



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Thursday 10th March, 2022**, 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), Billie Emery (Pension Fund Manager), Sarah Hay (Strategic Pension Lead), Kevin Humpherson (Deloitte), Jonny Moore (Deloitte) and Clare O'Keefe (Committee and Councillor Coordinator). Marie Holmes (Pension Fund Board member) and Christopher Smith (Pension Fund Board member) were also in attendance.

1 MEMBERSHIP

- 1.1 There were no changes to the membership.
- 1.2 The Chairman noted it was Councillor Angela Harvey's last time sitting on the Pension Fund Committee and extended particular thanks for the dedication and contribution provided to the Pension Fund Committees and Board over the last 20 years.

2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest.

3 MINUTES

RESOLVED:

- 3.1 That the public minutes of the meeting held on 29 November 2021 be signed by the Chair as a correct record of proceedings.
- 3.2 That the private minutes of the meeting held on 29 November 2021 be signed by the Chair as a correct record of proceedings.

- 3.3 That the minutes of the meeting held on 16 December 2021 be signed by the Chair as a correct record of proceedings.

4 PENSION ADMINISTRATION UPDATE

Sarah Hay, Strategic Pension Lead, presented the report and advised the Committee of the Key Performance Indicators (KPI) for Hampshire Pension Services (HPS) for the period 8 November 2021 to 31 January 2022. The Committee was pleased to note that HPS reported 100 percent compliance within the agreed KPI in each month and most of the KPI standards had increased with HPS from those previously agreed with Surrey. The Committee stated that they would like to see summaries of the monthly KPI reporting that Westminster City Council receives from HPS.

The Committee was informed that HPS have dealt with issues in a transparent and responsive way and none of the complaints received particularly reflect on the HPS service. The Committee held a discussion on members accessing HPS portal and data. The Committee was also advised that whilst the data scores in the report to the Pension Regulator were disappointing after the data cleansing the Fund had done in the last few years, HPS had identified some easier wins to improve those scores.

The Committee noted that the Committee and Pension Board would be updated on the end of year returns in due course. The Committee held a detailed discussion about mortality screening and fraud, including ways to prevent future cases. The Committee also discussed preserved funds.

RESOLVED:

That the Committee noted the report.

5 COWPF LGPS PROJECTS AND GOVERNANCE UPDATE

Diana McDonnell-Pascoe, Pensions Project Manager, presented the report and the Committee was advised of the various projects and governance activities being undertaken by the Pensions and Payroll Team to improve the administration of the COWPF LGPS.

The Committee was informed that the Fund's data was deleted from Altair at the end of January 2022, as requested, and the Committee would be informed of the final position with respect to exiting Surrey at the next meeting of the Committee.

The Committee noted that the current website for the COWPF LGPS is being reviewed with respect to value for money and was informed of the progress which had been made since December 2021. The Committee discussed options for the website domain name and ensuring that the website is accessible to all members. The Committee was pleased to note that officers were engaging with Westminster City Council's Able Network to ensure accessibility.

The Committee was advised that the Guaranteed Minimum Pension project would be launched on 1 March 2022 and work is expected to begin in April. HPS will be validating Mercer's work to avoid errors or miscalculations. The Committee understood that they would be updated on this at the next meeting of the Committee. The Committee noted the efforts to put in place governance procedures and robust contract monitoring with HPS.

The Committee was also informed of the two phases of work being undertaken in regards to the McCloud judgement. The Committee held a discussion on the current workstreams, future-proofing and using data usefully in a cost-effective way.

RESOLVED:

That the Committee noted the report.

6 PENSION FUND BUSINESS PLAN AND INVESTMENT CONSULTANT PERFORMANCE REVIEW

Phil Triggs, Tri Borough Director of Treasury and Pensions, presented the report and informed the Committee of the draft 2022/23 Pension Fund Business Plan which identifies the strategic medium-term objectives and a budget forecast for 2022/23. The Committee noted that the Plan will take effect from 1 April 2022 and the Committee will receive a full outturn report of the previous year's 21/22 Business Plan at the next Committee. The Committee understood that the Plan is split into seven areas: Administration, Communication, Actuarial/Funding, Pension Fund Committee Members, Financial and Risk Management, Investment and Local Pension Board.

The Committee was pleased to note the positive results of the annual performance review of the investment consultant, Deloitte, against the agreed Investment Consultant Aims and Objectives, as approved at the Pension Fund Committee on 23 October 2019. The Committee held a discussion on the current position of the Westminster Council's Treasury and Pensions partnership between Westminster and Bexley councils. The Committee also discussed Appendix 3 in the confidential section of the meeting.

RESOLVED:

- 1) That the Committee:
 - i. Approved the attached business plan and budget for 2022/23 (Appendix 1).
 - ii. Approved that Appendix 3 to this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

- 2) That officers would provide the Committee with information relating to fees and asset classes when strategic allocations are next discussed.

7 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 31 December 2021 for the Pension Fund bank account and cash held at custody (Northern Trust). The Committee also noted the risks in the risk register for the Pension Fund.

The Committee understood that as this report was backwards looking, the escalating geo-political landscape at the time of the Committee had not yet been reported on. The Committee noted that it is a fluid situation, and the risks need to be constantly reviewed. The Committee discussed the possibility of receiving more recent reports at the Committee rather than quarterly reports. The Committee was pleased that the Longview Fund assets had been liquidated and the Westminster Fund benefitted from putting £50m into an Absolute Return Fund.

RESOLVED:

- 1) That the Committee noted:
 - i. The top five risks for the Pension Fund; and
 - ii. The cashflow position for the pension fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast.
- 2) That officers would endeavour to provide the Committee with the most recent cashflow reports at future Committees, rather than quarterly reports.

8 RESPONSIBLE INVESTMENT STATEMENT 2022

Matt Hopson, Strategic Investment Manager, presented the report and the Committee noted the 2022 Responsible Investment Statement for the Westminster Pension Fund. The Committee noted that officers were grateful for their feedback from the first Responsible Investment Statement. The Committee noted that the 2022 Responsible Investment Statement builds on what was previously compiled, with two major changes which include: more CO₂ reporting and impact modelling for renewables.

The Committee discussed the statistics and case studies in the report as well as retrofitting and decarbonisation: the Committee was pleased to note that whilst it would not be appropriate for the Pension Fund, the Council's Climate Emergency Working Group had been having discussions on retrofitting. The Committee also held a discussion on the impact of the Ukraine crisis on some of the Fund's responsible investments.

RESOLVED:

That the Committee:

- 1) Noted and commented on the Responsible Investment Statement; and
- 2) Delegated authority to the Tri-Borough Director of Treasury and Pensions to publish the final Responsible Investment Statement on the Council's website pending changes circulated to the Chairman to agree final version.

9 QUARTERLY PERFORMANCE OF THE COUNCIL'S PENSION FUND

Phil Triggs, Tri Borough Director of Treasury and Pensions, presented the report which detailed the performance of the Pension Fund's investments to 31 December 2021, together with an update of the funding position. The Committee understood the Fund underperformed the benchmark net of fees by 0.8% over the quarter to 31 December 2021 and the estimated funding level was 103.0% as at 31 December 2021. The Committee noted the changes in asset allocation and the transition cost analysis (LCIV Paris aligned portfolio with Baillie Gifford). The Committee held a discussion on the costs of transitioning these assets.

RESOLVED:

That the Committee:

- 1) Noted the performance of the investments and the funding position;
- 2) Noted the Baillie Gifford Paris Aligned fund transition costs, with a decision not to transition the Global Alpha mandate into the Paris Aligned version for the time being; and
- 3) Approved that Appendices 2 and 5 to this report are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

10 ANY OTHER BUSINESS

Phil Triggs, Tri Borough Director of Treasury and Pensions, informed the Committee of Westminster Pension Fund's position in light of the Ukraine crisis. The Committee noted that the Pension Fund did have some equity exposure to Russia but saw positive action from the FTSE indices and MSCI indices in terms of the abolition of Russian stocks from those index funds. Subsequently, the Committee understood that Westminster's Pension Fund, as at 9 March 2022, had zero exposure to Russia within the Fund's remaining asset classes. The Committee noted that officers will continue to monitor the situation and engage with investment managers as necessary on any residual holdings within the equity mandates.

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 PENSION ADMINISTRATION PROJECTS AND COSTS

Sarah Hay, Strategic Pension Lead, presented the report and informed the Committee about the Pension Fund's administration projects and costs. The Committee considered the various facets of the Fund's administration and costs and held detailed discussions on these.

RESOLVED:

That the Committee:

- 1) Approved future projects with HPS to be explored.
- 2) Approved that decisions will be made in the Autumn regarding the analysis options set out in the report.
- 3) Requested additional information on what support could be offered by the Hymans Learning Academy.
- 4) Approved proposed changes to the Pension and Payroll team.

12 PRIVATE DEBT INVESTMENT MANAGER SELECTION

The Committee considered the selection of a Private Debt/ Direct Lending manager for the Fund to invest the Fund's six percent asset allocation to Private Debt, as agreed at the Pension Fund Committee meeting of 16 December 2021. Three suitable investment managers presented to the Pension Fund Committee on 10 March 2022 as advised by the Fund's investment consultant, Deloitte.

The Committee were informed by Kevin Humpherson, Deloitte, that six percent of the Pension Fund equated to roughly £110m at the time of the Committee. The Committee were also provided with an overview of fees from the shortlisted Private Debt/ Direct Lending managers and held a discussion regarding the different managers.

RESOLVED:

That the Committee:

- 1) Decided and approved the selection of a Private Debt Investment Manager, to invest the Fund's 6 percent allocation with further fee negotiation and split into co-investment at officers' discretion; and
- 2) Approved that Appendix 1 to this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

The Meeting ended at 20:57.

CHAIRMAN: _____

DATE _____