



City of Westminster

Minutes

Meeting:

Superannuation Committee

1/2012

Date of meeting:

Wednesday 15 February 2012 at 7.00pm

Attendees:

Councillors:

Suhail Rahuja (Chairman)

Tony Devenish

Margaret Doyle

Patricia McAllister

Dr Cyril Nemeth (for items 8 to 12)

Ian Rowley

Officers:

Barbara Moorhouse (Chief Operating Officer)

Jonathan Hunt (Director of Corporate Finance & Investment)

Carolyn Beech (Acting Director of Human Resources)

Trevor Webster (Senior Human Resources Manager)

Michael Nicolaou (Pension Manager)

Jonathan Deacon (Committee & Scrutiny Officer)

Also in attendance:

Gina O'Connor (Assistant Branch Secretary, Westminster City Council, Unison)

Alistair Sutherland (Deloitte Investment Consultants)

Apologies:

There were none.

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1. MEMBERSHIP OF THE COMMITTEE

1.1 There were no membership changes.

2. DECLARATIONS OF INTEREST

2.1 The Chairman made the following declaration:
'I am employed by fund managers who have amongst their clients Hermes. I am not involved in any element of the work which relates to the Westminster Fund and accordingly do not regard this as a prejudicial interest'.

3. MINUTES

3.1 The minutes of the Superannuation Committee meeting held on 23 November 2011 which did not include exempt information were agreed as a correct record and were signed by the Chairman.

4. ADMINISTRATION AND COMMUNICATING THE LOCAL GOVERNMENT PENSION SCHEME TO EMPLOYEES

4.1 Carolyn Beech introduced the item, providing a summary of Local Government Pension Scheme ('LGPS') employee and ex-employee engagement strategy initiatives undertaken by Human Resources ('HR') and the London Pensions Fund Authority ('LPFA'). One to one surgeries had been held with a number of staff which had been promoted on the Council's website and were fully booked. Feedback from the surgeries had been very positive. Further one to one surgeries were scheduled for 2nd March and these were also fully booked. All high earners had received a letter from LPFA regarding lifetime allowances. A representative from LPFA had provided one to one meetings and would provide further meetings to high earning employees who have expressed concern regarding their position. An annual newsletter had been sent to pensioners and HR and LPFA were working together to create a new website for members.

4.2 Members of the Committee asked a number of questions and made a number of points on the engagement strategy:

- Councillor Devenish asked whether Ms Beech was content with the working relationship with LPFA. Ms Beech responded that LPFA were currently more proactive in responding to the Council's requirements and she expected further progress by the next Committee meeting in May.
- Councillor Doyle asked Gina O'Connor whether she was content with the response from LPFA. Ms O'Connor stated that she had been working with the Chairman, Jonathan Hunt and Carolyn Beech on producing a list of priorities for employees. These proposals included the formation of a pensioners' forum/panel. The list of priorities was likely to be submitted before April. She had been encouraged that 2 retired pensioners had come forward in order to advise on the likely priorities. One of the

pensioners had unfortunately been ill but the other pensioner's input had proved to be invaluable raising a number of points including concerning pre-retirement and redundancy. Ms Beech commented that part of the focus of the pensioners' panel would be to ensure that the communications of the Council were clear and concise. This requirement was included in the HR Pensions Action Plan. It was important that this was reflected in time for the Council's communication to pensioners in April on the pensions increase. This communication would also invite pensioners to put themselves forward for the Panel.

- Ms O'Connor stated that the main points of concern for Fund members were when they would receive their pensions and know how to address their finances, that they receive communications clearly and concisely and obtain feedback from the Pensioners' Panel. It was suggested that a spokesperson was encouraged to come forward and report back to the Committee. Councillor Rowley stated that a potential issue with the pensioners' panel would be that a small group might not be a meaningful sample of pensioners. He suggested that a more detailed poll or survey across a broad base of pensioners was undertaken in order to obtain hard data. It would also be useful to have terms of reference for the Pensioners' Panel. Councillor McAllister commented that it was important that the Panel was given an opportunity to establish itself and consider ongoing matters.
- The Chairman asked whether the surgeries were working as hoped. Ms Beech replied that the feedback was overwhelmingly that they had been useful. Those Fund members who had been involved had been required to sign up. It had definitely met the need of Fund members. Councillor McAllister queried whether the surgeries were taking place when Fund members were able to attend. Ms Beech responded that most of the surgeries had been held during the working day at City Hall so far. The Council was looking to organise surgeries at other locations.

4.3 **RESOLVED:** That the report be noted.

5. **PRESENTATION OF THE COUNCIL'S PENSION ADMINISTRATION PROVIDER THE LONDON PENSIONS FUND AUTHORITY**

- 5.1 Mike Taylor, Chief Executive and Greg Smith, Board Secretary represented LPFA at the meeting. Mr Taylor stated that the themes of the presentation were the support LPFA had provided the Council to date, the plans LPFA had in partnership with the Council for the future and to discuss the new LGPS which was due to be introduced in 2014. The support provided to date included developing a communications plan in conjunction with the Council and the trade unions, providing scheme member briefings, linking with Council's internal communications, reassuring pensioners, raising awareness of changes and promoting the LGPS as a good scheme. A new website had been developed for scheme members and it would be going live on 1st March. Plans for the future included ongoing communications and promoting the new website, improving customer care, developing a fund member panel and doing some more work with admitted body scheme members. Improving

customer care included providing 'managers and staff sessions', assurances to trade union representatives and also a suggestion box on the new website. A Fund Member Panel had been established a number of years ago at LPFA and advice on the model used could be used to assist Westminster. LPFA could assist with agendas and topical issues and attend panel meetings if necessary. Mr Taylor added that plans for the future included work with high and medium earners regarding communicating tax issues. There were significant tax changes coming in from April around the reduction in annual allowance (tax free contributions) and lifetime allowance (the size of the pension pot which is free from tax).

5.2 Mr Taylor stated that he was confident that there would be a single LGPS scheme change in 2014. Effectively three schemes were likely to need to be operated simultaneously from 2014 for those fund members who had been in the LGPS prior to 2008 (a 1/80 accrual rate and a 3/80 lump sum operated up to 2008, a 1/60 accrual rate from 2008 to 2014 and the new career average scheme from 2014 with different accrual rates and revaluation rates and potentially employer caps on contributions). Following discussions between CLG, LGA and the unions in December 2011, the principles of a new LGPS had been agreed. The big ticket items were likely to be agreed by the end of March 2012. From the end of March details would be worked up and consulted upon and regulations issued in the autumn. The regulations would be consulted upon and were scheduled to be finalised by the end of March 2013 in time for the triennial valuation.

5.3 The following points arose from the presentation:

- Councillor Rowley asked for clarification on LPFA's communications with pensioners in relation to the LGPS. Mr Taylor responded that LPFA were communicating the benefits of the scheme to date and looking at the way it might evolve in the future. There had been a lot of press speculation about an increase in contribution rates and the LPFA was looking to dissuade the Government from proceeding with this approach because due to the current public sector pay freeze, there was the concern that people would leave the scheme. The LPFA was trying to communicate the value of the scheme. The LPFA, employers and unions were also supportive of this message.
- The Chairman and the Committee requested to receive examples of paperwork that fund members would receive upon retirement. Ms O'Connor commented that it would be difficult for fund members to understand the three different schemes which would be in effect for those who had been members since 2008 and the information to them would need to be clear and concise.
- The Chairman asked what LPFA did in terms of customer care for their other clients such as other London boroughs. Mr Taylor replied that LPFA were able to provide what was asked for in a contract, for example providing up to three surgeries a year. The LPFA had held an annual meeting for their fund members and approximately 700-800 people had attended. They would be able to provide an expert team if Westminster wished to hold such an event.

5.4 **RESOLVED:**

1. That the presentation be noted.
2. That the Committee be provided with examples of paperwork that fund members would receive upon retirement.

6. **PENSION FUND REGULATORY STRUCTURE – UPDATE ON NEGOTIATIONS**

6.1 Mr Hunt gave an overview to Members of the Committee of the current state of discussions in relation to the regulatory changes of the Local Government Pension Scheme. The process had commenced with Lord Hutton being asked to chair the independent Public Service Pensions Commission. The Commission's interim report had been published on 7 October 2010 and the final report on 10 March 2011. The report set out some broad and overarching themes in creating an appropriate and affordable scheme for the next generation. One of the major challenges that Lord Hutton raised was the increased longevity of people's lives.

6.2 The Department for Communities and Local Government ('CLG') consultation document published in October 2011 looked at what major modifications and changes could be made in order to achieve savings between now and 2015 as requested by HM Treasury. The Council's response to the consultation document, which closed on 6 January 2012, was included in the agenda papers. During the CLG consultation period, the Chief Secretary to the Treasury had made some announcements, including indicating that the Government intended to offer protection to members within ten years of retirement and a preferred accrual rate of a 1/60th. Much of what the CLG had been consulting on had now been superseded. Meanwhile CLG had been having discussions with the Local Government Association and the Unions regarding the Hutton proposals. It had originally been envisaged that they would be implemented in 2015 but it was now being discussed that they were introduced in 2014. On this basis what the CLG were consulting on would fall away and not be implemented at all. It was likely now that some of the Hutton proposals would be implemented in 2014, including a move from final salary to a career average re-valued earnings structure. The exact details would need to be worked out over the next year or so. The new LGPS scheme was likely to be brought in during 2014.

6.3 **RESOLVED:** That the report be noted.

7. **REPORT ON THE PERFORMANCE AND MANAGEMENT OF THE COUNCIL'S PENSION FUND**

7.1 The Committee received a report which presented a summary of the Fund's performance to 31 December 2011. Mr Sutherland advised the Committee on Majedie's proposed changes to their UK equity portfolio and referred to the

personnel changes in the Newton global equity team. Mr Hunt addressed the Committee on Insight Investment Management's investment strategy.

7.2 **RESOLVED:**

1. That Majedie and Insight representatives be requested to meet with Members of the Committee to discuss their respective portfolios in the Fund.
2. That the report be noted.

8. **ANY URGENT BUSINESS**

8.1 There were no items of urgent business.

9. **EXEMPT REPORT UNDER THE LOCAL GOVERNMENT ACT 1972**

9.1 **RESOLVED:** That under Section 100 (A)(4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following items of business because they involve the likely disclosure of exempt information on the grounds shown below and it is considered that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

<u>Item Nos.</u>	<u>Grounds</u>	<u>Para. of Part 1 of Schedule 12A of the Act</u>
10 to 12	Information relating to financial or business affairs of any particular person (including the authority holding that information).	3

10. **MINUTES**

10.1 The minutes of the Superannuation Committee meeting held on 23 November 2011 which included exempt information were agreed as a correct record and were signed by the Chairman.

11. **REPORT ON THE ADMINISTRATION AND OPERATIONS OF THE COUNCIL'S PENSION FUND**

11.1 Mr Hunt addressed the Committee on a number of points set out in the report, including providing an update on some of the Fund's Admitted Bodies.

11.2 **RESOLVED:** That the report be noted.

12. PROPERTY INVESTMENT PORTFOLIO

12.1 Mr Hunt addressed the Committee on a number of points set out in the report, including exploring potential approaches as to how the property investments should be allocated in the Fund going forward.

12.2 RESOLVED:

1. That the report be noted.
2. That the recommendations of the report be approved.

13. CLOSE OF MEETING

13.1 The meeting closed at 8.38pm.

CHAIRMAN:

DATE: