



# Minutes

Meeting:

**Superannuation Committee**

**1/2014**

Date of meeting:

**Tuesday 18 March 2014 at 7.00pm**

Attendees:

**Councillors:**

**Suhail Rahuja (Chairman)**

**Antonia Cox**

**Patricia McAllister**

**Dr Cyril Nemeth**

**Ian Rowley**

**Officers:**

**Jonathan Hunt (Director of Corporate Finance & Investment)**

**Carolyn Beech (Interim Director of Human Resources)**

**Nicola Webb (Pension Fund Officer)**

**Andrew Palmer (Senior Committee & Governance Officer)**

**Also in attendance:**

**Alistair Sutherland (Deloitte Investment UK)**

Apologies:

**None.**

Contact:

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## **1. MEMBERSHIP OF THE COMMITTEE**

- 1.1 No apologies for absence were received.

## **2. DECLARATIONS OF INTEREST**

- 2.1 The Chairman made the following declaration:  
'I am employed by Fund Managers who have amongst their clients Hermes. I am not involved in any element of the work which relates to the Westminster Fund and accordingly do not regard this as a prejudicial interest'.

## **3. MINUTES**

- 3.1 The minutes of the Superannuation Committee meeting held on 19 November 2013, which did not include exempt information, were agreed as a correct record and were signed by the Chairman.

## **4. PERFORMANCE AND MANAGEMENT OF THE COUNCIL'S PENSION FUND**

- 4.1 Alistair Sutherland (Deloitte Investment UK) submitted a report which provided a summary of the Fund's performance over the three month period to 31 December 2013, and which stated that Westminster's Fund was complying with statutory requirements. The Fund had outperformed its composite benchmark by 0.36% over the fourth quarter of 2013; and had outperformed its composite benchmark by 1.84% over the past 12 months.
- 4.2 Majedie had continued to outperform the benchmark over the quarter, returning 6.5% against a benchmark of 5.5%. Insight's credit mandate had also performed well. The Committee commented on the continued underperformance of State Street, and noted that Majedie had undergone a further change in structure.
- 4.3 Jonathan Hunt (Director of Corporate Finance & Investment) confirmed that the Committee would be considering the fixed income element of the Fund at a future meeting. Members also discussed investment in long leases and retail property.
- 4.4 **RESOLVED:** That the report on the performance and management of Westminster's Pension Fund be noted.

## **5. EMPLOYEES IN THE WESTMINSTER CITY COUNCIL LOCAL GOVERNMENT PENSION SCHEME**

- 5.1 The Committee received an update from Carolyn Beech (Interim Director of Human Resources) on the actions being taken by Human Resources to

engage and communicate with staff about the changes to the Local Government Pension Scheme (LGPS), which would come into effect from April 2014. The report also provided more detail regarding the demographics of the employees who had opted out during auto enrolment, and considered whether the new regulations would provide the conditions for them to rejoin the scheme.

- 5.2 The Interim Director informed the Committee that a meeting held on 25 February to present the new scheme to staff had been attended by over 100 employees, many of whom did not fully understand the career average. Other publicity material had been made available, with supporting presentations also having been made at schools.
- 5.3 Members discussed the demographics of the employees who had opted out of the scheme. The Interim Director reported that of the 669 employees who were auto-enrolled into the scheme on 1 July 2013, 275 (41%) had opted out again, primarily due to financial constraints. The Committee noted that these employees would be auto-enrolled again in three years time in line with the new legislation.
- 5.4 The Committee noted that the City Council would continue with the programme to educate employees of the scheme, and to promote the 50/50 scheme.
- 5.5 **RESOLVED** that progress in the engagement strategy be noted.

## **6. FUNDING STRATEGY STATEMENT**

- 6.1 Jonathan Hunt (Director of Corporate Finance & Investment) and Nicola Webb (Tri-Borough Pension Fund Officer) presented the City Council's draft Funding Strategy Statement, which set out the funding objectives of the Pension Fund and the way it planned to meet liabilities. Local Government Pension Scheme (LGPS) Regulations required that the Statement be reviewed every three years, in conjunction with the actuarial valuation. Following the meeting, the draft statement would be submitted to the Admitted Bodies for consultation
- 6.2 The new Statement sought to be clearer about how different types of employers would be treated in the Fund, together with the process to be followed to ensure that liabilities were funded if they ceased participation. Comments received from the Fund Actuary following consultation had been incorporated in the draft Statement.
- 6.3 The Committee discussed valuation assumptions and the admission of new employers. Members highlighted the need for risks to be graded, and requested more detail for each Admitted Body on risks, levels of deficit and recovery periods. The Director of Corporate Finance & Investment confirmed that the City Council was currently working with the Fund's Actuaries to

produce a proper risk analysis of the Admitted Bodies, and that a further report would be submitted to the Committee.

6.4 Members also discussed pooling among the smaller Admitted Bodies, and noted that seven Admitted Bodies were currently pooled with the City Council.

6.5 **RESOLVED:** that:

- 1) the draft Funding Strategy Statement set out in the report be approved; and
- 2) a further report be submitted to the Committee that provides more detail for each Admitted Body on risks, together with levels of deficit and recovery periods.

## 7. ANY URGENT BUSINESS

7.1 No additional business was reported.

## 8. EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972

8.1 **RESOLVED:** That under Section 100 (A)(4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following items of business because they involve the likely disclosure of exempt information on the grounds shown below and it is considered that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

<u>Item Nos.</u>	<u>Grounds</u>	<u>Para. of Part 1 of Schedule 12A of the Act</u>
9 to 13	Information relating to financial or business affairs of any particular person (including the authority holding that information).	3

## 9. MINUTES

9.1 The minutes of the Superannuation Committee meeting held on 19 November 2013 which included exempt information were agreed as a correct record and were signed by the Chairman.

## 10. PENSIONS ADMINISTRATION CONTRACT RE-LET UPDATE

10.1 The Committee received a confidential report which provided an update on the strategy to re-let the Pension Administration Contract, and agreed the next steps for the process.

**11. UPDATE ON THE APPOINTMENT OF EQUITY MANAGERS**

11.1 The Committee noted a confidential update on progress in the appointment of core and satellite equity managers.

**12. PENSION FUND COSTS**

12.1 The Committee received a confidential report which provided a summary of the costs that had been incurred by the Pension Fund over the last three years.

**13. DRAFT STEWARDSHIP POLICY**

13.1 The Committee received a confidential report which presented a draft Stewardship Policy for Pension Fund investments.

**14. CLOSE OF MEETING**

14.1 The meeting closed at 8.36 pm.

CHAIRMAN: .....

DATE: .....