



CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Tuesday 9th May, 2017**, Room 11 - 17th Floor, Westminster City Hall, 64 Victoria Street, London SW1E 6QP.

Members Present: Dr Norman Perry (Chairman and Scheme Member Representative), Councillor Angela Harvey (Vice-Chairman and Scheme Member 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.

1 MEMBERSHIP/APPOINTMENT OF CHAIRMAN AND VICE CHAIRMAN

1.1 RESOLVED:

That Dr Norman Perry (Scheme Member Representative) be elected Chairman and Councillor Angela Harvey (Employer Representative) be elected Vice Chairman respectively for the meeting and for the municipal year 2017-2018.

1.2 There were no changes to the membership.

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 RESOLVED:

That the Minutes of the meeting held on 6 March 2017 be signed by the Chairman as a correct record of proceedings.

- 3.2 Members sought further clarification in respect of academies that were now classified as scheduled bodies, meaning their valuation periods would be extended beyond seven years. In reply, Peter Carpenter (Interim Tri-Borough Director of Treasury and Pensions) advised that the Directors of Finance present at the latest meeting of the London Collective Investment Vehicle (CIV) had advised that there would be a statement in respect of academies in June.

4 MINUTES OF PENSION FUND COMMITTEE

- 4.1 It was noted that the Minutes of the Pension Fund Committee meeting held on 21 March would be circulated separately.

5 REVIEW OF THE INVESTMENT STRATEGY STATEMENT

- 5.1 Peter Carpenter (Interim Tri-Borough Director of Treasury and Pensions) presented the report and stated that the Investment Strategy Statement (ISS) was one of the areas that had been identified by the Board to be scrutinised. Peter Carpenter advised that the ISS, which set out the Council's policy on ethical, social and corporate governance issues for both its own investments and those being managed through the London CIV, had replaced the Statement of Investment Principles. A draft ISS had been provided by the Pension Fund's actuary and the same draft had been issued to the other tri-boroughs, who also used the same actuary, to ensure standardisation. Members noted that around 70% of the Fund's assets would be under the CIV by the end of June.
- 5.2 Peter Carpenter advised that the advantages of having assets under the London CIV included the ability of the CIV to monitor assets on a daily basis, as well as having more resources to look at governance and voting issues. Peter Carpenter stated that every effort was being made to ensure that all 33 local authority members were in agreement in working closely together, and Westminster, as well as other boroughs such as Wandsworth, were well advanced in transferring assets to the CIV. There was a concern that the Government would want to use Funds for infrastructure in future and so it was important that the local authorities within the CIV worked closely together to enhance the level of engagement with both external managers and the underlying companies in which the CIV invests.
- 5.3 During Members' discussions, further information was asked in respect of the London CIV increasing its number of staff. A Member referred to voting rights being delegated to the CIV and commented that there may be some instances where this could potentially work against the interest of the Westminster Fund, such as determining the salary of a CIV Executive Director. He also asked

how and when CIV voting would be reported back to the Pension Fund Committee and the Board. Members enquired when CIV reports would be made available to the Pension Fund Committee and the Board.

- 5.4 Members then considered the ISS. It was asked when the £178m of assets already transferred from the Fund to the CIV had taken place. Questions were raised as to whether it was appropriate that the Pension Fund Committee delegates social, environmental and ethical policy to the investment managers. It was also queried whether it was prudent to incorporate a report on voting activity as part of the Pension Fund annual report. Another Member commented that it was desirable as it provided transparency.
- 5.5 In reply to issues raised by Members, Peter Carpenter advised that the London CIV was making active attempts to recruit additional staff, including placing advertisements with London Councils. Each participating London borough would be contributing an additional £75k to the CIV this year. Members were informed that all of the Westminster Fund's equities assets would be under the CIV and this was the case for the other two tri-boroughs. Peter Carpenter advised that the Council retained the right of veto for instance in voting for a fund manager and had the power to terminate the agreement with a fund manager if it felt necessary to do so. However, overall the Fund would be stronger under the CIV and the Council rarely voted against CIV motions. Peter Carpenter advised that the Board would be receiving some CIV reports on the performance of assets and also in respect of voting and environmental, social and governance issues in future.
- 5.6 Peter Carpenter undertook to confirm when £178m of assets was transferred from the Fund to the CIV. Peter Carpenter advised that it had been the Fund's policy to delegate social, environmental and ethical policy to the investment managers in the last few years and that this only applied to assets in the Westminster Fund and not those in the CIV. A breakdown of individual votes would be included in the Pension Fund annual report.
- 5.7 Members then considered the ISS and suggested some amendments as set out below:
- Page 1 of the ISS, section 1.3, 4th line, add "and guarantors of other scheme employers" be added after "council tax payers"
 - Page 4, section 2.4, third paragraph, 1st line, replace "takes the view" with "seeks to ensure" and replace "in" with "are" in the 2nd line
 - Page 6, section 4.9, 3rd line, replace "contributions" with "liabilities"
 - Page 7, section 6.1, last line, add "the London CIV's" before "principles."
- 5.8 The Chairman emphasised the importance of both the Pension Fund Committee and the Board in keeping a close eye on ensuring that the external investment managers were undertaking appropriate monitoring of investments, including in respect of environmental, social and governance issues. He requested that a report providing an update on the ISS be presented at a future meeting.

6 RISK REGISTER REVIEW - FOCUSING ON RISK 25

- 6.1 Peter Carpenter presented the report that focused on Risk 25, “BT unable to provide monthly or end of year interface files in a format suitable for Surrey County Council (SCC) 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”, that had been requested at the last Board meeting. Members noted that this issue had also been discussed at the last Pension Fund Committee meeting on 21 March, where Board Members had also been present, and an eight stage plan had been put in place following this discussion. Every effort was being made to ensure that the interface would work correctly and accurately.
- 6.2 Lee Witham (Director of People Services) advised that BT were not meeting a number of deadlines set to resolve the issues. He stated that Sarah Hay (Pensions and Payroll Adviser) and People Services colleagues had visited the BT office in April to review actions being taken and had made some suggestions to BT.
- 6.3 During Members’ discussions, it was asked whether the P60s were correct and it was emphasised that every effort should be made to ensure that the pension payments were correct. Members sought clarification as to whether the problems were mainly attributable to BT and what steps were being taken with regard to those who had been due to draw their pensions whilst the interface was in the process of being put in place. The Board enquired whether first pension payments were still being made late. Members commented that it was difficult to track whether scheme members were being paid the correct amount. In respect of other organisations that were Fund members, it was asked if they were experiencing similar problems, including inaccurate Annual Benefit Statements.
- 6.4 Members commented that aspects of the pension scheme that were running well should be communicated to scheme members and the Board also expressed interest in hearing of the experiences of admitted bodies in the Fund. Members expressed their appreciation for the efforts undertaken by People Services to address the issues. It was remarked that pensions in respect of teaching assistants could become an issue, as some performed more than one role at their school and they may also be receiving various allowances which could complicate calculating their pensions. It was also possible that data for some teaching assistants would be lacking.
- 6.5 In reply to the issues raised, Lee Witham advised that although there were inaccuracies with P60s in previous years, they were now correct. In respect of those due to receive their first pension payments, he advised that People Services were completing leavers’ forms to ensure accuracy. Members heard that a number of issues raised were relatively minor, however a lot of attention had been drawn to the problems experienced. Lee Witham stated that it was intended to proactively seek the views of scheme members and for them to share their pension administration experiences. He also advised that other

organisations within the Fund had not experienced the same problems as the Council because they did not use BT as their payroll provider.

- 6.6 Sarah Hay added that the data of scheme members of other organisations was generally accurate, although there had been a couple of end of year return issues. Some payroll providers had not been quick in responding to requests for data, but this was not a large concern. Sarah Hay also informed the Board that People Services had provided training on pension matters and completion of forms to CityWest Homes.
- 6.7 Peter Carpenter advised that an additional 10,000 issues had been raised when the Royal Borough of Kensington and Chelsea (RKBC) and the London Borough of Hammersmith and Fulham (LBHF) had joined the SCC pension administration service agreement. Generally, the main cause of the problems had been BT's inability to produce an appropriate interface to collect accurate data. Peter Carpenter also emphasised the importance of problems being reported as otherwise they would not be corrected.

7 MONITORING OF DATA TO SURREY COUNTY COUNCIL

- 7.1 Lee Witham presented the report and confirmed that SCC was now providing monthly key performance indicators (KPIs). He advised that as of March 2017, five KPIs remained rated as 'red', however three of these were improving and moving in the right direction. Similarly, three of the four 'amber' rated KPIs were also improving. In terms of retirement options issued to scheme members, performance had improved to a rate of 89%, whilst performance for deferred benefits and payment of lump sum had also both improved. Lee Witham stated that this indicated that the measures put in place and the work undertaken were beginning to show results, although there was still further progress to be made.
- 7.2 Sarah Hay added that SCC's East Sussex Team were dealing with a number of Westminster Fund cases and they were able to respond more quickly as they were not dealing with RBKC and LBHF cases.
- 7.3 Members asked what key concerns remained in respect of performance and had communication between SCC and BT improved since officers had visited SCC. The Board also asked what timeline was in place by which all issues would be resolved.
- 7.4 In reply, Lee Witham explained that although the overall trend was positive, concerns remained in respect of the data being provided by BT and there was a pressing need for them to put in place the appropriate interface. In respect of BT's performance, he stressed that it was the Council's duty to hold them to account, although improved communications between SCC and BT was welcomed. BT had estimated that the data for the BT interfaces would be ready for use by 5 May and there would be a meeting on 2 May to confirm this. Officers were dubious as to whether BT would meet this commitment. Peter Carpenter added that it was hoped to have all issues largely resolved before the next Pensions Annual General Meeting.

- 7.5 Sarah Hay stated that SCC was making considerable efforts to resolve issues. It was anticipated that the end of year returns for 2015-16 would be finalised in the week commencing 15 May, whilst 2016-17 data was being moved onto the interface and it was anticipated that this would be completed by the end of June.
- 7.6 The Chairman thanked officers for their efforts to resolve the issues and noted that the Board would continue to receive updates on pension administration performance.

8 MEMBERS' PERSPECTIVE OF THE PENSION FUND ADMINISTRATION

- 8.1 Lee Witham introduced the report that had been produced following a request by the Pension Fund Committee on 21 March to update the Board on proposals to engage with scheme members. The report proposed that a survey be sent to all of the Fund's employers to distribute to their staff. It was also proposed that Surrey County Council include the link to the online survey in correspondence to retired staff and any other general correspondence. Lee Witham then welcomed the Board's views and suggestions on the proposals.
- 8.2 The Chairman stated that he had spoken to the Chairman of the Pension Fund Committee and it had been suggested that the Board could act as the 'eyes and ears' of the Fund, passing on views and comments from both active and retired scheme members. He suggested that a draft survey be circulated to Members for them to consider and make any suggestions. The Board agreed to the Chairman's suggestion that the survey should be flagged as being undertaken on behalf of the Board.
- 8.3 Members then made a number of suggestions about the proposed survey. Members felt that the survey should contain around five questions and that SCC could send the survey out to all leavers. Both retired and active members could also be written to and the survey could be promoted at the Pensions Annual General Meeting. It was noted that the Chairman of the Pension Fund Committee was willing to invest in communications to scheme members. Survey Monkey could also be used to obtain the views of scheme members. Members commented that the survey offered the opportunity to publicise the Pension Fund website. It was also suggested that research could be undertaken as to how the larger Funds communicated with their scheme members.
- 8.4 In response to Members' suggestions, Lee Witham commented that the survey could also include an introduction about the Board. Peter Carpenter agreed to look into what some of the larger funds did to communicate with their scheme members and he added that he would also approach the Pensions and Lifetime Savings Association.
- 8.5 Members then agreed that the survey be sent to active members initially and then a further report be provided at a future meeting outlining the next steps.

9 FUTURE WORK PLAN

- 9.1 The Chairman informed Members that he had been in discussions with the Chairman of the Pension Fund Committee concerning allocation of work between the two bodies, and agreement had been reached on areas the Board could focus on and he sought Members' views on this.
- 9.2 Peter Carpenter then informed Members of the areas of work agreed, including the Funding Strategy Statement (FFS), the Administration Strategy, the Admissions Policy, relations with the London CIV, compliance with the Pensions Regulator and the Scheme Advisory Board, the Board's role as the 'eyes and ears' of scheme members' experiences and the Pension Fund website. With regard to the website, research could be undertaken as to how it was used and how many hits it received.
- 9.3 Members acknowledged that scheme members needed to be prompted to use the Pension Fund website. It was suggested that the Pensions Annual General Meeting should also be promoted more and scheme members could be encouraged to attend by highlighting the opportunity to meet old colleagues and refreshments could also be provided. Marie Holmes (Employer Representative) and Susan Manning (Scheme Member Representative) indicated that their organisations could host the Pensions Annual General Meeting. Christopher Smith informed Members that he would circulate information on what the Scheme Advisory Board do to them. Members commented that legal compliance was one aspect Members could focus on, and the Board was to develop its "eyes and ears" function. Future areas of work could include addressing any concerns as pooling of assets to the London CIV continued, including governance issues. Members also enquired what work was being undertaken in respect of auto-enrolment and re-enrolment.
- 9.4 In reply to Members' comments, Peter Carpenter advised that the Admissions Policy and the promotion of scheme membership covered auto-enrolment and re-enrolment.
- 9.5 Members agreed that the FSS, scheme members' experiences and the Pension Fund website be considered at the next meeting.

9.6 RESOLVED:

That the contents of the paper and the verbal update be noted.

10 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

- 10.1 There was no other business to consider.

The Meeting ended at 8.35 pm.

CHAIRMAN: _____

DATE _____

