



CITY OF WESTMINSTER

# MINUTES

## Pension Fund Committee

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Thursday 9th March, 2023**, 18.01 - 18.03, 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.

1.2 The Chair of the Committee Councillor McAllister rescinded the position of Chair for this Committee, and Councillor Eagleton was elected as Chair.

#### 1.3 RESOLVED:

That Councillor Robert Eagleton be elected Chair of the Pension Fund Committee for the meeting on Thursday the 9th of March.

#### 2 DECLARATIONS OF INTEREST

2.1 Councillor Pitt Ford declared that with regards to Item 5, Asset Allocation Review, that he holds shares with the company Octopus Group Holdings Ltd.

#### 3 MINUTES

3.1 The Committee approved the minutes of its meeting on 6 December 2022.

#### 3.2 RESOLVED:

That the minutes of the meeting held on Tuesday the 6 December 2022 be signed as a correct record of proceedings.

## **4 ACTUARIAL VALUATION**

4.1 The Committee were presented to by Steven law from Hymans Robertson and the valuation outcome and funding level were outlined to the Committee.

4.2 The Committee was also informed of the major changes to the 2022 actuarial financial assumptions.

## **5 ASSET ALLOCATION REVIEW**

5.1 The Committee were presented to by representatives from Deloitte, who outlined the investment strategy and the most appropriate strategic asset allocation.

5.2 Following discussions on the Asset Allocation Review, the Committee requested that a further extraordinary meeting be held to discuss this item at length.

### **ACTION**

That the Committee Clerk will arrange an Extraordinary Pension Fund Committee meeting in April 2023 to discuss a revised asset allocation strategy, including rebalancing.

## **6 FUND FINANCIAL MANAGEMENT**

6.1 The Committee were presented with an update reference the financial management of the Fund by the Tri-Borough Director of Treasury and Pensions, Phil Triggs. He informed the Committee that the risk register was divided in to two sections: governance (investment and funding) and pensions administration.

6.2 The top 5 risks for the fund were outlined to the Committee, which included liability risks, asset and investment risk, regulatory and compliance risks and liability risk.

6.3 The Committee were informed that the current bank account as at 31 January 2023 was £1.245m, which is used for day-to-day transactions. The Committee were also informed that payments and receipts have remained stable over the last 12 months.

6.4 The Tri-Borough Director then turned to the cash position, which stood at £10.8m in Northern Trust as at 31 January 2023.

6.5 The Committee was finally informed of the 12-month and 3-year cash flow positions. The Committee were informed that the forecasts are estimated using an average of the previous quarters and for the 3-year cash flow position, CPI-inflation is also taken into account.

## **6.6 RESOLVED**

That the Committee noted the top five risks for the Pension Fund

That the Committee noted the cashflow position for the Pension Fund bank account and cash held at custody, the rolling 12-month forecast and the 3-year forecast.

## **7 QUARTERLY PERFORMANCE REPORT**

7.1 The Committee were informed of the performance of the Pension Fund's investments to 31 December 2022, together with an update on the London CIV.

7.2 The Tri-Borough Director of Treasury and Pensions informed the Committee of the return, net of fees, over the quarter to 31 December 2022 and how this performance was in relation to the benchmark.

## **8 RESPONSIBLE INVESTMENT STATEMENT**

8.1 The Committee were informed by the Tri-Borough Director of Treasury and Pensions that the purpose of the Responsible Investment Statement was to make clear the Pension Fund's approach to investing responsibly. This included the integration of environmental, social and governance factors as part of the strategy.

8.2 The Committee were informed that the statement covers topics in detail, such as:

8.2.1 Investment journey: since 2019, the Fund has made a number of conscious investment decisions to improve the environmental, social and governance impact.

8.2.2 Carbon journey: the Pension Fund has taken significant steps to reduce its carbon footprint, and the Committee were informed that since June 2019 the emissions linked to the fund have fallen by circa 75%

8.2.3 United Nations Sustainable Development Goals: as adopted by UN members during 2016, the Sustainable Development Goals are calls for action by developed countries. The Responsible Investment Statement sets out how the Fund will work towards achieving these goals.

8.2.4 Voting and engagement: the Fund is collaborating with key stakeholders in the investment community that will be key in influence companies to run more sustainably.

8.3 The Committee praised the hard work from Officers on this area of work for the Fund and praised the report before Committee.

### **8.4 RESOLVED:**

That the Committee noted the Responsible Investment Statement.

That Officers would bring a revised version of the Responsible Investment Statement to the next Pension Fund Committee in June to include a section on nature positivity and restoration.

That the Committee delegated authority to the Tri-Borough Director of Treasury and Pensions to publish the Responsible Investment Statement on Westminster Council's website.

## **9 PENSION ADMINISTRATION UPDATE**

9.1 Diana McDonnell-Pascoe, the Pension Project and Governance Lead, presented the Pension Administration Update to the Committee and informed the Committee that the papers dispatched had not clearly indicated that a decision was required by the Committee, and that she would be asking for a decision to be made.

9.2 The report provided a summary of the performance of Hampshire Pensions Services for November 2022 through to January 2023 which detailed 189 business as usual case pending action at the end of January 2023.

9.3 There was one complaint made during this period by a staff member during this period which has led to Hampshire Pensions Services reviewing their wording for retirement letters for more clarity.

9.4 In the previous report to Committee, outstanding queries following the 2022 annual returns stood at 63, this has now reduced to 16 with the original figure having been 775.

9.5 The Committee were informed that later this year a letter will be sent to all fund employers and an example will be presented to Committee. The letter will measure three key accuracies: timeliness, financial control, and data accuracy. This will use a traffic light format against the expected standards in each area.

### **ACTION**

For the Committee to be presented with an example letter for the correspondence on data submission.

9.6 The Pension Project and Governance Lead informed the Committee that they required a direction from the Committee on continuing international address tracing for the remaining 83 cases or not. The Pension Board had made a recommendation not to continue. The Committee agreed with the Pension Boards recommendation not to continue international address tracing and that the team should no longer address trace for these 83 international cases.

### **9.7 RESOLVED:**

That the Committee agreed to cease address tracing for the remaining 83 international cases.

## **10 GUARANTEED MINIMUM PENSION PROJECT**

10.1 The Pension Project and Governance Lead presented to Committee on the failure of Mercer Ltd to complete their required part of the Guaranteed Minimum Pension (GMP) Rectification project by the deadline of February 2023.

10.2 The Committee were reminded that the decision to appoint Mercer Ltd was made in November 2021 following the transfer of pension administration services from Surrey to Hampshire Pensions Services. There was a significant delay to Mercer Ltd starting the rectification project despite Mercer Ltd receiving necessary data in their requested format in time. Mercer Ltd continually reassured Officers that they could delivery by February 2023 until an email in late December 2022 informing Officers there was now a significant risk to non-delivery.

10.3 There had been a failure in the calculation tool used by Mercer Ltd and they then proposed a new deadline concluding in October 2023. The contract was considered for termination and being given to Hampshire Pension Services, but this was not taken. Mercer Ltd have engaged a company called Intellica to help manage the project, which has given Westminster Council Officers increased confidence.

10.4 A formal complaint to Mercers Ltd has been lodged and they have been placed on Westminster Councils poor performance contract monitor.

## **11 AOB**

11.1 Phil Triggs referenced the success of the UK Stewardship Code application and acknowledged the excellent work of the project manager, Joshua Pledge, and Pension Fund Manager, Billie Emery. The Committee Members agreed that the outcome was excellent and asked that their thanks to the two Officers be minuted.

11.2 Phil Triggs presented the Chair, Councillor McAllister, with a card and gifts to acknowledge and thank her for her long service to the Pension Fund Committee. He referenced Westminster's latest funding level at 142%, its recent successful investments into infrastructure, renewable energy, private debt and affordable housing, and its Responsible Investment strategy and UK Stewardship Code signatory status.

The Meeting ended at 8.42 pm

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

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