



**CITY OF WESTMINSTER**

# MINUTES

## **Pension Fund Committee**

### **MINUTES OF PROCEEDINGS**

Minutes of a hybrid meeting of the **Pension Fund Committee** held on **Thursday 27<sup>th</sup> October 2022**, Rooms 18.01 - 18.03 - 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 (Strategic Pensions Lead), Diana McDonnell-Pascoe (Pension Project and Governance Lead), Billie Emery (FM Pensions), Mathew Dawson (SFM Treasury & Pensions), Jonny Moore (Deloitte), Kevin Humpherson (Deloitte), Lee Witham (Director of People 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 Thursday 23 June 2022 be signed by the Chair as a correct record of proceedings with the following amendments from Cllr Pitt Ford:

##### **Item 6 BAILEE GIFFORD PRESENTATION**

To also include "With regards to the holdings in Sberbank, it was asked by the Committee whether the shares could be used to support the rebuilding of Ukraine when a sale or transfer is allowed."

## Item 7 PERFORMANCE OF THE COUNCIL'S PENSION FUND

To correct the wording in 7.2 from:

“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.”

To become:

“The Committee asked regarding the wider investment in batteries and why it was believed a roll out of existing vehicles to grid technology would not undercut the business case for grid scale batteries in the medium to long term, to which Deloitte representatives could not answer at Committee but would endeavour to reply to Members as to why.”

## **EXCLUSION OF PRESS AND PUBLIC – ITEMS 4 AND 5**

The Chair moved and it was

### **RESOLVED:**

That under Section 100 (a) (4) and Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following Item of Business because it involves the likely disclosure of exempt information relating to the financial or business affairs of any particular person (including the Authority holding that information) 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 contained within Item 4 Triple Point and Item 5 Man Group.

## **4 TRIPLE POINT**

4.1 The Committee was presented with an update regarding the Pension Funds allocation to the Triple Point Impact Housing Fund, the Fund's socially supported housing manager.

### **RESOLVED:**

4.2 The Committee considered the views outlined and elected to maintain a 2.5% allocation to socially supported housing. However, it was agreed to look at other strategies, including the London CIV UK Housing Fund.

4.3 That the Committee approved that Appendix 1 to this report is not for publication on the basis that they contain information relating to the financial or business affairs of any particular person, including the authority holding that information, as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

## **5 MAN GROUP**

- 5.1 The Committee was presented with an update regarding the amended Limited Partner Agreement (LPA) for the Man GPM Community Housing Fund.

### **RESOLVED:**

- 5.2 That the Committee ratified the changes to the LPA as agreed at the Pension Fund Committee briefing held on 12 September 2022.

## **6 PENSION COMMITTEE ADMINISTRATION UPDATE**

- 6.1 Sarah Hay, the Strategic Pension Lead, presented the report and advised the Committee of the performance of Hampshire Pension Services (HPS) with the Key Performance indicators (KPI's) for the period May 2022 to September 2022.
- 6.2 The Committee was informed that there were data issues and a backlog which has led to an additional cost. Therefore, a commitment of £22057.11 was requested to undertake address tracing work as part of the continual data improvement work. The Committee asked if data work such as this was worth having dedicated personnel working on, and this was something that officers said could be considered.
- 6.3 The Committee asked if it would be beneficial to spend more on data accuracy and collection, and this was accepted as being value for money.
- 6.4 The Strategic Pension Lead explained that there had been some cybersecurity issues in Section 4 of their report, Councillors asked if all employees had been informed of the issue in a timely manner and this was confirmed to have been done.
- 6.5 The Committee asked that of the £6,000 committed at the previous Pension Fund Committee, how many records would cover. The Strategic Pension Lead explained that it was for an initial check, meaning a figure could not yet be determined.

### **RESOLVED:**

- 6.6 That the Committee noted the report and approved a sum of £22057.11 be Committed.

## **7 PENSION COMMITTEE GENERAL UPDATE**

- 7.1 Diana McDonnell-Pascoe the Pension Project and Governance Lead, People

Services introduced their report containing an update on the various projects and governance activities being undertaken by the Pensions and Payroll team.

- 7.2 The report was presented, and it was explained to Committee that this was segregated into Statutory Projects and Non-Statutory Projects.
- 7.2.1 Statutory Projects include the Guaranteed Minimum Pension (GMP), McCloud, and three workstreams on data collection and a recalculation exercise. For the GMP, this includes Data Reconciliation, Data Analysis and Data Ratification. The overall objective is to have the Data Rectification phase completed by February 2023 in order to ensure any pensionable benefits have been calculated and put into payments in April 2023. The McCloud judgement was aimed at preventing age discrimination in the LGPS and will use two phases of benefits recalculations, the collection of data and recalculation of benefits of eligible members. Workstreams 1 and 2 on data collection are progressing, with Hampshire Pension Services (HPS) having received 20 of the 37 completed service / break data sets from Westminster employers and the remaining employers are being encouraged to provide their data as soon as possible. The second data collection is the McCloud data for Westminster City Council as an employer with the three legacy payroll systems: Oracle, Agresso and CIPHR. The third workstream is a benefits recalculation exercise led by the HPS Pension Team, of which there is no update as this phase has not yet launched.
- 7.2.2 Non-Statutory Projects included the website review and there had been significant progress on this since the last Committee with two focus groups being held, a technical review, correspondence with third parties such as the Alzheimer's Society and a full report and recommendation for direction of travel to be presented at the next Pension Fund Committee.

## **RESOLVED:**

- 7.3 That the Committee noted the report.

## **8 ACTUARIAL RESULTS**

- 8.1 Phil Triggs, the Tri-Borough Director of Treasury and Pensions addressed the Committee outlining his report containing the 2022 triennial actuarial valuation process for the Westminster City Council Pension Fund, as set out by the pension fund actuary, Hymans Robertson (Hymans).
- 8.2 The Committee was made aware of the initial actuarial results, showing that the overall funding level for 2019 to 2022 was now 128% rising from 99%. The funding level for Westminster City Council as a single employer stands at 111%.
- 8.3 The Committee was informed of the changes to actuarial assumptions with the two most significant being longevity projections and the discount rate used to value liabilities.

## **RESOLVED:**

- 8.4 That the Committee noted the report and expects to receive a final actuarial report and draft funding strategy statement in the March 2023 cycle.

## **9 FUND FINANCIAL MANAGEMENT**

- 9.1 The Tri-Borough Director of Treasury and Pensions introduced the report, and advised that the risk register is split between governance (investment and funding) and pensions administration, with the top five risks highlighted in the cover.
- 9.2 The report also contained the updated cash flow forecast for the next three years, with actuals to 30 September 2022 for the Pension Fund bank account and cash held at custody (Northern Trust). The report showed that the bank position continues to be stable.
- 9.3 The Committee asked for clarification on the difference between the global custody account and the current account. It was clarified that the custodian account is for large payments and investments, which is managed by Northern Trust, with the current account used for pension benefits payable and contributions receivable.

## **RESOLVED:**

- 9.4 That the Committee noted the top 5 risks to the Pension Fund and the current cashflow position for the Pension Fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast.

## **10 QUARTERLY INVESTMENT REPORT**

- 10.1 Phil Triggs, the Tri-Borough Director of Treasury and Pensions introduced his report outlining the performance of the Pension Fund's investments to 30 June 2022, together with an update on the London CIV.
- 10.2 The report outlined that there had been a -7.6% return net of fees over the quarter to 30 June 2022, this performance was broadly in line with the benchmark. This was partially offset by strong outperformance benchmarks within the Abridn long lease property fund and Pantheon Global Infrastructure.
- 10.3 The Committee were informed of the value of the City of Westminster Pension Fund investments, managed by the London CIV. As of 30 June 2022 these stood at £839m representing 49% of Westminster's investment assets.
- 10.4 The Committee was informed of the changes in asset allocation of the Fund

from 1 July 2021 to 30 June 2022. The current target asset allocation is 60% of assets within equities, 19% in fixed income, 6% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and socially supported housing.

- 10.5 The Committee asked if following on from the mini budget from the former Chancellor of the Exchequer Kwasi Kwarteng, if there had been any impact on the fund from the selloff of gilts. The Committee was informed that there had been no material impact on the fund, given the relatively low exposure to UK gilts.

**RESOLVED:**

- 10.6 That the Committee noted the report and approved Appendices 2 and 3 to this report are not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

**11 BAILLIE GIFFORD PARIS ALIGNED PORTFOLIO TRANSITION**

- 11.1 The Tri-Borough Director of Treasury and Pensions, Phil Triggs, presented his report to Committee outlining estimated transition costs, stock overlap, performance as well as volatility for the London CIV Global Alpha Growth Paris Aligned Fund. The portfolio aims to have a weighted average greenhouse gas intensity that is lower than that of the MSCI ACWI Climate Paris Aligned Index'.
- 11.2 The Committee asked if it was necessary to reshape in accordance with the Paris Agreement, and was informed that the stocks that are excluded are on the basis of fossil fuel screens and other quantitative assessments. There was an improvement in performance over the quarter within the fund, making the potential returns positive alongside the wider desire to move towards Paris Agreement alignment.

**RESOLVED:**

- 11.3 The Committee noted the expected Paris Aligned Fund transition costs, performance data and volatility, and elected to transition the Pension Fund's allocation to the Global Alpha Equity fund into the Paris Aligned version.
- 11.4 That the Committee approved that Appendix 1 to this report is not for publication on the basis that they contain information relating to the financial or business affairs of any particular person, including the authority holding that information, as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

## **12 PANTHEON IV FUND**

- 12.1 The Committee was informed of the summary of the Pantheon Global Infrastructure Fund IV (PGIF IV) and was provided with an analysis of the options for consideration to maintain the current 5% / \$91.5m strategic asset allocation to Pantheon.
- 12.2 The Committee was informed that PGIF IV was launched in 2021 with broadly the same characteristics as PGIF III and a similar investment process. This new fund will target a greater allocation to secondary markets, with two models to estimate the requirement commitment to PGIF IV: Scenario 1: No Growth Assumption and, Scenario 2: 5% p.a. Investment Portfolio Growth.

### **RESOLVED:**

- 12.3 The Committee noted the views outlined by representatives from Deloitte in Appendix 1, and agreed further due diligence before making further commitments.
- 12.4 The Committee approved Appendix 1 to this report, which was not for publication on the basis that they contain information relating to the financial or business affairs of any particular person, including the authority holding that information, as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

## **13 GOVERNMENT CLIMATE CONSULTATION**

- 13.1 The Committee was informed of the Department for Levelling Up, Housing and Communities' consultation on how the Local Government Pension Scheme will address, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-Related Financial Disclosures.
- 13.2 The Committee was informed of the four-consultation metrics that pension funds will be expected to measure and disclose annually as well as other expected reporting data.
- 13.3 The Committee asked for clarification on the RAG (Red, Amber, Green) categorisation used, and officers agreed to seek more detail on this and come back to Committee members with a clearer definition.

### **RESOLVED:**

- 13.4 That the Committee noted the proposed introduction of the Taskforce on Climate-Related Financial Disclosures within the LGPS.

**14 MINUTES (PFC 10.03.22)**

**RESOLVED:**

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

The Meeting ended at 21:35.

**CHAIR:** \_\_\_\_\_

**DATE** \_\_\_\_\_