



CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Tuesday 18 January 2022 at 6.30pm. This meeting took place virtually.**

Members Present: Terry Neville OBE (Chairman and Scheme Member Representative), Councillor Guthrie Mckie (Vice-Chairman, Employer Representative), Marie Holmes (Employer Representative), Councillor Tim Mitchell (Employer Representative) and Christopher Smith (Scheme Member Representative).

Officers Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Mathew Dawson (Senior Finance Manager, Tri-Borough Treasury and Pensions), Sarah Hay (Senior Pensions and Payroll Officer), Diana McDonnell-Pascoe, (Pensions Project Manager), Billie Emery (FM Pensions), Andrew Lowe (Pension Scheme Fund Manager at Hampshire County Council) and Sarah Craddock (Committee and Councillor Co-ordinator).

Apologies for Absence: Chris Walker (Scheme Member Representative).

1 MEMBERSHIP

1.1 There were no changes to the Membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest, other than the standing declarations already made by Members.

3 MINUTES

3.1 **RESOLVED:** That the minutes of the meeting held on 18 November 2021 be approved as an accurate record of proceedings.

4 PENSION ADMINISTRATION UPDATE (Agenda Item 4 on the Agenda Pack)

4.1 The Board received an update on the general pension administration issues the fund has experienced following the move from Surrey to Hampshire Pension Services (HPS) on the 8 November 2021. The Chairman welcomed Andrew Lowe (Manager of the Hampshire Pension Service) to the meeting.

- 4.2 The Board heard that working with Hampshire Pension Service (HPS) had been a positive experience to date and that officers would be holding monthly partnership meetings with HPS to address any issues. The Board noted that these meetings would continue until officers were satisfied that the service was meeting Westminster's expectations.
- 4.3 The Board was pleased that the Key Performance Indicators had been met 100% of the time in each category in November and December 2021 and that the Pension Committee had agreed a Guaranteed Minimum Pension (GMP) Contract with Mercer to progress the data work needed to improve Westminster's data scores through targeted measures.
- 4.4 The Board received an update on the McCloud Project and heard that all employers had been asked to submit data by the end of January 2022. The Board was reminded that Westminster had to retrieve data from three previous HR systems, including one from City West Homes, and that these systems would continue to be licenced to retrieve historical data and confirm when people had left the Pension Scheme.
- 4.5. Andrew Lowe (HPS) who confirmed that all files, whatever their size, had now been successfully transferred and stored within Hampshire Pension Service (HPS). The Board discussed with Andrew how Hampshire would start sorting out some of the 'chunkier' pieces of data work so Westminster would see an increase in their data scores. The Board noted that data cleansing and data quality improvement would form part of Hampshire's daily ongoing (BAU) activity. Andrew confirmed that the small companies would also form part of the McCloud work, however he advised that the reality was that not everyone would hold the required information and assumptions and decisions would need to be made at the appropriate time.
- 4.6 Andrew advised that Westminster and Hampshire had formed a positive relationship over the past year and that 'going live' on the 8 November had been successful. He confirmed that all payrolls had run smoothly. He explained that Hampshire would be in regular contact with Westminster regarding their performance. He emphasised that Hampshire had a good track record of delivering an excellent service for their clients. The Board noted that Hampshire would start doing some of the data cleansing work in terms of address tracing which would help improve Westminster's data scores over the course of next year. Andrew then explained how the McCloud Project would be a big piece of work, taking up to two years, especially as currently there was no legislation in place to allow pension schemes to rectify issues. He concluded by advising that Hampshire was very much looking forward to working with and providing a good quality Pension Scheme for Westminster.
- 4.7 The Chairman thanked Andrew for his perspective on the transition of the Pension Scheme to Hampshire Pension Service and for giving up his evening to attend the meeting. He said that the Board looked forward to a long and successful relationship with Hampshire.

- 4.8 **RESOLVED:** That the Board noted the report and looked forward to a successful working relationship with Hampshire Pension Service.

5 PENSION ADMINISTRATION TRANSFER PROJECT (Agenda Item 5 on the Agenda Pack)

- 5.1 The Board received an update on the progress of the project to transfer the pension administration service from Surrey County Council (SCC) to Hampshire County Council's Pension Service (HPS). The Board noted that the project was now in CLOSE with mop-up/handover activities being compiled and moved to being managed through business as usual (BAU) activity. The Board also noted that all project costs were as expected, and a summary of the budget costs would be produced for the next meeting.
- 5.2 The Board heard that the Engagement and Comms Plan had been delivered as per the timetable with only one issue identified post 'go live' regarding a bulk email exercise that had failed to include all the email addresses that were included in the exercise. The Board was pleased that this error had been rectified and the lessons learnt would be used to improve comms planning now and in the future.
- 5.3 The Board noted that there had been a good continuity of service throughout the transition period and that the "read only" WCC Pension data being kept on Altair on Surrey servers would be deleted at the end of January 2022 in line with GDPR. The Board welcomed the news that the Surrey exit costs were 70% of the revised budget and 76% of the original budget, with an appropriate exit cost of 54K.
- 5.4 The Board was pleased that over 2000 members had already signed up to the HPS Member Portal and that employers were able to self-service via the Employee Hub or correspond and complete their administration via secure email to HPS' employer email address.
- 5.5 The Board discussed the large amount of backlogged casework that Surrey had handed over to HPS who had agreed to absorb as much as possible in their usual BAU activity but had also indicated that there might be additional and unknown costs to remove the backlog following assessment. The Chairman and board members expressed their concern at this further example of unsatisfactory performance by Surrey and asked that the Board be updated at its March meeting on what steps are being taken to recover extra costs incurred by Westminster. The Board was reassured that comprehensive governance had been put in place to monitor the contract and that an update on the backlogged casework would be given at the next meeting.
- 5.6 The Board noted that the Pension Committee had agreed to a further 12 months subscription of the current COWPF website www.wccpensionfund.co.uk whilst a thorough review into requirements and options would be brought to the Board later in the year. The Board highlighted the importance of all members having a good digital experience

and looked forward to receiving a report on suitable options for the implementation of a very user-friendly system/website.

5.7 The Board congratulated and thanked officers for all their hard work on the transfer of the pension service to Hampshire Pension Services.

5.8 **ACTION:** That the Board be updated at its March meeting on what steps are being taken to recover the extra costs incurred by Westminster due to the unsatisfactory performance by Surrey.

5.9 **RESOLVED:** That the report be noted.

6 FUND FINANCIAL MANAGEMENT (Agenda Item 6 on the Agenda Pack)

6.1 The Board discussed the report which outlined the top five risks for the governance and pension administration fund. (The five risks were set out in a table at paragraph 3.1, page 34 of the report). The Board discussed the possible consequences of the UK price inflation being significantly more than anticipated in the current actuarial assumptions and the importance that Members, and especially young people joining the Pension Scheme, placed on their pension contribution being invested ethically with essential factors for consideration being the climate agenda, social issues and good governance. The Board was pleased to hear that the Pension Fund had already started measuring its carbon impact and details could be found on its website.

6.2 The Board discussed the possible opportunities of engaging with climate change officers/agencies around the country to see if there was any synergy in terms of where investments increased. The Board further discussed the impact of world events (such as possible conflict in Ukraine) on the investments in the Pension Fund.

6.3 **RESOLVED:**

1. That the top five risks for the Pension Fund be noted.

2. That the cashflow position for the pension fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast be noted.

7 QUARTERLY FUND PERFORMANCE (Agenda Item 7 on the Agenda Pack)

7.1 The Board received a report setting out the performance of the Pension Fund's investments to 30 November 2021, together with an update of the funding position. The Board discussed that the Fund had slightly underperformed the benchmark net of fees by -0.71% over the quarter to November 2021 and that the estimated funding level was 103.0% as of 30 September 2021.

7.2 The Board noted that Man Group and Triple Point had been appointed as the Fund's new affordable and social housing managers respectively and that the Pension Fund portfolio had been rebalanced by topping up the underweight allocations to renewable infrastructure and long lease property.

7.3 **RESOLVED:**

1. That the performance of the investments and the funding position be noted.
2. That the summary of the changes to the Fund's asset allocation be noted.

EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972

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

**8 PENSION FUND COST ANALYSIS
(Agenda Item 8 on the Agenda Pack)**

8.1 The Board received a report which presented the previous years' cost analysis of the Pension Fund alongside the budgeted costs for the current financial year 2021/22. The Board was concerned to learn that the budgeted pension fund costs for 2021/22 had increased to £11.509m from the previous year's actual of £10.087m.

8.2 The Board discussed the significantly higher administration expenditure fees in 2020/21 due, in part, to Surrey County Council's increase in its annual charge, the cost of terminating the Altair licence fee and the transition process to Hampshire County Council, and awaited the further report requested at item 5.5 above. The Board noted that the cost of the BAU activity should now decrease. However, due to data issues and the McCloud project, costs may remain at an enhanced level, which will result in an improvement to the Pension Fund's data scores.

8.3 The Board further discussed the various reasons for the increase in the investment management costs and the difficulty the Board had with the increase in fees being solely due to fund manager cost transparency and disclosure as a result of the LGPS Cost Transparency Code. The Tri-Borough Director of Treasury and Pensions suggested that he would discuss the possibility of LCIV putting pressure on Fund Managers to reduce their investment management costs.

8.4 **ACTION:** The Tri-Borough Director of Treasury and Pensions to discuss with LCIV the possibility of putting pressure on Fund Managers to reduce their costs. An update to be provided to the Board at its next meeting.

8.5 **RESOLVED:** That the actual costs to the Fund to 2021 and the budgeted expenditure for 2021/22 be noted.

**9 CYBER SECURITY OF PENSION SCHEME ADMINISTRATION
(Agenda Item 9 on the Agenda Pack)**

9.1 The Board received and discussed details of the Cyber Security of Hampshire Pension Services (HPS) following the move of the City of Westminster Pensions Fund's (COWPF) data to their service. Discussions included the 2022 Cyber Security Improvement Plan and the Statement of Compliance.

9.2 **RESOLVED:** That the report be noted.

10 TERMINATION OF MEETING

10.1 The meeting ended at 20.27.