



CITY OF WESTMINSTER

# MINUTES

## Pension Fund Committee

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Thursday 27th October, 2022**, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

**Members Present:** Councillors Patricia McAllister (Chair), Robert Eagleton, Ed Pitt Ford and Ryan Jude

#### 1 MEMBERSHIP

1.1 There were no changes to the membership.

#### 2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

#### 3 MINUTES

##### RESOLVED:

3.1 That the minutes of the meeting held on Thursday 23 June 2022 be signed by the Chair as a correct record of proceedings with the following amendments from Cllr Pitt Ford:

##### Item 6 BAILEE GIFFORD PRESENTATION

To also include "With regards to the holdings in Sberbank, it was asked by the Committee whether the shares could be used to support the rebuilding of Ukraine when a sale or transfer is allowed."

##### Item 7 PERFORMANCE OF THE COUNCIL'S PENSION FUND

To correct the wording in 7.2 from:

“The Committee sought answers as to why there was a heavy reliance on battery storage, to which Deloitte representatives could not answer at Committee but would endeavour to reply to Members as to why.”

To become:

“The Committee asked regarding the wider investment in batteries and why it was believed a roll out of existing vehicles to grid technology would not undercut the business case for grid scale batteries in the medium to long term, to which Deloitte representatives could not answer at Committee but would endeavour to reply to Members as to why.”

#### **4 TRIPLE POINT**

#### **EXCLUSION OF PRESS AND PUBLIC – ITEMS 4 AND 5**

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 contained within Item 4 Triple Point and Item 5 Man Group.

#### **4 TRIPLE POINT**

4.1 The Committee was presented with an update regarding the Pension Funds allocation to the Triple Point Impact Housing Fund, the Fund's socially supported housing manager.

#### **RESOLVED:**

4.2 The Committee considered the views outlined and elected to maintain a 2.5% allocation to socially supported housing. However, it was agreed to look at other strategies, including the London CIV UK Housing Fund.

4.3 That the Committee approved that Appendix 1 to this report is 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).

## **5 MAN GROUP**

- 5.1 The Committee was presented with an update regarding the amended Limited Partner Agreement (LPA) for the Man GPM Community Housing Fund.

### **RESOLVED:**

- 5.2 That the Committee ratified the changes to the LPA as agreed at the Pension Fund Committee briefing held on 12 September 2022.

## **6 PENSION COMMITTEE ADMINISTRATION UPDATE**

- 6.1 Sarah Hay, the Strategic Pension Lead, presented the report and advised the Committee of the performance of Hampshire Pension Services (HPS) with the Key Performance indicators (KPI's) for the period May 2022 to September 2022.

- 6.3 The Committee was informed that there were data issues and a backlog which has led to an additional cost. Therefore, a commitment of £22057.11 was requested to undertake address tracing work as part of the continual data improvement work. The Committee asked if data work such as this was worth having dedicated personnel working on, and this was something that officers said could be considered.

- 6.3 The Committee asked if it would be beneficial to spend more on data accuracy and collection, and this was accepted as being value for money.

- 6.4 The Strategic Pension Lead explained that there had been some cybersecurity issues in Section 4 of their report, Councillors asked if all employees had been informed of the issue in a timely manner and this was confirmed to have been done.

- 6.5 The Committee asked that of the £6,000 committed at the previous Pension Fund Committee, how many records would cover. The Strategic Pension Lead explained that it was for an initial check, meaning a figure could not yet be determined.

### **RESOLVED:**

- 6.6 That the Committee noted the report and approved a sum of £22057.11 be Committed.

## **7 PENSION COMMITTEE GENERAL UPDATE**

- 7.1 Diana McDonnell-Pascoe the Pension Project and Governance Lead, People Services introduced their report containing an update on the various projects and governance activities being undertaken by the Pensions and Payroll team.

7.2 The report was presented, and it was explained to Committee that this was segregated into Statutory Projects and Non-Statutory Projects.

7.2.1 Statutory Projects include the Guaranteed Minimum Pension (GMP), McCloud, and three workstreams on data collection and a recalculation exercise. For the GMP, this includes Data Reconciliation, Data Analysis and Data Ratification. The overall objective is to have the Data Rectification phase completed by February 2023 in order to ensure any pensionable benefits have been calculated and put into payments in April 2023. The McCloud judgement was aimed at preventing age discrimination in the LGPS and will use two phases of benefits recalculations, the collection of data and recalculation of benefits of eligible members. Workstreams 1 and 2 on data collection are progressing, with Hampshire Pension Services (HPS) having received 20 of the 37 completed service / break data sets from Westminster employers and the remaining employers are being encouraged to provide their data as soon as possible. The second data collection is the McCloud data for Westminster City Council as an employer with the three legacy payroll systems: Oracle, Agresso and CIPHR. The third workstream is a benefits recalculation exercise led by the HPS Pension Team, of which there is no update as this phase has not yet launched.

7.2.2 Non-Statutory Projects included the website review and there had been significant progress on this since the last Committee with two focus groups being held, a technical review, correspondence with third parties such as the Alzheimer's Society and a full report and recommendation for direction of travel to be presented at the next Pension Fund Committee.

## **RESOLVED:**

7.3 That the Committee noted the report.

## **8 ACTUARIAL RESULTS**

8.1 Phil Triggs, the Tri-Borough Director of Treasury and Pensions addressed the Committee outlining his report containing the 2022 triennial actuarial valuation process for the Westminster City Council Pension Fund, as set out by the pension fund actuary, Hymans Robertson (Hymans).

8.2 The Committee was made aware of the initial actuarial results, showing that the overall funding level for 2019 to 2022 was now 128% rising from 99%. The funding level for Westminster City Council as a single employer stands at 111%.

8.3 The Committee was informed of the changes to actuarial assumptions with the two most significant being longevity projections and the discount rate used to value liabilities.

## **RESOLVED:**

- 8.4 That the Committee noted the report and expects to receive a final actuarial report and draft funding strategy statement in the March 2023 cycle.

## **9 FUND FINANCIAL MANAGEMENT**

- 9.1 The Tri-Borough Director of Treasury and Pensions introduced the report and advised that the risk register is split between governance (investment and funding) and pensions administration, with the top five risks highlighted in the cover.
- 9.2 The report also contained the updated cash flow forecast for the next three years, with actuals to 30 September 2022 for the Pension Fund bank account and cash held at custody (Northern Trust). The report showed that the bank position continues to be stable.
- 9.3 The Committee asked for clarification on the difference between the global custody account and the current account. It was clarified that the custodian account is for large payments and investments, which is managed by Northern Trust, with the current account used for pension benefits payable and contributions receivable.

## **RESOLVED:**

- 9.4 That the Committee noted the top 5 risks to the Pension Fund and the current cashflow position for the Pension Fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast.

## **10 QUARTERLY INVESTMENT REPORT**

- 10.1 Phil Triggs, the Tri-Borough Director of Treasury and Pensions introduced his report outlining the performance of the Pension Fund's investments to 30 June 2022, together with an update on the London CIV.
- 10.2 The report outlined that there had been a -7.6% return net of fees over the quarter to 30 June 2022, this performance was broadly in line with the benchmark. This was partially offset by strong outperformance benchmarks within the Abrdn long lease property fund and Pantheon Global Infrastructure.
- 10.3 The Committee were informed of the value of the City of Westminster Pension Fund investments, managed by the London CIV. As of 30 June 2022 these stood at £839m representing 49% of Westminster's investment assets.
- 10.4 The Committee was informed of the changes in asset allocation of the Fund from 1 July 2021 to 30 June 2022. The current 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.

- 10.5 The Committee asked if following on from the mini budget from the former Chancellor of the Exchequer Kwasi Kwarteng, if there had been any impact on the fund from the selloff of gilts. The Committee was informed that there had been no material impact on the fund, given the relatively low exposure to UK gilts.

#### **RESOLVED:**

- 10.6 That the Committee noted the report and approved Appendices 2 and 3 to this report are 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).

#### **11 BAILLIE GIFFORD PA TRANSITION**

- 11.1 The Tri-Borough Director of Treasury and Pensions, Phil Triggs, presented his report to Committee outlining estimated transition costs, stock overlap, performance as well as volatility for the London CIV Global Alpha Growth Paris Aligned Fund. The portfolio aims to have a weighted average greenhouse gas intensity that is lower than that of the MSCI ACWI Climate Paris Aligned Index'.
- 11.2 The Committee asked if it was necessary to reshape in accordance with the Paris Agreement, and was informed that the stocks that are excluded are on the basis of fossil fuel screens and other quantitative assessments. There was an improvement in performance over the quarter within the fund, making the potential returns positive alongside the wider desire to move towards Paris Agreement alignment.

#### **RESOLVED:**

- 11.3 The Committee noted the expected Paris Aligned Fund transition costs, performance data and volatility, and elected to transition the Pension Fund's allocation to the Global Alpha Equity fund into the Paris Aligned version.
- 11.4 That the Committee approved that Appendix 1 to this report is 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).

## **12 PANTHEON IV FUND**

- 12.1 The Committee was informed of the summary of the Pantheon Global Infrastructure Fund IV (PGIF IV) and was provided with an analysis of the options for consideration to maintain the current 5% / \$91.5m strategic asset allocation to Pantheon.
- 12.2 The Committee was informed that PGIF IV was launched in 2021 with broadly the same characteristics as PGIF III and a similar investment process. This new fund will target a greater allocation to secondary markets, with two models to estimate the requirement commitment to PGIF IV: Scenario 1: No Growth Assumption and, Scenario 2: 5% p.a. Investment Portfolio Growth.

### **RESOLVED:**

- 12.3 The Committee noted the views outlined by representatives from Deloitte in Appendix 1, and agreed further due diligence before making further commitments.
- 12.4 The Committee approved Appendix 1 to this report, which was 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).

## **13 GOVERNMENT CLIMATE CONSULTATION**

- 13.1 The Committee was informed of the Department for Levelling Up, Housing and Communities' consultation on how the Local Government Pension Scheme will address, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-Related Financial Disclosures.
- 13.2 The Committee was informed of the four-consultation metrics that pension funds will be expected to measure and disclose annually as well as other expected reporting data.
- 13.3 The Committee asked for clarification on the RAG (Red, Amber, Green) categorisation used, and officers agreed to seek more detail on this and come back to Committee members with a clearer definition.

### **RESOLVED:**

- 13.4 That the Committee noted the proposed introduction of the Taskforce on Climate-Related Financial Disclosures within the LGPS.

**14 MINUTES (PFC 10.03.22)**

**RESOLVED:**

- 14.1 That the minutes of the meeting held on 10 March 2022 be signed by the Chair as a correct record of proceedings.

The Meeting ended at 9.35 pm

**CHAIR:** \_\_\_\_\_ **DATE** \_\_\_\_\_





CITY OF WESTMINSTER

## MINUTES

### Pension Fund Committee

### MINUTES OF PROCEEDINGS

Minutes of a hybrid meeting of the **Pension Fund Committee** held on **Thursday 23<sup>rd</sup> June, 2022**, Rooms 18.06 - 18.08 - 18th Floor, 64 Victoria Street, London, SW1E 6QP and via Microsoft Teams.

**Members Present:** Councillors Patricia McAllister (Chair), Ed Pitt Ford, Robert Eagleton, Ryan Jude.

**Also Present:** Phil Triggs (Tri-Borough Director of Treasury and Pensions), Sarah Hay (Pensions Officer), Diana McDonnell-Pascoe (Pensions Project Manager), Gerald Almeroth (Executive Director of Finance Resources), Billie Emery (FM Pensions), Matthew Hopson (Strategic Investment Manager), Chris Murphy (Baillie Gifford), Tim Gooding (Baillie Gifford), Jonny Moore (Deloitte), Kevin Humpherson (Deloitte), Lee Witham (Director of People Services), Rob Treich (London LGPS CIV Ltd), Harry Lamprinopoulos (London LGPS CIV Ltd), Andrew Lowe (Hampshire Pension Services) and Jack Robinson-Young (Cabinet and Councillor Coordinator).

#### 1 MEMBERSHIP

1.1 There were no changes to the membership.

#### 2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

#### 3 MINUTES

##### RESOLVED:

3.1 That the minutes of the meeting held on 10 March 2022 be signed by the Chair as a correct record of proceedings.

#### 4 PENSION ADMINISTRATION UPDATE

4.1 Sarah Hay, the Strategic Pension Lead, presented the report and advised the Committee of the Key Performance Indicators (KPIs) for Hampshire Pension Services (HPS) for the period February 2022 to April 2022. The Committee was pleased to note that HPS reported 100% compliance within the agreed KPI in each month.

- 4.2 The Committee was informed that there was an outstanding employer issue as a school had outsourced their catering contract without notifying the Committee. There has been communication regarding this, but at time of the Committee there was insufficient information for actuarial calculations, but a meeting has been arranged. Councillors questioned how this can be avoided in future and the Strategic Pension Lead explained they have planned to engage with Human Resources teams and Business Managers for those in the fund to explain the procedure.
- 4.3 The Strategic Pension Lead also sought approval for £6,000 to be signed off for the improvement of data scores.

**RESOLVED:**

- 4.4 That the Committee noted the report and approved the £6,000 for the improvement of data scores.

**5 COWPF LGPS PROJECTS AND GOVERNANCE UPDATE**

- 5.1 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.
- 5.2 The Committee was informed that the current website is being reviewed as to its suitability with areas such as Equality, Diversity and Inclusion, Value for Money and content under review.
- 5.3 The Committee was informed of the Funds responsibility to Guaranteed Minimum Pension (GMP) which are mainly around ensuring they are correctly recorded, and records are rectified to ensure correct benefits. The Committee was then informed that reconciliations are complete and there are no outstanding decisions, but some member records will require updating or corrections. The Fund is currently working with HPS and Mercer to enter the rectification phase, estimated to take seven months with the cost of £33,000 agreed at the Committee on December 16<sup>th</sup>. Despite choosing Mercer to deliver this project, the Fund management were aware of some supplementary costs charged by HPS and the software supplier CIVICA. The data has now been provided and HPS have asked CIVICA for an estimation of costs on the project which has come back at £18,000. This brings the total cost to £51,200 which is considerably lower than the alternative project cost of £81,400 with £62,400 for HPS to deliver the project and Mercer to rectify the data at a cost of £19,000. The Committee were pleased with the transparency of the costs of consultants and the overall cost effectiveness of engaging CIVICA.

**RESOLVED:**

- 5.4 The Committee noted the report and approved the £18,000 for CIVICA and the removal of the third-party legacy systems.

## **6 BAILLEE GIFFORD PRESENTATION**

- 6.1 Chris Murphy from Baillee Gifford presented to the Committee explaining that there had been some detractors in their stock contributors mainly arising from a combination of COVID supply chain shocks and the war in Ukraine leading to difficulties in the energy sector. Regarding the war in Ukraine, the Committee were informed that markets have held up, but growth has been badly hit with money moving towards more stable funds.
- 6.2 Explaining the agility of the fund to the Committee, they highlighted one particular stock, Peloton, they had bought and then as the stock proved unfavourable, quickly sold. On Russian-linked funds such as Sberbank, the Committee questioned as to why these had not been sold. It was explained that due to the sanctions imposed, they could not be sold but had been reduced down to 0 and would be sold at the earliest opportunity.

### **RESOLVED:**

- 6.3 That the Committee noted the report.

## **7 PERFORMANCE OF THE COUNCIL'S PENSION FUND**

- 7.1 Phil Triggs, Tri Borough Director of Treasury and Pensions, presented to the Committee with an update of the funding position. The market value of investments decreased to £1.859bn which is a reduction of £100m over the quarter to 31 March 2022. The Committee was also informed that the Council had paid off its deficit during 2022, with final payments of £80m made during 2021/22.
- 7.2 Representatives from Deloitte then presented their Annual Report to the Committee and were questioned on Quinbrook – Renewables Impact Fund. The Committee sought answers as to why there was a heavy reliance on battery storage, to which Deloitte representatives could not answer at Committee but would endeavour to reply to Members as to why.

### **RESOLVED:**

- 7.3 That the Committee noted the report and the performance of the investments and funding position. The Committee also approved Appendix 2 be not published on the basis that the contents have information in relation to the financial or business affairs for any particular person as set out in the Local Government Act of 1972.

## **8 FUND FINANCIAL MANAGEMENT**

- 8.1 Phil Triggs, Tri Borough Director of Treasury and Pensions informed the Committee that the risk register is divided into two sections, governance and pensions administrations. The Committee were also made aware that the

cashflow forecast for the next three years has been updated with a stable bank position.

- 8.2 The Tri Borough Director explained the Risk Register Monitoring system which details the current top five risks with details on their trends as of June 2022. He went on to explain that payments and receipts had remained stable, and Officers will continue to keep the cash balance under review.

**RESOLVED:**

- 8.3 That the Committee noted the top five risks for the Pension Fund and the cashflow position for the pension fund bank account as well as cash held at custody, the rolling twelve-month forecast and the three-year forecast.

**9 PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2021-22**

- 9.1 Phil Triggs, Tri Borough Director of Treasury and Pensions presented the report detailing the current market value of the Fund at £1.858bn as of March 2022 which is an increase of £428.2m from equities in the Fund performing particularly well. The Fund returned 3.6% over the financial year to 31 March 2022, underperforming its benchmark by -3.5% net of fees as a result of poor performance of global equity and fixed income portfolios.

- 9.2 The Pension Fund has benefited from the continuation of the deficit recovery contributions which has improved cash flow, the Fund received £80m in deficit recovery contributions during 2021-22. £56m of this was paid to Northern Trust to hold at custody.

- 9.3 The Committee was also made aware that the Pensions Administration service transitioned from Surrey County Council to Hampshire Pension Services from 8 November 2021 and as a result, costs increased largely due to the transition by 65% to £1.617m. Following the transition, service level KPI's are now consistently at 100% each month.

**RESOLVED:**

- 9.4 The Committee noted the report and Pension Fund accounts for 2021-22.
- 9.5 The Committee also approved the draft Pension Fund Annual Report for 2021-22 and delegated the completion and approval of the final document to the Tri-Borough Director of Treasury and Pensions, in consultation with the Chair of the Committee.

**10 PENSION FUND BUSINESS PLAN OUTTURN**

- 10.1 Phil Triggs, Tri Borough Director of Treasury and Pensions presented to the Committee outlining the actual costs for the year to 31 March 2022. He informed the Committee that the business plan included covered the following areas: administration, communication, actuarial/funding, Pension Fund Committee

Members, financial and risk management, investment and the Local Pension Board. The outturn demonstrates that all actions set have been achieved and the Pension Fund remains in a strong position.

- 10.2 As previously mentioned, administration costs have increased due to the transition over to Hampshire Pension Service however these are largely one-off. Governance and oversight expenses were broadly in line with previous years, but investment management costs had increased by 30% as a result of increased transaction cost disclosure from the LGPS Cost Transparency Code, an increase in asset market values and the transitioning of investments to more complex asset classes.

**RESOLVED:**

- 10.3 The Committee noted the business plan included and the costs for the 3 years to 2021-22.
- 10.4 The Committee also approved Appendix 2 be not published on the basis that the contents have information in relation to the financial or business affairs for any person as set out in the Local Government Act of 1972.

**11 TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD) RISK CONSIDERATIONS**

- 11.1 The Tri Borough Director of Treasury and Pensions informed the Committee that as of February 2021, the Pensions Schemes Act had received Royal Assent and is expected to directly affect the LGPS as the Act covers climate risk governance and reporting for the private sector scheme. These measures ensure trustees are legally requirement to assess and report on financial risks of climate change in portfolios in line with the TCFD.
- 11.2 The Committee was informed of the TCFD recommendations in relation to climate change which are governance, strategy, risk management and metrics and targets. These are both physical risks such as damage to infrastructure and transition risks such as changes to domestic policy or changes in consumer behaviour.
- 11.3 The Committee enquired about the impact climate may have on companies in areas that were particularly susceptible to the effects of rising sea levels for example. Kevin Humpherson from Deloitte explained that this would be defined as a physical risk and would be documented for forward planning.

**RESOLVED:**

- 11.4 The Committee noted the attached TCFD climate risk consideration.

## **12 UK STEWARDSHIP CODE 2020**

- 12.1 The Committee was informed from the Tri Borough Director of Treasury and Pensions on the principles of the Stewardship Code and the process on becoming a signatory of the Code. The principles were released in 2010, updated in 2020, and are directed at institutional investors holding voting rights in UK companies. The aim is to make shareholders actively engage in corporate governance in the interests of their beneficiaries. To become a signatory of the Code, a Stewardship Report must be submitted to the FRC showing how the principles of the code have been applied during the previous twelve months.
- 12.2 The Chair of the committee commented that this was a very high accolade to achieve, with very few of the total 86 funds involved receiving this and took a total of 5 months to put together.

### **RESOLVED:**

- 12.3 The Committee noted the report.

The Meeting ended at 21:30.

**CHAIR:** \_\_\_\_\_

**DATE** \_\_\_\_\_