



CITY OF WESTMINSTER

MINUTES

Pension Board **MINUTES OF PROCEEDINGS**

Minutes of a hybrid meeting of the **Pension Board** held on **Thursday the 6th of July 2023**, Room 18.07 - 18.08, 18th Floor, 64 Victoria Street, London, SW1E 6QP and via Microsoft Teams.

Members Present: Councillors Matt Noble, Barbara Arzymanow

Also Present: Mathew Dawson (Strategic Investment Manager), Billie Emery (FM Pensions), Sarah Hay (Strategic Pension Lead), Diana McDonnell-Pascoe (Pension Project and Governance Lead), Terry Neville OBE (Scheme Member Representative) Jack Robinson-Young (Cabinet and Councillor Coordinator), Christopher Smith (Scheme Member Representative) Phil Triggs (Tri-Borough Director of Treasury and Pensions)

1 MEMBERSHIP

- 1.1 There were no changes to the membership.
- 1.2 Christopher Smith was elected as Chair of the Board, with Terry Neville elected as Vice Chair.
- 1.3 Apologies were received from Marie Holmes.

2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest.

3 MINUTES

- 3.1 The Board approved the minutes of its meeting on the 1st of February 2023.

3.2 RESOLVED

That the minutes of the meeting held on Wednesday the 1st of February be signed as a correct record of proceedings.

4 PENSIONS ADMINISTRATION UPDATE

- 4.1 The Pensions Officer People Services, Sarah Hay, introduced her report outlining the performance of Hampshire Pension Services (HPS). This covered KPI data for the period January 2023 to May 2023 which she informed the Board was 100% within target.
- 4.2 The Board were updated on the complaints received during the period, two relating to transfers out of the Fund and one has progressed to an IDR stage 1. The Pensions Officer People Services is working with HPS to ensure the other transferred is resolved, with the remaining complaint now resolved.
- 4.3 The Board were updated on the positive news of the annual returns for the year having been submitted and queries seem to be lower than last year. The PAS changes in relation to absent data will be reviewed to ensure we do not regress after the progress made in the last 18 months.
- 4.4 The Pensions Officer People Services informed the Board that the number of deferred member statements was high, at 99.38%, produced already for 2022/23. The aim is to produce active member statements by the statutory deadline of 31st August 2023.
- 4.5 The Board were informed that membership numbers now exceed 20% of the original OBC numbers, and this has increased administration cost to an additional £25,000 per annum.
- 4.6 The Board were informed that the Council will discuss cyber security issues with HPS and undertake penetration testing by a third party. Alongside HPS the Fund will then review the implementation of Umbraco 10 to our UPM software and ask for assurance that this has resolved known risks.
- 4.7 The Board commended the Pension Project & Governance Lead on the data work done saying that this was a huge leap forward with significant progress made. The Board also commended the work of Sarah Hay, with a special note made to the positive KPI performance.
- 4.8 The Board asked that when working with Surrey previously, the percentage of KPI's was found out to be incorrect and asked the Strategic Pension Lead how she could be confident this was not happening with Hampshire. In reply, the Board was informed that there has been constant communication with Hampshire and the data being input is accurate, leading to good quality data coming out.
- 4.9 The Board asked on the £25,000 figure being based on 20% and how this was generated, in reply, the Board were informed that HPS have their own formula for coming to this amount.

5 LOCAL GOVERNMENT PENSION SCHEME PROJECTS & GOVERNANCE UPDATE

- 5.1 The Pension Project & Governance Lead, Diana McDonnell-Pascoe, presented her report outlining the current position of the Guaranteed Minimum Pension (GMP), McCloud, Pensions Dashboard, Pension Website Review and the Internal and External Audit.
- 5.2 The GMP has had full engagement from all parties and Ms McDonnell-Pascoe foresaw future governance running smoothly. As of the end of May this year all post-PI data had been sent from Hampshire Pension Services to Mercer who were processing this in line with the project plan.
- 5.3 The McCloud data sets are still being compiled to be sent on to Hampshire and the Pension Project & Governance Lead reported that they had successfully engaged with Oracle and a third-party supplier, Claremont, to access the final part of data. HPS are drafting a proposal based on the Scheme Advisory Board guidance on how to apply the remedy to poor data sets, or instances of no data sets, from employers.
- 5.4 The Pensions Dashboard programme deadline has now been extended to the 31st of October 2023 and HPS have engaged Civica to be the integrated service provider for the project.
- 5.5 The Pension Project & Governance Lead informed the Board that the External Audit is expected in July, and that she expects greater collaboration with the auditors, Grant Thornton.
- 5.6 The Internal Audit has been completed for the fourth of the four quarters in FY2022 / 23 and the governance piece is still being developed, the Pension Project & Governance Lead informed the Committee that she is happy with the progress to date.
- 5.7 The Board asked the Pension Project & Governance Lead if she was still working on the BT / Agresso data, and she informed the Board this was still with McCloud and was a very slow-moving project due to the nature of the analysis.
- 5.8 The Vice Chair of the Board, Terry Neville OBE, commented that the purpose of the Board was to scrutinise the Pension Fund Committee and that gaps between these dates make it harder for proper scrutiny to be done. The Chair, Christopher Smith, agreed that going forward they would ensure any Board meetings that are cancelled are swiftly rearranged.

6 PERFORMANCE OF THE COUNCIL'S PENSION FUND

- 6.1 The Board were updated on the performance of the Fund by the Tri-Borough Director of Treasury and Pensions and that the current target asset allocation for the fund is 60% in equities, 19% in fixed income, 6% in renewable infrastructure, 5% in infrastructure, 5% in property, and 5% in affordable and socially supported housing.
- 6.2 During the quarter ending March 31, 2023, capital calls had been made for the Quinbrook Renewables Impact mandate, Man Group Community Housing fund, and CVC Credit Private Debt fund. Sales were executed within the NT Ultra Short Bond fund and LCIV Absolute Return mandate to fund these capital calls.
- 6.3 Turning to the London CIV, the Tri-Borough Director of Pensions and Treasury informed the Board that as of March 31 this year, the Fund had £872 million (of which, 49% were investment assets) directly managed by the London CIV. An additional £408 million continues to benefit from reduced management fees due to Legal and General matching the fees available through the London CIV. The London CIV had £26.8 billion of assets under management as of March with £14.3 billion directly managed by the London CIV. All funds in which Westminster is invested were under normal monitoring at the end of the quarter. During the quarter, the London CIV held 76 meetings/ engagements with Client Funds.
- 6.4 Board members asked the Tri-Borough Director of Pensions and Treasury to confirm if the fund had underperformed the benchmark and why this had happened. In reply, the Tri-Borough Director of Pensions and Treasury confirmed it had underperformed by -0.9% compared with a negative benchmark.
- 6.5 The Board asked how the monitoring of active funds was going and was informed that there was some concern post pandemic when previously positive stocks during lockdown then fell in value when restrictions lifted. Since this time, there has been some stabilising in performance.
- 6.6 The Board asked what contingencies would be enacted should there be a recession combined with high interest rates. The Tri-Borough Director of Pensions and Treasury replied that regular rebalancing to asset allocation policy for the overweight asset classes was an effective mitigator for risk. Other suggestions were put to the Committee to move 5% from equities to fixed income but the Committee opted to move it into the Quinbrook renewable infrastructure energy fund.

6.7 The Board asked the Tri-Borough Director of Pensions and Treasury to give a general comment on inflation and the affect on liabilities of the Fund. In reply, Members were informed that CPI inflation was proving difficult to shift, despite the continued rise in interest rates.

6.8 The Board asked what affect geopolitical events may have on the Fund and were informed that for this reason the Fund had a diverse spread of different assets to counter shocks in the current investment backdrop.

6.9 **RESOLVED**

That the Board noted the performance of the investments and the updated funding level as at 31 March 2023.

7 RESPONSIBLE INVESTMENT STATEMENT

7.1 Phil Triggs, the Tri-Borough Director of Treasury and Pensions, introduced the paper which outlined the Fund's Responsible Investment Statement for 2023. The purpose of this statement is to make clear the Funds approach to responsible investment and demonstrate the direction in which the Pension Fund is moving in terms of decarbonisation and other ESG related issues. With the Fund's weighted average carbon emissions falling by 75% since June 2019.

7.2 The Board commended Billie Emery (FM Pensions) on the report as it was deemed very easy to comprehend, despite being a complex subject area and that it was extremely informative.

7.3 The Board asked what major changes there had been in investments, and if this was a changing picture and if we were still funding tobacco and oil. In reply, the Tri-Borough Director of Treasury and Pensions said that the external fund managers select the stocks, but are cognisant of the reputational risk to the fund of various stock categories. Turning to the nature of the investments, the Tri-Borough Director of Treasury and Pensions said it was possible some tobacco and oil stocks were invested as the Fund has no exclusion list. The Tri-Borough Director of Treasury and Pensions informed the Board that the Fund does invest in specific oil stocks that are committed to research in alternative energy sources.

7.4 The Board asked if we held investments in water companies. The Tri-Borough Director of Treasury and Pensions promised to research and revert back to the committee.

7.5 **ACTION**

For officers to establish investments with water companies.

7.6 **RESOLVED**

That the Board noted and commented on the Responsible Investment Statement for 2023.s

8 **ANY OTHER BUSINESS**

8.1 The Board asked that the papers for the Pension Fund Committee also be sent to those sitting on the Pension Board.

8.2 **ACTION**

For the Committee Clerk to include the papers for Pension Fund Committee to all members of the Pension Board.

The meeting ended at 20:08

CHAIR: _____

DATE: _____