



City of Westminster

# Minutes

Meeting:

**Superannuation Committee**

**5/2011**

Date of meeting:

**Wednesday 23 November 2011 at 7.00pm**

Attendees:

**Councillors:**

**Suhail Rahuja (Chairman)**

**Tony Devenish**

**Patricia McAllister**

**Dr Cyril Nemeth (for items 8 to 12)**

**Ian Rowley**

**Officers:**

**Jonathan Hunt (Director of Corporate Finance & Investment)**

**Carolyn Beech (Acting Director of Human Resources)**

**Michael Nicolaou (Pension Manager)**

**Jonathan Deacon (Committee & Scrutiny Officer)**

**Also in attendance:**

**Alistair Sutherland (Deloitte Investment Consultants)**

Apologies:

**Councillor Margaret Doyle**

Contact:

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## **1. MEMBERSHIP OF THE COMMITTEE**

- 1.1 There were no membership changes. Councillor Margaret Doyle gave her apologies.

## **2. DECLARATIONS OF INTEREST**

- 2.1 There were no declarations of interest.

## **3. MINUTES**

- 3.1 The minutes of the Superannuation Committee meeting held on 12 September 2011 which did not include exempt information were agreed as a correct record and were signed by the Chairman.

## **4. CITY OF WESTMINSTER PENSION FUND ANNUAL REPORT**

- 4.1 Jonathan Hunt, Director of Corporate Finance & Investment, informed Members that the Council had a legal requirement for the Pension Fund Annual Report to be in place and approved by the Superannuation Committee by the end of November. He asked Members of the Committee whether they had any points or queries in respect of the report. The following matters were raised:

- The Chairman asked Mr Hunt to provide further information on the income and expenditure account table on page 15 of the report. Net cash for 2010/2011 consisting of contributions from employee and employer, transfers of pensions into the Fund from another pension provider and other income was £38m. Money going out of the Fund including in the form of benefits to pensioners and payment to and on account of leavers was £47.5m. Mr Hunt stated that contributions did not therefore cover the payments going out. The Fund had on balance been cash flow neutral since 2007. There would be implications for the investment policy if the Fund remained cash flow negative as some money would need to be taken back from income streams for the Fund to remain solvent. Some consideration would also need to be given as to the implications if some members left the pension scheme as a result of the Hutton proposals.
- Details on the administrative and fund management costs in 2010/11 were discussed. It was noted that the costs had gone up overall and that this included the fact that actuary costs had gone up. The actuaries had carried out considerably more work including the triennial valuation. However, Mr Hunt stated that he would be examining why the actuaries' fees appeared to be more than similar firms working for some of the other boroughs. Members were keen that costs in relation to the actuaries were reduced. The Chairman added that Members were also keen to receive an updated report of the breakdown of the costs that had been incurred by the Fund over the last three years, with a view to drive these down. This had first been considered at the meeting in June 2011. This covered the

cost of the managers, advisers and other parties to the Fund's administration and operation.

- Scheduled bodies were discussed and it was recognised that under the Academy Act new academies had the right to become a scheduled body in the Fund. .

#### 4.2 **RESOLVED:**

1. That the report be noted.
2. That the Pension Fund Annual Report be approved.
3. That the Statement of Accounts for the Pension Fund be approved.

### 5. **ANY URGENT BUSINESS**

5.1 There were no items of urgent business.

### 6. **EXEMPT REPORT UNDER THE LOCAL GOVERNMENT ACT 1972**

6.1 **RESOLVED:** 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 circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

<u>Item Nos.</u>	<u>Grounds</u>	<u>Para. of Part 1 of Schedule 12A of the Act</u>
7 to 12	Information relating to financial or business affairs of any particular person (including the authority holding that information).	3

### 7. **MINUTES**

7.1 The minutes of the Superannuation Committee meeting held on 12 September 2011 which included exempt information were agreed as a correct record and were signed by the Chairman.

### 8. **PROPOSED PENSION FUND STRUCTURE CONSIDERATIONS**

8.1 Mr Hunt took Members through the proposals for the investment management structure and allocation of investments set out in the report.

8.2 **RESOLVED:** That the report and the various procurement processes be noted.

### 9. **REPORT ON THE PERFORMANCE AND MANAGEMENT OF THE COUNCIL'S PENSION FUND**

9.1 The Committee received a report which presented a summary of the Fund's performance to 30 September 2011.

9.2 **RESOLVED:**

That the contents of the report be noted, in particular that the statutory constraints have been met.

**10. ADMINISTRATION AND COMMUNICATION OF THE LOCAL GOVERNMENT PENSION SCHEME TO EMPLOYEES**

10.1 Carolyn Beech, Acting Director of Human Resources ('HR'), introduced the item, providing details of the HR team's plans and communications with the Council's outsourced pension provider, the London Pensions Fund Authority ('LPFA').

10.2 **RESOLVED:**

That the report be noted.

**11. COMMUNITIES AND LOCAL GOVERNMENT CONSULTATION ON THE PROPOSED CHANGES TO THE LOCAL GOVERNMENT PENSION SCHEME**

11.1 The Committee received a report regarding the Communities and Local Government ('CLG') consultation on the proposed changes to the Local Government Pension Scheme ('LGPS'). Ms Beech, introducing the item, stated that the Hutton report had been produced in March 2011. The consultation document from CLG had been received in October 2011 and the closing date for responses was 6 January 2012. Ms Beech added that it would be particularly important to communicate to Fund members the potential changes to the scheme. The numbers of Fund members who could potentially leave might not be as high as the Local Government Association's figure of 30% but it could still be significant. Under the proposals in the CLG consultation document, staff earning less than £15K would be protected from any contribution rate increases and there would be limited increases for those earning between £15K and £21K. It was important to recognise that £21K was not a high salary in London, staff had not received a pay rise in 2 years and there were significant increases in costs, including transport. There was the potential for adding in the Council's consultation response that increases in contributions should be at a higher level than £21K to reflect London salaries.

11.2 Councillor Devenish, Councillor Rowley and the Chairman emphasised the value of the public sector pensions and that they would still compare very favourably with private sector pensions after any proposed increases in employee contributions. It was particularly necessary for the message to be

communicated to Fund members that it was in their interests to remain in the LGPS scheme.

**11.3 RESOLVED:**

That the contents of the report be noted.

**12. REPORT ON THE ADMINISTRATION AND OPERATIONS OF THE COUNCIL'S PENSION FUND**

12.1 Members of the Committee congratulated Mr Hunt on his promotion to the post of Tri-borough Director of Pensions and Treasury. Mr Hunt considered that there would be specific advantages for the Fund in taking on this role as he would be able to do a cost comparison with Hammersmith and Fulham and Kensington and Chelsea, would have exposure to how the other managers were working at the Tri-boroughs' pension funds and find a common base for strategic thinking and operational factors. He would be attending future Westminster Superannuation Committee meetings. Members also welcomed Michael Nicolaou, Pensions Manager, to his first Committee meeting. He was gradually taking over responsibility for the management of the Fund.

12.2 Mr Hunt addressed the Committee on a number of points set out in the report. These included the Council's Statement of Investment Principles which needed to be updated on an annual basis and required the Committee's approval. The Committee approved the Communications policy which had been reviewed and updated by officers as part of the work to prepare the Annual Report and Statement of Investment Principles.

**12.3 RESOLVED:**

1. That the report be noted.
2. That the Statement of Investment Principles be approved.
3. That the Communications Policy be approved.

**13. CLOSE OF MEETING**

13.1 The meeting closed at 8.38pm.

CHAIRMAN: ..... DATE: .....