANCIAL ASSETS

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

FINANCIAL INSTRUMENT

Any contract giving rise to a financial asset in one entity and a financial liability or equity in another entity.

FINANCIAL LIABILITIES

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

FORWARD FOREIGN EXCHANGE DERIVATIVE

Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

INDEX

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

OVER THE COUNTER

This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange

PASSIVE MANAGEMENT

Passive management is where the investments mirror a market index.

POOLED INVESTMENT VEHICLES

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

PROJECTED UNIT METHOD – PENSION FUND VALUATION

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

Glossary of Terms (continued)

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

RETURN

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

SCHEDULED BODY

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

THE CODE

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

UNREALISED GAINS/LOSSES

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Contact Information

This document gives details of Westminster City Council's Annual Accounts and is available on the Council's website at *westminster.gov.uk*.

FOR FURTHER DETAILS PLEASE CONTACT:

The Pensions Team
16th Floor
64 Victoria Street
London
SW1E 6QP

pensionfund@westminster.gov.uk

Contact details of the City of Westminster Pension Fund's pool company are as follows:

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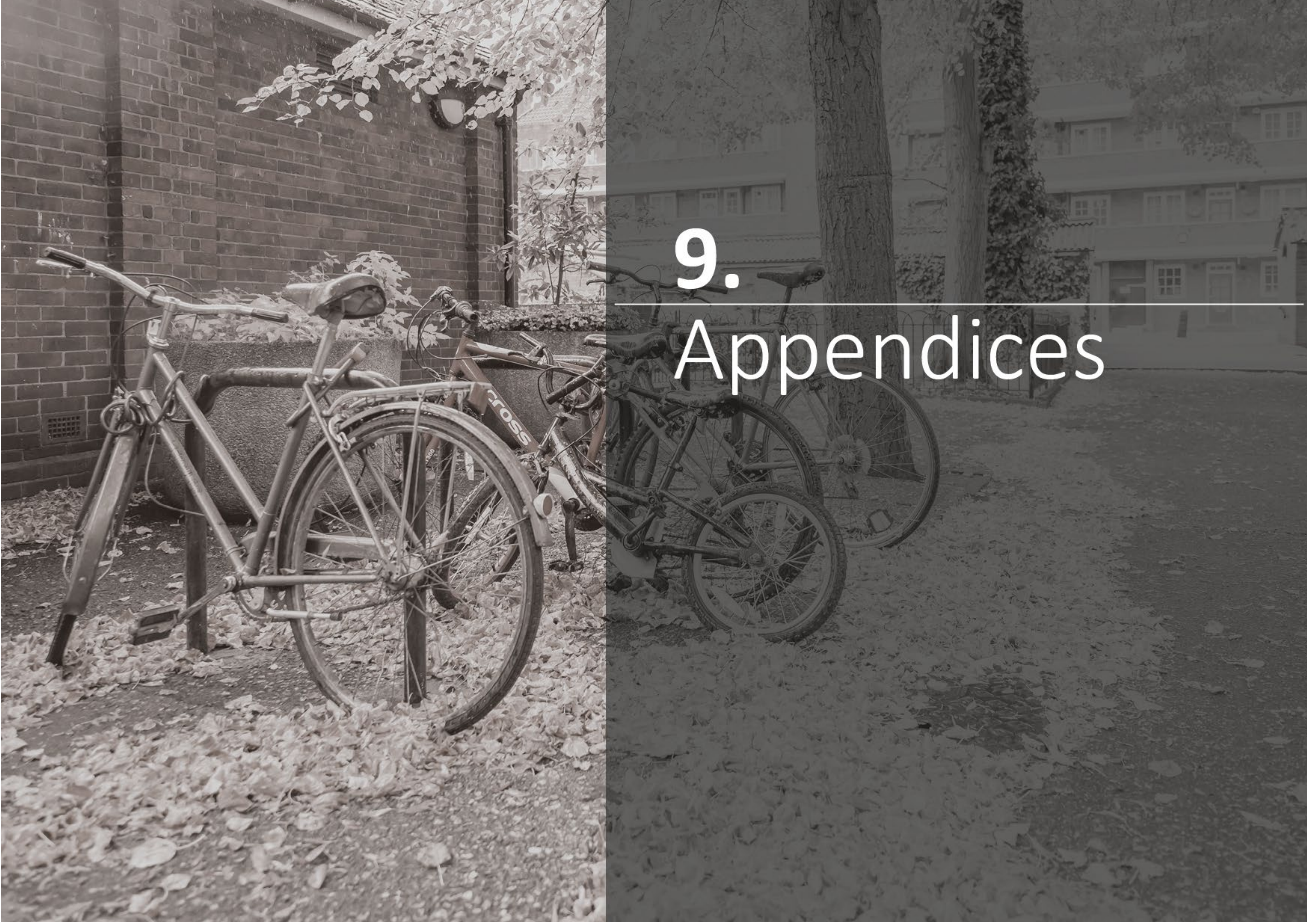
4th Floor
22 Lavington Street
London
SE1 0NZ

pensionsCIV@londonciv.org.uk

9. Appendices



Governance Compliance Statement

BACKGROUND

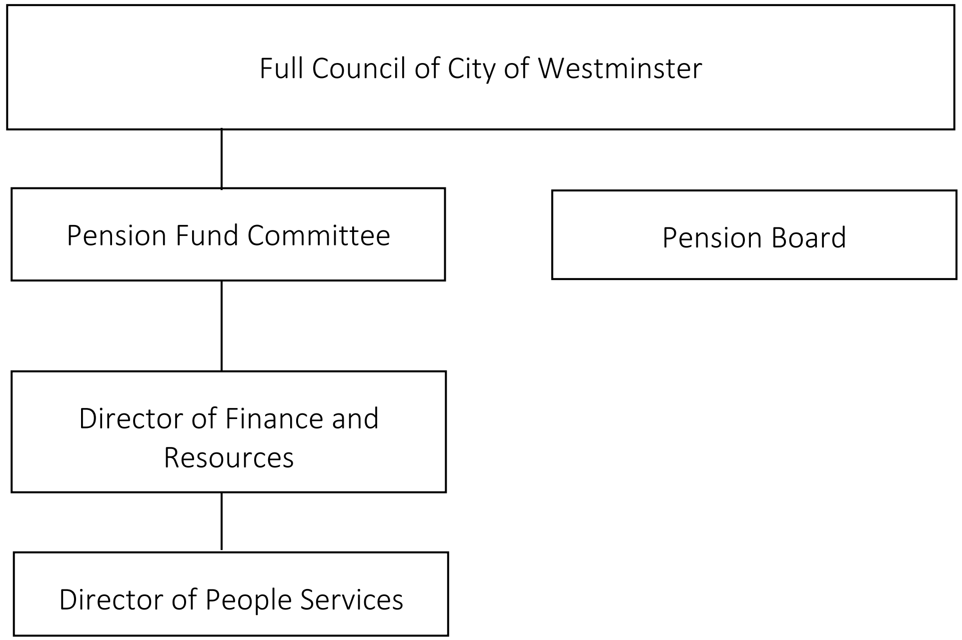
The City of Westminster is the administering authority for the City of Westminster Pension Fund ("the Fund") and it administers the Local Government Pension Scheme on behalf of the participating employers.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires all administering authorities for local government pension schemes to publish a Governance Compliance Statement setting out the Fund's governance arrangements. Information on the extent of the Fund's compliance with guidance issued by the Secretary of State for Communities and Local Government is also a requirement of this regulation.

GOVERNANCE STRUCTURE

The diagram below shows the governance structure in place for the Fund.

Full Council has delegated its functions in relation to the Pension Fund regulations, as shown in the diagram. The sections below explain the role of each party and provide the terms of reference.



Governance Compliance Statement (continued)

PENSION FUND COMMITTEE

Full Council has delegated all decisions in relation to the Public Service Pensions Act 2013 to the Pension Fund Committee.

The role of the Pension Fund Committee is to have responsibility for all aspects of the investment and other management activity of the Fund.

The Committee comprises four elected members - three Majority Party councillors and one opposition councillor. The Committee may co-opt non-voting independent members, including Trade Unions and representatives from the admitted and scheduled bodies in the Pension Fund.

All Councillors on the Committee have voting rights. In the event of an equality of votes, the Chair of the Committee shall have a second casting vote. Where the Chair is not in attendance, a Vice-Chair will be elected.

The Committee meets four times a year and may convene additional meetings as required. Three members of the Committee are required to attend for a meeting to be quorate.

The terms of reference for the Pension Fund Committee are:

1. To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the Investment Consultant.
2. To monitor performance of the Superannuation Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
3. To determine the Fund management arrangements, including the appointment and termination of the appointment of the fund managers, Actuary, Custodians and Fund Advisers.
4. To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
5. To approve the final statement of accounts of the Superannuation Fund and to approve the Annual Report.
6. To receive actuarial valuations of the Superannuation Fund regarding the level of employers' contributions necessary to balance the Superannuation Fund.
7. To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
8. To make and review an admission policy relating to admission agreements generally with any admission body.
9. To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
10. To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
11. To receive and consider the Auditor's report on the governance of the Pension Fund.
12. To determine the compensation policy on termination of employment and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
13. To determine policy on the award of additional membership of the pension fund and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
14. To determine policy on the award of additional pension and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

Governance Compliance Statement (continued)

15. To determine policy on retirement before the age of 60 and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
16. To determine a policy on flexible retirement and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
17. To determine questions and disputes pursuant to the Internal Disputes Resolution Procedures
18. To determine any other investment or pension fund policies that may be required from time to time so as to comply with Government regulations and to make any decisions in accordance with those policies other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

PENSION BOARD

With effect from 1st April 2015, all administering authorities are required by the Public Services Pensions Act 2013 to establish a Pension Board to assist them. The City of Westminster Pension Board was established by the General Purposes Committee on 25th February 2015.

The role of the Pension Board is to assist the administering authority with securing compliance with Local Government Pension Scheme regulations and other legislation relating to the governance and administration of the scheme. The Board does not have a decision-making role in relation to management of the Fund but is able to make recommendations to the Pension Fund Committee.

The membership of the Board is as follows:

- Three employer representatives comprising one from an admitted or scheduled body and two nominated by the Council; (Councillors)
- Three scheme members representatives from the Council or an admitted or scheduled body.

All Board members are entitled to vote, but it is expected that as far as possible Board members will reach a consensus. Three Board members are required to attend for a meeting to be quorate. The Board will meet a minimum of twice a year but is likely to meet on a quarterly basis to reflect the same frequency as the Pension Fund Committee.

COMPLIANCE WITH STATUTORY GUIDANCE

It is a regulatory requirement that the Fund publishes the extent to which it complies with statutory guidance issued by the Secretary of State for Communities and Local Government. The guidance and compliance levels are set out in Appendix 1.

REVIEW OF STATEMENT

This statement will be kept under review and updated as required. Consultation with the admitted and scheduled bodies of the Fund will take place before the statement is finalised at each change.

Governance Compliance Statement (continued)

Compliance Requirement	Compliance	Notes
Structure		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	As set out in terms of reference of the Pension Fund Committee.
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pension Fund Committee.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
Committee membership and representation		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an *ad hoc* basis).	Compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pension Fund Committee. Expert advisers attend the Committee as required
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee
Selection and role		
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Compliant	As set out in terms of reference of the Pension Fund Committee
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Compliant	This is a standing item on the Pension Fund Committee agendas
Voting		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	As set out in terms of reference of the Pension Fund Committee

Governance Compliance Statement (continued)

Compliance Requirement	Compliance	Notes
Training, facility time and expenses		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	Compliant	As set out in the Council's allowances policy and the Pension Fund Knowledge and Skills policy
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	Compliant	As set out in the Council's constitution
Meetings		
That an administering authority's main committee or committees meet at least quarterly.	Compliant	As set out in terms of reference of the Pension Fund Committee
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	Not applicable	All Pension Fund matters are considered by the Pension Fund Committee.
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Compliant	Represented on the Pensions Board
Access		
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Compliant	As set out in the Council's constitution
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Compliant	As set out in terms of reference of the Pension Fund Committee
Publicity		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements	Compliant	All meeting minutes, reports and Pension Fund policies are published on the Council's website

Communication Policy

INTRODUCTION

This Policy sets out how the City of Westminster Pension Fund (CWPF) communicates with its members, member representatives, prospective members, employers, prospective employers, advisors and other bodies. These participate with the Fund, in accordance with regulation 61 of the Local Government Pension Scheme Regulations 2013.

The main objectives of the Communication Policy are to outline to all CWPF stakeholders how we will communicate with them.

We aim to be clear and informative, allowing all stakeholders to be kept up to date and enable members to have a good understanding of the benefits of the scheme.

To achieve these objectives, we will use the most appropriate communication tools and ensure that information is easy to understand.

The fund has a team of dedicated officers who are available to answer member queries and who are responsible for communication to members of the fund.

OUR PENSION SCHEME

The Local Government Pension Scheme (LGPS) is an occupational Career average scheme, CWPF is a participating fund and the administration is carried out on the Council's behalf by Hampshire County Council.

Data protection is of paramount importance to the City of Westminster Pension fund. All of our fund employers are asked to communicate with the fund in a way that protects members' personal data. Members are asked to consider their own personal data protection when contacting the pension fund, and the full privacy notice can be found our pension fund website.

WEBSITE

The primary source of information for all members of the CWPF is the pension website which provides details on the scheme and useful links for further information. This is updated regularly with any scheme or legislative changes.

Members are also encouraged to access the self-service portal, which can be located via the pension fund website. Members can access their annual pension statement, run estimates, make changes to their pension record and raise queries.

Accessing the portal will allow members to make informed decisions on their pension benefits.

The CWPF primarily communicates with members by electronic methods. This includes communication via our pension fund website;

http://www.wccpensionfund.co.uk/

EMAIL

Any pension queries can be sent direct to our pension administrators via email; *pensions@hants.gov.uk*

TELEPHONE

Members can also phone the pension helpdesk between the hours of 9am and 4pm Monday to Friday (excluding bank holidays) to speak to a member of our pension administration team.
Telephone - 01962 845588

REGULAR DISCUSSIONS

The Pension Committee meet quarterly for formal meetings throughout the year and produce an agenda and minutes of each meeting.

The Pension Board meet quarterly throughout the year for formal meetings throughout the year and produce an agenda and minutes of each meeting.

CWPF hold an Annual General Meeting (AGM), which all pension scheme stakeholders attend. This is held to discuss the outcomes of the annual report and accounts such as the investment performance of the fund, actuarial observations, administration activity and challenges and changes over the past year and looking ahead for the Fund.

In addition, Westminster City Council's in-house pension team hold one to one surgeries and briefing sessions throughout the year. They also attend regular training to keep their own knowledge up to date.

COMMUNICATION METHODS

Active Members

The LGPS is a care scheme that both you and your employer contribute to build up an income for your retirement. In addition, there are facilities within the scheme to increase your pension benefits by purchasing an additional pension, added years or making added voluntary contributions(AVC's). The scheme also offers a valuable life assurance benefit of 3 times your pensionable salary, but it is important that members keep their expression of wish form up to date to ensure that in the unfortunate event of death the correct beneficiaries receive this benefit. All active members receive an annual benefit statement and updates on the scheme are available at any time on the scheme website.

Deferred Members

These are former members of the but who are no longer contributing to the scheme because they have moved to a different employer or someone who is not currently contributing to the LGPS because they have opted out. Those still in pensionable employment have the option to re-join the scheme at any time. Updates on the scheme and joining forms are available at any time on the scheme website.

Prospective Scheme Members

We promote to all potential members, the benefits of the LGPS via our website and during the induction process. Scheme guides are available via our website or can be requested from Surrey County Council. The LGPS is a valuable employee benefit that offers a pension in retirement with increases as well as life assurance of 3 times pensionable salary and the ability to top up your pension pot by purchasing an additional pension, added years and making additional voluntary contributions (AVC's). Estimates can be obtained from the scheme administrators by email or self-service to give a member information on the benefit.

Scheme Employers

We have 29 participating employers who form part of our fund. We work with these employers to help promote the local government pension scheme (LGPS). The fund will help employers to comply with their legal requirements to their scheme members.

Westminster has created the Pension Administration Strategy (PAS). This has been introduced to clarify responsibilities.

Westminster City Council's Pension Team will support any of our scheme employers who wish to hold pension surgeries or presentations for their employees upon request. With the aim that their employees have a better understanding of the LGPS and the benefits of paying into the scheme.

Pensioner Members

A pensioner member is someone who has retired or left service and is now entitled to a pension from our pension fund. Pension members receive P60's annually and

payslips which are posted normally in April and May each year. All payslips are available via the member self-service portal.

Other Member Representatives

The fund will communicate with other member representatives. Including where power of attorney is held for a scheme member. With union representatives on general or policy issues and in specific member cases with an individual's express consent. The fund will communicate with government bodies as legally required and with other bodies where there is a statutory obligation for example with the pension regulator and the pension ombudsman.

All Fund Members

The fund duties are carried out by the City of Westminster Pension Fund Committee, which is comprised of Westminster elected members. The Committee meets on a quarterly basis and all members can view minutes from meetings that are available on the Councils website;

https://committees.westminster.gov.uk/ieListMeetings.aspx?CId=321&Year=0

The Pension Board oversees the Pension Fund Committee in its duties. The Board is comprised of three employer representatives and three member representatives, who meet on a quarterly basis. The Board minutes are available on the Council's website;

https://committees.westminster.gov.uk/ieListMeetings.aspx?CId=328&Year=0

Communication Policy (continued)

Advisors

Key elements to the management of the pension fund are actioned on behalf of CWPF by advisors. Such as financial status, investments and legal matters (see glossary).

The CWPF's solvency is assessed every three years by the schemes actuary's. They do this by measuring the level of assets versus liabilities and publish a valuation report of their findings;

https://www.westminster.gov.uk/sites/default/files/media/documents/230329%20Westminster%202022%20Final%20valuation%20results%20report.pdf

The CWPF also produce a Report and Accounts annually which provides information on the financial status of the fund;

https://www.westminster.gov.uk/sites/default/files/media/documents/Annual%20Report%202022-23%20WCC.pdf

Communication Policy (continued)

Summary of Communication Documents

Communication Material	Communication Form	Available to	When Published	When reviewed
Annual Benefit Statements	Via self-service portal	Active Members	Annually	Annually
Pension tax Factsheets	Pension Fund website	All	As when changes	When legislation changes
LGPS Guide	Online electric	All	Available	When regulations are changed
P60	Posted at the end of April	Pensioners	Annually	Annually
Retirement Information	Pension Fund website	All	As Required	Annually
Report and Accounts	Pension Fund website	All	Annually	Annually
Communication Policy	Pension Fund website	All	Annually	Annually
Pension Updates	Electronic	Employers	As required	As required
Investment Strategy Statement	Pension Fund website	All	Tri-Annually	Tri-Annually
LGPC Bulletins	Online	Employers	Monthly	When regulations change
Life existence certificates	Via letter	Pensioners who live abroad	Annually	Annually
Pension Committee minutes and agenda	WCC Committee Website	All	Quarterly	Quarterly
Pension Board minutes and agenda	WCC Committee Website	All	Quarterly	Quarterly
Early Leaver information	Via email or letter	Deferred members	As required	When required
Pensions Administration Strategy	Electronic	All	Annually	Annually
Newsletters	Electronic	All	As required	When required
Valuation Report	Online	All	Tri-Annually	Tri-Annually

Communication Policy (continued)

FURTHER INFORMATION

If you need more information about the Scheme, you should contact Hampshire County Council at the following address:

HAMPSHIRE COUNTY COUNCIL

Hampshire Pension Services
Hampshire County Council
2nd Floor EII East
The Castle
Winchester
SO23 8UJ
Email: *pensions@hants.gov.uk*

General enquiries and complaints:
Phone: 01962 845588

WESTMINSTER CITY COUNCIL PENSION TEAM

All enquiries about the communication policy should be directed at the WCC Pension team:
Sarah Hay
Strategic Pension Lead
64 Victoria Street
Westminster
SW1E 6QP

Tel: 0207 641 6015
Email: *shay@westminster.gov.uk*

Funding Strategy Statement

This is the Funding Strategy Statement for the City of Westminster Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes Westminster City Council's strategy, in its capacity as administering authority, for the funding of the City of Westminster Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1. PURPOSE OF THE FUNDING STRATEGY STATEMENT

1.1 The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as required by Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and

- Take a prudent longer-term view of funding those liabilities.

2. AIMS AND PURPOSE OF THE FUND

2.1 The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

2.2 The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

3. FUNDING OBJECTIVES

3.1 Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

3.2 The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

3.3 In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service

Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

4. RESPONSIBILITIES OF KEY PARTIES

4.1 The key parties involved in the funding process and their responsibilities are set out below.

The Administering Authority

4.2 The administering authority for the Fund is Westminster City Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme Employers

4.3 In addition to the administering authority, a number of other Scheme employers participate in the Fund. The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme Members

4.4 Active Scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC).

The Fund Actuary

4.5 The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and

- Advise on other actuarial matters affecting the financial position of the Fund.

5. FUNDING STRATEGY

5.1 The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

5.2 The most recent valuation of the Fund was as at 31 March 2019.

5.3 The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

5.4 The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

6. FUNDING METHOD

6.1 The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

6.2 The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

6.3 For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

6.4 The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

6.5 The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

6.6 For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

6.7 For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

6.8 The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example the Council, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

7. VALUATION ASSUMPTIONS AND FUNDING MODEL

7.1 In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

7.2 The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and

- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Financial Assumptions: Future Price Inflation

7.3 The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is used as this is consistent with the average duration of an LGPS Fund.

Financial Assumptions: Future Pension Increases

7.4 Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 1.0% p.a. is therefore made from the RPI assumption to derive the CPI assumption.

Financial Assumptions: Future Pay Increases

7.5 As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Financial Assumptions: Future Investment Returns/Discount Rate

7.6 To determine the value of accrued liabilities and derive future contribution requirements, it is necessary to discount future payments to and from the Fund to present day values.

7.7 The discount rate that is adopted will depend on the funding target adopted for each Scheme employer.

7.8 The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

7.9 It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

7.10 A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:

Financial assumptions as at 31 March 2019	
RPI Inflation	3.6% p.a.
CPI Inflation	2.6% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay Increases	CPI inflation + 1.0% p.a.
Discount rate – Scheduled bodies	4.8% p.a.
Discount Rate – Admitted bodies	3.3% p.a.

Admitted Bodies

7.11 A more prudent discount rate is adopted for admitted bodies in the Fund, resulting in a higher level of contributions being required from these bodies. This is in recognition of the fact that such employers may typically be expected to participate in the Fund for a limited period of time and so the aim is to increase the likelihood of sufficient assets being available to fund their employees' past service benefits by the time they cease participation in the Fund. In this way, the risk of deficits arising after the termination date and thus needing to be met by other employers in the Fund is reduced. Some admitted bodies may also be deemed to have a weaker covenant than other employers and so a higher contribution requirement reflects the increased risk that these employers present to the Fund.

Asset valuation

7.12 For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated in a consistent way to the valuation of the liabilities.

7.13 The Fund's assets are allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic Assumptions

7.14 The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers. Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

McCloud/Sargeant Judgements

7.15 The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

7.16 In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS. Further details of this can be found below in the Regulatory risks section.

7.17 At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than, the impact of reducing the discount rate assumption by 0.05%.

Guaranteed Minimum Pension (GMP) Indexation and Equalisation

7.18 As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed.

7.19 On 22 January 2018, the government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

7.20 The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

8. DEFICIT RECOVERY/SURPLUS AMORTISATION PERIODS

8.1 Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

8.2 Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 19 years. The adjustment will usually be set as a fixed monetary amount.

8.3 Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise a proportion of the surplus.

8.4 The deficit recovery period or amortisation period that is adopted, and the proportion of any deficit/surplus that is recovered/amortised, for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

9. POOLING OF INDIVIDUAL EMPLOYERS

9.1 The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances. Pooling of individual employers may be considered in exceptional circumstances if deemed appropriate by the administering authority and Fund Actuary.

10. NEW EMPLOYERS JOINING THE FUND

10.1 When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

ADMISSION BODIES

10.2 New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at Start of Contract

10.3 Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

10.4 However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution Rate

10.5 The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

10.6 Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

10.7 To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

10.8 If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

NEW ACADEMIES

10.9 When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at Start

10.10 On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities.

Contribution Rate

10.11 The total contribution rate for new academies will be chosen to meet both the costs of benefits accruing to the existing active members in the future, and to try to restore the funding level to 100% over the Fund's maximum deficit recovery period.

11. CESSATION VALUATIONS

11.1 When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations, the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

11.2 Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

11.3 Amendments to the LGPS Regulations which came into effect from May 2018 allow flexibility over the payment of exit credits to employers where there is a surplus at the exit date. Given that the Fund will retain the long term risks associated with the residual liabilities of ceasing employers, it is possible that adverse future experience may lead to a deficit arising at some point after the date of exit and this would need to be funded by the other employers in the Fund. Therefore, in order to protect the Fund and the remaining active employers, the policy of the Fund is that no exit credit shall be paid to an employer on exit where a surplus is calculated as part of the cessation valuation and the employer's exit payment in this scenario shall be certified as nil.

11.4 In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

11.5 For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future.

11.6 If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position.

12. BULK TRANSFERS

12.1 Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

12.2 The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

12.3 A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

13. LINKS WITH THE INVESTMENT STRATEGY STATEMENT (ISS)

13.1 The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

13.2 As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

14. RISKS AND COUNTER MEASURES

14.1 Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

14.2 The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

FINANCIAL RISKS

14.3 The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

14.4 The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.1% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by around 2%, and decrease/increase the required employer contribution by around 0.7% of payroll p.a.

14.5 However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

14.6 The Committee may also seek advice from the Fund Actuary on valuation related matters.

14.7 In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

DEMOGRAPHIC RISKS

14.8 Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase in the long-term rate of mortality improvement of 0.25% p.a. will increase the liabilities by around 1%.

14.9 The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

14.10 The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

14.11 The administering authority is currently implementing an ill-health self-insurance pool within the Fund whereby a portion of all employers' contributions into the Fund are allocated to a segregated ill-health section of the Fund. When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain.

MATURITY RISKS

14.12 The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

14.13 The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments. The Fund may carry out cash flow modelling to assess if, when and in what circumstances the Fund will become cash flow negative and options to address this.

14.14 The government has published a consultation (Local government pension scheme: changes to the local valuation cycle and management of employer risk) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

REGULATORY RISKS

14.15 The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government. The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme. However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

14.16 There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

14.17 At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant Judgements and Cost Cap

14.18 The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

4.19 The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

4.20 However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

4.21 The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS. At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

Consultation: Local Government Pension Scheme: Changes to the Local Valuation Cycle and Management of Employer Risk

14.22 On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

14.23 The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019. A partial government response was issued in February 2020 concerning flexibility around the payment of exit credits only, which has been reflected in this FSS and discussed in the "Cessation valuations" section above. We await the outcome of the consultation regarding the other proposals.

Timing of Future Actuarial Valuations

14.24 LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. The results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

Changes to Employers Required to offer LGPS Membership

14.25 At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

14.26 With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. This could impact on the level of maturity and the cashflow profile for these employers. As described earlier this may increase the risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer active members participating in the Fund.

14.27 This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

14.28 There are very few employers of this type currently participating in the Fund and so the risks are considered relatively low at present.

EMPLOYER RISKS

14.29 Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

14.30 However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In particular, the Fund regularly commissions an employer risk review from the Fund Actuary to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

14.31 In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

GOVERNANCE RISKS

14.32 Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

MONITORING AND REVIEW

14.33 This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

14.34 The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

14.35 The timing of the next funding valuation is due to be confirmed as part of the government's Local government pension scheme: changes to the local valuation cycle and management of employer risk consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

14.36 The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

City of Westminster Pension Fund Investment Strategy Statement 2023/24

1. Introduction

1.1 This is the Investment Strategy Statement (ISS) adopted by the City of Westminster Pension Fund ("the Fund"), which is administered by Westminster City Council ("the Administering Authority").

Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Fund is required to publish this ISS. The Regulations require administering authorities to outline how they meet each of 6 objectives aimed at improving the investment and governance of the Fund.

1.2 This Statement addresses each of the objectives included in the 2016 Regulations:

a) A requirement to invest fund money in a wide range of instruments;
b) The authority's assessment of the suitability of particular investments and types of investment;
c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
d) The authority's approach to pooling investments, including the use of collective investment vehicles;
e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

We deal with each of these in turn below.

1.3 The Pension Fund Committee (the "Committee") of the City of Westminster Pension Fund oversees the management of the Fund's assets. Although not trustees, the Members of the Committee owe a fiduciary duty similar to that of trustees to the council-tax payers and guarantors of other scheme employers, who would ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

1.4 The relevant terms of reference for the Committee within the Council's Constitution are:

The Pension Fund Committee's responsibilities are set out in their terms of reference and are to have responsibility for all aspects of the investment and other management activity of the Council's Pension Fund, including, but not limited to, the following matters:

- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the Investment Consultant.
- To monitor performance of the Superannuation Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
- To determine the Fund management arrangements, including the appointment and termination of the appointment of the fund managers, Actuary, Custodians and Fund Advisers.
- To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
- To approve the final accounts and balance sheet of the Superannuation Fund and to approve the Annual Report.
- To receive actuarial valuations of the Superannuation Fund regarding the level of employers' contributions necessary to balance the Superannuation Fund.
- To oversee and approve any changes to the administration arrangements, material contracts and policies and procedures of the Council for the payment of pensions, compensation payments and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.
- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To receive and consider the Auditor's report on the governance of the Pension Fund.
- To determine the compensation policy on termination of employment and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
- To determine policy on the award of additional membership of the pension fund and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

- To determine policy on the award of additional pension and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub- Committee).
- To determine policy on retirement before the age of 60 and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub- Committee).
- To determine a policy on flexible retirement and to make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).
- To determine questions and disputes pursuant to the Internal Disputes Resolution Procedures.
- To determine any other investment or pension policies that may be required from time to time so as to comply with Government regulations and to make any decisions in accordance with those policies other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council (which fall within the remit of the Appointments Sub-Committee).

The Committee has responsibility for:

- Determining an overall investment strategy and strategic asset allocation, with regard to diversification and the suitability of asset classes
- Appointing the investment managers, an independent custodian, the actuary, the investment advisor(s) and any other external consultants considered necessary
- Reviewing on a regular basis the investment managers' performance against benchmarks, portfolio risk and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls
- Monitoring compliance with the ISS & Funding Strategy Statement (FSS) and reviewing its contents
- Reviewing policy on social, environmental and ethical considerations, and on the exercise of voting rights

The Executive Director of Finance and Resources, the Tri-Borough Director of Treasury and Pensions and the appointed consultants and actuaries support the Pension Fund Committee. The day-to-day management of the Fund's assets is delegated to investment managers.

1.5 This ISS will be reviewed at least once a year, or more frequently as required - in particular following valuations, future asset/liability studies and performance reviews, which may indicate a need to change investment policy, or significant changes to the FSS.

1.6 Under the previous Regulations the Statement of Investment Principles required to state how it complies with the revised six investment principles as outlined within the CIPFA Pensions Panel Principles. Although not formally required under the 2016 Regulations this information is given in Appendix A. In addition, Appendix B includes a disclosure of the Fund's policy on how the Committee discharge their stewardship responsibilities.

1.7 Governing all investment decisions are the Committee's core investment beliefs they have been established based on the views of the members and are listed below:

1 Investment Governance

a) The Fund has access to the necessary skills, expertise and resources to manage the whole Fund, as well as internally managing a small proportion of the Fund's assets, such as cash management.
b) Investment consultants, independent advisors and officers are a source of expertise and research to inform
and assist the Committee's decisions.
c) The ultimate aim of the Fund's investments is to pay pension liabilities when they become due. The
Committee will therefore take account of liquidity and the long-term ability of the Fund to meet these
obligations.
d) The Fund is continuously improving its governance structure through bespoke training to implement tactical
views more promptly, but acknowledges that it is not possible to achieve optimum market timing.

2 Long Term Approach

a) The strength of the employers' covenant allows the Fund to take a longer term view of investment strategy
than most investors.
b) The most important aspect of risk is not the volatility of returns, but the risk of absolute loss over the
medium and long term. This would in turn impact the ability of the employers to make adequate
contributions to meet the Fund's liabilities.

c) Illiquidity and volatility are shorter term risks which offer potential sources of additional compensation to
the long term investor. Moreover, it is important to avoid being a forced seller in short term market
setbacks.

d) Over the long term, equities are expected to outperform other liquid assets, particularly government bonds
and cash.

3 Environmental, Social and Governance (ESG) factors

a) Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.

b) Well governed companies that manage their business in a responsible manner are less vulnerable to downside risk and may therefore produce higher returns over the long term.

c) In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they invest in.

d) Environmental considerations should reflect a growing recognition in the Committee of the urgency required in its decision-making processes when making investment allocations.

e) If an investment manager fails to adequately consider ESG issues, the Committee is prepared to disinvest assets from that manager.

4 Asset allocation

a) Allocations to asset classes other than equities and government bonds (e.g., corporate bonds, private markets and property) offer the Fund other forms of risk premia (e.g., additional solvency risk/illiquidity risk).

b) Diversification across asset classes and asset types that have low correlation with each other will tend to reduce the volatility of the overall Fund return.

c) In general, allocations to bonds and alternatives are made to achieve additional diversification. As the funding level improves, the Committee may look to certain lower risk strategies to mitigate liability risks and thus dampen the volatility of the Fund's actuarial funding level.

5 Management Strategies

a) A well-balanced portfolio has an appropriate mix of passive and active investments.

b) Passive, index-tracker style management provides low cost exposure to equities and bonds, and is especially attractive in efficient markets.

c) Active management will typically incur higher investment management fees but can provide additional return. Fees should be aligned to the interests of the Fund.

d) Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.

e) Employing a range of management styles can reduce the volatility of overall Fund returns but can also reduce long term outperformance.

2. Objective 7.2 (a): A requirement to invest fund money in a wide range of instruments

2.1 Funding and investment risk is discussed in more detail later in this ISS. However, at this stage it is important to state that the Committee is aware of the risks it runs within the Fund and the consequences of these risks.

2.2 In order to control risk the Committee recognises that the Fund should have an investment strategy that has:

- Exposure to a diverse range of sources of return, such as market, manager skill and through the use of less liquid holdings.
- Diversity in the asset classes used.
- Diversity in the approaches to the management of the underlying assets.
- Adaptability to be able to maintain liquidity for the Fund.

2.3 This approach to diversification has seen the fund dividing its assets into four broad categories global equities, Fixed Income, Property and Alternatives. The size of the assets invested in each category will vary depending on investment conditions, the strategic asset allocation can be found within appendix E. However, it is important to note that each category is itself diversified. A consequence of this approach is that the Fund's assets are invested in a wide range of instruments.

2.4 The main risk the Committee are concerned with is to ensure the long-term ability of the fund to meet pension, and other benefit obligations, as they fall due is met. As a result, the Committee place a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Committee considers excessive. The Fund currently has a negative cash flow position. The Committee is mindful that this position may change in future and keeps the liquidity within the Fund monitored. At all times the Committee seeks to ensure that their investment decisions, including those involving diversification, are the best long-term interest of Fund beneficiaries and seeks appropriate advice from investment advisors.

2.5 To mitigate these risks the Committee regularly reviews both the performance and expected returns from the Fund's investments to measure whether it has met and is likely to meet in future its return objective. In addition to keeping their investment strategy and policy under regular review the Committee will keep this ISS under review to ensure that it reflects the approaches being taken.

3. Objective 7.2(b): The authority's assessment of the suitability of particular investments and types of investment

3.1 Suitability is a critical test for whether or not a particular investment should be made. When assessing the suitability of investments, the Committee takes into account the following from its due diligence:

- Prospective return
- Risk
- Concentration
- Risk management qualities the asset has, when the portfolio as a whole is considered
- Geographic and currency exposures
- Whether the management of the asset meets the Fund's ESG criteria.

3.2 Each of the Fund's investments has an individual performance benchmark which their reported performance is measured against.

3.3 The policy on asset allocation is compatible with achieving the locally determined solvency target.

3.3 The Committee monitors the suitability of the Fund's assets on a quarterly basis. To that end they monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood. Where comparative statistics are available the Committee will also compare the Fund asset performance with those of similar funds.

3.4 The Committee monitors the suitability of the Fund's assets on a quarterly basis. To that end they monitor the investment returns and the volatility of the individual investments together with the Fund level returns and risk. This latter point being to ensure the risks caused by interactions between investments within the portfolio is properly understood. Where comparative statistics are available the Committee will also compare the Fund asset performance with those of similar funds.

3.5 The Committee relies on external advice in relation to the collation of the statistics for review.

4. Objective 7.2(c): The authority's approach to risk, including ways in which risks are to be measured and managed

4.1 The Committee recognises that there are a number of risks involved in the investment of the assets of the Fund amongst which are the following:

4.2 Geopolitical and currency risks:

- are measured by the value of assets (the concentration risk), in any one market leading to the risk of an adverse influence on investment values arising from political intervention; and
- are managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

4.3 Manager risk:

- is measured by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and
- is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

4.4 Solvency and mismatching risk:

- are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies; and
- are managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

4.5 Liquidity risk:

- is measured by the level of cash flow required over a specified period; and
- managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy

4.6 Custodial risk:

- is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

4.7 Employer contributions are based upon financial and demographic assumptions determined by the actuary. The main risks to the Fund are highlighted within the Funding Strategy Statement (FSS). The risks to the Fund are controlled in the following ways:

- The adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the investment managers from deviating significantly from the intended approach while permitting the flexibility for managers to enhance returns
- The appointment of more than one manager with different mandates and approaches provides for the diversification of manager risk

4.8 The investment management agreements constrain the manager's actions in areas of particular risk and set out the respective responsibilities of both the manager and the Fund.

4.9 The Committee are aware investment risk is only one aspect of the risks facing the Fund. The other key risk they are aware of is the ability of the Fund to meet the future liabilities, support the investment risk (i.e. the level of volatility of investment returns) and underwrite actuarial risk, namely the volatility in the actuarial funding position and the impact this has on contributions.

4.10 The Committee are of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy the Committee carefully considered both the individual asset risk characteristics and those of the combined portfolio to ensure the risks were appropriate. Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them. These can be based on historic asset class information for some of the listed asset classes the Fund uses. However, for other private market and less liquid assets it is much more difficult. The Committee is also mindful that correlations change over time and at times of stress can be significantly different from when they are in more benign market conditions.

4.11 To help manage risk the Committee uses an external investment adviser to monitor the risk. In addition, when carrying out their investment strategy review the Committee also had different investment advisers' asses the level of risk involved.

4.12 The Fund targets a long-term return 4.8% as aligned with the latest triennial valuation from the Actuary. The investment strategy is considered to have a low degree of volatility.

4.13 When reviewing the investment strategy on a quarterly basis the Committee considers advice from their advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable. In addition to this the risk registers are updated on a quarterly basis, appendix F.

4.14 At each review of the Investment Strategy Statement the assumptions on risk and return and their impact on asset allocation will be reviewed.

5 Objective 7.2(d): The authority's approach to pooling investments, including the use of collective investment vehicles

5.1 The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

5.2 The Funds approach to pooling arrangements meet the criteria set out in the Local government pension scheme: investment reform criteria and guidance.

5.3 The Fund joined the London Collective Investment Vehicle (LCIV) as part of the Government's pooling agenda. The London CIV was launched in December 2015 by the 32 local authorities within London and has circa has £17.1bn under direct management, with 24 funds launched as of 2023/24.

5.4 The Fund has transitioned c. 44% of assets into the London CIV as of 31 March 2024. Going forward the Fund will look to transition further assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

5.5 The Fund is monitoring developments and the opening of investment strategy fund openings on the London CIV platform with a view to transitioning assets across to the London CIV as soon as there are appropriate sub-funds to meet the Fund's investment strategy requirements.

5.6 The Fund holds c. 24% of its assets within a passive equity fund and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. However, the Fund benefits from reduced management fees, with Legal & General Investment Management having reduced their fees to match those available through the London CIV. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool.

5.7 The remaining c. 32% of Fund is held within investment assets including property, bonds and infrastructure, private debt, and these will remain outside of the London CIV pool. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature and proceeds re-invest through the pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

5.8 The table below details the investment funds held by the Pension Fund and indicates whether this mandate is available on the LCIV platform and if the funds have been transferred.

City of Westminster Fund	Available on the LCIV	Transferred to LCIV
Listed Equities		
Passive Equities: LGIM	Yes	Yes
Global: Baillie Gifford	Yes	Yes
Global: Morgan Stanley	Yes	Yes
Cash		
At Custody	No	
Fixed Income		
Multi Asset Credit: CQS	Yes	Yes
Global Bonds: Insight	No	
Short Term Bonds: NT	No	
Alternatives		
Infrastructure: Pantheon	No	
Renewable Infrastructure: Quinbrook	No	
Renewable Infrastructure: Macquarie	No	
Property		
Property: Abrdn	No	
Affordable Housing: CBRE & Octopus	Yes	Yes
Affordable Housing: Man Group	No	
Multi Asset		
Absolute Return: Ruffer	Yes	Yes

5.9 The Pension Fund Committee is aware that certain assets held within the Fund have limited liquidity and moving them would come at a cost. Whilst it is the expectation to make use of the London CIV for the management of the majority of the Fund assets in the longer term, the Committee recognises that transitioning from the current structure to the London CIV will be a protracted exercise spread over a number of years to ensure unnecessary costs are not incurred.

5.10 At each review of the investment strategy, which will happen at least every three years, the investment of the above assets will be actively considered by the City of Westminster Pension Fund, and in particular whether a collective investment option is appropriate.

5.11 The London CIV is an FCA authorised company established by the London Local Authorities (LLAs) to provide a collaborative vehicle for pooling LGPS pension fund assets. London CIV shareholders approved a new Corporate Governance and Controls framework at the July 2018 Annual General Meeting (AGM). This framework details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting.

5.12 The London CIV Company Board comprises of an independent Chairman, 3 Independent Non-Executive Directors, 2 Shareholder nominated NEDs, and 2 Executive Directors. The Board has a duty to act in the best interests of the shareholders and has collective responsibility for:

- Strategy and Oversight
- Budget &forward plan
- Reviews performance
- Major contracts and significant decisions including in relation to funds
- Financial reporting & controls
- Compliance, risk and internal controls
- Key policies
- Governance

5.13 The London CIV has four Committees, responsible for investment oversight, audit and risk, remuneration and nominations and day to day operations of the company. These comprise of executive and non-executive members.

The role of the Investment and Customer Outcomes Committee is to:

- determine, maintain and monitor the Company's investment strategy, investment performance and performance risks of the portfolios in accordance with the Company strategy and business plan.

The responsibilities of the Compliance, Audit & Risk Committee include:

- oversee compliance obligations;
- risk management framework; and
- integrity of financial statements and reporting

The responsibilities of the Remuneration & Nomination Committee include:

- remuneration policy;
- remuneration of key staff; and

- nominations and succession planning of key staff and Board members.

The Executive Directors acting collectively as the Executive Committee have a number of specific delegated responsibilities for the day-to-day operations of the company, supported by the wider executive leadership team. The role of the Executive Committee in summary is to:

- execute board-approved strategic objectives and business plan in line with risk appetite and financial limits;
- identify, discuss, and formulate effective solutions to address issues and opportunities facing the Company;
- ensure the day-to-day operations meet relevant legal requirements and compliance obligations of the Company; and
- ensure the Board & Board Committee members receive timely, accurate and transparent management information & reporting to fulfil their duties & responsibilities.

5.14 The London CIV Shareholder Committee is responsible for scrutinising the actions of the Board, reporting and transparency, consultation on the strategy and business plan, matters reserved to shareholders, responsible investment and emerging issues. The Committee meets on a quarterly basis and comprises of 12 members including Councillors and Treasurers from the LLAs.

5.15 The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.

5.16 External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the DLUHC.

5.17 More information on the London CIV and its operation is included in Appendix C of this statement.

6 Objective 7.2(e): How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

6.1 A responsible investment (RI) policy and ESG policy was drafted for the Fund to be adopted by the Committee for 2020/21 onwards. The RI Policy outlines the approach to the management of Environmental, Social and Governance (ESG) issues within the investment portfolio and can be fund within appendix D.

The Present ESG Policy

Introduction

6.2 The City of Westminster (WCC) Pension Fund (the Pension Fund) is committed to being a responsible investor and a long-term steward of the assets in which it invests. The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment.

6.3 The Pension Fund recognises that the neglect of corporate social responsibility and poor attention paid to environmental, social and governance (ESG) issues may lead to poor or reduced shareholder returns. This presents a significant responsibility for the Pension Fund Committee (the Committee). The ESG approach has become integral to the Fund's overall investment strategy.

6.4 The Fund maintains a policy of non-interference with the day-to-day decision making of the investment managers. The Committee believes that this is the most efficient approach whilst ensuring the implementation of policy by each manager is consistent with current best practice and the appropriate disclosure and reporting of actions.

6.5 There are a wide range of ESG issues, with none greater currently than climate change and carbon reduction. The Pension Fund recognises climate change as the biggest threat to global sustainability alongside its administering authority employer, Westminster City Council, which has committed itself to achieving carbon neutrality by 2030.

6.6 The Pension Fund Committee hold a fiduciary duty to act in the members' best interests and ensure that their pension benefits are fully honoured in retirement. That is why, as well as targeting investment returns that match the pension liabilities, the Committee is committed to managing the investment risks: the risks that pose a substantial threat to LGPS members' long-term future.

6.7 The Pension Fund's revised investment strategy should be governed by the following investment principles, which are set out below

6.8 Investment Principles

- The Pension Fund as a long-term investor, is committed to **investing to build a better future** through the integration of ESG issues at all stages of the investment decision-making process.
- Through active ownership, the Pension Fund **engages with the investment community** to help ensure a sustainable future for all its stakeholders. This includes demanding best practice amongst its investment managers and

challenging their investment outcomes where appropriate.

- The Pension Fund recognises that significant value can be achieved through **collaboration with other stakeholders**. The Pension Fund will work closely with its LGPS pool company (the London CIV), other LGPS funds and member groups such as the Local Authority Pension Fund Forum (LAPFF) to ensure corporate interests are aligned with the Pension Fund's values.

- The Pension Fund wants to **gain the confidence of members** in the governance process and the way in which in the Fund is invested on their behalf. It is important for the Pension Fund to be completely transparent and accountable to members and stakeholders.

6.9 Policy Implementation: investing to build a better future

The Pension Fund will continue to assess investment opportunities that have a positive impact on society as whole. These include but are not limited to, investments in fixed income (green bonds), property, low carbon assets, renewables and social impact opportunities. The Fund currently has a 11% allocation to renewable infrastructure, where the asset managers invest solely within renewables including solar, wind, transmission and storage. Alongside this, the Fund's equity holdings are ESG-titled, whereby an Environmental, Social and Governance screening of companies takes place to remove those companies which do not meet the required ESG criteria. In addition, the Fund has a 5% allocation to affordable housing.

The Pension Fund views engagement with companies as an essential activity and encourages companies to take position action towards reversing climate change. The Westminster Pension Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from carbon intensive producing companies. The Pension Fund will continue to encourage positive change whilst officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including carbon and other ESG considerations.

6.10 Policy Implementation: engaging with investment community

Institutional investors have the power to influence and change behaviour globally. The WCC Pension Fund believes that there is significant value in being able to actively engage with the companies we invest in and be part of the transition to a global, low carbon economy.

The Fund expects managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

The measurement of ESG performance is still developing and benefitting from significant improvements. There are several performance benchmarks and disclosure frameworks that exist to measure the different aspects of available ESG data which include carbon emissions and a variety of social impact scores.

- The Pension Fund carries out a carbon footprint exercise on its separate portfolios annually via a specialist firm. The outcome of this measurement exercise will be instrumental in ensuring that the fund is able to meet its decarbonisation goals through effective asset allocation.

- The Pension Fund will continue to work closely with its investment managers to measure the carbon impact of its investments. This will involve developing internal metrics and agreed targets which will be reviewed on a regular basis.

Increasingly, there is growing interest in the investment community to develop investment strategies that focus on sustainable investments. As well as the wider investment community, the Pension Fund will support and contribute to the work carried out by the London CIV in the development of sustainable investments.

6.11 Policy Implementation: collaboration with other stakeholders

The introduction of pooling across the Local Government Pension Scheme (LGPS) will impact how the Pension Fund's responsible investment policy is implemented. The WCC fund is committed to playing a key role as part of the LGPS London CIV pool, with circa 68% of assets pooled.

As asset owners, the Pension Fund, in line with its investment strategy, is responsible for deciding how its assets are invested through its strategic asset allocation. In addition to engaging with the investment community, the Pension Fund will continue to work closely with other UK and London LGPS funds to find common solutions for ESG issues.

As more funds are onboarded into the London CIV, the Pension Fund expects to further increase its investment in the pool. This is expected to create economies of scale and increased synergies for the Pension Fund through a significant reduction in management fees and greater influence when engaging with external stakeholders. The London CIV will manage the Pension Fund's investments in line with the Fund's strategic objectives and those of the other London LGPS Funds.

The Pension Fund actively contributes to the engagement efforts of pressure groups, such as the Local Authority Pension Fund Forum (LAPFF) and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM. This will be monitored on a regular basis.

6.12 Policy Implementation: gaining our members confidence

WCC's LGPS members have spent at least part of their careers helping to deliver key services to their community. It is important for them to understand how their Pension Fund is managed and the contribution its investments make in securing a sustainable future. Members are encouraged to take an active interest in the governance processes of their Pension Fund and their views are represented within the work of the Local Pension Board.

The Pension Fund will aim to provide members with a variety of information which allows them to easily understand the types of investments within the portfolio.

The Pension Fund reports on its overall performance annually through an annual report which is readily accessible to members on the fund's website.

Data within the annual report will include investment performance, an assessment of the key performance indicators (KPIs) of the Fund's administrative function and the Fund's assessment of its many risks.

The Pension Fund hosts an annual general meeting (AGM), following the end of the financial year, which all members and key stakeholders are invited to attend. This includes updates on the administration service, investment performance from our investment advisor, as well as a market update from an asset manager and a presentation from our actuary.

7 Objective 7.2(f): The exercise of rights (including voting rights) attaching to investments

7.1 The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the investment managers to vote in the best interests of the Fund. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

7.2 The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests.

7.3 In addition the Fund:

- Is a member of the Pension and Lifetime Savings Association (PLSA) and the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners; and
- Joins wider lobbying activities where appropriate opportunities arise.

7.4 Ongoing voting and engagement is covered with the Funds Responsible Investment Policy (Appendix D).

7.5 The Committee expects any directly appointed asset managers and the pool company (London CIV) to comply with the Stewardship Code (2020) and this is monitored on an annual basis. See appendix B and C for further details on the Funds approach to stewardship.

8 Feedback on this statement

Any feedback on this Investment Strategy Statement is welcomed. If you have any comments or wish to discuss any issues, then please contact:

Tri-Borough Treasury and Pensions Team
PensionFund@westminster.gov.uk

Westminster City Council
16th Floor City Hall
Tri-Borough Treasury and Pensions Team
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London
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Investment Strategy Statement: Appendix A

Compliance with CIPFA Pensions Panel Principles for investment decision making in the local government pension scheme in United Kingdom

Decision Making

Regulation 12(3) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires an administering authority to report on its compliance with the six Myners' Principles, in accordance with guidance given by the Secretary of State. The guidance for the Local Government Pension Scheme is set out in the CIPFA publication "Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012',

The Fund aims to comply with all of the Myners' Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is also recognised as important to demonstrate how the Fund meets such principles and best practice.

The Secretary of State has previously highlighted the principle contained in Roberts v. Hopwood whose administering bodies exercise their duties and powers under regulations governing the investment and management of Funds:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of others".

The Myners' Principles are seen as supporting this approach. The principles, together with the Fund's position on compliance, are set out below:

Principle 1 - Effective decision-making

Administrating authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- Those persons or organizations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Full Compliance

The Council has delegated the management and administration of the Fund to the Committee, which meets at least quarterly. The responsibilities of the Committee are described in paragraph 1.4 of the ISS.
The Committee is made up of elected members of the Council who each have voting rights.

The Committee obtains and considers advice from and is supported by the Executive Director of Finance and Resources, Tri-Borough Director of Treasury & Pensions, and as necessary from the Fund's appointed actuary, investment managers and advisors.

The Committee has delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the scheme's regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

Business plans are presented to the Committee annually.

Several of the Committee members have extensive experience of dealing with Investment matters and training is made available to new Committee members.

Principle 2 - Clear objectives

An overall investment objective(s) should be set for the Fund that takes account of the pension liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Full Compliance

The aims and objectives of the Fund are set out within the FSS and within the ISS. The main fund objective is to meet the cost of pension liabilities and to enable employer contribution rates to be kept as nearly constant as possible at reasonable cost to the taxpayers and admitted bodies.

The investment strategy has been set with the objective of controlling the risk that the assets will not be sufficient to meet the liabilities of the Fund while achieving a good return on investment (see paragraphs 4 and 5 above). The approach taken reflects the Fund's liabilities and was decided upon without reference to any other funds. The Fund's performance is measured against the investment objective on a quarterly basis.
The Fund's strategy is regularly reviewed.

Principle 3 – Risk and liabilities

In setting and reviewing their investment strategy, administrating authorities should take account of the form and structure of liabilities. These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Full Compliance

The Committee has, in conjunction with its advisers, agreed an investment strategy that is related to the Fund's liabilities. An actuarial valuation of the Fund takes place every three years, with the most recent triennial valuation taking place in 2019. The investment strategy is designed to give diversification and specialisation and achieve optimum return against acceptable risk.

The asset allocation of the Fund is set to maximise the potential to close the funding deficit over future years. The current asset allocation is outlined in appendix E.

Principle 4 – Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members

Full Compliance

The IAC has appointed investment managers with clear index strategic benchmarks (see paragraph 4.2 above) within an overall Investment objective which place maximum accountability for performance against that benchmark on the manager.

The managers are monitored at quarterly intervals against their agreed benchmarks, and independent detailed monitoring of the Fund's performance is carried out by Isio, the Fund's advisor and by Northern Trust, the Fund's custodian who provide the performance figures. Moreover, portfolio risk is measured on quarterly basis and the risk/return implications of different strategic options are fully evaluated.

The advisor is assessed on the appropriateness of asset allocation recommendations and the quality of advice given.

The actuary is assessed on the quality and consistency of the actuarial advice received. Both the advisor and the actuary have fixed term contracts which when expired are tendered for under the OJEU procedures.

The Committee monitors the investment decisions it has taken, including the effectiveness of these decisions. In addition, the Committee receives quarterly reports as to how the Fund has performed against their investment objective.

In order to comply with the CMA investment consultancy and Fiduciary Management Market Investigation Order 2019, The Fund's investment advisors are measured annually against an agreed set of criteria which was agreed by Committee at the 23 October 2019 meeting.

Principle 5 – Responsible Ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders Committee Statement of Principles on the responsibilities of shareholders and agents.
- Include a statement of their policy on responsible ownership in the statement of investment principles.
- Report periodically to scheme members on the discharge of such responsibilities.

Full Compliance

The Fund is committed to making full use of its shareholder rights. The approach used is outlined in paragraph 8 of the ISS and in the Fund's Responsible Investment (RI) Policy (Appendix D). Authority has been delegated to the investment managers to exercise voting rights on behalf of the Fund. The investment managers are required to report how they have voted in their quarterly reports.

The Fund believes in using its influence as a shareholder to promote corporate social responsibility and high standards of corporate governance in the companies in which it invests – the Fund's approach to this is outlined in paragraph 7 of the ISS and in the Fund's RI Policy (Appendix D).

Principle 6 – Transparency and reporting

Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives.
- Provide regular communications to scheme members in the form they consider most appropriate.

Full Compliance

Links to the Governance Compliance Statement, the ISS, the FSS, and the Communications Statement are all included in the Pensions Fund Annual Report which is published and is accessible to stakeholders of the Fund on the Council's web site, and a website developed specifically for the Fund.

All Committee meetings are open to members of the public and agendas and minutes are published on the Council's website and internal intranet.

Compliance with the Stewardship Code

The **Stewardship Code** is a set of principles or guidelines released in 2010 and updated in 2020 by the Financial Reporting Council (FRC) directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so. The City of Westminster Pension Fund was accepted as a signatory to the Stewardship Code during February 2023. The Fund's Stewardship Report can be found here. The Fund encourages any directly appointed fund managers and the pool company (London CIV) to comply and this is monitored on an annual basis.

Fund Manager	Signatory?
Abrdn	Yes
CVC Credit*	No
Insight	Yes
LGIM	Yes
London CIV	Yes
Macquarie	Yes
Man Group	Yes
Northern Trust	Yes
Pantheon**	No
Quinbrook	Yes

* CVC Credit is not currently planning to become a signatory to the UK Stewardship Code, but this is something they will look into internally.
** Although not currently a signatory to the UK Stewardship Code, Pantheon have done a significant amount of work in this area and are actively working towards becoming a signatory in the future.

Information on London CIV

The London Collective Investment Vehicle (CIV) was formed as a voluntary collaborative venture by the London Local Authorities in 2014 to invest the assets of London Local Government Pension Scheme (LGPS). The London CIV and its London Local Authority investors recognise the importance of being long term stewards of capital and in so doing supports the UK Stewardship Code, which it recognises as best practice.

The London LGPS CIV Limited ("London CIV") is fully authorised by the FCA as an Alternative Investment fund manager (AIFM) with permission to operate a UK based Authorised Contractual Scheme fund (ACS Fund). The London CIV in the management of its investments has appointed a number of external investment managers. We therefore see our role as setting the tone for the effective delivery of stewardship managers on our behalf and on behalf of our investing Funds. We are clear that we retain responsibility for this being done properly and fully in the interests of our own shareholders.

The London CIV Responsible Investment and Stewardship Outcomes Report for 2024 can be found using the following *link*.

Investment Strategy Statement: Appendix D

Responsible Investment Policy

Introduction

1.1. Responsible Investment is defined by the United Nation's 'Principles for Responsible Investment' document as an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long term returns. The Pension Fund's approach to responsible investment is aligned with the Fund's investment beliefs and recognises ESG factors as central themes in measuring the sustainability and impact of its investments.

1.2. Failure to appropriately manage ESG factors is considered to be a key risk for the Pension Fund as this can have an adverse impact on the Fund's overall investment performance, which ultimately affects the scheme members, employers and local council taxpayers.

1.3. The United Nations has established 17 Sustainable Development Goals (SDGs) as a blueprint to achieving a better and more sustainable future for all. These goals aim to address the challenges of tackling climate change, supporting industry, innovation and infrastructure, and investing in companies that are focused on playing a key role in building that sustainable future.

1.4. The Pension Fund acknowledges that these goals form a vital part of acting as a responsible investor alongside its administering authority employer, Westminster City Council, with the Council having recently committed itself to achieving carbon neutrality by the year 2030.

1.5. The Pension Fund maintains a policy of engagement with all its stakeholders, including those operating in the investment industry. It is broadly recognised that, in the foreseeable future, the global economy will transition from its reliance on fossil fuels to the widespread adoption of renewable energy as its main source. The impact of this transition on the sustainability of investment returns will be continually assessed by officers, advisors and investment managers.

1.6. The Pension Fund Committee is committed to playing an active role in the transition to a sustainable economic and societal environment. To that extent, the Pension Fund will continue to seek investments that match its pensions liability profile, whilst having a positive impact on overall society. Greater impact can be achieved through active ownership and lobbying for global companies to change and utilise their resources sustainably.

1.7. With these noble objectives at the forefront, it is important to note that the Pension Fund Committee has a vital, fiduciary duty to act in the best interests of the LGPS beneficiaries to ensure that their pension benefits are honoured in retirement.

Policy Implementation: Selection Process

1.8. The Pension Fund Committee delegates the individual investment selection decisions to its investment managers. To that extent, the Pension Fund maintains a policy of non-interference with the day-to-day decision-making processes of the investment managers. However, as part of its investment manager appointment process, the Pension Fund Committee assesses the investment managers' abilities to integrate ESG factors into their investment selection processes.

1.9. This includes, but is not limited to:

a) evidence of the existence of a Responsible Investment policy;
b) evidence of ESG integration in the investment process;
c) evidence of sign-up to the relevant responsible investment frameworks such as the United Nations Principles for Responsible Investment (PRI);
d) evidence of compliance with the Stewardship Code as published by the Financial Reporting Council (FRC);
e) a track record of actively engaging with global companies and stakeholders to influence best practice;
f) an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made.

1.10. As part of its investment selection process, the Pension Fund Committee will obtain proper advice from the Fund's internal and external advisors with the requisite knowledge and skills. Our investment advisor will assess ESG considerations as part of its due diligence process and assess investment managers against the following criteria:

a) for active managers, the advisor will assess how ESG issues are integrated into investment selection, divestment and retention decisions;
b) for passive managers, the investment advisor is aware of the nature of the index construction in the investment selection process places and the proximity of ESG issues in comparison with an active portfolio, but still hold ESG issues in its responsible investment policy as the passive manager actively engages with global companies and stakeholders where appropriate;
c) consideration of whether managers are making most effective use of voting rights and if votes are exercised in a manner consistent with ESG considerations specified by the manager;
d) how significantly managers value ESG issues and whether any specialist teams and resources are dedicated to this area; and
e) how ESG risk assessment is integrated into the portfolio investment selection process and the value and effectiveness of these assessments.

1.11. Investment managers are expected to follow best practice and use their influence as major institutional investors and long-term stewards of capital to promote best practice in the companies/projects in which they invest. Investee companies will be expected to comply with all applicable laws and regulations in their respective markets as a minimum.

Policy Implementation: Ongoing Engagement and Voting

1.12. Whilst it is still quite difficult to quantify the impact of the less tangible non-financial factors on the economic performance of an organisation, this is an area that continues to see significant improvement in the measurement of benchmarking and organisational progress. Several benchmarks and disclosure frameworks exist to measure the different aspects of available ESG data which include carbon emissions, diversity on company boards and social impact. It is apparent that poor scoring on these ESG factors can have an adverse impact on an organisation's financial performance. It is therefore important for the appointed investment managers to effectively assess the impact such factors may have on the underlying investment performance.

1.13. The Pension Fund views active engagement as an essential activity in ensuring long-term value and encourages investment managers to consider assessing a range of factors, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental, governance and social issues.

1.14. Pension Fund officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including ESG considerations. This can be implemented in several forms which include, but are not limited to:

a. Regular meetings with investment managers to assess investment performance and the progress made towards achieving ESG targets;
b. reviewing reports issued by investment managers and challenging performance where appropriate;
c. working with investment managers to establish appropriate ESG reporting and disclosures in line with the Pension Fund's objectives;
d. contributing to various working groups that seek to positively influence the reporting of industry standards on ESG metrics;
e. actively contributing to the efforts of engagement groups such as the Local Authority Pension Fund Forum (LAPFF), of which the fund is a member (currently 84 LGPS member funds and 7 asset pool companies).

1.15. The Pension Fund holds units in pooled equity funds, where our asset managers will have the opportunity to vote at company meetings on our behalf. Engagement with companies can have a direct impact on voting choices and fund manager voting and engagement reports are reviewed on a regular basis.

1.16. The Fund will continue to collaborate with the London CIV on maintaining a shared voting policy for the equity managers on the London

CIV platform and actively seek to align these policies with manager insights. Lobbying with other London CIV clients will give the Pension Fund greater control and impact over our voting choices and a centralised process will ensure our voting remains consistent and has the greatest impact.

1.17. The Pension Fund's officers will work closely with the London CIV pool, through which the Pension Fund will increasingly invest, in developing and monitoring its internal frameworks and policies on all ESG issues which could present a material financial risk to the long-term performance of the fund. This will include the London CIV's ESG frameworks and policies for investment analysis, decision making and responsible investment.

1.18. In preparing and reviewing its Investment Strategy Statement, the Pension Fund will consult with interested stakeholders including, but not limited to:

a. Pension Fund employers;
b. Local Pension Board;
c. advisors/consultants to the fund;
d. investment managers.

Policy Implementation: Training

1.19. The Pension Fund Committee and the Fund's officers will receive regular training on ESG issues and responsible investment. A review of training requirements and needs will be carried out at least once on annual basis. Training is intended to cover the latest updates in legislation and regulations, as well as best practice with regards to ESG integration into the pension fund's investment process.

Strategic Asset Allocation

The below table sets out the Fund's strategic asset allocation along with review range which would trigger a rebalancing exercise.

Strategic Asset Allocation	Target (%)	Review Range
Listed Equities	**55.0%**	**+/-3.0%**
Passive Equities	20.0%	
Global – Active	35.0%	
Cash	**0.0%**	**+/-0.0%**
Cash	0.0%	
Fixed Income	**19.0%**	**+/-1.9%**
Global Bonds	7.0%	
Multi Asset Credit	6.0%	
Private Debt	6.0%	
Alternatives	**16.0%**	**+/-1.6%**
Infrastructure	5.0%	
Renewable Infrastructure	11.0%	
Property	**10.0%**	**+/-1.0%**
Affordable Housing	5.0%	
Property	5.0%	
Total	**100.0%**	

Investment Strategy Statement: Appendix F **Investment & Administration Risk Registers**

Pension Fund Risk Register - Investment Risk														
Risk Group	Risk Ref.	Trending	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Asset and Investment Risk	1		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. 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.	4	4	3	11	4	**44**	**TREAT:** 1) Continued dialogue with investment managers re management of political risk in global developed markets. 2) Investment strategy involving portfolio diversification and risk control. 3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes. 4) The City of Westminster Pension Fund can report that as at June 2024, the value of investments to Russia or Ukraine within the Pension Fund's asset classes is valued at zero. 5) Currency hedging takes place within the LGIM Future World Fund and LCIV Absolute Return Fund, this will offer some protection against the weakening of the pound. 6) Having reached out to the investment managers underlying the Pension Fund investment portfolio, we have ascertained that there is relatively low direct exposure to the Israel and Gaza regions.	3	**33**	06/06/2024
Asset and Investment Risk	2		Investment managers fail to achieve benchmark/ outperform targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £2m. The Fund returned 13.3% net of fees in the year to 31 March 2024, underperforming the benchmark by 1.6% net of fees.	5	3	3	11	4	**44**	**TREAT:** 1) The Investment Management Agreements (IMAs) clearly state WCC's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee should be positioned to move quickly if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	3	**33**	06/06/2024
Regulatory and Compliance Risk	3		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.	3	1	4	8	4	**32**	**TREAT:** 1) The Pension Fund's investment consultant has already started work on identifying the climate risks to the Fund, and how these can be assessed and reported on. 2) The Pension Fund already collects and reports on carbon emission data, which will form part of the TCFD metrics and targets. This data can currently be found in the Responsible Investment Statement. 3) Officers attend training sessions and conferences on TCFD reporting, including London Pension Fund Officers Forum, where there is an open arena for discussions. 4) The City of Westminster Pension Fund has submitted a response to the DLUHC consultation on the proposed climate reporting regulations, with the regulations still outstanding.	3	**24**	06/06/2024

Liability Risk	4		Price inflation is significantly more than anticipated in the actuarial assumptions. CPI inflation was 2.3% as at April 2024, down from the peak of 11.1% in October 2022. Inflation remains above the BOE's 2% target, mainly due to high energy and food prices. It is anticipated that the BOE MPC will start to cut base rate from summer 2024.	5	3	3	11	3	**33**	**TREAT:** 1) The Fund holds investments in bonds, inflation linked long lease property, private debt and infrastructure to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) The Pension Fund has increased its holdings within infrastructure and has started to drawdown into the LCIV UK housing fund. 3) Officers continue to monitor CPI inflation on an ongoing basis.	2	**22**	06/06/2024
Liability Risk	5		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.	5	3	3	11	3	**33**	**TREAT:** 1) Transferee admission bodies required to have bonds or guarantees in place at time of signing the admission agreement. Regular monitoring of employers and follow up of expiring bonds.	2	**22**	06/06/2024
Liability Risk	6		Scheme members live longer than expected leading to higher than expected liabilities.	5	5	1	11	2	**22**	**TOLERATE:** 1) The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	**22**	06/06/2024
Asset and Investment Risk	7		Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in September 2019.	3	1	3	7	4	**28**	**TREAT:** 1) Review ISS in relation to published best practice (e.g. Stewardship Code) 2) Ensure fund managers are encouraged to engage and to follow the requirements of the published ISS. 3) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and Pensions and Lifetime Savings Association (PLSA), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 4) The Pension Fund has committed 6% towards renewables and 5% to affordable and social supported housing, alongside moving equities into ESG-tilted mandates. 5) An ESG and RI Policy was drafted for the Pension Fund as part of the ISS and a Responsible Investment Statement has been drafted. 6) Officers regularly attend training events on ESG and TCFD regulations to ensure stay up to date with latest guidance.	3	**21**	06/06/2024

Asset and Investment Risk	8		Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	3	30	**TREAT:** 1) Proportion of total asset allocation made up of equities, bonds, property funds, infrastructure and fixed income, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.	2	20	06/06/2024
Liability Risk	9		Employee pay increases are significantly more than anticipated for employers within the Fund. Persistently high inflation will potentially lead to unexpectedly high pay awards.	4	4	2	10	3	30	**TREAT** 1) Fund employers should monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 4) Employee pay rises currently remain below inflation.	2	20	06/06/2024
Asset and Investment Risk	10		That the London Collective Investment Vehicle (LCIV) fails to produce proposals/solutions deemed sufficiently ambitious.	4	3	3	10	2	20	**TOLERATE:** 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. Ensure that ongoing fund and pool proposals are comprehensive and meet government objectives. 2) Member presence on Shareholder Committee and officer groups. 3)Fund representation on key officer groups. 4) Ongoing Shareholder Issue remains a threat.	2	20	06/06/2024
Resource and Skill Risk	11		Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	3	27	**TREAT:** 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval) 2) Comprehensive training packages will be offered to members. 3) The DLUHC may introduce regulations to mandate Committee member training.	2	18	06/06/2024
Regulatory and Compliance Risk	12		Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales. Consultation on Next Steps on Investments released during Summer 2023, the Fund has submitted a response.	3	2	1	6	3	18	**TOLERATE:** 1) Officers consult and engage with the Department for Levelling Up, Housing and Communities (DLUHC), LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new DLUHC pooling guidance, expected sometime during 2024, following consultation.	3	18	06/06/2024

Liability Risk	13		Impact of economic and political decisions on the Pension Fund and employer workforce. Government funding level affecting the Councils spending decisions. General election to take place on 4 July 2024, with a change in national political power possible.	5	2	1	8	3	**24**	**TREAT:** 1) Actuary uses prudent assumptions on future of employees within workforce. Employer responsibility to flag up potential for major bulk transfers outside of the Westminster Fund. The potential for a significant reduction in the workforce as a result of the public sector financial pressures may have a future impact on the Fund. 2) Need to make prudent assumptions about diminishing workforce when carrying out the triennial actuarial valuation, next valuation to take place at 31 March 2025.	2	**16**	06/06/2024
Resource and Skill Risk	14		The Stewardship Code is a set of principles set out by the Financial Reporting Council. To become a signatory of the Code, applicants must submit a Stewardship Report to the FRC demonstrating how the principles of the Code have been applied during the previous 12 months. Once accepted onto the signatories list, organisations must reapply annually. Due to the significant work required in this area this may pose a challenge for submission annually, without any additional resource, and the risk of subsequent submissions being rejected.	3	1	4	8	3	**24**	**TREAT: 1)** Use of asset manager and pool company resources in the annual review and update of the stewardship submissions. **2)** Officers attending training events and conferences on ESG reporting. **3)** Consider appointment of a Tri-Borough Responsible Investment (RI) officer to cover ESG and RI areas, including stewardship and TCFD reporting.	2	**16**	06/06/2024
Asset and Investment Risk	15		Volatility in investment markets caused by government decisions.	4	2	2	8	3	**24**	**TREAT: 1**) The Fund's investment management structure is highly diversified, which lessens the impact of market risk compared with less diversified structures. 2) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 3) The City of Westminster Pension Fund's strategic asset allocation was reviewed during 2023.	2	**16**	06/06/2024
Asset and Investment Risk	16		The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	4	3	1	8	3	**24**	**TREAT:** 1) Officers will continue to monitor the impact lockdown measures have had on the fund's underlying investments and the wider economic environment. 2) The Fund holds a diversified portfolio, which should reduce the impact of stock market movements. 3) Asset allocation was reviewed during 2023, a new strategy was agreed to reduce equities by 5% and move into renewable infrastructure. 4) Pension Fund Officers in frequent contact with Fund Managers and the Funds investment advisor.	2	**16**	06/06/2024

Asset and Investment Risk	17		Volatility caused by uncertainty regarding the withdrawal of the UK from the European Union. Supply chain shortages disrupting the economy. Uncertainty remains regarding the Northern Ireland Protocol.	4	3	1	8	3	**24**	**TREAT:** 1) Officers to consult and engage with advisors and investment managers. 2) Possibility of hedging currency and equity index movements. LGIM and LCIV Absolute Return mandates are currently GBP hedged. 3) The UK has exited the EU and the transition period has come to an end. There is still the potential for volatility implementing some of the post-Brexit agreements.	2	**16**	06/06/2024
Asset and Investment Risk	18		London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	3	**24**	**TREAT:** 1) Member presence on shareholder Committee responsible for the oversight of the CIV and can monitor and challenge the level of resources through that forum. Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	**16**	06/06/2024
Resource and Skill Risk	19		Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding.	2	2	1	5	4	**20**	**TREAT:** 1) Succession planning process in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	3	**15**	06/06/2024
Liability Risk	20		Ill health costs may exceed “budget” allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	**14**	**TOLERATE:** 1) Review “budgets” at each triennial valuation and challenge actuary as required. Charge capital cost of ill health retirements to admitted bodies at the time of occurring. Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	**14**	06/06/2024
Liability Risk	21		Impact of increases to employer contributions following the actuarial valuation, next valuation to take place on 31 March 2025.	5	5	3	13	2	**26**	**TREAT:** 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	1	**13**	06/06/2024
Liability Risk	22		There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments. The Fund currently has £100m in cash held within a short duration bond fund and LCIV Absolute Return Fund, which allows access at short notice.	5	4	3	12	2	**24**	**TREAT:** 1) Cashflow forecast maintained and monitored. 2) Cashflow position reported to committee quarterly. 3) Cashflow requirement is a factor in current investment strategy review, Fund is expected to be c.£25m cashflow negative per annum. However, going forward income distributions are expected to offset this.	1	**12**	06/06/2024
Regulatory and Compliance Risk	23		Changes to LGPS Regulations	3	2	1	6	3	**18**	**TREAT:** 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will considered during the 2016 actuarial valuation process. 3) Fund will respond to consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	**12**	06/06/2024

Regulatory and Compliance Risk	24		Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	3	3	5	11	2	**22**	**TREAT:** 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2)WCC IT data security policy adhered to. 3) Implementation of GDPR. 4) Pension administration transition project team in place.	1	**11**	06/06/2024
Liability Risk	25		Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy.	5	3	3	11	2	**22**	**TREAT:** 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Investment strategy review is currently underway with an approved switch from equities to affordable/social housing. 3) Setting of Fund specific benchmark relevant to the current position of fund liabilities. 4) Fund manager targets set and based on market benchmarks or absolute return measures. Overall investment benchmark and out-performance target is fund specific.	1	**11**	06/06/2024
Reputational Risk	26		Financial loss of cash investments from fraudulent activity.	3	3	5	11	2	**22**	**TREAT:** 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	**11**	06/06/2024
Reputational Risk	27		Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	**22**	**TREAT:** 1) Officers maintain knowledge of legal framework for routine decisions. 2) Eversheds retained for consultation on non-routine matters.	1	**11**	06/06/2024
Asset and Investment Risk	28		A change in government may result in new wealth sharing policies which could negatively impact the value of the pension fund assets.	5	5	1	11	2	**22**	**TREAT:** 1) Maintain links with central government and national bodies to keep abreast of national issues. Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**11**	06/06/2024
Liability Risk	29		Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	4	4	2	10	2	**20**	**TREAT:** 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 2) No evidence in 2023/24 of members transferring out to DC schemes.	1	**10**	06/06/2024
Liability Risk	30		Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	**20**	**TREAT:** 1) At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place. Committee and officers scrutinise and challenge advice provided.	1	**10**	06/06/2024
Asset and Investment Risk	31		Financial failure of third party supplier results in service impairment and financial loss	5	4	1	10	2	**20**	**TREAT:** 1) Performance of third parties (other than fund managers) regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	1	**10**	06/06/2024
Asset and Investment Risk	32		Failure of global custodian or counterparty.	5	3	2	10	2	**20**	**TREAT:** 1) At time of appointment, ensure assets are separately registered and segregated by owner. 2) Review of internal control reports on an annual basis. 3) Credit rating kept under review.	1	**10**	06/06/2024

Asset and Investment Risk	33		Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	**20**	**TREAT:** 1) Fund is reliant upon current adequate contract management activity. 2) Fund is reliant upon alternative suppliers at similar price being found promptly. 3) Fund is reliant on LGIM as transition manager. 4) Fund has the services of the London Collective Investment Vehicle (LCIV).	1	**10**	06/06/2024
Resource and Skill Risk	34		Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	**20**	**TREAT:** 1) Person specifications are used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge. 4) Officers maintain their CPD by attending training events and conferences.	1	**10**	06/06/2024
Regulatory and Compliance Risk	35		Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests.	3	3	4	10	2	**20**	**TREAT:** 1) Publication of all documents on external website. 2) Managers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.	1	**10**	06/06/2024
Reputational Risk	36		Inaccurate information in public domain leads to damage to reputation and loss of confidence.	1	1	3	5	3	**15**	**TREAT**: 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies to ensure that news is well managed. 3) Stage AGM every year.	2	**10**	06/06/2024
Liability Risk	37		Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	**10**	**TOLERATE:** 1) Political power required to effect the change.	1	**10**	06/06/2024
Liability Risk	38		Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	3	1	9	2	**18**	**TREAT:** 1) Review maturity of scheme at each triennial valuation. Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. 2) Cashflow position monitored monthly.	1	**9**	06/06/2024
Regulatory and Compliance Risk	39		Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.	1	3	5	9	2	**18**	**TREAT:** 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	**9**	06/06/2024

Regulatory and Compliance Risk	40		Loss of flexibility to engage with Fund Managers and loss of elective professional status with any or all of the existing Fund managers and counterparties resulting in reclassification. (The Fund is a retail client to counterparties unless opted up).	3	2	2	7	2	**14**	**TREAT:** 1) More reliance on investment advisor to keep Officers and Committee updated. Officers are considering other financial institution outside of the current mandates to 'opt up' with. 2) Maintaining up to date information about the fund on relevant platforms. 3) Fund can opt up with prospective clients. 4) Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. There is a training programme and log in place to ensure knowledge and understanding is kept up to date. 5) Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	**7**	06/06/2024
Regulatory and Compliance Risk	41		Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process.	2	2	3	7	2	**14**	**TREAT:** 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Pooled funds are not subject to OJEU rules.	1	**7**	06/06/2024
Regulatory and Compliance Risk	42		Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	**14**	**TREAT:** 1) Maintain links with central government and national bodies to keep abreast of national issues. 2) Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**7**	06/06/2024

Pension Fund Risk Register - Administration Risk													
Risk Group	Risk Ref.	Trending	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed
				Fund	Employers	Reputation	Total						
Administrative and Communicative Risk	1	← →	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	27	**TREAT:** 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers part of the actuarial valuation, which took place on 31 March 2022. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	18	06/06/2024
Administrative and Communicative Risk	2	← →	The increase in online hacking poses a continual risk to members personal data, as well as potential disruption issues for members accessing the online pension portal. In these instances, Hampshire Pension Services would need to take the portal offline to ensure the system and data is secure.	2	2	3	7	3	21	**TREAT:** 1) The Hampshire Pension Portal has several layers of security in place to ensure the security of member data and access to the portal. 2) HPS undertake penetration testing on a regular basis (at least twice a year), in conjunction with Civica to ensure any risks/weaknesses in the systems security is identified and rectified. 3) Civica undertake upgrades and maintenance to the pension portal on a continual basis.	2	14	06/06/2024
Resource and Skill Risk	3	← →	Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	21	**TREAT:** 1) Practice notes in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	14	06/06/2024
Administrative and Communicative Risk	4	← →	Failure of securely sent sensitive data and any unidentified data flows being sent insecurely.	4	3	5	12	2	24	**TREAT:** 1) Active member data is sent on secure platforms between all parties 2) Including "Encrypted" in email subject allows schools and academies to send data to pension admin team securely. 3) Data sent to the actuary using secure portal. 4) The employer portal used by HPS should offer increased security for member data from all employers.	1	12	06/06/2024
Administrative and Communicative Risk	5	← →	Failure of cyber security measures, including information technology systems and processes, leading to loss, disruption or damage to the scheme or its members.	4	2	5	11	2	22	**TREAT:** 1) Council has a data recovery plan in place, with files uploaded to the cloud every night. 2) . As a Council we are continuing to invest in technologies to block and filter phishing emails as well as ensuring our systems are up to date to protect us and our devices against these threats. 3) The IT team continuously review and update the cyber security policies, including the Information Security policy, Acceptable Use policy, Email and Internet policy, Social Media policy, Password Management policy and Data Disposal policy. All of which can be found on the Wire.	1	11	06/06/2024
Administrative and Communicative Risk	6	← →	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	22	**TREAT:** 1) Update and enforce pension admin strategy to assure employer reporting compliance.	1	11	06/06/2024
Administrative and Communicative Risk	7	← →	Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	20	**TREAT:** 1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place. 2) Review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams. 5) Internal Audits undertaken during 2022/23 showed substantial assurance with only two recommendations, which have since been fully/partially implemented.	1	10	06/06/2024
Administrative and Communicative Risk	8	← →	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	1	4	3	8	3	24	**TREAT:** 1) The pensions administration service provided by Hampshire CC since 8 November 2021. 2) Officers will continue to support the admin team with regular meetings and conversation on cases. 3) Ongoing monitoring of contract and KPIs.	1	8	06/06/2024
Administrative and Communicative Risk	9	← →	Failure of financial system leading to benefits to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	16	**TREAT:** 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	8	06/06/2024

Administrative and Communicative Risk	10		Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	16	**TREAT:** 1) Disaster recovery plan in place 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance.	1	8	06/06/2024
Administrative and Communicative Risk	11		Poor reconciliation process leads to incorrect contributions.	2	1	1	4	3	12	**TREAT:** 1) Ensure reconciliation process notes are understood by Pension Fund team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process.	2	8	06/06/2024
Administrative and Communicative Risk	12		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	14	**TREAT:** 1) In the event of a pension payroll failure, we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers. HPS have their own COWPF Bank Account which is reconciled. COWPF transferred to HPS on the 8th of November 2021 there have never been any issues in running the pension payroll or paying the pensions on time.	1	7	06/06/2024
Administrative and Communicative Risk	13		Possibility of members opting out of the pension scheme, following concerns around inflation and the cost of living crisis.	2	3	1	6	2	12	TREAT: 1) Auto-enrolment of the pension scheme takes place every 3 years. 2) The Fund offers members the flexibility to pay half their normal contribution rate and build up half their normal pension. This is designed as a short term option and employees are automatically transferred back into the main scheme every 3 years. Members keep their full life and ill-health cover they join the 50/50 section.	1	6	06/06/2024
Administrative and Communicative Risk	14		Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	3	9	**TREAT:** 1) Pension administration records are stored on the Hampshire CC servers who have a disaster recovery system in place and records should be restored within 24 hours of any issue. All files are backed up daily.	2	6	06/06/2024
Administrative and Communicative Risk	15		Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	10	**TREAT:** 1) Ensure process notes are compiled and circulated in Pension Fund and Administration teams.	1	5	06/06/2024
Administrative and Communicative Risk	16		Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	2	10	**TREAT:** 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	5	06/06/2024
Administrative and Communicative Risk	17		Failure to identify GMP liability leads to ongoing costs for the pension fund.	1	2	1	4	1	4	**TREAT:** 1) GMP identified as a Project as part of the Service Specification between the Fund and Hampshire County Council, with minimal effect on the Fund.	1	4	06/06/2024

Responsible Investment Statement

1. Introduction

Welcome to the City of Westminster Pension Fund's 2024 Responsible Investment Statement.

Responsible Investment is defined by the United Nation's 'Principles for Responsible Investment' as an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into the investment decision making process. This is beneficial for the Pension Fund as it helps us to better manage risks, generates more sustainable returns in the long term, diversifies from mainstream asset classes and supports the Councils target for net-zero emissions by 2030.

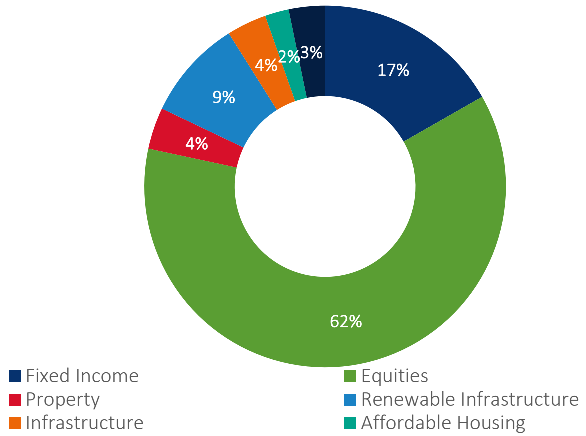
ESG refers to the three central factors, Environment, Social and Corporate Governance, in measuring the sustainability and societal impact of an investment. There are a wide range of ESG issues, with none greater currently than climate change and carbon reduction. The Pension Fund recognises climate change as the biggest threat to global sustainability alongside its administering authority employer, Westminster City Council.

The Westminster Pension Fund is part of the national Local Government Pension Scheme (LGPS), administered by Westminster City Council. It is a contributory defined benefit pension scheme established under statute, which provides for the payment of benefits to employees and former employees of the Westminster City Council and the admitted and scheduled bodies in the Fund.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and returns from the Fund's investments. Contribution rates for employees and employers are set by the Fund's actuary at the actuarial valuation which is carried out every three years.

The most recent revaluation was carried out on 31 March 2022, with the Pension Fund's funding level increasing to 128% from 99% in 2019. The main drivers for this improvement were the strong investment returns and significant additional deficit recovery payments received from the Council.

As at 31 December 2023, the market value of the Pension Fund was £1.907bn. The Fund invests in a diverse range of assets including; equities, property, infrastructure, affordable housing, fixed income and absolute return. The Fund's assets are managed by individual fund managers who specialise in that asset class.



2. Key Facts

As at 31 December 2023, the market value of the Pension Fund was £1.9bn. The Fund has a 55% allocation to ESG-tilted equities, 11% to renewable energy and 5% to affordable housing.

3. Investment Beliefs

Governing all investment decisions are the Committee's core investment beliefs, which have been established based on the views of the members. The Fund's investment beliefs are high-level statements which direct our investment decisions. A summary of the beliefs can be found below, with a more detailed statement available within the Investment Strategy Statement.

<u>Investment Governance</u>

- The Fund has access to skills and resources to manage the Fund.
- Investment consultants and officers are a source of expertise to inform and assist the Committee's decisions.
- The ultimate aim of the Fund's investments is to pay pension liabilities when they become due.
- The Fund is continuously improving its governance structure through bespoke training, but acknowledges that it is not possible to achieve optimum market timing.

<u>Long Term Approach</u>

- The strength of the employers' covenant allows the Fund to take a longer term view of investment strategy than most investors.
- The most important aspect of risk is not the volatility of returns, but the risk of absolute loss over the medium and long term.
- Illiquidity and volatility are shorter term risks which offer potential sources of additional compensation to the long term investor.
- Over the long term, equities are expected to outperform other liquid assets, particularly government bonds and cash.

<u>Environmental, Social and Governance (ESG) factors</u>

- ESG factors can be financially material and may influence the risk and return characteristics of the Fund's investments.
- Well governed companies that manage their business in a responsible manner are less vulnerable to downside risk.

- Asset managers should exercise the voting rights.
- Environmental considerations should reflect a growing urgency required in its decision-making processes.
- If an investment manager fails to adequately consider ESG issues, the Committee is prepared to disinvest assets from that manager.

<u>Asset Allocation</u>

- Allocations to asset classes other than equities and government bonds offer the Fund other forms of risk premia.
- Diversification across asset classes and asset types that have low correlation with each other will tend to reduce the volatility of the overall Fund return.
- Allocations to bonds and alternatives are made to achieve additional diversification. As the funding level improves, the Committee may look to certain lower risk strategies to mitigate liability risks.

<u>Management Strategies</u>

- A well-balanced portfolio has an appropriate mix of passive and active investments.
- Passive style management provides low cost exposure to equities and bonds, and is especially attractive in efficient markets.
- Active management will typically incur higher investment management fees but can provide additional return.
- Active management performance should be monitored over multi-year rolling cycles.
- Employing a range of management styles can reduce the volatility.

4. Investment Journey

The City of Westminster Pension Fund is committed to investing responsibly and incorporating environmental, social and governance (ESG) factors into the investment process. Since 2019, the Fund has made a number of conscious investment decisions to reduce the carbon impact of the Pension Fund, as well as, creating a positive impact for communities across the UK.

September 2019

Westminster City Council declared a climate emergency and Pension Fund starts capturing carbon emissions data for the Fund's equity managers.

November 2020

Transitioned into Global Quality Equity Fund, which seeks to provide a high-quality global portfolio of companies, however, excludes tobacco, alcohol, gambling, weapons, fossil fuels, and gas or electrical utilities.

November 2020

Transitioned into the LGIM Future World Equity Fund, whereby an Environmental, Social and Governance screening of companies takes place to remove those companies which do not meet the required ESG criteria.

December 2020

£110m committed to renewable infrastructure, selecting Macquarie and Quinbrook to manager, with assets targeted to solar power, windfarms, and supporting infrastructure such as battery storage and connection assets.

Decemebr 2021

£90m committed to affordable housing, selecting Man Group to manage £45m, with a long term goal of providing 13,000 new homes that cost no more than 35% of a households gross income.

December 2022

Baillie Gifford Global Equity transitioned into Paris Aligned fund, which screens out companies with exposure to the fossil fuels industry, and those that will not play a role in the future transition to a low carbon environment.

February 2023

The Pension Fund was successful in its application to become a signatory to the UK Stewardship Code 2020, amongst only a handful of LGPS Funds to achieve this status.

June 2023

A further £90m committed to the Quinbrook Renewables Impact Fund, with funds to be transitioned from the active global equity managers.

June 2023

The London CIV were selected to manage the remaining allocation to affordable housing, including a focus on specialist and transitional supported housing.

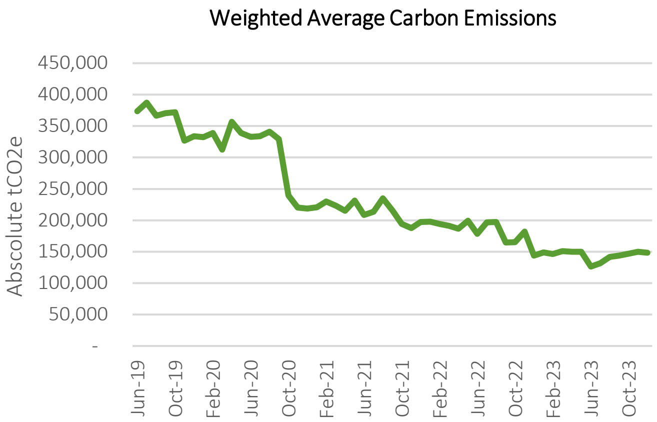
5. Carbon Emissions

The Greenhouse Gas (GHG) emissions of the Pension Fund are reported in tonnes of CO2 (tCO2e). These carbon emissions can be broken down into three reporting categories as follows:

- Scope 1: emissions directly attributable to a company e.g. vehicles
- Scope 2: indirect emissions relating to a company e.g. utilities
- **Scope 3:** emissions further up/down a company's supply chain[1]

The following chart plots the absolute tonnes of CO2 emissions of the Pension Fund from 30 June 2019 to 31 ember 2023. It is estimated that the Fund has reduced its CO2 emissions by circa 59% over this period.

Where possible the Fund reports on scope 1, 2 and 3 emissions, however as this data can be difficult to collect, this may vary amongst the Fund’s asset classes and managers.



Please note the London CIV UK Housing Fund and Man Group Community Housing Fund carbon emissions are not included within this graph. As data becomes available, this will be incorporated into the analysis.

6. Stewardship Code

The Stewardship Code is a set of principles released in 2010 and updated in 2020 by the Financial Reporting Council, directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

The UK Stewardship Code 2020 sets high stewardship standards for asset owners and asset managers, and for service providers that support them. The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but, if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so.

To become a signatory of the Code, applicants must submit a Stewardship Report to the FRC demonstrating how the principles of the Code have been applied during the previous 12 months. The FRC reviews applications to assess whether they meet its expected reporting standards, and successful organisations are listed as a signatory to the Code. Once accepted onto the signatories list, organisations must reapply annually.

Westminster City Council Pension Fund Stewardship Report 2023

The City of Westminster Pension Fund was accepted as a signatory to the UK Stewardship Code during February 2023. The Stewardship Report for 2024 can be located on the Pension Fund *webpage*.

As detailed in the report, the Pension Fund made great strides during the year in relation to responsible investment and stewardship of the Fund’s assets. As at 30 September 2022, the Fund had c.£58m invested within renewable infrastructure with a further c.£52m to be drawn. Assets are targeted to solar power, onshore and offshore wind, alongside supporting infrastructure such as battery storage and connection assets.
In addition, the Fund commissioned a review of its property mandates with a view to investing within social supported and affordable housing. The Pension Fund made commitments to both affordable housing and socially supported housing totalling 5% of the Fund. The allocation has a long-term goal of providing 13,000 new homes that cost no more than 35% of an average household’s gross income and across sectors.

7. Renewables Impact Modelling

Quinbrook Renewable Impact Fund

c.780,000 tCO2 offset over life of assets

offset equivalent of c.3.2m trees planted for 10 years

822 regional jobs expected during fund lifetime

c.£23m economic contribution to local communities

c.25,415 homes powered per annum

250 MWs of pipeline assets

Based on a portfolio of 373MW solar, 666MWBESS, 410MVA Synchronous Condenser; the information is based on the model“ May 2023 Quinbrook Renewables Impact Fund. Please note all figures have been estimated, so may not be a true reflection of actual impact.

Macquarie Renewable Energy Fund

6 assets; including 2 windfarms and 4 solar farms

Renden Solar power 1,147MW capacity

Wind farm 456MW capacity

c. 25,834 tCO2 offset per annum

2,671 MV aggregate capacity

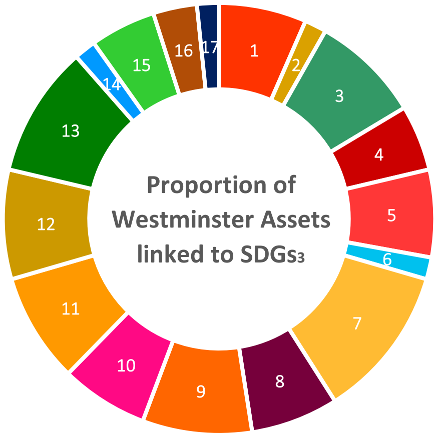
UK Solar power plant 65 MW capacity

Based on Westminster's commitment of EUR 55 million, circa 3.4% of total fund size, and includes CO2 offset estimates based on the six assets currently held in the fund. Please note all figures have been estimated, so may not be a true reflection of actual impact.

8. United Nations Sustainable Development Goals (UN SDGs)

During 2016, all United Nations (UN) members adopted the 2030 Agenda for Sustainable Development, at the heart of this was the 17 Sustainable Development Goals (SDGs). These goals call for urgent action by all developed and developing countries, for ending poverty, global hunger, improving health and education, reducing inequality, tackling climate change and promoting global economic growth.[1]

The City of Westminster Pension Fund's asset managers meet a number of the SDGs as set out by the United Nations. The chart below highlights the goals which the funds asset managers have been most successful in addressing. These include significant work towards addressing the gender pay gap, reducing deaths and illness from air pollution, developing reliable renewable infrastructure, efficient use of natural resources and improving impact on climate change mitigation.



Macquarie Renewable Infrastructure

Goal 3: Reducing deaths and illnesses from air pollution, by avoiding harmful air pollutants due to renewable energy generation.

Goals 7 & 9: Increase sustainability of renewable energy, whilst developing quality and resilient infrastructure, with 2,671 MW of renewable energy generation to local grids.

Goal 12: Achieve sustainable management and efficient use of natural resources, by avoiding 942kt of oil consumption annually.

Goal 13: Improve human and institutional capacity on climate change mitigation by raising awareness on climate change, with a forecast to avoid 2,121 kt CO2 greenhouse gas emissions annually.

Man Group Community Housing

Goals 1 & 10: Increasing the number of quality and environmentally sustainable homes to meet affordable housing needs including shared ownership and rented at a % of local median income.

Goal 3: Increasing the percentage of homes that meet the Decent Home standards, Building for Life 12 accreditation and Nationally Described Space Standard (NDSS).

Goals 7 & 11 & 13: The portfolio provides environmentally sustainable homes with valid energy performance certificates, including the use of solar panels, electric charging points and a reduction in CO2 emissions against the Target Emission Rate.

Quinbrook Renewable Impact Fund

Goals 1 & 10: No poverty and reduced inequalities through fair work and diligence in human rights and processes against modern slavery.

Goal 3: Better environmental justice to avoid pollution and fossil fuel emissions for communities.

Goal 4: Supporting schools and universities in the adoption of renewable energy and support improved education.

Goal 5: Supporting gender equality through fair and non-discriminatory hiring and engagement policies.

Goal 7: Providing renewable energy, in particular in community settings and disadvantaged areas.

Goal 8: Providing jobs in rural areas where assets are located and training in areas of job displacement.

Goal 9: Investing and partnering with business that are driving new energy innovation and infrastructure.

Goals 11 & 12: Building assets to support sustainable cities and communities and enabling a fairer transition to sustainable energy sources.

Goal 13: Creating new assets through project development and construction that help to avoid emissions and tackle climate change.

Goal 15: Initiates such as support of wildlife pollination programs and tortoise rehabilitation programs.

Goal 16: Strong institutions through improved governance and alignment with the United Nations Compact.

9. Nature Positivity & Nature Restoration

Nature Positivity and restoration is the regeneration of the natural world, species and ecosystems, with a goal of halting further destruction of nature. The United Nations Convention on Biodiversity international

1: https://sdgs.un.org/goals 2:Chart includes data from Abrdn, London CIV, LGIM, Macquarie, Man Group, Pantheon and Quinbrook treaty sets out three goals[1]. Under the Convention, governments are working towards a target of a nature positive world by 2030 and a recovery of nature by 2050[2].

1: conservation of biodiversity

2: sustainable use of biodiversity

3: fair and equitable sharing of the benefits arising from the use of genetic resources

Pantheon Global Infrastructure Fund

Within the Pantheon Global Infrastructure Fund, the Pension Fund has exposure to Viridor, a British recycling renewable energy and waste management company, as part of a co-investment deal. Viridor operates across the UK, providing waste collection, recycling and energy recovery services to businesses and local authorities.

Viridor focuses on transforming waste into resources, such as renewable energy through various technologies like anaerobic digestion and energy-from-waste facilities. The company aims to minimize waste sent to landfills and contribute to restoration of the natural world and promote biodiversity, actively closing a number of landfill sites across the UK.

Viridor holds eight biodiversity benchmark certificates for closed and restored landfill sites, with site management to create habitats, invasive species control and species monitoring surveys. Biodiversity baseline studies have been carried out to assess the potential of the sites to support key habitats and species in need of protection. With the study reflecting a range of habitats with high biodiversity value, with the possibility of development of habitats for rare species[3].

LGIM Deforestation Commitment

Legal & General Investment Management have signed the COP 26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios. As a signatory, LGIM commits towards tackling commodity driven deforestation in its investment portfolio by 2025. This includes working towards the following milestones:
2022: Assess exposure to deforestation risk, establish investment policies addressing exposures and deepen engagement with highest risk holdings.
2023: Disclose deforestation risk and mitigation activities in portfolios, including due diligence and engagement.
2024: Publicly disclose progress on milestones to eliminate forest risk agricultural commodity-driven deforestation in the underlying holdings.

10. ESG Case Studies

Environmental, Social and Governance factors are key indicators in measuring the sustainability and suitability of an investment. There is growing research which suggests, when integrated into business decisions and portfolio construction, these can offer stability in future returns.

The Fund expects managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

The measurement of ESG performance is still developing and benefitting from significant improvements. There are several performance benchmarks and disclosure frameworks that exist to measure the different aspects of available ESG data which include carbon emissions and a variety of social impact scores.

Rayner: *case study*

Rayner is a global ophthalmology business held within the CVC Credit Private Debt fund, the company specialises in ophthalmic medical products, including intraocular lenses and eye drops.

During 2022, CVC negotiated an ESG margin ratchet with Rayner's lenders to create a financial incentive for demonstrating material progress on ESG topics. Therefore, if there was an improvement in the company's ESG score, this would result in a reduction in the interest rate payable. This incentive resulted in a significant improvement in the company's ESG score, with Rayner receiving a silver EcoVadis medal and triggering a saving on their rate. The company is committed to prioritising sustainability, through supply chains, improving energy efficiencies, GHG emission reductions, efficient water usage and reduction in plastic packaging.

Toyota: *case study*

The Pension Fund holds the Toyota Motor Corporation within its Legal and General Future World Equity portfolio. LGIM have identified key issues around capital allocation decisions, and board independence, diversity and effectiveness.

During engagements, LGIM have raised the issue of climate change, board composition, cross shareholdings, lack of supervisory functions at board

1: https://www.cbd.int/undb/media/factsheets/undb-factsheets-en-web.pdf 2: https://www.cisl.cam.ac.uk/resources/nature-positive#:~:text=A%20global%20goal%20for%20nature&text=Under%20the%20UN%20Convention%20on,may%20fully%20recover%20by%202050 3: https://getnaturepositive.com/gnp-case-studies/viridor-tatchells-landfill-site/

level, climate transition strategy and public policy engagements.

Following engagements on climate impact and alignment with 1.5C, Toyota have produced a climate public policy. Whilst this increased transparency is welcomed, LGIM will continue to engage in this area.

In addition, LGIM have had positive discussions with the outside directors on how they can add value and quality to the board. Going forward LGIM plan to continue engagement on corporate governance issues and push for better practices for governance and climate strategy.

***Thermo Fisher Scientific:** case study*

During the year, the London CIV's stewardship provider, Hermes EOS, engaged with Thermo Fisher Scientific. The company is held within our Baillie Gifford equity fund and is a supplier of medical equipment, instruments, consumables and software using in clinical laboratories.

Thermo Fisher has faced criticism over alleged human rights abuses by selling equipment used for genetic surveillance of a minority group in Xinjiang, China. EOS informed that the company had ceased sales of the medical instrument in that region, however urged the company to establish a policy on human rights and to conduct a human rights impact assessment on the use of genetic sequencing equipment. Though the company did not directly address the specific human rights issues, Thermo did disclose a human rights policy that covered employment, child labour and freedom of association. As well as this, the company produced a statement on modern slavery and human trafficking addressing supply chain due diligence, conflict minerals, and risk assessment and management.

EOS have also suggested that the company increase public disclosures on ongoing use of equipment and map out supply chain links to the Xinjiang region. Hermes EOS will continue to engage with the company on enhancing its human rights policy, improving disclosures and appointment of external human rights expertise on the board.

11. Voting & Engagement

The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the investment managers to vote in the best interests of the Fund. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund will continue to collaborate with the London CIV on maintaining a shared voting policy for the equity managers on the London CIV platform and actively seek to align these policies with manager insights. Lobbying with other London CIV clients will give the Pension Fund greater control and impact over our voting choices and a centralised process will ensure our voting remains consistent and has the greatest impact.

The Pension Fund views engagement with companies as an essential activity and encourages companies to take positive action towards reversing climate change. The Westminster Pension Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from all carbon intensive producing companies. The Pension Fund will continue to encourage positive change whilst officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including carbon and other ESG considerations.

***Voting:** case study*

The Pension Fund holds Informa within its Legal and General Future World Equity portfolio. Informa is a leading international events, digital services and academic knowledge group.

Over many years LGIM have noted concerns about the company's remuneration practices. During 2022, LGIM voted against a number of resolutions in relation to director re-elections and remuneration policies. Informa's three prior remuneration policy votes each received high levels of dissent, with 60% votes cast against the 2021 remuneration report. At the same meeting the Remuneration Chair also closely avoided being unseated. Despite the significant shareholder dissent and the failed 2021 remuneration report, the company implemented pay wards and continued to make changes to the long term performance measures.

Since 2021, the Remuneration Chair has stepped down, however still continues to sit on the committee but with new committee members and a plan for a new renumeration policy. Although a positive change, the company's current requirements under the policy do not meet LGIM's minimum standards.

Abrdn Long Lease Site Visit

During October 2023, the Pension Fund officers conducted a site visit of the Abrdn Long Lease Property fund, with assets focused on the commercial sectors including leisure, offices, recreation, warehouse distribution, supermarkets and healthcare. The visit was designed to provide an in-person experience of the types of assets within the portfolio, as well as gaining a better sense of the positive impact of the portfolio. The visit included locations across London including hotels, an office, a cancer hospital and a purpose-built pathology centre.

Friars Bridge Court Site

The Friars Bridge Court site is a medical facility in the process of being repurposed to provide centralised pathology services for Guy's and St Thomas' and Kings College Hospital NHS Foundation Trusts. This will release existing hospital laboratory floorspace allowing the partner Trusts to repurpose this space for other clinical or NHS services. Environmental considerations have been integral to the construction process – 83% of the previous fit has been recycled, the EPC rating is scheduled to improve from the present "B" to an "A" rating, and the BREAAM score is likely to be "Outstanding".

While two NHS Trusts will initially benefit from the shared pathology services, it is projected that many other hospitals, GP practices, community services, clinics and other healthcare organisations will take advantage of the industry leading expertise. The facility is expected to be the largest pathology testing site in Europe.

Bloomsbury Way Site

The Bloomsbury site is a flexible office space located within Holborn, London. A multi-million pound refurbishment of the site took place during late 2023, to improve the EPR rating to a minimum B rating. In addition, this included integration of ESG considerations, incorporating 100% renewable electricity, recycling, smart thermostats and occupancy sensors to reduce energy consumption.

12. Connected Organisations

The Pension Fund recognises that significant value can be achieved through collaboration with other stakeholders. The Pension Fund works closely with its LGPS pool company, other LGPS funds and member groups such as the Local Authority Pension Fund Forum (LAPFF), Pensions and Lifetime Savings Association (PLSA) and ShareAction to ensure corporate interests are aligned with the Pension Fund's values.

The Pension Fund actively contributes to the engagement efforts of pressure groups, such as the Local Authority Pension Fund Forum (LAPFF) and requires investment managers to vote in accordance with the LAPFF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM.

Local Authority Pension Fund Forum

The Local Authority Pension Fund Forum are a collection of 84 local authority pension funds and 7 asset pool companies, with assets under management of over £350bn, promoting the highest standard of governance with the aim of protecting the long-term value of pension funds. The LAPFF engage directly with companies, on behalf of all asset owners and pension fund trustee members, on issues such as executive pay, reliable accounting and a transition to a net carbon zero economy.

LAPFF case study

The LAPFF produce quarterly engagement reports, covering all ESG related issues from climate change, governance, human rights and cyber security.

Over the quarter to 30 June 2023, the LAPFF engaged with 84 companies, including BP, Apple and the Rio Tinto. Following concerns around Shell's climate transition strategy under the previous CEO, LAPFF sought a meeting with the new CEO. Instead, Shell offered a meeting with the Chair, Sir Andrew Mackenzie. Although a challenging discussion initially, there was open conversation about the challenges of decarbonisation.

Given Sir Andrew is a new appointment, LAPFF recommended voting for his re-election and against the NEDs appointed prior to him. LAPFF noted at the AGM that Sir Andrew indicated that Shell would present a new Climate Transition Plan by 2024. Of particular interest is the extent of disclaimers in the Transition Plan itself and in the Annual Report's reference to the Transition Plan, which LAPFF believe is not reliable enough.

Pensions and Lifetime Savings Association

The City of Westminster Pension Fund is a member of the PLSA, who aim to raise industry standards, share best practice and support members. The PLSA works across a range of stakeholders including governments, regulators and parliament to help the implementation of sustainable policies and regulation. They represent pension schemes providing retirement income to more than 30m savers, with assets under management totalling £1.3tn, including those in the public and private sectors.

The PLSA provide an important source for training, support and guidance on regulations and pension support services.

PLSA case study

During October 2023, the PLSA published a report looking at improving pensions adequacy, proposing 5 steps.

Whilst auto-enrolment has been successful in encouraging millions more to save for retirement, those enrolled are not saving enough. Therefore, the government has introduced reforms to the auto-enrolment scheme to target this shortfall, with more action needed.

Therefore, PLSA have proposed 5 steps for better pensions:

1.Set new goals for the pensions framework;
2.Maintain the triple lock on state pensions;
3.Increase contribution levels;
4.Additional help for the under pensioned groups;
5.Engagement with people on better pension outcomes.

ShareAction

ShareAction is a registered charity who promotes responsible investment, working with investors to help influence how companies operate their business on a range of Environmental, Social and Governance (ESG) factors. This includes areas such as climate change, gender diversity, living wages, decarbonisation, biomass and healthy markets.

Healthy Markets case study

Since 2019, ShareAction has been working on a Healthy Markets coalition group. The Healthy Market Initiative aims to make food retailers and manufactures take accountability for their role and impact on people's diets. The City of Westminster is a member of the Healthy Markets coalition and along with 50 other members, represents over $8 trillion in assets under management.

During 2023, officers had the opportunity to attend meetings and ask questions with a number of large retailers and manufacturers, including Tesco, Unilever, Nestle and Coca-Cola.

Alongside this, the Fund co-signed a number of letters to companies asking for disclosures on healthiness of products, and further transparency, including; the proportion of healthy sales, nutrient profiling and commitment to targets.

Pensions Administration Strategy

Contents

1. Introduction

This is the Pension Administration Strategy of the City of Westminster Pension Fund (COWPF "the Fund") about the Local Government Pension Scheme (LGPS) Fund.

The administration of the Fund has primarily been outsourced to Hampshire Pension Services (HPS) from the 8th of November 2021. It's important to note that whilst some administration documents and guides are in common with HPS, this PAS is specifically for COWPF. COWPF as an LGPS Administering Authority (AA) determines our PAS and its application.

This document:

- Confirms the purpose of the strategy and says what it is intended to achieve
- Outlines the role of WCCPF's scheme employers and sets out their expected levels of performance
- Outlines the role of WCCPF and sets out its expected levels of performance
- Explains how the performance of WCCPF and its employers will be monitored
- Explains what actions might be taken when employers do not meet the requirements
- Confirms how WCCPF will communicate with its employers
- Details the resources and support that is available for employers to access the - Employer Hub Portal

The LGPS is a statutory scheme, established by an Act of Parliament. Regulation 59 of the LGPS Regulations outline the key responsibilities of administering authorities and fund employers. The regulations include specific provisions recommending the fund develops a Pensions Administration Strategy (PAS). The COWPF has had an agreed PAS for a number of years, and this is periodically reviewed by the Fund in consultation with the employers to ensure that the PAS remains fit for purpose.

The PAS includes a schedule of additional administrative costs under Regulation 70 of the LGPS Regulations 2013, which provides scope for pension funds to recover costs where additional costs are being incurred due to an employer's level of performance.

The PAS is linked to the following statutory documents of the Fund which are available on WCCPF website *https://www.wccpensionfund.co.uk/*

- Retention Policy and Full Privacy Notice
- Communications Policy
- Annual Report
- Statement of Investment Principles

Under no circumstances does the PAS override any provision or requirement of the LGPS regulations nor is it intended to replace the more extensive guide provided by the Employers' Guide available on the Hampshire Pension Services website *Employer Administration Tools and Guidance | Hampshire County Council (hants.gov.uk)* for day-to-day operations.

2. Purpose of the Pension Administration Strategy

The purpose of the PAS is to set out the relationship between the Fund and it's member employers so that together we can meet our statutory obligations for members and beyond that gives members comfort in their pension with us. The PAS is being amended from April 1, 2024, following excellent work by our fund employers and administrators to clean COWPF data since we moved to HPS in November 2021. The COWPF is now in a position to broaden the PAS and to ensure progress made by everyone is maintained. The purpose of the PAS Summary is below.

- Provides clarity on the key roles and responsibilities of WCCPF and its employers
- Sets expectations and confirms the targets that WCCPF and its employers need to work to
- Helps all parties to achieve regulatory compliance by providing a framework that is clear and user-friendly
- Assists WCCPF and its scheme employers in adhering to the Pensions Regulator's Codes of Practice
- Complements procedures that help all parties to meet their data protection and data quality responsibilities
- Helps to ensure all parties provide the best possible service to scheme members and other relevant stakeholders
- Emphasises the importance of the shared role that WCCPF and its scheme employers have in ensuring excellent service delivery to scheme members
- Promotes efficient working practices, hand in hand partnership with transparency and a culture of continual improvement

3. Roles and responsibilities

The purpose of the strategy set out in Section 2 will be achieved by:

- Clearly defining the respective roles of Scheme Employers and the Administering Authority
- Setting clear and achievable standards of service levels for the functions carried out by Scheme Employers and the Administering Authority
- Setting out clear procedural guidance for the secure and effective exchange of information between Scheme Employers and the Administering Authority

- Monitoring service delivery, identifying poor performance and establishing a platform for the provision of support to improve performance where required
- Continuous development of resources via the use of digital technology and staff training for both the Fund and its employers
- Applying charges where an employer consistently fails to meet deadlines to ensure the resulting additional administrative strain is not a burden on all employers

3.1 The Employer's Roles and Responsibilities

The primary responsibilities for the employer are to:

- Communicate the entitlement to benefit from the LGPS to all eligible staff who can join the COWPF.
- Communicate to new members of the Fund the Pension Portal address and how they can access information on their pension.
- Communicate to new members of the scheme that transfer requests must be made within 12 months of joining the Fund.
- Apply the scheme via the collection and payment of the correct levels of pension contributions.
- Report information and data to the COWPF as set out in this strategy.
- Determine and publish relevant employer discretions as required in the LGPS Regulations.

3.2 The Administering Authority's Roles and Responsibilities

The City of Westminster is an Administering Authority (AA) responsible for the provision of our own Local Government Pension Scheme Fund. The COWPF is invested for the benefit of all members as instructed by the COWPF Committee. The Pension Fund Committee has the support of internal AA Officers and qualified external advisors to ensure that the Fund is able to meet all future pension promises. The Pension Fund Committee is also supported by a separate Pension Board that has both employer and member representatives.

COWPF is responsible for ensuring that our appointed administration partner HPS is performing to our agreed contractual standards and is providing a reliable pension administration service to our members. Internal administration officers will support both HPS as our administrators and the funds employers to meet our high standards for members and ensure their expectations are met and exceeded where possible.

COWPF will ensure that any other third party engaged on behalf of the Fund is properly monitored to ensure our Fund remains strong.

The key responsibilities for the Administering Authority are to:

- Administer the LGPS in respect of all scheme members (Active, Deferred and Pensioner members) in accordance with this Strategy
- Maintain and review the Fund's Statements, Policies and Reports and all other matters relating to the Governance of the scheme
- Communicate and engage with employers on LGPS matters
- Provide support/training to scheme employers
- Maintain and develop an effective web presence for the benefit of members and scheme employers

HPS have invested in an Employer Hub Portal which links into the pensions administration system. This portal empowers employers to conveniently submit data online, facilitating the review and update of their members' individual records and the prompt notification of employment-related changes to the COWPF.

Employers can submit various notifications and requests online. These include new starters, transitioning to the 50/50 scheme, updates to addresses, changes in personal circumstances, adjustments in work hours and breaks in service, leavers, opt-outs within a three-month period, and submission of ill health certificates.

COWPF expects all employers to sign up and use the Employer Hub. HPS offers regular training on various pensions subjects and in using the Employer Hub. Employers can request support from the Employer Pension Team *pensions.employer@hants.gov.uk*.

A summary of the main roles and responsibilities of employers in the Fund are set out in Appendix A with the applicable PAS charge the fund can apply in each case. The summary is not intended to set out every employer responsibility or to override any employer responsibility as set out within the LGPS regulations or other statute.

Appendix B sets out the main summary of duties for the Administering Authority, defining the main functions, which enable the Pension Fund to deliver an efficient, accurate and high-quality pension service to scheme members.

4. Performance Monitoring

The strategy recognises that there is a shared responsibility for ensuring compliance with the LGPS regulations and the PAS.

WCCPF will monitor employer performance across the following key areas:

- The submission of monthly data returns

- The payment of contributions and other payments due
- The number of queries, along with the rate and quality of responses
- The number of complaints received and IDRP cases upheld against the employer
- The annual return employer performance (A summary to Annual Return Employer Performance Benchmarking is set out in Appendix C)

The LGPS regulations grant pension funds the authority to recover administration costs incurred due to a scheme employer's underperformance from that employer. The COWPF has applied some PAS charges to employers following our move to HPS in November 2021 as we worked to remove a backlog of unprocessed leaver cases. The Fund has also applied PAS charges for the late submission of remittance and contribution data on a few occasions. The COWPF has centrally covered the administration costs of clearing administration backlogs to date and not recharged these directly to employers.

From April 2024 onwards any backlog of work that is directly related to any employer not fulfilling their duties and responsibilities as outlined in this PAS, will result in that employer specifically being PAS charged for the administration costs to deal with that backlog. The costs will be determined at the time of assessment of any backlog and advised to the employer at the time. This change is to ensure that fund employers who comply with the PAS are not contributing to the cost of dealing with any that do not.

If there were an administration backlog that was caused because of issues outside the control of an individual employer, the COWPF would cover those costs centrally.

COWPF, in partnership with our administration associate in HPS, will extend support to employers to fulfil our shared responsibilities to members. We appreciate and are open to feedback to improve services for both employers and members.

If you represent an employer struggling to meet the terms of this PAS, please contact us promptly so we can work together and avoid additional charges if we can resolve outstanding issues through mutual agreement between COWPF and the employer.

In cases of persistent employer failure to improve performance, we will take the following steps:

- The COWPF will engage with the employer to discuss areas of poor performance.
- An improvement plan with required changes and a timeline will be agreed upon if possible.
- If no improvement occurs within the agreed time frame, or if the employer fails to take action, a formal written notice will be issued, outlining identified issues and possible cost recovery.
- The Fund employer may be required to exit the COWPF for further accrual by their members. The COWPF would expect the employer to advise those members affected.
- Detailed calculations of losses or additional costs incurred in resolving poor performance will be provided.
- The COWPF may have to report the employer to The Pensions Regulator (TPR) for noncompliance with the TPR code. The COWPF will advise the employer if this action is being taken. The TPR may apply their own penalties separate to COWPF.

For more information about the work of The Pensions Regulator, you can visit the following link: *https://www.thepensionsregulator.gov.uk/en*

A schedule of charges is detailed in Appendix A.

5. Communication, Recourses and Available Support

The various channels of communication employed by the fund include:

1. The Westminster City Council Pension Fund website is the main communication tool for both employers and scheme members.

- Employers – a dedicated and secure employer section where employers can access procedure guides, information on courses run by the Fund. All employers are required to provide data through the UPM - Civica Employer Hub Portal.
- Scheme members – access to up-to-date information about all aspects of the LGPS and the Member Self Service area where members can update personal details, review annual benefit statements, complete their own pensions estimates and access online tutorials.
- Contact Details – Westminster City Council Retained Payroll and Pension contact information are available on the website, together with contact details for the Hymans Robertson Team, Investment and Pension Fund Committee and Pension Board.

2. Scheme members who have chosen to opt out of the Member Self Service will continue to receive postal communication. They will still be able to access up-to-date information about all aspects of the LGPS via our website.

3. Employer newsletter are issued to scheme members and all employing authorities and published on the COWCPF website.

4. Pension surgeries may be arranged to support individuals or groups of individuals who need support with particular pension issues. Employers can contact the WCCCPF administration team to discuss the needs of members.

5. Regular feedback sent directly to employer representatives to provide notification of any scheme / administrative updates and developments.

6. Employer workshops to review scheme developments, and/or to resolve any training needs that employers may have.

For further information regarding our methods of communication, please see our Communications Policy which is located on our website.

6. Feedback and Review Process

COWPF is also accountable for its performance and we welcome feedback from our Employers regarding the performance of the Fund against the standards in this administration strategy, as set out in Section 3. Comments should be sent to the Strategic Pension Lead Sarah Hay *shay@westminster.gov.uk*. Any feedback received will be incorporated into the quarterly reports provided to the Pension Board.

You should send any questions about this Pension Administration Strategy to the Strategic Pension Lead Sarah Hay.

Sarah Hay
Strategic Pension Lead
Westminster City Council
11th Floor
64 Victoria Street
London
SW1E 6QP

Email: *shay@westminster.gov.uk*

Westminster City Council Pension Fund is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme. This responsibility rests with the employer.

Regulation 59 of the Local Government Pension Scheme (LGPS) Regulations 2013 is the regulation that allows COWPF to create this strategy.

Regulation 59 states that on creating or revising its strategy, the administrating authority must consult with its employers.

The COWPF Pensions Committee approved this strategy on 7th March 2024.

It is effective from 1st April 2024 and we will keep it under review to ensure it remains up to date and meets the necessary regulatory requirements.

In preparing this pension administration strategy, we have consulted with our Fund employers and our third-party administrator. If we need to revise this strategy, we will notify our Fund employers and our third party administrator.

We will publish the current version of the strategy statement on our website at http://www.wccpensionfund.co.uk and will make paper copies available on request.

Appendix A	City of Westminster Pension Fund Employer Performance Targets and PAS Charges	
Administration Description	**Performance Targets**	**Non-Compliance Charge**
New Scheme Member		
Employer to send to the Administrating Authority the details of the new member.	Within 30 working days after the start of membership.	**£100**
Employers must enrol eligible staff into the LGPS when they reach their staging date or when members meet their eligible enrolment criteria	Advise COWPF of the new starter as per the standard fund process within 30 working days of the start of membership. Failure to comply with auto enrolment is a breach of the Pension Regulator code.	**£100**
Leavers		
Employer to send the Administrating Authority a completed leaver notification.	Within 30 working days after the end of membership. Except in retirement or death in service cases	**£100**
Refund contributions following opt out with less than 3 months scheme membership.	The employer's payroll should refund the member any LGPS contributions in the month the opt out is processed. The employer then has the standard 30 working days to update the fund of the leaver and provide a copy of the validated opt out election to the pensions administration team.	**£100**

Retirements and Death in Service		
Notification of retirement via online portal	No later than 10 working days after the member's final payroll has run.	**£250**
Ill Health Retirement notification notify the Fund via Ill Health Retirement (medical certificate) form or via online portal	No later than 10 working days after the member's final payroll has run.	**£250**
Ill-Health Retirement (Deferred members)	No later than 10 working days after the decision has been taken to grant ill health retirement.	**£250**
Death in Service	Provide an initial notification within 5 working days of the employer being informed of the death of the employee	No PAS charge determined.
Review payment of Tier 3 ill-health benefits	Within 3 months of being notified by the administrators to review.	No PAS charged determined but note failure to complete may result in the members pension being suspended until the review is complete.
Flexible retirement notification	No later than 10 working days after the member's final payroll has run accompanied by confirmation of the number of hours per week to be worked in the continuing job role.	**£250**

Contracting Out of Services		
Notify COWPF of an Outsourcing of staff in the LGPS	COWPF should be advised of any contracting out prior to the award of any contract. The Fund requires notification no later than the day of transfer to a new employer.	PAS charge no less than **£250** from the 1st of April 2024. The COWPF reserves an entitlement to increase that charge should the transfer involve more then ten people or there be a delay in advising the fund exceeding three months.
Contributions and Other Payments Due		
Apply the applicable employee contribution rate to eligible members salary as determined by the LGPS Regulations and review at least annually and whenever their salary rate is adjusted.	Payment date - payment must credit the pension fund bank account on or before 19th of the month following the month to which deductions relate (or previous working day if 19th is a weekend or public holiday)	**£100** for receipt of late payment for each monthly payment. COWPF may seek recovery of under deducted LGPS employee contributions from an employer if the fund identifies an issue. The Fund may in exceptional circumstances PAS fine additionally employers to recover COWPF officer time to review complex contribution issues.

Remittances and schedules	Remittances - a copy of the monthly remittance and schedule must be sent 3 working days prior to the date that payments are credited to the fund, to the following email addresses: WCCIMSupport@westminster.gov.uk and PensionFund@westminster.gov.uk	**£100** per late remittance and **£100** per late schedule. The COWPF may also PAS charge an additional **£500** if there are three or more months in the prior 12 months where either payment, remittance or Schedule are late or inaccurate.
AVC	AVCs payments - should be paid monthly by 19th of the following month of deduction. AVC payments should be made directly to the COWPF AVC provider AEGON	Please note that if payment is made after the 19th day of the month following deduction, then the Fund may charge a PAS charge of **£100** per late payment. In addition, the Fund expects the employer to meet any lost return as a result of late payment and credit that to the members AVC pot. Also in addition, meet the costs from the AVC provider for calculating those additional returns and pay the provider invoice.
APC, ARC, Added Year Contributions	Deductions should be applied as applicable in the LGPS regulations and notified to the employer by the member or COWPF.	Payment should be received with the next contribution payment as above received by the 19th day of the month following deduction.
Make additional fund payments in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent, or the employer 'switches on' the 85 year rule, and a financial strain cost arises	Within 30 days of date of invoice from the Fund	The Fund will PAS Charge an additional **£250** per invoice received more than 60 days after the deadline.

General Information		
Move members between the main scheme and the 50 50 scheme.	The employer is expected to move members into the relevant section of the scheme following receipt of the relevant certified election form. The administrator must then be advised within working 30 days of that change with a copy of the relevant election form.	No PAS charge determined. Compliance will help ensure data quality.
Methods of data exchange	All employers should use the Employer Hub transfer system, UPM, to submit data every month. All forms should be submitted using a secure method of data transfer via online portal. Additional information can also be supplied by email. However, employers must consider data protection when sending information by email and take appropriate steps to ensure data breaches do not occur.	No PAS charge determined but note employers will need to ensure that the administrator does have relevant data sent via other methods or PAS charges could be applied to missing data.
Control of System Access	Each employer must provide COWPF and our admin with a completed employer contact form. That form will provide and administration contact or contacts for day-to-day administration queries. A nominated payroll contact who will provide the authorised payroll users list and a finance contact responsible for the submission of monthly postings and coordination of the exception's reports. The employer or relevant representative must advise the administration team within 5 working days that a nominated contact who would have access to the employer hub has left the employer. This is to help maintain correct control of the system.	PAS Charge **£100** if notified after 5 working days.

Additional responsibilities (optional) of those using an external payroll provider.	Any COWPF Employer that moves or outsources their payroll provider must advise the administration team of the change of payroll at the earliest opportunity and no later than the day prior to the change of payroll service. The employers existing and new payroll providers will be expected to provide relevant data to ensure that the fund can account for all members.	PAS fine of **£250** if advised of the transfer after the move to a new payroll provider. The existing payroll provider has 30 working days from the end of their last payroll period to provide their data and the new payroll provider has 30 working days from the last day of their first payroll period to provide the administrator with relevant data to complete the reconciliation exercise. Failure to comply would result in a PAS fine of £100 per member up to a maximum £500.
End of Year Data Return	The deadline for submitting the end of year return is the 30th of April every year or the last working day in April prior to the 30th	PAS fine of **£100** if received after the deadline but before the 31st of May. PAS fine of **£250** if received from the 1st of June.
Employer Performance Scoring Data Quality	Less than 2% of queries on active membership following the annual return processing with responses received to any queries raised by our administrators within 30 working days. More information on the Annual Performance Scoring is included in Appendix C.	PAS fine of **£1000** is being introduced from the 1st of April 2024 for any employer that has had reported to them poor data quality for three years in a row going back to the performance year 22/23 moving forward. Poor data quality is defined as having queries on 5% of active membership or more and being slow to respond to administrator queries.

Governance		
Employers must nominate an adjudicator to deal with appeals at stage one of the IDRP where the dispute is against a decision the employer has made or is responsible for making. Employers are responsible for providing details of the IDRP and the adjudicator in writing to members when informing them of decisions they have made	Within 20 days of change or becoming a scheme employer.	No PAS fine determined.
The employer is responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for compiling, reviewing and publishing its policy in respect of the key discretions as required by the regulations to its employees.	A copy of the policy document is to be submitted to the Fund within 20 days of the change in policy	No PAS fine determined.
Distribute any information provided by the Fund to scheme members/potential scheme members (e.g. scheme benefits or benefit statement production)	In a timely manner as required	No PAS fine determined.

Appendix B	City of Westminster Pension Fund Administering Authority Roles and Responsibilities	
Administration Description	**Performance Targets**	**KPI Target**
New Scheme Member		
Member to be set up on the UPM Pensions software	Within 15 days after the receipt of completed information from the employer	**100%**
Leavers		
Retirements to be Processed from both active and deferred status.	Within 15 days after receipt of all relevant information. This includes employer leaver information if retiring from active status at a fund employer.	**100%**
This includes all types of retirement, ill health, voluntary, redundancy and flexible retirement.	Members also need to complete the retirement declaration form which can be located on the member portal.	**100%**
Deferred Benefits	30 days from receipt of all relevant information from the employer.	**100%**

Reviews, Estimates and Transfers		
Tier 3 Ill Health Review	Reminder to be sent to the employer three months before review is due. Upon receipt of notification to suspend a tier 3 pension enact in the next payroll period. Upon notification to amend a Tier 3 ill health retirement to a tier 2, enact within 15 days as per the original retirement. Suspend pension if no response from employer three months after the review date.	**100%**
Employer Estimate Requests	20 days from receipt of all relevant information from the employer. Employers can request 2 estimates per individual in any 12-month period within our agreed costs. Additional estimates must be paid for and we ask employers to only request multiple estimates if there is a significant change in leaving date or member pay.	**100%**
Member Estimate Requests	20 days from receipt of all relevant information from the employer/ member. Most members can run accurate retirement estimates by accessing the facility on the member portal which is user friendly and the Annual Benefit Statement (ABS) available on the portal will provide an estimate of pension each year. Members can request 1 estimate per year by completing a request form available from our administrators Hampshire Pension Services (HPS). If active members of staff the employer will need to confirm the members pay before submitting to HPS to complete and return.	**100%**
Cash Equivalent Transfer Value (CETV) Request	CETV requests within 20 days although these could soon be run on the member portal. Where the member is still actively contributing to the scheme, the employer will need to confirm the salary details. A CETV specifically for divorce proceedings has to be run by the pensions administration team.	**100%**

Death in Service	Provide an initial notification to the next of kin within 5 working days of the employer advising the administrator of the death and providing the relevant final pay and contact information. Payment of any dependent pension benefits due will be processed within 5 days of receipt of relevant forms with payment in the next available pension payroll run.	**100%**
Death from deferred status	Initial contact will be made within 5 days of notification with the next of kin or appointed representative if known to the Fund.	**100%**
Death of a member in receipt of pension.	Initial contact will be made within 5 days of notification with the next of kin or appointed representative if known to the Fund.	**100%**
Payments		
Payment of Pension Lump Sums	Pension Lump Sums will be processed for payment within the 15 days retirement processing deadline with payment processing via BACS to normally take no more than 5 working days.	**100%**
Contribution Requirements	The COWPF will hold a pension fund valuation every three years to determine each employer's contribution rate. The Fund will consult with employers on their rate. The Fund aims to be more than 100% funded for all employers.	
Other Payments	The COWPF will pay other payments due on behalf of members within the agreed timescale for that payment type. This includes payments to HMRC.	**100%**

Contracts and Governance		
Appoint and monitor third party Contactors	The COWPF will appoint and monitor the performance off all relevant third-party contractors operating on behalf of the Fund. This includes the administrator Hampshire Pension Services and the Pension Fund Auditors	100%
Data Quality	The COWPF will constantly measure and monitor the quality of members data to ensure the fund is able to provide accurate information to members and pay members benefits as per our agreed timescales when due. Where an area for improvement is identified the Fund will take all reasonable steps to improve that data with consideration to the benefit from improvement and the cost.	
Reports to the The Pension Regulator and other Returns	The COWPF will complete any statutory return on behalf of the Fund. This includes the Pension Regulator	
Discretions	Will publish a policy outline its Administering Authority Discretions COWPF will maintain links to these discretions on WCC website https://www.wccpensionfund.co.uk	
Policies	Arrange for the reports and policies to be provided to all employers requiring such a information. COWPF regularly review the Fund's policies: • Retention Policy and Full Privacy Notice • Communications Policy • Annual Report • Statement of Investment Principles COWPF will maintain links to these policies on WCC website https://www.wccpensionfund.co.uk	

Security		
Cyber and Data security	Will be working with our administration partners and our Fund employers to ensure maximum security for our members data. This includes regular cyber security updates on the pension software and monitoring access via the employer hub.	
Employer and Member Support		
HPS Telephone Helpline	HPS will provide a helpline open between 9 am and 4.30pm Monday to Friday Telephone: 01962 845588	
HPS Email	E - mail: pensions.employer@hants.gov.uk Employers have a dedicated employer team to help them with any pension issue related to the LGPS	
Regular Training	Regular Training is offered by HPS to Westminster Pension Fund employers on a variety of areas. This training will be promoted throughout the year to employers but can be located per this link https://www.hants.gov.uk/hampshire-services/pensions/local-government/employers/training	

Appendix C:

Employer Performance Benchmarking Guide

When we transitioned our pension administration service to Hampshire Pension Services (HPS) in November 2021, it was agreed to incorporate employer performance benchmarking into the annual returns process.

Hampshire Pension Services assesses Scheme Employers for timeliness, financial control, and data quality.

Timelines - The deadline for submitting a complete and accurate annual return to Hampshire Pension Services is April 30th.

Financial control - The pension contributions from both employees and employers, as outlined in the annual return, should align with the contributions received by the COWPF, which are reported during the monthly reconciliation process. In the event of genuine reasons for any discrepancies, these reasons should be documented in the return to facilitate the reconciliation of contributions.

Data quality - The data provided in the annual return should align with the member records maintained by Hampshire Pension Services for the respective employer. This includes details regarding new starters, leavers, and any modifications to the records.

The benchmarking scores are provided in the following section:

	Timeliness	Financial Control	Data Quality
No Issue	Return received before 30 April	No reconciliation issues	No or very minor data quality issues (below 2% of active membership)
Minor Concern	Return received between 1 May and 31 May	Minor reconciliation issues and quickly resolved	Some data quality issues (between 2 and 5% of active membership)
Significant Concern	Return received more than a month late	Major reconciliation issues and/or slow/failed to respond	Major data quality issues (more than 5 queries or 5% of membership, whichever is higher) and/or slow/failed to respond

In our continuous commitment to upholding the utmost data quality standards for our COWPF members, we conduct an evaluation of Scheme Employer performance as a part of the annual return process.

For the financial year 2022-2023, we initiated the distribution of our first round of employer performance letters. During the previous financial year 2021-2022, COWPF assessed employer and payroll provider data and responses. However, at that time, we refrained from sending letters to employers or schools as our focus was on resolving historical queries and ensuring that employers and payroll providers understood the various requirements inherited by Hampshire Pension Services from the previous administrator.

For the financial year 2023-2024, we will be process of dispatching our second round of employer performance letters.

Looking ahead to the financial year 2024-2025, we will be introducing a **£1000** charge to employers for insufficient data quality, provided they have experienced issues for three years in a row. This fee will serve to offset some of the costs that the COWPF will have incurred to help deal with the data issues in order to maintain the data quality for the fund members involved.

As part of these initiatives, all scheme employers rated "red" in one or more areas during annual return benchmarking will receive a letter, requesting a review of their processes to improve future performance.

Employers with "red" ratings for data quality will undergo a data validation exercise to update information and ensure timely notifications for starters and leavers from the prior 1st of April. Employers who have failing data quality are required to complete this exercise.

Hampshire Pension Services will collaborate with payroll providers and employers to enhance their understanding of returns and address identified reporting issues.

Pensions Matters will raise employer awareness about the importance of notifying opt-outs and scheme section changes, particularly during reenrolment.

Additionally, employer training for annual returns will be reviewed to highlight key checks before submission, and awareness and promotion of using Employer Forms and document uploads in the Employer Hub will be encouraged. Consideration will be given to potential charges for scheme employers who fail to provide necessary notifications, changes, or respond to queries.

Stewardship Report 2024

Introduction

The Stewardship Code is a set of principles released in 2010 and updated in 2020 by the Financial Reporting Council, directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

The UK Stewardship Code 2020 sets high stewardship standards for asset owners and asset managers, and for service providers that support them. The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but, if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so.

To become a signatory of the Code, applicants must submit a Stewardship Report to the FRC demonstrating how the principles of the Code have been applied during the previous 12 months. The FRC reviews applications to assess whether they meet its expected reporting standards, and successful organisations are listed as a signatory to the Code. Once accepted onto the signatories list, organisations must reapply annually.

The Stewardship Code requires asset owners and managers to comply with 12 principles, supported by detailed reporting including activities and outcomes. The 12 principles are listed as follows:

Principles for Asset Owners and Asset Managers	
Category	Principle
Purpose and Governance	**Principle 1** – Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
	Principle 2 – Signatories' governance, resources and incentives support stewardship.
	Principle 3 – Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
	Principle 4 – Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
	Principle 5 – Signatories review their policies, assure their processes and assess the effectiveness of their activities.
Investment approach	**Principle 6** – Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
	Principle 7 – Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
	Principle 8 – Signatories monitor and hold to account managers and/or service providers.
Engagement	**Principle 9** – Signatories engage with issuers to maintain or enhance the value of assets.
	Principle 10 – Signatories, where necessary, participate in collaborative engagement to influence issuers.
	Principle 11 – Signatories, where necessary, escalate stewardship activities to influence issuers.

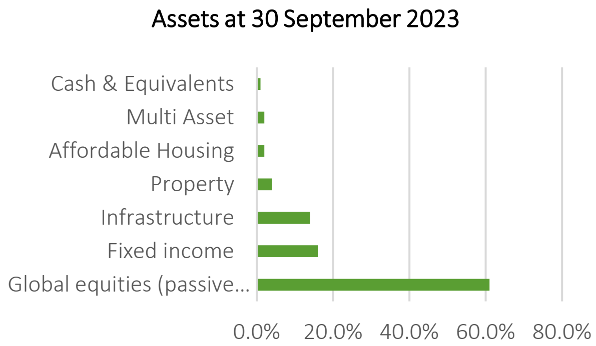
Exercising rights and responsibilities	**Principle 12 –** Signatories actively exercise their rights and responsibilities.

About the City of Westminster Pension Fund

The Westminster Pension Fund is part of the national Local Government Pension Scheme (LGPS), administered by Westminster City Council. It is a contributory defined benefit pension scheme established under statute, which provides for the payment of benefits to employees and former employees of the Westminster City Council and the admitted and scheduled bodies in the Fund.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and returns from the Fund's investments. Contribution rates for employees and employers are set by the Fund's actuary at the actuarial valuation which is carried out every three years. The most recent revaluation, carried out as at 31 March 2022, was used to set contribution rates with effect from 1 April 2023 through to April 2026. In the period from 2019 to 2022, the Pension Fund has increased its overall funding level from 99% to 128%. The main drivers for this improvement are the strong investment returns and significant additional deficit recovery payments received from the Council.

As at 30 September 2023, the market value of the Pension Fund was £1.795bn. The Fund invests in a diverse range of assets including; equities, property, infrastructure, affordable housing, fixed income and absolute return. The Fund's assets are managed by 14 individual fund managers who specialise in that asset class.



Principle 1: Purpose, Strategy & Culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, environment, and society.

The Westminster Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), and its mission is to provide an efficient and equitable pensions solution for all employees, deferred members and pensioners of all eligible employers in Westminster, in accordance with the requirements of the current legislation for the LGPS. It is a contributory defined benefit pension scheme, established under statute, which provides for the payment of benefits to former and existing members.

To ensure future pension liabilities are met for our existing and future members, the Fund's primary objective is to create a sustainable Fund that delivers long term returns. The Fund uses an integrated approach that encompasses environmental, social and governance (ESG) factors, as the Fund believes this will provide the best opportunity to deliver on ESG requirements and return objectives, which are integral for the long-term sustainability of the Fund.

Underpinning the Pension Fund's vision and culture is the Council's strategy: Fairer Westminster. The Fairer Westminster strategy outlines five pillars, which guide the work of the City Council and the Pension Fund:

- Fairer Environment: the Council has pledged to become net zero by 2030, with the city net zero by 2040.
- Fairer Housing: provision of greener and more affordable housing, as well as reducing homelessness.
- Fairer Economy: supporting small business, alongside the world renowned Oxford Street and West End shopping outlets.
- Fairer Council: a more transparent decision-making process and integration of an ethical procurement model.
- Fairer Communities: reducing poverty and inequality across Westminster, providing excellent public health and social care services, and physical activity opportunities.

The strategy has ambitions to put residents at the heart of key decisions and build an inclusive and diverse culture and community within the city. The pillars can be aligned with the Pension Fund's investment strategy, with the Fund's commitment towards affordable and socially supported housing, investment in renewable energy infrastructure and transitioning assets into funds, which take account of social and environmental impacts.

The Fund promotes a strong sense of accountability and transparency across the organisation, especially with its beneficiaries. Operating under public sector regulations dictates that the Pension Fund must regularly respond to Freedom of Information (FoI) requests, which requires the Fund to act fairly and be held accountable for key decision making.

Alongside this, the Fund publishes an annual Responsible Investment Policy, ESG policy and Responsible Investment Statement, with the aim of promoting visibility and clarity of the Fund's investments, and to highlight the progress the Fund has made in terms of ESG factors, e.g., decarbonisation and the driving of further responsible investing. Failure to appropriately manage ESG factors is considered to be a key risk for the Pension Fund, as this can have an adverse impact on the Fund's overall investment performance and can pose reputational risk, which may adversely affect the scheme members, employers and local council taxpayers.

The Pension Fund has a commitment to being a responsible investor and a long-term steward of the assets in which it invests. Therefore, this requires a consistent approach and set of values to assist members in their decision making process. Members are bound by their overall fiduciary duty to act in the best interests of the beneficiaries, and this extends to making a positive contribution to the long-term sustainability of the global environment.

Within the Fund's Investment Strategy Statement (ISS), there is a commitment to investing to build a better future through the integration of ESG issues at all stages of the investment decision-making process. The Fund has key investment principles that embody the strategy and culture that the Fund desires to achieve. These include:

- Through active ownership, the Fund engages with the investment community to help ensure a sustainable future for all its stakeholders. This includes demanding best practice amongst its investment managers and challenging their investment outcomes where appropriate.
- The Fund recognises that significant value can be achieved through collaboration with other stakeholders. The Pension Fund works closely with its LGPS pooling company (the London CIV), other LGPS funds and member groups such as the Local Authority Pension Fund Forum (LAPFF) to ensure corporate interests are closely aligned with the Fund's values.
- The Pension Fund works to gain the confidence of its members in the governance process and the way in which in the Fund is invested on their behalf. It is important for the Pension Fund to be completely transparent and accountable to members and stakeholders.

Westminster City Council has delegated the management of the Pension Fund to the Pension Fund Committee (the Committee) who decide on the investment policy most suitable to meet the future liabilities of the scheme and ultimate responsibility for the investment strategy lies with the Committee. The Committee has appointed Isio as its independent advisor on investment strategy and to oversee and scrutinise the activities of the investment managers.

As outlined in the Investment Strategy Statement (ISS), Westminster has created its own core set of investment beliefs alongside the investment principles that govern all investment decisions for the Fund. It is intended that these beliefs will help create alignment and consistency in the investment decision-making process, as well as embodying the thought process behind the evolution of the Fund and helping to improve stewardship and governance. The Fund has defined the following investment beliefs:

<u>Investment Governance</u>

a. The Fund has access to the necessary skills, expertise, and resources to manage the whole Fund, as well as internally managing a small proportion of the Fund's assets, such as cash management.

b. Investment consultants, independent advisors and officers are a source of expertise and research to inform and assist the Committee's governance decisions.

c. The aim of the Fund's funding and investment strategies is to pay pension liabilities when they become due. The Committee will therefore take account of liquidity and the long-term ability of the Fund to meet these obligations.

d. The Fund is continuously improving its governance structure through bespoke training to implement tactical views more promptly, but acknowledges that it is not possible to achieve optimum market timing.

<u>Long Term Approach</u>

a. The strength of the employers' covenant allows the Fund to take a longer-term view of investment strategy than most investors.

b. The most important aspect of risk is not the volatility of returns, but the risk of absolute loss over the medium and long term. This would, in turn, impact the ability of the employers to make adequate contributions to meet the Fund's liabilities.

c. Illiquidity and volatility are shorter term risks which offer potential sources of additional compensation to the long-term investor. Moreover, it is important to avoid being a forced seller in short term market setbacks.

d. Over the long term, equities are expected to outperform other liquid assets, particularly government bonds and cash.

e. Over the long term, the Fund believes that investments with negative externalities will perform worse than investments with positive externalities.

Environmental, Social and Governance (ESG) factors

a. Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.

b. Well governed companies that manage their business in a responsible manner are less vulnerable to downside risk and may therefore produce higher returns over the long term.

c. In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they invest in.

d. Environmental considerations form a part of the Committee's decision-making process when making investment allocations.

e. If an investment manager fails to consider ESG issues, the Committee is prepared to disinvest assets from that manager.

f. The Fund's Responsible Investment Statement governs the approach to ESG in more detail.

Asset allocation

a. Allocations to asset classes other than equities and government bonds (e.g., corporate bonds, private markets, and property) offer the Fund other forms of risk premia (e.g., additional solvency risk/illiquidity risk).

b. Diversification across asset classes and asset types that have low correlation with each other will tend to reduce the volatility of the overall Fund return.

c. In general, allocations to bonds and alternatives are made to achieve additional diversification. As the funding level improves, the Committee may look to certain lower risk strategies to mitigate liability risks and thus dampen the volatility of the Fund's actuarial funding level.

Management Strategies

a. A well balanced portfolio has an appropriate mix of passive and active investments.

b. Passive, index-tracker style management provides low cost exposure to equities and bonds and is especially attractive in efficient markets.

c. Active management will typically incur higher investment management fees, but can provide additional return. Fees should be aligned to the interests of the Fund.

d. Active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that continued appointment is appropriate.

e. Employing a range of management styles can reduce the volatility of overall Fund returns but can also reduce long term outperformance.

f. The Fund manages currency risk through a sterling hedge overlay on its passive equity portfolio.

Activity

The Pension Fund Committee is made up of four elected members of the Council (three from the majority party and one minority party representative) who meet at least four times a year. All members have full voting rights. The Fund ensures effective stewardship through regular monitoring and reporting on the Fund's performance, including ESG outcomes. Quarterly Pension Fund committee meetings allow the committee to actively steward and protect the Fund's assets by assessing policies, performance and strategy.

The Pension Fund Committee's oversight role includes:

- Reviewing policies and strategies on an annual basis, such as our Responsible Investment Policy and Statement, Business Plan and outcomes report, Investment Strategy Statement and Pension Administration Strategy;
- Quarterly review of the risk register to ensure that the Fund prioritises the key issues that impact the Pension Fund and how these can be mitigated in the best interests of members;
- Approving and selecting suitable asset strategies and investment managers to meet the required outcomes;
- Review and respond to national/local government consultations and changes to legislation and regulations; and
- Review quarterly performance reports as provided by the investment consultant and take action on any advice in regard to the asset managers.

All decisions taken by the committee should be made with full consideration of the Fund's approved policies including the RI Policy, RI Statement, Investment Strategy Statement, alongside the Fund's Investment Beliefs. Officers and the committee are committed to following the investment beliefs and strategies approved to govern the Fund in an effective manner.

As part of continuing good practice and due diligence, the Local Pension Board reviews all key decisions taken by the committee and assumes a governance oversight responsibility. The purpose of the Local Pension Board is to provide oversight and scrutiny of the committee. The Board comprises six members: three from the Council representing employers and three employee representatives. The Chair is elected by the Board. The Pension Board, where necessary, will recommend strategy amendments and action to improve governance of the Fund and ensure effective stewardship of the Fund. The Board has representatives from both the employers and scheme members to further beneficiaries' views and the governance process.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), a collection of 86 local authority pension funds and seven asset pooling companies, with assets under management of over £350bn, promoting the highest standard of governance with the aim of protecting the long-term value of LGPS pension funds. The LAPFF engages directly with companies, on behalf of all asset owners and pension fund trustee members, on issues such as executive pay, reliable accounting and a transition to a net carbon zero economy. The Fund actively contributes to the engagement efforts of pressure groups and requires investment managers to vote in accordance with the LAPPF's governance policies.

As a member of the London CIV (LCIV) pooling company, it is expected that the LCIV will uphold our commitment to long-term value for clients and beneficiaries through sustainable benefits for the economy, the environment and society. Within their *Stewardship Policy*, the London CIV outlines its key objectives, as follows:

1. London CIV will review ESG priorities on an annual basis and update its Stewardship Policy accordingly.

2. LCIV will engage with the top ten contributors of their global greenhouse gas emissions footprint as part of their climate change risk mitigation strategy.

3. London CIV will set a minimum criteria for diversity standards and engage with the top ten highest risk holdings on diversity and inclusion.

The integrated approach taken by the Fund, as outlined above, as well as the active membership undertaken in the London CIV and LAPFF have guided investment decisions with greater focus on ESG outcomes integral to the long-term sustainability of the Fund.

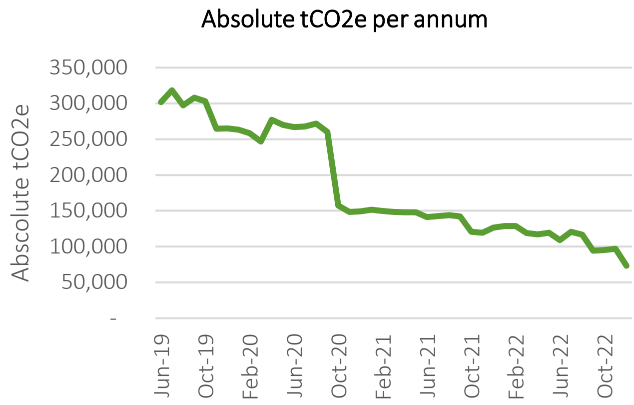
<u>Outcome</u>

The committee approves the Investment Strategy Statement, Responsible Investment Statement, and the Annual Accounts of the Pension Fund, on an annual basis. All key policies and strategies are reviewed on a regular basis to ensure that the Fund is in the best position to oversee the long-term interests of the beneficiaries and ensure best practice is being implemented. As shown in Westminster's most recent strategy statements published by the Fund, and ratified by the committee and board, there is a shared view across Westminster that ESG factors will be integral to the long-term sustainability of the Fund and future returns.

As a result, ESG factors are having an increasing impact on investment decisions and the Fund is committed to being a responsible investor and a long-term steward of the assets in which it invests. There is a consistent approach and set of values to assist members in the making of investment decisions on the Fund. Members are bound by their fiduciary duty to act in the best interests of the beneficiaries, and this extends to making a positive contribution to the long-term sustainability of the global environment.

As detailed within the 2023 Responsible Investment Statement, the Fund tracks the carbon impact of the Fund's investments, as well as the carbon reduction that the Fund has achieved over time. The weighted average carbon to value invested of the Fund has fallen by circa 80% since June 2019.

The following chart plots the absolute tonnes of CO2 emissions of the Fund from 30 June 2019 to 31 December 2022. It is estimated that the Fund has reduced its CO2 emissions by circa 76% over this period. The Greenhouse Gas (GHG) emissions of the Pension Fund are reported in tonnes of CO2 (tCO2e).



The Fund committed 6% (circa £110m) to renewable energy infrastructure during 2021, with Macquarie and Quinbrook each selected to manage a 3% allocation. During 2023, the Pension Fund committed an additional 5% to renewable infrastructure to take the total allocation to 11%. As at 30 September 2023, the Fund had approximately c.£149m of capital drawn down, with assets targeted to solar power, onshore and offshore wind, alongside supporting infrastructure such as battery storage and connection assets. It is estimated that, once fully drawn, these assets will offset 46,000 tonnes of CO_2 per annum for Westminster's allocation, and power up to circa 21,000 homes annually.

During 2023, the Pension Fund allocated 2.5% to the London CIV UK Housing Fund, with a total allocation to affordable housing at 5%. The allocation has a long-term goal of providing 13,000 new homes that cost no more than 35% of an average household's gross income and across sectors, including children's services housing, specialised supported housing and older person supported housing within the supported living market.

In addition to this, during late 2022 the Pension Fund Committee elected to transition the Pension Fund's holdings in the Baillie Gifford Global Alpha Growth mandate into the BG Paris Aligned version. The Paris Aligned Fund has a quantitative assessment process to screen out companies with particular levels of exposure to the fossil fuels industry, plus a qualitative one to screen out companies that will not play a role in the future transition to a low carbon environment.

This approach therefore demonstrates that the Fund's investment decisions are not solely driven by investment returns, but by the Fund's existing and future members interests. In recent years, members have expressed a greater desire for responsible investment. Alongside this, the Fund's belief that investment in sustainable benefits for the economy and environment has shown significant progress with a significant reduction in carbon emissions.

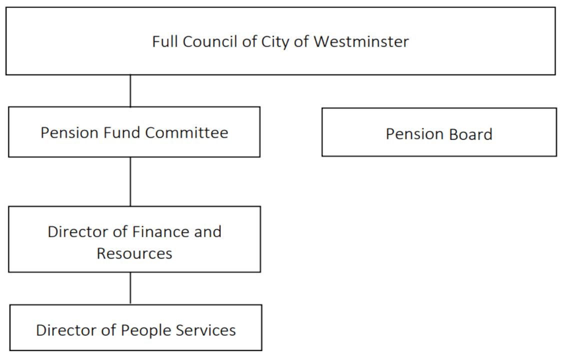
The Pension Fund's objectives in the coming years will increase commitment to sustainability of the Fund, as further drawdowns are made within the renewable energy infrastructure mandates. Although, the Fund is committed to reducing its impact on climate change, the Fund believes that blanket disinvestment from fossil fuel companies is not the most appropriate action to allow a transition to a low carbon economy. The Pension Fund continues to be transparent with members by publishing annual carbon footprint data of our investments, which illustrates a steady reduction since July 2019.

Principle 2: Governance, resources & incentives

Signatories' governance, resources, and incentives support stewardship

The Fund promotes strong governance to fulfil its duties of stewardship and to safeguard its assets for our members. Westminster City Council has delegated responsibility for pension matters to the committee.

The governance structure of the Pension Fund is shown below.



The committee is responsible for the governance and management of the Fund. The Committee oversees the appointment and ongoing scrutiny of external investment managers, to whom the day-to-day responsibility for implementing stewardship is delegated. The committee is made up of four elected members of the Council, all members have full voting rights. The Fund's performance is reported on a quarterly basis to ensure that the Committee is in a strong position to act quickly within the economic/investment climate at that time.

The purpose of the Pension Board is to provide oversight and scrutiny for the committee. The Board does not have a decision-making role in relation to the governance and management of the Fund but is able to make recommendations to the committee. The board is independent and separate from the committee to facilitate good governance for the Fund and to enable greater scrutiny and effective stewardship for its members.

The Executive Director of Finance and Resources and its officers provide advice and support to the committee and ensure the implementation of the asset strategy and the day-to day management of the Pension Fund. The Tri-Borough Treasury and Pensions team at Westminster employs 12 staff, led by the Tri-Borough Director of Treasury and Pensions. The team serves the Pension Fund Committee and works on all issues of governance, finance and investment. The Tri-Borough Director has over 26+ years' of LGPS experience, with the Strategic Investment Manager holding 18 years' experience to complement the rest of the team. The team consists of qualified public sector accountants with numerous years of experience working in local government. The majority of the team has been recruited from the Finance Sector and has longstanding pension expertise.

By having this experienced governance structure in place, the Fund can fulfil its duties of safeguarding the assets of the Fund. Within the Annual Report, the Fund outlines in detail all the policies that govern the Pension Fund. The policies are reviewed regularly including:

- Governance Compliance Statement
- Communication Policy
- Funding Strategy Statement
- Investment Strategy Statement
- Responsible Investment Statement
- Pensions Administration Strategy

The governance policies act as a singular point for members to understand how the decision making process takes place within the Fund. The Pension Fund believe that the Committee and Board, alongside the wealth of knowledge from elected members and advisors, allow consistent and correct decisions to be made for the long-term sustainability of the Fund.

<u>Activity</u>

The Fund views active engagement as an essential activity in ensuring long-term value and encourages investment managers to consider assessing a wide range of assets. Officers engage with the investment managers on an ongoing basis to monitor investment performance, including ESG factors and considerations. Officers implement the Fund's active approach through:

- regular meetings with investment managers to assess investment performance and the progress made towards achieving ESG targets;
- reviewing reports issued by investment managers and challenging performance where appropriate;
- working with investment managers to establish appropriate ESG reporting and disclosures in line with the Pension Fund's objectives;
- contributing to various working groups that seek to positively influence the reporting of industry standards on ESG metrics; and
- actively contributing to the efforts of engagement groups such as the LAPFF.

All monitoring activity is reported back to the committee on a quarterly basis for review and comment.

Through the committee and officers and advisors, there is sufficient resource and capacity to monitor and support stewardship activities. The Fund has appointed an external independent consultant, Isio, to provide expertise to assist the committee in investment decisions. The external advisor is reviewed on an annual basis, as per the requirements of the Competition and Markets Authority (CMA), to ensure the highest quality service and advice is being given to the committee. During 2023, the Fund will review the objectives set against the investment consultant, to ensure they remain appropriate and fit for purpose.

The committee and board provide a wide ranging variety of backgrounds and experience, with diversity present among our committee and board key to offering different perspectives and to ensure that decisions are in the best interests for all. For compliance, all key stakeholders are afforded the opportunity to be represented within the main or secondary Committee structure. These include: employing authorities (including non-scheme employers, e.g., admitted bodies);

- employing authorities (including non-scheme employers, e.g., admitted bodies);
- scheme members (including deferred members and pensioner scheme members);
- where appropriate, independent professional observers; and
- expert advisors (on an ad hoc basis).

Representatives of the employers and scheme members are board members, rather than members of the committee.

To ensure that the members of the committee and board have the required knowledge and skills to fulfil their role, they undertake an annual training programme based on requirements identified from CIPFA's Knowledge and Skills framework. This includes training on responsible investment, risk management, ESG factors, climate change and risk. Officers arrange at least three training sessions a year for committee and board members. Such training ensures that the committee and board are well informed in order to make careful and precise decisions for the continued success of the Fund. The committee and board have most recently received training from external investment managers, Hymans Robertson, economic experts and Isio.

Officers are also required to be sufficiently experienced and qualified to advise and to manage day-to-day management of the Fund. Therefore, staff are encouraged to be CIPFA qualified, alongside any further investment qualifications to improve the team's performance and support the committee. Moreover, officers regularly attend training events and conferences to maintain their continuing professional development (CPD) requirements.

Westminster has its own diversity and inclusion group. Officers and the Committee are urged to consider diversity and inclusion at all times. The Council's initiative is to maintain a force for equality and diversity and this requires due diligence be undertaken with our service providers and investment managers. Such encouragement results in firmer and far reaching policies to be put in place to protect the diversity and inclusion values that the Fund strives to protect. This is evident within the diversity within the Treasury and Pensions Team and across the Council. This achievement is reflected within in the publication of the Council's *Workforce profile 2023*.

The 2023 gender profile across the Westminster officers demonstrates that female representation is higher than the Westminster and London populations, which account for 49% and 51% respectively. There has also been a positive trend in ethnic diversity since 2018, over half (51%) of the workforce identified as either White British, White Other, White Eastern European or White Irish and 41% of people identified as Global Majority.

The Council has committed to closing the pay gap by 2025 and launched a 'closing the gap' event during 2023, as a space for staff to find out what work has been going on, next steps, how they can get involved, and offer feedback through the open Q&A sessions. Alongside this, at Westminster City Council, we have adopted the London Councils' anti-racist statement. Westminster is committed to achieving racial equality because we recognise that persistent racial inequalities are unacceptable and adversely affect everyone.

Throughout the year, the Council promoted a number of events to promote diversity and inclusion within the Council. These included Pride Month, Black History Month, South Asian Heritage Month, National Windrush Day, Eid celebrations, Men's Health Week, Easter Weekend, Stress Awareness Month, Women's History Month and International Women's Day.

The Council also hosted a number of training sessions for staff covering the following topics: leading an anti-racist organisation, parental leave coaching and cost of living advice.

The Fund appoints investment managers to invest on its behalf. The Fund integrates the process of stewardship and investment decision making through setting the investment strategy, manager appointment process and setting of the asset allocation.

The implementation of investment principles, beliefs and strategies is key for the integration of stewardship internally to ensure that the committee, board, officers and its advisors are aligned. This enables the Fund's governance structure to be utilised to assess the best interests for the Fund and to act quickly if these expectations are not met.

<u>Outcome</u>

The governance structure has supported effective stewardship by having a separate independent body of oversight from the decision making functions of the committee. This is reflected in the recommendations and advice from board to the committee, which ensure improved Fund governance.

The board has been a driving force of improvement within the pensions administration service, regularly inviting the administrator to the board meetings, as well as regular engagement regarding various admin issues. This has seen the Fund switch to a new pensions administrator, where outcomes have drastically improved and KPIs are consistently achieved. Alongside this, the committee and board receive training together, which allows a forum for free following communication and differing views to be enabled.

The Fund acknowledges improvements are still needed on the measurement of ESG performance and reporting to improve the analysis and decisions made to improve responsible investment. Officers are working on improving metrics to help assist with the implementation of the expected TCFD financial disclosures implementation. With assistance from the Fund's investment advisor, the Fund has outlined initial climate risks for the Fund and explored how these can be measured and reduced. The Fund has made great strides in the current TCFD reporting process, with carbon reporting, renewable impact measurements, voting and engagement statistics and case studies found within the latest Responsible Investment Statement. However, this work is dependent on the release of the governance guidance, expected later this year.

The committee incentives stewardship in performance management, as stated above, in the appointment process of investment managers. In the Fund's Responsible Investment policy, the committee assesses the investment managers' abilities to integrate ESG factors into their investment selection processes. These include:

- evidence of a Responsible Investment policy;
- evidence of ESG integration in the investment process;
- evidence of sign-up to the relevant responsible investment frameworks such as the United Nations Principles for Responsible Investment (PRI);
- evidence of compliance with the Stewardship Code as published by the Financial Reporting Council (FRC);

- a track record of actively engaging with global companies and stakeholders to influence best practice; and

- an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made.

Once appointed, the Fund incentivises managers to align the work they do for the Fund with the Fund's requirements and expectations in relation to stewardship through regular monitoring and evaluation of performance and engagement. If an investment manager fails to adequately consider ESG issues, the Committee is prepared to divest assets from that manager. This is evident in the investment decisions taken by the committee over the previous year, with active decisions taken to divest from a core property fund with the intention of investing within affordable and socially supported housing.

During 2023, the Committee took a number of decisions for the Pension Fund, including rebalancing the overweight and underweight allocations, de-risking by transitioning 5% from active equities into renewable infrastructure and appointing the London CIV as the new affordable housing manager.

Principle 3: Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

<u>Context</u>

The Fund's approach to conflicts of interest in relation to stewardship forms part of the Fund's Investment Strategy Statement (ISS).

Conflicts of interest in relation to responsible investment and stewardship could arise when the ability to represent the interests of the Fund as a shareholder is hindered by other interests. These conflicts can arise within the Fund or within external service providers. Third party advisors and investment managers may perform roles other than which they are employed for and to that extent conflicts may arise. The Fund expects the investment managers and advisors it employs to have effective policies addressing potential conflicts of interest, and for these to be publicly available. These are discussed prior to the appointment of a manager/advisor and reviewed as part of the standard monitoring process.

The Fund's policy for elected members is to follow the Code of Conduct should any conflicts of interest be addressed.

Our Policy is set out below:

1. All members and officers make annual declarations of interest. Advisers also register their interests.

2. The register of interests is kept up-to-date and, within 28 days of becoming aware of any new interest, or of any change to a registered interest, a member/officer must notify the Monitoring Officer. On every agenda, there is an 'declaration of interest' for elected members to register disclosable pecuniary interests and to make declarations of interest prior to meetings which are documented in the minutes of each meeting.

3. Should elected members have a conflict of interest in Council business, they should withdraw from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

<u>Activity</u>

The Pension Fund is governed by elected members acting as quasi trustees and the Code of Conduct for elected members sets out how any conflicts of interests should be addressed. The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interests reference Council business, for example, withdrawing from the Committee room or chamber when the matter is discussed and decided in Committee. The Code also requires elected members to register disclosable pecuniary interests and to make declarations of interest prior to meetings which are documented in the minutes of each meeting.

Within the Pension Fund Annual Report and Accounts, the Fund discloses any interests in relation to the committee and senior management as part of the related parties notes. Declaration forms are distributed and completed for both management and Councillors, and the Fund can report there were no such conflicting interests disclosed at 31 March 2023.

<u>Outcome</u>

The Fund's approach to managing conflicts of interest has always operated as intended. On every agenda there is an 'declaration of interest' for elected members to register disclosable pecuniary interests and to make declarations of interest prior to meetings which are documented in the minutes of each meeting. At the Committee meeting on the 29 June 2023, a member of the Pension Fund Committee declared an interest in a potential asset manager and recused themselves from those manager selection discussions. The Councillor was not present for this agenda item discussion, and the remaining Councillors agreed on a manager appointment in their absence. This instance is clearly documented within the Pension Fund Committee meeting minutes.

As stated in Principle 2, the Fund make efforts at all levels to ensure that there is an alignment in the principles and objectives through the Fund's governance structure and the appointment process of managers. This ensures that they follow the Pension Fund's values and beliefs, in particular, relating to ESG outcomes that are evaluated in this process. This is a key implementation to ensure that conflicts of interests are minimised or completely mitigated in order to ensure that the best interests of beneficiaries are maintained.

The Fund's committee and officers monitor and evaluate investment manager performance on a quarterly basis: this includes activities of stewardship. Engagement is key with our managers and for concerns to be raised and managed effectively. If an investment manager fails to adequately consider ESG issues, the Committee is prepared to divest assets from that manager as part of the Council's wider commitment to net zero by 2030.

As a result of the Fund's commitment to ESG factors and climate change, the Fund transitioned its London CIV (LCIV) UK Equity allocation and Legal & General (LGIM) Global Passive Equities into the LCIV Global Sustain Fund and LGIM Future World Fund. The Global Sustain Fund seeks to provide a concentrated, high-quality global portfolio of companies, excluding tobacco, alcohol, gambling, weapons, fossil fuels, and gas or electrical utilities. The LGIM Future World Fund tracks the LGIM ESG Global Markets Index, whereby an ESG screening of companies takes place to remove those companies which do not meet the required ESG criteria. This demonstrates that committee is able to act effectively if managers are not performing in the best interests of the Fund for its beneficiaries, through use of policies and governance processes.

During late 2022, the Committee elected to transition the Fund's holdings within the London CIV Baillie Gifford Global Alpha Equity strategy into the Baillie Gifford Paris Aligned version. This has a quantitative assessment process to screen out companies with particular levels of exposure to the fossil fuels industry, plus a qualitative one to screen out companies that will not play a role in the future transition to a low carbon environment.

The Fund's Pool Company, London CIV, maintains a Conflicts of Interests policy, which outlines the circumstances in which a conflict of interest may arise and the procedures to identify, avoid, manage and disclose any conflicts. Conflicts of interest do not occur frequently at the London CIV, however the LCIV Board does have Non-Executive Directors (NEDs) who also work for investment managers. Therefore, there is potential for conflict of interest. The London CIV manages this through an Outside Business Register and procedures for specific decisions, which includes declarations of interests at meetings.

Principle 4: Promoting well-functioning markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

<u>Activity</u>

The Fund's primary long-term risk is that its assets fall short of its liabilities, such that there are insufficient funds to pay the promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

Therefore, the Pension Fund needs to ensure that the risks to its investments are effectively managed given ESG factors are fundamental considerations in driving the long-term value of our investment portfolio.

The Fund acknowledges the risks involved in any investment and risk appetite the Pension Fund wishes to maintain. For this basis, the committee meets regularly to ensure the Fund can act efficiently when necessary to market movements to safeguards its assets with the advice of the investment consultant.

Responsibility for the Fund's risk management strategy rests with the committee and is scrutinised by the board. Under the Fund's Investment Strategy Statement, the Committee recognises the wide-ranging risks that are posed to the Fund, among which are:

- <u>Geopolitical and currency risks</u>

  To mitigate market risk, the Committee and its investment advisors undertake regular monitoring of market conditions and benchmark analysis. The risks are measured by the value of assets (the concentration risk), in any one market leading to the risk of an adverse influence on investment values arising from political intervention.

  Silicon Valley Bank (SVB), a US bank, collapsed on 10 March 2023, following losses arising from the rise in interest rates and the major downturn in growth of the US technology industry. The Pension Fund had direct exposure through its Legal & General passive equity mandate. This totalled 0.03% of the equity fund's value, with the asset manager subsequently writing the position down to zero value. Following this, Signature Bank, another US bank, was shut down on 12 March 2023, following large customer withdrawals off the back of the SVB collapse. Baillie Gifford had an exposure of 0.42% to Signature Bank, again valued to zero, and the position sold. Therefore, there is no expected impact on the market values as reported at 31 March 2023.

Overseas equities, fixed interest securities and futures, cash in foreign currencies, forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The Fund aims to mitigate currency risk through the use of hedging, which is applied to the LGIM equities mandate. The Committee recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

- <u>Manager risk</u>

The Fund measures manager risk by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

- <u>Solvency and mismatching risk</u>

This is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies and is managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

- <u>Liquidity risk</u>

The Committee monitors cash flows on a quarterly basis and takes steps to ensure that there are adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2023, liquid assets were £1,480m representing 83% of total fund assets (£1,648m at 31 March 2022 representing 89% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days.

- <u>Custodial risk</u>

This risk is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

- <u>Market-wide and Systemic risks</u>

The Pension Fund has a well-diversified portfolio of assets, broken down as follows:

- Equities: 55%
- Fixed Income: 19%
- Global and Renewable Infrastructure: 16%
- Affordable Housing: 5%
- Long Lease Property: 5%

This high level of diversification offers the Fund protection against market movements and the risk inherent within the financial markets, with negative correlations evident between many of the Fund's asset classes. Alongside this, portfolio rebalancing is considered on a regular basis by the Pension Fund Committee, and the asset allocation is reviewed following each triennial valuation. As part of the asset allocation review, the Committee considers the level of volatility, value at risk and expected returns when determining a new asset strategy. The investment advisor, Isio, provides market updates to the Pension Fund Committee on a quarterly basis and this will cover any significant market events.

- <u>Share and derivative price risk</u>

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

The Fund's foremost mitigation against market-wide and systemic risk is a well-diversified investment strategy. Therefore, it is important the Committee receives the appropriate training and commissions the best advice to be able to select from and monitor a wide variety of investments. The Pension Fund commissions investment consultancy advice for its strategic asset allocation and, as a point of escalation, if it has any concern over the performance of an asset class or any its investment managers.

The Fund's approach to diversification has resulted in the Fund classifying its assets into four broad categories: global equities, fixed Income, property, and alternative investments. It is important to note that each category is itself well diversified. The size of the allocation within each asset category will vary depending on the investment conditions. The committee is of the view that the diversification of the Fund's assets should be sufficiently broad to ensure that the investment risk is low and will continue to be low.

It is important the committee receives the most appropriate training and commissions the best advice to be able to monitor a wide variety of investments. The Fund commissions investment consultancy advice for its strategic asset allocation and, as a point of escalation, if it has any concern over the performance of an asset class or any its investment managers.

To help mitigate future risks, the Committee uses an external investment advisor to monitor asset volatility. When reviewing the investment strategy on a quarterly basis, the committee considers advice from its advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable.

Outcome

In order to identify and respond to market wide and systemic risk, the Fund uses a risk register that is reviewed quarterly. The Fund's approach to identify the type, the trend and to score the risk to allow the committee to make decisive decisions on current risks to the Pension Fund. As seen in the most recently published risk register, risks identified have been reduced through planned actions. The risk objective areas of risk have been updated to reflect the CIPFA risk classifications. The Risk Register is managed by the Tri-Borough Director of Treasury and Pensions.

Appendix 2 - Risk Register Governance.pdf (westminster.gov.uk)

For example, during 2023 the investment consultant undertook an asset allocation review, following the large increase in funding level to 128%. The committee has agreed to rebalance the allocation of the Fund to hedge against certain types of risk including systematic and market-wide risks. These include:

- De-risking: transitioning 5% from global equities into the Quinbrook Renewable Infrastructure Fund. This has potential to reduce the Value at Risk (VaR) by £11m and reduce volatility from 12.0% p.a. to 11.3% p.a.
- Rebalancing: rebalancing the overweight and underweight allocations within the equity mandates, Multi Asset Credit fund and Insight Buy and Maintain Bond fund. Any excess cash to be held for the purpose of illiquid fund draw down requests.
- Cash management: continuing to use cash held within temporary investments (Northern Trust Short Duration Bonds and London CIV Absolute Return) to fund capital calls for illiquid mandates. Additionally, continuing to fund the CVC Credit private debt drawdowns from the Insight Buy and Maintain Bond fund.
- Affordable and socially supported housing: allocating 2.5% to the London CIV UK Housing Fund, which focuses on affordable housing.

The Council has outsourced the following functions of the Pension Fund:

- Investment management;
- Custodianship of assets;
- Pensions administration.

As these functions are outsourced, the Fund is exposed to third party risk. A range of investment managers are used to diversify manager risk. To mitigate the risks regarding investment management and custodianship of assets, the Fund obtains independent internal controls assurance reports from the reporting accountants to the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal control highlighted by the controls assurance reports are reviewed and reported as necessary to the committee. The Council's internal audit service undertakes planned programmes of audits of all the Councils' financial systems on a phased basis, all payments and income/contributions are covered by this process as and when the internal audits take place.

The results of these internal control reviews are summarised below and cover 100% of investment holdings at 31 March 2023.

Fund manager	Type of assurance	Control framework	Compliance with controls	Reporting accountant
Abrdn	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Baillie Gifford (LCIV	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
CQS (LCIV)	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte
Man Group	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Insight	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
LGIM	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
PIMCO (LCIV)	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
Macquarie	ISAE3402	Reasonable assurance	Reasonable assurance	PwC LLP
Morgan Stanley (LCIV)	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte
Pantheon Ventures	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Quinbrook	ISAE3402	Reasonable assurance	Reasonable assurance	BDO LLP
Ruffer (LCIV)	ISAE3402	Reasonable assurance	Reasonable assurance	EY LLP
CVC Credit	ISAE3402	Reasonable assurance	Reasonable assurance	Deloitte
Custodian				
Northern Trust	ISAE3402	Reasonable assurance	Reasonable assurance	KPMG LLP

Within the Annual Report, the Fund discloses the performance of the Fund and asset allocation against the LGPS average as part of the Pensions and Investments Research Consultants (PIRC) statistics. This analysis helps to derive how the Fund is performing in the overall LGPS environment and the risk/return level achieved by the Pension Fund.

At the forefront of the Fund's values is to promote a well-functioning market and to drive for greater stewardship with stakeholders. The Fund has taken this step by being involved in many initiatives which address corporate governance, stewardship and climate change risks. These include:

- Local Authority Pension Fund Forum

The Local Authority Pension Fund Forum is a collection of 84 local authority pension funds and seven asset pooling companies, with assets under management of over £350bn, promoting the highest standard of governance with the aim of protecting the long-term value of pension funds. The LAPFF engage directly with companies, on behalf of all asset owners and pension fund trustee members, on issues such as executive pay, reliable accounting and a transition to a net carbon zero economy.

The LAPFF produce quarterly engagement reports, covering all ESG related issues from climate change, governance, human rights and cyber security.

Over the quarter to 30 September 2022, the LAPFF engaged with 35 companies, including BHP, Apple and the Royal Mail. During early September 2022, LAPFF Chairman, Doug McMurdo, spent three weeks in Brazil following the tailing dam collapses in Mariana and Brumadinho. This trip formed part of the LAPFF's work on human rights and mining.

During the trip, the Chair met with communities affected by the collapse and met with company executives from Vale, which own the Mariana dam. Air quality, water quality and availability of housing in resettlements remain major concerns for communities and LAPFF will continue to engage on these areas.

- Pensions and Lifetime Savings Association

The Fund is a member of the PLSA, who aims to raise industry standards, share best practice and support members. The Tri-Borough Director is a member of the PLSA Local Authority Committee. The PLSA works across a range of stakeholders including governments, regulators and parliament to help the implementation of sustainable policies and regulation. They represent pension schemes providing retirement income to more than 30m savers, with assets under management totalling £1.3tn, including those in the public and private sectors. The PLSA provides an important source for training, support and guidance on regulations and pension support services.

During October 2022, the PLSA published its response to two consultations with a view to new standards being adopted globally, requiring companies to report on sustainability. The PLSA welcomed the introduction of these standards, with the need for long-term targets for maturing schemes. The PLSA however reflected their concerns that the framework forces a standardised approach, which does not reflect the wide range of defined benefit (DB) schemes and should allow for a more flexible approach. PLSA noted that the proposals lacked a clear and measurable objective, with further concerns around the cost of implementation for smaller/mature schemes.

- ShareAction

ShareAction is a registered charity who promotes responsible investment, working with investors to help influence how companies operate their business on a range of Environmental, Social and Governance (ESG) factors. This includes areas such as climate change, gender diversity, living wages, decarbonisation, biomass and healthy markets.

Since 2019, ShareAction has been working on a Healthy Markets coalition group. The Healthy Market Initiative aims to make food retailers and manufactures take accountability for their role and impact on people's diets. The City of Westminster is a member of the Healthy Markets coalition and along with other members, represents over $2 trillion in assets under management.

As per ShareAction research, 1/3 children and 2/3 adults are classified as overweight or obese, with over one million hospitalisations during 2019/20 linked to obesity. During 2022, ShareAction filed a resolution with Unilever, asking the company to commit to a long-term nutrition strategy and disclosure metrics on their proportion of sales related to healthy products. Following this, Unilever have set a new benchmark within the industry, disclosing the healthiness of sales against the government model and their own internal model. They have also set an ambitious target to double the sale of healthy products by 2030.

Principle 5: Review and assurance

Signatories review their policies, assure their processes, and assess the effectiveness of their activities

Activity

The committee is required to regularly review policies and processes to enable the Fund to have the best practices and to safeguard the assets of the Fund.

Good governance dictates the annual review of the ISS and Investment Beliefs, involving the scrutiny of investment governance, ESG factors, asset allocation and investment management strategies. The Committee agreed a set of core investment beliefs that governs all investment decisions for the Fund and envisioned that these beliefs would help create alignment and consistency when making investment decisions. In addition, to explaining the thought process behind the evolution of the Fund and improving the stewardship of the Fund.

In the risk register, the Fund has 'regulatory' and 'compliance' risks included. This ensures that the committee has oversight of any governance issues and is able to manage these accordingly to provide effective stewardship.

As part of the investment strategy review during 2023, the Committee recommended changes to the investment strategy to adapt to the changing economic environment. During the latest review, one such recommendation was to reduce the Fund's exposure to equities: this follows the 2022 triennial valuation where the funding level increased to 128%. Following training sessions and discussions with the investment consultant, the Committee agreed a further 5% reduction in the equity allocation, to be used to finance a 5% holding in renewable energy infrastructure, as reflected in the Fund's ESG Investment approach. For more information, please see the outcome of Principle 4.

In addition, the committee has undertaken numerous reviews, one of which was the recent review of the performance of the Fund's investment consultant. A set of consultant objectives was drawn up for the Pension Fund investment consultant, Isio, and approved by committee on 23 October 2019. After conducting an extensive review into the pension fund consultancy and fiduciary management industry, the CMA produced a report, detailing a number of recommendations to improve pension fund governance, with a number of concerns expressed around fees and conflicts of interest.

In line with best practice, the committee has overseen the performance of the investment consultant against the objectives set. This will be reviewed on an annual basis and the objectives updated at least every three years or when there has been a material change in investment approach. Each objective is assessed individually and assigned a rating as follows: Excellent, Good, Satisfactory and Unsatisfactory. During 2023, the Fund will review the objectives set against the investment consultant, to ensure they remain appropriate and fit for purpose.

The Fund acknowledges that effective stewardship is integral to delivering upon its promises to its members. The governance structure and policies set out in the Fund are developed internally by officers and in conjunction with members of the Committee to achieve effective stewardship of its assets.

There are several ways in which assurance is sought in relation to the Fund's stewardship, for example:

- The Council's Internal Audit function provides a level of assurance over the Fund's activities, including investment records, financial and performance reporting, pensions administration, systems and controls and organisational and management requirements. The most recent internal audit of the Pension Fund investment process took place during November 2022 with the final report issued during February 2023. The Fund was awarded a substantial audit opinion, which is the highest level of assurance possible.
- The Fund's Annual Report and Financial Statements are externally audited; the most recently audited accounts for 2022/23 received an unqualified audit opinion during October 2023, representing a "true and fair view" of the Fund's financial transactions to have taken place during the year and the year-end balance of assets and liabilities. The external audit is still subject to an internal review to be carried out by the external auditor, on its own practices.
- The London CIV also maintains its own assurance controls for the benefit of its clients; all published policies, procedures and reports are required to pass through a formal review and internal assurance process. External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the DLUHC. The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account. London CIV also requires its managers to provide it with annual assurances on internal controls and compliance through recognised framework such as the AAF01/06 or equivalent.

<u>Outcome</u>

The committee continually reviews policies and processes to ensure the Fund has the best practices for the long-term interests of the Fund. The committee is committed to the evolution of these practices and as shown below, there are good examples of the changes that have been made in recent reviews to improve the performance of the committee's governance of the Fund. Investment beliefs were incorporated into the Investment Strategy Statement for the first time during 2020. These were established by the committee to improve the investment and governance processes of the Fund by having a single point of reference to govern the beliefs, investment governance, long-term approach, ESG factors, asset allocation and management strategies.

The Fund reports on stewardship throughout the year with reports to the committee. The responsible investment statement is reviewed annually, whereby the Fund provides an update on its approach to responsible investing and the progress made to date. This review provides the Fund with a level of assurance in ensuring its policies and approach are effective and the appropriateness of the strategy is satisfactory. Incremental improvements and continuous changes are an indicator that processes are effective and constantly evolving. This makes use of both internal and external resources to ensure that the policies and practices in place are robust and effective. For example, the Fund tracks its carbon emissions output and offset from investment within renewable infrastructure. This has demonstrated that the Fund has been able to reduce its emissions by 76% over the last three years and anticipates that the Fund will be able to offset over half these remaining emissions.

The Fund's investment advisor, Isio, has highlighted its observations and recommendations to consider when devising/revising any new investment strategy. This particularly applies to asset allocation review. Recent reviews have resulted in an additional allocation of 5% to renewable infrastructure to be funded by a corresponding reduction in equities of 5%.

The results of the 2022 consultancy performance review highlighted that the consultant had performed well over the past year, meeting the vast majority of aims and objectives to an excellent standard. The Fund remains pleased with the work produced by the consultant and will to continue building on the good working relationship that has already been established.

The Fund is committed to reporting fairly and regularly, with policies being considered throughout the year. This ensures that they are kept up to date and continue to reflect the views of the committee on the direction of the Fund as part of stewardship activities. The committee is also kept abreast of any changes to legislation and consultations from central government departments. Most recently the DLUHC has issued a consultation on how LGPS schemes will assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD). An action plan has been taken to the Pension Fund Committee as follows:

- Await the LGPS consultation and resultant Scheme Advisory Board (SAB) guidance.
- Review the guidance and set out a roadmap for compliance.
- Build the new requirements into the Pension Fund Business Plan.
- Review the Investment Strategy and consider whether is likely to meet the future requirements on climate change and sustainability.

In the annual accounts, the Fund publishes the voting activity of investment manager's engagement and voting activity. This demonstrates assurance that the Fund is seeking for the stewardship activities undertaken on its behalf by the Fund's investment managers.

The Fund's equity manager proxy voting for 2022/23 is shown in the following table:

Asset Manager	Number of resolutions	For	Against	Other
Billie Gifford (LCIV)*	1,127	927	163	37
Baillie Gifford Paris Aligned (LCIV)**	98	80	16	2
Morgan Stanley (LCIV)	604	530	67	7
Legal & General	53,097	42,701	9,860	536
Ruffer (LCIV)	1,310	1,215	87	8
TOTAL	56,236	45,453	10,193	590

* to December 2022
** from December 2022

Principle 6: Client and beneficiary needs

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

<u>Activity</u>

The Westminster Pension Fund is a part of the Local Government Pension Scheme (LGPS).

The LGPS is a statutory scheme and is regarded as very secure, given the pension benefits are defined in law. Members of the Fund include employees and ex-employees (deferred) of the Council. In addition, the Fund has a number of admitted bodies including academies, where certain employees can join the scheme.

Of the membership, the Fund currently has 4,744 active members; 7,197 deferred members; and 6,758 pensioners/beneficiaries (at 30 September 2023). The Fund aims to use the most appropriate communication method for the recipient audiences and to ensure that scheme members have access to all the Fund's policies, strategies, and performance. As seen in the communication policy, the Pension Fund has a website designed to communicate and promote the benefits of the LGPS and associated information and is regularly updated to ensure scheme members can find out more about the LGPS and individual member pension details.

Analysis of the Pension Fund membership as at 30 September 2023 is shown below.

Member Type	Total
Actives	4,744
Pensioners	5,855
Beneficiaries	903
Deferred	7,197
Frozen	1,497
TOTAL	20,196

This analysis demonstrates that the majority of the Pension Fund members are deferred, followed by those that are already in receipt of pension benefits. These statistics have been used to inform decisions regarding the member portal and encouraging members to sign up and keep their membership data up to date. For those members which have not provided email addresses, the Fund's administrator will send announcements and annual benefit statements as a paper copy. Further analysis has shown that the average age of our active and deferred members is 53.5 years, with female members accounting for over 65% of active membership. It is therefore estimated that the average time to retirement for active employees is circa 15 years.

The Fund is working with the administrator to increase the interaction the Fund has with members via the membership portal. All members have been invited to join the membership portal and receive regular updates from the administrator via email communications. As at 31 May 2023, the number of members signed up to the portal was 35.5%, with the breakdown shown below.

Portal	Opted in
Actives	41.60%
Pensioners	40.67%
Deferred	26.46%
TOTAL	35.50%

The strategic asset allocation is agreed by the committee as per advice taken from the officers and investment advisor. The committee is held accountable for its decisions on asset allocation within the Fund mandate. In order to follow the Myners Principles, fund managers are formally challenged on their tactical investment decisions.

The following table provides a breakdown of the Fund's target asset allocation. The current 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. While the property, affordable housing and renewable infrastructure mandates are UK focused, the Fund's other asset classes target a global portfolio.

Asset Class	Target Allocation %
Global Equities (active)	35.0
Global Equities (passive)	20.0
Fixed Income	19.0
Property	5.0
Affordable Housing	5.0
Infrastructure	16.0
TOTAL	100.0

As shown above, the Fund's global investments includes equities, fixed income with UK-based property portfolio as well as infrastructure. As at 31 August 2023, the investment portfolio is managed by 14 external managers with the geographical or sectorial breakdown of each fund:

- The UK property portfolio is managed by Abrdn Standard Life Long Lease Property, is solely investing in property within the UK with the aim to outperform the FT British Government All Stocks Index benchmark by 2% p.a. The UK sector allocation in the Long Lease Property Fund is as follows: offices (21.7%), Retail 15.7%, Industrial (23%), Other (39.6%).
- Private debt is managed by CVC Credit. The European Direct Lending III Fund has control over direct lending mandate with the aim of outperforming the 3-month Sterling SONIA benchmark by 5% p.a. The current geographical breakdown is 27% UK, 18% Italy, 15% Germany, 12% Netherlands, 8% France, 6% Sweden, 6% Finland and 8% other.
- Fixed income mandates are managed by CQS and PIMCO (Multi Asset Credit, via the London CIV), Insight (Bonds) and Northern Trust (short bonds);
- The Multi-Asset Credit Sub Fund is managed jointly by CQS and PIMCO. Its goal is to outperform the 3-month Sterling SONIA benchmark by 4% per annum. The geographical split of the fund includes 47.5% in the US, 14.3% in Europe, 11.1% in the UK, and 27.1% in other regions. Insight manages the 'buy and maintain' mandate for bonds. As of 31 March, the allocation of bonds is 51% in

the UK, 21.6% in the Eurozone, 18.6% in the US, 4.8% in the rest of the world (ROW), and 4.4% in Europe other.

- The Multi-Asset portfolio is managed by Ruffer, known as the LCIV Absolute Return portfolio. Its allocation as of March 31st includes 29.7% in government bonds, 10% in cash, 9.1% in commodities, 4.7% in US equities, and 0.7% in South America equities.
- The Fund's affordable housing allocation is with the Man Group with all projects being in the UK. The number of homes to be built are circa 1,295.
- Alternatives are managed by Pantheon (Infrastructure), Macquarie (Renewable Infrastructure) and Quinbrook (Renewable Infrastructure);
- Pantheon manages the Pantheon Global Infrastructure Fund III, with a geographical allocation of 36% in Europe, 35% in APAC and ROW, and 29% in North America. Macquarie's "Renewable Energy Fund 2" is the Fund's allocation to global renewable infrastructure with 20% in the UK, 12% Brazil, 11% France, 7% US, 19% Other and 31% uncommitted. UK renewable infrastructure was mandated to Quinbrook. As of date, the fund has investments of £289.2m in projects across the UK.
- All equity portfolios within the Fund have a global focus and are managed by three firms: Baillie Gifford (active global, managed by the London CIV), Morgan Stanley (active global, managed by the London CIV), and Legal and General Investment Management (passive global).
- Morgan Stanley's active equity portfolio places a strong emphasis on sustainability and seeks to outperform the MSCI AC World Index. The key characteristics of this portfolio include investments in 41 holdings across 8 countries and exposure to 6 sectors.
- Similarly, Legal and General Investment Management (LGIM) manages a global equity portfolio with a passive ESG approach, aiming to replicate the performance of the Solactive L&G ESG Global Markets Index benchmark. The LGIM Future World Fund has a key focus on financials (18.0%) and information technology (23.3%) and healthcare (14.0%) making up near half of the fund's allocation.

The Pension Fund takes a long-term view with regards to its investment and funding strategies, given the long-term nature of the payments due to beneficiaries over a 50+ years' time horizon. The Fund's primary investment objective therefore is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which on 31 March 2022 were valued at £1,876 million, were sufficient to meet 128% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date.

In the period from 2019 to 2022, the Pension Fund has increased its overall funding level from 99% to 128%. The main drivers for this improvement are the strong investment returns and significant additional deficit recovery payments received from the Council. The funding level for Westminster City Council (as a single employer) stands at 111%, improving from 86% previously. Specifically, the effect of strong asset returns and the significant secondary contributions have helped to improve the funding position.

Each employer has contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon as per the Funding Strategy Statement (FSS). Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

During the actuarial valuation process, the administration team host meetings with employers to discuss their results and agree on a suitable contribution rate to reflect their funding level.

The Fund's strategy to deliver long term sustainable funds has led to greater responsible investing and allocation to those companies that reflect effective integration of ESG issues, in the belief that they will deliver stronger returns in the years to come.

Communication and feedback from scheme members and employers is undertaken in a variety of ways:

- The Pension Fund hosts an Annual General Meeting, in which employers and members are invited;
- Consultation with employers on key policy documents and the actuarial valuation outcome;
- All committee and board meetings are open to members of the public and papers are published and available for review. Of note, are the quarterly performance reports that are presented to the committee detailing the Fund's overall performance, the portfolios currently invested in, asset allocation and recent activities of the committee and officers;
- The Fund publishes an Annual Report containing up-to-date details of investments and stewardship;

- Key policy documents are published on the Pension Fund website;
- Contact details for the Fund are also published for any comments from scheme members or employers; and
- Direct contact with scheme members and employers with regard to annual reporting.

To communicate and promote the benefits of the Local Government Pension Scheme, the Fund has its own member website that contains key information to help potential members understand the pension scheme, and a link for current members to access and view their individual records online and calculate their own benefits estimates. The link can be found below:

Home | Westminster City Council Pension Fund (wccpensionfund.co.uk)

The actions mentioned above are taken to ensure beneficiaries of the Fund can be well informed of the activities of the Fund and can monitor the ongoing performance. These steps are taken to ensure that beneficiaries can hold the officers and Committee to account reference actions and performance record.

The Pension Fund publishes all reports on the Fund's website for beneficiaries to view.

The most recent Pension Fund annual report discloses the following statements:

- Governance Compliance Statement
- Communication Policy
- Funding Strategy Statement
- Investment Strategy Statement (Page 118)
- Responsible Investment Strategy
- Pensions Administration Strategy
- Stewardship Report
- Voting activity and performance

2021 to 2022 annual accounts

Outcome

The Pension Fund administration team has undertaken work to review the Fund's current online resources and how our members use these websites. The review is currently focusing on the user research element of the project and have gained an experienced user researcher who has conducted interviews with selected users which we will then use to streamline the design of the website. The Fund has three main sources of information for members, pensioners, employers and interested parties i.e., a single webpage on the Council website dedicated to the Fund and two external websites that are dedicated to the LGPS. The intention is to combine the Pension Fund websites to have one source of information for scheme members.

Both scheme members and employer representatives form part of the Local Pension Board. This allows scheme to have their views and recommendations expressed on key issues such as Westminster's investment strategy and RI policy and statement. These recommendations are considered and discussed at the next Pension Fund Committee meeting.

During the year, the Board's work programme covered the following areas:

• The monitoring of quarterly fund investment performance and London CIV

Over the course of the financial year the Board reviewed the performance of the Pension Fund and its underlying investment managers. The Board acknowledged that there was a high level of volatility and uncertainty in markets following events in Ukraine and the strict lockdown measures in China. The Board assessed the underperformance of global equities manager, Baillie Gifford, and was pleased to note that the Committee was inviting underperforming managers to committee meetings. There was concern surrounding the value of the Pension Fund investments directly managed by the London CIV and the pooling of resources and staff turnover at the London CIV. However, the Pension Board was pleased to note that during the year, the London CIV had launched its UK Community Housing Fund with investments targeting affordable housing, specialist housing and transitional supported housing. The Pension Board remained pleased that the funding level of the Pension Fund remained healthy at well over 100%.

• Reports detailing the Fund's financial management, including cash flow and scrutiny of the fund risk register

During the year, the Pension Board undertook detailed discussions with officers regarding the Pension Fund's risk registers and those highlighted as the top risks to the Fund. The Board discussed the significant price inflation in the UK and the possible consequences of this being significantly more than anticipated, the continuation of economic instability following the Russian invasion of Ukraine and the implications of the proposed new TCFD regulations for Local Government Pension Schemes (LGPS) to assess, manage and report on climate-related risks. The Board noted the increased scrutiny on environmental, social and governance issues and recognised the need to pay particular attention to future investments. For the Fund's cash flows, the Board was interested to note the anticipated future cash flow and the impact of inflation.

• UK Stewardship Code

The Board was pleased to note that the Westminster Pension Fund had been accepted as a signatory to the UK Stewardship Code. The Pension Board commented on how impressive the document was and appreciated the amount of work to produce it, as well as discussing the importance of Fund Managers voting in line with the Pension Fund's principles.

• Pensions administration key performance indicators (KPIs)

The Board was pleased to note that that the Hampshire pensions administration partnership reports showed a 100% KPI completion record and that Hampshire had maintained a healthy position with no data backlogs. Officers advised the Board of the significant progress on the processing of leavers and member tracing, with an expected improvement in the Fund's data quality and the data scores reported annually to the pension regulator. Members were advised of suspicious activity on the members pension portal, which had resulted in the system being taken offline. The Board however noted that access to system had not actually been gained and HPS had appointed a provider to complete cyber security testing every six months.

• Pension Projects

Over the year, the Board were updated on a number of projects being undertaken within the Pension Fund, including the Fund website review, McCloud and the Guaranteed Minimum Pension (GMP) project. The Pension Board discussed the benefits of decommissioning the Pension Fund website and moving to the Council's own website and were pleased to note that the new website would contain specific functionality targeted towards the neurodiverse. It was acknowledged that the data collation in relation to the McCloud project is complex, with many employers. Therefore the Board requested details of the external costs of the different payroll systems. On the GMP project, the Board were disappointed that Mercer would be unable to meet the projection completion deadlines. The Board advised that Mercer should compensate the Council for the failure to deliver the project and noted that WCC legal team was reviewing the Council's options with this contract.

• Actuarial Valuation

During the year, the Board received the 2022 actuarial results and noted the increase in funding level from 99% in 2019 to 128% in 2022. The Board discussed the importance of maintaining the level of contributions and how the City of Westminster Pension Fund was a premium product.

In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they invest in. Environmental considerations should reflect a growing recognition in the Committee of the urgency required in its decision-making processes when making investment allocations. The Pension Fund actively contributes to the engagement efforts of pressure groups, such as the LAPFF and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM.

The Fund remains satisfied that its investment managers are meeting their intended targets, through monitoring at quarterly intervals against their agreed benchmarks, and independent detailed monitoring of the Fund's performance is carried out by Isio, the Fund's advisor and by Northern Trust, the Fund's custodian who provide the performance figures. Moreover, portfolio risk is measured on quarterly basis and the risk/return implications of the strategic options are fully evaluated.

The Fund's investment advisor, Isio, produces an in-depth review of each manager on a quarterly basis with a summary of Isio's ratings of the managers employed by the Fund and triggers against which managers should be reviewed. From the review of voting reports, the Fund believes that this process has mitigated issues with investment managers and managers have voted in line with the Fund's policy and values.

Principle 7: Stewardship, investment and ESG integration

Principle 7 – Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Context

The Fund has integrated ESG factors through an ESG Policy, and Investment Principles and Beliefs statement. There are a wide range of ESG issues, with none greater currently than climate change and the associated carbon reduction targets. The Fund recognises climate change as the biggest threat to global sustainability, alongside its administering authority employer, Westminster City Council, which has committed itself to achieving carbon neutrality by 2030.

As mentioned in the investment principles, the Pension Fund, as a long-term investor, is committed to investing to build a better future through the integration of ESG factors at all stages of the investment decision-making process. Through active ownership with its partners, the Pension Fund engages with the investment community to help ensure a sustainable future for all its stakeholders.

As part of Fund's ISS, the Committee has set out five beliefs to govern investment decisions. One of those is environmental, social and governance factors. As set out in the belief:

a) Certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Fund's investments and the likelihood that the Fund's objectives will be achieved.
b) Well governed companies that manage their business in a responsible manner are less vulnerable to downside risk and may therefore produce higher returns over the long term.
c) In order to improve corporate governance, investment managers should exercise the voting rights attached to the shares they own, as well as engage with management of the companies they invest in.
d) Environmental considerations should reflect a growing recognition in the Committee of the urgency required in its decision-making processes when making investment allocations.
e) If an investment manager fails to consider ESG issues, the Committee is prepared to disinvest assets from that manager.

The Fund appoints investment managers that invest on our behalf. As part of its stewardship obligations, the committee considers the following key considerations as part of an investment manager appointment:

a) evidence of the existence of a Responsible Investment policy;

b) evidence of ESG integration in the investment process;

c) evidence of sign-up to the relevant responsible investment frameworks such as the United Nations Principles for Responsible Investment (PRI);

d) evidence of compliance with the Stewardship Code as published by the Financial Reporting Council (FRC);

e) a track record of actively engaging with global companies and stakeholders to influence best practice; and

f) an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made.

By integrating stewardship at an early stage, the Fund believes it can best address any concerns before an appointment is made. Thus, the committee can be satisfied that an investment manager has been carefully selected for the best interests of the Fund, and most importantly, share the same core values as the Fund.

Once appointed, active management performance should be monitored over multi-year rolling cycles and assessed to confirm that the original investment process on appointment is being delivered and that the mandate is still appropriate. If an investment manager fails to adequately deliver stewardship at any time, the Committee is prepared to disinvest assets from that manager.

The Fund invests across a number of different asset classes to achieve diversification to lower the volatility of the overall return of the Fund. It is therefore important that stewardship is carried out across asset classes to ensure that each asset class or financial instrument has the attributes that the Fund desires to meet the Fund's investment strategy and to have a positive impact on the Fund's performance.

This approach to diversification has seen the Fund committed to assets in four broad categories global equities, fixed income, property and alternatives. As detailed in the table below.

Strategic Asset Allocation	Target (%)	Review Range
Listed Equities	**55.0%**	**+/-3.0%**
Passive Equities	20.0%	
Global – Active	35.0%	
Cash	**0.0%**	**+/-0.0%**
Cash	0.0%	
Fixed Income	**19.0%**	**+/-1.9%**
Global Bonds	7.0%	
Multi Asset Credit	6.0%	
Private Debt	6.0%	
Alternatives	**16.0%**	**+/-1.6%**
Infrastructure	5.0%	
Renewable Infrastructure	11.0%	
Property	**10.0%**	**+/-1.0%**
Affordable Housing	**5.0%**	
Property	5.0%	
Total	**100.0%**	

To ensure careful stewardship of the Fund, the asset allocation is reviewed annually, and rebalancing takes place when review ranges are triggered to ensure the Fund is best positioned in the current economic market.

There are several performance benchmarks and disclosure frameworks that exist to measure the different aspects of available ESG data which include carbon emissions and a variety of social impact scores. The Pension Fund carries out a carbon footprint exercise on its separate portfolios annually via a specialist firm. The outcome of this measurement exercise will be instrumental in ensuring that the Fund is able to meet its decarbonisation goals through effective asset allocation.

For example, the Fund commissioned a review of its property mandates with a view to investing a 5% allocation within social supported and affordable housing. The Fund has a long term goal of providing 13,000 new homes that cost no more than 35% of an average household's gross income and across sectors, including children's services housing, specialised supported housing and older person supported housing within the supported living market. Most recently the London CIV were appointed to manage 2.5% to affordable housing, alongside the Fund's existing manager Man Group.

The Fund will continue to assess investment opportunities that have a positive impact on society as whole. These include but are not limited to, investments in fixed income (green bonds), property, low carbon assets, renewables and social impact opportunities. The Fund currently has a 11% allocation to renewable infrastructure, where the asset managers invest solely within renewable energy, including solar, wind, transmission, connection assets and battery storage.

As asset owners, the Fund, in line with its investment strategy, is responsible for deciding how its assets are invested through its strategic asset allocation. In addition to engaging with the investment community, the Fund will continue to work closely with other UK and London LGPS funds to find common solutions for ESG issues.

The Fund targets affordable and socially supported housing in the UK and renewable infrastructure specifically in all regions on the UK and globally . The overriding principle is to generate investment returns; however, the Fund will closely consider investments with geographical significance if it can help deliver net zero and provide more sustainable infrastructure or social benefit within the UK.

The Fund is committed to making full use of its shareholder rights. The approach used is outlined in paragraph 8 of the ISS and in the Fund's Responsible Investment Policy. Authority has been delegated to the investment managers to exercise voting rights on behalf of the Fund. The investment managers are required to report how they have voted in their quarterly reports. The Fund believes in using its influence as a shareholder to promote corporate social responsibility and high standards of corporate governance in the companies in which it invests.

<u>Activity</u>

The Fund has stringent appointment and investment processes to ensure that investments have ESG benefits, as well as challenging and engaging with investment managers to improve ESG outcomes.

This includes adherence to a Responsible Investment policy, ESG integration in the investment process, relevant responsible investment frameworks such as the United Nations Principles for Responsible Investment (PRI), evidence of compliance with the Stewardship Code as published by the Financial Reporting Council (FRC), and a track record of actively engaging with global companies and stakeholders to influence best practice though the LAPFF, along with a commitment to appropriately disclose, measure and report on the overall impact of ESG decisions made.

As part of its investment selection process, the committee will obtain proper advice from the Fund's internal and external advisors with the requisite knowledge and skills. The investment advisor will assess ESG considerations as part of its due diligence process and assess investment managers against the following criteria:

a. for active managers, the advisor will assess how ESG issues are integrated into investment selection, divestment, and retention decisions;

b. for passive managers, the investment advisor is aware of the nature of the relevant index construction in the investment selection process places and the proximity of ESG issues in comparison with an active portfolio, but still hold ESG issues in its responsible investment policy, with active engagements with global companies and stakeholders where appropriate;

c. consideration of whether managers are making most effective use of voting rights and if votes are exercised in a manner consistent with ESG considerations specified by the manager;

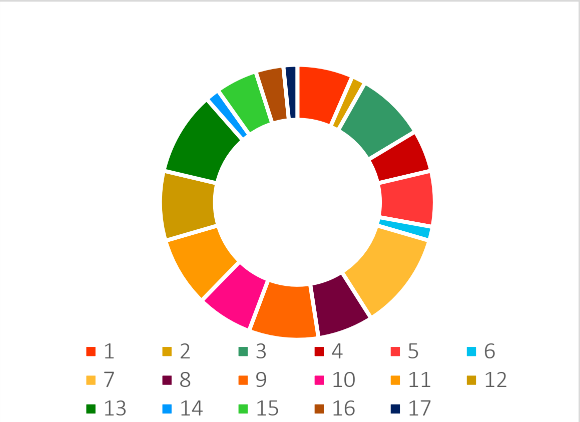
d. how significantly managers value ESG issues and whether any specialist teams and resources are dedicated to this area; and

e. how ESG risk assessment is integrated into the portfolio investment selection process and the value and effectiveness of these assessments.

UN Sustainable Development Goals

During 2015, all United Nations (UN) members adopted the 2030 Agenda for Sustainable Development, at the heart of this was the 17 Sustainable Development Goals (SDGs). These goals call for urgent action by all developed and developing countries, for ending poverty, global hunger, improving health and education, reducing inequality, tackling climate change and promoting global economic growth.

The Westminster Pension Fund's asset managers meet a number of the SDGs as set out by the United Nations. The chart below highlights the goals which the funds asset managers have been most successful in addressing. These include significant work towards addressing the gender pay gay, reducing deaths and illness from air pollution, developing reliable renewable infrastructure, efficient use of natural resources and improving impact on climate change mitigation.



Macquarie Case Study

The Fund's renewable infrastructure manager, Macquarie, holds a number of assets within its portfolio including onshore and offshore wind and solar. The manager meets a number of the UN SDGs, demonstrated as follows:

- **Goal 3: Good Health and Wellbeing**
  Reducing deaths and illnesses from air pollution, caused by pollutants such as nitrogen oxides, sulphur oxides and particulate matter. By using renewable energy and the avoidance of fossil fuel electricity generation it is forecast to reduce the annual emissions of harmful air pollutants.

- **Goal 7: Affordable and Clean Energy & Goal 9: Industry, Innovation and Infrastructure**
  Increase substantially the share of renewable energy in the global mix and develop quality, reliable, sustainable and resilient infrastructure. The renewables portfolio adds 950MW of aggregate renewable energy generation to local grids.

- **Goal 12: Responsible Consumption and Production**
  Achieve sustainable management and efficient use of natural resources. By avoiding fossil fuel electricity generation, it is forecast to avoid the equivalent consumption of 206kt of oil annually.

- **Goal 13: Climate Action**
  Improve human and institutional capacity on climate change mitigation by raising awareness on climate change and negative impact reduction. The portfolio is forecast to avoid 967 kt CO_2 greenhouse gas emissions annually.

Man Group Case Study

The Pension Fund's affordable housing manager, Man Group, has a long term goal of providing 13,000 new homes that cost no more than 35% of an average household's gross income. The asset manager has demonstrated achievement of a number of UN SDGs as follows:

- **Goal 1: No Poverty & Goal 10: Reduced Inequalities**
  Providing quality and environmentally sustainable homes to meet affordable housing needs including shared ownership and rented at a % of local median income.

- **Goal 3: Good Health and Well-being**
  Increasing the percentage of homes that meet the Decent Home standards, Building for Life 12 accreditation and Nationally Described Space Standard (NDSS).

- **Goal 7: Affordable and Clean Energy & Goal 11: Sustainable Cities and Communities**
  The portfolio provides environmentally sustainable homes, including the use of solar panels, electric charging points and a reduction in CO_2 emissions against the Target Emission Rate.

Quinbrook Case Study

The Pension Fund's second renewables manager, Quinbrook, invests solely in UK assets at both the development and operational stage. Target assets include solar PV and onshore wind, alongside supporting infrastructure such as battery storage and connection assets. Quinbrook works to quantify and support a number of the UN goals, as discussed below:

- **Goal 4: Quality Education**
  Supporting school programs in the adoption of renewable energy and working with universities to support improved education and access to greater diversity in the industry.

- **Goal 5: Gender Equality**
  Supporting gender equality through fair and non-discriminatory hiring and engagement policies.

- **Goal 7: Affordable and Clean Energy**
  Providing renewable energy, in particular in community settings and disadvantaged areas.

- **Goal 8: Decent Work and Economic Growth**
  Providing jobs and economic growth opportunities in regional and rural areas where assets are located and supporting job creation and training in areas of job displacement, due to accelerating energy transition.

- **Goal 9: Industry, Innovation and Infrastructure**
  Investing and partnering with business that are driving new energy innovation and infrastructure.

- **Goal 11: Sustainable Cities and Communities**
  Building and maintain assets to support sustainable cities and communities and enabling a fairer transition to sustainable energy sources.

- **Goal 13: Climate Action**
  Creating new assets through project development and construction that help to avoid emissions and tackle climate change.

- **Goal 16: Peace, Justice and Strong Institutions**
  Strong institutions through improved governance and alignment with the United Nations Compact.

Abrdn Case Study

Abrdn manage the Fund's allocation to long lease property, which aims to provide long-term and inflation-linked income through UK property investments. The mandate meets a number of UN SDGs as follows:

- **Goal 1: No Poverty**
  Supporting the fair pay landscape, Abrdn were shortlisted for the Living Wage trailblazer award and supported the new Edinburgh Living Wage city application.

- **Goal 5: Gender Equality**
  Abrdn have pledged 40% of Board members to be female, 40% male and 20% any gender, as well as this they have pledged at least 50% of the workforce to be female.

- **Goal 7: Affordable and Clean Energy**
  99.5% of the electricity Abrdn procures is on a green tariff, with an aim to operate 100% of offices globally using renewable energy.

- **Goal 8: Decent Work and Economic Growth**
  Abrdn is ranked in the top 75 UK Social Mobility Employer Index and supports paying staff the living wage.

- **Goal 10: Reduced Inequalities**
  Abrdn has pledged to have at least 18% of the Board identify as ethnic minority.

- **Goal 12: Responsible Consumption and Production**
  Avoiding the use of single-use plastics within offices and sending zero waste to landfill sites.

- **Goal 13: Climate Action**
  Pledge to become net zero in operations across scope 1, 2 and 3 emissions and reduce those emissions by 50% and emissions of invested assets by 50%.

- **Goal 15: Life on Land**
  Improve biodiversity within UK real estate, including the implementation of wildflowers, ponds, hedgerows and shrubbery, bird boxes and bee/bug hotels.

Outcome

All investment management activity is delegated to external investment managers. Focus on how the Fund's investment managers have incorporated ESG factors gathered through their stewardship activities, into investment decisions, is a significant part of the monitoring and discussion with the Fund's investment managers.

Through strategy and culture, the Fund has designated ESG a key focus within Pension Fund investments and this is where the Fund has seen much progress. As shown in the 2022 Responsible Investment statement, from 30 June 2019 to 31 December 2022 the weighted average carbon to value invested of the Fund has fallen by circa 80%. It is also estimated that the Fund has reduced its absolute tonnes of CO2 emissions by circa 76% over the same period.

Further examples of the Pension Fund's progress can be seen with greener and more sociably responsible investments for the long-term interests of the beneficiaries.

Environmental:

The Inti solar farms are held within the Pantheon Global Infrastructure fund, with the assets located across different regions of Italy. There is also a further pipeline for future solar farms across the globe.

The fund focuses exclusively on generating electricity from 100% clean energy sources. It targets a reduction of CO2 emissions of over 2 million tons per year, thus helping achieve global climate mitigation targets. The asset manager will be heavily involved in the operation of new solar plants, thereby contributing to additional jobs in the countries it targets. As part of the project the manager has launched a charitable

Foundation, pledging 5% of annual profits towards alleviating poverty. Alongside this, the manager works with a specialist company to improve efficiency, including coating and tests to identify cell breakage and cracks.

Social:

The Pension Fund holds, Experian, within its LGIM Future World Equity portfolio. The company is a multinational data and credit rating company, with headquarters in Dublin. LGIM believes the company has a key role as a business responsible for the delivery of greater social and financial inclusion.

During 2021, LGIM engaged with Experian on several occasions, and were pleased to note improvements to the company's ESG strategy, new reporting targets, greater disclosure on societal impacts and community investment, and increased capital allocated to transforming financial livelihoods.

This includes the roll out of Experian Boost, which uses data on how consumers spend their money to allow them to improve their credit score. Alongside this, the company also launched Experian Go, targeted at those with no credit history, to help them build their financial identity. Experian have also launched the United for Financial Health project to help educate and drive action for the most financially vulnerable.

Governance:

Within the London CIV (Baillie Gifford) Global Alpha Equities portfolio, the Pension Fund has exposure to Rio Tinto, a multinational metal and mining corporation.

During 2020, Rio Tinto demolished a site of cultural significance within Western Australia, promoting widespread criticism and the resignation of the CEO. LCIV had serious concerns on the corporate governance failures that led to the devastating impact on the local communities. Baillie Gifford advised they had undertaken several engagements with the company and recommended the Board to make necessary changes to its working practices to safeguard the long-term success of the company. Notable improvements within Rio Tinto include; the sale of all thermal coal assets leaving no fossil fuel exposure, strengthening carbon reduction commitments, supporting an initiative to improve global mining safety and increased disclosures; and clarity regarding the director remuneration targets. Additionally, the company has most recently published a workplace culture report to highlight areas of failing.

Principle 8: Monitoring managers and service providers

Signatories monitor and hold to account managers and/or service providers.

Activity

The committee meets at least four times a year. At each of these meetings the committee reviews investment performance, alongside advice from the independent advisor.

Committee members monitor the investment returns and the volatility of the individual investments, together with the funding level, returns and investment risk, the latter being to ensure the risks caused by interactions between investments within the portfolio are properly understood. Where comparative statistics are available, the committee will also compare the Fund's asset performance with those of similar funds.

On investments, the committee assesses the suitability of the investments in which the Fund partakes. The following due diligence takes place: prospective investment return; investment risk; concentration; risk management qualities the asset has; geographic and currency exposures and ESG criteria. Moreover, each asset category will have an individual performance benchmark against which performance is reported.

Alongside the committee is the Pension Board, whose role is to provide oversight and scrutiny of the Pension Fund Committee. The Board meets four times a year, which allows for a second review of performance of service providers.

Outcome

The Fund closely monitors all its investment managers and publishes all voting activity in the Annual Report. This ensures that members and the public can be fully aware of voting actions and to ensure that the Fund monitors to deliver and impact on change where needed.

The committee will continually monitor and engage with investment managers to ensure that investment managers are acting in the best interests of the Fund. Across all investments, the Fund works closely with managers to ensure that it can deliver improved outcomes and where the Fund sees the need for the long-term sustainability of the Fund using the collaborative approach to gain greater influence for positive impact and return.

To effectively hold our service providers to account, the committee is committed to reviewing the performance given by any service provider. During the year, the committee reviewed the performance of the investment consultant against the objectives that were set by the Fund. This has and will be reviewed on an annual basis and the objectives updated at least every three years or when there has been a material change in investment approach to ensure that are consultant is providing the best service and advice to the Fund. Each objective is assessed individually and assigned a rating as follows: Excellent, Good, Satisfactory and Unsatisfactory.

The Committee will engage with our service provider if any objective is deemed unsatisfactory and will make efforts to resolve any issues. If objectives are still not being met after engagement the Fund will consider a different service provider.

Please see link below for the latest investment consultant review, the consultant has performed well over the past year, meeting the majority of the aims and objectives to an excellent standard. The Fund remains pleased with the work produced by the consultant and aims to continue building on the good working relationship that has already been established. *Investment Consultant Review 2022*

The Funds closely monitors all its investment managers and publishes voting activity in the Fund's Annual Report. This ensures that members and the public can be fully aware of voting actions and to ensure that the Fund monitors and delivers on change where needed. The Fund can also gain confidence that managers appointed are meeting expectations on key voting issues and on behalf of the Fund are using its vote to promote positive impact within our invested companies. The constant dialogue and investment manager profile received from the consultant, Isio, also ensures the Fund is able to make key investment decisions in relation to our holdings.

Please see the following *link* for the latest quarterly review of our investment managers, as prepared by Isio.

The Committee also encourages any directly appointed asset managers and the pooling company (London CIV) to comply with the Stewardship Code (2020) and this is monitored on an annual basis. The Fund will continue to collaborate with the London CIV on maintaining a share voting policy for the equity managers on the London CIV platform and actively seeks to align these policies with investment manager insights. Lobbying with other London CIV clients will give the Fund greater control and impact over voting choices and a centralised process will ensure that voting remains consistent and has the greatest impact. Please see a review of the Fund's asset managers and their compliance with the Stewardship Code 2020, the Fund is engaging with those managers who are not currently signatories.

Fund Manager	Signatory?
Abrdn	Yes
CVC Credit*	No
Insight	Yes
LGIM	Yes
London CIV	Yes
Macquarie	Yes
Man Group	Yes
Northern Trust	Yes
Pantheon**	No
Quinbrook	Yes

* CVC Credit is not currently planning to become a signatory to the UK Stewardship Code, but this is something they will look into internally.

** Although not currently a signatory to the UK Stewardship Code, Pantheon have done a significant amount of work in this area and are actively working towards becoming a signatory in the future.

The committee will continually monitor and engage with investment managers to ensure that investment managers are acting in the best interests of the Fund. Across all investments, the Fund works closely with managers to ensure that it can deliver improved outcomes and where the Fund sees the need for the long-term sustainability of the Fund using the collaborative approach to gain greater influence for positive impact and return.

It should be noted that the investment advisor, Isio, continues to rate the fund managers favourably. However, given the significant underperformance of the Baillie Gifford Global Alpha, Isio hosted a meeting with senior management at Baillie Gifford to discuss strategy during October 2022. Isio remain content that the manager continues to maintain its investment philosophy and will continue to monitor the performance of the fund.

At the Committee meeting on 27 October 2022, the Pension Fund Committee elected to transition the Fund's holdings within the London CIV (Baillie Gifford) Global Alpha Equity mandate into the BG Paris-Aligned version. The Paris Aligned version has a quantitative assessment process to screen out companies with particular levels of exposure to the fossil fuels industry, plus a qualitative one to screen out companies that will not play a role in the future transition to a low carbon environment. This transition took place as scheduled on 5 December 2022.

Man Group Community Housing Site Visit

During March 2022, the Pension Fund officers conducted a site visit of the Man Group Community Housing fund, the majority of which, will be made available for discounted rent or shared ownership. The visit was designed to provide an in-person experience of the types of assets within the portfolio, as well as, getting a better sense of the positive impact the portfolio is already having. The visit including two sites in East Sussex, one within Lewes and another in Saltdean.

The Lewes site consists of an apartment complex with 41 properties, with 39 units to be sold as shared ownership homes and 2 penthouses to be sold on the open market. The development is located on previously developed brownfield land, in a format to support delivery of both homes and jobs. In Lewes, home ownership is not affordable for the median household, as a result this development will have a material impact on the provision of good quality affordable housing in the area.

The Saltdean site is located on the footprint of a former dairy farm, in proximity to the South Downs National Park. The development comprises of 71 new homes; with 42% allocated to key worker rent, 23% to affordable rent, 18% in shared ownership and 17% for market sale. The provision of these properties will help towards the provision of affordable homes within the Brighton area, with median house prices 10 times average earnings. Alongside this, the scheme will promote substantial environmental gains, with the provision of solar panels for every home, air source heat pumps, electric car charging ports and carbon emissions 46% below the government benchmark.

Principle 9: Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

<u>Activity</u>

The committee is committed to being a responsible investor and a long-term steward of the assets in which it invests. The Fund has a fiduciary duty to act in the best interests of its beneficiaries and this extends to making a positive contribution to the long-term sustainability of the global environment.

The Fund has in place an Investment Strategy Statement that contains the Fund's investment beliefs, asset diversification strategy, assessment of investment suitability, investment types, approach to risk, approach to pooling investments, social, environmental, or corporate governance considerations, and retention and realisation of investments. These beliefs form the basis of investment decision making process and allow the committee to deliver a consistent approach to investment and therefore maintain and enhance the value of assets. The ISS is updated and reviewed yearly to ensure that the Fund has the most suitable strategy and practices in place.

The core expectations set for our assets managers, pooling company and pressure groups are to engage with companies on all matters to improve the Fund's overall sustainable long-term objectives without resorting to divestment, unless engagement has failed. The Fund expects managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

The Pension Fund actively contributes to the engagement efforts of pressure groups, such as the LAPFF and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM. This is monitored on a regular basis.

In the foreseeable future, the global economy will transition from its reliance on fossil fuels to the widespread adoption of renewable energy as its main source. The impact of this transition on the sustainability of investment returns will be continually assessed. Subsequently, the Fund is strongly focused on ensuring that investee companies must become more sustainable by reducing carbon emissions and to help assist net zero targets. As stated, the Fund undergoes carbon reporting annually and can monitor the progress each manager has made during the year. These statistics are reviewed and analysed to see what progress can be made within our investments.

As mentioned previously, as part of the investment manager appointment process, the committee assesses the investment managers' abilities to integrate ESG factors into their investment selection processes. In addition, the investment advisor will assess ESG considerations as part of their due diligence process and assess investment managers as follows:

- Active managers, the advisor will assess how ESG issues are integrated into investment selection, divestment, and retention decisions; and
- Passive managers, the investment advisor places less focus on ESG issues in the investment selection process and considers ESG issues in its responsible investment policy and if the manager engages with global companies and stakeholders where appropriate.

The committee is furnished with quarterly performance reports on investments highlighting business activities, manager personnel updates and performances to track and enhance the governance of the Fund. This provides the committee and board with regular feedback on the Fund's assets to make well informed decisive decisions for the future governance of the Fund.

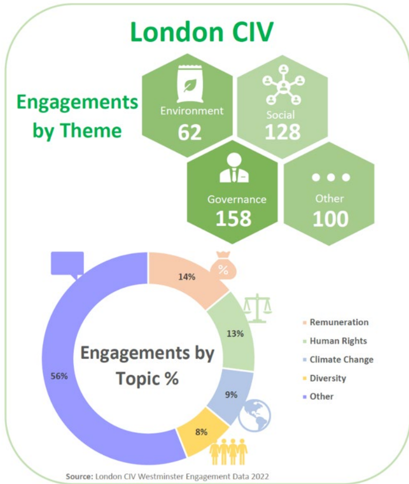
<u>Outcome</u>

All investment management activity is delegated to external investment managers. Engagement activities are a regular feature of the monitoring of the Fund's investment managers by the committee. By carefully targeting and selecting funds in renewable infrastructure, the Fund has been able to reduce its net carbon emissions and to continually work towards a more sustainable Fund with the aim of improving shareholder returns.

For example, as at 30 June 2023, a total of £150m was committed to Quinbrook, with the Fund committing an additional £90m to Quinbrook. During 2021, Quinbrook completed the acquisition of Project Fortress, a consented 350MW solar and battery storage project, which is estimated to require circa £270m of capital to construct. Project Fortress aims to build the UK's largest solar farm and battery storage facility. The site is located in Kent and commenced works during the first half of 2022. Once operational it is forecast that the site could power up to 100,000 UK homes and reduce emissions by 164,450 tonnes per year. The asset manager has also worked alongside Natural England, Kent Wildlife Trust, Royal Society for the Protection of Birds, and the Environment Agency to design an extensive landscape and biodiversity management plan for the site. This includes planting of more than 3.5km of native hedgerows across the site area and seeking to deliver a net gain of 65% in biodiversity.

Another example, the Pension Fund has exposure to EQT Corporation through its London CIV Multi Asset Credit portfolio with PIMCO. EQT are the largest natural gas producer in the United States, with the company working to tracking and reducing its methane emissions. The company has committed to the Oil & Gas Methane Partnership 2.0, with PIMCO believing they are well placed to meet new upcoming regulations issued by the US Environmental Protection Agency. PIMCO has engaged with EQT on methane reduction targets and disclosures, and on adopting an absolute emissions target alongside this. The engagement also included best practices on sustainably linked bonds and targets as a potential key performance indicator for coupon payments. During 2022, EQT became the largest producer of responsibly sourced natural gas, a distinction set by Equitable Origin, the world´s first independent environmental standards system. This effort indicates that EQT is committed to direct measurement and transparency of their methane emissions.

Please see following statistics which depict the engagement activities of the Fund's equity managers; London CIV and LGIM.



Alongside asset manager and pool company engagements, the City of Westminster Pension Fund officers engage with managers and relevant bodies on a number of issues. During 2023, these issues included:

- Exposure of assets within China
- Exposure to tobacco, alcohol and gambling companies
- Exposures to Silicon Valley Bank and Signature Bank
- Investments within water companies
- Carbon exposure levels within the London CIV MAC and Absolute Return Funds
- Engagement on the Fund's exposure to Royal Dutch Shell
- Levels of Nature Positivity & Restoration within the Fund
- Meetings with numerous food manufacturers including Tesco, Nestle, Unilever, Coca-Cola and Britvic to discuss healthy markets and setting targets.

Principle 10: Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Activity

All investment management activity is delegated to external investment managers. Through active ownership, the pension fund engages with the investment community and encourages companies to take positive action towards reversing climate change. The Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from carbon intensive producing companies. This approach includes being members of key pressure groups such as LAPFF, and an active participant in engagement with London CIV, and regular reporting from the investment managers.

The Pension Fund closely monitors voting behaviour to ensure that it in is in line with the Fund's policy and values. The independent advisor offers an update on business, personnel, and performance on a quarterly basis to ensure asset managers are reviewed on a regular basis and to work with investment managers to make improved ESG outcomes and investment returns.

The Fund delegates responsibility to asset managers, LAPFF and the pooling company to engage on our behalf. Please see LAPFF's engagement below as an example. The Fund actively engages across a wide range of companies that are invested in by our investment managers or pool companies. The Fund has a duty to its stakeholders to push for positive improvements within companies that are not performing as desired in key ESG areas, which may impact on long term suitability. If these key issues are not addressed, this could lead to the Fund not fulfilling its fiduciary duty to members, with investment returns forming only one part of that duty.

The Fund reviews the RI policies of LAPFF, LCIV and investment managers that engage on our behalf to ensure they promote the same values that are shared with the Fund. In this case, *LAPFF* and *London CIV* do hold similar values and polices to that of the City of Westminster Pension Fund. Therefore, we expect investment managers to vote in accordance with London CIV and LAPFF policies and for fund managers to comply with the stewardship code and this will also be reviewed on an annual basis. All of the London CIV's equity managers have to publicly disclose their policy via their statements on how they will discharge their stewardship responsibilities.

Furthermore, if there are concerns raised by Committee and Board members on particular engagement issues or concerns, officers will be well placed to express the views of members to the London CIV and LAPFF. Officers are also able to report back on any progress to both Committee and Board.

Outcome

Through active engagement, the Fund has been able to use multiple avenues to communicate with issuers, by being a member of LAPFF and communicating with investment managers and pool companies such as London CIV.

As shown in the Responsible Investment Statement, the Fund has seen encouraging commitments from companies across all the asset classes. The Fund's approach of collaboration and engagement has allowed the Fund to reduce its carbon impact significantly.

The Pension Fund monitors its investment managers engagement activities through regular reports and discussions and welcomes instances where it sees its investment managers working with other investors. Examples include:

- During early September 2022, LAPFF Chairman, Doug McMurdo, spent three weeks in Brazil following the tailing dam collapses in Mariana and Brumadinho. This trip formed part of the LAPFF's work on human rights and mining. During the trip, the Chair met with communities affected by the collapse and met with company executives from Vale, which own the Mariana dam. Air quality, water quality and availability of housing in resettlements remain major concerns for communities and LAPFF will continue to engage on these areas.

- Share Action, a registered charity who promotes responsible investment, has been working on a Healthy Markets coalition group. The Healthy Market Initiative aims to make food retailers and manufactures assume accountability for their role and impact on people's diets. The Westminster Pension Fund is a member of the Healthy Markets coalition and, along with other members, represents over $1 trillion in assets under management. During 2022, ShareAction filed a resolution with Unilever, asking the company to commit to a long-term nutrition strategy and disclosure metrics on their proportion of sales related to healthy products. Following this, Unilever have set a new benchmark within the industry, disclosing the healthiness of sales against the government model and their own internal model. They have also set an ambitious target to double the sale of healthy products by 2030.

Principle 11: Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

Activity

The Pension Fund expects its investment managers to take the appropriate action when operating on its behalf and engage in stewardship activities: this includes actions to escalate their approach when appropriate.

As part of the Responsible Investment policy, the Pension Fund Committee is committed to playing an active role in the transition to a sustainable economic and societal environment. To that extent, the Pension Fund will continue to seek investments that match its pensions liability profile, while having a positive impact on overall society. Greater impact can be achieved through active ownership and lobbying for global companies to change and utilise their resources sustainably.

Therefore, the Fund expects investment managers to be actively engaging with companies to promote better ESG and investment outcomes for the Fund. The Local Pension Board monitors responsible investment by obtaining advice from officers and the independent advisor on assessing how ESG issues are integrated into investment selection, divestment, and retention decisions from active managers. This allows the Committee to escalate any issues with the investment managers if they feel that ESG factors are not being properly implemented into their decision-making process.

If an investment manager fails to consider ESG issues, the Committee is prepared to disinvest assets from that manager.

Outcome

The Pension Fund Committee monitors its investment managers engagement activities through regular reports and discussions and expects its investment managers to take the appropriate action when operating on its behalf engaging in stewardship activities.

The Pension Fund does not divest unless all resolutions have been fully exhausted, as it results in loss of influence over troubled companies and the opportunity for future dialogue. Therefore, escalation remains a key tool in our engagement strategy, where we utilise, when necessary, escalation strategies to trigger corporate reaction. These include voting where we instruct managers to vote against management on key resolutions. As well as, attending AGMs, to trigger more dialogue with boards and executives. Filing shareholder resolutions: supporting requests to improve board accountability and ESG disclosures. And lastly, divestment. However, as it removes some options for future interaction such as the use of the vote.

London CIV engages on the Fund's behalf and is a key asset that the Fund uses to engage and influence to encourage positive outcomes.

The Pension Fund holds Royal Dutch Shell within its Ruffer absolute return portfolio, as managed by the London CIV. As discussed in our Stewardship Report for 2023, Shell is one of the highest emitters in the portfolio and has faced criticisms of its transition plan. Ruffer and the London CIV has engaged with the company on a number of issues. At the 2022 AGM, the London CIV voted against approving Shell's energy transition resolutions, due to lack of disclosures and misalignment with the 1.5c Paris target. The London CIV also publicly supported Client Earth's litigation against Shell's board of directors regarding their climate risk mismanagement. In addition to this, the LCIV published a letter highlighting key concerns including:

- Scope 3 emission targets and their compliance with the order of the Hague District Court;
- Unrealistic emission offset proposals;
- Underinvestment in renewables and overinvestment in fossil fuels;
- Adverse impact on Shell's financial performance; and
- Alignment with Paris targets.

The London CIV will continue to monitor the progress and outcomes of the litigation and continue to engagement with the company.

Principle 12: Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

The Pension Fund's RI policy and Responsible Investment Statement include the approach for exercising the rights attached to investments. The Committee expects any directly appointed asset managers and the pool company (London CIV) to comply with the Stewardship Code (2020) and to publicly disclosed their policy on how they will discharge their stewardship responsibilities. Stewardship is part of the responsibilities of share ownership, and therefore an integral part of the investment strategy.

The committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. Fund managers have the delegated authority to vote at shareholder meetings in accordance with their own guidelines, which have been discussed and agreed with the Pension Fund Committee. The officers keep under close review the various voting reports that it receives from fund managers. The Pension Fund's investment managers (both active and passive) are required to report to the Pension Fund on their engagement with company management and voting, highlighting any instances that they voted against company management or did not follow its policy.

Where investment managers were appointed directly by the Pension Fund to segregated mandates, the Pension Fund expected these managers to vote in line with its own voting policy or explain the rationale for doing otherwise. The Fund expects its managers to use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed, and to report to the Fund on their engagement with company management and their voting record.

The Fund's investments through the London CIV, include investments in equities and fixed income including multi asset credit and absolute return, and are covered by the voting guidelines of the CIV which have been agreed by the Shareholder Committee. The London CIV's investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. The London CIV also monitors the voting alerts of the LAPFF and where these are issued, requires the investment managers to take account of these alerts as far as practical to do so. Where the investment manager does not vote in line with the LAPFF voting alerts, the London CIV will require detailed justification for non-compliance.

As seen in the Responsible Investment Strategy the Fund receives internal and external advice on assessing investment managers. A key assessment of manager impact is whether managers are making most effective use of voting rights and if votes are exercised in a manner consistent with ESG considerations specified by the manager and how significantly the manager value ESG issues. These processes are integrated to reduce conflict in voting decisions and ensure investment managers and the committee share an aligned view.

For fixed income assets, the committee, with the support of their advisors, review the asset managers and conduct due diligence before appointing an investment manager. The committee delegates the stewardship responsibility to the investment managers and expects prudent measures to be taken in relation to terms and conditions within contracts. Furthermore, the committee expect managers to engage with credit issuers to drive improvements in relation to ESG risks. The committee reviews information on engagements from the investment managers on a regular basis and uses this to engage with them on key ESG issues.

In addition, the Fund actively contributes to the engagement efforts of pressure groups, such as the LAPFF and requires investment managers to vote in accordance with the LAPFF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so. By having regular engagement reports and reviews, the Fund can ensure that the investment managers are voting in accordance with Westminster's values and are able to ensure that managers are using votes for a positive impact.

The Fund through its participation in the London CIV works closely with other LGPS Funds in London to enhance the level of engagement, both with external managers and the underlying companies in which they invest. In addition, the Fund is a member of the Pension and Lifetime Savings Association (PLSA) and the LAPFF and, in this way, joins with other investors to magnify its voice and maximise the influence of investors as asset owners, joining wider lobbying activities where appropriate opportunities arise.

<u>Activity</u>

All proxy voting for the financial year is published in the Pension Fund Annual report. During 2022/23 there were 56,236 resolutions with manager voting as follows: For 45,453; Against 10,193 and Others 590.

Our equity manager proxy voting for 2022/23 is shown in the following table.

Asset Manager	Number of resolutions	For	Against	Other
Billie Gifford (LCIV)*	1,127	927	163	37
Baillie Gifford Paris Aligned (LCIV)**	98	80	16	2
Morgan Stanley (LCIV)	604	530	67	7
Legal & General	53,097	42,701	9,860	536
Ruffer (LCIV)	1,310	1,215	87	8
TOTAL	56,236	45,453	10,193	590

* to December 2022
** from December 2022

The pooling company expects asset managers to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. In addition, managers must be able to provide a rationale for all voting activity on a "comply or explain" basis. The investment managers are expected to vote on all proxies considering the impact of ESG factors to ensure shareholder value is maximised. Where applicable LAPFF guidance is used to instruct and inform voting directions. London CIV managers voted on 23,411 proposals during 2022, this represents a 96% voting execution up from 95% during 2021.

<u>Outcome</u>

The Pension Fund has seen progress when working collaboratively with its investment managers into delivering improved ESG outcomes for the WCC Pension fund.

As part of the Future World Fund, LGIM has been engaging with Amazon to discuss the company's approach and policies on various human capital topics. One of the key risks identified is employees' rights to form and join trade unions, with the US National Labour Relations Board declaring Amazon's interference with workers efforts to unionise as inappropriate and not in line with International Labour Organisation (ILO) standards. LGIM signed a letter during January 2022 requesting that Amazon adopt a neutral policy, commit to negotiate with unions and initiate dialogue with trade unions at a national and global level. Amazon countered that it does adhere to ILO standards on freedom of association. LGIM pre-declared their voting intentions prior to the Amazon AGM and supported many of the shareholder proposals at the AGM, including a report on Protecting the Rights of Freedom of Association and Collective Bargaining, which gained support of 38.5%. LGIM will continue to engage with Amazon on these issues and push for further transparency.

During the year, the London CIV's stewardship provider, Hermes EOS, engaged with Thermo Fisher Scientific. The company is held within our Baillie Gifford equity fund and is a supplier of medical equipment, instruments, consumables and software using in clinical laboratories. Thermo Fisher has faced criticism over alleged human rights abuses by selling equipment used for genetic surveillance of a minority group in Xinjiang, China. EOS informed that the company had ceased sales of the medical instrument in that region, however urged the company to establish a policy on human rights and to conduct a human rights impact assessment on the use of genetic sequencing equipment. Though the company did not directly address the specific human rights issues, Thermo did disclose a human rights policy that covered employment, child labour and freedom of association. As well as this, the company produced a statement on modern slavery and human trafficking addressing supply chain due diligence, conflict minerals, and risk assessment and management. EOS have also suggested that the company increase public disclosures on ongoing use of equipment and map out supply chain links to the Xinjiang region. Hermes EOS will continue to engage with the company on enhancing its human rights policy, improving disclosures and appointment of external human rights expertise on the board.

The Fund recognises that more needs to be done to develop its approach to exercising its rights and responsibilities, particularly with regards the reporting of voting and engagement for scrutiny by the Pension Fund Committee and Pension Board and the public disclosure of such information for its members' benefit. It will continue to work with its advisers, fund managers, the London CIV and LAPFF in 2023/24 to refine and improve its approach.

Cllr Robert Eagleton
Chair of the Pension Fund Committee

Phil Triggs
Tri-Borough Director of Treasury and Pensions

19 October 2023

Annual Report of the Pension Board 2023/24

The role of the Local Pension Board is to assist the scheme manager (the administering authority) in securing compliance with:

The scheme regulations

Other governance and administration legislation

Any requirements of the Pensions Regulator (tPR)

Additional matters, if specified by scheme regulations

The Local Pension Board is required to have representatives from the employers and scheme members. They may also have other types of members, such as independent experts, but such members will not have a vote.

The law requires Local Pension Board members to have knowledge and understanding of relevant pension laws, and to have a working knowledge of the LGPS, its governance and documentation. Whereas the role of the Pension Fund Committee usually involves carrying out a decision-making function, members of Local Pension Boards should focus on the processes involved in running the fund.

At a national level, the LGPS Scheme Advisory Board (SAB) consists of representatives from across a broad spectrum of LGPS stakeholders. Its purpose is to encourage best practice, increase transparency and coordinate technical and standards issues by being reactive and proactive. Separate SABs exist for the schemes in England and Wales, Scotland and Northern Ireland.

Scheme Member Representatives

- Christopher Smith, Chair of Local Pension Board (Westminster, UNISON)
- Terry Neville OBE

Employer Representatives

- Councillor Matt Noble, Vice-Chair of the Local Pension Board (Westminster, Labour)
- Councillor Barbara Arzymanow (Westminster, Conservative)
- Marie Holmes (The Grey Coat Hospital)

During the year 2023/24 the Board met four times:

- 6 July 2023
- 21 September 2023
- 30 November 2023
- 13 March 2024

During the year, the Board's work programme covered the following areas:

- The monitoring of quarterly fund investment performance & London CIV
  Over the course of the financial year the Board reviewed the performance of the Pension Fund and its underlying investment managers. The Board raised concerns surrounding the impact of inflation and interest rates on the Fund's liabilities, as well as recent geopolitical events, however, were advised that the Fund is sufficiently diversified to counter shocks in the investment backdrop. The Pension Board were pleased with the Fund's renewable energy infrastructure investments and the benefits to the Fund, noting how important good quality assets are and the positive impact on the Fund's cashflows. The Board were informed that the funding level of the Pension Fund remained healthy at well over 100%.

- Reports detailing the Fund's financial management and scrutiny of the fund risk register
  During the year, the Pension Board undertook detailed discussions with officers regarding the Pension Fund's risk registers and those highlighted as the top risks to the Fund. The Board discussed the significant price inflation being more than anticipated in the actuarial assumptions, the continuation of economic instability following the Russian invasion of Ukraine, the situation with Israel and Gaza and the implications of the proposed new TCFD regulations for Local Government Pension Schemes (LGPS). The Board noted that investments were well diversified across many countries and markets and asked that more information be provided in future reports. The Board also reflected on the valuable expert advice received from the

Fund's investment consultant, Isio (formerly Deloitte).

- Pensions administration key performance indicators (KPIs)
  The Board was pleased to note that that the Hampshire pensions administration partnership reports showed a 100% KPI completion record. It was queried how confident officers were that the reporting is correct, however the Board were assured that officers maintain constant communication with Hampshire and that the data being input is accurate, leading to good quality data output. The Board heard that the backlog project continued to make good progress and noted how the common and scheme specific data had improved. In addition, the Board noted that there had been an increase in members signing up to the Members Portal, which included take-up across all areas of the membership. The Board discussed how they could encourage further take-up and whether the website was user friendly enough and how improvements could be made.

- Pension Projects
  Over the year, the Board were updated on a number of projects being undertaken, including the Fund website review, McCloud, the Pensions Dashboard and the Guaranteed Minimum Pension (GMP) project. The Pension Board were updated on the pension website review and discussed how the outcomes could be used to design the website with user requirements in mind. The Board considered how young people could be made aware of the benefits of joining the LGPS scheme. As well as this, the Board discussed the GMP project in-depth including the rectification result, the calculation and the financial impacts on the Fund and scheme members. The Board noted that scheme members were in no way at fault and the potential reputational risks in relation to widespread negative media coverage.

- Responsible Investment Statement 2023
  During the year, the Board reviewed the Responsible Investment Statement for 2023. The purpose of this statement is to make clear the Funds approach to responsible investment and demonstrate the direction in which the Pension Fund is moving in terms of decarbonisation and other ESG related issues. The Board commented that the report was extremely informative and easy to comprehend.

- LGPS Consultation
  The Board considered the response to the Department for Levelling Up, Housing and Communities (DLUHC) consultation on proposals relating to the investments of the LGPS. The Board considered it was a robust response and discussed how members should be sufficiently trained before being allowed to sit on the Pension Board and Pension Fund Committee.

- Review of the Pensions Administration Strategy (PAS)
  The Board discussed the proposals to update the Westminster Pension Fund Pension Administration Strategy (PAS) with effect from April 2024. The PAS sets out the roles and responsibilities of both the Administering Authority and the Fund employers. The Board noted the scope of using PAS changes as an added incentive for employers to continue to build on data improvements.

The Board underwent the following training in the year, attending two half-day bespoke training events that took place in March 2023 and September 2023, covering the following topics:

- Private markets
- Climate Change and reporting
- Macroeconomic outlook and conditions facing the Pension Fund
- Engagement versus divestment
- Pooling consultation update
- Understanding Artificial Intelligence (AI)

Christopher Smith

Chair of Westminster Local Pension Board

28 June 2024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