



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a hybrid meeting of the **Pension Fund Committee** held on **Thursday 23rd June, 2022**, Rooms 18.06 - 18.08 - 18th Floor, 64 Victoria Street, London, SW1E 6QP and via Microsoft Teams.

Members Present: Councillors Patricia McAllister (Chair), Ed Pitt Ford, Robert Eagleton, Ryan Jude.

Also Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Sarah Hay (Pensions Officer), Diana McDonnell-Pascoe (Pensions Project Manager), Gerald Almeroth (Executive Director of Finance Resources), Billie Emery (FM Pensions), Matthew Hopson (Strategic Investment Manager), Chris Murphy (Baillie Gifford), Tim Gooding (Baillie Gifford), Jonny Moore (Deloitte), Kevin Humpherson (Deloitte), Lee Witham (Director of People Services), Rob Treich (London LGPS CIV Ltd), Harry Lamprinopoulos (London LGPS CIV Ltd), Andrew Lowe (Hampshire Pension Services) and Jack Robinson-Young (Cabinet and Councillor Coordinator).

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

RESOLVED:

3.1 That the minutes of the meeting held on 10 March 2022 be signed by the Chair as a correct record of proceedings.

4 PENSION ADMINISTRATION UPDATE

4.1 Sarah Hay, the Strategic Pension Lead, presented the report and advised the Committee of the Key Performance Indicators (KPIs) for Hampshire Pension Services (HPS) for the period February 2022 to April 2022. The Committee was pleased to note that HPS reported 100% compliance within the agreed KPI in each month.

- 4.2 The Committee was informed that there was an outstanding employer issue as a school had outsourced their catering contract without notifying the Committee. There has been communication regarding this, but at time of the Committee there was insufficient information for actuarial calculations, but a meeting has been arranged. Councillors questioned how this can be avoided in future and the Strategic Pension Lead explained they have planned to engage with Human Resources teams and Business Managers for those in the fund to explain the procedure.
- 4.3 The Strategic Pension Lead also sought approval for £6,000 to be signed off for the improvement of data scores.

RESOLVED:

- 4.4 That the Committee noted the report and approved the £6,000 for the improvement of data scores.

5 COWPF LGPS PROJECTS AND GOVERNANCE UPDATE

- 5.1 Diana McDonnell-Pascoe, Pensions Project Manager, presented the report and the Committee was advised of the various projects and governance activities being undertaken by the Pensions and Payroll Team to improve the administration of the COWPF LGPS.
- 5.2 The Committee was informed that the current website is being reviewed as to its suitability with areas such as Equality, Diversity and Inclusion, Value for Money and content under review.
- 5.3 The Committee was informed of the Funds responsibility to Guaranteed Minimum Pension (GMP) which are mainly around ensuring they are correctly recorded, and records are rectified to ensure correct benefits. The Committee was then informed that reconciliations are complete and there are no outstanding decisions, but some member records will require updating or corrections. The Fund is currently working with HPS and Mercer to enter the rectification phase, estimated to take seven months with the cost of £33,000 agreed at the Committee on December 16th. Despite choosing Mercer to deliver this project, the Fund management were aware of some supplementary costs charged by HPS and the software supplier CIVICA. The data has now been provided and HPS have asked CIVICA for an estimation of costs on the project which has come back at £18,000. This brings the total cost to £51,200 which is considerably lower than the alternative project cost of £81,400 with £62,400 for HPS to deliver the project and Mercer to rectify the data at a cost of £19,000. The Committee were pleased with the transparency of the costs of consultants and the overall cost effectiveness of engaging CIVICA.

RESOLVED:

- 5.4 The Committee noted the report and approved the £18,000 for CIVICA and the removal of the third-party legacy systems.

6 BAILLEE GIFFORD PRESENTATION

- 6.1 Chris Murphy from Baillee Gifford presented to the Committee explaining that there had been some detractors in their stock contributors mainly arising from a combination of COVID supply chain shocks and the war in Ukraine leading to difficulties in the energy sector. Regarding the war in Ukraine, the Committee were informed that markets have held up, but growth has been badly hit with money moving towards more stable funds.
- 6.2 Explaining the agility of the fund to the Committee, they highlighted one particular stock, Peloton, they had bought and then as the stock proved unfavourable, quickly sold. On Russian-linked funds such as Sberbank, the Committee questioned as to why these had not been sold. It was explained that due to the sanctions imposed, they could not be sold but had been reduced down to 0 and would be sold at the earliest opportunity.

RESOLVED:

- 6.3 That the Committee noted the report.

7 PERFORMANCE OF THE COUNCIL'S PENSION FUND

- 7.1 Phil Triggs, Tri Borough Director of Treasury and Pensions, presented to the Committee with an update of the funding position. The market value of investments decreased to £1.859bn which is a reduction of £100m over the quarter to 31 March 2022. The Committee was also informed that the Council had paid off its deficit during 2022, with final payments of £80m made during 2021/22.
- 7.2 Representatives from Deloitte then presented their Annual Report to the Committee and were questioned on Quinbrook – Renewables Impact Fund. The Committee sought answers as to why there was a heavy reliance on battery storage, to which Deloitte representatives could not answer at Committee but would endeavour to reply to Members as to why.

RESOLVED:

- 7.3 That the Committee noted the report and the performance of the investments and funding position. The Committee also approved Appendix 2 be not published on the basis that the contents have information in relation to the financial or business affairs for any particular person as set out in the Local Government Act of 1972.

8 FUND FINANCIAL MANAGEMENT

- 8.1 Phil Triggs, Tri Borough Director of Treasury and Pensions informed the Committee that the risk register is divided into two sections, governance and pensions administrations. The Committee were also made aware that the

cashflow forecast for the next three years has been updated with a stable bank position.

- 8.2 The Tri Borough Director explained the Risk Register Monitoring system which details the current top five risks with details on their trends as of June 2022. He went on to explain that payments and receipts had remained stable, and Officers will continue to keep the cash balance under review.

RESOLVED:

- 8.3 That the Committee noted the top five risks for the Pension Fund and the cashflow position for the pension fund bank account as well as cash held at custody, the rolling twelve-month forecast and the three-year forecast.

9 PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS 2021-22

- 9.1 Phil Triggs, Tri Borough Director of Treasury and Pensions presented the report detailing the current market value of the Fund at £1.858bn as of March 2022 which is an increase of £428.2m from equities in the Fund performing particularly well. The Fund returned 3.6% over the financial year to 31 March 2022, underperforming its benchmark by -3.5% net of fees as a result of poor performance of global equity and fixed income portfolios.

- 9.2 The Pension Fund has benefited from the continuation of the deficit recovery contributions which has improved cash flow, the Fund received £80m in deficit recovery contributions during 2021-22. £56m of this was paid to Northern Trust to hold at custody.

- 9.3 The Committee was also made aware that the Pensions Administration service transitioned from Surrey County Council to Hampshire Pension Services from 8 November 2021 and as a result, costs increased largely due to the transition by 65% to £1.617m. Following the transition, service level KPI's are now consistently at 100% each month.

RESOLVED:

- 9.4 The Committee noted the report and Pension Fund accounts for 2021-22.
- 9.5 The Committee also approved the draft Pension Fund Annual Report for 2021-22 and delegated the completion and approval of the final document to the Tri-Borough Director of Treasury and Pensions, in consultation with the Chair of the Committee.

10 PENSION FUND BUSINESS PLAN OUTTURN

- 10.1 Phil Triggs, Tri Borough Director of Treasury and Pensions presented to the Committee outlining the actual costs for the year to 31 March 2022. He informed the Committee that the business plan included covered the following areas: administration, communication, actuarial/funding, Pension Fund Committee

Members, financial and risk management, investment and the Local Pension Board. The outturn demonstrates that all actions set have been achieved and the Pension Fund remains in a strong position.

- 10.2 As previously mentioned, administration costs have increased due to the transition over to Hampshire Pension Service however these are largely one-off. Governance and oversight expenses were broadly in line with previous years, but investment management costs had increased by 30% as a result of increased transaction cost disclosure from the LGPS Cost Transparency Code, an increase in asset market values and the transitioning of investments to more complex asset classes.

RESOLVED:

- 10.3 The Committee noted the business plan included and the costs for the 3 years to 2021-22.
- 10.4 The Committee also approved Appendix 2 be not published on the basis that the contents have information in relation to the financial or business affairs for any person as set out in the Local Government Act of 1972.

11 TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD) RISK CONSIDERATIONS

- 11.1 The Tri Borough Director of Treasury and Pensions informed the Committee that as of February 2021, the Pensions Schemes Act had received Royal Assent and is expected to directly affect the LGPS as the Act covers climate risk governance and reporting for the private sector scheme. These measures ensure trustees are legally requirement to assess and report on financial risks of climate change in portfolios in line with the TCFD.
- 11.2 The Committee was informed of the TCFD recommendations in relation to climate change which are governance, strategy, risk management and metrics and targets. These are both physical risks such as damage to infrastructure and transition risks such as changes to domestic policy or changes in consumer behaviour.
- 11.3 The Committee enquired about the impact climate may have on companies in areas that were particularly susceptible to the effects of rising sea levels for example. Kevin Humpherson from Deloitte explained that this would be defined as a physical risk and would be documented for forward planning.

RESOLVED:

- 11.4 The Committee noted the attached TCFD climate risk consideration.

12 UK STEWARDSHIP CODE 2020

- 12.1 The Committee was informed from the Tri Borough Director of Treasury and Pensions on the principles of the Stewardship Code and the process on becoming a signatory of the Code. The principles were released in 2010, updated in 2020, and are directed at institutional investors holding voting rights in UK companies. The aim is to make shareholders actively engage in corporate governance in the interests of their beneficiaries. To become a signatory of the Code, a Stewardship Report must be submitted to the FRC showing how the principles of the code have been applied during the previous twelve months.
- 12.2 The Chair of the committee commented that this was a very high accolade to achieve, with very few of the total 86 funds involved receiving this and took a total of 5 months to put together.

RESOLVED:

- 12.3 The Committee noted the report.

The Meeting ended at 21:30.

CHAIR: _____

DATE _____