



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Wednesday 13th May, 2020**, This meeting took place place virtually.

Members Present: Councillors Eoghain Murphy (Chairman), Barbara Arzymanow, Angela Harvey and Patricia McAllister

Also Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Mathew Dawson (Strategic Finance Manager), Billie Emery (Pension Fund Manager). Matthew Hopson (Strategic Investment Manager), Kevin Humpherson (Deloitte), Andrew Bullman (Deloitte) and Toby Howes (Senior Committee and Governance Officer).

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3 STRATEGIC INVESTMENT STRATEGY REVIEW

3.1 Kevin Humpherson (Deloitte) presented the report and advised that consideration had been given to the triennial valuation and the Funding Strategy Statement as agreed by the Committee on 19 March 2020 as a basis for the proposals. The current allocation of assets was 65% in equity, 20% in fixed income, 10% in property and 5% in infrastructure. The Committee noted that they had agreed the infrastructure allocation recently in 2019.

3.2 Kevin Humpherson stated that the current asset allocation in equities was an issue that the Committee may want to consider further. Although this asset class had been rewarding to the Pension Fund for a number of years, under the current circumstances, volatility was a matter than needed to be factored in and he added that the current allocation in passive equities was also quite substantial. A possible path was to diversify further to reduce the equity allocation.

- 3.3 Kevin Humpherson then referred to the options set out the report. He suggested that option 2, to decrease the equity allocation by 7%, a 3% allocation to a new fixed income strategy and 5% to a new illiquid alternative, may be a way forward that the Committee could consider. This option would reduce the anticipated volatility from 13.2% with the current allocation to 12.6%.
- 3.4 Kevin Humpherson concluded his presentation by commenting that investing in renewable infrastructure may also be desirable, particularly as there was huge demand to introduce green power and this would represent a good diversification option.
- 3.5 The Committee then considered the options. Members asked whether fund manager fees were high in the renewable infrastructure asset class and sought reasons as to why the multi asset credit class was currently underperforming. Further information was sought with regards to reallocating funds from equities. Members asked if any consideration had been given to investing in gold. With regards to recession and uncertainty in the financial market, Members asked what effects this may have on the Strategic Investment Strategy and what was the degree of flexibility for the strategy. Members also suggested that they would like further training and an update on infrastructure.
- 3.6 Members commented that returns on investing in student properties seemed quite reasonable and asked what the impact may be on those wishing to downsize. The performance of fixed interest bonds was queried.
- 3.7 In reply to queries from the Committee, Kevin Humpherson advised that renewable infrastructure fund management fund manager fees were relatively high compared to fees in the equities asset allocation class. With regards to transferring funds from the equities asset allocation class, as this involved large sums, if this action was agreed by the Committee, he recommended that this be undertaken through a series of tranches. Kevin Humpherson acknowledged that the multi asset credit class was currently performing slightly below the benchmark, however over the longer term it was likely to achieve good returns.
- 3.8 With regard to investing in gold, Kevin Humpherson stated that although there may be benefits in terms of investment return, there would be some exposure in respect of volatility. In acknowledging the current economic circumstances, he emphasised the importance of ensuring that the strategy was as adaptable as possible and decisions could be made on a quarterly basis to make any de-risking decisions. Kevin Humpherson stated that there were uncertainties in the property market, including the office market, because of the COVID-19 pandemic, however some people may be motivated to downsize. He added that a training session on residential properties could be offered to Members if they wished. In respect of fixed interest bonds, Kevin Humpherson advised that the Insight Buy and Maintain mandate's return was linked to interest rates, however, it offered a relatively secure return.

3.9 Following careful consideration, the Committee decided that further information and training was required before a decision could be made on the strategy. The Committee therefore requested that a training session take place before the next meeting on 25 June where the strategy could be re-considered.

4 PENSION FUND PERFORMANCE TO 31 MARCH 2020 AND RISK MONITORING

4.1 Phil Triggs (Tri-Borough Director of Treasury and Pensions) updated the Committee on the performance of the Fund in light of the COVID-19 pandemic.

4.2 The Committee noted that the situation was fluid and there would be a further update on this matter at the next meeting.

4.3 RESOLVED:

1. That the performance of the Fund's investments to 31 March 2020 be noted.
2. That the risk registers for the Pension Fund, as updated in May 2020, be noted.

The Meeting ended at 6.54 pm.

CHAIRMAN: _____

DATE _____