



CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Monday 13th May, 2019**, Room 18.02, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillor Angela Harvey (Chairman and Employer Representative), Terry Neville (Vice-Chairman and Scheme Member Representative), Councillor Guthrie McKie (Employer Representative), Marie Holmes (Employer Representative), Christopher Smith (Scheme Member Representative) and Chris Walker (Scheme Member Representative).

Martin Colwell (Scheme Member Representative) was also in attendance.

Also Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Billie Emery (Pension Fund Manager, Treasury and Pensions), Matthew Dawson (Senior Finance Manager, Tri-Borough Treasury and Pensions), Lee Witham (Director of People Services), Sarah Hay (Senior Pensions and Payroll Officer) and Toby Howes (Senior Committee and Governance Officer).

1 MEMBERSHIP

- 1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

- 2.1 Terry Neville declared that he is a councillor at the London Borough of Enfield, however he is a scheme member of the Westminster Pension Fund.

3 MINUTES

3.1 RESOLVED:

That the minutes of the meeting held on 29 January 2019 be signed by the Chairman as a correct record of proceedings.

4 PENSION ADMINISTRATION UPDATE

- 4.1 Sarah Hay (Senior Pensions and Payroll Adviser) presented the report and advised that there had been a dip in performance for some of the key performance indicators (KPIs) during the January to March 2019 period. This

was attributable to the Administration Team in East Sussex not following through the full work flow of duties, such as not undertaking a daily monitoring of replies from pension scheme members to letters sent out by Surrey County Council. (SCC). Sarah Hay advised that she had since visited the Administration Team to raise this issue and it was hoped that the KPIs for April would demonstrate that this was no longer a cause for concern.

- 4.2 In respect of data cleansing, Sarah Hay advised that the number of errors identified had reduced by 39% as of end of April. She confirmed that all of the Fund's employers had completed status 2 leaver data to SCC. As of the end of April 2019, 77% of cases had been completed and with SCC, ready to be sent to JLT for processing. As of 13 May, a further two batches had also been sent over to SCC and an update on the data cleansing exercise could be provided at a future meeting.
- 4.3 During Members' discussions, the Chairman noted that there had been no cases brought to the attention of People Services about the problems experienced during the January to March period. She also requested the updated KPIs for April. Regarding data cleansing in identifying the true employer, the Chairman enquired whether any of 185 cases referred to SCC may involve potential fraud.
- 4.4 Members queried why the Council was liable for the £14,500 costs for removing critical errors in the Fund's data. Members also sought assurances that the data cleansing would not unearth further issues. It was also queried whether the auditors would pick up any issues concerning data cleansing.
- 4.5 The Board welcomed the progress made in respect of the existence checking of pensioners living overseas, an exercise undertaken by Western Union on behalf of the Council.
- 4.6 In reply to issues raised by the Board, Sarah Hay advised that she was not aware that it had led to any pension scheme members suffering hardship and this had not been raised at the Pensions Annual General Meeting. A number of steps were being taken to improve data accuracy through data cleansing. The Board heard that The Pensions Regulator required administering authorities to measure data accuracy each November and the Data Improvement Plan would help to minimise data inaccuracies which Sarah Hay agreed to email this plan to Members. With regard to identifying the true employer, Sarah Hay advised that this was likely to involve instances where schools that were Fund members were using different payroll providers and there was no particular reason to suspect that fraud may be involved. Members heard that the Fund has responsibility to check data and so are liable for the costs involved. Sarah Hay stated that the auditors would focus on the process of ensuing accurate data, rather than looking at specific instances of missing data.
- 4.7 Phil Triggs (Tri-Borough Director of Treasury and Pensions) added that the internal auditors would focus on systems checking and this would involve looking at a sample of data. It was also important to work closely with internal audit to help maintain data accuracy.

- 4.8 The Chairman requested that information on the size of the pension scheme's liability and an update on the work undertaken by internal audit for the pension scheme be provided at the 15 October meeting.

5 PENSIONS ANNUAL GENERAL MEETING

- 5.1 Phil Triggs (Tri-borough Director of Treasury and Pensions) introduced this item and stated that the Pensions Annual General Meeting (AGM) had been a success, with in excess of 60 people attending. The event had begun with a presentation from Sarah Hay, summarising the benefits in being a member of the pension scheme. This was followed by a presentation from Phil Triggs summarising the investment aspects of the Fund and then concluded by a presentation from Majedie, one of the fund managers, on environmental, social and governance (ESG) investments.
- 5.2 A Member who had attended the event remarked that he was impressed by the number of people attending and the presentations were informative. In reply to a query about communicating the AGM to scheme members, Phil Triggs suggested that there could be a feature on it in the Council's website. The Board also agreed to his suggestion that next year's Pensions AGM take place the week after the last May Bank Holiday weekend in order that the Pension Fund Annual General Report was ready to be distributed at the event.

6 FUND FINANCIAL MANAGEMENT

- 6.1 Billie Emery (Pension Fund Manager) presented the report and referred to the updated Risk Registers for both the administration risks and the investment risks.
- 6.2 During discussions, Members requested that risks that were more likely to occur be highlighted in the Executive Summary of the report so that the Board could focus on these. Members expressed reservations in respect of the governance arrangements of the London Collective Investment Vehicle (LCIV), particularly in respect of governance and requested an update on this at the next meeting.

6.3 RESOLVED:

1. That the Risk Registers for the Pension Fund be noted.
2. That the cashflow position, the rolling 12 month forecast and the three year forecast be noted.
3. That the forward plans for the Pension Fund Committee and the Pension Board be noted.

7 QUARTERLY FUND PERFORMANCE

- 7.1 Billie Emery presented the report and advised that the Fund had

underperformed its benchmark over the year to 31 March 2019 by 0.9%. However, over the longer three year period, the Fund was outperforming its benchmark by 0.5%. Billie Emery added that the funding level remained stable at 94.5% as of 31 December 2018.

- 7.2 Members queried why Baillie Gifford, one of the fund managers, had been underperforming recently. In reply, Phil Triggs advised that Baillie Gifford, along with Majedie, had been outperforming for a period of around 20 years until the dips in performance in the last two years. This illustrated that it was not possible to be permanently outperforming the benchmarks.

7.3 **RESOLVED:**

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

8 CITY OF WESTMINSTER RESPONSE TO MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT (MHCLG) STATUTORY GUIDANCE ON ASSET POOLING IN THE LOCAL GOVERNMENT PENSION SCHEME CONSULTATION

- 8.1 Phil Triggs presented the report that included the Council's response to the MHCLG's guidance on pooling. There were currently eight pools in existence in England and Wales and the way in which the pools were run varied widely. In the case of the LCIV, this initially had been a voluntary pool before pooling had become a statutory requirement and the LCIV had been operating on a more 'optional' basis as opposed to some other pools that were far more compulsory in nature. Phil Triggs added that there had been visible improvements to the LCIV of late and a new Chief Executive and Chief Investment Officer had been appointed. Billie Emery and Matthew Hopson (Strategic Investment Manager, Tri-Borough Treasury and Pensions) had also visited the LCIV and had met the new Chief Investment Officer and it was noted that communications and transparency on costs had improved.
- 8.2 During discussions, a Member commented that the expected reductions in fund manager fees since joining the LCIV were only just beginning to be achieved.
- 8.3 In reply, Phil Triggs advised that the Council had actually chosen the fund managers in respect of assets allocated to the LCIV and was benefitting from lower management fees.

8.4 **RESOLVED:**

That the response to the consultation in Appendix 1 of the report and the report taken to the Pension Fund Committee in Appendix 2 of the report be noted.

9 LOCAL GOVERNMENT ASSOCIATION SUMMARY ON PROPOSED CAP ON EXIT PAYMENTS IN THE PUBLIC SECTOR

- 9.1 Phil Triggs presented the report and advised that if the proposed cap was

imposed, an individual taking an early, enforced retirement at the age of 55 years or above would mean that the statutory redundancy payment and the pension strain could not exceed £95,000. This would mean a reduction in payment for a number of middle income earners, and particularly handicap those who had long service records. The proposals were currently under consultation and the Local Government Association (LGA) was compiling responses from local authorities. Phil Triggs then sought a steer on the views of the Board on the proposals.

- 9.2 During discussions, the Chairman asked whether the Local Government Association had done any modelling in respect of this matter. Members noted that the intention of the proposals was to prevent senior staff retiring early with significant six figure pension strain and other statutory redundancy pay-offs. However, as this would impact adversely on a number of middle income, long serving staff, the Board did not consider the proposals desirable. It was also commented that it would have the effect of taking away the independence and authority of local councils in structuring their workforce accordingly. Marie Holmes (Employer Representative) stated that a plan of action also needed to be put in place in respect of schools and she asked that the Council's draft response be sent to her to act as a guide.
- 9.3 In reply to the issues raised, Lee Witham (Director of People Services) advised that London Councils had undertaken some modelling in respect of the proposed cap on exit payments and he gave an example of where a 55 year old on a salary of £50,000 who had given 20 years of service would be well over the cap, and even those on £40,000 with 30 years of service would also be over the cap. Lee Witham emphasised the need to put across the Council's views and formulate its response in consultation with London Councils.

9.4 **RESOLVED:**

That the report be noted.

10 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

- 10.1 Members expressed their satisfaction on the training on infrastructure investments that had taken place prior to the meeting. The Board agreed that the next training session be on investing in ESG assets and that representatives of the LCIV be invited to attend to discuss their ESG policy. Phil Triggs also circulated a draft induction handbook for Board Members for feedback.

11 EXCLUSION OF PRESS AND PUBLIC

11.1 **RESOLVED:**

That under Section 100 (A) (4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following items of business because they involve the likely disclosure of exempt information on the grounds shown below and it is

considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

12 PENSION FUND COSTS

- 12.1 The Board considered and noted a confidential report on Pension Fund costs.

13 UK EQUITY MANDATE REVIEW

- 13.1 The Board considered and noted a confidential report on the UK Equity Mandate Review.

The Meeting ended at 8.28 pm.

CHAIRMAN: _____

DATE _____