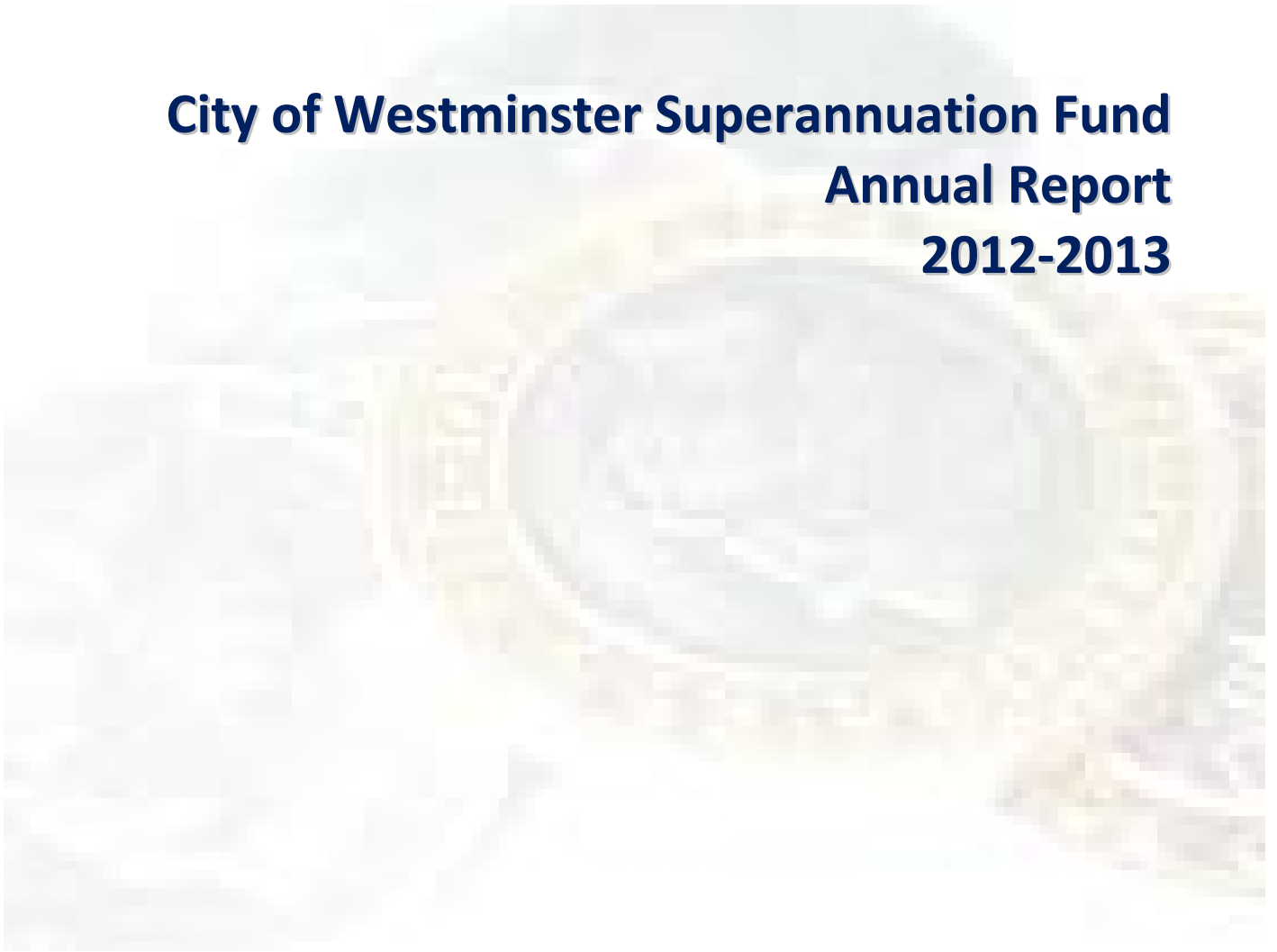




City of Westminster

City of Westminster Superannuation Fund Annual Report 2012-2013



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Introduction

The Superannuation Fund is part of the national Local Government Pension Scheme (LGPS) and is administered by Westminster Council. It is a contributory defined benefit pension scheme established by the Superannuation Act 1972, which provides for the payment of benefits to employees and former employees of the City of Westminster Council and the admitted and scheduled bodies in the Fund.

The Fund is funded by contributions from employees, the Council, the admitted and scheduled bodies and returns from the Fund's investments. The contributions are set by the Fund's actuary at the actuarial valuation which is carried out every three years.

The benefits payable from the Fund are set out in the Local Government Pension Scheme regulations and in summary are:

- A guaranteed pension based on final salary and length of service;
- Option to take up to 25% of pension as a tax-free lump sum at retirement;
- Death and survivor benefits;
- Early payment of pensions in the event of ill health;
- Pension increases in line with Consumer Price Inflation (CPI).

A new LGPS scheme will be introduced with effect from 1st April 2014. This will continue to be a defined benefit scheme, but instead of final salary, it will be a Career Average Revalued Earnings (CARE) scheme, so that a scheme member's pension will be based on their earnings throughout their career, rather than solely on their final salary. Consultation is on-going on the detailed regulations required to implement the scheme, as well as a consideration of future governance arrangements for the LGPS as a whole.

This annual report starts with the Management and Performance section which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.

The Investment section follows and details the Fund's investment strategy, arrangements and performance. This is followed by Scheme Administration which sets out how the administration of the scheme's benefits and membership is undertaken. Section 4 outlines the funding position of the Fund with a statement from the Fund's actuary and section 5 provides a summary of the Fund's annual accounts.

The report concludes with a list of contacts in section 6 and a glossary of some of the more technical terms in section 7.

1. Management and Performance

Governance Arrangements

Westminster Council has delegated decision making powers in respect of pension matters to the Superannuation Committee (the Committee). The Committee is made up of six elected representatives of the Council – five from the administration and one opposition party representative. Members of the admitted bodies, representatives of the Trade Unions and one co-opted member may attend the committee meetings but have no voting rights.

The Committee meets at least four times a year and has the following terms of reference:

1. To agree the investment strategy having regard to the advice from the Fund Managers and the independent adviser.
2. To monitor performance of the Fund and of the individual Fund Managers.
3. To determine the Fund management arrangements, including the appointment and termination of the appointment of the Fund Managers, Custodians and Fund Advisers.
4. To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
5. To approve and publish the pension fund annual report.
6. To prepare and publish a pension administration strategy.
7. To make an admission agreement with any admission body.
8. To ensure compliance with all relevant statutes, regulations and best practice within both the public and private sectors.
9. To determine questions and disputes pursuant to the Internal Disputes Resolution Procedures.
10. 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 obtains and considers advice from the Director of Corporate Finance & Investments, the Section 151 Officer and as necessary from the Fund's appointed actuary, advisors and investment managers.

The current membership of the Superannuation Committee is as follows:

Councillor Suhail Rahuja (Chairman)
Councillor Edward Baxter
Councillor Antonia Cox
Councillor Patricia McAllister
Councillor Dr. Cyril Nemeth
Councillor Ian Rowley

Governance Compliance Statement

The Local Government Pension Scheme (Administration) Regulations 2008 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure its governance arrangements 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 published statement can be found in the Pension Fund section of the following website: <http://www.westminster.gov.uk/pensionfund>

Scheme Management and Advisers

The City of Westminster, the London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea councils have combined certain parts of their operational areas to provide a more efficient service and greater resilience. One of the areas that have joined together is the treasury and pension teams of the three boroughs.

The combined team was formed in February 2012 and is responsible for the management of the pension fund investments and the treasury operations across the three boroughs. The team is based at Westminster's offices.

The three pension funds continue to be managed separately in accordance with each Council's strategy and so each continues to have sovereignty over decision making. However, officers

are continually seeking to improve efficiency and resilience and to minimise the cost of running the Pension Funds, in line with the tri-borough working aims.

Officers

Tri-Borough Pensions Team	Jonathan Hunt Alex Robertson Nicola Webb
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Contact details are provided in section 6 of this document.

External Parties (as at 31 March 2013)

Investment Adviser	Deloitte
Investment Managers	Majedie Asset Management State Street Global Advisors (UK) State Street Global Advisors (International) Insight Investment Management Legal and General Hermes
Custodian & Bankers	Bank of New York Mellon
Actuary	Barnett Waddingham
Auditor	KPMG
Legal Adviser	Eversheds
Scheme Administrators	LPFA
AVC Providers	Aegon Equitable Life Assurance Society

Financial Summary and performance

The investment return in 2012/13 was positive both in absolute terms and relative to the Fund's benchmark. The return was 15.2%, which was 1.7% above the benchmark set for the Fund. During the year, the contract with Newton Investment Management was terminated and the funds invested in a passive world equity pooled fund with Legal General Investment Management. The Schroders property holdings with West End of London Property Unit Trust and Legal and General Investment Management were sold during the year. The Investment Policy and Performance report in section 2 provides more detail on the Fund's investments and

performance. The Fund has since made an investment in the Standard Life Long Lease Property Fund.

The table below shows how the value of the Fund's investments have increased over time by showing the total value at 31st March every year for the last ten years:

The table below summarises the investment performance of the total Fund and individual managers for the one and three year periods to 31 March 2013 (gross and net of fees).

	Last Year (%)				Last 3 Years (% p.a.) ¹				Since inception (% p.a.) ¹			
	Fund		B'mark	Net	Fund		B'mark	Net	Fund		B'mark	Net
	Gross	Net ¹		Relative	Gross	Net ¹		Relative	Gross	Net ¹		Relative
Majedie ²	20.9	20.5	16.8	3.7	12.0	11.6	8.8	2.8	10.3	9.9	5.9	4.0
SSgA UK	16.8	16.8	16.8	0.0	8.9	8.8	8.8	0.0	5.9	5.8	5.7	0.1
SSgA International	15.5	15.5	15.5	0.0	n/a	n/a	n/a	n/a	7.8	7.8	7.9	-0.1
LGIM – Passive ³	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13.6	13.4	13.6	-0.2
Insight – Non Gilt	12.6	12.4	11.3	1.1	8.7	8.4	7.8	0.6	6.3	6.0	5.8	0.2
Insight - Passive	3.6	3.5	3.6	-0.1	6.0	5.9	6.0	-0.1	7.0	6.9	7.2	-0.3
Hermes ⁴	3.8	3.4	0.3	3.1	n/a	n/a	n/a	n/a	3.9	3.5	4.4	-0.9
Total Fund	15.2	14.9	13.5	1.4	10.5	10.2	10.5	-0.3	5.5	5.2	5.6	-0.4

Source: Majedie, SSgA, LGIM, Insight, Hermes and BNY Mellon.

The Fund Account and Net Assets Statement set out in section 5 provide more detail about the financial transactions during the year and the value of assets at the end.

Risk Management

The legal responsibility for the prudent and effective stewardship of the City of Westminster Superannuation Fund, administration of benefits and strategic management of fund assets rests with the Superannuation Committee, established by the Council. This Committee has full delegated authority to make investment decisions, terms of which are set out in its constitution and terms of reference. It receives advice from the Director of Corporate Finance & Investment and as necessary from the Fund's appointed actuary, investment managers, custodian and investment advisor(s).

¹ Estimated by Deloitte

² Majedie's fee is a combination of a base fee and performance fee

³ Since inception performance is measured from 1 November 2012

⁴ Since inception performance of Hermes property fund is measured from the inception date of 26 October 2010

Reporting to the Director of Corporate Finance and investment is the Investment Advisor who carries out the following:

- independent evaluation and analysis of fund performance;
- reviewing benchmarks and asset allocation; financial markets review; and,
- Reviewing changes in the Investment Manager's business.

Reports are sent from the fund manager to the Investment Advisor for independent evaluation. These evaluations are presented to the Director of Corporate Finance and Investment, and Superannuation Committee, for review.

Investments are monitored to ensure they are in accordance with the current requirements of the LGPS Regulations, which specify certain limitations on investments. Principally, these place a limit of 10% of the total value of the fund in any single holding, or deposits with a single bank or institution, or investments in unlisted securities, and not more than 35% of a portfolio can be invested in collective investment schemes managed by a single manager. And no more than 5% of the portfolio can be self-invested, that is, invested in connection with the employers business.

The performance of Investment Managers is monitored quarterly by the Superannuation Committee. The performance target for each Investment Manager varies depending upon the investment assets and the nature of the mandate, but at a minimum is set to achieve a return equal to the specific benchmark(s), incorporated into the relevant Investment Management Agreements over a rolling 3 year period. Managers are monitored to ensure they adhere to the risk mitigation constraints set in relation to their benchmark. The Council adopts the Investment Managers' policies for Socially Responsible Investment.

All of the Fund's assets are managed by external investment managers and they are required to provide an audited internal controls report regularly to the Fund. A range of investment managers are used to diversify manager risk. All the Fund's assets are held for safekeeping by the custodian, who is independent of all the investment managers. They are also required to provide an audited internal controls report to the Fund on a regular basis.

The Funding Strategy Statement 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.

2. Investment Policy and Performance

One of the Fund's key objectives is to manage employers' liabilities effectively and one of the key risks for the Fund is that the assets will fall short of the liabilities. As a result the investment policy is set and performance measured by reference to a benchmark. The Superannuation Committee keeps under review the suitability of the Fund's benchmarks and its investment asset allocation strategy.

Investment Benchmark and Objective

The Fund's benchmarks at 31st March 2013 were:

Asset Class	Benchmark
UK Equity	FTSE All-Share Index
Overseas Equity	FTSE World ex-UK (50% currency hedged)
Global Equity	FTSE AW-World Index ⁵
Fixed Interest Gilts	FTSE A Gilts up to 15 Years Index
Sterling Non- Gilts	iBoxx Sterling Non-Gilt 1-15 Years Index
Formerly Schoders Property	IPD All Balanced Index
Hermes Property	IPD UK PPFi Balanced PUT Index

The Fund's Policy on risk dictates that the Fund Managers are required to implement risk management measures and to operate in such a way that the possibility of undershooting the performance target is kept within acceptable limits. Each fund manager is set certain risk boundaries depending upon their strategy, asset class and the markets they operate in having due regard to the overall fund risk. Fund Managers are required to report quarterly and to seek approval for any positions that go beyond the agreed risks parameters set for their strategies.

Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require Pension Funds to prepare, maintain and publish a statement setting out the investment policy of the Fund. In addition Pension Funds are required to demonstrate compliance with the "Myners Principles".

The "Myners Principles" are a set of recommendations relating to the investment of pension funds which were originally prepared by Lord Myners in 2001 at the request of the Chancellor

⁵ 100% currency exposure hedged back to sterling, with the exception of advanced emerging markets

of the Exchequer and which were subsequently endorsed by Government. The current version of the principles covers the following areas:

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

The Fund's published statement can be found in the Pension Fund section of the following website: <http://www.westminster.gov.uk/pensionfund>

Investment Strategy

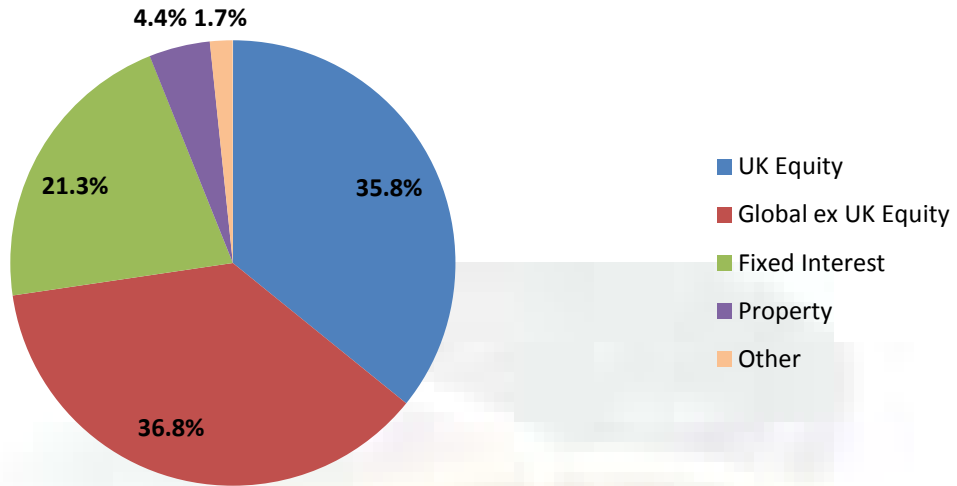
The investment objective is to ensure that the Fund's investments maximise the likelihood that benefits will be paid to members as they fall due and to ensure the continued long-term financial support from the sponsoring employer.

The Fund's strategic allocation during the year to 31 March 2013 comprised approximately 20% in assets more closely reflecting the nature of the liabilities and 80% in return seeking assets, split between UK and International equities and property.

The investment strategy of the Fund is to invest across three main asset classes – equities, fixed income and property. The investment strategy is designed to provide diversification and specialisation to reduce exposure to market risk and achieve optimum return against an appropriate benchmark.

The table and graph below shows how the Fund was split between the three main asset classes at 31/03/13. The split at 31/03/12 is shown in the table for comparison.

Portfolio	% Benchmark at 31/03/2013	Market Value at 31/03/2013 (£m)	% of Fund at 31/03/2013	Market Value at 31/03/2012 (£m)	% of Fund at 31/03/2012
UK Equity	30.0	313	35.8	272	38.6
Global ex UK Equity	35.0	321	36.8	248	35.2
Fixed Interest	20.0	186	21.3	149	21.1
Property	15.0	39	4.4	35	5.0
Other (cash and cash equivalent)		14	1.7	1	0.2
TOTAL	100.0	873	100.0	705	100.0



The main change to the split of the portfolios in the year 2012/13 is an increase in the proportion in equity and property as a proportion of the total assets of the Fund. This reflects both the relative performance of these assets and a change in the allocation made to them. Both Hermes and Insight had an increase in their allocations near the beginning of the year. The “Other” category is made up mainly of cash and cash equivalents.

Investment Managers

The Fund has appointed external investment managers within the four main asset classes. Each fund manager is set certain risk boundaries depending upon their strategy, asset class and the markets they operate in having due regard to the overall fund risk. The table below shows how the Fund’s assets were allocated between the investment managers at 31/03/13, and at 31/03/12 for comparison.

City of Westminster Superannuation Fund Annual Report 2012/13

Asset class	Investment Manager	Market Value at 31/03/2013 (£m)	% of Fund at 31/03/2013	Market Value at 31/03/2012 (£m)	% of Fund at 31/03/2012
UK Equity	Majedie Asset Management	197	22.6	162	23.0
	State Street Global Advisors UK	115	13.2	109	15.5
Global Equity	Legal & General Investment Management	159	18.2		
Global (ex UK) Equity	State Street Global advisors Int'l	163	18.7	100	14.2
	Newton			149	21.1
Fixed Income - Gilts	Insight Investment Management	48	5.5	36	5.1
Fixed Income – non-Gilts	Insight Investment Management	138	15.8	113	16.0
Property	Hermes	39	4.4	28	4.0
	Schroders (WELPUT & L&G MF Property)			7	1.0
Other	In-house cash	14	1.6	1	0.1
	TOTAL	873	100.0	705	100.0

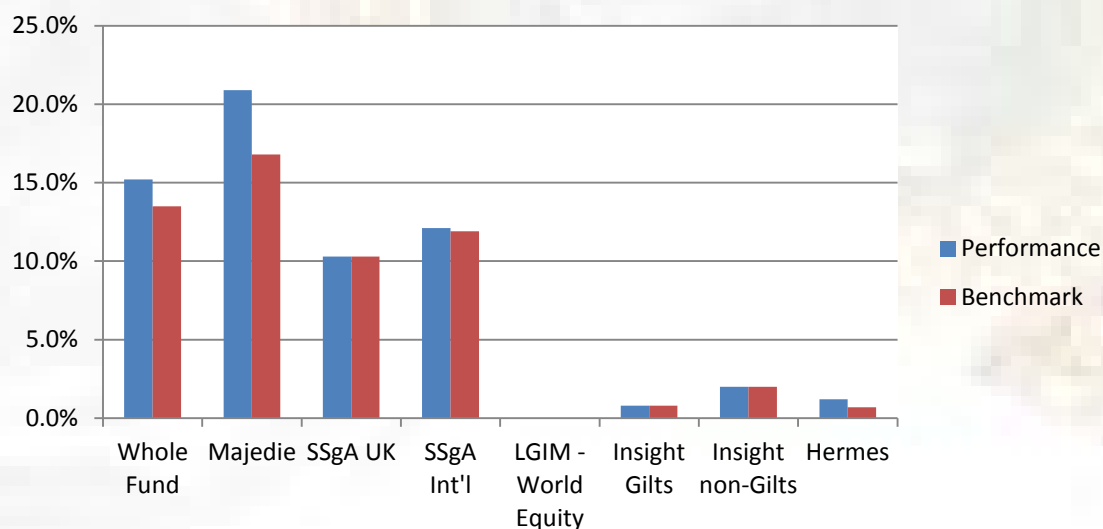
Investment Performance

The table below shows the performance of the Fund against the target in 2012/13, the previous financial year, and the annualised performance over three and since inception.

	2012/13	2011/12	3 years	Since Inception
Performance (gross of fees)	15.2%	2.9%	10.5%	5.5%
Benchmark	13.5%	2.7%	10.5%	5.6%
Out / (under) performance against target	1.7%	0.2%	0.0%	-0.1%

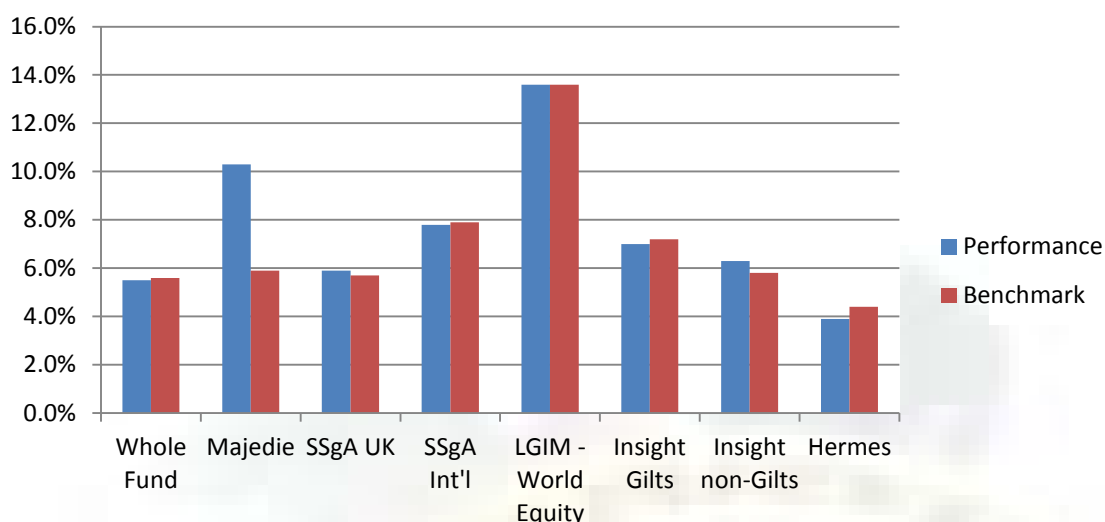
Each of the investment managers has a benchmark set within their Investment Management Agreements with the Fund. Fund Managers are required to report quarterly and to seek approval for any positions that go beyond the agreed risks parameters set for their strategies. The graphs below show the performance of the investment managers against their targets over 2012/13 and annualised over three years.

2012/13 performance against benchmarks⁶



⁶ Legal & General World Equity has not been part of the fund for a full year

Since inception annualised performance against benchmarks



The graphs show that all the investment managers performed at or around their benchmark in 2012/13. The significant outperformance and Fund weighting towards Majedie in particular contributed to the outperformance against benchmark for the Fund as a whole over the year. The Superannuation Committee keeps under review the Fund’s benchmarks and its investment asset allocation strategy.

Responsible Investment

The Fund recognises that the neglect of corporate governance and corporate social responsibility may lead to poor or reduced shareholder returns. Following consideration of how to address the issue, in the light of the resources available to the Fund, it has been decided to delegate responsibility for the consideration of responsible investment matters to the Fund’s investment managers. The Committee believes this is the most efficient approach for a Fund of this size.

Custody and Banking

The Fund has appointed a global custodian, independent to the investment managers, to be responsible for the safekeeping of all of the Fund’s investments – this is Bank of New York Mellon. They are also 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 or invested in either the Federated Prime Rate AAA-rated or the Bank of New York Mellon AAA-rated money market funds.

3. Scheme Administration

The Local Government Pension Scheme (“LGPS”) is a statutory pension scheme whose regulations are made by the government in accordance with the Superannuation Act 1972. It is a defined benefit pension scheme and the benefits are currently based on final salary and length of scheme membership.

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. London Pension Fund Authority has been contracted to perform the pension administration service for Westminster City Council.

Key Service Standards

The London Pension Fund Authority work to an agreed set of targets based on the number of working days from the date all of the required information is available to them. The following table sets out their performance during 2012/13.

Work area	Target Days	Total Number	Within Target	% Within Target	Average Days
Starters	10	703	702	99.86	22.0
Transfer Value In (Quote)	10	170	170	100.00	182.12
Transfer Value In (Actual)	10	69	69	100.00	79.84
Transfer Value Out (Quote)	15	172	172	100.00	45.98
Transfer Value Out (Actual)	12	60	60	100.00	45.92
Refund	10	18	18	100.00	105.57
Preserved Benefit	15	580	579	99.83	77.64
Estimate (Benefit)	10	467	466	99.79	7.96
Retirement	5	291	291	100.00	80.61
Death in Service	5	12	12	100.00	187.5
Death on Pension	5	181	181	100.00	127.11
Quote AVCs	5	n/a	n/a	n/a	n/a
Quote ARCs	10	34	34	100	75.06

Membership of the Fund

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 the right to be a member of the Local Government Pension Scheme

under the regulations e.g. academies. Admitted bodies participate in the scheme via an admission agreement, which is a legal document made between the Council and the organisation. Examples of admitted bodies are not for profit organisations with a link to the Council and contractors who have taken on the Council's services and therefore staff have been transferred.

The number of employers has been growing over the last five years. This is in part due to an increase in academies and free schools and partly due to outsourcing of Council services.

A full list of the Fund's employers is set out at the end of this section below.

The table below shows the Fund's membership over the last five years⁷. It demonstrates how the number of active contributing members in the Pension Fund has been falling over the last five years and the number of pensioners and deferred members has been rising. This pattern is common across local government pension schemes and demonstrates the maturity of those schemes.

	31 March 2011	31 March 2012	31 March 2013
Contributors	3,903	3,527	3,391
Deferred	5,699	5,935	6,173
Pensioners & Dependents	4,989	5,177	5,230
Total Membership	14,591	14,639	14,794

Employer List

Scheduled Bodies	Admitted Bodies
WESTMINSTER CITY COUNCIL	TENANT SERVICES AUTHORITY
WESTMINSTER EMPLOYERS:	AGE CONCERN
ST MARYLEBONE SCHOOL	INDEPENDENT HOUSING OMBUDSMAN
ST AUGUSTINE'S SCHOOL	HOUSING 21
COLLEGE PARK SCHOOL	CITY WEST HOMES
GREYCOAT SCHOOL	HOUSING AND COMMUNITIES AGENCY
HALLFIELDS SCHOOL	RAMESYS
QUINTON KYNASTON	ALLIED HEALTHCARE
WESTMINSTER CITY SCHOOL	
SOHO PARISH SCHOOL	
GEORGE ELLIOT SCHOOL	
BURDETT COUTTS C OF E SCHOOL	
PADDINGTON GREEN JMI SCHOOL	
PORTMAN EARLY CHILDHOOD CENTRE	
QUEENS PARK PRIMARY	

⁷ The above figures exclude undecided joiners and those with frozen pensions.

Scheduled Bodies	Admitted Bodies
ROBINSFIELD INFANTS SCHOOL ST BARNABAS C OF E SCHOOL ST GABRIEL'S C OF E SCHOOL ST MARY BRYANTSTON SCHOOL ST MARY MAGDALENE C OF E SCHOOL ST MATTHEW'S C OF E SCHOOL EDWARD WILSON JMI SCHOOL ESSENDINE PRIMARY SCHOOL ST PETER'S C OF E SCHOOL WILBERFORCE SCHOOL ST JAMES' & ST MICHAEL'S SCHOOL CHURCHILL GARDENS SCHOOL ST CLEMENT DANES SCHOOL ST LUKE'S SCHOOL ALL SOULS SCHOOL ST PETERS EATON SQUARE SCHOOL OTHER SCHEDULED BODIES WESTMINSTER ACADEMY PADDINGTON ACADEMY KING SOLOMON ACADEMY PIMLICO ACADEMY ARK ATWOOD PRIMARY ACADEMY QUINTON KYNASTON ACADEMY ST MARYLEBONE SCHOOL ACADEMY GREYCOAT HOSPITAL ACADEMY MILLBANK PRIMARY ACADEMY ST GEORGES MAIDA VALE ACADEMY WESTMINSTER CITY ACADEMY	

Communication policy statement

The Local Government Pension Scheme (Administration) Regulations 2008 require Pension Funds to prepare, publish and maintain a communication policy statement. This statement sets out the methods used by the Fund to communicate with the various stakeholders, including scheme members, employers and their representatives.

The Fund's Communication policy statement can be found on the following website:

<http://www.westminster.gov.uk/pensionfund> or
<http://www.yourpension.org.uk/Westminster/Home.aspx>

Sources of information

Further information about the benefits payable from the Pension Fund can be found on the national Local Government Pension Scheme website www.lgps.org.uk. For further information

about the administration of the scheme in Westminster, visit the administrator's website <http://www.lpfa.org.uk/>.

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, 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.

Stage 2 involves a referral to the administering authority, Westminster City Council to take an independent view. The final Stage 3 is a referral of the complaint to the Pension Ombudsman.

Both TPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road
London
SW1V 1RB

Additional Voluntary Contributions

The Fund's AVC providers are AEGON (Scottish Equitable) and Equitable Life Assurance Society. 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. In accordance with Regulation 4(2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the assets of these investments are not included in the Pension Fund Accounts, but are recorded in a disclosure note.

4. Actuarial Information

Summary of the last triennial valuation

The Fund is required to arrange an actuarial valuation of the Fund's assets and liabilities once every three years. This enables the employer contribution rates to be set for the coming three years. The last triennial valuation of the Fund was undertaken as at 31st March 2010. The next one will be calculated as at 31st March 2013 and the results will be available later in the 2013 calendar year.

The results of the valuation in 2010 are shown in the table below:

Value of Assets	£670m
Funding Level	74%
Future Service Contribution Rate	12.4%
Past Service Recovery Contribution Rate	8.0%
Total Employer Contribution Rate	20.4%

These results show that the Fund had assets sufficient to meet 74% of the liabilities at the time of the last valuation. The actuary set an employer contribution rate of 12.4% of payroll to meet the cost of service built up in the Fund in future. An additional contribution of 8.0% of payroll was set to recover the deficit over a 30 year period. Individual employers pay adjusted rates to reflect the circumstances of their own membership.

Funding Strategy Statement

The Local Government Pension Scheme (Administration) Regulations 2008 require Pension Funds to prepare a funding strategy statement which sets out how the Fund will manage its liabilities and return to full funding. The strategy is considered by the Fund Actuary when undertaking the triennial valuation and setting the employer contribution rates. The statement is reviewed every three years in conjunction with the actuarial valuation.

The Fund's published statement can be found at the following website address:

<http://www.westminster.gov.uk/pensionfund> or
<http://www.yourpension.org.uk/Westminster/Home.aspx>

Key data relating to the Fund's valuation.

The table below sets out some key data as proposed by the Pensions Institute to be included in each LGPS Fund's Annual report.

Metric	Values	Note
Size of Fund	£670.4m £874.2m	As of 31 March 2010 As of 31 March 2013
Size of deficit	£238.1m	As of 31 March 2010, for the previous triennial valuation
Funding Position Percentage	74%	As of 31 March 2010, for the previous triennial valuation
Recovery Period	30 Years	As of 31 March 2010, for the previous triennial valuation
Nominal Discount rate	7.5% (based on Gilts + 3% valuation at the time)	As of 31 March 2010, for the previous triennial valuation
Investment Performance Target	Gilts + 3%	As of 31 March 2010, for the previous triennial valuation
Inflation		
Earnings inflation	5.3%	As of 31 March 2010, for the previous triennial valuation
RPI	3.8%	
CPI	3.3%	
Mortality	65 year old male – expected to live to 87.1yrs 65-year old female expected to live to 89.3yrs	As of 31 March 2010, for the previous triennial valuation, assuming normal health
Employers Contribution	Future service rate: 12.4% Deficit recovery rate: 8%	As of 31 March 2010, for the previous triennial valuation

5. Pension Fund Accounts

This section sets out the full audited financial statements of the City of Westminster Superannuation Fund for the year ended 31st March 2013. The full financial statements for the Council, including the Superannuation fund, are available at <http://www.westminster.gov.uk>

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 this Council, that officer is the Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets, and
- Approve the Statement of Accounts.

Responsibilities of the Section 151 Officer

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Section 151 Officer

I certify that the Accounts present a true and fair view of the financial position of the City of Westminster and the City of Westminster Superannuation Fund as at 31 March 2013 and income and expenditure for the year for the financial year 2012/13.

Anna D'Alessandro, Section 151 Officer, Acting CFO

CITY OF WESTMINSTER PENSION FUND

FUND ACCOUNT

	Notes	2011/12 £000	2012/13 £000
Dealings with members, employers and others directly involved in the fund			
<u>Contributions</u>			
From Employers	6	90,391	24,576
From Members	6	7,643	7,068
Transfers in from other pension funds		2,536	3,991
Other income			0
		100,570	35,635
<u>Benefits</u>			
Pensions	7	-32,749	-36,941
Commutation and lump sum retirement benefits	7	-9,848	-6,146
Payments to and on account of leavers			
Individual Transfers Out to other Pension Funds		-6,691	-4,250
Other Expenditure	7	-600	-941
Administration expenses	8	-757	-694
		-50,645	-48,972
Net additions/(withdrawals) from dealings with members		49,925	-13,337
Returns on investments			
Investment income	9	18,639	17,779
Other income		32	8
Taxes on income	9	-875	-745
Profit and loss on disposal of investments and changes in the market value of investments			
Realised		7,290	28,844
Unrealised		-5,069	69,487
	12	2,221	98,331
Investment in management expenses	10	-2,983	-2,013
Net return on investments		17,034	113,360
Net increase/(decrease) in the net assets available for benefits during the year		66,959	100,023
Opening Net Assets of the Scheme		707,194	774,153
Closing Net Assets of the Scheme		774,153	874,176

NET ASSETS STATEMENT FOR THE YEAR ENDED 31 MARCH 2013 *

	Notes	2011/12 £000	2012/13 £000
Investment assets			
Fixed Interest Securities	13	128,353	160,912
Equities	13	278,241	172,424
Pooled investment vehicles	13	267,068	506,299
Derivative contracts	13	42	130
Cash	13	24,962	29,648
Other investment balances:			
income due	12	3,805	3,411
cash deposits	12	1,370	-161
Derivative contracts:			
Forwards	13	756	159
		704,597	872,822
Investment liabilities			
Derivative contracts:	13		
- Futures	13	-61	-45
Net value of investment assets		704,536	872,777
Borrowings		0	0
Current assets			
Contributions due - employers	20	1,795	1,441
Contributions due - employees	20	563	604
Sundry debtors	20	68,976	304
Current liabilities			
Sundry creditors	21	-1,673	-630
Cash balances		-44	-320
Net assets of the fund available to fund benefits at the period end		774,153	874,176

* 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 at Note 19

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 City of Westminster. 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 City of Westminster 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 are based on an employee's final salary and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

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.

The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the following secondary legislation: the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended), the LGPS (Administration) Regulations 2008 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2009 (as amended). The regulations are updated on a regular basis by central government.

b) Superannuation Committee

The Council has delegated the investment arrangements of the scheme to the Superannuation 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 six elected representatives of the Council, including one opposition party representative, each of whom have voting rights.

The Committee reports to the full Council and has full delegated authority to make investment decisions. The Committee considers views from the Director of Corporate Finance & Investment, and obtains, as necessary, advice from the Fund's appointed investment advisors, managers and actuary.

c) Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) (Amended) Regulations 1999 require administering authorities to prepare and review from time to time a written statement recording the investment policy of the Pension Fund. The purpose of this document is to satisfy the requirements of the regulations, to explain how the Fund is managed and the factors taken into account in doing so.

The latest Statement of Investment Principles (SIP) was approved in 2012 by the Superannuation Committee and outlines the broad investment principles governing the investment policy of the City of Westminster Pension Fund and demonstrates compliance with the "10 Investment Principles" identified in the Myners Review of Institutional Investment in the UK as subsequently revised in 2008 by the Department for Communities and Local Government.

The SIP is available from the Council's website at www.westminster.gov/serviceanddemocracy/councils/counciltaxandfinance/pensions or the Pension Fund's website at <http://www.yourpension.org.uk/Agencies/westminster/>.

The Fund's investment objective is to ensure that its assets are invested in a way that maximises the likelihood that benefits will be paid to members as they fall due and to ensure the continued long-term financial support from the sponsoring employers.

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

d) 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 Fund include scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund and 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 st March 2012	31 st March 2013
Active members	3,527	3,391
Pensioners receiving benefits	5,177	5,230
Deferred Pensioners	5,935	6,173
Total	14,639	14,794

Details of the scheduled and admitted bodies in the scheme are shown in Note 6 (Contributions Receivable) and Note 7 (Benefits Payable).

e) Tri-Borough Working

The City of Westminster, London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea councils have combined certain parts of their operational areas to provide a more efficient service and greater resilience. One of the areas that have joined together has been the Treasury and Pension teams of the three boroughs.

The combined team was formed in February 2012 and is responsible for the management of the pension fund investments and the treasury operations across the three boroughs. The team is based at the City of Westminster's offices.

The pension fund and treasury operations will continue to be managed separately in accordance with Government Regulations and the strategies agreed by the home boroughs who will continue to have sovereignty over decision making.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarise the Fund's transactions for 2012/13 and its position at year end as at 31st March 2013. They have been prepared in accordance with International Accounting Standard 26 (IAS26): Accounting and Reporting by Retirement Benefit Plans and the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Code is issued by the Chartered Institute of Public Finance and Accounting and is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts have been prepared on an accrual basis in accordance with the Code, apart from transfer values which have been accounted for on a cash basis in accordance with the Code.

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. IAS 26 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 an accompanying report to the accounts which is discussed in Note 19.

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.

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 Local Government Pension Scheme 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 recognised on the following basis:

- Dividends from quoted securities are accounted for when the security is declared ex-div.
- Interest income is accrued on a daily basis.
- Investment income is reported net of attributable-tax credits but gross of withholding taxes which are accrued in line with the associated investment income.
- Irrecoverable withholding taxes are reported separately as a tax charge.
- Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within "Profit and Losses on Disposal of Investments and Change in Market Value".

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 the Income and Corporation Taxes Act 1988 and is therefore not liable to certain UK income tax on investment income or to capital gains tax. 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) Administrative Expenses

Expenses are accounted for on an accruals basis to ensure expenses for the full accounting period are accounted for in the fund account. All staff costs of the pension administration team are charged direct to the Fund.

g) Investment Management Expenses

The fees of the Fund's external investment managers reflect their differing mandates. Management fees are usually linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the investment changes. An element of this fee may be performance related. Fees are also payable to the Fund's custodian and other advisors.

Investment management expenses are accounted for on an accruals basis to ensure expenses for the full accounting period are shown.

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. Quoted Investments have been valued by the Fund's Custodian using internationally recognised pricing sources (bid price at market value). Unquoted investments are included at fair value based on valuation advice from the investment manager.

Fixed interest securities are stated at a price that excludes accrued income. Accrued income is accounted for within investment income.

Pooled Investment Vehicles are stated at bid price or at the Net Asset Value quoted by their respective managers.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Acquisition costs of investments are treated as part of the investment cost.

i) Foreign Currency Transactions

Investments held in foreign currencies as at the 31 March 2013 reporting date are shown at their sterling market value calculated using the prevailing applicable spot exchange rate.

j) Derivatives

Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market prices. For Exchange Traded Derivative Contracts which are Assets, market value is based on quoted bid prices. For Exchange Traded Derivative Contracts which are Liabilities market value is based on quoted offer prices.

Open futures contracts are included in the net asset statement at their fair market value, which is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Amounts due to the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker.

The amounts included in the profit and loss on disposal of investments and the change in market value are the realised gains or losses on closed futures contracts and unrealised gains or losses on open futures contracts.

Over-the-Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the reporting date.

All gains and losses arising on derivative contracts are reported within "Profits and losses on disposal of investment and changes in value of investment" within the Fund Account Statement.

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

Paragraph 6.5.2.8 of the CIPFA Code of Practice on Local Authority Accounting sets out that the actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS19 Post Employment Benefits and relevant actuarial standards. As permitted under IAS26 Accounting and Reporting by Retirement Benefit Plans, the financial statements include a report from the Actuary by way of disclosing the actuarial present value of retirement benefits.

n) Additional Voluntary Contributions

Additional Voluntary Contributions for the defined benefit scheme are not included within the accounts in accordance with the relevant regulations and are paid over to be invested separately from the pension fund in the form of individual insurance policies with Aegon and Equitable Life. More information is given in Note 22.

o) Recharges from the General Fund

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 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 management and administration of the fund is set out separately.

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING PRACTICES

The Accounts contains certain estimated figures that are based on assumptions made by the Council and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are on the basis of best judgement at the time derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions.

a) Pension Fund Liability

The Pension Fund liability is calculated triennially by the appointed actuary as permitted under IAS 26. The most recent triennial valuation was as at 31st March 2010 so the next one is due as at 31st March 2013. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations. These assumptions are summarised in Note 18 (Funding Arrangements) that should be read along with the Statement of the Actuary for 2013 and the main report that can be found on the Council's website.

b) Unquoted Private Equity Investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards.

NOTE 5 – EVENTS AFTER THE BALANCE SHEET

As at 31st July 2013 the Fund's investments have changed in value to £913M compared to the value placed on the net assets statement as at the reporting date of 31 March 2013. This mainly reflects a combination of general asset market movements and the actual inflow of funds.

From July 2013 all qualifying employees of Westminster City Council who are not members will be automatically enrolled into the fund to comply with new regulations. The requirements for the admitted and other scheduled bodies will depend upon their status and individual circumstances. All automatically enrolled employees will be able to opt-out subsequently should they so choose.

NOTE 6 – CONTRIBUTIONS RECEIVABLE

City of Westminster Superannuation Fund Annual Report 2012/13

	2011/12 £'000				2012/13 £'000			
	Employees Normal	Employers Normal	Deficit	Early Retirement	Employees Normal	Employers Normal	Deficit	Early Retirement
Administering body								
WESTMINSTER CITY COUNCIL	5,249	12,544	-	1,208	4,865	12,678	-	433
ST MARYLEBONE SCHOOL	16	37	-	-	-	-	66	-
ST AUGUSTINE'S SCHOOL	28	73	-	-	29	81	-	-
COLLEGE PARK SCHOOL	14	35	-	-	16	44	-	-
GREYCOAT SCHOOL	74	111	-	-	10	27	-	-
HALLFIELDS SCHOOL	33	91	-	-	33	95	-	-
QUINTON KYNASTON	41	102	-	-	-	-	111	-
WESTMINSTER CITY SCHOOL	35	90	-	-	8	23	-	-
SOHO PARISH SCHOOL	7	21	-	-	4	13	-	-
GEORGE ELLIOT SCHOOL	12	33	-	-	13	37	-	-
BURDETT COUTTS C OF E SCHOOL	16	45	-	-	16	49	-	-
PADDINGTON GREEN JMI SCHOOL	13	36	-	-	13	38	-	-
PORTMAN EARLY CHILDHOOD CENTRE	20	52	-	-	19	53	-	-
QUEENS PARK PRIMARY	18	50	-	-	16	48	-	-
ROBINSFIELD INFANTS SCHOOL	11	31	-	-	10	30	-	-
ST BARNABAS C OF E SCHOOL	7	18	-	-	7	21	-	-
ST GABRIEL'S C OF E SCHOOL	10	27	-	-	8	22	-	-
ST MARY BRYANTSTON SCHOOL	12	32	-	-	12	35	-	-
ST MARY MAGDALENE C OF E SCHOOL	5	14	-	-	8	24	-	-
ST MATTHEW'S C OF E SCHOOL	12	32	-	-	10	30	-	-
EDWARD WILSON JMI SCHOOL	15	41	-	-	13	38	-	-
ESSENDINE PRIMARY SCHOOL	21	58	-	-	22	67	-	-
ST PETER'S C OF E SCHOOL	13	36	-	-	12	35	-	-
WILBERFORCE SCHOOL	9	26	-	-	18	53	-	-
ST JAMES' & ST MICHAEL'S SCHOOL	2	5	-	-	11	39	-	-
CHURCHILL GARDENS SCHOOL	15	42	-	-	19	57	-	-
ST CLEMENT DANES SCHOOL	7	17	-	-	11	32	-	-
ST LUKE'S SCHOOL	1	4	-	-	7	26	-	-
ALL SOULS SCHOOL	-	-	-	-	9	17	-	-
ST PETERS EATON SQUARE SCHOOL	-	-	-	-	7	19	-	-
Subtotal of Westminster Employers	5,716	13,703	0	1,208	5,226	13,731	177	433
Scheduled bodies								
WESTMINSTER ACADEMY	51	77	-	29	36	58	-	34
PADDINGTON ACADEMY	73	103	-	-	91	109	-	-
KING SOLOMON ACADEMY	25	26	-	-	28	30	-	-
PIMLICO ACADEMY	98	139	-	-	98	139	-	-
ARK ATWOOD PRIMARY ACADEMY	4	4	-	-	8	10	-	-
QUINTON KYNASTON ACADEMY	21	32	-	-	68	122	-	-
ST MARYLEBONE SCHOOL ACADEMY	25	42	-	-	44	78	-	-
GREYCOAT HOSPITAL ACADEMY	-	-	-	-	30	68	45	-
MILLBANK PRIMARY ACADEMY	-	-	-	-	11	26	15	-
ST GEORGES MAIDA VALE ACADEMY	-	-	-	-	2	6	7	-
WESTMINSTER CITY ACADEMY	-	-	-	-	26	48	35	-
Subtotal of Scheduled bodies	297	423	0	29	442	694	102	34
Admitted bodies								
TENANT SERVICES AUTHORITY	566	799	2,949	671	441	651	-	206
AGE CONCERN	1	5	20	-	-	2	320	-
INDEPENDENT HOUSING OMBUDSMAN	93	323	90	-	123	355	110	86
HOUSING 21	32	64	181	437	8	85	191	-
CITY WEST HOMES	492	768	343	52	504	788	361	52
HOUSING AND COMMUNITIES AGENCY	435	607	66,881	800	310	426	5,651	65
RAMESYS	11	38	-	-	12	55	-	-
ALLIED HEALTHCARE	-	-	-	-	2	5	-	-
Subtotal of Admitted bodies	1,630	2,604	70,464	1,960	1,400	2,363	6,633	409
TOTAL CONTRIBUTIONS	7,643	16,730	70,464	3,197	7,068	16,788	6,912	876
TOTAL BY GROUP	7,643	90,391			7,068	24,576		

The increased employer contributions in 2011-12 was due to a payment of £65M from the Housing and Communities Agency. This was in respect of deficits in the Fund following a decision to close down the Tenant Services Authority and transfer some of its operations to the Housing and Communities Agency.

NOTE 7 – BENEFITS PAYABLE



City of Westminster Superannuation Fund Annual Report 2012/13

		2011/12 £'000		2012/13 £'000
<i>By category</i>				
Pensions	-	32,749	-	36,941
Commutation and lump sum retirement benefits	-	9,848	-	6,146
Lump sum death benefits	-	580	-	941
Provison for bad debt	-	20	-	-
		43,197		44,028

The fund paid benefits to members of the following employers. This summary excludes lump sum retirement benefits and death benefits as this information is not held at employer level.

		£'000		£'000
Westminster City Council	-	28,341	-	32,154
Scheduled bodies	-	29	-	40
Admitted bodies	-	4,379	-	4,747
		32,749		36,941

The fund paid benefits to members of the following employers. This summary excludes lump sum retirement benefits and death benefits as this information is not held at employer level.

		£'000		£'000
Westminster City Council	-	28,341	-	32,154
<u>Scheduled bodies</u>				
Westminster Academy	-	27	-	36
Paddington Academy	-	2	-	4
<u>Admitted bodies</u>				
Tenant Services Authority	-	375	-	445
Age Concern	-	17	-	18
Independent Housing Ombudsman	-	54	-	58
Housing 21	-	311	-	348
City West Homes	-	308	-	329
Housing And Communities Agency	-	381	-	470
Elonex Ltd	-	15	-	16
Capital Careers Ltd	-	78	-	62
Association of Local Government	-	73	-	82
Housing Corporation	-	2,705	-	2,855
Institute Of Public Finance	-	26	-	27
Queens Park FSU	-	36	-	37
		32,749		36,941

Note: The admitted and scheduled bodies listed here differs slightly to that given in Note 6 (contributions receivable) due to the membership profile of the employer. Some employers no longer have any active members in the scheme, only pensioners.

NOTE 8 – ADMINISTRATIVE EXPENSES

	2011/12 £'000		2012/13 £'000	
Provision of Pension Administration	-	246	-	248
Support services including IT	-	308	-	364
External audit fees	-	35	-	21
Actuarial fees	-	96	-	5
Other Fees	-	<u>72</u>	-	<u>56</u>
	-	<u>757</u>	-	<u>694</u>

	2011/12 £'000		2012/13 £'000	
Provision of Pension Administration	-	246	-	248
Support services including IT	-	308	-	364
External audit fees	-	35	-	18
Actuarial fees	-	96	-	5
Other Fees	-	<u>72</u>	-	<u>59</u>
	-	<u>757</u>	-	<u>694</u>

NOTE 9 - INVESTMENT INCOME

	2011/12 £'000		2012/13 £'000	
Fixed interest securities	6,256		7,076	
Equity dividends	10,928		8,894	
Pooled investments - unit trust and other managed funds	1,294		1,642	
Interest and cash deposits	161		167	
Total before taxes	<u>18,639</u>		<u>17,779</u>	
Taxes on income	-	875	-	745
	<u>17,764</u>		<u>17,034</u>	

NOTE 10 – INVESTMENT EXPENSES

		2011/12		2012/13
		£'000		£'000
Management fees	-	1,824	-	1,828
Management fees related to performance	-	984	-	40
Custody fees	-	99	-	85
Investment consultancy	-	76	-	60
		<hr/>		<hr/>
		- 2,983		- 2,013

NOTE 11 – INVESTMENT STRATEGY

The investment portfolio is managed by six external managers who are Hermes Investment Managers (Property), Insight Investment Managers (fixed income bonds), Majedie Investment Managers (UK equity), Legal and General Investment Management (LGIM) (passive global equity), State Street Global Advisers UK (passive UK equities) and State Street Global Advisers International (passive global equities). All managers have discretion to buy and sell investments within the constraints set by the Council's Superannuation Committee and their Investment Management Agreements.

The market value and proportion of investments managed by each fund manager at 31 March 2013 was as follows:

City of Westminster Superannuation Fund Annual Report 2012/13

Fund Manager	Mandate	31 March 2012		31 March 2013	
		Market Value (£M)	%	Market Value (£M)	%
Majedie	UK Equity (Active)	162.92	23.16%	196.93	22.94%
State Street Global Advisors (UK)	UK Equity (Passive)	108.75	15.46%	115.73	13.48%
UK Equity	Sub-Total	271.67	38.62%	312.66	36.43%
LGIM	World Equity (Passive)	-	-	158.79	18.50%
Newton	Global Equity (Active)	148.69	21.13%	-	-
State Street Global Advisors (Int'l)	Global Equity (Passive)	99.61	14.16%	162.69	18.96%
Global Equity	Sub-Total	248.3	35.29%	321.48	37.46%
Insight	Fixed Interest Gilts	36.01	5.12%	47.57	5.54%
Insight	Sterling non-Gilts	112.71	16.02%	138	16.08%
Bonds	Sub-Total	148.72	21.14%	185.57	21.62%
Hermes	Property	27.81	3.95%	38.57	4.49%
Schroders	Property	7.05	1.00%	-	-
Property	Sub-Total	34.86	4.95%	38.57	4.49%
Total		703.55	100.00%	858.28	100.00%
Other (cash deposits)		0.98		14.49	
Total		704.53		872.77	

*Schroders relates to holdings in Legal & General MF Property Unit Trust and West End of London Property Unit Trust

The Superannuation Committee has appointed Bank of New York Mellon as is global custodian. The bank account for the Fund is held with Lloyds Bank.

The current investment strategy is looking to diversify further the current asset mix with an increased weighting towards indirect property and active global equity.

NOTE 12 – RECONCILIATION IN MOVEMENT IN INVESTMENTS

City of Westminster Superannuation Fund Annual Report 2012/13

Period 2012/13	Market value 1st April 2012 £'000	Purchases during the year and	Sales during the year and	Change in market value during the	Market value 31st March 2013 £'000
Fixed interest securities	128,353	134,116	- 110,097	8,540	160,912
Equities	278,241	117,812	- 251,611	27,982	172,424
Pooled investments	267,067	358,290	- 176,953	57,895	506,299
Derivatives	- 20	1,436	- 1,464	133	85
Cash Instruments	24,962	282,486	- 277,806	6	29,648
Subtotal	<u>698,604</u>	<u>894,140</u>	<u>- 817,931</u>	<u>94,555</u>	<u>869,368</u>
Derivative Forward Foreign Exchange	756	4,138	- 5,987	1,252	159
Cash deposits	1,371	-	- 1,643	111	- 161
Outstanding dividends & recoverable withholding tax	3,805	-	- 392	- 2	3,411
Net investment assets	<u>704,536</u>	<u>898,278</u>	<u>- 825,953</u>	<u>95,916</u>	<u>872,777</u>

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £801K in 2012/13 (2011/12: £660K).

Period 2011/12	Market value 1st April 2011 £'000	Purchases during the year and	Sales during the year and	Change in market value during the	Market value 31st March 2012 £'000
Fixed interest securities	117,901	164,062	- 157,983	4,373	128,353
Equities	289,827	120,143	- 125,997	- 5,732	278,241
Pooled investments	267,932	12,828	- 15,760	2,068	267,068
Derivatives	278	1,901	- 2,684	486	- 19
Cash Instruments	28,723	145,964	- 149,727	2	24,962
Subtotal	<u>704,661</u>	<u>444,898</u>	<u>- 452,151</u>	<u>1,197</u>	<u>698,605</u>
Derivative Forward Foreign Exchange	- 1,459	9,757	- 8,442	900	756
Cash deposits	649	574	-	147	1,370
Outstanding dividends & recoverable withholding tax	3,490	338	-	- 23	3,805
Net investment assets	<u>707,341</u>	<u>455,567</u>	<u>- 460,593</u>	<u>2,221</u>	<u>704,536</u>

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £660K in 2011/12 (2010/11: £718K).

NOTE 13 - CLASSIFICATION OF FINANCIAL INSTRUMENTS (EXCLUDING DERIVATIVE CONTRACTS)



City of Westminster Superannuation Fund Annual Report 2012/13

	31st March 2012 £'000	31st March 2013 £'000
Fixed interest securities		
UK Public sector quoted	40,821	49,821
UK Corporate quoted	72,814	102,359
Overseas Corporate quoted	14,718	8,733
	128,353	160,912
Equities		
UK Quoted	142,020	144,551
Overseas Quoted	136,221	27,872
	278,241	172,424
Pooled funds - investment vehicles		
UK Managed Funds Other	124,860	131,900
UK Unit Trusts Property	33,359	35,787
Overseas Managed	108,849	338,612
	267,068	506,299
Cash Instruments		
UK	24,899	29,588
Overseas	63	60
	24,962	29,648
Total	698,624	869,283

The largest 10 holdings of the Fund as at 31st March 2013 were:

Holding	Market Value £'000	% Holding
MPF International Equity (50PC Hedged) Index Sub-Fund	162,689	18.64%
Word Equity Index - GBP Hedged	158,790	18.19%
MPF UK Equity	115,720	13.26%
Hermes Property Unit Trust	35,787	4.10%
Majedie Asset Management Special Sits INV B Acc NAV	16,180	1.85%
BP PLC Ord USD0.25	11,850	1.36%
Vodafone Group Ord USD0.11428571	8,186	0.94%
Glaxo Smithkline Ord GBP0.25	7,216	0.83%
HSBC HLDNGS ORD USD0.50 (UK)	7,044	0.81%
BARCLAYS ORD GBP0.25	6,931	0.79%
Total	530,393	60.77
Total Value of Investments	872,777	

Excluding the fund's segregated mandates that are given in Note 1 Description of the Fund, no other single investment exceeds either 5% of the net assets available for benefits or 5% of any class or type of security except for some pooled investment vehicles as detailed above. These pooled investment vehicles are made up of underlying assets which will each represent substantially less than 5%.

Analysis of derivatives

A derivative is a financial contract whose value is dependent upon the price behaviour of an underlying contract or financial variable. Derivative receipts and payments represent the realised gains and losses on futures contracts.

The exposure to equities and fixed interest include futures on an economic exposure basis. Other than the pooled investment vehicles and over-the-counter derivatives (foreign exchange contracts), all the investments described below are quoted on a recognised stock exchange. The Fund has not sanctioned any kind of speculative use of derivatives. The Superannuation Committee has only authorised the use of derivatives for efficient portfolio management purposes and to reduce certain investment risks in particular, foreign exchange risk. All uses of derivatives are outsourced to the Fund's professional asset managers that must adhere to the detailed requirements set out in their investment management agreements.

	31st March 2012 £'000s	31st March 2013 £'000s
Futures contracts	<u>- 20</u>	<u>85</u>

Outstanding exchange traded future contracts are as follows:

Exchange traded future contracts	Expiration	Market value £'000s	Market value £'000s
Assets			
UK LONG GILT FUTURE (LIF)	less than 1 year	10	78
EURO-BOBL FUTURE (EUX)	less than 1 year	1	-
EURO-BUND FUTURE (EUX)	less than 1 year	-	52
US ULTRA BOND (CBT)	less than 1 year	12	-
US 10 YR TREAS NTS FUTURE (CBT)	less than 1 year	18	-
US 2YR TREAS NTS FUT (CBT)	less than 1 year	1	-
		<u>42</u>	<u>130</u>

		31st March 2012 £'000s	31st March 2013 £'000s
Liabilities			
EURO-BOBL 30 YR BOND FUT (EUX)	less than 1 year	- 61	- 20
EURO-SCHATZ FUTURE (EUX)	less than 1 year	-	1
EURO-BUND FUTURE (EUX)	less than 1 year	- 1	-
US 2YR TREAS NTS FUT (CBT)	less than 1 year	-	0
US 10 YR TREAS NTS FUTURE (CBT)	less than 1 year	-	25
		<u>- 62</u>	<u>- 45</u>
Net futures		<u><u>- 20</u></u>	<u><u>85</u></u>

Forward foreign exchange contracts - Over-the-Counter Contracts:

	31st March 2012 £'000s	31st March 2013 £'000s
Insight Investment Management	63	159
Newton Investment Management	693	-
	<u><u>756</u></u>	<u><u>159</u></u>

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS AND LIABILITIES

	31st March 2012		31st March 2013	
	Market Value £'000	Book Costs £'000	Market Value £'000	Book Costs £'000
Investment assets	698,604	651,033	869,368	751,733
Cash deposits	2,127	2,127	-	2
Income due	3,805	3,805	3,411	3,411
	<hr/>		<hr/>	
Total Value of Investments	704,536	656,965	872,777	755,142

NOTE 15 – CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31 March 2013, the Fund has no contingent liabilities or contractual commitments.

NOTE 16 – STOCK LENDING

Stock lending is subject to specific approval. No direct stock lending or underwriting took place during the financial year.

NOTE 17 – NATURE OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The aim of the Fund is to provide a pool of assets sufficient to meet the long-term pension and other benefit liabilities (as prescribed by the Local Government Pension Scheme Regulations) for the members of the Fund. Therefore, 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. Investment returns are defined as the overall rates of return (capital growth and income).

Responsibility for the Fund's risk-management strategy rests with the Superannuation Committee. (Risk management policies are established that aim to identify and analyse the investment risks faced by the Fund).

Policies are regularly reviewed in the light of changing market and other conditions. The Superannuation Committee receives advice from relevant officers, the Fund's appointed actuary, investment managers, custodian and its appointed investment advisor.

Per IFRS 7 Financial Instruments, the financial instruments within the Fund which are carried at fair value are all categorized as Level 1 – quoted prices on active markets.

a) Market Risk

The main priority of the Council and the Superannuation Committee when considering the investment policy is to maximise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled. To support this, investments are spread across a number of asset types, including equities, bonds, property and cash. Spreading the investments in this way reduces the risk of a sharp fall in one particular market having a substantial impact on the whole fund.

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 investments.

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 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 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.

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 Superannuation Committee recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits.

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 pounds sterling. The Fund aims to mitigate this risk through the use of derivatives (see Analysis of Derivates).

The Superannuation 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.

b) Credit Risk

Credit risk is the possibility that other parties might fail to pay amounts due to the Fund, either in whole, in part or on a timely basis. 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 quality fund managers, counterparties, brokers and financial institutions helps to reduce credit risk.

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 Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its cash flow needs. Cash flows are monitored and managed with assistance from a central treasury team, under policies approved by the Council.

NOTE 18 – FUNDING ARRANGEMENTS

The Local Government Pension Scheme Regulations 1997 as subsequently amended by Regulation 36 of The Local Government Pension Scheme (Administration) Regulations 2008 requires the Administering Authority to carry out a formal valuation of the Fund every three years. The main purpose of the valuation is to review the financial position of the Fund and to recommend the contribution rates payable to the Fund in the future. The Fund has chosen to disclose under Option C of the regulations which means that the report is in a separate document.

The latest triennial valuation was signed by the then Actuary, Aon Hewitt, on 31st March 2011. It provided a position of the pension Fund as of 31st March 2010, together with the view of the then Actuary of the deficit based on certain assumptions. This showed there was a shortfall of £238.1M at 31st March 2010 relative to the funding target (i.e. the level of assets agreed by the Authority and the then Actuary as being consistent with the Funding Strategy Statement appropriate to meet member benefits, assuming the Fund continues as a going concern). This corresponds to a funding ratio of 74% (2007: 79%).

The aggregate employer contribution rate required to restore the funding ratio to 100%, using a recovery period of 30 years from 1 April 2011 is calculated to be 20.4% of Pensionable Pay (2007:17.6%) assuming membership numbers remain broadly stable and Pensionable Pay increases in line with the then actuary's assumptions. The common future service contribution rate for the Fund was set out at 12.4% of Pensionable Pay (2007: no change).

The triennial valuation also sets out the individual contribution rate to be paid by each Employer from 1st April 2011 to 31st March 2014.

The rates from this report for the reporting year 2014 are set out below.

<u>Scheduled Bodies</u>	% of pay	Additional Monetary Amount £000
Westminster City Council	17.0	
Paddington Academy	10.8	
Westminster Academy	10.3	
King Solomon Academy	6.9	
Pimlico Academy	9.3	
<u>Admitted Bodies</u>		
Age Concern**	**	**
City West Homes	10.8	380
Independent Housing Ombudsman	22.5	116
Tenants Services Authority*	10.6	2,949
Housing 21 (original contract)	24.4	201
Housing 21 (Day Care Service)	22.4	
Homes and Communities Agency*	10.0	2,702
Ramesys	23.4	

*Tenants Services Authority was absorbed into the Housing and Communities Agency at the beginning of the financial year. It is estimated that the combined contribution rate as that date would have been 10.3%.

**Age Concern went into insolvency in October 2011.

These represent the minimum contributions payable by each Employer. Employers may choose to pay additional contributions from time to time subject to the Administering Authority's agreement.

Change in contribution rates 2012-13

The employers' contribution rate was increased from 17.8% at the end of 2011/12 to 18.3% for the entirety of 2012/13. The rate will be further increased in 13/14 to 18.8%. These changes reflect the need to redress the general deficit on the fund and to reflect the transfer of unfunded pensioners into the scheme from October 2011.

Full details of the 2010 actuarial valuation report and the funding strategy statement can be found on the Council's website.

Following is a statement prepared by the Actuary to the Fund Barnett Waddingham

Statement of the Actuary for the year ended 31st March 2013

Introduction

The last full triennial valuation of the City of Westminster Pension Fund was carried by Aon Hewitt as at 31 March 2010 in accordance with the Funding Strategy Statement of the Fund. The results were published in their valuation report dated March 2011.

2010 Valuation Results

The results of the valuation were as follows:

- The City of Westminster Pension Fund had a funding level of 74%, i.e. the assets amounted to 74% of the liability promises made as at that valuation date. This corresponded to a deficit of £238.1m at that time.

- The total employer contribution rate was set at 20.4% of payroll assuming the funding level was to be restored over a 30 year period.
- The common contribution rate was set at 12.4% of payroll and individual employers paid additional contributions reflecting their own experience in the Fund.
- The funding level of the Fund had decreased since the 2007 triennial valuation level of 79%.

Valuation method

- The contribution rates were calculated using the Projected Unit Method for employers remaining open to new entrants, whereas employers who did not allow new entrants to join were valued using the Attained Age Method.

Contribution Rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet

- The additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due
- Plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

Key Financial Assumptions

The liabilities were valued using a discount rate based on gilt yields and increases to benefits as determined by market levels at the valuation date as follows;

Discount Rate (Scheduled Bodies)	
Pre retirement	7.50% per annum
Post retirement	7.50% per annum
Discount Rate (Admitted Bodies)	
In Service	6.25% per annum
Left Service	4.75% per annum
Rate of increases in pay	5.3% per annum
Rate of Increases to pensions in payment	3.3% per annum

Asset valuation

Assets were valued at their market value at the date of valuation.

Post Valuation Events – Changes in market conditions

Since March 2010, investment returns have been better than expected. This will have a positive effect on the financial position of the Fund but we would expect the funding level to be considerably lower than at 31 March 2010, when measured on consistent assumptions due a reduction in gilt yields.

We will be reviewing the methods and assumptions to be used at the 2013 valuation including the determination of discount rates as well as the allowance for future mortality improvements. There may also be other changes to the assumptions and methodology reflecting more recent experience and data that has become available.

The contribution rates resulting from the 2013 valuation will take effect from 1 April 2014 and will allow for the expected changes to the benefits that will come into force from that date.

Graeme D Muir FFA

Partner

Barnett Waddingham

28 November 2013

NOTE 19 – ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The Authority has chosen to disclose the actuarial present value of promised retirement benefits through an accompanying report only at formal triennial valuations, the most recent being as at 31st March 2010, as permitted under IAS26 option C. The actuarial present value is calculated on assumptions set in accordance with IAS19. CIPFA have indicated that comparator figures are also required from the previous valuation date, 31st March 2007.

IAS19 requires that the assets be valued at Fair Value. For the purposes of the exercise, asset values were taken directly from the Fund's audited annual accounts as at 31st March 2010 and 31st March 2007. Service related benefits were valued based on service completed to the date of calculations only.

The key assumptions adopted for the 2010 valuation in accordance with IAS19 were as follows:

	31 Mar 10 (% p.a.)	31 Mar 07 (% p.a.)
<u>Financial Assumptions</u>		
Discount rate	5.5	5.3
RPI Inflation	3.9	3.2
CPI Inflation	3.0	n/a
Rate of increase to pensions in payment*	3.9	3.2
Rate of increase to deferred pensions	3.9	3.2
Rate of general increase in salaries **	5.4	4.7
<u>Mortality Assumptions</u>		
Longevity at 65 for current pensioners (aged 65):		
Male	22.1	21.2
Female	24.3	23.3
Longevity at 65 for future pensioners (aged 45):		
Male	24.0	23.1
Female	26.3	24.5

* In excess of Guaranteed Minimum Pension increases in payment where appropriate

** In addition, the same age related promotional salary scales have been allowed as used at the actuarial valuation of the Fund as at 31 March 2010.

For the 2010 valuation, each member was assumed to elect to exchange 25% and 75% of the maximum amount permitted of their past and future pension service rights respectively for a lump-sum. For the 2007 valuation, each member was assumed to exchange 20% and 75% of their pre 1 April 2008 and post 31 March 2008 pension entitlements respectively.

NOTE 20 – CURRENT ASSETS

	31st March 2012	31st March 2013
	£'000	£'000
Debtors		
Contributions due - employers	1,795	1,441
Contributions due - employees	563	604
Sundry debtors	<u>68,976</u>	<u>304</u>
	<u>71,334</u>	<u>2,349</u>
Analysis of debtors		
	31st March 2012	31st March 2013
	£'000	£'000
Central government bodies	35	-
Other entities and individuals	<u>71,299</u>	<u>2,349</u>
	<u>71,334</u>	<u>2,349</u>

The £68M sundry debt in 2011-12 was due to a one off payment of £65M from the Housing and Communities Agency for the closure of the Tenant Services Authority scheme and to reimburse for the cost of leavers. There was also £3M of cash in transit for assets sold on 31st March 2012.

NOTE 21– CURRENT LIABILITIES

	31st March 2012		31st March 2013
	£'000		£'000
Sundry creditors	-	1,266	-
Benefits payable	-	407	-
	-	1,673	-
Analysis of creditors			630
	31st March 2012		31st March 2013
	£'000		£'000
Central government bodies	-	12	-
Other entities and individuals	-	1,661	-
	-	1,673	-
			630

NOTE 22 – ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional Voluntary Contributions are not included in the Pension Fund in accordance with Regulation 4 (2) (C) of the LGPS (Management and Investment of Funds) Regulations 2009 (SI 2009 no. 3093).

The scheme provides for members to pay Additional Voluntary Contributions (AVCs) to increase their benefit entitlement at retirement subject to HMRC limits. Such contributions attract tax relief and provide increased benefits. AVCs for the defined benefit scheme are not included within the accounts and are paid over to be invested separate from the pension fund in the form of individual insurance policies with Aegon and Equitable Life. Members participating in this arrangement receive an annual statement confirming the amounts held in their accounts and the movements in year. At 31st March 2013 the value of these AVCs was £1.5M (2011/12 £1.4M). Additional voluntary contributions of £0.1M were paid directly to Aegon during the year (2011/12: £0.08M).

	Markey Value	Market Value
	31st March 2012	31st March 2013
	£'000	£'000
AEGON	936	1,091
EQUITABLE LIFE	470	464
	1,406	1,555

More information can be obtained from the AVC providers by writing to the following addresses:

Equitable Life Assurance Society, PO Box 177, Walton Street, Aylesbury, Bucks HP21 7HY.

Aegon, Edinburgh Park, Edinburgh EH12 9SE.

NOTE 23 – RELATED PARTY TRANSACTIONS

The City of Westminster Pension Fund is administered by Westminster City Council. The Council incurred costs of £0.36M in the period 2012/13 (2011/12 £0.3M) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Fund uses the same Payroll and Banking and Control Service provider as WCC and no charge is made in respect of this.

In year the Council contributed £13.1M in employer contributions and £0.43M in respect of early retirement capital costs (2011/12 £13.7M and £1.2M).

The Council has significant interest in one admitted body (City West Homes) who are within the Fund and it received £1.2M in employer contributions, deficit and early retirement costs from this body

NOTE 24 – CONTINGENT ASSETS

When Age Concern Westminster went into insolvency it was in deficit. Activities are under way to recover some of the funds and it is hoped that, at some point in the future, there may be recovery of some of this deficit.

Independent auditor's report to the members of City of Westminster Council

We have audited the financial statements of the local government pension fund administered by City of Westminster Council for the year ended 31 March 2013 on pages 22 to 47. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Acting Chief Finance & Section 151 Officer and auditor

The Acting Chief Finance & Section 151 Officer is responsible for the preparation of the pension fund financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and for being satisfied that they give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the scheme year. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Acting Chief Finance & Section 151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Pension Fund Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March

2013, other than liabilities to pay pensions and other benefits after the end of the scheme year;
and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

The Code of Audit Practice for Local Government Bodies 2010 requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.

Michael McDonagh

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

30 September 2013

6. Contacts

Tri Borough Director for Treasury and Pensions

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Email: pensionfund@westminster.gov.uk

Principal Pensions Manager

Westminster City Council
City Hall
64 Victoria Street
London
SW1E 6QE
Email: pensionfund@westminster.gov.uk

London Pension Fund Authority (LPFA)

Westminster Team
Dexter House
2 Royal Mint Court
London
EC3N 4LP
Telephone: 020 7369 6066
www.lpfa.org.uk

National Local Government Pension Scheme information website

www.lgps.org.uk

The Pensions Advisory Service (TPAS)

11 Belgrave Road
London SW1V 1RB
Telephone: 0845 601 2923
Email: www.pensionsadvisoryservice.org.uk/online-enquiry

The Office of the Pensions Ombudsman

11 Belgrave Road
London, SW1V 1RB
Telephone: 020 7630 2200
Email: enquiries@pensions-ombudsman.org.uk

7. Glossary

Active member: Current employee who is contributing to a pension scheme.

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.

Deferred members: Scheme members, who have left employment or ceased to be an active member 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.

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.

Fixed Interest Securities: 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.

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.

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.

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 it's right to membership is automatic.

Unrealised Gains/Losses: The increase or decrease in the market value of investments held by the fund since the date of their purchase.