



**CITY OF WESTMINSTER**

# MINUTES

## **Pension Fund Committee**

### **MINUTES OF PROCEEDINGS**

Minutes of a meeting of the **Pension Fund Committee** held on **Thursday 16th December, 2021**, Rooms 18.01 & 18.03, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

**Members Present:** Councillors Eoghain Murphy (Chairman), Barbara Arzymanow, Angela Harvey and Patricia McAllister

**Also Present:** Phil Triggs (Tri-Borough Director of Treasury and Pensions), Matthew Hopson (Strategic Investment Manager), Sarah Hay (Strategic Pension Lead), Diana McDonnell-Pascoe (Pensions Project Manager), Kevin Humpherson (Deloitte), Jonny Moore (Deloitte) and Clare O'Keefe (Committee and Councillor Coordinator).

#### **1 MEMBERSHIP**

- 1.1 There were no changes to the membership.

#### **2 DECLARATIONS OF INTEREST**

- 2.1 Councillor Angela Harvey declared that in respect to Item 13, her husband, Councillor David Harvey, was the Vice Chair of the Capital Letters Consortium at London Councils.

#### **3 MINUTES**

##### **RESOLVED:**

That the minutes of the meeting held on 21 October 2021 be agreed subject to the following amendments:

- 1) That the word 'daft' be amended to 'draft' in Item 5.
- 2) That there be a clarification in Item 4 to note that HPS (Hampshire Pension Service) were advised that Westminster Pension Fund were considering its position on child payments.
- 3) That there be a clarification in Item 5 which states that the Committee would receive a summary of the KPIs.



- 4) That reference to 'direct impact' be changed to 'consequential impact' in Item 8.
- 5) That 'schemes' replace the word 'scheme' in Item 8.
- 6) That Item 10 notes the Committee considered whether the debt was something which sat with the fund's responsible investment strategy.
- 7) That Item 10's resolution states 'That private debt be included'.

#### **4 PENSION ADMINISTRATION UPDATE**

Sarah Hay, Strategic Pension Lead, presented the report and advised the Committee of Surrey County Council's (SCC) performance for the period September 2021. The Committee was advised that, overall, the Key Performance Indicators (KPI) from SCC remained disappointing but the Committee was pleased to note that the SCC team had been concentrating on WCC (Westminster City Council) Fund's work in September 2021. Prominent issues during this period included overpayments, processing payments and unprocessed leavers. The Committee was informed that SCC no longer had access to the Fund's bank account.

The Committee was informed that, when the report was submitted, no KPIs had been submitted by HPS at that point. However, the Committee welcomed the positive feedback which arose from WCC staff who had dealt with HPS to date. Sarah Hay advised verbally that the first month of KPIs were all 100 per cent as this information was received, after the report was submitted. The Committee noted the efforts from WCC staff to build in correct internal governance and accurate KPI reporting. Furthermore, the Committee asked the WCC team to advise whether they felt supported enough by HPS. The Committee looked forward to receiving an update on data scores at the next meeting of the Committee.

#### **RESOLVED:**

That the Committee considered the report.

#### **5 PENSION ADMINISTRATION TRANSFER PROJECT UPDATE**

Diana McDonnell-Pascoe, Pensions Project Manager, presented the report which updated the Committee on the progress of the project to transfer the Pension Administration Service from SCC to HPS. The Committee was pleased to note that the transition to business-as-usual service delivery with HPS was largely smooth. The Committee understood that HPS's professionalism in their service delivery was appreciated by WCC's team.

The Committee was informed that the Pension Administration Transfer Project had a status of 'Green', had moved to the 'CLOSE' stage. The Committee noted the internal handover to business-as-usual activities was progressed and costs were as expected and correct: there were some costs still to be determined and the Committee understood they would be updated of these in due course. The Committee noted that within the first three weeks of going



live with HPS, over 2,000 members registered, and the WCC team worked internally and with WCC Communications officers to put together a robust system of engagement.

The Committee was advised that in regard to procurement monitoring, there was a standardised template used to make both governance and contract monitoring robust. In terms of fiscal monitoring, there would be a separate bi-annual finance review of the contract in terms of administration servicing. The Committee was pleased to note that the WCC team had had open and honest conversations with HPS about governance and had put regular meetings in place to highlight any issues along the way.

**RESOLVED:**

That the Committee noted the report.

## **6 FUND FINANCIAL MANAGEMENT**

Matt Hopson, Strategic Investment Manager, presented the report and advised the Committee of the cashflow forecast for the next three years which had been updated with actuals to 30 September 2021 for the Pension Fund bank account and cash held at custody (Northern Trust). The Committee was pleased to note that the bank position continued to be stable. The Committee also discussed the risks in the risk register for the Pension Fund.

**RESOLVED:**

That the Committee noted:

- 1) The risk registers for the Pension Fund; and
- 2) The cashflow position for the pension fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast.

## **7 QUARTERLY FUND PERFORMANCE REPORT**

Matt Hopson, Strategic Investment Manager, presented the report which detailed the performance of the Pension Fund's investments to 30 September 2021, together with an update of the funding position. The Committee was pleased to note that the Fund outperformed the benchmark net of fees by 0.1% over the quarter to 30 September 2021 and the estimated funding level was 103% as at 30 September 2021. The Committee understood that since the new actuary was appointed, the impact of new assumptions were broadly in line with what the Fund had before, and the funding level had not significantly changed from the last update.

**RESOLVED:**



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

## **8 LONDON CIV ABSOLUTE RETURN FUND**

Matt Hopson, Strategic Investment Manager, presented the report which provided a summary of the London CIV Absolute Return Fund. The Committee was advised of recommendations for the effective management of cash/equivalents and delivering returns in excess of inflation. The Committee held a detailed discussion on accelerating the sale of the Longview Equity Fund and the next steps to manage the proceeds of the sale with minimal risk and a reasonable return.

### **RESOLVED:**

That the Committee:

- 1) Noted the key details of the London CIV Absolute Return Fund; and
- 2) Approved a £50m allocation to be funded by the sale of the Longview Equity mandate.

## **9 ASSET REBALANCING AND GLOBAL ALPHA EQUITY TRANSITION**

Phil Triggs, Tri Borough Director of Treasury and Pensions, presented the report and advised the Committee of the Fund's current strategic asset allocation, as at 31 October 2021, compared with the target allocation. The Committee understood that asset rebalancing was generally viewed in a positive light; even if there was a cost to switch, there was overall a distinct advantage to the Fund overall.

The Committee noted that per the Investment Strategy Statement (ISS), the Fund had trigger points for rebalancing the portfolio allocations. In addition, analysis on estimated transition costs, overlap and volatility for the London CIV (Baillie Gifford) Global Alpha Growth Paris Aligned fund was explored. The Committee held a detailed discussion on the current composition and target allocations.

### **RESOLVED:**

That the Committee:

- 1) Agreed to rebalance the Fund, topping up underweight asset classes with the overweight allocations in equity and cash/equivalents in accordance with the following.
  - a) Equity
    - i. As per the recommendations under Item 8, the Longview equity fund be sold, and the proceeds transitioned into cash and equivalents with an allocation of £50m.



- b) Fixed income
    - i. rebalancing of the fixed income mandates be addressed once a private debt manager is selected.
    - ii. the fixed income allocation be split into: 7 percent in global bonds, 6 percent in private debt, 6 percent in multi asset credit.
  - c) Property
    - i. rebalance the portfolio by topping up the under allocations to the Abdn Long Lease Property mandate equating to circa £22m using the over allocations to equity and cash/equivalents.
    - ii. rebalance the portfolio by appointing a new Affordable Housing and Social Supported Housing manager(s) with the allocation to total 5 percent of total fund value.
  - d) Infrastructure
    - i. rebalance the portfolio by topping up the under allocations to the Quinbrook Renewables energy fund with an additional £10m using the over allocations to equity and cash/equivalents.
    - ii. revisit Pantheon Global Infrastructure Fund III's new infrastructure mandate in early 2022 to allow for appropriate due diligence.
- 2) Commission a full analysis of transition costs and returns, with the view of transitioning the London CIV Global Alpha Growth mandate into the Paris Aligned version; and
  - 3) Requested an update from Quinbrook Renewables.

## **10 EXCLUSION OF PRESS AND PUBLIC**

The Chair moved and it was

### **RESOLVED:**

That under Section 100 (a) (4) and Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following Item of Business because it involves the likely disclosure of exempt information relating to the financial or business affairs of any particular person (including the Authority holding that information) 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.

## **11 GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION UPDATE**

Sarah Hay, Strategic Pension Lead, presented the report following the Pension Fund Committee meeting on 21 October 2021 where, in the wake of



the Fund's exit from SCC, a decision needed to be made on the outstanding GMP project (reconciliation of records). The Committee noted the update provided from a Senior Commercial Lawyer on behalf of the Director of Law: legal advice was clear that the original contract could not be enforced.

**RESOLVED:**

That the Committee approved to contract with Mercer and WCC internally project manage Mercer to ensure the project was completed by the end of November 2022.

## **12 PRIVATE DEBT**

Kevin Humpherson, Deloitte, presented the report and summarised the investment manager shortlist for a proposed new private debt (direct lending) mandate, as agreed at the Pension Fund Committee meeting on 21 October 2021. The Committee was advised of the market area, location and size of the preferred funds and that the managers should take either controlling positions or be a sole lender. The Committee noted that there were three managers who met all the criteria.

**RESOLVED:**

That the Committee:

- 1) Considered the manager shortlist for the proposed allocation to private debt, with Deloitte requested to prepare an investment manager selection report; and
- 2) Attend a private debt information session on 31 January 2022 before the presentations by shortlisted managers.

## **13 AFFORDABLE/SOCIAL SUPPORTED HOUSING MANAGER SELECTION**

Phil Triggs, Tri Borough Director of Treasury and Pensions, presented the report and briefed the Committee on the approach taken for shortlisting appropriate Affordable and Social Supported Housing managers for the Fund. Three suitable investment managers presented to the Pension Fund Committee on 29 November 2021, with the manager(s') appointment decision deferred to the Committee on 16 December 2021.

The Committee was informed of a number of follow-up questions asked by Deloitte and held a detailed discussion on the merits of each Affordable and Social Supported Housing managers.

**RESOLVED:**



That the Committee decided and approved the allocation of £45m each for Triple Point and Man Group, or 2.5 percent of the total fund value depending on which sum was higher.

The Meeting ended at 20:40.

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