



City of Westminster

# Committee Agenda

Title:

**Pension Board**

Meeting Date:

**Tuesday 29th November, 2016**

Time:

**7.00 pm**

Venue:

**Room 12 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP**

Members:

**Councillors:**

Peter Cuthbertson (Chairman)  
Adnan Mohammed

**Employer Representative:**

Marie Holmes

**Scheme Member  
Representatives:**

Dr Norman Perry (Vice  
Chairman)  
Susan Manning  
Christopher Smith

**Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda**

**Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.30pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.**



**An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Toby Howes, Senior Committee and Governance Officer.**

**Tel: 020 7641 8470; Email: [thowes@westminster.gov.uk](mailto:thowes@westminster.gov.uk)  
Corporate Website: [www.westminster.gov.uk](http://www.westminster.gov.uk)**

**Note for Members:** Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

## **AGENDA**

### **PART 1 (IN PUBLIC)**

**1. MEMBERSHIP**

To note any changes to the membership.

**2. DECLARATIONS OF INTEREST**

To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.

**3. MINUTES**

To approve the Minutes of the Pension Board meeting held on 23 August 2016.

**(Pages 1 - 8)**

**4. MINUTES OF PENSION FUND COMMITTEE**

To note the Minutes of the Pension Fund Committee meeting held on 20 September 2016.

**(Pages 9 - 18)**

**5. RISK REGISTER REVIEW**

Report of the City Treasurer and the Director of People Services.

**(Pages 19 - 34)**

**6. PENSION BOARD FORWARD PLAN**

Report of the City Treasurer.

**(Pages 35 - 46)**

**7. SURREY PENSION ADMINISTRATION PERFORMANCE**

Report of the Director of People Services.

**(Pages 47 - 56)**

**8. PENSION BOARD TRAINING UPDATE**

Report of the Director of People Services.

**(Pages 57 - 62)**

**9. PROMOTION OF SCHEME MEMBERSHIP**

Report of the Director of People Services.

**(Pages 63 - 64)**

**10. PENSION ADMINISTRATION STRATEGY AND DISCRETIONARY POLICIES**

**(Pages 65 - 66)**

Report of the Director of People Services.

**11. LONDON COLLECTIVE INVESTMENT VEHICLE GOVERNANCE ARRANGEMENTS**

**(Pages 67 - 74)**

Report of the City Treasurer.

**12. ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**

**PART TWO (IN PRIVATE)**

Under Section 100 (A) (4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press are 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.

**13. MINUTES**

To approve the Confidential Minutes of the Pension Board meeting held on 23 August 2016.

**Charlie Parker  
Chief Executive  
22 November 2016**

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CITY OF WESTMINSTER

## MINUTES

### Pension Board

#### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Tuesday 23rd August, 2016**, Room 12 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

**Members Present:** Councillor Peter Cuthbertson (Chairman and Employer Representative), Dr Norman Perry (Vice-Chairman and Scheme Member Representative), Marie Holmes (Employer Representative) and Susan Manning (Scheme Member Representative).

**Also Present:** George Bruce (Tri-Borough Director of Treasury and Pensions), Nikki Parsons (Pension Fund Officer), Joanne Meagher (Head of Operational People Services), Kim Edwards (Senior Payroll, Pensions and Establishment Adviser) and Toby Howes (Senior Committee and Governance Officer).

**Apologies for Absence:** Councillor Adnan Mohammed and Christopher Smith (Scheme Member Representative).

#### 1 MEMBERSHIP

1.1 There were no changes to the Membership.

#### 2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

#### 3 APPOINTMENT OF CHAIR AND VICE CHAIR FOR THE 2016/17 MUNICIPAL YEAR

##### 3.1 RESOLVED:

That Councillor Peter Cuthbertson and Dr Norman Perry be appointed as Chairman and Vice Chairman respectively for the 2016/17 municipal year.

#### 4 MINUTES

4.1 That the minutes of the meeting held on 10<sup>th</sup> May 2016 be signed by the Chairman as a correct record of proceedings.

## **5 MINUTES OF PENSION FUND COMMITTEE**

- 5.1 The Board noted that the Minutes of the last Pension Fund Committee meeting held on 21<sup>st</sup> June 2016 would be circulated separately.

## **6 PENSION BOARD ANNUAL REPORT**

- 6.1 Nikki Parsons (Pension Fund Officer) presented the Pension Board Annual Report 2015/16 which she advised was required under the Board's terms of reference. She explained that the report provided an overview of the Board's activities and compliance with its terms of reference. Nikki Parsons advised that the report would be put before the Pension Fund Committee for noting, prior to submission to Full Council on 9<sup>th</sup> November 2016. She then referred to the activities undertaken by the Board over the course of 2015/16. This included undertaking focused reviews on different sections of the Pension Fund Risk Register, reviewing benchmarking of costs and fees incurred by the Fund and looking at both internal and external audit arrangements. Nikki Parsons stated that pooling of assets to the London Collective Investment Vehicle (CIV) and the results of the 2016 triennial valuation would be amongst the significant matters for the Board to consider in 2016/17, as well as seeking to assist and constructively challenge the Council, as the administering authority, in continuing to deliver effective management of the Pension Fund Scheme. She then referred to the training undertaken by Board Members to date as set out in Appendix B of the report.
- 6.2 During discussions, Members welcomed the report and requested that the attendance of Board Members at Pension Fund Committee meetings be included in the report. Members enquired whether the Board would have the opportunity to discuss the 2016 triennial valuation with the Fund's actuary.
- 6.3 In reply, Nikki Parsons advised that the Fund's actuary would be invited to the Board's meeting on 27<sup>th</sup> February 2017 to discuss progress on the 2016 triennial valuation and she agreed to add this item to the Board's Work Plan. She added that the report sought approval to delegate any further changes and approval of the report to the Chairman in consultation with George Bruce (Tri-Borough Director of Treasury and Pensions).
- 6.4 **RESOLVED:**
1. That the contents of the report be noted.
  2. That it be noted that the report will be sent to the Pension Fund Committee to be noted prior to submission to Full Council; and
  3. That authority be delegated to the Chairman and the Tri-Borough Director of Treasury and Pensions for any further changes and approval of the report.

## 7 RISK REGISTER REVIEW

- 7.1 George Bruce presented the item and began by focusing on the first risk identified by the Board for consideration: Funding – Inflation and Interest Rates Assumed in the Valuation are Inaccurate (risk 4). He advised that final salary pensions were uprated at an average (effective) rate of 1.3% per annum for the three years 2014 – 2016, with the pension increasing by 2.7% in 2014 and 0% in 2016. This compared to the assumed increase of 2.7% per annum from the 2013 triennial valuation, meaning that liabilities had increased less than had been assumed, which would help the funding position. However, George Bruce advised that liabilities could be higher in subsequent years and the Fund's actuary would be taking into account inflation when considering the 2016 triennial valuation. The actuary would also factor in the financial markets and the activities of the Bank of England.
- 7.2 George Bruce advised that the 2013 triennial valuation had used a discount rate of 5.9% per annum for scheduled bodies and a lower discount rate for admission bodies to reflect their lower level of credit quality. However, most recent reports projected a higher value of the Fund's assets than that projected in 2013, with an estimated return over the three year period of 6.9%.
- 7.3 Turning to the second risk, Funding – Scheme Members Live Longer Than Expected (risk 6), George Bruce advised that life expectancy overall was rising. The 2013 triennial valuation had observed that life expectancies in the previous decade had increased more quickly than most predictions and so the assumption adopted for this valuation gave a long term rate of improvement for mortality projection of 1.5% per annum, equivalent to 1.5 years additional life expectancy every decade. However, there were recent indications that improvements in life expectancy were stabilising or slowing.
- 7.4 During discussions, Members sought further details in respect of the most recent indications that increases in life expectancy were stabilising or slowing. The Chairman asked about the degree of likelihood that the assumed inflation and interest rates were correct and whether there was a reasonable prospect that these estimates would be reduced as the figures seemed high. He suggested that there be a description of what the numbering and grading related to in terms of the level of risk be included in the Risk Register. Members noted that inflation rates could have a significant impact upon the Fund. A Member commented on the limited impact the mitigating actions would have in respect of risk 4 and risk 6.
- 7.5 In reply to the issues raised, George Bruce advised that as well as increases in life expectancy appearing to be stabilising or slowing down, surveys of longevity were now able to be tailored to specific areas, such as by postcode, and were more exact. The Fund's actuary's longevity team were due to carry out an analysis of mortality experience over the last few years and produce a full report of its findings. George Bruce advised that it was almost certain that the assumed inflation and interest rates would not be absolutely correct and that it was preferable to take a more prudent approach to assumptions, as otherwise contributing employers could be at risk of greater costs in future years. However, the Fund had a relatively high proportion of equity assets and

a drop in value of these would have a high impact on the Fund and would outweigh other factors such as assumed interest and inflation rates. George Bruce stated that efforts would be made to define 'likelihood' and 'impact' in the Risk Register. He added that impact was not just measured in terms of monetary values but also other factors, such as the number of scheme members affected.

7.6 Nikki Parsons stated that the nature of strategic risks, such as risk 4 and risk 6, meant that there was only so much mitigating actions could do. She added that the Risk Register is originally derived from a tri-borough management approach, however efforts would be made to make the Risk Register more Westminster Pension Fund specific.

7.7 Members requested that Risk 12, Operational Governance: Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves; and Risk 23, Operational Administration: Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints, be considered at the next meeting.

7.8 **RESOLVED:**

That contents of the report be noted.

## **8 SURREY PENSION ADMINISTRATION PERFORMANCE - KEY PERFORMANCE INDICATORS UPDATE**

8.1 Joanne Meagher (Head of Operational People Services) presented the report and began by stating that due to a combination of issues, the service standards for pension administration had fallen in 2015/16. Some of the reasons for these involved external factors outside the control of the pension administrator, Surrey County Council. One of the main contributing factors was the BT contract for the Managed Service Programme with the Council's tri-borough partners that combined Human Resources, Payroll and Finance services and had gone live on 1<sup>st</sup> April 2015. Amongst the problems experienced with the contract included staff being paid incorrectly or having pension deductions either being calculated incorrectly or not being deducted on all qualifying earnings. BT had initially been unable to cope with the number of pension queries in the first six months of the contract and this had led to staff contacting Surrey County Council's Pensions Team directly and distracting from their work. In addition, there was a lack of pensions interface to upload information for starters in the scheme, meaning that staff were having to manually upload the information which slowed responses to scheme members' queries.

8.2 Joanne Meagher informed Members that the Surrey County Council Pensions Team had also been affected by staff sickness and it had been difficult to replace staff with sufficient technical knowledge on a temporary basis. Additional pressure had also been placed on Surrey County Council when

they had taken on bi-borough pension administration work for Hammersmith and Fulham and Kensington and Chelsea boroughs in September 2015.

- 8.3 Joanne Meagher advised that the Council had made Surrey County Council aware that improvement was necessary, and Surrey County Council had since implemented a new phone system to improve customer access, whilst they had also recruited more staff to help improve the service. However, the key performance indicators (KPIs) from the first four months of 2016-17 financial year showed that only 67% of those retiring were receiving their option forms in time which could lead to the first pension payments being made late. Joanne Meagher advised that officers were continuing to work with Surrey County Council and BT and meeting with them regularly to move things forward and an Improvement Plan was in place. She added that the Council's auditor, Grant Thornton, was due to the audit the Fund's administration service in August/September 2016 and officers had requested to include a review of case management focussing in part on retirements.
- 8.4 In noting the long term sickness problems experienced by the Surrey County Council Pensions Team, Members asked whether any steps could have been taken in avoiding this when staff had been recruited and were there any measures in place to help maintain the service when staff were absent. It was enquired whether the KPI figures applied to the Council only or all participating organisations in the scheme, including admitted bodies. Members asked if there was a timeline by which officers expected the pension administration performance to be up to the desired standard and had Surrey County Council taken on too much when it had taken over pension administration services for the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith and Fulham too.
- 8.5 In reply to the issues raised by Members, Joanne Meagher advised that she was not aware of any historical health issues in respect of the Surrey County Council Pensions Team, however she acknowledged that officers could ask Surrey County Council what measures are in place to prevent the service being impacted adversely where staff were on long term absence. She confirmed that the KPI figures included members from all organisations participating in the pension scheme. Issues continued to be experienced in the pension administration service, however BT was now presenting more relevant information and the Improvement Plan was scheduled to be completed by March 2017. Close monitoring of performance would continue to take place and there would be a further review of progress with Surrey County Council in six months' time. Joanne Meagher acknowledged that Surrey County Council had been presented with a considerable challenge when it had taken over the pension administration service for the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith and Fulham. She commented that BT was aware that it was currently not performing to the desired level, however it had given the impression that it was determined to improve.
- 8.6 Kim Edwards (Senior Payroll, Pensions and Establishment Adviser) added that officers were currently largely manually inputting details of staff who were retiring, and officers from Westminster City Council were also assisting with

this. However, this would no longer be necessary once the appropriate interface with BT was in place.

- 8.7 The Chairman requested that this item become a standing item on the agenda at subsequent Board meetings and that the reports include up to date data, including data on retirement options.

## **9 ANNUAL BENEFIT STATEMENT TIMELINE 2016**

- 9.1 Joanne Meagher presented the report and advised that Pension Scheme members were entitled to receive their annual benefit statements by 31<sup>st</sup> August for the previous financial year. She advised that progress was largely on track, however there were some cases where more work needed to be undertaken. The Board noted that this would be the last year that printed annual benefit statements would be sent to pension scheme members.

## **10 STRUCTURE OF FEES AND COSTS**

- 10.1 George Bruce presented the report and advised Members of the findings of the Department for Communities and Local Government's benchmarking costs exercise. He drew Members' attention to Table A on the report comparing Local Government Pension Scheme (LGPS) administration fund costs for inner and outer London boroughs, metropolitan authorities, English shire authorities and other English local authorities. George Bruce advised that there was a lack of consistency in what costs local authorities included as there had been an element of self-selection in the process. He felt that Westminster had taken a conservative approach by including more costs than a number of other local authorities. However, Westminster's administration and governance costs represented £38.98 per member, which compared well with the inner London average of £42.50. Westminster's fund management costs represented £328 per member, higher than the inner London average of £206. This was mainly attributable to performance related payments to one of the fund managers, Majedie.
- 10.2 George Bruce then referred to the findings of the CEM benchmarking costs exercise in the report. The benchmarking exercise had shown that Westminster's total investment cost was 50.8 bps, equating to £5,329k, above the global median of 49.2 bps, the equivalent of £5,161k. George Bruce advised that CEM calculates a benchmark cost for each fund which takes into account the differences in total costs due to the fund's size and asset mix. Westminster's benchmark cost was 49.9 bps (£5,234k) which when compared to its total investment costs meant that it had incurred an excess cost of just 0.9 bps (£94k). However, George Bruce advised that the Fund's costs and fees would fall as more assets were transferred to the London CIV.
- 10.3 During discussion, Members asked if there were any disadvantages in participating in the London CIV. The Chairman welcomed the prospect that CEM benchmarking would be able to provide a peer-based benchmarking report on costs and performance, albeit at an additional cost. He enquired whether data for transactional costs across a number of LGPS funds

spanning a few years could be provided for the Board to consider at a future meeting.

10.4 In reply to Members' queries, George Bruce stated that one disadvantage of participating in the London CIV was the loss of choice in selecting fund managers. However, whilst the London CIV would monitor the fund managers, there was a grey area in terms of whether individual funds' pension fund committees and pension boards could also monitor fund managers, who may claim that they are only accountable to the London CIV. In respect of CEM providing a peer-based benchmarking report on costs and performance, George Bruce advised that the LGPS was considering a collaborative tender to keep the costs of the benchmarking exercise down. Members noted that transactional costs were not available on an individual fund basis. However, George Bruce added that fund managers were supposed to record their annual fees and so it was possible that the Westminster Fund's fees could be compared with the fund managers' fees. He further advised that new data from the Department of Communities and Local Government would become available which could help furnish information in a report on transactional fees. Nikki Parsons added that the London CIV was also considering a acquiring similar type of peer reporting to that offered by CEM.

10.5 **RESOLVED:**

1. That the contents of the report be noted.
2. That it be agreed that benchmarked cost analysis be presented annually.

**11 FUTURE WORK PLAN AND DATE OF NEXT TRAINING SESSION**

11.1 Members had before them the Board's proposed work plan 2016/17. It was agreed to add Pension Administration Strategy to the work plan, with an initial draft strategy to be considered at the next Board meeting on 29<sup>th</sup> November 2016. Members requested to seek clarification that there were Discretionary Policies in place at the next meeting. It was noted that Regulatory Compliance Review would be deferred to a later meeting. Members also requested that the internal auditors be invited to a future meeting.

11.2 Members agreed that the next training session take place in the evening between 6.30pm and 8.30pm. Nikki Parsons was to liaise with the trainer on prospective training dates and then Toby Howes (Senior Committee and Governance Officer) would circulate these dates to Members for a date to be agreed.

**12 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**

12.1 There was no additional business for the Board to consider.

**13 STRUCTURE OF FEES AND COSTS - APPENDIX**

13.1 The Board discussed the confidential appendix to the Structure of Fees and Costs report that appeared as item 7 on the agenda.

**14 MINUTES**

**14.1 RESOLVED:**

That the confidential Minutes of the last Pension Board meeting held on 10<sup>th</sup> May 2016 be signed by the Chairman as a correct record of proceedings.

The Meeting ended at 8.33 pm.

**CHAIRMAN:** \_\_\_\_\_

**DATE** \_\_\_\_\_



CITY OF WESTMINSTER

## MINUTES

### Pension Fund Committee

#### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Tuesday 20th September, 2016**, Rooms 3 and 4, 17th Floor, City Hall, 64 Victoria Street, London SW1E 6QP.

**Members Present:** Councillors Suhail Rahuja (Chairman), Antonia Cox, Patricia McAllister and Ian Rowley

**Officers Present:** Jason Bailey (Pension Services Manager, Surrey County Council) George Bruce (Tri-Borough Director of Treasury and Pensions), Sarah Hay (Pensions and Payroll Officer), Nikki Parsons (Pension Fund Officer), Lee Witham (Director of People Services and Toby Howes (Senior Committee and Governance Officer).

**Also Present:** Marie Holmes (Pension Board Representative), Susan Manning (Pension Board Representative), Graeme Muir (Barnett Waddingham) and Alistair Sutherland (Deloitte).

#### 1 MEMBERSHIP

1.1 There were no changes to the membership.

#### 2 DECLARATIONS OF INTEREST

2.1 Councillor Suhail Rahuja declared that he was employed by fund managers who have amongst their clients Hermes. However, he was not involved in any element of the work which relates to the Westminster Pension Fund and accordingly he did not regard this as a prejudicial interest.

#### 3 MINUTES

##### 3.1 RESOLVED:

That the Minutes of the meeting held on 21<sup>st</sup> June 2016 be signed by the Chairman as a correct record of proceedings.

## 4 TRIENNIAL VALUATION UPDATE

- 4.1 Graeme Muir (Barnett Waddingham) provided the Committee with an update on progress with the 2016 triennial valuation with a presentation. He began by advising that the Local Government Pension Scheme (LGPS) Regulations stated that the triennial funding valuation was required to certify the levels of employer contributions to secure the solvency of the Fund and the long term cost efficiency of the Scheme. The triennial valuation must also have regard to the Funding Strategy Statement as determined by the administering authority, which in this case was the Council. Graeme Muir stated that Barnett Waddingham, as the Fund's actuary, played the role of overseeing the triennial valuation.
- 4.2 Graeme Muir advised that the triennial valuation took place in three steps, these being:
- Step 1: Projection of all possible benefit payments for each scheme member
  - Step 2: Attach probabilities to each possible payment to get "expected" payments
  - Step 3: Discount "expected" payments to obtain value.
- 4.3 Members noted that fundamentally, the triennial valuation needed to determine how much money needed to be put into the Fund to support the projected future pension payments. Graeme Muir stated that amongst the challenges of the 2016 valuation was to take into account the new guidance from the Chartered Institute of Public Finance and Accountancy, which reminded administering authorities that securing solvency and long term cost efficiency was a regulatory requirement, whereas a constant as possible contribution rate remained only a desirable outcome. Furthermore, Graeme Muir advised that administering authorities in particular needed to adhere to Section 13 of the Public Services Pension Act 2013, which requires an independent review of the valuation and contribution rates to ensure that they are appropriate and for remedial action to be taken where the review identifies any problems. Graeme Muir emphasised the need to ensure that a plan was in place and there may be some "outliers" that could be considered abnormal when compared to other Funds.
- 4.4 Graeme Muir advised that Funds may still have their own bespoke funding plan, however there was a need to be mindful of key performance indicators (KPIs) measures, and the Section 13 valuation. In the longer term, it was anticipated that Funds would gravitate towards the middle, with Funds being deemed "average."
- 4.5 Graeme Muir then provided details of the financial assumptions of the triennial valuation. These assumptions used market indices and the Fund's model used assumptions assessed over a six months period spanning valuation date to give stability, a method known as "smoothing". A retail price index inflation rate of 3.3% per annum had been determined as the smoothed rate as of 31<sup>st</sup> March 2016. Members noted that the 2013 triennial valuation assumed a rate of 0.8% per annum below the RPI, whilst the 2016 valuation proposed an increase of 0.9% below RPI. A rate of 2.4% per annum was the assumed

consumer price index (CPI) as a starting point. With regard to long term salary increase assumptions, the 2016 proposal was 1.5% per annum more than CPI as of 31<sup>st</sup> March 2016, compared to 1.5% per annum for 2013. Turning to the discount rate, Graeme Muir advised that 2.4%, 3.3% and 3.8% per annum were the smoothed rates for gilts, bonds and equities respectively as of 31<sup>st</sup> March 2016. The prudence allowance for the discount rate was likely to be in the range of 0.5% to 1.5%.

- 4.6 Graeme Muir advised that the 2013 valuation had determined a whole funding basis of 74% for the Fund, with the Council's at 70%, meaning there was a deficit of around £300 million. The 2016 indicative results had the whole funding basis of between 75% to 80%, with the Council deficit now around £300 million to £350 million. Graeme Muir stated that the key issues revolved around reducing the Council deficit and how quickly this can be undertaken and ensuring to avoid the more serious Scheme Advisory Board and Government Actuary Department "flags." Following further funding discussions and the review of the Funding Strategy Statement, Graeme Muir advised that the triennial valuation was due to be agreed and signed off by 31<sup>st</sup> March 2017.
- 4.7 George Bruce (Tri-Borough Director of Treasury and Pensions) added that modelling was being undertaken with a view to paying off the Council's debt in 20 years and he advised that paying the debt off more quickly would save the Council money in the long term.
- 4.8 During Members' discussions, it was queried whether there would be any issues in respect of the "smoothing approach." Members also sought further explanation as to the reasons why a 3.3% per annum RPI inflation rate had been assumed, as inflation had been closed to 0% in the last year or so.
- 4.9. In reply, Graeme Muir advised that as long as smoothing was not applied inconsistently, then no issues should arise from this approach. Smoothing was a common approach taken by Barnett Waddingham who also accounted for 25% of the LGPS market. In respect of the RPI inflation rate, Graeme Muir advised that the 3.3% per annum assumption was as an average rate over the next 20 years.
- 4.10 The Chairman thanked Graeme Muir for the update and requested a further update on the triennial valuation at the next meeting of the Committee on 15<sup>th</sup> November 2016.
- 4.11 **RESOLVED:**
1. That the indicative timetable for the triennial valuation process be noted; and
  2. That the verbal update provided by Barnett Waddingham be noted.

## **5 PENSION BOARD ANNUAL REPORT 2015-2016**

- 5.1 Nikki Parsons (Pension Fund Officer) presented the report which provided details of the work and activities of the Pension Board in the last year and to demonstrate its compliance with its terms of reference. Following the report's presentation to the Committee, it was to be submitted to Full Council for formal approval. Nikki Parsons also sought the Committee's approval for a joint meeting to be arranged with the Pension Board to review each respective roles. She suggested that a representative from both the Committee and the Board meet to agree an agenda for the joint meeting.
- 5.2 The Committee agreed that a joint meeting take place with the Pension Board. The Chairman suggested that the joint meeting take place in November 2006 or soon after and it was noted that the date would be confirmed in due course.
- 5.3 **RESOLVED:**
1. That the contents of the Pension Board Annual Report 2015-16 be noted prior to its submission to Full Council; and
  2. That a joint meeting be arranged of the Pension Fund Committee and the Pension Board to review their respective roles.

## **6 PENSION FUND ADMINISTRATION UPDATE**

- 6.1 Jason Bailey (Pension Services Manager, Surrey County Council) provided the first update on this item in respect of progress in addressing pension administration issues. He advised that a meeting had taken place with the Chairman, Council officers and Surrey County Council officers on 3<sup>rd</sup> August 2016 to discuss this topic and in particular the fact that the pension administration performance was not meeting a number of its KPIs. The problems being experienced were attributable to both BT issues of a technical nature and due to there being an insufficient number of suitably trained staff. Following the meeting, Jason Bailey reported that progress had been made in a number of areas, with most matters largely resolved and he anticipated seeing significant improvements for the KPIs in quarter 3 of 2016/17 and was hopeful that most targets would be met. He advised that there was a particular focus in ensuring that retiring staff had their first pension payments made promptly. Jason Bailey also informed Members that there would be more online services available in future.
- 6.2 Lee Witham (Director of People Services) added that BT also needed to be taken to task about the issues that had arisen. However, the Council was working collaboratively with Surrey County Council and BT in resolving these issues.
- 6.3 Sarah Hay (Pensions and Payroll Officer) advised that she would be discussing pension administration arrangements with Surrey County Council officers, the auditors, Grant Thornton, and her colleague Kim Edwards (Senior Payroll, Pensions and Establishment Advisor) on 21<sup>st</sup> September 2016. She

would also be having a follow up meeting at Surrey County Council with Kim Edwards on 26<sup>th</sup> October 2016. Jason Bailey added that he was comfortable to have the auditors look at the pension administration processes.

- 6.4 During Members' discussions, Members asked if there was any action the Council could take that could assist Surrey County Council. It was queried whether the Council and individual pension scheme members could receive compensation in respect of the pension administration performance and in instances where pension scheme members had received their first pension payments late. The Chairman enquired whether the KPIs performance would be reported regularly to the Committee and were these the most appropriate KPIs.
- 6.5 In reply to issues raised by Members, Jason Bailey advised that some of the problems experienced were attributable to some employers in the pension scheme, such as schools, who used their own payroll providers and who did not provide the relevant details in time. He felt that the development of an online portal would help address the matter. In respect of KPIs, Jason Bailey advised that these were derived from the KPI standards that had been set nationally, and other KPIs, such as contact with pension scheme members, could be added.
- 6.6 Lee Witham added that the KPIs were also relevant to the Section 101 agreement the Council has with Surrey County Council and were consistent with what the auditors, Grant Thornton, considered important. He felt that most of the relevant KPIs were already included, however additional KPIs could be included in future. In respect of compensation, Lee Witham stated that such matters could be discussed as part of the commercial review and contract negotiation with BT.
- 6.7 Sarah Hay added that there had been no requests for compensation from pension scheme members to date. She felt that Surrey County Council had made progress in improving their performance and that a number of issues had been traced back to BT.
- 6.8 Sarah Hay then referred to the paper on pension auto re-enrolment. She advised that not all those who should be auto re-enrolled into the pension scheme had been. Lee Witham added that the Council was challenging BT's auto re-enrolment list and was working collaboratively with BT and Surrey County Council. Members noted the annual benefits statement report and that these statements were in the process of being sent out. Members also noted the paper on the internal audit update.
- 6.9 The Chairman sought clarification as to the reasons why BT were not auto re-enrolling everyone who should be. In reply, Jason Bailey advised that it was due to the lack of data for both new joiners to the scheme and also those leaving it. The other tri-borough partners also had also experienced problems in coping with having all the correct data. However, Jason Bailey was confident there would be significant improvement and Surrey County Council had appointed a new Team Leader to the pension administration scheme team.

- 6.10 The Chairman stated that the KPIs should be relevant to Westminster and so should be modified accordingly where appropriate. He requested that the KPIs performance be reported every quarter and include other KPIs identified as relevant, and any others considered irrelevant to be removed. The Chairman also requested that an appropriate representative from BT attend a future meeting of the Committee for the pension fund administration item. He also suggested that a BT representative be invited to the next Pensions Annual General Meeting.

## **7 ASSET POOLING AND LONDON COLLECTIVE INVESTMENT VEHICLE UPDATE**

- 7.1 George Bruce presented the report and confirmed that the London Collective Investment Vehicle (CIV) had negotiated a reduced fee scale in respect of the Legal and General passive mandate, which would result in a saving of approximately £170,000 for the Westminster Fund. This represented a significant reduction of around 75% and was backdated to 1<sup>st</sup> July 2016. In respect of the Insight Investment mandate, this contract had been extended until 2016 as agreed by Committee in November 2015, as it had been hoped that more opportunities would be offered by the London CIV. However, until the CIV's fixed income offering was known, it was desirable to extend the Insight contract until the end of 2017, and the approval of the Committee was sought for this extension. George Bruce added that this was subject to it being possible under the Council's procurement rules, and if it was not, then he recommended to transfer both the Corporate and gilt mandates to the Insight UK Corporates AI Maturities Bond Fund. George Bruce confirmed that the Baillie Gifford mandate had been transferred to the London CIV in quarter 2 of 2016-17.
- 7.2 Members asked whether the total fees savings had been identified and did the London CIV yet have any proposals in respect of property assets.
- 7.3 In reply, George Bruce advised that only the fees savings from the Baillie Gifford and Legal and General mandates had been realised to date, however negotiations on fees were also taking place in respect of the Majedie and Longview mandates. However, he anticipated that the the total fee savings would amount to at least £1 million. George Bruce advised that the London CIV was undertaking its asset allocation in stages and property assets were among one of the later stages. He commented that it was probable that there would not be any moves to acquire property assets until mid or late 2017.
- 7.4 The Chairman advised that officers and Deloitte were investigating whether to retain a performance related management fee or move to a flat management fee in respect of the Majedie mandate and a report on this would follow at the next meeting. The Committee agreed to extend the Insight investment mandate to the end of 2017.
- 7.5 **RESOLVED:**
1. That the contents of the report be noted.

2. That the transfer of the Majedie portfolio to the London CIV retaining a combined AuM (assets under management) and performance related fee be agreed, subject to clarification on the impact of the termination of the current performance period; and
3. That the extension of the current Insight mandate by a further 12 months to the end of 2017 be agreed and that if this is not possible within Westminster's procurement rules, then it be agreed to transfer both the Corporate and gilt mandates to the Insight UK Corporates All Maturities Bond Fund.

## **8 PENSION FUND COSTS AND FEES BENCHMARKING**

- 8.1 George Bruce presented the report and advised that the Fund's administration and governance costs represented £38.98 per member per year, below the inner London average of £42.50, however fund management costs represented £328 per member, above the inner London average of £206. Members noted that the higher than average fund management costs were mainly attributable to the performance related management fee in respect of the Majedie mandate, which accounted for 58% of Westminster's costs. George Bruce advised that the Department for Communities and Local Government also provided data comparing fund manager costs as a percentage of asset value, which for the Westminster Fund represented 0.48% in 2014//15, compared to the average cost of 0.34%. Members noted that this report would be put to the Committee on an annual basis.
- 8.2 The Chairman requested that the 2012 costs and fees and aggregate figures be circulated to Members and he added that it would be beneficial to compare costs and fees with the Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea funds.

### **8.3 RESOLVED:**

That the contents of the report be noted.

## **9 FUND MANAGER MONITORING MEETINGS**

- 9.1 Nikki Parsons presented the report and advised that officer lead meetings with investment managers on a semi-annual basis were due to take place to ensure that the managers' processes were consistent with those when they were appointed. These meetings were also attended by tri-borough officers. Nikki Parsons stated that it was also proposed that an annual fund manager monitoring day takes place where all fund managers are invited to update the Committee and officers on their respective mandates. George Bruce added that feedback from the officer lead meetings would be provided to Members.
- 9.2 The Committee welcomed the proposals on the annual fund manager meeting and concurred that it would be desirable to take place either at a location in the City or at the Deloitte office. The Chairman requested that the annual fund manager monitoring day be arranged to take place on a Friday in December

on a date to be confirmed, and that a representative from the Pension Board also be invited to attend.

### 9.3 **RESOLVED:**

1. That the proposed annual fund manager monitoring arrangements be agreed; and
2. That it be agreed that the annual fund manager monitoring meeting take place on a Friday in December 2017.

## 10 **FUND FINANCIAL MANAGEMENT**

- 10.1 Nikki Parsons presented the report and confirmed that the Fund complied with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. In respect of cashflow monitoring, Members noted that the dis-investment of £4.5 million had taken place in respect of the Baillie Gifford and Longview mandate in order to meet the cashflow requirements. The actual performance fee payable this year had also been identified as being considerably less than the £5.260 million originally estimated and was now expected to be approximately £2.7 million less and so the forecast for the remainder of the year had been duly adjusted. Nikki Parsons advised that a new risk had been added to the risk register, Risk 14: Operational: Governance – London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence fund managers do not achieve their targets.
- 10.2 Members referred to risk 9 in the risk register: Strategic: Regulation – Introduction of European Directive Markets in Financial Instruments Directive (MiFID) results as a restriction of the Fund's investment options and an increase in costs and asked whether the mitigating action of a Knowledge and Skills Policy was in place for Members and officers. Another Member commented that European Union (EU) procurement regulations in the UK could disappear in the next few years due to costs.
- 10.3 In reply, George Bruce advised the MiFID was likely to be significantly watered down, which would lower the risk considerably. He added that the Government may continue to mirror EU procurement regulations even after the UK left the EU.
- 10.4 **RESOLVED:**
1. That the the updated risk register for the Pension Fund be approved.
  2. That the Fund's compliance with the limits specified in Schedule 1 of the LGPS (Management and Investment of Funds) Regulations 2009 be noted; and
  3. That the cashflow position of the Fund be noted.

## **11 QUARTERLY PERFORMANCE OF THE COUNCIL'S PENSION FUND**

11.1 Alistair Sutherland (Deloitte) updated the Committee on investment performance for quarter 1 of 2016-2017 and advised that currency had been a key factor in influencing returns which had contributed to active fund managers underperforming. Members noted that Majedie, who had performed disappointingly, had subsequently recovered.

11.2 In reply to the Chairman's query as to further reasons why all the active managers had underperformed, Alistair Sutherland advised that the markets had reacted in a way that had not been anticipated. However, there were no consistent underlying themes as to the reasons for the underperformance and Alistair Sutherland felt that this was due to individual stock issues.

### **11.3 RESOLVED:**

That the contents of the paper, the performance report from Deloitte and the current actuarial assumptions and valuation be noted.

## **12 INVESTMENT STRATEGY OPTIONS**

12.1 Alistair Sutherland presented the report and advised that Deloitte were querying fund managers as to why they were holding bonds. Consideration also needed to be given as to the whether the Fund's Investment Strategy was fit for purpose.

12.2 Members queried whether there was a regulatory requirement to have a certain proportion of gilts assets in a Fund. The Chairman sought views on the equity/bond asset class mix for the Fund and would the London CIV would give limitations in this respect.

12.3 In reply, Alistair Sutherland suggested that there should be less reliance on equities. George Bruce stated that efforts would be made to moderate the proportion of equities to around 65% in the Fund and he confirmed that there was no regulatory requirement regarding the proportion of gilts assets. He advised that the London CIV would not be able to deliver everything that was desirable to the Fund in a short period of time, however it was important that the Council was in a prominent position to be able to influence the CIV.

### **12.4 RESOLVED:**

1. That the contents of the report be noted; and
2. That it be agreed that an Investment Strategy Review be undertaken once the results of the 2016 actuarial valuation are known.

## **13 PENSION FUND INVESTMENT ADVISER CONTRACT UPDATE**

13.1 Nikki Parsons advised the Committee that the current investment adviser contract with Deloitte was to expire on 31<sup>st</sup> October 2016. The re-procurement of the contract was to be conducted using the National LGPS Framework for

Pension Fund Investment Advisers, as agreed by the Committee on 21<sup>st</sup> June 2016. A six months extension to the existing contract with Deloitte up to 30<sup>th</sup> April 2017 had been subsequently been agreed by the Westminster Gate Review Panel on 6<sup>th</sup> September 2016 to enable sufficient time for a thorough re-procurement process to be conducted. Nikki Parsons then referred Members to the timelines for the new Pension Fund Investment Adviser contract and advised that officers would evaluate the tenders in October prior to a presentation from the tenderers to the Committee and officers.

13.2 Members agreed to the Chairman's suggestions that the investment adviser presentations to the Committee and officers take place on 4<sup>th</sup> November 2016, with the top three scoring organisations from the October evaluation being invited to present. Members also agreed to the Chairman's suggestion that the Chairman of the Pension Board or a Deputy also be invited to attend the presentations in an observational capacity.

13.3 **RESOLVED:**

That the contents of the report be noted.

**14 PENSION FUND COMMITTEE FORWARD PLAN**

14.1 The Chairman requested that Pension Administration KPIs be added to the Forward Plan as a standing item.

The Meeting ended at 9.17 pm.

**CHAIRMAN:** \_\_\_\_\_

**DATE** \_\_\_\_\_



## Pension Board

<b>Date:</b>	<b>29 November 2016</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>Risk Register Review</b>
<b>Report of:</b>	<b>Steven Mair</b> City Treasurer
<b>Wards Involved:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective Control over Council Activities</b>
<b>Financial Summary:</b>	<b>There are no financial implications arising from this report</b>

### 1. Executive Summary

- 1.1 This report gives an overview of the risk management arrangements for the Westminster Pension Fund.
- 1.2 This report focuses on two operational risks to the Pension Fund. Firstly, that Officers do not have appropriate skills and knowledge to perform their roles and succession planning is not in place. Secondly, that Administrators do not have sufficient staff or skills to manage the service.

### 2. Key Matters for the Board

- 2.1 The Board note the contents of this paper.
- 2.2 The Board members consider an area of the Risk Register to focus on for the next meeting.

### 3. Background

- 3.1 As previously reported to the Pensions Board, it is best practice for Pension Funds to maintain a risk register to ensure that the risks they face are properly understood and where appropriate action is needed to mitigate them.

- 3.2 Risk management is an issue for all those involved in the management of an LGPS fund, including members of the Pension Fund Committee, officers managing the Fund and the fund administrator. The Pension Board's role is to assist the administering authority in such activities to ensure effective and efficient governance and administration of the Scheme, as outlined in its Terms of Reference. This includes making recommendations to the Committee concerning good governance.
- 3.3 Attached at Appendix 1 is the updated Pension Fund Risk Register, which was reported to the Pension Fund Committee (the 'Committee') in November 2016. This supersedes the version which was previously presented to the Pension Board. The risk register is a 'live' document and risks will change due to management action and the external environment.
- 3.4 The Pension Board members agreed at the preceding meeting which sections of the Risk Register they wish to focus on in future meetings.
- 4. Focus Area: Operational: Governance – Officers Not Having Appropriate Skills and Knowledge and Succession Planning Not in Place**
- 4.1 *“Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves”* is one of the risk areas which Board members have decided to focus on. This is referenced as Risk 12 in Appendix 1 and has a low risk classification.
- 4.2 Operational risks are risks encountered by departmental managers or Services as part of their everyday business. They often impact on the availability of resources required to achieve service objectives. Identification of these risks is best performed by the departmental or service managers directly affected by such events. Controls are put in place to mitigate the risk.
- 4.3 At Westminster Council, person specifications are used at recruitment to appoint officers with relevant skills and experience. This document sets out the qualification, appropriate work experience and skills required to perform the role.
- 4.4 As part of the annual performance appraisal process at Westminster, officers are required to have a personal development plan in place. Personal Development plans are drawn up to cover three perspectives - career development, service continuity and keeping up-to-date to meet the current demands of the post.
- 4.5 To support Pension Fund officers in their roles, guidance is produced by CIPFA and other professional organisations, such as the Pensions and Lifetime Savings Association. Westminster Council is a member of these organisations and

officers have access to both the publications and training events which are provided on a regular basis.

4.6 Similar to the CIPFA Knowledge and Skills Framework for Local Pension Board Members, there is also a framework available for those officers involved in LGPS Pensions Finance. There are 6 core areas covered by the framework:

- Pensions legislative and governance context
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices

4.7 Pensions Finance Officers are part of the Tri-Borough Treasury and Pensions team. This is a shared service with the London Borough of Hammersmith & Fulham and the Royal Borough of Kensington and Chelsea. It was established in February 2012 and one of the aims was to provide better ways of working and sharing skills to provide better resilience across the three Councils. Traditionally, the pensions finance role was performed by just one officer in each Borough. With the current arrangements, there are now more skilled officers within the team to provide support and cover when required.

4.8 In November 2016, the Tri-Borough Director of Treasury and Pensions left and it was necessary to put in place contingency procedures to cover this role. Pete Carpenter, who has previously managed the Treasury and Pensions function at Westminster Council, was appointed to be the Interim Tri-Borough Director of Treasury and Pensions. Officers are able to seek advice from the Fund's professional advisers should the need arise.

4.9 Within People Services a new appointment has been made to the Pension Support area, this administration position will help support the Pensions Officer in their role

## **5. Focus Area: Operational: Administration – Administrators Do Not Have Sufficient Staff or Skills to Manage the Service**

5.1 *“Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaint.”* is the other area which Board members have decided to focus on. This is referenced as Risk 24 in Appendix 1 (previously Risk 23).

5.2 This risk has a low risk classification.

5.3 The WCC Pension Support team, based within People Services have visited Surrey County Council to discuss these issues. Reassurances were given over staffing matters and the handling of workloads. A new improved telephone system has been put in place and staff are dealing with queries more efficiently. The KPI's have also been reviewed and updated and Surrey will now be reporting on a wider range of recordable tasks which will allow WCC to monitor their performance more closely to ensure they adhere to the timelines required.

## **6. Next Meeting**

6.1 The Board members are asked to consider the Risk Register focus area for the next meeting.

**If you have any queries about this report please contact the author:**

**Nikki Parsons**

**Pension Fund Officer**

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## **BACKGROUND PAPERS:**

None

## **APPENDICES**

**Appendix 1 - Pension Fund Risk Register, reviewed November 2016**

**Appendix 1: Pension Fund Risk Register, November 2016**

**Changes to the risk register since previous quarter**

Type	Ref	Risk	Rationale

Pension Fund risk register, November 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Next Next Review Date
			Likelihood	Impact			
1	<b>STRATEGIC: INVESTMENT</b> That the combination of assets in the investment portfolio fails to fund the liabilities in the long term.	<ul style="list-style-type: none"> <li>Investment strategy in place and reviewed periodically.</li> <li>Performance is measured against a liability based benchmark.</li> <li>Fund performance is reviewed quarterly.</li> </ul>	2	3	Low 6 	City Treasurer	March 2016
2	<b>STRATEGIC: INVESTMENT</b> Fund managers fail to achieve the returns agreed in their management agreements.	<ul style="list-style-type: none"> <li>Independent monitoring of fund manager performance by custodian against targets.</li> <li>Investment adviser retained to keep watching brief.</li> <li>Fund manager performance is reviewed quarterly.</li> </ul>	3	3	Low 9 	City Treasurer	March 2016
3	<b>STRATEGIC: INVESTMENT</b> Failure of custodian or counterparty.	<ul style="list-style-type: none"> <li>At time of appointment, ensure assets are separately registered and segregated by owner.</li> <li>Review of internal control reports on an annual basis.</li> <li>Credit rating kept under review.</li> </ul>	2	3	Low 6 	City Treasurer	March 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact			
4	<b>STRATEGIC: FUNDING</b> The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	<ul style="list-style-type: none"> <li>Review at each triennial valuation and challenge actuary as required.</li> <li>Growth assets and inflation linked assets in the portfolio should rise as inflation rises.</li> </ul>	4	3	Medium 12 	City Treasurer	March 2016
5	<b>STRATEGIC: FUNDING</b> There is insufficient cash available in the Fund to meet pension payments leading to investment assets being sold at sub-optimal prices to meet pension payments.	<ul style="list-style-type: none"> <li>Cashflow forecast maintained and monitored.</li> <li>Cashflow position reported to sub-committee quarterly.</li> <li>Cashflow requirement is a factor in current investment strategy review.</li> </ul>	2	1	Very Low 2 	City Treasurer	March 2016
6	<b>STRATEGIC: FUNDING</b> Scheme members live longer than expected leading to higher than expected liabilities.	<ul style="list-style-type: none"> <li>Review at each triennial valuation and challenge actuary as required.</li> </ul>	4	2	Low 8 	City Treasurer	March 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact			
7	<b>STRATEGIC: FUNDING</b> Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	<ul style="list-style-type: none"> <li>Review maturity of scheme at each triennial valuation.</li> <li>Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions.</li> <li>Cashflow position monitored monthly.</li> </ul>	2	3	Low 6 	City Treasurer	March 2016
8	<b>STRATEGIC: REGULATION</b> Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	<ul style="list-style-type: none"> <li>Maintain links with central government and national bodies to keep abreast of national issues.</li> <li>Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.</li> </ul>	3	4	Medium 12 	City Treasurer and Acting Director of HR	March 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact			
9	<b>STRATEGIC: REGULATION</b> Introduction of European Directive MiFID II results is a restriction of Fund's investment options and an increase in costs	<ul style="list-style-type: none"> <li>Officers are engaging with Fund Managers to understand the position better</li> <li>Knowledge and Skills Policy in place for Officers and Members of the Committee</li> <li>Maintain links with central government and national bodies to keep abreast of national issues.</li> </ul>	2	2	Very Low 4 	City Treasurer	March 2016
10	<b>OPERATIONAL: GOVERNANCE</b> Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	<ul style="list-style-type: none"> <li>Officers maintain knowledge of legal framework for routine decisions.</li> <li>Eversheds retained for consultation on non-routine matters.</li> </ul>	2	2	Very Low 4 	City Treasurer	March 2016
11	<b>OPERATIONAL: GOVERNANCE</b> Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	<ul style="list-style-type: none"> <li>External professional advice is sought where required</li> <li>Knowledge and skills policy in place (subject to Committee Approval)</li> </ul>	3	3	Low 9 	City Treasurer	March 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact			
12	<p><b>OPERATIONAL: GOVERNANCE</b> Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.</p>	<ul style="list-style-type: none"> <li>Person specifications are used at recruitment to appoint officers with relevant skills and experience.</li> <li>Training plans are in place for all officers as part of the performance appraisal arrangements.</li> <li>Shared service nature of the pensions team provides resilience and sharing of knowledge.</li> </ul>	3	3	<p>Low 9</p> 	City Treasurer and Acting Director of HR	March 2016
13	<p><b>OPERATIONAL: GOVERNANCE</b> Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.</p>	<ul style="list-style-type: none"> <li>At time of appointment ensure advisers have appropriate professional qualifications and quality assurance procedures in place.</li> <li>Committee and officers scrutinise and challenge advice provided.</li> </ul>	2	2	<p>Very Low 4</p> 	City Treasurer	March 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact			
14	<b>OPERATIONAL: GOVERNANCE</b> London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	<ul style="list-style-type: none"> <li>Pension Fund Committee Chair is a member of the Joint member Committee responsible for the oversight of the CIV and can monitor and challenge the level of resources through that forum.</li> <li>Tri-Borough Director of Treasury &amp; Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work of the London CIV.</li> </ul>	3	2	Low 	City Treasurer	March 2016
15	<b>OPERATIONAL: FUNDING</b> Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	<ul style="list-style-type: none"> <li>Transferee admission bodies required to have bonds in place at time of signing the admission agreement.</li> <li>Regular monitoring of employers and follow up of expiring bonds.</li> </ul>	3	2	Low 6 	City Treasurer and Acting Director of HR	March 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact			
16	<b>OPERATIONAL: FUNDING</b> Ill health costs may exceed “budget” allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	<ul style="list-style-type: none"> <li>Review “budgets” at each triennial valuation and challenge actuary as required.</li> <li>Charge capital cost of ill health retirements to admitted bodies at the time of occurring.</li> <li>Occupational health services provided by the Council and other large employers to address potential ill health issues early.</li> </ul>	3	2	Low 6 	City Treasurer and Acting Director of HR	March 2016
17	<b>OPERATIONAL: FUNDING</b> Transfers out increase significantly as members transfer to DC funds to access cash through new pension freedoms.	<ul style="list-style-type: none"> <li>Monitor numbers and values of transfers out being processed.</li> <li>If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values.</li> </ul>	2	3	Low 6 	City Treasurer and Acting Director of HR	March 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact			
18	<p><b>OPERATIONAL: ADMINISTRATION</b> Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.</p>	<ul style="list-style-type: none"> <li>• Third parties regulated by the FCA and separation of duties and independent reconciliation procedures in place.</li> <li>• Review of third party internal control reports.</li> <li>• Regular reconciliations of pension payments undertaken by Pensions Finance Team.</li> <li>• Periodic internal audits of Pensions Finance and HR teams.</li> </ul>	4	2	<p>Low</p> <p>8</p> 	City Treasurer and Acting Director of HR	March 2016
19	<p><b>OPERATIONAL: ADMINISTRATION</b> Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.</p>	<ul style="list-style-type: none"> <li>• Contract monitoring in place with all providers.</li> <li>• Procurement team send alerts whenever credit scoring for any provider changes for follow up action.</li> </ul>	3	1	<p>Very Low</p> <p>3</p> 	City Treasurer and Acting Director of HR	March 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact			
20	<b>OPERATIONAL: ADMINISTRATION</b> Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	<ul style="list-style-type: none"> <li>Contract in place with BT to provide service enabling smooth processing of supplier payments</li> <li>Process in place for Surrey CC to generate lump sum payments to members as they are due.</li> <li>Officers undertaking additional testing and reconciliation work to verify accounting transactions</li> </ul>	2	2	Very Low 4 	City Treasurer	March 2016
21	<b>OPERATIONAL: ADMINISTRATION</b> Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	<ul style="list-style-type: none"> <li>In the event of a pension payroll failure we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.</li> </ul>	1	5	Very Low 5 	Acting Director of HR	March 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact			
22	<b>OPERATIONAL: ADMINISTRATION</b> Failure to pay pension benefits accurately leading to under or over payments.	<ul style="list-style-type: none"> <li>There are occasional circumstances where under or over payments are identified. Where under payments occur arrears are paid as soon as possible usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted and the pension corrected in the next month. Repayment is requested and sometimes we collect this over a number of months.</li> </ul>	2	3	Low 6 	Acting Director of HR	March 2016
23	<b>OPERATIONAL: ADMINISTRATION</b> Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	<ul style="list-style-type: none"> <li>Pension administration records are stored on the surrey servers they have a disaster recovery system in place and records should be restored within 24 hours of any issue, files are backed up daily.</li> </ul>	1	5	Very Low 5 	Acting Director of HR	March 2016

Ref	Risk	Mitigating Actions	Residual risk score		Risk Rating	Officer responsible	Next Review Date
			Likelihood	Impact			
24	<b>OPERATIONAL: ADMINISTRATION</b> Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	<ul style="list-style-type: none"> <li>Surrey CC administers pensions for Surrey, East Sussex and is taking on our Triborough partners. They have a number of very experienced administrators two of whom tupe to them from LPFA with our contract. Where issues arise the Pensions Liaison Officer reviews directly with the Pensions Manager at Surrey. More detailed performance reports are being developed.</li> </ul>	2	3	Low 6 	Acting Director of HR	March 2016
25	<b>Operational: Administration</b> BT unable to provide monthly or end of year interface files in a format suitable for Surrey CC to update service records and undertake day to day operations. Inaccuracies in service records held on the pensions administration system may impact on the triennial funding valuation at March 2016 and notifications to starters and leavers.	<ul style="list-style-type: none"> <li>Issue has been escalated by the Chief Executive for high level resolution with BT</li> <li>Test files are currently with SCC</li> <li>Actuary undertakes data cleansing on the service records and is confident this will mitigate the inaccuracies in service records</li> </ul>	4	3	Medium 12 	Acting Director of HR	March 2016



## Pension Board

<b>Date:</b>	<b>29 November 2016</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>Pension Board Forward Plan</b>
<b>Report of:</b>	<b>Steven Mair</b> <i>City Treasurer</i>
<b>Wards Involved:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective Control over Council Activities</b>
<b>Financial Summary:</b>	<b>There are no financial implications arising from this report</b>

### 1. Executive Summary

- 1.1 This report presents the forward plan of work for the Pension Board over the coming twelve months and incorporates the forward plan for the Pension Fund Committee.
- 1.2 Representatives of the Board are invited to attend the next Pension Fund Committee meeting to be held on 21<sup>st</sup> March 2017 to agree the areas of work to be distributed between the two separate Bodies.
- 1.3 That following discussions at the last Board meeting, that Board Members use the Pension Board Terms of Reference and the respective Forward Plans to construct a set of Principles that the Board should follow.
- 1.4 This report also proposes dates for the Pension Board meetings for the 2017-18 Municipal year.

### 2. Recommendations

- 2.1 The Board note the contents of this paper.
- 2.2 The Board identifies the areas of upcoming Pension Fund work which should be undertaken by the Pension Board

- 2.3 The Board nominates two representatives to attend the Pension Fund Committee meeting on 21<sup>st</sup> March 2017.
- 2.4 The Board construct a set of underlying Principles to follow taking account the scope of their remit.
- 2.5 The Board agrees the dates for the 2017-18 Pension Board meetings

### **3. Background**

- 3.1 The Forward Plan identifies the expected agenda items for the Board over the next twelve months and is attached as Appendix 1. The Forward Plan for the Pension Committee over the same period is also included for information (Appendix 2) as well as the Board's Terms of Reference (Appendix 3).
- 3.2 That following discussion at the last Board meeting, that the Board use the above three documents to produce a set of Principles to follow.
- 3.3 The Board has been invited by the Chair of the Pension Fund Committee to attend the Committee's next meeting, to determine the areas of work which could be carried out by the Pension Board. This will help develop the Forward Plan for both Bodies over the coming year by ensuring that there is adequate coverage of the governance review work required for the Pension Fund and also avoid the duplication of these tasks being carried out by both the Committee and the Board.
- 3.4 The Board is invited to review the proposed Forward Plan and indicate any amendments.
- 3.5 The Board are also invited to identify any areas of work from the Forward Plans of both the Pension Board and the Pension Committee which could be amended or distributed differently.
- 3.6 It is recommended that the Board nominates two representatives to attend the Pension Fund Committee meeting on Tuesday 21<sup>st</sup> March 2017, to present and discuss the Board's proposals.
- 3.7 The Pension Fund Committee meetings cycle has been approved for the 2017/18 municipal year. To ensure that the Pension Board and Committee meeting dates are appropriately staggered, and to take

account of the Pension Fund resourcing and workload, the following dates are proposed for the 2017/18 Pension Board meetings:

<b>Pension Fund Committee Meeting</b>	<b>Proposed Pension Board Meeting</b>
Thursday 22nd June 2017	10 <sup>th</sup> July or 11 <sup>th</sup> September 2017
Thursday 12th October 2017	13 <sup>th</sup> November 2017
Thursday 7th December 2017	29 <sup>th</sup> January 2018
Thursday 8th March 2018	Early May 2018 (next municipal year)

- 3.8 The Board is invited to agree the dates for the Pension Board meetings for the 2017/18 Municipal year. Subject to meeting room availability, final confirmation of the meeting dates will be delegated to the Chair, in conjunction with the Committee Services Clerk.

**If you have any queries about this Report or wish to inspect any of the Background Papers please contact:**

**Nikki Parsons [nparsons@westminster.gov.uk](mailto:nparsons@westminster.gov.uk) or 020 7641 6925**

**BACKGROUND PAPERS:** None

**APPENDICES:**

Appendix 1 – Pension Board Forward Plan - November 2016

Appendix 2 – Pension Fund Committee Forward Plan – November 2016

Appendix 3 – Pension Board Terms of Reference

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**PENSION BOARD Forward Plan – November 2016**

<b>Area of work</b>	<b>27 Feb 2017</b>	<b>9 May 2017</b>	<b>July/Sept 2017 TBC</b>	<b>Nov 2017 TBC</b>
Standing Items	Pension Fund Committee minutes Risk Register Review Pensions Administration Key Performance Indicators Forward Plan	Pension Fund Committee minutes Risk Register Review Pensions Administration Key Performance Indicators Forward Plan	Pension Fund Committee minutes Risk Register Review Pensions Administration Key Performance Indicators Forward Plan	Pension Fund Committee minutes Risk Register Review Pensions Administration Key Performance Indicators Forward Plan
Governance	Regulatory Compliance Review Contracts Monitoring	Training Update	Appointment of Chair and Vice Chair Annual Report on Pension Board Activities	2018/19 Meeting Dates Knowledge & Skills Policy and Training Needs Annual Review
Pensions Administration	Pensions Administration Strategy Discretionary Policies		Annual Benefit Statement Timeline	Promotion of Scheme Membership
Finance	Briefing on Valuation Results & Funding Strategy Statement (FSS)	Pension Fund Annual Accounts and Audit Update FSS Review	Pension Fund Fees and Costs	Review of Pension Fund Annual Report



## PENSION FUND COMMITTEE

## Forward Plan – November 2016

Area of work	21 Mar 2017	22 Jun 2017	12 Oct 2017	7 Dec 2017
Standing Items	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan – Pension Board to attend for joint discussion on future work	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan	Pension Board minutes Quarterly Performance Reports Quarterly Fund Financial Management Update Pensions Administration Key Performance Indicators Forward Plan
Governance	Business Plan Internal Audit Findings Admission Policy and Risk Register Risk Register scoring review Scheme Advisory Board Key Performance	Pension Fund Annual Report and Accounts 2016/17 Progress on compliance with TPR Code of Practice Review of Governance Compliance Statement	Annual report of Pension Board activities Review of Pension Fund expenses	

<b>Area of work</b>	<b>21 Mar 2017</b>	<b>22 Jun 2017</b>	<b>12 Oct 2017</b>	<b>7 Dec 2017</b>
	Indicators (if available)			
Investments	Pooling and CIV update Investment Strategy Statement (replaces SIP) Investment Strategy Review Feedback from Annual fund manager monitoring day	Pooling and CIV update Investment Strategy Review Annual report to Scheme Advisory Board re pooling arrangements	Pooling and CIV update Investment Strategy Review	Pooling and CIV update Investment Strategy Review Fund Manager Monitoring Arrangements
Funding	Final Actuarial Valuation report Final Funding Strategy Statement			

## **Terms of Reference – City of Westminster Pension Board March 2015**

The purpose of this document is to set out the terms of reference for the local Pension Board of the City of Westminster Pension Fund.

1. Role of the Local Pension Board

The role of the local Pension Board is defined by section 5 of the Public Service Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Governance Regulations 2013. It is to assist the administering authority (the Council) with:

- Securing compliance with the LGPS Governance regulations and any other legislation relating to the governance and administration of the LGPS
- Securing compliance with any requirements imposed by the Pensions Regulator in relation to the scheme and
- Ensuring effective and efficient governance and administration of the scheme-recommendations to the Pensions Committee.

2. 2. Membership

a. Appointment process

The Pension Board shall consist of six members and be constituted as follows:

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

The process for selecting non-Council nominated employer members of the Pension Board is set out in a separate document “Selection of Pension Board members”.

b. Quorum

The Pension Board shall be quorate when three Pension Board Members are in attendance.

c. Chairman of the Board

The Chairman and Vice Chairman of the Board will be appointed by members of the Board as the first business at their first meeting.

d. Substitute members

Each Scheme Member representative may agree a nominate substitute at the first meeting who would act in the Board member’s absence.

Each Employer representative is there on behalf of the employer so may be replaced by the nominating body with another individual representing the same employer.

e. Periods of office

Each Board member shall be appointed for a fixed period of three years, which can be extended for a further three year period subject to re-nomination.

f. Termination

Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least two meetings each year. In the event of consistent non-attendance by any Board member, then the membership of that particular Board member should be reviewed by the other Board members with advice from Officers

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all the other Board members present at the meeting.

A Board member may choose not to continue in their role, and so shall notify the Board accordingly following which the process for a replacement shall start.

3. Board meetings

a. Frequency of meetings

The Board shall as a minimum meet twice a year, and where possible, should aim to do so four weeks before the Pensions Committee meets. Meetings shall take place at a time and place agreed by the Pensions Board on an annual basis.

b. Voting rights

Each Board member will be entitled to vote and where a vote is taken the matter will be decided by a majority of the Board members present and voting but it is expected that the Pension Board will as far as possible reach a consensus. In the event of an equality of votes, the Chairman will have a second and or a casting vote.

c. Notice and circulation of papers

The papers for each Board meeting shall be circulated to all Board members one calendar week in advance of each meeting. The papers shall be published on the Council's website unless they contain material considered to be exempt or confidential, as defined by the Local Government Act 1972 and subsequently agreed as such by the Board.

d. Minutes

Minutes of all non-confidential or non-exempt parts of the Board's meetings shall be recorded and published on the Council's website.

e. Secretariat service

Council officers will provide the Board with the secretariat services required.

4. Role of Advisers

a. Access to Council advisers

The Board may request that one of the Council's advisers attends a Board meeting to provide advice or information to the Board. The request should be submitted to the Chief Executive.

- b. Appointment of advisers specifically for the Board  
If the Board requires advice outside that already provided to the Council, then the request should be made to the Pensions Committee and Council officers.
- 5. Budget and Expenses
  - a. Budget  
An annual budget will be agreed by the Board for professional advice, training or other purposes if such matters are required and Officers being authorised to incur expenditure to implement the programme.
  - b. Expenses  
Each Board member may claim, upon production of the relevant receipts, travel expenses directly incurred in the work of the Pension Board.
- 6. Additional policies relating to the Board operations
  - a. Code of Conduct  
The role of Pension Board members requires the highest standards of conduct and therefore, all Board members are required to abide by the Pension Board Code of Conduct.
  - b. Conflict of Interests  
The Board is required to always act within these terms of reference. Board members should abide by the separately prepared Conflicts Policy and keep the policy under review.
  - c. Knowledge and understanding  
All Board members are required to have sufficient knowledge and understanding of pensions matters to undertake their roles. Board members are expected to comply with the separate policy on knowledge and understanding and maintain appropriate records.
- 7. Reporting
  - a. Annual report on activity  
The Pension Board should prepare an annual report on its activities and its compliance with these terms of reference and the associated policies. This report should be addressed to full Council each year, in the first six months of the financial year, reporting on the activities of the Pension Board for the previous financial year. Such a report will be submitted to the Pension Committee for noting prior to submission to Council.
  - b. Reporting recommendations  
If the Pension Board determines that it wishes to make recommendations to the Pension Committee, such recommendations should be reported to the next meeting of the Pension Committee. The Pension Committee's response to the recommendation will be reported to the next meeting of the Pension Board.

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City of Westminster

## Pension Board

<b>Date:</b>	<b>29 November 2016</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>Surrey Pension Administration Performance</b>
<b>Report of:</b>	<b>Lee Witham, Director of People Services</b>
<b>Wards Involved:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Service Delivery</b>
<b>Financial Summary:</b>	<b>Limited</b>

### 1. Executive Summary

- 1.1 Following on from the report submitted at the previous Board meeting on 23 August 2016, this report sets out an update on the performance of the pension administrators Surrey County Council (SCC).
- 1.2 The report also maps the approach of Westminster City Council's (WCC) People Services team to manage the relationship with and performance of SCC in providing pension services.

### 2. Current Position

- 2.1 The Pensions Fund Committee were advised at the June meeting that there had been some concerns over the performance of SCC in provision of administrative services to WCC fund members.
- 2.2 At the September Committee Meeting Key Performance Indicators (KPI's) were presented by the Director of People Services for the period April 2016 - July 2016. The KPI's were highlighting some areas of concern that WCC officers had: firstly retirement options were being issued late to some members and secondly the processing of the retirements thereafter were also not within the 5 working days required. The KPI report also indicated that the combined achievement for June and July 2016 for sending out member option forms on retirement was 77% accurate with 3 cases completed late. The new retirement benefits processed for

- payment had an accuracy figure of 82% with 4 cases completed late in the same period.
- 2.3 Surrey have now provided the updated KPI information adjusted to cover the 2<sup>nd</sup> Quarter, July to September 2016. These are shown in Appendix 2. Specifically on the retirement KPI's that were referenced in paragraph 2.2 above there has been a slight improvement in the percentage of cases processed within timescale: sending out members option forms within 5 days rose from 77% to 80%; and paying member benefits within 5 days increased from 82% to 85%. Surrey have been challenged that this KPI needs to improve further.
  - 2.4 Jason Bailey the Surrey Lead Pensions Manager has provided additional information, in Appendix 1, to accompany the KPI report for Quarter 2. This acknowledges the need to improve and also calls out a number of issues they are experiencing from BT's end of the process that are impacting them.
  - 2.5 In September the Committee highlighted their concern to officers that members should be receiving their pension payments in a timely manner. The Committee also instructed the Director of People Services to review the KPI's that Surrey were producing with the aim of producing a new KPI framework to provide data that WCC needed to better monitor the performance of Surrey.
  - 2.6 The Director of People Services requested help from procurement in reviewing the KPI framework. Further he tasked Jo Meagher (Head of Operational People Services) and Kim Edwards (Senior Payroll, Pensions and Establishment Advisor) to address with Surrey the underperformance issues and to agree a new KPI regime.
  - 2.7 Jo, Kim, Sarah Hay (Pensions Officer) along with Christopher Smith, Unison and Pension Board representative, visited Surrey on 26<sup>th</sup> October to address the above concerns.
  - 2.8 A WCC officer from the procurement team, Harbinder Manku, dialled into the meeting section of this visit to discuss the KPI's. WCC requested that KPI's be presented on a quarterly basis to run in conjunction with the Pension Fund Committee meetings. This will marry the administration data to the reporting periods that the Committee have from finance.
  - 2.9 WCC requested that some additional KPI's be added to the existing framework to ensure they more accurately reflected the actual pension member experience of the service. In particular, WCC requested additional information on deferred members, those members who have left without an immediate payment of pension. WCC have also asked Surrey to report on any changes that materially affect a member's benefit being processed within 30 days. WCC have agreed that in some cases where large numbers of redundancy calculations are requested at one time that a revised (customer acceptable) timescale maybe agreed with Surrey as opposed to the 10 day maximum turnaround time in the current framework to enable delivery within set Council restructuring timescales.

- 2.10 WCC have further requested that Surrey provide volume details: the numbers of cases being processed in each area being monitored. This should give both WCC and Surrey context for each KPI. For example a 100% KPI achievement where there have been no cases processed is meaningless data.
- 2.11 In addition, WCC have requested additional information is provided where there is any issue that impacts a particular KPI. Where members benefits are delayed as a result of Surrey's under performance WCC have requested names and details of the reason for the delay to be provided. The Proposed KPI format will take effect from December as Surrey need to amend their reporting systems to pick up the new data WCC have requested.
- 2.12 An example of the new proposed KPI framework, which covers the points made in 2.9, 2.10 and 2.11 is shown in Appendix 3. This will become operational in December 2016 when the required reporting changes have been implemented.
- 2.13 WCC are still waiting for the final audit report from Grant Thornton. Early feedback has indicated that sample testing of calculations shows that benefits are being calculated correctly. However we have yet to see the final report where we have asked them to review Surrey's performance in meeting the agreed timescales on processing certain priority cases.

### **3. Summary**

- 3.1 People Services will continue to work with both BT and Surrey County Council to improve the pension service to members going forward and will keep the Committee informed of progress.

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## Appendix 1 - Westminster KPI report – Q2 2016/17

### 1. KPI summary and revisions to KPI reporting

The KPI report in the existing format provided to the Westminster Pension Fund has been updated for Quarter 2 and this is contained in Appendix 2.

Surrey recognises that an improvement in performance is required in a few areas and is fully committed to the aim of providing a first class service to the members of the pension fund. In October 2016 we appointed a new team leader with a specific focus on ensuring mechanisms are in place internally to improve service delivery for our customers. We are confident that this new appointment will swiftly bring about the improvements that Westminster are demanding.

Recent discussions have also been held with Westminster colleagues in which Surrey acknowledged that the traditional reporting summary, although adequately reporting the core elements of administration, would benefit from some enhancement in order to provide improve levels of transparency and assurance for Committee and Board members.

A productive meeting was held between representatives from Surrey and Westminster on 26 October 2016 at which proposed extensions to current reporting were discussed. A draft of the new KPI reporting table is attached as Appendix 3 with new areas highlighted. Indicative quarterly volumes based on Q2 are also provided where these are available in order to provide a base guide for future reporting but note the comments accompanying these.

It is proposed that the new summary be adopted for reports provided for cases from 1 December 2016 onwards. This will allow Surrey to modify existing reporting mechanisms to ensure they are fit for purpose for all new measures.

### 2. Current External Factors Impacting on Surrey

Surrey's ability to deliver an effective administration service is impacted from time to time by influences outside of our control and which can have a direct impact on performance and resourcing. In the spirit of partnership, Surrey will work with Westminster colleagues to minimise the impact on service delivery where possible but it is important that the Board and Committee are aware of the problems Surrey is encountering. A brief summary of current issues is shown overleaf.

- 1) **Starters/Changes interface.** Surrey has yet to receive any interface files of joiners data from BT in the current financial year. This means significant numbers of pension records are out of date or absent. In particular, this places a real burden on the administration team and helpdesk who are spending valuable resource time responding to enquiries from frustrated scheme members who understandably expect their pension records to be up to date. In extreme cases, a member could have joined and left the scheme with Surrey having no record of that member. Surrey is working collaboratively with BT to help reach a swift resolution to the missing information. Delayed submission also results in the creation of backlogs which then require additional resourcing.
- 2) **Leaver Information.** When a member leaves the scheme, Surrey requires detailed 'final salary' and CARE pay information in order to calculate a member's entitlements. In the case of a number of employers, this information is not being provided in a timely manner. The major source of absent information currently is BT who are not routinely providing leaving information for those members who are leaving prior to retirement. As above, this causes additional work for the administration team through avoidable queries/complaints from scheme members as well as the stockpiling of cases which then need to be resourced.
- 3) **Annual Benefit Statements** not issued. Immediately prior to the production process, Surrey were advised that a number of benefit statements needed to be withheld because the year-end information provided by BT (which drives the content of the statements) was incorrect. This delayed the whole process for all members but has also created additional enquiries from members as well as additional expense as a further statement print run will be required once the revised data is received.
- 4) **GAD guidance on transfers.** Following GAD changes to transfer factors and methodology earlier this year a number of system upgrades were required in order to process certain cases. Although these updates have now been applied, additional resource will need to be applied to bring the outstanding cases up to date. It is important to stress that any delays with the processing of transfers do not impact on the member's benefits.

Jason Bailey  
Lead Pensions Manager  
Surrey County Council

November 2016

KPI - WESTMINSTER CITY COUNCIL PENSION FUND - April to September 2016

Description	Target time/date as per Partnership Agreement	Target	Actual Score April 2016	Actual Score May 2016	Actual Score June and July 2016	Actual Score Q2 2016 - July to Sept	Comments on individual targets
<b>PENSION ADMINISTRATION</b>							
<b>DEATH BENEFITS</b>							
Notify potential beneficiary of lump sum death grant	5 days	100%	100.0%	100.0%	100.0%	87.5%	One case over target (out of 8)
Write to dependant and provide relevant claim form	5 days	100.0%	100.0%	100.0%	100.0%	100.0%	
Set up any dependants benefits and confirm payments due	14 days	100%	100.0%	100.0%	100.0%	100.0%	
<b>RETIREMENTS</b>							
Retirement options issued to members	5 days	100%	77.0%	67.0%	77.0%	80.0%	5 cases completed over target
New retirement benefits processed for payment following receipt of claim forms	5 days	100%	83.0%	94.0%	82.0%	85.0%	4 cases completed over target
<b>REFUNDS OF CONTRIBUTIONS</b>							
Refund paid following receipt of claim form	14 days	100%	100.0%	100.0%	100.0%	97.5%	1 case over target
<b>DEFERRED BENEFITS</b>							
Statements sent to member following receipt of leaver notification	30 days	100%				See covering report	
<b>NEW JOINERS</b>							
New starters processed	30 days	100%	98.0%	100.0%	100.0%	100.0%	Note only low numbers processed pending receipt of interface file from BT - see report
<b>TRANSFERS IN</b>							
Non LGPS transfers-in quotations	30 days	100%	100.0%	100.0%	100.0%	100.0%	Low numbers processed but system updates now complete following revised GAD guidance
Non LGPS transfers-in payments processed	30 days	100%	100.0%	100.0%	100.0%	100.0%	Low numbers processed but system updates now complete following revised GAD guidance
<b>TRANSFERS OUT</b>							
Non LGPS transfers-out quotations processed	30 days	100%	100.0%	100.0%	100.0%	81.0%	4 cases completed over target but not transfers out, just enquiries from IFAs
Non LGPS transfers out payments processed	30 days	100%	100.0%	100.0%	100.0%	100.0%	Low numbers processed but system updates now complete following revised GAD guidance
<b>Monthly Pensioner Payroll</b>							
Full reconciliation of payroll and ledger report provided to WCC	Last day of month		Achieved	Achieved	Achieved	Achieved	
Issue of monthly payslips	3 days before pay day		Achieved	Achieved	Achieved	Achieved	
RTI file submitted to HMRC	3 days before pay day		Achieved	Achieved	Achieved	Achieved	
BACS File submitted for payment	3 days before pay day		Achieved	Achieved	Achieved	Achieved	
<b>Annual Exercises</b>							
<b>ANNUAL BENEFIT STATEMENTS</b>							
Issued to Active members	31 August each year		On target				September 16 - see covering report
Issued to Deferred members	31 August each year		On target subject to Government decision on 2015 revaluation				September 2016
P60s Issued to Pensioners	31 May each year		May				
Apply Pensions Increase to Pensioners	April each year		April				
Pensioners Newsletter	April each year		April				
<b>CUSTOMER SERVICE</b>							
	Number of Respondents	% of Members who rated our service overall as excellent, very good or good					
Survey issued to all members who had retired since 1 September 2014	40	93%					

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PROPOSED NEW LAYOUT

Description	Target time/date as per Partnership Agreement	Target	Actual Score for Quarter	Commentary	Quantity ( how many cases actioned)	Indicative Figures of Volumes from Q2	Comments
<b>PENSION ADMINISTRATION</b>							
<b>DEATH BENEFITS</b>							
Notify potential beneficiary of lump sum death grant	5 days	100%	%			8	
Write to dependant and provide relevant claim form	5 days	100%	%			6	
Set up any dependants benefits and confirm payments due	14 days	100%	%			5	
<b>RETIREMENTS</b>							
Retirement options issued to members	5 days	100%	%			24	
New retirement benefits processed for payment following receipt of all necessary documents	5 days	100%	%			27	
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		%			27	
<b>REFUNDS OF CONTRIBUTIONS</b>							
Refund paid following receipt of claim form	14 days	100%	%			40	
<b>DEFERRED BENEFITS</b>							
Statements sent to member following receipt of leaver notification	30 days	100%	%			Less than 20	Will increase once leaver forms received from BT/employers
<b>DEFERRED PAYMENTS</b>							
Notification to members 3 months before payments due	3 months		%			36	
Lump Sum ( on receipt of all necessary documentation)	5 days		%			30	
Pension Payment, member to paid on the next available pension payroll following receipt of all necessary documentation	Next available pay run		%			30	
<b>NEW JOINERS</b>							
New starters processed	30 days	100%	%			44	Will increase once interface issues resolved
<b>TRANSFERS IN</b>							
Non LGPS transfers-in quotations	30 days	100%	%			Less than 10	Will increase now GAD guidance issues resolved
Non LGPS transfers-in payments processed	30 days	100%	%			Less than 10	
<b>TRANSFERS OUT</b>							
Non LGPS transfers-out quotations processed	30 days	100%	%			22	
Non LGPS transfers out payments processed	30 days	100%	%			Less than 5	
<b>ESTIMATES</b>							
1-10 cases	5 Days		%			50	
11-50 cases	Agreed with WCC		%				
51 cases or over	Agreed with WCC		%				
<b>MATERIAL CHANGES</b>							
Any changes to data which materially affect actual or potential benefits to be processed within 30 days of receiving all necessary data	30 days		%			New measure TBC	
<b>BUYING ADDITIONAL PENSIONS</b>							
Members notified of terms of purchasing additional pension	15 days		%			New measure TBC	
<b>Monthly Pensioner Payroll</b>							
Full reconciliation of payroll and ledger report provided to WCC	Last day of month						
Issue of monthly payslips	3 days before pay day						
RTI file submitted to HMRC	3 days before pay day						
BACS File submitted for payment	3 days before pay day						
<b>P35</b>							
	EOY						
<b>Annual Exercises</b>							
<b>ANNUAL BENEFIT STATEMENTS</b>							
Issued to Active members	31 August each year						
Issued to Deferred members	31 August each year						
<b>P60s Issued to Pensioners</b>							
Non LGPS transfers-in quotations processed within 20 days	31 May each year						
<b>Apply Pensions Increase to Pensioners</b>							
Pensioners Newsletter	April each year						
<b>CUSTOMER SERVICE</b>							
<b>CORRESPONDENCE</b>							
Acknowledgement if more than 5 days	2 days						
Response	10 days						
3rd party enquires	10 days						
<b>Helpdesk Enquiries</b>							
Volumes of Enquiries Handled By Helpdesk	Number of Enquiries Handled						
<b>Customer Surveys</b>							
Monthly survey to retirees	Percentage Satisfied with Service						

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## Pension Board

<b>Date:</b>	<b>29 November 2016</b>
<b>Classification:</b>	<b>Confidential</b>
<b>Title:</b>	<b>Pension Board Training Update</b>
<b>Report of:</b>	<b>Jo Meagher Head of Operational People Services</b>
<b>Wards Involved:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective Control over Council Activities</b>
<b>Financial Summary:</b>	<b>There are no financial implications arising from this report</b>

### **1. Executive Summary**

- 1.1 There is a statutory requirement to provide suitable training to the Pension Fund Committee and Pension Board members.
- 1.2 This report confirms the training that has been offered and completed in the last 12 months and following the submissions of the completed individual training needs assessments from the Pension Fund Committee and the Pensions Board members a future training programme is proposed.

### **2. Recommendation**

- 2.1 That the board approves the training proposal.

### **3. Background**

- 3.1 In order to be effective it is important that Pension Fund and Pension Board members have a good understanding of the requirements of the Local Government Pension Scheme (LGPS), the WCC Investment strategy and the People Services policies that surround the City of Westminster Pension Fund.
- 3.2 Pension Fund and Pension Board members must also be able demonstrate that they have retained and can implement the knowledge.

3.3 It is also good practice for the Board members to have a broader understanding of all pension fund matters they consider will enable them to perform their role effectively.

#### **4. Update**

4.1 An initial one day training programme for Pension Fund and Pension Board members covering Legislation and Governance was delivered on the 27<sup>th</sup> August 2015 by the Fund Actuaries (Barnett Waddingham).

4.2 To support the pension fund triennial valuation Barnett Waddingham also held a specific briefing session on 9<sup>th</sup> February 2016 to explain the process of completing the valuation and the technical aspects of delivering the results.

4.3 A further training session was received by board members who attended the last Pensions Board on 23<sup>rd</sup> August, this session was run by John Raisin of JRFSPensions.

4.4 A future training session with John Raisin has also been confirmed for the 12<sup>th</sup> January 2017.

#### **5. Background Papers**

Board Members/Officers may also be interested in attending the training sessions that Barnett Waddingham are running In February 2017, attached.



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## **CIPFA & Barnett Waddingham present their 2016/2017 LGPS Local Pension Boards & Officers information updates, training & networking seminar programmes**

Following our successful Local Pension Boards One Year On event in June 2016, we are pleased to present our 2016/2017 seminar programmes.

Dates, times & locations are overleaf.

### **Local Pension Board Programme**

Our Local Pension Board seminars are exclusively for Board members and will provide the latest information updates, training on specific topics and opportunities for discussion and networking with members of other Funds' Boards.

Our seminars are designed as an opportunity for members of Local Boards to share experiences, to receive updates, to enhance their knowledge, and to discuss the key issues facing them and the LGPS in a professional but informal environment. As well as presentations, there will be interactive sessions to facilitate discussion and networking as well as plenty of networking time during the refreshment breaks.

Our seminars include:

- An autumn and spring seminar, each repeated in various locations around the Country and held in the afternoon and/or evening. The cost of each seminar place is £125 plus VAT and is inclusive of refreshments.
- A full day Local Pension Boards Two Years On event in central London, including speakers from key players who will affect Board agendas in the year ahead. The cost of each seminar place is £175 plus VAT and is inclusive of refreshments.

### **Officers Programme**

Our Officer autumn and spring seminars are exclusively for officers and will enable them to receive the same latest information updates as the Board members, and updates & training on specific topics and will provide opportunities for discussion and networking with officers from other Funds.

They will run in a similar way to the Board member sessions and be held in the morning. The cost of each seminar place is £125 plus VAT and is inclusive of refreshments.

### **Further details and booking**

**Full agendas** will be provided prior to each event. For further information please contact: annemarie.allen@barnett-waddingham.co.uk or neil.sellstrom@cipfa.org

**To book your place**, go to <http://www.cipfa.org/training>, enter the course date in the To box, click Go and find your event below

## Local Pension Board and Officer Seminar Programmes 2016/2017

### Autumn Seminar – London, Cheltenham, Liverpool, Cardiff

#### Officers

**21 October 2016 9:30am to 12:30pm**  
**London** Cheapside House, 138 Cheapside, EC2V 6BW

**25 October 2016 9:30am to 12:30pm**  
**Cheltenham** St James House, St James Square,  
GL50 3PR

**26 October 2016 9:30am to 12:30pm**  
**Liverpool** Port of Liverpool Building, Pier Head,  
L3 1BW

#### Local Pension Board Members

**25 October 2016 1:30pm to 4:30pm**  
**Cheltenham** St James House, St James Square,  
GL50 3PR

**26 October 2016 1:30pm to 4:30pm**  
**Liverpool** Port of Liverpool Building, Pier Head,  
L3 1BW

**8 November 2016 1:30pm to 4:30pm**  
**London** Cheapside House, 138 Cheapside, EC2V 6BW

**8 November 2016 - 5:30pm to 8:30pm**  
**London** Cheapside House, 138 Cheapside, EC2V 6BW

**14 November 2016 - 9:30am to 12:30pm**  
**Cardiff** Committee Room 2, County Hall, Atlantic  
Wharf, CF10 4UW

### Spring Seminar – London, Leeds, Bromsgrove

#### Officers

**27 February 2017 9:30am to 12:30pm**  
**London** Cheapside House, 138 Cheapside, EC2V 6BW

**1 March 2017 9:30am to 12:30pm**  
**Leeds** Pinnacle, 67 Albion Street, LS1 5AA

**2 March 2017 9:30am to 12:30pm**  
**Bromsgrove** Silver Springs House, 2 Topaz Way,  
Birmingham Road, B61 0GD

#### Local Pension Board Members

**27 February 2017 1:30pm to 4:30pm**  
**London** Cheapside House, 138 Cheapside, EC2V 6BW

**27 February 2017 5:30pm to 8:30pm**  
**London** Cheapside House, 138 Cheapside, EC2V 6BW

**1 March 2017 1:30pm to 4:30pm**  
**Leeds** Pinnacle, 67 Albion Street, LS1 5AA

**2 March 2017 1:30pm to 4:30pm**  
**Bromsgrove** Silver Springs House, 2 Topaz Way,  
Birmingham Road, B61 0GD

### Local Pension Boards Two Years On, annual event for Pension Board Members

**28 June 2017, 9:30am to 4pm**

**London** Cheapside House, 138 Cheapside, EC2V 6BW

#### Booking

To book your place, go to <http://www.cipfa.org/training>, enter the course date in the To box, click Go and find your event below



## Pension Board

<b>Date:</b>	<b>29 November 2016</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>Promotion of Scheme Membership</b>
<b>Report of:</b>	<b>Jo Meagher Head of Operational People Services</b>
<b>Wards Involved:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Service Delivery</b>
<b>Financial Summary:</b>	<b>Limited</b>

### **1. Executive Summary**

- 1.1 As requested by the Pension Board, this report sets out to detail how WCC are promoting membership of our Pension Scheme.

### **2. Current Position**

- 2.1 With the advent of auto enrolment Westminster was one of the early adopters as we were keen to improve our scheme membership. We first auto enrolled our employees in July 2013
- 2.2 This summer on the 3<sup>rd</sup> anniversary of our staging date we identified approximately 200 employees who were due to be re-enrolled into the scheme.
- 2.3 These staff were written to and advised that they would be brought back into the pension scheme wef 1<sup>st</sup> July 2016
- 2.4 BT however did not complete this task and it was identified by People Services that staff had not been re-enrolled at the due date
- 2.5 This matter has now been rectified however at the time of this report figures are not available of how many staff have chosen to opt out again, this will be provided at the next Board meeting

- 2.6 In addition to this WCC People Services attended a meeting at Surrey CC recently where a demonstration of the Altair Self Service System was shown. This System allows both current and ex-members of the LGPS to view and check their pension records. From this system people will be able to calculate a number of scenarios including pension estimates by simply entering a couple pieces of readily available data, such as proposed leaving date and salary.
- 2.7 Pensioners will be able to view monthly payslips, we currently only post a payslip out if there is a change of greater than £5.00
- 2.8 Although this system has been active for some while more improvements are currently being implemented and a launch planned for the new financial year whereby employees and pensioners will be made aware of the system
- 2.9 A new resource has also been secured for the WCC in house team and it is envisaged that part of their role will be to update the WCC pension page of the councils intranet, ensuring staff have access to information that allows them to boost their pension as well by means of APC's and AVC's

### **3. Summary**

- 3.1 People Services continue to work with BT and Surrey to ensure that all staff who are required to be auto enrolled on an on –going basis are made a member of the appropriate scheme. We will work with SCC ahead of the launch of enhanced Self Service System to ensure members are made aware of this service and what they can use it for.
- 3.2 People Services will continue to look at ways to promote the scheme and ensure staff are able to easily access information to help facilitate this.



City of Westminster

## Pension Board

<b>Date:</b>	<b>29 November 2016</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>Pension Administration Strategy (PAS) and Discretionary Policies</b>
<b>Report of:</b>	<b>Jo Meagher Head of Operational People Services</b>
<b>Wards Involved:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Service Delivery</b>
<b>Financial Summary:</b>	<b>Limited</b>

### 1. Executive Summary

- 1.1 As requested by the Pension Board, this report sets out to update board members on implementing a PAS and the publication of our discretionary policies

### 2. Current Position

- 2.1 A draught PAS has been drawn up and it is proposed that this will be implemented in the new financial year.
- 2.2 The reason that we are unable to implement earlier is that the BT contract is still falling below the level specified in regards their involvement in pension administration. Until we have brought all payments and records up to date since our go live date of April 2015 any adherence to a PAS would be difficult to administer for all parties involved in pension administration, this includes both WCC and outsourced/admitted bodies.
- 2.3 In regards to the issues at 2.2 BT have a plan in place which has been agreed by Tri Borough to rectify the pensions' issues. This Service Recovery and Improvement plan was presented by BT to the Tri-borough Chief Executives on the 8th July 2016. The plan includes the following:
  - Outstanding programme deliverables.
  - Recovery plan for payroll service including a root cause analysis to prevent recurring issues.
  - Quality improvement plan for all services.

- Performance measures.
  - Resource profile plan to complete the remedial work which does not place dependences on operational resources in the BT Shared Service Centre (SSC).
  - The WCC Enhanced ICF team, BT programme and BT SSC are working jointly together to deliver the outstanding activity and to improve the quality of the service across all the functions of Finance, HR & Payroll/Pensions and service support.
  - Payroll and Pensions has been the agreed priority for the Recovery and Improvement Plan, both stabilisation phase (including control / exception reports) and long term sustainability of build.
- 2.4 A new resource has been appointed to work within the WCC Pension/Payroll Team to provide admin support. It is envisaged that a part of their role will be the monitoring of the PAS.
- 2.5 Discretionary Policies are available but are not currently published on WCC pension sites. These are due to be reviewed and will be published once this is done. The reason they have not been reviewed is the additional work that the failings of the BT contract has caused the Payroll and Pensions team within People Services.

### **3. Summary**

- 3.1 People Services recognise that both the PAS and the Discretionary policies are important and we intend to implement both as soon as possible but at present our focus is working with BT on their improvement plan to ensure that from April 2017 all systems and processes have been revisited and we will have a stable position to build on



## Pension Board

<b>Date:</b>	<b>29 November 2016</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>London Collective Investment Vehicle Governance Arrangements</b>
<b>Report of:</b>	<b>Steven Mair City Treasurer</b>
<b>Wards Involved:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Effective Control over Council Activities</b>
<b>Financial Summary:</b>	<b>There are no financial implications arising from this report</b>

### 1. Executive Summary

- 1.1 This report summarises the best practice guidance which has been produced by CIPFA to support pension funds when participating in LGPS asset pooling arrangements and outlines the governance arrangements around the London CIV.

### 2. Recommendations

- 2.1 The Board note the contents of this paper.
- 2.2 The Board nominates one representative to attend the Fund Manager Monitoring Day on Friday 16<sup>th</sup> December 2017.

### 3. Background

- 3.1 There are 90 administering authorities which maintain and manager the LGPS pension funds in England and Wales. Although the pension funds will continue to be separately managed, administering authorities are now expected to pool investments to deliver reduced costs (through economies of scale), while maintaining overall investment performance.

3.2 CIPFA has produced guidance to support pension funds when participating in investment pooling arrangements. This report aims to summarise the key points from that guidance and also outline the governance arrangements around the London CIV, which is the investment pool operator which the Westminster Pension Fund has signed up to.

#### **4. Investment Pooling Governance Arrangements**

4.1 As LGPS administering authorities move to and eventually deliver elements of investment management through investment pool operators, it is important that administering authorities:

- Review their own internal governance arrangements
- Ensure any oversight committee meets best practice governance
- Ensure operators meet best practice governance, albeit and FCA regulated entity will also necessarily be subject to further requirements.

4.2 Westminster City Council has delegated the Pension Fund functions to the Pension Fund Committee and the Committee may wish to review its responsibilities and update the Terms of Reference.

4.3 The revised investment regulations require that each Fund must set out the structure and governance arrangements of the pool and the mechanisms by which the authority can hold the pool to account. It is expected that the London CIV will prepare a standardised content for authorities to adopt to comply with this requirement.

4.4 The administering authority will be required to prepare an Investment Strategy Statement (ISS) which will include the authority's approach to pooling investments, the authority's policy on ethical, social and corporate governance issues and the oversight of voting. The ISS is a new requirement from 1<sup>st</sup> April 2017 and replaces the present requirement of a Statement of Investment Principles. This will require a review of the Committee's current approach to these issues, in particular a discussion with the London CIV in connection with the Stewardship Code, increased reporting and greater effort to take into account the views of the Pension Board and Scheme Members. These areas will be addressed in drafting the ISS in the next few months.

## 5. London CIV Governance Arrangements

5.1 The London CIV submitted a joint response to the DCLG in respect of pooling of investments, which addressed the governance structures, terms of reference, decision-making processes and implementation timetable. An extract from the response detailing the proposed governance arrangements of the London CIV is attached as Appendix 1. The complete papers can be found at the following link:

<http://londonciv.org.uk/2016/07/27/engaging-with-the-boroughs/>

5.2 The London CIV are due to attend the Fund Manager Monitoring day on Friday 16<sup>th</sup> December, where all fund managers are invited to update the Pension Fund Committee and officers on their respective mandates. Deloitte will be hosting the event at their office, 2 New Street Square, London EC4A 3BZ.

5.3 The timings of the day are as follows:

<b>Time</b>	<b>Fund Manager</b>	<b>Mandate</b>
8.30 am	London CIV	Asset Pool Operator
9.30 am	Baillie Gifford / London CIV	Pooled Global Equities
10.30 am	Majedie	Pooled UK Equities
11.30 am	Longview	Pooled Global Equities
12.30 pm	LUNCH	
1.15 pm	Insight	Segregated Bonds
2.15 pm	Hermes	Pooled Property
3.15 pm	Standard Life	Pooled Long Lease Property

5.4 The fund managers have all confirmed their attendance and they have been provided with the prescribed set of questions, which can be found at Appendix 2. The presentations will each last for 30 minutes, with 15 minutes at the end for any other questions which members may wish to raise.

5.5 The Chair of the Pension Board (or an alternate) is invited to attend the fund manager monitoring day and raise questions as appropriate. The Board are invited to nominate a representative to attend.

**If you have any queries about this Report or wish to inspect any of the  
Background Papers please contact:**

**Nikki Parsons [nparsons@westminster.gov.uk](mailto:nparsons@westminster.gov.uk) or 020 7641 6925**

**BACKGROUND PAPERS:**

Investment Pooling Governance Principles for LGPS Administering Authorities,  
CIPFA guidance

**APPENDICES:**

Appendix 1 – Proposed Governance Arrangements of the London CIV  
Appendix 2 – Fund Manager Questions

### Proposed Governance Arrangements for the London CIV

#### Criterion B: Strong governance and decision making

#### 6. The governance structure for their pool, including the accountability between the pool and elected councillors and how external scrutiny will be used.

a) Please briefly describe the mechanisms within the pool structure for ensuring that individual authorities' views can be expressed and taken account of, including voting rights.

The governance structure of the CIV and the role that Authorities play in this is crucial to understanding how decisions are made in the CIV and the interaction that there has to be. All participating London Local Authorities are both shareholders and investors in the London CIV company and as such the CIV is accountable to the Authorities at both levels.

The governance structure of the CIV has been designed to ensure that there are formal and informal routes to facilitate engagement with all the Authorities. This is achieved through a combination of the London Councils' Pensions Sectoral Joint Committee (PSJC), comprising nominated elected Member representatives Authorities (in most cases the Pensions Committee Chair), and the Investment Advisory Committee ("IAC") formed from nominated borough officers, which includes both Treasurers and Pension Officers from a representative sample of Authorities. The share structure of London CIV provides for equal voting rights for each authority on a one share one vote basis, this is a key tenet of the decision making process.

b) Please list and briefly describe the role of those bodies and/or suppliers that will be used to provide external scrutiny of the pool (including the Pensions Committee and local Pension Board).

➤ As an AIFM London CIV must comply with the Alternative Investment Manager Directive ("**AIFMD**") and falls under the regulatory scrutiny and reporting regime of the Financial Conduct Authority ("**FCA**"). This includes the requirement for robust systems and processes and for these to be documented appropriately in policies and manuals. Risk management is a particular focus for the FCA and London CIV has developed a risk framework and risk register covering all areas of its operations, including fund management.

➤ The Pensions Sectoral Joint Committee ("**PSJC**") has been established under the governing arrangements of London Councils. The PSJC effectively fulfils two roles, one is as a mechanism

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### Questions for Fund Managers

1. Please provide a brief overview of the portfolio you manage on behalf of Westminster including your investment philosophy and process.
2. Please outline any significant changes which have occurred in relation to your key staff or to your business which directly impact on the portfolio.
3. Please describe any changes you have made to your investment process since Westminster first invested in the current portfolio (or over the last three years where the investment has been held for longer), the reasons for them and the resulting impact on performance.
4. Please can you outline current portfolio characteristics including number of holdings, turnover, active risk, risk factors etc.
5. Please discuss your performance attribution analysis over the last 12 months and describe the level of risk you have taken to achieve this performance. How does this compare with the long term performance and risk level in your fund?
6. Please describe how you expect the portfolio to change over the coming 12 months.

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