



City of Westminster

Committee Agenda

Title:

Pension Board

Meeting Date:

Wednesday 1st February, 2023

Time:

6.30 pm

Venue:

This is a virtual Microsoft Teams meeting

Members:

Councillors:

Barbara Arzymanow
Matt Noble (**Chair**)

Employer Representative
Marie Holmes

Scheme Member Representatives
Terry Neville OBE
Christopher Smith (**Vice-Chair**)

If you require any further information, please contact the Committee Officer, Sarah Craddock, Committee and Councillor Co-ordinator

Email: scraddock@westminster.gov.uk
Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

To note any changes to the membership.

2. DECLARATIONS OF INTEREST

To receive declarations of interest by Members and Officers of any pecuniary interest or any significant interest in matters on this agenda.

3. MINUTES

To approve the minutes of the Pension Board meeting held on 3 November 2022.

(Pages 5 - 8)

4. FUND FINANCIAL MANAGEMENT

Report of the Tri-Borough Director of Treasury and Pensions.

(Pages 9 - 14)

5. PERFORMANCE OF THE COUNCIL'S PENSION FUND

Report of the Tri-Borough Director of Treasury and Pensions.

(Pages 15 - 18)

6. UK STEWARDSHIP CODE 2020

Report of the Tri-Borough Director of Treasury and Pensions.

(Pages 19 - 58)

7. PENSION ADMINISTRATION UPDATE

Report of the Director of People Services.

(Pages 59 - 64)

8. LGPS PROJECTS & GOVERNANCE UPDATE

Report of the Director of People Services.

(Pages 65 - 76)

**9. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS
URGENT**

**Stuart Love
Chief Executive
26 January 2023**

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CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Thursday 3 November at 6.30pm. This meeting took place virtually.**

Members Present: Councillor Matt Noble (Chair and Employer Representative), Terry Neville OBE (Scheme Member Representative), Councillor Barbara Arzymanow (Employer Representative), Marie Holmes (Employer Representative) and Christopher Smith (Vice-Chair and Scheme Member Representative).

Officers Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Matt Dawson (Senior Finance Manager, Tri-Borough Treasury and Pensions), Billie Emery (FM Pensions), Patrick Rowe (FM Pensions), Sarah Hay (Senior Pensions and Payroll Officer), Diana McDonnell-Pascoe (Project Manager) and Sarah Craddock (Committee and Councillor Co-ordinator).

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 28 July 2022 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 Key Performance Indicator (KPI) data from Hampshire Pension Services (HPS) from July 2022 to September 2022.
- 4.2 The Board considered the KPI data provided to Westminster in the July, August and September period and noted that the partnership reports by HPS showed a 100% KPI completion record. It was expected that overall cases

processed by HPS would continue to be approximately 100% month which would maintain a healthy position with no backlogs. Details of three complaints submitted during this period by members were provided in addition to the compliments received.

- 4.3 An update was provided on the additional resource provided by HPS to complete approximately 536 cases of unprocessed leavers and the new tracing project with Target which would improve data quality and the data scores that the Fund must report annually to the pension regulator. Members noted that 27.63% of the membership had already registered for the new member portal which was a steady increase from 23.66% at the last Pension Board.
- 4.4 Members heard that on the 24 September there had been a warning of suspicious activity on the UPM Member Portal which had resulted in the Member Portal and the Employer Hub being immediately blocked from access from the internet for a full investigation by the application provider (Civico). Members noted that no one had actually got access to the system and that HPS was looking at further security measures which would allow them to effectively remove Geo-blocking. Members further noted that HPS had now included a regular slot on cyber security in the partnership report.
- 4.5 Members discussed the difficulty in obtaining accurate historical data from fund employers and noted the need for robust engagement between Westminster City Council and schools. Members heard that historical data was particularly difficult to obtain due to the switching of payroll providers and data being destroyed because of the assumption that it was obsolete. The Board noted that going forward employer's responsibilities would be clearly set out and support would be provided by WCC/HPS so that contracts with payroll providers were written in favour of the schools.
- 4.6 **RESOLVED:** That the Board noted the report.

5. LGPS PROJECTS AND GOVERNANCE UPDATE Projects (Agenda Item 5 on the Agenda Pack)

- 5.1 The Board received an update on the various projects and governance activities being undertaken by the Pension and Payroll Team to improve the administration of the COWPF LGPS.
- 5.2 The Board heard that the Guaranteed Minimum Pension (GMP) project data analysis phase was underway and rectification calculations were due to start in mid-November and conclude in February ahead of Pension Increases in April 2023. The Board noted that a COMMS strategy was being prepared to ensure communications were accurate and timely.
- 5.3 The Board further heard about the McCloud Project and recognised that data collection (phase 1) and recalculation of benefits of eligible members (phase 2) was complex. The Board discussed that the McCloud data for Westminster

City Council as an employer was currently being collated from the different legacy systems which was a highly intensive and manual process.

- 5.4 The Board discussed the reasons and benefits of decommissioning the existing Pension Website and moving the relevant content to the www.westminster.gov.uk. The Board were pleased that the new website would contain specific functionality targeted towards the neurodiverse and looked forward to receiving the full report at their next meeting.
- 5.5 The Board noted that the Pensions Dashboard would be a priority in the next financial year.
- 5.6 **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 which were set out in the report.
- 6.2 The Board had detailed discussions over the identified risks, the significant global economic uncertainty following Russia invading Ukraine, gas/fuel prices, the UK price inflation now being significantly more than anticipated in the current actuarial assumptions and the possibility of global recession next year. The Board noted the increased scrutiny on environmental, social and governance issues and recognised the need to pay particular attention to future investments.
- 6.3 The Board was interested to note the anticipated future cash flow and that at the moment cash was paying a decent return. Further detailed discussions followed on the three-year cashflow forecast and the impact of inflation rate rises on the pension fund.
- 6.4 **ACTION:** That the top five geo-political risks be included for discussion in the next report to the Pension Board.
- 6.5 **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. PERFORMANCE OF THE COUNCIL'S PENSION FUND (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 September 2022, together with an update of the

funding position at 30 September 2022. The Board discussed and noted that the Fund had returned -1.76% net of fees over the quarter to 30 September 2022, slightly underperforming the benchmark by -0.39%.

- 7.2 It was noted that there was currently a high level of volatility and uncertainty in markets following events in Ukraine and the strict lockdown measures in China. The Board discussed the performance of the Baillie Gifford Global Alpha (BG) mandate, the value of the City of Westminster Pension Fund investments directly managed by the London CIV and the pooling of resources and staff turnover at the London CIV.
- 7.3 The Board noted that the Pension Fund target asset allocation is 60% of assets within equities, 19% in fixed income, 6% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and social supported housing.
- 7.4 **RESOLVED:** That the performance of the investments and the funding position be noted.

8. ACTUARIAL VALUATION: INITIAL OUTCOME (Agenda Item 8 on the Agenda Pack)

- 8.1 The Board received a report outlining the initial results of the 2022 triennial actuarial valuation process and noted that the two significant assumptions made during the process was longevity projections and the discount rate used to value liabilities.
- 8.2 The Board discussed that the funding level had risen to 128% from the 99% level in 2019 which was broadly due to the excellent investment returns over the period and the Council's additional deficit recovery payments. The Board noted that the major changes to the 2022 actuarial financial assumptions were an increase in CPI inflation which was linked to pension payments and salary increases. The discount rate was expected to remain the same.
- 8.3 The Board discussed the importance of maintaining the level of contribution and how the City of Westminster Pension Fund was a premium product.
- 8.4 **RESOLVED:** That the report be noted.

9. TERMINATION OF MEETING

- 9.1 The meeting ended at 8.23pm.

Chairman _____ Date _____



City of Westminster

Pension Board

Date:	1 February 2023
Classification:	General Release
Title:	Fund Financial Management
Wards Affected:	All
Policy Context:	Effective control over council activities
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Phil Triggs Tri-Borough Director of Treasury and Pensions p.triggs@westminster.gov.uk 020 7641 4136

1. Executive Summary






- 1.1 The risk register is divided into two sections: governance (investment and funding) and pensions administration. The top five risks are highlighted in the report below.
- 1.2 The cashflow forecast for the next three years has been updated, with actuals to 31 December 2022 for the Pension Fund bank account and cash held at custody (Northern Trust). The bank/cashflow position continues to be stable.

2. Recommendations

- 2.1 The Board is asked to note the top five risks for the Pension Fund.
- 2.2 The Board is asked to note the cashflow position for the Pension Fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast.

3. Risk Register Monitoring

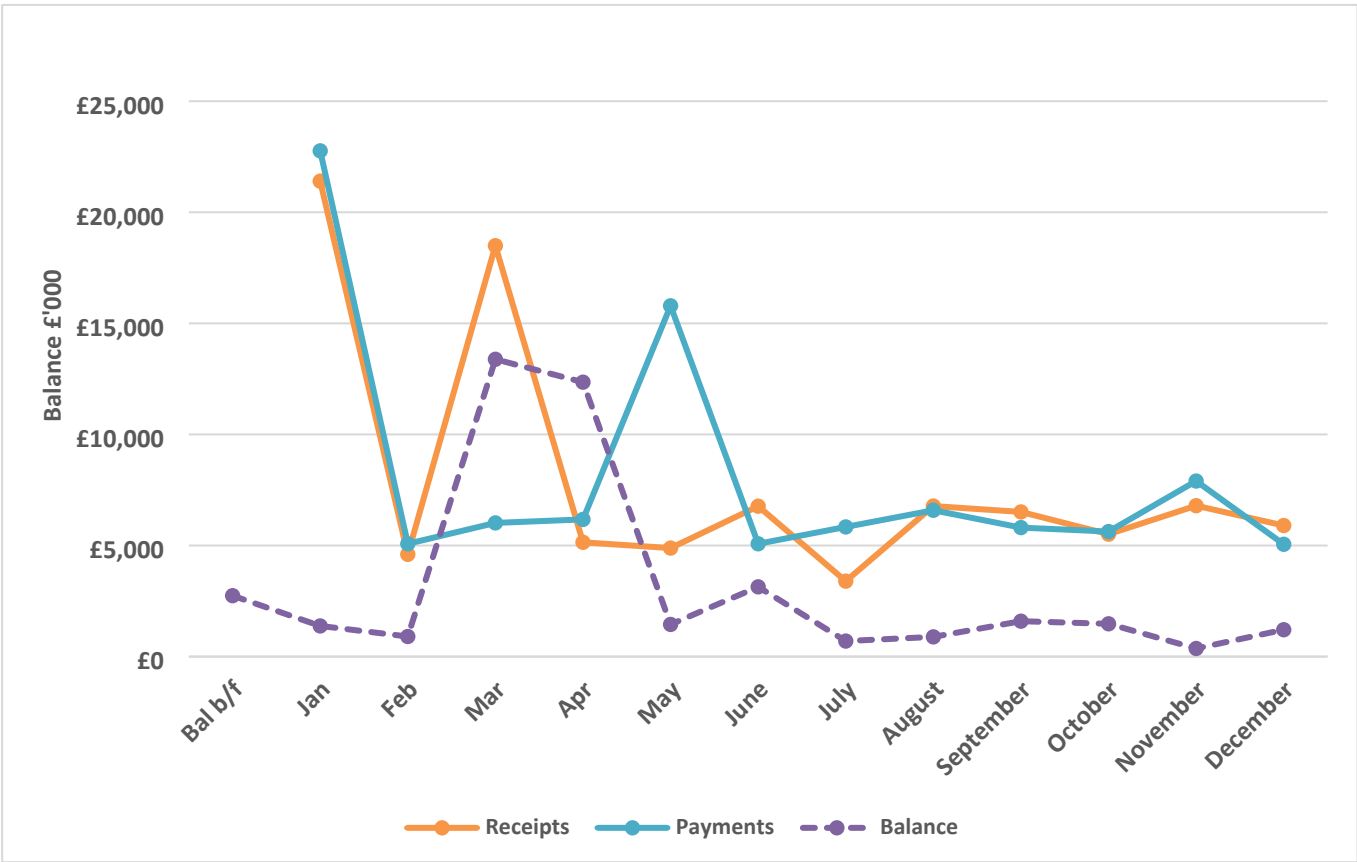
3.1 The risk register is divided into two sections: investment and pensions administration. The risk groups have been updated to reflect the CIPFA guidance on risk categories. The current top five risks to the Pension Fund, as updated in January 2023, are highlighted in the table below:

CIPFA Risk Group	Risk Rank	Risk Description	Trending
Liability Risk	1 st /42	Price inflation is significantly more than anticipated in the actuarial assumptions. Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices as a result of the Russia-Ukraine conflict. CPI inflation was 10.5% as at December 2022, down from the peak of 11.1% in October 2022. The government's energy relief package for domestic households is expected to have a downward pressure on CPI: however, this package will now only last to March 2023.	
Asset and Investment Risk	2 nd /42	Investment managers fail to achieve benchmark/outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.78m. The Fund returned -8.68% net of fees in the year to 30 November 2022, underperforming the benchmark by -3.65% net of fees. Much of this underperformance can be attributed to the equity and fixed income mandates.	
Asset and Investment Risk	3 rd /42	Increased risk to global economic stability. Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with volatility in oil and commodity prices, as well as the weakening of the pound. Leading to tightened financial conditions, reduced risk appetite and raised credit risks. The City of Westminster Pension Fund can report that as at January 2023, the value of investments to Russia or Ukraine within the Pension Fund's asset classes is valued at zero.	
Regulatory and Compliance Risk	4 th /42	The Department for Levelling Up, Housing and Communities (DLUHC) has proposed new regulations for Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD). The first reporting year will be the financial year 2023/24, with the regulations expected to be in force by April 2023 and the first reports required by December 2024. Officers have commenced preparatory work.	
Liability Risk	5 th /42	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others. Current economic conditions will cause strain on smaller employers.	

4. Cashflow Monitoring and Forecasted Cashflows

4.1 The balance on the Pension Fund’s Lloyds bank account at 31 December 2022 was £1.209m. This account is the Fund’s main account for day-to-day transactions, including member contributions and pension payments. Payments from the bank account will continue to exceed receipts on an annual basis. During the year, withdrawals from cash at custody are expected to take place to maintain a positive cash balance.

4.2 The graph below shows changes in the bank balance from 1 January 2022 to 31 December 2022.



4.3 Payments and receipts have remained stable over the last 12 months. Officers continue to keep the cash balance under review and take action to maintain necessary liquidity. During the quarter, the Fund withdrew £6.5m from cash at custody to maintain a positive cash balance.

4.4 The Pension Fund held £8.4m in cash with Northern Trust as at 31 December 2022. Fund manager distributions, proceeds from the sale of assets and purchases of assets, take place within the Fund’s custody account at Northern Trust. The following table shows the cash inflows and outflows within cash at custody for the three-month period from 1 October 2022 to 31 December 2022.

Cash at Custody	Oct	Nov	Dec
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	4,103	9,152	5,549
Distributions	4,352	0	2,136
Sale of assets	5,000	5,000	67,669
Interest	463	7	12
Cash withdraw	(2,000)	(3,000)	(1,500)
Foreign Exchange Gains/Losses	42	(16)	(23)
Purchase of Assets	(2,818)	(5,604)	(65,386)
Miscellaneous	0	0	0
Management fees	10	10	(65)
Balance c/f	9,152	5,549	8,392

- 4.5 Over the quarter, capital calls relating to the Pantheon Global Infrastructure fund, Quinbrook Renewables Impact mandate, Macquarie Renewable Infrastructure fund, Man Group Affordable Housing and CVC Credit Private Debt fund took place. Alongside this, the Baillie Gifford Paris Aligned transition took place during December 2022, with circa £42m of the Global Alpha Equity Fund being rebalanced.
- 4.6 During the quarter, sales of £35m took place within the Insight Buy and Maintain Bond fund, London CIV Absolute Return fund and NT Ultra Short Bond fund, to fund these capital calls.
- 4.7 The total cash balance, including the Pension Fund Lloyds bank account and cash at custody, is shown below for the period from 1 October 2022 to 31 December 2022. The total cash balance as at 31 December 2022 was £9.6m.

Cash at custody & Bank account	Oct	Nov	Dec
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	5,697	10,628	5,914
Cash outflows	(8,394)	(13,513)	(70,506)
Cash inflows	13,325	8,799	74,193
(Withdraw)/Deposit from custody to bank account	(2,000)	(3,000)	(1,500)
Withdraw/(Deposit) from bank account to custody	2,000	3,000	1,500
Balance c/f	10,628	5,914	9,601

4.8 The following table illustrates the expected cashflow for the 12-month period from 1 April 2022 to 31 March 2023 for the Pension Fund Lloyds bank account. Forecast cashflows are estimated using an average of the previous quarters cashflows.

Current Account Cashflows Actuals and Forecast for period April 2022 - March 2023:

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	F'cast	F'cast	F'cast	
Balance b/f	13,383	12,353	1,448	3,140	699	888	1,594	1,475	365	1,209	912	614	£000s
Contributions	4,647	3,285	5,755	840	3,318	3,735	3,181	3,542	3,751	3,491	3,491	3,491	42,528
Transfers in, overpayments, VAT reclaim, recharges & misc. receipts	497	1,600	1,015	556	1,458	777	320	250	649	406	406	406	8,339
Pensions	(3,587)	(3,641)	(3,613)	(3,647)	(3,627)	(3,656)	(3,663)	(3,649)	(3,649)	(3,654)	(3,654)	(3,654)	(43,695)
MRC Tax Payments	(615)	(675)	(666)	(653)	(672)	(674)	(666)	(648)	(654)	(656)	(656)	(656)	(7,890)
Transfers out, lump sums, death grants, refunds & misc. payments	(1,966)	(1,337)	(647)	(1,484)	(2,138)	(1,453)	(854)	(3,396)	(702)	(1,651)	(1,651)	(1,651)	(18,930)
Expenses	(6)	(137)	(152)	(52)	(150)	(23)	(444)	(209)	(50)	(235)	(235)	(235)	(1,928)
Net cash in/(out) in month	(1,030)	(905)	1,692	(4,441)	(1,811)	(1,294)	(2,128)	(4,110)	(656)	(2,298)	(2,298)	(2,298)	(21,576)
Withdrawal/(deposit) from custody cash	0	(10,000)	0	2,000	2,000	2,000	2,000	3,000	1,500	2,000	2,000	2,000	8,500
Deficit Recovery Contributions	0	0	0	0	0	0	9	0	0	0	0	0	9
Balance c/f	12,353	1,448	3,140	699	888	1,594	1,475	365	1,209	912	614	316	

4.9 The three-year cashflow forecast for 2022/23 to 2024/25 for the Pension Fund's Lloyds bank account is shown below. Forecast cashflows are calculated using the previous year's cashflows which are then inflated, with pensions payable linked to CPI-inflation. Please note this will not match the rolling cashflow forecast.

Three Year Cashflow Forecast for 2022/23 to 2024/25

	2022/23	2023/24	2024/25
	£000	£000	£000
	F'cast	F'cast	F'cast
Balance b/f	13,383	1,456	595
Contributions	40,447	42,469	44,592
Transfers in, overpayments, VAT reclaim, recharges & misc. receipts	6,419	6,740	7,077
Pensions	(43,642)	(48,050)	(50,452)
HMRC Tax	(7,838)	(8,230)	(8,641)
Transfers out, lump sums, death grants, refunds & misc. payments	(13,278)	(14,619)	(15,350)
Expenses	(2,067)	(2,171)	(2,279)
Net cash in/(out) in year	(19,959)	(23,861)	(25,053)
Withdrawal/(deposit) from custody cash	8,000	23,000	25,000
Deficit Recovery Contributions	32	0	0
Balance c/f	1,456	595	542

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery pensionfund@westminster.gov.uk

BACKGROUND PAPERS: None

APPENDICES: None



City of Westminster

Pension Board

Date:	1 February 2023
Classification:	General Release
Title:	Performance of the Council's Pension Fund
Wards Affected:	All
Policy Context:	Effective control over council activities
Financial Summary:	There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.
Report of:	Phil Triggs Tri-Borough Director of Treasury and Pensions ptriggs@westminster.gov.uk 020 7641 4136

1. EXECUTIVE SUMMARY

- 1.1 This report presents the performance of the Pension Fund's investments to 30 November 2022, together with an update on the London CIV.
- 1.2 The Fund returned 0.16% net of fees over the quarter to 30 November 2022, underperforming the benchmark by -1.01%.

2. RECOMMENDATION

- 2.1 The Pension Board is asked to:
 - Note the performance of the investments.

3. BACKGROUND

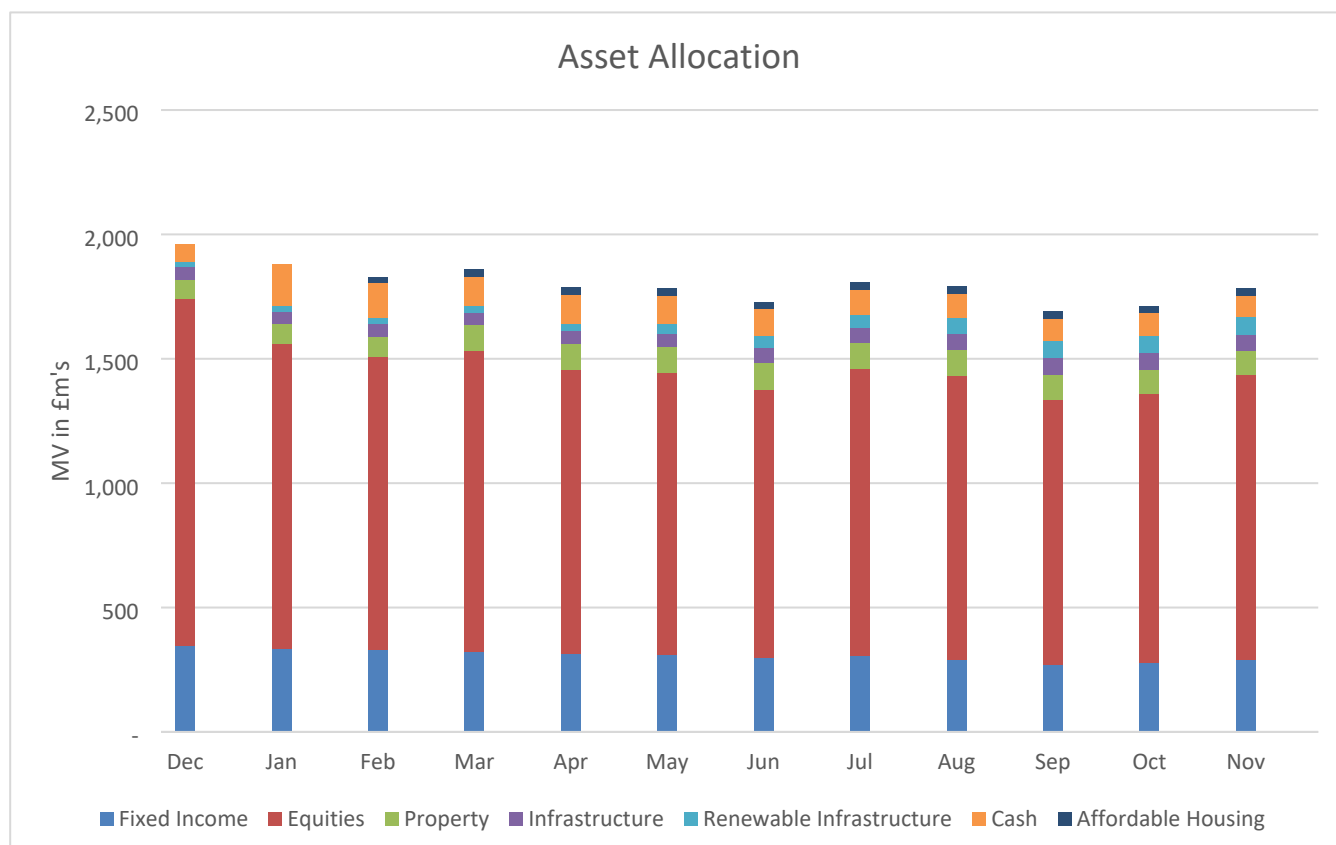
- 3.1 This report presents a summary of the Pension Fund's performance to 30 November 2022.
- 3.2 The market value of investments decreased by £4m to £1.786bn over the quarter to 30 November 2022, with the Fund returning 0.16% net of fees. The Fund underperformed the benchmark by -1.01% net of fees, with the long lease property being the main detractor to performance. This followed market volatility subsequent to the unveiling of the Chancellor's mini budget on 23 September and Bank of England interventions in the UK Gilts market. The UK commercial property market as measured by the MSCI monthly index subsequently fell by -6.4% in October 2022. This was the largest single monthly fall ever experienced in the UK.
- 3.3 The Fund's underperformance was partially offset by outperformance within the Quinbrook Renewables Impact fund, Macquarie Renewable Energy fund and the London CIV Absolute Return fund, which outperformed by 2.74%, 2.63% and 2.94% net of fees respectively period.
- 3.4 Over the 12-month period to 30 November 2022, the Fund underperformed its benchmark net of fees by -3.65% returning -8.68%, with the equity mandates and fixed income portfolios being the main detractors to performance. The underperformance has largely been driven by the continued heightened inflationary concerns, alongside the supply chain disruption caused by the ongoing conflict in Ukraine and strict lockdown measures in China.
- 3.5 The Pantheon Infrastructure, Quinbrook Renewables and Macquarie Renewable Infrastructure mandates have performed strongly over the one-year period, outperforming their benchmarks by 16.75%, 24.82% and 15.62% net of fees, respectively. Over the longer ten-year period to 30 November 2022, the Fund outperformed the benchmark net of fees by 0.38%.
- 3.6 It should be noted that the investment advisor, Deloitte, continues to rate the fund managers favourably. However, given the significant underperformance of the Baillie Gifford Global Alpha, Deloitte hosted a meeting with senior management at Baillie Gifford to discuss strategy during October 2022. Deloitte remain content that the manager continues to maintain its investment philosophy and will continue to monitor the performance of the fund.
- 3.7 At the last Committee meeting on 27 October 2022, the Pension Fund Committee elected to transition the Fund's holdings within the London CIV (Baillie Gifford) Global Alpha Equity mandate into the BG Paris-Aligned version. The Paris Aligned version has a quantitative assessment process to screen out companies with particular levels of exposure to the fossil fuels industry, plus a qualitative one to screen out companies that will not

play a role in the future transition to a low carbon environment. This transition took place as scheduled on 5 December 2022.

- 3.8 In the period from 2019 to 2022, the Pension Fund has increased its overall funding level from 99% to 128%. The main drivers for this improvement are the significant investment returns and additional deficit recovery payments received from the Council.
- 3.9 The final actuarial report for 2022 triennial valuation will be taken to the next Pension Fund Committee on 9 March 2023.

3. ASSET ALLOCATION AND SUMMARY OF CHANGES

3.1 The following chart shows the changes in asset allocation of the Fund from 1 December 2021 to 30 November 2022. Please note asset allocations may vary due to changes in market value.



*Fixed Income includes bonds, multi asset credit (MAC) and private debt

**Cash includes the NT ESG Ultra Short Bond Fund and Ruffer (LCIV) Absolute Return Fund

- 3.2 The current Westminster Pension Fund target asset allocation is 60% of assets within equities, 19% in fixed income, 6% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and socially supported housing.
- 3.3 Over the quarter to 30 November 2022, capital calls relating to the Pantheon Global Infrastructure fund, Quinbrook Renewables Impact

mandate, Macquarie Renewable Infrastructure fund, Man Group Affordable Housing and CVC Credit Private Debt fund took place.

- 3.4 During the quarter, sales took place within the Insight Buy and Maintain Bond fund, London CIV Absolute Return fund and NT Ultra Short Bond fund, to fund these capital calls.

4. LONDON CIV UPDATE

- 4.1 The value of City of Westminster Pension Fund investments directly managed by the London CIV as at 30 November 2022 was £878m, representing 49% of Westminster's investment assets. A further £358m continues to benefit from reduced management fees, through Legal and General having reduced its fees to match those available through the LCIV.
- 4.2 As at 30 September 2022, the London CIV had £23.8bn of assets under management of which £13.3bn are directly managed by the London CIV.
- 4.3 All London CIV funds, that Westminster are invested, were on normal monitoring at quarter end. During the quarter, the London CIV carried out an in-depth review of the LCIV Global Alpha Growth Fund (Baillie Gifford), with London CIV remaining confident that the shortfall in returns can be recovered.
- 4.4 The London CIV launched their UK Community Housing Fund during December 2022, with investments targeting social and affordable housing (50%), specialist housing (25%) and transitional supported housing (25%).
- 4.5 The investment advisor, Deloitte, will present this fund as a potential opportunity to the Pension Fund Committee at the next meeting on 9 March 2023. This follows the Committee's decision to withdraw the 2.5% commitment to the Triple Point Impact Housing Fund, with concerns regarding the level of diversification within the fund and the time taken to raise additional capital.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery pensionfund@westminster.gov.uk

Background Papers: None

Appendices: None



City of Westminster

Pension Board

Date:	1 February 2023
Classification:	General Release (Appendix 1 is Exempt)
Title:	UK Stewardship Code 2020
Wards Affected:	None
Policy Context:	Effective control over Council Activities
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> ptriggs@westminster.gov.uk 020 7641 4136

1 Executive Summary

- 1.1 The purpose of this report is to present the City of Westminster Pension Fund's most recent application to the Financial Reporting Council's (FRC) UK Stewardship Code (the Code) 2020 signatory list.

2 Recommendation

- 2.1 The Pension Board is requested to:
 - Note the attached (Appendix 1) application to the FRC UK Stewardship Code 2020.

3 Background

- 3.1 The Stewardship Code is a set of principles released in 2010 and updated in 2020 by the Financial Reporting Council, directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

- 3.2 The UK Stewardship Code 2020 sets high stewardship standards for asset owners and asset managers, and for service providers that support them. The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but, if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so.
- 3.3 To become a signatory of the Code, applicants must submit a Stewardship Report to the FRC demonstrating how the principles of the Code have been applied during the previous 12 months. The FRC reviews applications to assess whether they meet its expected reporting standards, and successful organisations are listed as a signatory to the Code. Once accepted onto the signatories list, organisations must reapply annually.
- 3.4 As detailed in the application, attached at appendix 1, the Pension Fund has made great strides during the year in relation to responsible investment and stewardship of the Fund's assets. As at 30 September 2022, the Fund had c.£58m invested within renewable infrastructure with a further c.£52m to be drawn. Assets are targeted to solar power, onshore and offshore wind, alongside supporting infrastructure such as battery storage and connection assets.
- 3.5 In addition, the Fund commissioned a review of its property mandates with a view to investing within social supported and affordable housing. The Pension Fund made commitments to both affordable housing and socially supported housing totalling 5% of the Fund. The allocation has a long-term goal of providing 13,000 new homes that cost no more than 35% of an average household's gross income and across sectors, including children's services housing, specialised supported housing and older person supported housing within the supported living market.
- 3.6 As per the most recent update to the signatories, on 7 September 2022, if the City of Westminster Pension Fund is successful in its application it will be amongst only a handful of LGPS funds in London to achieve this accolade. Westminster submitted a submission to the Code for 31 October 2022 deadline, with a decision on whether it has been successful expected during March 2023.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS:

None

APPENDIX

Appendix 1: FRC UK Stewardship Code 2020 Westminster Application (exempt)

By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Pension Fund Board

Date: 1st February 2023

Classification: General Release

Title: Pension Administration Update

Report of: Sarah Hay, Pensions Officer People Services

Wards Involved: All

Policy Context: Service Delivery

Financial Summary: Limited

1. Executive Summary

1.1. This report gives an update on the KPI data from Hampshire Pension Services (HPS) from October 2022 to December 2022 and compliments and complaints received by HPS. In section 3, I cover data updates on the backlog, annual return exercise and address tracing. In section 4 I cover a cyber security incident.

2. KPI Performance

2.1 I am pleased to advise the Board that the KPI data provided to Westminster for the period October 22 through to December 22 shows 100% compliance with the agreed KPI standards. The table below provides the categories measured, the target days and the number of cases processed in each reporting month.

KPI	Target Days	Oct-22	Nov-22	Dec-22
Active Retirement	15 days	8	7	4
Deferred Retirement	15 days	21	20	19
Estimates	15 days	46	48	40
Deferred Benefits	30 days	56	30	55
Transfers In & Out	15 days	1	1	1
Divorce	15 days	3	1	0
Refunds	15 days	17	13	17
Rejoiners	20 days	3	4	5

Interfunds	15 days	24	14	17
Death Benefits	15 days	13	1	8
Grand Total		192	139	166
		100%	100%	100%

- 2.2 It is important to monitor the overall case volumes to help ensure that no work backlogs are building up. The Board will want to note that overall cases completed per month remain high as responses have fed through from annual return queries, general data improvement exercises and backlog work. When we first moved to HPS case work averaged around 100 cases a month. There were 182 cases on hold waiting for responses at the end of December 2022, this will feed into the BAU work in January 2023.
- 2.3 The fund strategy working with HPS is to increase the interaction the fund has with members via the member portal. This has now increased to 31.09% as at the end of December as broken down below. I am pleased that the portal is being accessed more particularly by active members. There has also been a significant increase in the numbers of pensioner members with access following an exercise that HPS ran to contact pensioner members not registered for the portal.

Portal	Opted IN
Active	38.61%
Deferred	22.02%
Pensioner	35.20%
TOTAL	31.09%

- 2.4 There was one compliment received by HPS in October 2022. There were also two complaints one in October 2022 and one in November 2022, outlined below in 2.5 to 2.6 with the detail of each issue.

October compliment was " Prompt and reassuring reply ".

- 2.5 Complaint responded to in October related to someone who was complaining that they could not access the member portal. The individual had tried to access the portal when it was temporarily closed down. HPS did ask him at that time if they could provide him with any relevant information he required. When the portal went live again, he struggled to access and complained. Someone from the HPS technical team contacted him and the member did regain access to the portal.
- 2.6 In November there was a complaint from a deferred member who was having their pension brought into payment. The complaint was around the wording on the retirement letter that indicated that Consumer Price Index (CPI) increases would only be given from the date of retirement. This is true for people who retire from active employment and take their pension. When someone is deferred though their record is subject to annual CPI increases

and as such they get a full annual CPI award. The member has had it explained that they are not losing out any CPI award by taking their pension part way through a financial year. HPS is changing the deferred retirement letter to make the situation clearer and training their helpdesk staff to ensure they can clarify any member questions in this area accurately. I am discussing the exact wording change with HPS to ensure this situation does not reoccur.

3. Data Scores and Data Work

- 3.1 I am pleased to confirm that we have the latest data scores as at November 2022 and have seen a significant improvement on last year. Each year we have to report our data scores to the Pension Regulator. The first data we measure is “common data” This will include standard information that all funds hold for members, including address details, date of birth, NI number. The second is “scheme specific” and will include items that only defined benefit schemes have including service lines, Career Revalued Earnings (CARE) pay, whole time pay etc.

November 2021

Common Data	72%
Scheme Specific	87%

November 2022

Common Data	82%
Scheme Specific	89%

- 3.3 The backlog project has made significant progress since the last board meeting. Originally the project had 446 historical leavers to be processed that had come from work not processed by Surrey when we transferred to HPS in November 2021. As a result of the 2021/ 2022 annual return exercise the number of historical leavers increased to 611 cases that HPS are working on as part of this project which is additional to our business as usual. As at the end of December 2022, 347 of those cases had been processed and finalised by HPS with 264 cases remaining outstanding.
- 3.4 The original costs for the backlog work agreed with HPS were £23,800 based on 446 cases. We are discussing with HPS revised costing on a proportional basis and the Pension Committee have been supportive of the need to clear the backlog down and resolve all the historic leavers so that the fund can effectively move forward with all employers having a clean slate.
- 3.5 The table below shows, the top 5 employers with outstanding backlog queries. The internal team working with HPS have been constantly chasing

and supporting employers where possible to send in relevant data. The Westminster employer queries have all been responded to and we expect to see those cases fall significantly next month. Both Strictly Education and Ark are responding to queries but sometimes the data quality needs improvement, and this can lead to back and forth discussion to resolve cases. College Park and Queen Elizabeth the second school, are engaged but struggling to provide data, they are being heavily supported by a member of the internal team. St Marylebone has only recently moved into the top 5 employers with outstanding data following the success we have had with other employers resolving their queries. St Marylebone has started to engage following a significant Pension Administration Strategy (PAS) fine issued because of not dealing with their annual return queries. St Marylebone have indicated that they intend to resolve the outstanding queries by 31st of January 2023.

Employer	Number of outstanding historic leavers
WCC Maintained Schools (Strictly Edu)	31
Ark - King Solomon Academy	28
Westminster City Council	26
College Park and Queen Elizabeth II (WCC)	25
St Marylebone School (Academy)	21

- 3.6 There has been excellent progress on the annual return queries since the last Board meeting. As a reminder we originally had 775 queries following the upload of the 2021/ 2022 annual returns and that included 300 missing starters and 205 missing leavers plus 215 missing data queries. In the last update provided there were 78 outstanding data items and below that has now reduced to 31 in total. I am further satisfied that the employers involved with those queries are engaged with HPS and to try and resolve the final data issues, but some are slightly more complicated.

Outstanding Queries at 14/10/2022						
Starters	Leavers	Missing Data	Add Conts	Pay *	Other	Total *
34	5	33	0	6	0	78

Outstanding Queries at 18/01/2023						
Starters	Leavers	Missing Data	Add Conts	Pay *	Other	Total *
1	3	27	0	0	0	31

- 3.7 The issuing of PAS charges helped to reduce the outstanding data for the 21/22 returns. The team will continue to try and get responses in for the remaining queries. The focus is now turning to preparation with employers for the 22/ 23 returns that are due in by the end of April 23. The employers are all being advised that the fund will automatically charge for missing joiner and leavers that are identified when the returns are uploaded. Employers have already been asked to ensure that they are providing their data to the fund on a regular basis throughout the year. We will remind them again to check their data in February on the employer portal and ensure that joiners and leavers are up to date.
- 3.8 The Pension Committee had agreed that we could spend up to £22,057.11 with a third party called Target to complete full traces on 750 member records with preserved refund records and deferred benefit members. These two groups had already been subject to initial tracing with a large number found to be living at the old address we held for them. Target had also identified 18 death cases at the initial stage where the fund. The cases that went to full trace had no definite results prior to this exercise. The full trace has identified a further 10 deaths and new addresses for 230 members. There is no identifiable address for 449 members and there is little option at this stage but to mark their records as no known address and note when this tracing exercise was carried out. Target and HPS have recommended that the fund agree to overseas address tracing on 239 cases because they believe there are indications that those members are overseas. No decision has been made on that and the boards input would be welcome to inform the Pension Committee. The cost per overseas address trace is £70 per case.

	Preserved Refunds	Deferred Benefits
Originally Submitted	357	393
Living As Stated	34	2
New Address	116	114
Negative Result	173	276
Deceased	9	1
Overseas Trace Required	25	214

4 Cyber Security

- 4.1 HPS have now appointed a provider to complete cyber security testing every six months specifically on the pension fund system UPM, the member and the employer portals. A software update is due to go live in UPM sometime in January and this is expected to resolve some known risks in the system. As soon as the update is actioned the first testing cycle can be agreed. I will update the Board at the next report.

5. Summary

- 5.1 In section 2, I covered the KPI data for the period October through December 2022 is 100% within the agreed target. The workload remains relatively high because of annual return responses and other data work but the case on hold is reasonable at 182 in December 2022.
- 5.2 In section 3, I updated the Board on our improved data scores particularly the Common data score that has improved 10% in the year. Further I updated the board on excellent progress on both the 21/22 annual return queries and the backlog work where more than half the cases have now been completed.
- 5.3 Additionally in section 3, I update the Pension Board on the address Tracing work. The Board's input on if the fund should look to complete international traces at £70 a case for 239 members is requested.
- 5.4 In section 4, I give a brief update on increased penetration testing being organised by HPS for UPM and the member and employer portals.



Pension Scheme Board

Date:	1st February 2023
Classification:	General Release
Title:	LGPS Projects & Governance Update
Report of:	Diana McDonnell-Pascoe Pension Project and Governance Lead, People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	£38,810.95

1. Introduction

The purpose of this paper is to update the Pension Board on the various projects and governance activities being undertaken by the Pensions and Payroll Team to improve the administration of the City of Westminster Pension Fund (COWPF) Local Government Pension Scheme (LGPS).

2. Current Projects

2.1. Statutory Projects

2.1.1. Guaranteed Minimum Pension (GMP)

Mercer Ltd – Rectification Calculations

On 13th January 2023, Mercer (our contracted supplier to complete GMP rectification calculations) informed us that they could not meet the project completion date of February 2023. We had been made aware of this risk on 21st December 2022 however there was little to be done at that stage. The reason for

the inability to meet the deadline was that a data calculation tool – the Delta Tool – had failed to operate and therefore all work had ceased until it could be fixed.

Mercer Ltd have proposed a new project timeline of April 2023 to October 2023.

This is unacceptable because it leaves us in the same position as we were in April 2022 where, due to April 2023 Pensions Increases, Mercer will need a brand-new updated set of data to analyse which Hampshire Pension Services will have to supply. HPS will endeavour to provide it cost-free and have reassured us that they have the necessary “script” and an in-house officer who can run it. However, should there be any issues, there may be a cost and another delay should we need to engage their software provider again as their supplier requires an approx. three-month lead time to complete projects.

We have significant concerns about Mercer’s ability to deliver this project and we are also concerned about the quality of the final product. We have engaged the WCC Legal and Procurement teams to review our options with this contract.

In terms of project costs, of the £33,000 project cost, we have only paid £6,600 to date.

Hampshire Pension Services – Bulk Data Upload and Records Amendment

With respect to project costs, HPS have given us an indication of the cost of uploading the rectified data. At present, this cost is approximately £30,000 and is detailed as follows:

- They have estimated 13 to 20 days of Civica / Intellica resource would be needed to upload the rectified GMP data in to UPM and support the work to adjust pensions in payment. Based on a maximum of 20 days’ resource, the charge would be £24,000 at most.
- They have estimated roughly 21 days of HPS resource to support the upload and adjustments which comes to approximately £6,000.

The Pension Fund Committee approved raising a purchase order for £30,000 with the understanding that all spend against it will be carefully monitored. We have confidence that HPS will only charge us for work completed.

2.1.2. McCloud

The McCloud judgement was aimed at preventing age discrimination in the LGPS. COWPF LGPS will recalculate the benefits for eligible members for the remedy period of 1st April 2014 to 31st March 2022.

In the December Partnership Report, HPS shared a timeline with key dates for implementing McCloud. The McCloud implementation phase is expected to run between October 2023 and April 2025. It is worth noting that the Pensions Dashboard Programme (see 2.2) will be staging in September 2024 which is within this implementation phase.

2.1.2.1. Workstream 1 – COWPF Employer Data Collection – led by Zuzana Fernandes, COWPF Pension Team

All employers are working with current and legacy payroll systems and payroll providers to obtain the data required and there is slower progress with some employers due to the complexity of obtaining the data required.

Data Collection for remedy period of 1st April 2014 to 31st March 2022

HPS have received 23 of 37 completed service/break data sets from Westminster employers to date; initial data checks have been completed on all the data sets received. This represents 19.79% of the membership population who are likely to require McCloud remedy. This is an increase of three data sets (approx. 2%) and is a good improvement given the complexity of obtaining legacy data. In October, there were 14 employers yet to provide data which is a decrease from 17 employers in the previous month.

Data Collection for remedy period of 1st April 2021 to 31st March 2022

HPS have received 22 of 37 completed service break/data sets from Westminster employers to date. The team dedicated to collecting and loading McCloud service/break data sets, continue to work with employers and the pension fund authority, to obtain outstanding data, and also improve the quality of data they have already received.

2.1.2.2. Workstream 2 – WCC Data Collection – led by Diana McDonnell-Pascoe, WCC Payroll Team

In this workstream we are collecting the McCloud data for Westminster City Council as an employer. We have three legacy payroll systems (Oracle, Agresso and CIPHR) and the current payroll system, IBC, to obtain the data from.

We have been updating HPS at a monthly McCloud meeting so that they are apprised of our progress.

Current progress is as follows:

- IBC data has been collected, collated, and shared with HPS as of June 2022.
- The first draft of the BT Agresso legacy data collection was completed by Sarah Hay in December 2022. After consultation with HPS, there are some minor modifications and calculations needed so we are segregating the bulk data from these so HPS can process the majority of the data. We expect to complete this section of the project by mid-March 2023.
- CIPHR legacy data collection – manual collection
 - The manual collection of data is progressing with purpose. Currently Tracey Fuller is cross-matching spreadsheet data against pdf payslip data which requires a high degree of accuracy. We are having weekly updates on progress and are desirous of completing in February 2023.
- CIPHR legacy data collection – automated reporting

- The first iteration of the new PowerBI interface of the CIPHR data in the corporate data warehouse has been developed which is a significant early achievement for the project team. During this build phase, the interface is without personally identifiable data (PID) so that it can be tested and refined in iterative steps. PID will be loaded into the interface once we are ready to go into final testing in the pre-production phase. This is in line with our GDPR protocols. We commenced user testing with the pensions and payroll team on 3rd December which is a significant milestone, and I can confirm that we are almost ready to launch. We are continuing with the manual collecting of the McCloud data notwithstanding this progress however, because a) we need a gold standard of data to audit against and b) this project may not be completed before the manual collection is completed so it would be unwise to abandon the manual collection.
- Oracle Legacy Data Collection
 - We have restarted the process of obtaining our Oracle legacy data and are working with a new customer liaison team at Oracle Corporation. Our request to them is to investigate a method of completing the McCloud data template on our behalf as we do not have the facility to generate any reports ourselves. Ideally, they will be able to complete this on our behalf. If this is not possible, we will explore other ways of obtaining our data with them.

2.1.2.3. Workstream 3 – LGPS Benefits Recalculation Exercise – led by Hayley Read, HPS Pension Team

There is no update under this workstream yet because Phase 2 has not launched.

2.2. Pensions Dashboards

As presented in my last paper, the Pensions Dashboard, as per the programme initiated by The Money and Pensions Service (MaPS), will become a priority project

in the next financial year when we go to stage between April 2023 and September 2024.

We have now been presented with a Pension Dashboard Programme report from Hampshire Pension Services setting out the delivery plan for engaging with the programme.

Key takeaways from the report are as follows:

- At present, only active and deferred member benefits are in scope; pensioners and members with preserved/unclaimed refunds will not be included in the data set being provided to the Pensions Dashboard.
- The legislation sets out significant roles for The Pensions Regulator (TPR) who will regulate the compliance of public-sector pension providers and schemes in providing data to individuals via their chosen dashboard – they will have powers to issue penalty notices to schemes and third parties.
- Pension benefit information must be made available via the pension dashboard by 1 April 2025 and cover both benefit options, to reflect McCloud remedy.
- HPS have chosen to use an integrated service provider (ISP), Civica, who will be responsible for:
 - Connecting to the dashboard ecosystem.
 - Providing both 'View' and 'Find' information to the Pensions Dashboard.
 - Managing member matching, and reporting 'partial matches' back to HPS.
 - Providing governance and monitoring tools

We have also been given an indication of costs for engaging with this programme. **The total cost as it stands at present is £8,810.95** (£8,100 indicative, £710.95 confirmed).

There are three categories of costs.

Category One: ISP Implementation Fee – one off cost.

City of Westminster Pension Fund's (COWPF's) share of the ISP Implementation Fee and based on the LGPS membership numbers as of 30th September 2022, i.e., 11,814 active and deferred members, this share of the ISP implementation fee is £710.95 and is payable by March 2023.

Category Two: ISP annual maintenance fee – ongoing cost.

COWPF's share of Civica's indicative ISP annual maintenance fee – payable from September 2024 – is £4,700 and will be increased by the Retail Price Index (RPI) each September.

Category Three: HPS resourcing to support the implementation – ongoing cost.

The HPS resource that will be required to support implementation and respond to member queries and 'partial matches' is currently estimated to be an additional 2 FTE staff. The cost of the 2 FTE will be split across all schemes they support based on scheme membership, and the indicative cost for the COWPF, per annum would be £3,400. This would increase in line with staff pay awards. This resourcing is estimated and will be reviewed and adjusted based on requirements as the project progresses.

The Pension Fund Committee approved to pay the one-off cost of £710.95 in December 2022. When the indicative costs have been confirmed, I will return to seek approval of the confirmed costs.

2.3. Non-Statutory Projects

2.3.1. Pension Website Review

A kick off meeting was held with WCC's Customer Engagement team's Digital Lead to start the process of migrating from the current pension's website to the council website. The Digital Lead, Rebecca Gordon, will lead on facilitating this move which

will include key stakeholders in different council teams and co-ordinating activities to the timeline.

The timeline has been initially set as follows:

- Project scoping and work breakdown planning including comms and engagement: November 2022 – Jan/Feb 2023
- Website development commences: Feb 2023
- Engagement with Customers (Focus Groups, User Acceptance testing etc): Spring/Summer 2023
- Digital Accessibility Audit (external): Summer 2023
- Website development completion: September 2023
- Final user testing and Soft Launch: mid-October 2023
- Decommission of existing site: 31st October 2023.
- Go-live: 1st November 2023

The overall project aim is to create a digitally accessible, curated website with clear planned pathways for users to access the information they need to be fully engaged with their pensions and to understand the pension information we provide. Our intention is to engage with identified categories of users of the site to ensure that the user experience is optimised and streamlined. We also want to connect with the analytics available to us to evaluate our communications campaigns and user activities on the site.

3. Governance

3.1. Business Continuity Planning

As HPS are our administration partner, we include them in our WCC business continuity planning. I will be engaging with HPS in 2023 to ensure alignment on business continuity planning.

3.2. External Audit

To prepare for next year's external audit by Grant Thornton, I will be attending the planning meeting with Finance colleagues to represent the administration side of the team. I intend to hold planning meetings with Hampshire Pension Services so we can prepare specific contacts for certain audit topics. HPS approve of this approach and have committed to supporting improved preparations for next year. As HPS will have managed the administration of the LGPS from start to finish of the next audit period, we expect next year's audit to progress smoothly.

3.3. Internal Audit

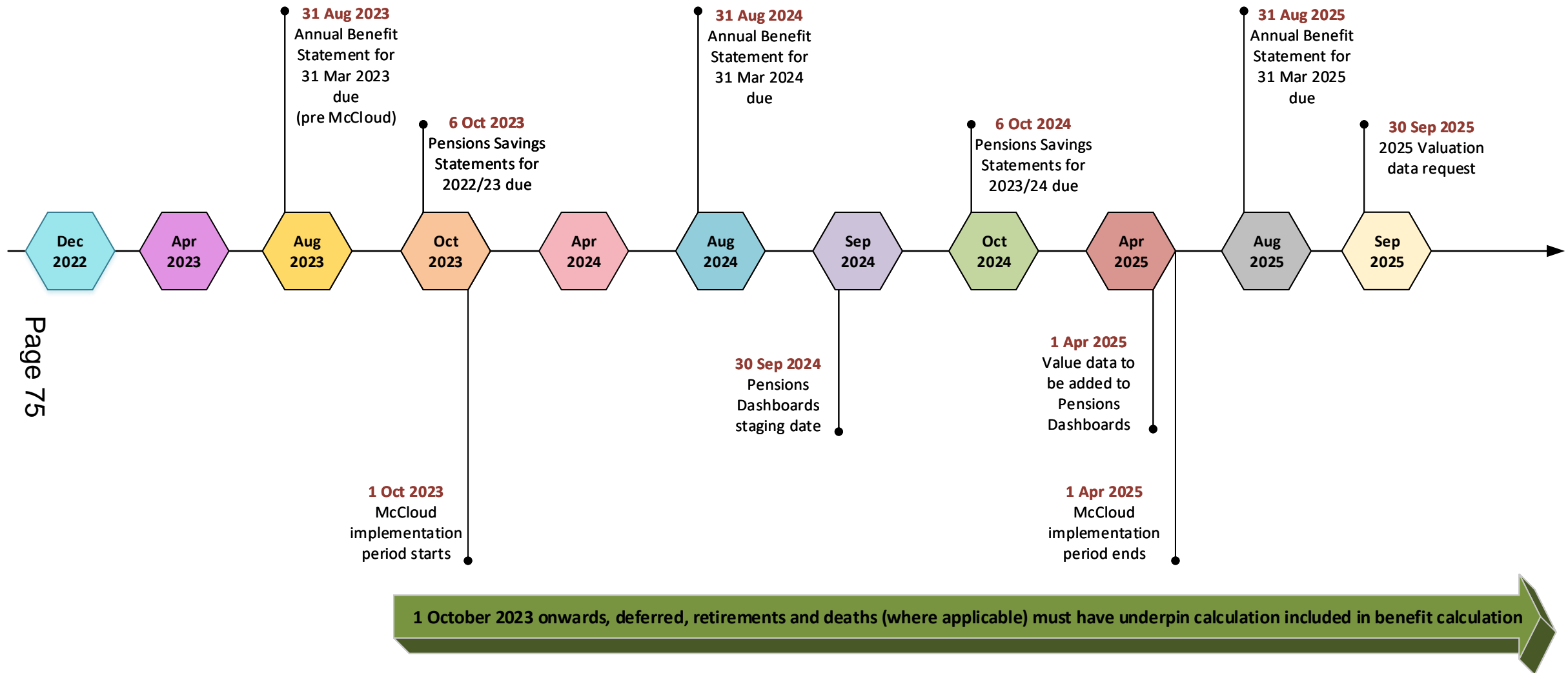
In Q4 of this financial year, Internal Audit will audit the pension projects. The planning meeting will be mid-January. I will update the Board on this at the next meeting.

4. Summary

- 4.1.** The Guaranteed Minimum Pension project will not be completed before Pensions Increases in April 2023. Mercer Ltd, our supplier for the data rectification has told us that their calculation tool is not working and therefore they cannot deliver the project in time. We are exploring options with respect to their contract. Hampshire Pension Services have given us an indicated cost profile for their part in completing the project which is approx. £30,000.
- 4.2.** The McCloud project is progressing with purpose, and we had the first of the legacy systems' (BT Agresso) data collection completed in December 2022. There are minor changes to be made after consultation with HPS and we are aiming to get this turned around in February 2023. We are aiming to get the CIPHR data collection completed by February 2023, and we are re-engaging with Oracle Corporation to ascertain if they can complete the data collection on our behalf.
- 4.3.** The Pensions Website migration project has commenced, and we have a first draft timeline of activities to get the new micro-site up and running by October 2023. I will update further at the next Board meeting.

- 4.4.** The Pensions Dashboard, as per the programme initiated by The Money and Pensions Service (MaPS), will be a priority project in the next financial year. COWPF LGPS will need to supply data to the dashboard, and we will work with HPS and Civica to connect to the dashboard when it is time for us to be staged. We have received a comprehensive report from HPS detailing the project so far, key decisions and obligations and setting out expected costs. Confirmed costs so far are £710.95 and indicative costs are approx. £8,100.
- 4.5.** Key Governance activities are being planned for 2023 starting with an Internal Audit focusing on pension projects in January 2023.

LGPS Pension Scheme McCloud implementation key dates



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Factors / timescales yet to be confirmed

- Response to 2020 McCloud consultation from DLUHC (exp. End 2022)
- Consultation on draft regulations (exp. Jan 2023)
- Consultation on Teachers excess service in LGPS
- Upload of membership details to member records
- Aggregation of previous LGPS benefits (probable 12 month election period from 1 Oct 2023)
- Underpin calculations for all pre 1 Oct 2023 leavers
- Whether underpin calculations need to be shown on ABS' due 31 Aug 2024
- UPM Software installation / testing

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