



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee MINUTES OF PROCEEDINGS

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

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

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 The Chair of the Committee, Councillor McAllister, made a declaration in respect of Item 9 – ADMITTED BODY REQUEST – DIOCESAN BOARD OF SCHOOLS and informed the Committee she was a Vice Chair of a Catholic Church.

3 MINUTES

RESOLVED:

3.1 That the minutes of the meeting held on Thursday 27th of October 2022 be signed by the Chair as a correct record of proceedings with the following insertion from Cllr McAllister:

“The Fund actuary, Hymans Robertson, presented to the Committee, outlining the broad results of the actuarial valuation process and the assumptions and data used therein. A further, final report and funding strategy statement will be presented to the next committee meeting.”

3.2 Cllr Ryan Jude requested two amendments be made to the previous minutes of the meeting held on Thursday 27th of October 2022:

3.2.1 for paragraph 9.3 to become:

“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. The Committee also asked for an update on the Taskforce on Climate-Related Financial Disclosures reporting risk, and asked for this regulatory risk to be considered further.”

3.2.2 for paragraph 13.4 to become:

“That the Committee noted the proposed introduction of the Taskforce on Climate-Related Financial Disclosures within the LGPS and the ongoing work being undertaken and expressed an urgency for this to be done, in advance of it becoming a mandatory requirement for the LGPS, if possible.”

4 QUARTERLY PERFORMANCE REPORT

- 4.1 The Tri-Borough Director of Treasury and Pensions presented to the Committee with an update on the performance of the fund and that the market value of investments had decreased by £37m to £1.691bn over the quarter to 30 September 2022 with the Fund returning -1.8% net of fees. The Fund underperformed the benchmark by -0.4% net of fees, with the equity mandates and fixed income portfolios being the main detractors. This underperformance continues to be driven by the continued heightened inflationary concerns, alongside the supply chain disruption caused by the war in Ukraine and lockdown measures in China.
- 4.2 It was explained that this underperformance was partially offset by the outperformance of the benchmarks within the Ayr Long Lease Property fund, Quinbrook Renewable Infrastructure fund and the Pantheon Global Infrastructure. These outperformed their individual benchmarks by 9.7%, 13.5% and 7.8% net of fees respectively.
- 4.3 Over the 12-month period to 30 September 2022, the Fund underperformed its benchmark net of fees by -3.8% returning -11.5%. This underperformance can be largely attributed to the Baillie Gifford (LCIV) Global Alpha Growth mandate, with the large-cap growth stock bias providing detrimental as investors sought safety in value-oriented parts of the market.
- 4.4 The Committee was informed that the Ayr long lease property fund has again performed strongly over the one-year period, with an 28.2% outperformance of its benchmark net of fees. Pantheon Infrastructure fund, Quinbrook Renewables and Macquaire Renewables Infrastructure mandate have returned 37.3%, 23.7% and 23.7% net of fees, respectively.
- 4.5 The Tri-Borough Director of Treasury and Pensions noted that Deloitte continues to rate the fund managers favourably. However, a meeting was held between Deloitte and the senior management of Baillie Gifford to discuss the Baillie Gifford Global Alpha underperformance. Deloitte remains content that the manager continues to maintain its investment philosophy and Deloitte will continue to monitor the performance of the fund.

- 4.6 During August 2022, a decision was taken to note the investment policy of the London CIV Global Equity Quality fund. The revised policy states:
- Formalise the objective of achieving a lower greenhouse gas emissions intensity than the MSCI All Country World Index; and
 - Extend fossil fuel and related omissions and introduce a GHG emissions intensity filter.
- 4.7 At the previous Committee meeting in October, the Committee elected to transition the Fund's holding within the London CIV (Baillie Gifford) Global Alpha Equity mandate into the BG Paris-Aligned version. The transition took place on 5 December 2022.
- 4.8 The Committee were further informed that the overall funding level has risen from 99% in 2019 to 128% in 2022, with the main drivers for this improvement being the significant investment returns and additional deficit recovery payments received from the Council.
- 4.9 The position of the asset allocation was explained to the Committee, with the situation as follows: 60% in 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.
- 4.10 The Committee was informed of the value of the Fund LCIV assets being £839m, which represents 50% of Westminster's investment assets. A further £358m continues to benefit from reduced management fees, through Legal and General having reduced its management fees to match those available through the LCIV.
- 4.11 The Committee noted that although recent performance represents an underperformance of the fund, many LGPS had suffered this, and Westminster Council is not an exception.
- 4.12 The Committee asked for confirmation from the Tri-Borough Director of Treasury and Pensions to confirm the Fund's holdings within BG Alpha Fund had been transitioned into the BG Paris-Aligned version, and this was confirmed as having taken place on the 5th of December 2022.

RESOLVED:

- 4.13 The Committee noted the performance of the investments.
- 4.14 The Committee approved that Appendices 2 and 3 to this report are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

5 PANTHEON IV FUND

- 5.1 The Committee was informed that as at 30 September 2022, the PGIF III Fund was 80% drawn, with the remaining commitment expected to be called by early 2023. Based on the current market value of £68.9m, the portfolios allocation totals 4.0% of the Fund's strategic asset allocation. This Fund has a close-ended structure with the investment period to finalise over the coming months.
- 5.2 The Committee was informed that the PGIF IV fund was launched in 2021 with broadly the same characteristics as PGIF III fund and a similar investment process. Pantheon embeds ESG factors into its investment process and several ESG KPIs are considered.
- 5.3 At the Pension Fund Committee's October 2022 meeting, Pantheon provided modelling to estimate the required commitment to PGIF IV in order to:
- Scenario 1: No Growth Assumption
 - Scenario 2: 5% p.a. Investment Portfolio Growth
- 5.4 The Committee noted that the ESG factors being embedded was particularly helpful and useful.

RESOLVED:

- 5.5 That the Committee note the views outlined by Deloitte in Appendix 1 with an investment strategy review to take place for discussion at the Pension Fund Committee meeting scheduled for the 9th of March 2023.
- 5.6 The Committee approved Appendix 1 to this report was 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)

6 FUND FINANCIAL MANAGEMENT

- 6.1 The Tri-Borough Director of Treasury and Pensions, Phil Triggs, presented the report and outlined the top five risks to the Committee.
- 6.2 The Committee was informed of the balance on the Pension Fund's Lloyds bank account at £1.4m as of 31 October 2022. Payments from the account will continue to exceed receipts on an annual basis. On this, the Committee was informed that payments and receipts have remained stable over the last 12 months.
- 6.3 The Committee was informed that during the quarter ending March 2022, the Fund withdrew £6m in cash at custody to maintain a positive cash balance.
- 6.4 The Tri-Borough Director of Treasury and Pensions informed the

Committee that the Fund held £9.2m in cash with Northern Trust as of 31 October 2022.

- 6.5 The Committee was informed that the total cash balance, including the Pension Fund Lloyds bank account and cash at custody, was £10.6m as of 31 October 2022.
- 6.6 The Committee asked what mitigations there were against the effects of CPI inflation on the Fund. The Tri-Borough Director of Treasury and Pensions explained that the Bank of England was using monetary policy levers of interest rate changes to counter the threat. For the Fund itself, the infrastructure and equities assets are a mitigator as to inflationary increases.
- 6.7 The Committee asked about the risk of the current weakness of Sterling the UK was experiencing and any effects this would have on the fund. In reply, the Tri-Borough Director explained that weak Sterling does assist overseas asset valuation. The threat of weak Sterling arises when purchasing new overseas assets.
- 6.8 The Tri-Borough Director of Treasury and Pensions added that, since the publication of the reports considered by the Committee, he had been in conversation with MAN group, who are offering a further sub-fund based on the current strategy but with increased ESG credentials. He informed the Committee that Deloitte would provide further information for the Committee on 9 March 2023.

RESOLVED:

- 6.9 That the top five risks for the Pension Fund be noted.
- 6.10 That the cashflow position for the Pension Fund bank account and cash held at custody and the following twelve-month forecast and the three-year forecast be noted.

7 STEWARDSHIP CODE

- 7.1 Phil Triggs the Tri-Borough Director of Treasury and Pensions explained the nature of the code and what it meant to the Committee. He explained that the principles surrounding the code were released in 2010, with an update in 2020. The standards are high, with the principal aim to make shareholders active and engage in stewardship and corporate governance issues for the interests of the Fund's beneficiaries.
- 7.2 The Committee was further informed that, to become a signatory to the Code, it would be necessary to submit an annual Stewardship application to the FRC, demonstrating how the principles of the Code had been applied during the previous 12 months, which are then reviewed by the FRC.

- 7.3 The Committee asked about any potential staffing issues that may arise from the clear enhanced level of engagement needed to qualify. In reply, the Tri-Borough Director explained there had been conversations around this, with the potential for other governance areas to also be covered under an additional staff member.
- 7.4 The Committee asked how the Fund fell short of joining the Code previously, and it was explained by the Tri-Borough Director that the application had come close and there had been a detailed feedback/explanation given to officers of how the Fund had fallen short of the desired standard. This has allowed for a more detailed application going forward.
- 7.5 The Committee asked what other boroughs had achieved this status and were informed that Hillingdon and Lambeth within Greater London were signatories of the Code and Greater Manchester, Hampshire and Lincolnshire also signatories.

RESOLVED:

- 7.6 It was noted that the application to the FRC UK Stewardship Code 2020 (Appendix 1) was attached.
- 7.7 It was noted Appendix 1 was not for publication on the basis it contained 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).

8 PENSION ADMINISTRATION UPDATE

- 8.1 The Committee was made aware there was only one additional KPI reporting period since the last Pension Committee meeting by Sarah Hay, the Pensions Officer.
- 8.2 The Committee was informed there has been an increase from 27.63% to 28.65% of members signed up to the member portal.
- 8.3 The Committee was informed of the data scores and the backlog of data work taking place. Not all responses have been received by the Pensions Officer, but work is being done to try and complete this work. Further to this, the Pensions Officer informed the Committee that estimates will need to be made for 10 leaver forms as no data is available to complete the work.
- 8.4 The Committee was informed the number of outstanding queries has fallen from 78 to 63 and action is continuing to reduce this number through engagement with the employers and payroll providers.

- 8.5 The Pensions Officer informed the Committee that there was an update on the Compass Admission Agreement for ten staff that were transferred in 2018. The Pensions Officer expected this to be resolved shortly with all member records resolved.

RESOLVED:

- 8.6 That the Committee noted the report.

9 ADMITTED BODY REQUEST - DIOCESAN BOARD OF SCHOOLS

- 9.1 The Pensions Officer Sarah Hay addressed the Committee outlining that she had been approached by the Head of People and Culture at the London Diocesan Board of Schools asking if they could become an admitted body of in the City of Westminster Pension Fund.
- 9.2 The Pensions Officer was of the opinion that generally, they would not suggest admitting a new employer and has asked that guarantees and securities are outlined to ensure the Fund would be protected should they be admitted.
- 9.3 The Committee asked the Pensions Officer to continue in talks but agreed that more detail was needed on the application and on potential collateral to protect the Fund and the members of the Fund.

RESOLVED:

- 9.4 That the Pensions Officer Sarah Hay continue to engage in talks with the London Diocesan Board of Schools.

10 PROJECTS & GOVERNANCE UPDATE

- 10.1 The Pension Project and Governance Lead, introduced the report outlining the Statutory Projects =
- 10.1.1 The Committee were informed of the current position of the Guaranteed Minimum Pension and that there was a risk of not completing the project by April 2023, when there are the Pensions Increase. This risk has developed since the last Pension Fund Committee meeting and Mercers have informed the Pension Project and Governance Lead that they believe they are currently on track to meet their deadline. With respect to project costs, the Committee was asked to approve a purchase order of £30,000, with a £24,000 and a £6,000 split for Hampshire Pension Services to support the project. The £24,000 figure is based on a maximum of 20 days for Intellica / Civica to prepare and upload the rectified data and the £6,000 figure (based on three weeks

of resource) would be used for Hampshire's team supporting adjustments and the upload. All costs will be carefully monitored.

10.1.2 The Committee was informed of the McCloud judgement and that COWPF LGPS will recalculate the benefits for eligible members for the remedy period of 1st April 2014 to 31st March 2022.

10.1.2.1 The Committee were informed of Workstream 1 – COWPF Employer Data Collection and that for the remedy period of 1st April 2014 to 31st March 2021, the second round of chasing for outstanding returns had been completed. Hampshire Pension Services have received 23 of 37 completed service/break data sets from Westminster employers in October. This represents 19.79% of the membership population who are likely to require McCloud remedy.

The Committee was also informed that for the period 1st April 2021 to 31st March 2022 there were no additional submissions of data in October which remains at 21 of 39 completed service/data sets from Westminster employers. This represents 15.33% of the membership who are likely to require McCloud remedy.

10.1.2.2 The Committee was informed of the WCC Data Collection, led by the Pensions Project & Governance lead with the WCC Payroll Team. The Pensions Project & Governance lead explained that in this workstream, they were looking at collecting McCloud data for the three legacy payroll systems and current progress was as follows:

- IBC Data has been collected, collated, and shared with Hampshire Pension Services as of June 2022.
- BT Agresso legacy data collection is expected to be completed by the Pensions Officer in December 2022
- CIPHR legacy data is a manual collection and progressing with purpose. Weekly updates on progress are taking place and a desired completion date is currently January 2023.

Further to this, the automated reporting on CIPHR data collection was explained to the Committee covering the first iteration of the new PowerBI interface and the Oracle Legacy Data Collection.

10.1.2.3 There was no update from the Pensions Project & Governance lead on Workstream 3, the LGPS Benefits Recalculation Exercise as Phase 2 has not yet launched.

10.1.3 The Committee was informed that 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. There was a report presented to officers and the key takeaways were:

- At present, only active and deferred member benefits were in scope
- The legislation sets out significant roles for The Pensions Regulator who will regulate the compliance of public-sector pension providers and schemes in providing data to individuals via their chosen dashboard
 - Pension benefit information must be made available via the pension dashboard by 1st April 2025 and cover both benefit options, to reflect McCloud remedy.
 - Hampshire Pension Services have chosen to use an integrated service provider, Civica, who will be responsible for connecting to the dashboard ecosystem, providing the 'view' and 'find' information, managing member matching and providing governance and monitoring tools. For this, a request of £710.95 was asked of the Committee to be agreed to for indicative costs.

10.1.4 The Committee were also informed that an indication of costs for engaging with the Pensions Dashboard programme, currently standing at £8,810.95 with three categories of cost, ISP implementation fee, ISP annual fee and the Hampshire Pension Services resourcing to support the implementation.

10.2 The Committee was then updated on the non-statutory project of the Pension Website Review. Progress on this is ongoing and has a dedicated Digital Lead with an initial timeline in place. The overall project aim is to create a digitally accessible website and to connect with the analytics available.

10.3 The Pension Project and Governance Lead then informed the Committee on Governance issues covering Business Continuity Planning, the External Audit and the Internal Audit.

10.4 The Committee asked for further explanation as to the delay in the GMP Project. The Pensions Project and Governance Lead explained there had been a lack of communication on the parts of others outside of Westminster Council and had led to the risk of a delay, which Mercers had now informed Officers was now no longer the case. This delay centred around missing data sets that Westminster Council officers were not made aware were mandatory. It was reiterated to the Committee that this project is now due to be delivered on time, according to Mercers.

RESOLVED:

10.5 That the Committee noted the report.

10.6 The Committee agreed a sum of £710.95 for the HPS resourcing.

10.7 The Committee agreed a sum of £30,000.00 for the Pensions Project and Governance Lead to use for the completion of the GMP Project.

The Meeting ended at 20:05.

CHAIR: _____

DATE _____