



City of Westminster

Minutes

Meeting:

Superannuation Committee

1/2014

Date of meeting:

Monday 14 July 2014 at 7.00pm

Attendees:

Councillors:

Suhail Rahuja (Chairman)

Antonia Cox

Patricia McAllister

Ian Rowley

Officers:

Jonathan Hunt (Director of Corporate Finance & Investment)

Carolyn Beech (Interim Director of Human Resources)

Nikki Parsons (Pension Fund Officer)

Andrew Palmer (Senior Committee & Governance Officer)

Apologies:

None.

Contact:

Andrew Palmer

Senior Committee & Governance Officer

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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 meetings held on 18 March and 4 June 2014, 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 Jonathan Hunt (Director of Corporate Finance & Investment) presented a report which provided a summary of the Fund's performance over the three month period to 31 March 2014, and which stated that Westminster's Fund was complying with statutory requirements. Over the first quarter of 2014, the Fund had outperformed its composite benchmark by 0.71%, largely as a result of strong performance from Majedie. Over the past 12 months, the Fund had also outperformed its composite benchmark by 3.01%. The Committee noted that the total fund investment performance to 31 March 2014 by manager for the last quarter was 1.3% gross, and not 1.4% as stated in the report.
- 4.2 During the last quarter, the Fund's passive Overseas Equity Mandate with State Street Global Advisors had been terminated, of which approximately £130m was transferred to Baillie Gifford for investing in the Global Equity Alpha Fund and £164m to LGIM (passive) Global Equity.
- 4.3 Members commented on the performance of Standard Life Investments, and agreed that the Fund Manager should be invited to attend the Committee to discuss their performance over the past year in relation to the broad property market and against their benchmark.
- 4.4 The Committee also received a funding update provided by the Fund Actuary, Barnett Waddingham, and noted that the funding level of the Fund had improved from 74% at the last triennial valuation at 31 March 2013 to 81% at 31 March 2014. The Committee discussed the apparent discrepancy between assets given in the reports provided by Barnett Waddingham and Deloitte, and the Director of Corporate Finance & Investment agreed to provide Members with details of the reconciliation between the two figures. The Committee

agreed that updates from Barnett Waddingham would be included in future quarterly reports to the Committee.

- 4.5 Members noted that consideration was being given to updating the Committee's Terms of Reference to reflect its current functions; and also discussed best practice, and the possible inclusion of co-opted representatives of employees and unions.
- 4.6 The Director of Corporate Finance & Investment reported that the process for the City Council's Annual Statement of Accounts, which included the Pension Fund, had this year been brought forward by three months, and that the final Accounts had been submitted to the Audit Committee on 30 June for sign-off. Members noted that the Statement of Accounts for the Pension Fund would accordingly now be included in the Annual Report, which was to be presented to the next meeting of the Superannuation Committee in September for noting. Discussions were ongoing as to whether the Statement of Accounts for the Pension Fund should be presented to the Superannuation Committee for approval, and Members agreed to recommend that the Committee should in future receive the Accounts for sign-off.
- 4.7 **RESOLVED:** That the report on the performance and management of Westminster's Pension Fund be noted.

5. RESPONSE TO THE GOVERNMENT'S CONSULTATION ON THE STRUCTURE OF THE LGPS

- 5.1 In June 2013, the Department for Communities & Local Government (DCLG) and the Local Government Association (LGA) had asked for views and evidence on how the current structure of the Local Government Pension Scheme (LGPS), could be improved. Jonathan Hunt (Director of Corporate Finance & Investment) accordingly provided the Committee with details of the combined Tri-borough response, which had been submitted on 11 July.
- 5.2 In total, the DCLG had received 133 responses to the call for evidence. Members noted that many of the replies, including the Tri-borough response, had highlighted the importance of local accountability and had considered that efficiencies could be made without the need to change the underlying structure of the LGPS.
- 5.3 As the closing date for consultation had been 11 July 2014 and before the date of the Committee, the draft response had been included in the Agenda Papers, and the Director agreed to provide Members with a copy of the final response which had been returned to the DCLG.
- 5.4 The Director reported that an additional consultation, Local Government Pension Scheme: Opportunities for Collaboration, Cost Savings and Efficiencies, which sought the views of LGPS Funds and interested parties on the use of Collective Investment Vehicles (CIVs) and the value of active management, had been published by the DCLG in May 2014. The

consultation paper had asserted that savings of £660m could be achieved nationally if all investments were made in CIVs and that all listed assets were invested on a passive basis.

- 5.5 The Director reported that the development of a CIV by London Councils was already at an advanced stage, with 29 Councils have signed up, and with each of the Tri-borough Councils being a stakeholder. The Committee noted that Councils were already working together in other parts of the Country, with combined Pension Funds in the West Midlands amounting to £10 billion.
- 5.6 The Committee discussed the potential risks of the proposed London Common Investment Vehicle (CIV), which would allow Councils to buy cheaper and different Funds. Members highlighted the need to understand the robustness of the governance arrangements and what controls and options member authorities would have, and the Director confirmed that individual member Councils would continue to have the ability to decide whether to invest in specific Funds. The Committee acknowledged that the visibility of Fund performance within the CIV would also be beneficial. The Director commented that it was not clear when a decision on the proposed CIV would be taken, and whether legislation would be needed.
- 5.7 The Committee noted that in addition to the consultation on cost savings and efficiencies, a further consultation was expected in the near future, which would outline the draft regulations to implement the governance requirements of Public Services Pensions Act 2013. The implications of this consultation were to be considered later in the Agenda (Minute 7 below).
- 5.8 **RESOLVED:** That the response to the Government's consultation on the structure of the Local Government Pension Scheme be noted.

6. WORK PLAN FOR THE THREE TRI-BOROUGH PENSION FUNDS

- 6.1 Jonathan Hunt (Director of Corporate Finance & Investment) presented a summary of the Tri-borough Pension Fund Business Plan for 2014/15, which set out the work that would be done collectively and individually by the three Pension Committees.
- 6.2 The report also provided an overview of the assets of the three Funds, together with funding levels and membership at 31 March 2014, and a summary of investment management and other external contracts.
- 6.3 **RESOLVED:** That the Tri-borough Pension Fund Work Plan for 2014/15 be noted.

7. UPDATE ON GOVERNANCE REGULATIONS

- 7.1 Jonathan Hunt (Director of Corporate Finance & Investment) provided a verbal update on the forthcoming consultation on the governance of Local

Government Pension Schemes. The consultation was to be issued in response to the Public Services Pensions Act 2013, which had indicated that there should be better and more informed governance of Pension Funds, and had proposed that local authorities create Pensions Boards with effect from 1 April 2015.

- 7.2 The Committee noted that Pensions Boards needed to be made up of an equal balance of employer and employee representatives, with a minimum of four members meeting four times a year. The Board would have no decision making powers or powers of direction, but would scrutinise regulatory activity and note things that could be improved or dealt with more effectively. It was anticipated that each borough would be required to have its own Pensions Board, which would preclude the Board being established on a Tri-borough basis, and Members noted that Board members would need to receive training and would be paid.
- 7.3 **RESOLVED:** That the further changes to the governance structure of local authority Pension Funds be noted.

8. ANY URGENT BUSINESS

- 8.1 No additional business was reported.

9. EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972

- 9.1 **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>
10 to 13	Information relating to financial or business affairs of any particular person (including the authority holding that information).	3

10. MINUTES

- 10.1 The minutes of the Superannuation Committee meeting held on 18 March 2014 which included exempt information were agreed as a correct record and were signed by the Chairman.

11. APPOINTMENT OF CUSTODIAN

- 11.1 The Committee received a confidential report which provided an update on the bi-borough tender process undertaken with the London Borough of Hammersmith & Fulham, to appoint a Custodian for the Pension Fund. The Committee agreed that Northern Trust be appointed Custodian to the Fund.

12. EXTENSION OF DELOITTE CONTRACT

- 12.1 The Committee received a confidential report which considered the contract with Deloitte, who provided investment advisory services to the Fund.

13. UPDATE ON THE APPOINTMENT OF MANAGERS

- 13.1 The Committee noted a confidential update on the procurement of equity managers, together with proposals for the fixed income allocation and mandate.

14. CLOSE OF MEETING

- 14.1 The meeting closed at 8.32 pm.

CHAIRMAN:

DATE: