



CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Monday 6th March, 2017**, Room 15, 17th Floor, City Hall, 64 Victoria Street London SW1E 6QP.

Members Present: Dr Norman Perry (Chairman and Scheme Member Representative), Councillor Angela Harvey (Vice-Chairman and Employer Representative), Marie Holmes (Employer Representative), Susan Manning (Scheme Member Representative) and Christopher Smith (Scheme Member Representative).

Officers Present: Peter Carpenter (Interim Tri-Borough Director of Treasury and Pensions), Nikki Parsons (Pension Fund Officer), Lee Witham (Director of People Services), Sarah Hay (Pensions and Payroll Adviser) and Toby Howes (Senior Committee and Governance Officer).

Apology for Absence: Councillor Adnan Mohammed (Employer Representative).

1 MEMBERSHIP/APPOINTMENT OF CHAIRMAN AND VICE CHAIRMAN

1.1 RESOLVED:

That Dr Norman Perry be elected Chairman and Councillor Angela Harvey be elected Vice Chairman respectively for the meeting.

1.2 There were no changes to the membership.

1.3 On behalf of Members, the Chairman thanked Councillor Peter Cuthbertson for his work as the previous Chairman of the Board.

2 DECLARATIONS OF INTEREST

2.1 Christopher Smith (Scheme Member Representative) declared that he was the Branch Secretary of Unison and had the interests of staff as a whole, however he did not consider this a prejudicial interest and remained present to consider all items on the agenda.

3 MINUTES

- 3.1 That the minutes of the meeting held on 29th November 2016 be signed by the Chairman as a correct record of proceedings.

4 MINUTES OF PENSION FUND COMMITTEE

- 4.1 It was noted that the Minutes of the Pension Fund Committee meeting taking place on 15 November 2016 would be circulated separately.

5 BRIEFING ON TRIENNIAL VALUATION RESULTS

- 5.1 Peter Carpenter (Interim Tri-Borough Director of Treasury and Pensions) introduced the item and advised that the final valuation report, the Funding Strategy Statement and the Investment Strategy Statement would be presented to the Pension Fund Committee at the 21 March 2017 meeting.
- 5.2 Graeme Muir (Barnett Waddingham) from the Fund's Actuary then gave a presentation updating Members on the 2016 triennial valuation. He began by explaining the purpose of valuations and advised that the 2016 triennial valuation would be subject to Local Government Pension Scheme (LGPS) Regulations, which included the need to certify levels of employer contributions to secure the solvency of the Fund and the long term cost efficiency of the Scheme. The valuation should also have regard to the Funding Strategy Statement and it was recognised that different approaches were possible for different employer types. In respect of the Funding Strategy Statement, the Chartered Institute of Public Finance and Accountancy (CIPFA) had recently issued revised guidance reminding administering authorities that securing solvency and long term cost efficiency was a regulatory requirement whereas a constant as possible (primary) contribution rate remains only a desirable outcome. Graeme Muir stated the valuation would be subject to revised legislation, including "Section 13", where an independent review carried out by the Government's Actuary Department of the valuation and employer rates would be undertaken to check that they are appropriate and to require remedial action where the review identifies a problem.
- 5.3 Graeme Muir informed Members that the valuation was based on a number of assumptions, and the model used by the Actuary used assumptions assessed over a six months period spanning the valuation date, a technique known as 'smoothing', to give stability. Neutral assumptions that were neither deliberately optimistic nor pessimistic were used and where there was uncertainty, prudence would be introduced. Members noted the assumptions used in respect of inflation levels, salary increases, the discount rates including for gilts, bonds and equities. With regard to demographic assumptions, Graeme Muir advised that there had been a review of Fund mortality over the period of 2011 – 2015 and life expectancy after retirement, particularly for males, was anticipated to increase.
- 5.4 Graeme Muir advised that the 2016 valuation had identified that the overall funding level of the Fund was 80% and the deficit recovery period was 18

years as of March 2016, compared to 74% and 25 years respectively for the 2013 valuation. In order to achieve deficit reduction, pension contributions would increase and there would also be additional cash injections of £10m per annum for 2017, 2018 and 2019 respectively. In terms of standardised funding levels, Graeme Muir advised that the Fund was fairly average compared to other funds according to an assessment undertaken by the Scheme Advisory Board.

- 5.5 During Members' discussions, it was remarked that it would be desirable to be provided with presentations prior to meetings and this was noted by officers. Members stated that it would be helpful to receive information on other bodies that were part of the Fund, including details of their contributions, and it was noted that other bodies expected some of the Members to report back to them on the Fund. In response to a document providing details of contributions from participating organisations circulated by Peter Carpenter at the meeting, it was acknowledged that statutory bodies within the Fund had statutory duties, whilst it was queried why some admitted bodies were considered as high risk, especially as the Government would provide financial protection if academies got into difficulties. It was also asked if academies were still valued over a 7 year period. Members asked whether mortality rates varied between the public and private sectors and would increasing the retirement age have a significant impact on the Fund. It was also asked why the Homes and Communities Agency's element of the Fund was considerably higher funded than the Council's. In respect of prudence and sound investments, Members asked how the Council performed compared to other councils.
- 5.6 Members expressed an interest in receiving training specifically on the triennial valuation in future. A Member emphasised the importance of highlighting the positive aspects of the Fund and in communicating the outcomes of valuation to scheme members. It was noted that the scheme members were guaranteed a pension, however it was important to manage the scheme effectively in order to ensure the same levels, otherwise this may impact on employees or services.
- 5.7 In reply to the issues raised by Members, Graeme Muir advised that academies were now classified as scheduled bodies and so their valuation period would be longer than 7 years. It was noted that life expectancy amongst public sector workers was generally higher than private sector workers and those with pensions in addition to state pensions tended to live longer. In respect of retirement age, Graeme Muir advised that those retiring later tended to die sooner. Increases in life expectancy had also slowed down more recently with a smaller increase in age anticipated. He stated that the Homes and Communities Agency's funding levels of its fund were much higher than others because it held very large assets. Members noted that the Council achieved around a 7% return from its investments which was fairly average compared to other funds. Graeme Muir advised that Barnett Waddingham could provide training on the triennial valuation to Members.
- 5.8 Peter Carpenter advised that the longer the repayment period for paying off the Fund's deficit was, the more that would ultimately be paid off because of

higher interest rates, which was why steps to reduce the repayment period were being taken.

5.9 **RESOLVED:**

That the briefing on the triennial valuation results be noted.

6 RISK REGISTER REVIEW

- 6.1 Nikki Parsons (Pension Fund Officer) presented the report and advised that it was proposed that the impact scores for each risk be broken down further and rated against their impact on cost/budget or impact on pension scheme members. A report on this matter would also be considered at the next Pension Fund Committee.
- 6.2 During Members' discussions, it was asked whether it would always be possible to assess a risk's impact purely on cost/budget or on pension scheme members, as some risks could have impacts both in terms of finance and on scheme members. Members queried whether changes to the Risk Register had been debated at tri-borough level. A request was made for the Risk Register to be produced at A3 size in future. In respect of risk 14, a Member expressed some concerns at the way the London Collective Investment Vehicle (CIV) was developing, with governance in particular an issue that needed to be considered further. Assurance was needed that the CIV would take governance issues seriously and the Council was satisfied with these arrangements. Engagement with the Department for Communities and Local Government on this matter could also be undertaken.
- 6.3 Members expressed serious concerns that problems remained in respect of BT being unable to provide monthly or end of year interface files for Surrey County Council which may impact on service to pension scheme members and on the 2016 triennial valuation as identified in risk 25 on the Risk Register
- 6.4 In reply to issues raised by Members, Peter Carpenter advised that in respect of the London CIV, one asset class, Baillie Gifford, had been moved to the CIV to date, however the London CIV was more advanced than other funding pools. There would be future reports updating Members on the London CIV and Members noted that the Fund would still be owned by the Westminster Pension Fund even as further assets were transferred to the CIV. Peter Carpenter advised that in most cases, it would be possible to identify a risk as having an impact either on cost/budget or on scheme members, however where it may impact on both, consideration would need to be given as to where the greater impact may lie. Nikki Parsons added that the first 19 risks on the Risk Register were primarily financial, whilst risk 20 onwards was more likely to impact on scheme members. She confirmed that tri-borough officers had met to discuss changes to the Risk Register.
- 6.5 Lee Witham (Director of People Services) advised that there had been no significant improvement in respect of the performance of BT in relation to risk 25 in the last 6 months. Sarah Hay (Pensions and Payroll Adviser) added that risk 25 could now be regarded as a high risk.

6.6 Members requested an update on risk 25 at the next meeting.

7 PENSIONS ADMINISTRATION KEY PERFORMANCE INDICATORS UPDATE

7.1 Lee Witham (Director of People Services) presented the report and advised that work had been undertaken with Surrey County Council to produce a refreshed set of key performance indicators (KPIs) to more accurately represent the experience of pension scheme members. Every effort had been made to ensure that Surrey County Council put more resources in place to address issues of concern. He acknowledged that at the moment, some scheme members' experience of pension administration matters was not entirely positive.

7.2 In respect of issues regarding BT's performance, there had been three key areas of concern. With regard to auto re-enrolment, this had now been resolved. However concerns remained for starters and leavers, despite a huge focus from officers and BT in the last two months to address this. Lee Witham advised that the Pension Recovery Plan had been affected by commercial issues concerning the contract between the Council and BT in the last three weeks and this had complicated matters. There were also some inaccuracies in respect of annual benefit statement, with some being sent out late or still containing inaccuracies. Officers were pressing BT to ensure that more accurate data was produced.

7.3 During Members' discussions, it was asked whether other bodies participating in the pension scheme were similarly affected by pension administration matters. Marie Holmes (Employer Representative) advised that in her experience, Surrey County Council had responded well to her queries and her organisation, like many others, used a different payroll provider to the Council's. Christopher Smith emphasised that People Services had worked very hard to address issues and it was difficult to understand why some of the problems were still being experienced, as BT and Surrey County Council were being paid to provide a service, particularly in respect of BT's performance. He welcomed any thoughts from the Chief Executive in identifying when these problems will come to an end. Members asked whether there were any arrangements in place to help scheme members who may be in real financial difficulty because of late payments. It was noted that the targets for the KPIs were 100%, with many not being met and it queried whether a more realistic target should be set in some cases.

7.4 Members commented on the division of work between the Board and the Pension Fund and it was suggested that the Board could take a lead role in considering pension administration matters. It was also recognised that the Board should perform a scrutiny function, particularly in respect of compliance to the LGPS and regulations.

7.5 In reply to questions raised by Members, Lee Witham acknowledged that there was more work to do to meet the KPI targets and he felt that it would be appropriate that one of the areas the Board focuses on includes pension

administration performance. Sarah Hay (Pensions and Payroll Adviser) advised that emergency payments could be made where scheme members had got into financial difficulties due to late pension payments. Peter Carpenter advised that the Chief Executive held high level meetings with BT every two weeks to discuss their performance, the problems being experienced and the steps being taken to address these.

8 YEAR END PENSIONS ADMINISTRATION UPDATE

- 8.1 Sarah Hay presented the report and updated Members with regard to the situation regarding Annual Benefit Statements. BT were currently addressing issues with regard to around 250 statements that had been withheld because of absence periods queries. A number of queries had also been raised by Council staff concerning statements that had been released, and following the preparation of a new file prepared by BT, a quality assurance of samples of data had been undertaken by People Services and a revised report had been sent to Surrey County Council on 24 February 2017 for their consideration and feedback.
- 8.2 Sarah Hay advised Members that consideration was being given to using Western Union to provide a life certificate service for scheme members who lived abroad and consideration of the costs involved was being undertaken. Officers recognised that the performance of BT was not to the level required and an improvement plan was in place to rectify this. The refreshed key performance indicators would also allow more detailed monitoring of Surrey County Council's pensions administration performance.
- 8.3 In reply to a query from a Member, Sarah Hay advised that some scheme members drawing pensions were residing in other European Union countries and that Western Union had a sufficient presence in these countries that would enable it to provide a life certificate service.

9 FUTURE WORK PLAN AND ALLOCATION OF WORK AREAS

- 9.1 Peter Carpenter presented the report and advised that two representatives of the Board were invited to attend the next Pension Fund Committee meeting on 21 March 2017 to agree the areas of work to be distributed between the Board and Committee. The Board had previously discussed suggestions for areas it could scrutinise which did not duplicate the work undertaken by the Committee at the 29 November 2016 meeting. Peter Carpenter suggested that areas the Board could consider focusing on included ensuring that the Investment Strategy Statement and the Funding Strategy Statement complied with changes in legislation, the Admissions Strategy and twice yearly updates on progress with the London CIV.
- 9.2 During Members' discussions, it was suggested that the Board could include progress on compliance with The Pensions Regulator. The Board agreed that communication be a topic on the work plan, including consideration of how communicating messages to include all organisations that were members of the pension scheme be undertaken. Messages could include positive news in respect of the triennial valuation. It was also suggested that newsletters could

be sent to scheme members providing updates on the pension scheme and providing key messages and useful information. Messages on the pension scheme could also be communicated by the Board to scheme members with the assistance of People Services or the Communications Team. It was emphasised that the Pension Fund website should take into account the needs of scheme members from all bodies that were part of the scheme, whilst it was also acknowledged that some did not have work email addresses. Members also suggested that statements be available for downloading and that self-service be available to scheme members on the website.

9.3 At the request of the Chairman, Peter Carpenter agreed to discuss with the Chairman of the Pension Fund Committee of the possibility of all Board Members attending the next Committee meeting on 21 March 2017 to discuss allocation of work between the two bodies.

9.4 **RESOLVED:**

That the contents of the report be noted and that it be agreed that Pension Board representatives discuss allocation of Pension Fund work areas with the Pension Fund Committee at the next Committee meeting on 21 March 2017.

10 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

10.1 There was no other business to consider.

The Meeting ended at 9.27 pm.

CHAIRMAN: _____

DATE _____