



City of Westminster

# Minutes

Meeting:

**Superannuation Committee**

**4/2012**

Date of meeting:

**Wednesday 28 November 2012 at 7.00pm**

Attendees:

**Councillors:**

**Suhail Rahuja (Chairman)**

**Antonia Cox**

**Patricia McAllister**

**Dr Cyril Nemeth**

**Ian Rowley**

**Officers:**

**Barbara Moorhouse (Chief Operating Officer)**

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

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

**Trevor Webster (Senior Human Resources Manager)**

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

**Also in attendance:**

**Alistair Sutherland (Deloitte Investment Consultants)**

**Gary Delderfield (Partner, Eversheds, the Fund's Legal Advisers)**

Apologies:

**Councillor Edward Baxter**

Contact:

**Jonathan Deacon**

**Committee and Scrutiny Officer**

Details:

**Tel: 020 7641 2783**

**Fax: 020 7641 2917**

**Email: [jdeacon@westminster.gov.uk](mailto:jdeacon@westminster.gov.uk)**

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

- 1.1 There were no membership changes. It was noted that Councillor Edward Baxter had given his apologies.

## **2. DECLARATIONS OF INTEREST**

- 2.1 The Chairman made the following declaration:  
'I am employed by fund managers who have amongst their clients Hermes. I am not involved in any element of the work which relates to the Westminster Fund and accordingly do not regard this as a prejudicial interest'.

## **3. MINUTES**

- 3.1 The minutes of the Superannuation Committee meeting held on 11 September 2012 which did not include exempt information were agreed as a correct record and were signed by the Chairman.

## **4. PENSION COMMUNICATIONS AND ENGAGEMENT STRATEGY UPDATE**

- 4.1 Carolyn Beech, Acting Director of Human Resources, provided an update on recent developments regarding the pension communications and engagement strategy. A surgery session had taken place on 19 November and 37 people had attended. A newsletter had recently been sent to all deferred pensioners and pensioners and been published electronically for existing staff. A letter had been sent to all senior staff who could potentially reach the Life Time Allowance limits. An admitted body forum had taken place on 12 November with a number of items covered including Auto Enrolment and new scheme changes. The Additional Voluntary Contribution provider, AEGON, had given a presentation in July promoting the benefits of this. AEGON would be invited to the Annual General Meeting ('AGM') which had been provisionally booked for 20 May. Approximately 130 staff had said that they would or possibly would attend the AGM and the newsletter had also requested pensioners to express whether they would wish to attend. The Pensioners Fund Member Panel was in place and a telephone advice service for members, non-members, deferred pensioners and pensioners was ongoing. Further open house sessions were likely to take place once details of the new pension scheme were released.
- 4.2 Ms Beech stated in response to Members' questions that for the next newsletter she was awaiting details of the new pension scheme and it was hoped that these would be released around the end of the financial year. Open house surgeries would also take place once the details were known. It was possible that the demand for the service provided as part of the overall strategy might diminish. However, currently significant numbers were still requesting advice, including all slots being booked for the surgery sessions held in November 2012. The Chairman requested that Members enter the date of the AGM in their diaries as they would be responding to questions in their capacity as trustees. He also thanked Human Resources for their

commendable work in developing communications and engaging successfully with members, non-members, deferred pensioners and pensioners.

4.3 **RESOLVED:** That the contents of the report be noted.

## 5. LOCAL GOVERNMENT PENSION SCHEME AUTO ENROLMENT

5.1 Ms Beech introduced the report. She stated that the Government's policy was designed to encourage a retirement savings culture in the UK with as many employees in pension schemes as possible. On a sequential basis from October 2012, employers were required by Government to enrol their employees into a workplace pension. When an employer was scheduled to enrol depended on the size of the organisation with larger organisations going first. The Pensions Regulator had recently confirmed that the Council's own official start date for auto enrolment was 1 July 2013. It was a requirement of the legislation that when employers auto enrol any employee they must not mention any option of how to opt out of the scheme as this could be seen as an inducement not to join the scheme and would leave the employer vulnerable to a fine. Under the Regulations the auto enrolment process had to be repeated every three years. There was a requirement that those who had previously opted out of the Local Government Pension Scheme ('LGPS') would be required to opt out again when the auto enrolment process was repeated.

5.2 Ms Beech also informed Members that there was a contingency within the legislation to delay auto enrolment as the LGPS met the required criteria. However if the Council applied for this dispensation the earliest it could then introduce auto enrolment would be 2017. The regulations would not allow a date to be selected before 2017 if 2013 was not met. It was recommended that it was implemented in 2013. July 2013 was also when the Pensions Administration contract expires. However to change providers simultaneously with the introduction of auto enrolment, the implementation of the new Managed Services payroll provider and pension fund valuation was likely to create an unacceptable level of risk to sound financial management and place a high level of strain on business resources. Ms Beech confirmed to Members that it was being proposed that there would be an extension to the LPFA Pension Administration contract for a period of one year. In response to questions from the Chairman and Councillor Cox, she stated that the Council had only been notified that there would be a July 2013 official start date for auto enrolment in early October. Councillor McAllister asked whether the Council was providing information to stakeholders on auto enrolment. Ms Beech replied that this information would be supplied in various forums, including the open house surgeries, the Council website and to school employees in the LGPS.

5.3 Councillor Rowley asked whether a risk analysis was being taken forward by the Council in response to the impact created by the implementation of auto enrolment. Jonathan Hunt, Director of Corporate Finance & Investment, advised that a model was being developed to assess this and a report with more detailed data would be provided for a Superannuation Committee during

2013. He would discuss with the actuaries whether it would be possible to provide the data at the next meeting of the Superannuation Committee in February 2013. Mr Hunt added that there were also the Hutton proposals to take into account which were scheduled to impact on the Council in 2014.

**5.4 RESOLVED:**

1. That the contents of the report be noted.
2. That a report with data assessing the impact of the auto enrolment process be included as an agenda item for a meeting of the Superannuation Committee in 2013.

**6. PRESENTATION FROM THE PENSION FUND'S LEGAL ADVISERS, EVERSHEDES**

6.1 Gary Delderfield gave a presentation on behalf of Eversheds at the meeting which looked at the background, structure and recent legal developments in respect of the LGPS. He made the following points:

- The LGPS is a single national scheme administered and invested at Fund level. All 89 pension funds across England and Wales were governed by the same legislation and regulations. Each fund was given autonomy to decide their own governance structure. Westminster currently had a single committee structure. Each fund had its own Governance Policy Statement containing how its functions were delegated, the frequency of committee meetings and terms of reference.
- Up until 2008 there had been one set of regulations for the LGPS. There were currently four sets of different regulations covering elements including administration and benefits which increased the legal complexity.
- The Council acted as the administering authority. The Council is a corporation with its own separate legal identity which is distinct from elected Members of the Council. The Council's duties were delegated to the Superannuation Committee whose Members were 'quasi trustees'. Members of the Committee represented the Council and were not personally liable for any actions taken. It was necessary for Members to be aware of powers within the LGPS regulations and local government legislation. Duties and responsibilities in respect of the Fund included complying with investment regulations and freedom of information and data protection legislation.
- The timeline for changes to the LGPS scheme had begun with the Hutton Interim Report in October 2010 and Hutton Final Report in March 2011. The Public Service Pension Bill was currently progressing through Parliament and was likely to receive Royal Assent in early 2013. The Bill would lay the foundations and legal structure for the new LGPS scheme in 2014. Mr Hunt stated that it was hoped that this timetable was met in order that the actuaries were able to take the new legislation into account

in the next triennial valuation. When the data for the actuarial valuation was available, it was planned that the actuaries would present to the Committee.

- The key themes of the Hutton report had featured in the Public Service Pension Bill including greater external scrutiny. It was proposed that a Pensions Regulator would have a greater role in overseeing what pension funds were doing and establish a code of conduct. For a well run scheme the role of the regulator would not be great. It was noted that a Pensions Regulator would not have the interventionist role that was the case in the private sector. Ms Moorhouse advised that a Pensions Regulator in the public sector was likely as a first step to bring to public attention a poorly run pension fund.
- Other key themes of the Hutton report included greater separation of duties, sustainability and rationalisation. Under the heading of rationalisation was joint working on administration. Tri-borough was a leading example of this.
- The Local Government Association and trade unions had announced the outcome of their negotiations on new LGPS proposals to take effect from 1 April 2014. The main provisions included a Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor (the current scheme is a final salary scheme). The accrual rate would be 1/49th (the current scheme is 1/60th). There would also be changes to contribution rates. It was expected that draft regulations designed to implement the LGPS would be available by the end of the year.
- Provisions in the Public Service Pensions Bill included that each LGPS scheme would have a governance structure, a responsible authority (the Department for Communities and Local Governance at national level) and each Fund would have a Scheme Manager which was effectively the Council as administering authority. Each Fund would have a separate Pension Board to assist the Scheme Manager. The Bill set out that a Council's Committee could discharge the Scheme Manager function and be established as the Pension Board. There was therefore the potential for Westminster's Superannuation Committee to be required to be responsible for both roles. This would potentially lead to the need for a restructuring of the Committee. The investing responsibility was likely to sit with the Scheme Manager. The Board was likely to have an overseeing role, ensuring that the Scheme Manager was complying with its legal duties and with the Pensions Regulator. The Board would have a greater representation of employers and trade unions.

6.2 Mr Hunt advised Members of the Committee that he would continue to liaise with Eversheds and as more detail was provided on the new LGPS scheme he would discuss with the Committee the most appropriate legal structure for the Fund going forward.

6.3 **RESOLVED:** That the contents of the report be noted.

## **7. PERFORMANCE AND MANAGEMENT OF THE COUNCIL'S PENSION FUND**

7.1 The Committee received a report which presented a summary of the Fund's performance to 30 September 2012. Newton's performance and changes to its governance structure had been referred to in the report as they had still been relevant during this period. However, it was noted that the termination of the Newton mandate had been approved at the previous meeting of the Committee in September and a passive global mandate had been established since with Legal & General.

7.2 **RESOLVED:** That the contents of the report be noted.

## **8. PENSION FUND BUDGET**

8.1 At the previous meeting of the Committee in September, Members had requested that officers maintain an ongoing two to three year budget of the expected charges for internal staff, in order that Members were able to examine these costs in the same way that external advisers' costs were scrutinised. The 'Pension Fund Budget' report presented a budget for the current year and the next two financial years of the costs relating to Finance and Human Resources officers' time in running the Fund. Mr Hunt stated that the current year figures in the separate tables for Finance and Human Resources officers in the report included the full year costs for salary, National Insurance and pension contributions. He confirmed that the figures for the subsequent two years would be expected to be the same, subject to no changes to salaries, national insurance or pension contributions. The percentage of officer time charged to the Pension Fund would be fixed. Ms Beech clarified that there had been an adjustment in the percentage of time charged to the Pension Fund by Human Resources officers since the report at the September Committee meeting from 1.6 full time employees to 2.25 full time employees to take into account her role, that of the Senior Human Resources Manager and also the Senior Human Resources Policy Manager.

8.2 **RESOLVED:** That the contents of the report be noted.

## **9. ANY URGENT BUSINESS**

9.1 There were no items of urgent business.

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

10.1 **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>
11 to 14	Information relating to financial or business affairs of any particular person (including the authority holding that information).	3

## **11. MINUTES**

- 11.1 The minutes of the Superannuation Committee meeting held on 11 September 2012 which included exempt information were agreed as a correct record and were signed by the Chairman.

## **12. PENSION FUND ADMINISTRATION**

- 12.1 Mr Hunt introduced the item. He provided an update at the meeting that the procurement process for the tendering of the actuarial contract had now been completed with Barnett Waddingham having been selected. They would replace AON Hewitt, having received the highest scores in relation to the criteria, including providing the most cost effective service. Barnett Waddingham was also currently the actuary for the other two Tri-borough Councils, Kensington and Chelsea and Hammersmith and Fulham and would begin work at Westminster in the next few weeks.
- 12.2 **RESOLVED:** That the contents of the report be noted.

## **13. PENSION FUND MANAGER PROCUREMENT**

- 13.1 The Committee received a report on the pension fund manager procurement process.
- 13.2 **RESOLVED:**
1. That the contents of the report be noted.
  2. That the proposed process for the tender of specific managers be approved.

## **14. PENSION FUND PROPERTY INVESTMENTS**

- 14.1 The Committee received a report with proposals for diversifying the property investment in the Fund.
- 14.2 **RESOLVED:** That the contents of the report be noted.

## **15. CLOSE OF MEETING**

- 15.1 The meeting closed at 9.08pm.

CHAIRMAN: .....

DATE: .....