



City of Westminster

Minutes

Meeting:

**Pension Fund Committee
(Public)**

Date of meeting:

Tuesday 8th September at 7.00pm

Attendees:

Councillors:

Suhail Rahuja (Chairman)

Ian Rowley

Patricia McAllister

Officers:

Steven Mair (City Treasurer)

Carolyn Beech (Director of HR)

David Hodgkinson (Assistant City Treasurer)

Nikki Parsons (Pension Fund Officer)

Neil Sellstrom (Tri-Borough Pensions Team)

Sarah Hay (Human Resources)

Joseph McBride (Committee & Governance Officer)

Also Present:

Alistair Sutherland (Deloitte)

Kevin Humpherson (Deloitte)

Jason Bailey (Surrey County Council)

Chris Smith (Pension Board Representative)

Dr Norman Perry (Pension Board Representative)

Marie Holmes (Pension Board Representative)

Susan Manning (Pension Board Representative)

Apologies:

Councillor Antonia Cox

Contact:

Joe McBride

Committee & Governance Officer

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1. MEMBERSHIP OF THE COMMITTEE

- 1.1 Councillor Antonia Cox passed her apologies to the Committee.

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 Pension Fund Committee meetings held on 21 May 2015 were agreed as a correct record and signed by the Chairman.

4. Pension Administration

- 4.1 Jason Bailey provided an overview of the administration service provided by Surrey County Council to Westminster City Council and invited Members to ask any questions. Mr Bailey emphasised that the arrangement was not for profit but that Surrey would seek to recharge only their overheads to Westminster to reflect the costs of providing the service. Surrey administer the service for approximately 200,000 people including, as of this month, Hammersmith and Fulham and Kensington and Chelsea.
- 4.2 Councillor Suhail Rahuja asked what the timeline was for approval of the Hammersmith and Fulham and Kensington and Chelsea contracts. Mr Bailey responded that the process took approximately 12 months due to complications arising from use of different software systems. Significant data quality issues were identified and were given the highest priority by all parties before moving forward with the new system.
- 4.3 Councillor Rahuja asked what the contract length is for all three boroughs. Mr Bailey replied that the contracts are for five years but clauses have been inserted after three years to provide an opportunity to realign those contracts.
ACTION: Councillor Rahuja to discuss this further with Steven Mair (City Treasurer) at a later date.
- 4.4 Councillor Rahuja asked what the number of Tri-borough pensioners were in relation to the total number administered by Surrey. Mr Bailey replied that Tri-borough members are approximately 42,000 of a total of 200,000 members.
ACTION: Jason Bailey to present at the AGM.
- 4.5 **RESOLVED:** The Committee noted the contents of the report.

5. ADMISSION AGREEMENT FOR SANCTUARY HOUSING

- 5.1 Mr Steven Mair explained that the Adult Social Care team started a procurement exercise in 2012 under the Specialist Housing Strategy for Older People (SHSOP) programme to find a supplier to provide care home management services at a number of care homes including the Westminster City Council homes of Westmead and Carlton Dean.
- 5.2 Mr Mair noted that while the award of contract to Sanctuary has already been approved following a decision by the Cabinet Member for Adults and Public Health and the Cabinet Member for Finance and Customer Services on 15th September 2014, approval is needed to enter into an admission agreement in order to allow 64 Westminster City Council members of staff to transfer into the employ of Sanctuary.
- 5.3 This in turn will allow for Sanctuary to make the necessary pension contributions for staff that will transfer into their employ into the Local Government Pension Scheme (LGPS).
- 5.4 Mr Neil Sellstrom (Tri-Borough Pensions Team) confirmed that no bond is in place because Sanctuary are deemed to be AAA rated. Councillor Ian Rowley noted that AAA rating can change and raised the example of Age Concern where the Council were left to underwrite the liability. Steven Mair agreed that AAA rating can change but stated that the decision was taken by the relevant Cabinet Members in lieu of the £500k savings offered annually as a result of the contract.
- 5.5 Councillor Rowley asked if the Council was budgeting for this as part of its reserves. Steven Mair replied that the Council had not made reserves against such specific risks previously but that the risk would now be factored into the Council's overall reserve consideration
- 5.6 Councillor Rowley suggested that an annual review of the admitted bodies would be good practice going forward. This was supported by Councillor Patricia McAllister and Councillor Rahuja.
- 5.7 **RESOLVED:** The Committee noted the contents of the report and agreed that an annual review of admitted bodies would be welcome in future.

6. REVISED COMMUNICATIONS POLICY APPROVAL

- 6.1 Carolyn Beech (Director of Human Resources) noted that the previous strategy has been updated to take into account the arrangement with Surrey County Council and to reflect the communication and engagement activity being undertaken as a result.
- 6.2 Councillor Rahuja asked what meetings are planned with the admitted and scheduled bodies. Ms Beech replied that Ms Sarah Hay (Pensions Liaison Officer) meets regularly with partners to update them on relevant changes to legislation or the administration of the Pension Fund

- 6.3 Councillor Rahuja asked if the bodies understand their obligations. Ms Sarah Hay responded that they are aware because of the employer's rate that they are paying. Councillor McAllister asked if we are in regular communication with Surrey. Ms Sarah Hay confirmed that officers are in constant communication via email and telephone as well as regular meetings between officers and directors. Ms Sarah Hay noted that an employer's forum is scheduled for the end of October
- 6.4 Councillor McAllister asked if there was an agenda for the AGM meeting scheduled for 21st September. Ms Carolyn Beech replied that there was a draft agenda prepared which she would circulate to the Committee. **ACTION:** Councillor Rahuja felt that it would be worthwhile for Councillor McAllister to speak at the AGM.
- 6.5 **RESOLVED:** The Committee approved the updated 2015/16 version of the Westminster Pensions Communications Policy.

7. PENSION BOARD UPDATE

- 7.1 Mr Steven Mair confirmed that the Pension Board has been established, membership confirmed and the first meeting held on 27th July 2015 ahead of the statutory deadline of 31st July 2015.
- 7.2 Mr Steven Mair also confirmed that a training session for the Board has taken place which Committee members were invited to attend. This incorporated training on legal background and relative roles, as well as a discussion about future work plans and training.
- 7.3 Councillor McAllister expressed her disappointment that the Chair and other member of the Board were chosen from majority party Members without consultation with the minority party.
- 7.4 **ACTION:** Councillor Rahuja suggested that it may be worthwhile for a member of the Pension Board to address the AGM on September 21st to explain their role.
- 7.5 **RESOLVED:** The Committee noted the contents of the report.

8. GOVERNANCE ARRANGEMENTS

- 8.1 Mr Steven Mair noted that this report presents the draft Knowledge and Skills policy, the updated Governance Compliance Statement and summarises the equity fund manager responses to the Stewardship Policy. A self-assessment form is included in Appendix 1 of the report and Mr Mair suggested that it would be useful for Members to complete the form in order to identify knowledge gaps. **ACTION:** Completed forms to be returned to Pensions Team by October 2nd.

- 8.2 Ms Nikki Parsons noted that the Governance Compliance Statement has been update to take into account the Pensions Board and that this needs to go to consultation. **ACTION:** Nikki Parsons to consult with employers and to delegate authority to the Chair and the City Treasurer.
- 8.3 **RESOLVED:** The Committee approved the Knowledge and Skills Policy and the Governance Compliance Statement and noted the information contained in the report.

9. FUND FINANCIAL MANAGEMENT

- 9.1 Mr Steven Mair introduced the report which presents a variety of information that will assist the Pension Fund Committee in monitoring key areas to ensure effective control of the Fund's operation and help inform strategic decisions.
- 9.2 Councillor Rahuja asked how the Council pays its deficit. Mr Mair responded that traditionally it has been paid as part of the monthly contributions but this year it was paid early. Mr Mair noted that trends can emerge but that the Council are aware when the lump sum is scheduled within the next five years.
- 9.3 Mr Mair noted that the Council's budget savings may impact the pension fund in the next few years as a large proportion of the Council's costs are currently expended on staffing and thus reductions could follow in that area. **ACTION:** Councillor Rahuja asked for officers to prepare some sense of the volatility of the numbers at the November meeting.
- 9.4 Mr Mair explained that the risk register has been reviewed by officers and the rationale for the changes is set out on the first page of the appendix 2. He highlighted a new risk as a result of the Freedom of Choice legislation that permits individuals to access their pensions withdraw lump sums should they wish to do so. This can lead to sudden large payments and the risk is acknowledged in the updated risk register.
- 9.5 Councillor Rahuja supported Westminster's engagement in the London Collective Investment Vehicle (CIV) and felt that better coordination between authorities would result in an overall net benefit. This item will be discussed later in the meeting.
- 9.6 **RESOLVED:** The Committee noted the contents of the report.

10. PERFORMANCE OF THE COUNCIL'S PENSION FUND

- 10.1 Mr Kevin Humpherson explained that markets were volatile of the second quarter of the year to 30 June 2015 with pre-election concerns over the outcome of the UK General Election and increased uncertainty over Greece's position within the Eurozone highlighted as the main contributory factors.

- 10.2 Over this quarter the Fund outperformed its benchmark, mostly due to strong performance from the Standard Life Long Lease Property Fund and the active equity managers Baillie Gifford, Majedie and Longview.
- 10.3 Mr Humpherson noted that the fund outperformed its composite benchmark by 57bps over the second quarter of 2015, largely as a result of strong performance from the active equity managers, Majedie and Longview, and from the Stand Life Long Lease Property Fund.
- 10.4 Over the quarter the market value of assets fell by c. £17.7m as a result of the fall in both equity and markets over the quarter.
- 10.5 Councillor McAllister asked for an explanation on how the situation with Tescos could affect Westminster. Mr Alistair Sutherland (Deloitte) responded that it has been discussed regularly with Standard Life and that they are content with the current status quo. Standard Life are comfortable that the covenant underlying the investment is good.
- 10.6 **RESOLVED:** The Committee noted the contents of the report.

11. INVESTMENT MANGEMENT CONSIDERATIONS

- 11.1 The representatives from Deloitte left the room.
- 11.2 Mr Steven Mair noted that at the July 2014 meeting, the Committee agreed to extend the existing contract until 31 March 2016 to align with the RBKC investment advisory contract. This enabled WCC to retender at the same time as RBKC.
- 11.3 Officers intend to carry out a bi borough procurement with RBKC of the investment advisory contract using the National LGPS Framework, as used by LBHF in their retender for the same service in December 2013. It is not proposed that the funds would have to appoint the same advisor.
- 11.4 Mr Mair requested that the Committee delegates the decision to draw down £5 million from LGIM for the investment to Hermes, to the City Treasurer, in consultation with the Chair of the Pension Fund Committee.
- 11.5 **RESOLVED:** The Committee noted the contents of the report and delegated authority to the City Treasurer and the Chair to draw down £5 million from LGIM for investment to Hermes.

12. CLOSE OF MEETING

- 7.1 The meeting closed at 8.15 pm.

CHAIRMAN:

DATE: