



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Tuesday 27th June, 2017**, Room 3.4, 3rd Floor, 5 Strand, London WC2 5HR.

Members Present: Councillors Suhail Rahuja (Chairman), Peter Cuthbertson, Patricia McAllister and Ian Rowley

Officers Present: Peter Carpenter (Interim Tri-Borough Director of Treasury and Pensions), Yvonne Thompson-Hoyte (Senior Finance Manager – Pensions), Peter Worth (Technical Advisor - Pensions and Treasury), Lee Witham (Director of People Services), Kim Edwards (Senior Pensions and Payroll Adviser) and Toby Howes (Senior Committee and Governance Officer).

Also Present: Jason Bailey (Pension Services Manager, Surrey County Council), Kevin Humpherson (Deloitte), Ian Hammond (Client Service Director, BT) and Christopher Smith (Scheme Member Representative, Pension Board).

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS

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 March 2017 be signed by the Chairman as a correct record of proceedings.

4 PENSION ADMINISTRATION UPDATE

- 4.1 Lee Witham (Director of People Services) presented the report and advised that there were improvements to a number of the key performance indicators (KPIs). The only KPI where performance had dropped was in respect of deferred benefits, however this was due to a number of historical leavers being picked up. Members noted that the performance target was 100% for each KPI and Jason Bailey (Pension Services Manager, Surrey County Council) stated that he felt these targets were realistic.
- 4.2 Lee Witham then turned to issues concerning BT and acknowledged that the performance was unsatisfactory. People Services, Surrey County Council (SCC) and BT had worked collaboratively to move forward and improve in all areas. The key issue had been in relation to Annual Benefit Statements either not being sent to scheme members or being inaccurate. People Services had visited the BT offices to work with BT to address this and the matter had now been resolved, with the statements concerned due to be sent out by SCC in the next 2 weeks. BT had initially indicated that they would not be able to send out the Annual Benefit Statements for 2016-17 before 31 August, however subsequent discussions had resulted in BT stating that this was now achievable.
- 4.3 Ian Hammond (Client Service Director, BT) then was invited to comment and began by stating that lessons had been learnt from the previous year and improvements were being made as a result of the collaborative approach being taken. Additional resources had been identified and the target to complete the data for the Annual Benefit Statements for 2016-17 was now 17 August. Lee Witham added that efforts would be made to encourage BT to provide the statements to SCC at an even earlier date so SCC had sufficient time to process and to send out to scheme members before 31 August.
- 4.4 Members expressed concern about the problems being experienced to date which they felt was unsatisfactory. In respect of the 17 August deadline for Annual Benefit Statements, it was asked what were the specific problems experienced in the last year, why was BT confident it could achieve this year's deadline and what factors may affect its ability to complete this. Ian Hammond advised Members that the previous problems had been attributable to incorrect data. However, the errors had now been rectified, either fundamentally or through a manual fix where necessary, so he was confident the 17 August deadline would be met. Similarly, Ian Hammond felt that all errors would be fundamentally fixed for 2017-18 and an end of June 2018 deadline was due to be set to complete the Annual Benefit Statements for that year.
- 4.5 Christopher Smith (Pension Board Member and Branch Secretary of Unison) advised that he was now receiving much less complaints in relation to pensions. He thanked the work of People Services in helping to resolve issues, although there was still a need for more improvement, which he felt would be achieved if efforts continued.

- 4.6 The Chairman welcomed the collaborative approach taken and the progress being made. He requested that Members be advised in advance if there were any concerns that the deadlines may not be achieved.

5 NEW ADMISSION AGREEMENT RM EDUCATION (THE ST MARYLEBONE CHURCH OF ENGLAND SCHOOL)

- 5.1 Lee Witham presented the report that sought approval of a new admission agreement relating to an individual who was employed by RM Education. The Chairman requested that pre-approval be sought from him before future such admission agreements be put before the Committee so that he could be satisfied that the bond was sufficient.

- 5.2 There was discussion in respect of situations where staff that were subject to transfer of undertakings (TUPE) where they were transferred to a new organisation and to ensure a joined-up approach was taken. Christopher Smith stated that staff such as carers who went to different organisations may have not necessarily have been picked up in respect of admissions and the Chairman added that such situations need to be carefully monitored.

- 5.3 The Committee approved the admission agreement.

6 DRAFT PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2016-17

- 6.1 Peter Carpenter (Interim Tri-Borough Director of Treasury and Pensions) presented this item and advised that the Council had again been the first local authority to submit its Statement of Accounts 2016-17 to the external auditors on 7 April. The standard 30 working days period for public inspection meant that the accounts would be presented to the Audit and Performance Committee on 17 July, the earliest permitted date. Members noted that approval for the final Pension Fund Annual Report was delegated to the Tri-Borough Director of Treasury and Pensions in consultation with the Chairman.

- 6.2 Turning to the Compliance Statement, the Council was largely compliant apart from in respect of admitted bodies having access to Pension Fund Committee papers, particularly in respect of the unions. However, Peter Carpenter advised that Christopher Smith who as a Pension Board Member received Committee papers was also the Unison representative.

6.3 RESOLVED:

That the draft Pension Fund Annual Report 2016-17 be noted and that approval of the final document be delegated to the Tri-borough Director of Treasury and Pensions, in consultation with the Chairman.

7 QUARTERLY PERFORMANCE REPORT

- 7.1 Kevin Humpherson (Deloitte) provided an update on the performance of the Fund. There were no issues with regard to the performance of any of the fund managers and over the year the Fund had performed well relative to its

benchmarks. Majedie had performed below the benchmark for the last quarter, however this was attributable to loss of value in mining stocks and a lack of exposure to consumer staple stocks, however overall for the year Majedie had performed well above the benchmark. Members noted that the £1.4bn loss in respect of Longview was due to one account being moved from active to passive equities.

- 7.2 With regard to the London Collective Investment Vehicle (CIV), Kevin Humpherson advised that the CIV had taken on another £500m in the form of Majedie assets. The CIV now contained £5bn, of which around £800m was from the Council. Members noted the speed to which the Westminster Fund had transferred assets to the CIV. Peter Carpenter added that transfer of assets from the Wandsworth Fund would soon be undertaken to further increase the total assets held by the CIV and he confirmed that the Minister for Local Government had ruled out funds participating in more than one pooling fund. Participation in the London CIV to date would achieve around £700k savings per year.
- 7.3 Members welcomed the fact that the Council was at an advanced stage compared to other London CIV members in terms of transferring funds to the CIV. In reply to a query, Peter Carpenter suggested that transferring assets to the CIV was saving the Council around £700k a year.

7.4 **RESOLVED:**

That the performance of the investments and funding position be noted.

8 FUND FINANCIAL MANAGEMENT

- 8.1 Peter Carpenter presented the report confirmed that there had been no changes to the Risk Register. In respect of cashflow monitoring, fund manager fees had reduced as more assets were pooled to the London CIV. The Chairman emphasised the need to be provided with fund manager fees so comparisons could be made.

9 INVESTMENT STRATEGY AND POOLING UPDATE

- 9.1 Peter Carpenter advised that transfer of Majedie assets to the London CIV meant that around 76% of the Fund's assets were now held by the CIV. With regard to the Fixed Income Mandate, Peter Carpenter informed Members that a 'Buy and Maintain' tendering process would be undertaken by the Council on behalf of London Councils. This would involve producing an initial long list of 10, of which 4 tenderers would then be shortlisted to present to the Committee and the CIV. The final decision would be ratified by Committee on 12 October. Members noted and approved the minor amendments to the Investment Strategy Statement.
- 9.2 Members asked whether the CIV was making investments in property, including commercial property. Peter Carpenter advised that there was yet to be any investment in property, however the CIV's next step would be to look

at investing in infrastructure, although he suggested property investments might not start until around 2 years from now.

9.3 RESOLVED:

1. That progress on the transfer of assets to the London Collective Investment Vehicle be noted.
2. That the progress being made, in liaison with the London Collective Investment Vehicle, in the replacement process and timescales for the fixed income mandate be noted.
3. That the present asset allocations compared to the agreed Asset Allocation Strategy be noted.
4. That the comments made to the Investment Strategy Statement by the Pension Board be noted and the minor changes it recommended be approved.

10 PENSION FUND BUSINESS PLAN 2017-18

10.1 Peter Carpenter presented the report and advised that the Business Plan had sufficient resilience. Every effort was being made to ensure that the tri-boroughs had similar processes in place. The Hammersmith and Fulham Fund would have 57% of its assets in the London CIV following the transfer of passive funds, whilst the Kensington and Chelsea Fund would be able to match the proportion of its assets to the CIV to those already undertaken by the Westminster Fund and the Hammersmith and Fulham Fund in due course.

10.2 Peter Carpenter also commented that efforts were being made to ensure that Committee reports were in the same format as the other tri-boroughs to illustrate a joined-up approach being taken.

10.3 RESOLVED:

That the Tri-borough Pensions Business Plan be noted and that the direction of travel in the plan with regard to the Action Plan be agreed.

11 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

11.1 Peter Carpenter advised that the next Pensions Annual General Meeting was due to take place in October. Christopher Smith added that he will be attending and would be happy to address scheme members.

11.2 In noting that Peter Carpenter was leaving the Council, on behalf of Members the Chairman thanked Peter Carpenter for his work in supporting the Committee and in helping to tackle issues such as those in relation to BT and SCC and wished him all the best in his new role.

The Meeting ended at 8.25 pm

CHAIRMAN: _____

DATE _____