



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Wednesday 23rd October, 2019**, Room 18.03, 18th Floor, City Hall, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillors Antonia Cox (Chairman), Melvyn Caplan, Patricia McAllister and Eoghain Murphy.

Officers Present: Gerald Almeroth (Executive Director – Finance and Resources), Phil Triggs (Tri-Borough Director of Treasury and Pensions), Matthew Hopson (Strategic Investment Manager), Billie Emery (Pension Fund Manager), Mat Dawson (Strategic Finance Manager), Sarah Hay (Senior Payroll and Pensions Officer), Eleanor Dennis (Lead Pensions Specialist, People Services) and Toby Howes (Senior Committee and Governance Officer).

Also Present: Kevin Humpherson (Deloitte).

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3 MINUTES

3.1 RESOLVED:

That the minutes of the meeting held on 20 June 2019 be signed by the Chairman as a correct record of proceedings.

4 PENSION ADMINISTRATION UPDATE

4.1 Sarah Hay (Senior Pensions and Payroll Adviser) presented the report and advised that the data cleansing accuracy scores had improved from 77% in 2018 to 89.9% in 2019. There was still a batch of work outstanding that the contractor, JLT, needed to complete. Sarah Hay confirmed that the Western

Union existence checking project had been completed on 30 September and there were still 21 pensioners who were yet to respond.

- 4.2 Members welcomed the improvement in data accuracy and queried whether JLT had been appointed through a procurement process. In respect of the existence checking project, it was queried whether the Department for Work and Pensions (DWP) provided the most recent addresses to the Council to those pensioners working overseas. In acknowledging that there was likely to be more responses from overseas pensioners in November, the Committee remarked that there was some discretion over what evidence the Council would accept.
- 4.3 In reply to issues raised by Members, Sarah Hay advised in respect of overseas pensioners that the DWP does undertake tracing exercises, however these were not always successful. The Council could consider completing its own tracing exercise, although this would be time consuming. Sarah Hay advised that JLT had been appointed via a Surrey County Council procurement process, however, consideration was now being given to replacing JLT as they were not working through the cases quickly enough.
- 4.4 The Committee asked for an update on the existence checking project at the next meeting.

5 PENSION DATA QUALITY PLAN

- 5.1 Eleanor Dennis (Senior Pensions and Payroll Specialist) presented the report and advised that additional resources had been put in place, which had attributed to the higher data quality scores. There were now more regular discussions on data quality, including more communication and a log was also being maintained. Eleanor Dennis added that The Pensions Regulator expected pension schemes to look at the quality of their data on an annual basis and put in place a data improvement plan.
- 5.2 Members acknowledged the importance of data quality and welcomed the recommendations in the report. It was also noted that The Pensions Regulator took the issue of data quality very seriously and this area needed to be monitored closely. Members asked how the Council's data accuracy compared with other local authorities and would further resources be made available for data accuracy exercises.
- 5.3 In reply, Sarah Hay advised that the Council's data accuracy was comparable with other councils and Surrey County Council would be approached as to whether they were considering bringing in more resources.

6 ADMISSION AGREEMENT REQUEST AND REQUEST TO HAVE A DEED OF AN AMENDMENT TO A CONTRACT

- 6.1 The Committee had before them a report recommending the approval of a deed of an amendment and a closed admission agreement. Members asked for details on the contributions involved with regards to the closed admission

agreement. In reply, Sarah Hay advised that Bouygues were subject to a 35.9% employer contribution rate.

6.2 The Committee agreed to the recommendations in the report.

6.3 **RESOLVED:**

1. That a deed of amendment in respect of the Amey admission agreement be approved for the Westminster City Council admission contract to allow two former London Borough of Hammersmith and Fulham employees in respect of into the Westminster City Council Fund for the month of May 2019.
2. That it be agreed that the Fund enter into a closed admission agreement for the one employee that is Transfer of Undertakings (Protection of Employment) Regulations 2006 transferred to Bouygues from the 1st June 2019 with a bond or guarantee.

7 TRAINING NEEDS ASSESSMENT

- 7.1 Billie Emery (Pension Fund Manager) gave a presentation on this item and advised that the three training areas that had been identified were investing in Environmental, Social and Governance (ESG) and real estate areas and looking at supplier risk management.
- 7.2 The Committee noted that the London Collective Investment Vehicle (LCIV) was currently undertaking an exercise with regards to ESG investments and requested details of a training session on risk management that was shortly to take place. Members also expressed interest on training with regard to the investments being undertaken by Pantheon, who had recently been appointed as a fund manager.

8 PENSION FUND ANNUAL REPORT

8.1 Members had before them the draft annual report and requested that an updated version be circulated to them.

8.2 **RESOLVED:**

1. That the Pension Fund Annual Report 2018/19 be approved.
2. That the pension fund accounts for 2018/19 be noted.

9 CARBON EXPOSURE REVIEW

- 9.1 Matthew Hopson (Strategic Investment Manager) introduced the report and advised that the report set out the exposure to carbon assets across the whole Fund.
- 9.2 Kevin Humpherson (Deloitte) then addressed the Committee and advised that Trucost, a specialist in measuring carbon exposure, had been appointed to

provide this information. He referred to the table in the report that compared exposure in various investment areas to the benchmark and explained how Trucost calculated the carbon exposure.

- 9.2 The Committee commented that now the investigative work on carbon exposure had been undertaken, consideration needed to be given as to what the next steps should be. It was remarked that The Pensions Regulator would be instructing funds to consider climate change as an investment risk from October 2020 and that this would need to be mentioned in the Investment Strategy. Members noted the complexities involved in calculating carbon exposure and asked what the general approach to carbon exposure should be. A timetable for the Statement of Investment Principles was also sought.
- 9.3 In reply to issues raised by the Committee, Kevin Humpherson stated that in future more regulation would be brought in concerning investing in areas where there was carbon exposure and that it was recognised that such investments would also lead to a material financial impact. Fund managers would be asked if they were aware of the risks in investing in areas where there was a high carbon exposure risk. Kevin Humpherson added that the strategies of companies such as Shell and BP were evolving and they were investing in alternative energy solutions.
- 9.4 Phil Triggs (Tri-Borough Director of Treasury and Pensions) advised that there would be an update on investment considerations at the next meeting and the Investment Strategy Statement Review would be considered at the March 2020 meeting.

9.5 **RESOLVED:**

That the report findings be noted.

10 **CUSTODY CONTRACT**

- 10.1 The Committee agreed to the recommendation in the report to approve the continuation of the global custodian contract with Northern Trust.

10.2 **RESOLVED:**

That the continuation of the global custodian contract with Northern Trust for an additional two years up to 30 September 2021, with an estimated annual cost of £25k per annum, be approved.

11 **DRAFT ACTUARIAL VALUATION**

- 11.1 Members had before them the draft report and welcomed the news that the Fund was now 100% funded.
- 11.2 Phil Triggs added that overall the report was good news for the Fund and advised that other encouraging developments included improved data quality and the strong investment performance. However, the increased assumptions

with regards to inflation, the McCloud case and the Cost Cap were all matters that needed to be monitored. Phil Triggs advised that overall, the employer contribution was expected to decrease.

- 11.3 Members commented that the assumptions in salary increases had reduced because of the decrease in the number of salary step increases and it was also acknowledged that the number of staff on the payroll had reduced. The importance of keeping employer contributions down was emphasised.

11.3 RESOLVED:

That the initial actuarial results be noted.

12 FUND FINANCIAL MANAGEMENT

- 12.1 Billie Emery presented the report and drew Members' attention to the cashflow spike in June 2020 that was attributable to a £20 million deficit recovery payment.

- 12.2 Members acknowledged that the Chief investment Officer of the LCIV had vacated his role after only a short period and that the interim Chief investment Officer previously in place had been re-appointed, again on an interim basis.

12.3 RESOLVED:

1. That the Risk Register for the Pension Fund be noted.
2. That the cashflow position, the rolling 12-month forecast and the three-year forecast be noted.
3. That the Forward Plan for 2019/20 be noted.

13 INVESTMENT CONSULTANT AIMS AND OBJECTIVES

- 13.1 Matthew Hopson presented the report and referred to the key remedies identified by the Competition and Markets Authority for funds to consider the establishment of the aims and objectives for their investment consultants. He suggested that remedy 7, ensuring trustees set strategic objectives and firms to periodically report against them, was most relevant to this Fund.

- 13.2 The Committee agreed that the strategic objectives of the Fund as set out in the report be published by 1 December 2019.

13.3 RESOLVED:

That the report be noted.

14 LONDON COLLECTIVE INVESTMENT VEHICLE MINISTRY FOR HOUSING, COMMUNITIES AND LOCAL GOVERNMENT PROGRESS REPORT

14.1 Members had before them the progress report. The Committee commented that overall it was confident that savings had been achieved as a result of joining the LCIV. Members emphasised the importance of the LCIV in ensuring that it mapped out the investment requirements of each of the 32 London boroughs in the LCIV.

14.2 Members remarked that the running of the LCIV was of some concern and that this needed to be revisited. It was acknowledged that this was complicated further by the fact that the LCIV had 32 members, considerably more than other investment pools. The Committee commented that consideration of the funding levels and asset allocation of all LCIV members needed to be looked at and that a mapping exercise of what members wanted be undertaken, although it was acknowledged that balancing these interests was difficult. However, it was important that a more stable future for the LCIV be secured.

14.2 RESOLVED:

That the London CIV pooling progress report be noted.

15 LONDON COLLECTIVE INVESTMENT VEHICLE REMUNERATION REVIEW

15.1 The Chairman advised that the participating London boroughs of the LCIV had requested that the LCIV Board review its remuneration arrangements. It was recommended that the Committee agree the proposed Pensions Recharge and Guarantee of Liability Agreement.

15.2 Phil Triggs (Tri-Borough Director of Treasury and Pensions) added that the LCIV Board was minded to recommend closing the Local Government Pension Scheme to new members, upon receiving the signed guarantees of all 32 LCIV shareholders.

15.3 The Committee agreed the recommendation in the report.

15.4 RESOLVED:

That the signing of the LCIV Pensions Recharge and Guarantee of Liability Agreement be approved.

16 QUARTERLY PERFORMANCE REPORT

16.1 The Committee noted that the Fund had delivered a return of 3.1% over the quarter to 30 June, which was 0.3% below the benchmark. Over the year, the Fund had performed 1.7% below the benchmark from the 12 months to 30 June, and this was largely attributable to the underperformance of Majedie.

16.2 RESOLVED:

That the performance of the investments, funding position and the fund account and net assets statement be noted.

17 SCHEME ADVISORY BOARD GOOD GOVERNANCE REPORT

17.1 The Committee noted the report.

17.2 RESOLVED:

That the contents of the report be noted.

18 REPORT FOR THE PENSIONS REGULATOR

18.1 Phil Triggs presented the report and commented that there were now a number of governance related matters that funds were required to consider.

18.2 The Committee suggested that its' Members attend Pension Board meetings on occasions and noted that The Pensions Regulator had made a recommendation with regard to cyber security which was a matter that should be regularly tested.

18.3 RESOLVED:

That the contents of the report be noted.

19 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

19.1 There was no other business.

20 EXCLUSION OF PRESS AND PUBLIC

20.1 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 the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

Items 21 and 22.

21 MINUTES

21.1 RESOLVED:

That the confidential minutes of the meeting held on 20 June 2019 be signed by the Chairman as a correct record of proceedings.

22 UK EQUITY MANDATE REVIEW

22.1 The Committee considered and agreed the recommendations in the confidential report.

The Meeting ended at 8.50 pm.

CHAIRMAN: _____

DATE _____