



CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Monday 13th November, 2017**, Room 3.4, 3rd Floor, 5 Strand, London WC2 5HR.

Members Present: Dr Norman Perry (Chairman and Scheme Member Representative), Marie Holmes (Employer Representative), Susan Manning (Scheme Member Representative) and Christopher Smith (Scheme Member Representative).

Officers Present: Peter Worth (Interim Tri-Borough Director of Treasury and Pensions), Yvonne Thompson-Hoyte (Senior Finance Manager – Pensions), Matthew Hopson (Senior Finance Manager – Treasury), Joanne Meagher (Head of Operational People Services), Sarah Hay (Pensions and Payroll Adviser) and Toby Howes (Senior Committee and Governance Officer).

Others Present: Larissa Benbow (Head of Fixed Income, London Collective Investment Vehicle), Chloe Crouch (Client Relations Executive, London Collective Investment Vehicle) and Kevin Cullen (Client Relations Director, London Collective Investment Vehicle)

Apologies for Absence: Councillor Angela Harvey and Councillor Adnan Mohammed

1 MEMBERSHIP

- 1.1 There were no changes to the membership.
- 1.2 Susan Manning confirmed that she would be leaving the Board after her term of membership ends.

2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest.

3 MINUTES

3.1 RESOLVED:

That the Minutes of the meeting held on 13 November 2017 be signed by the Chairman as a correct record of proceedings.

4 PENSION ADMINISTRATION UPDATE

- 4.1 Joanne Meagher (Head of Operational People Services) presented the report and confirmed that she was satisfied with progress and Surrey County Council (SCC) in particular had improved its performance. The Board heard that the Annual Benefit Statements had been sent out before the 31 August deadline, even though SCC had only received the relevant data from BT 2 weeks beforehand. SCC had also increased the number of staff, however performance would continue to be monitored. In respect of BT, Joanne Meagher advised that they still faced challenges, however, with the support of People Services, a monthly data interface was in place and things were moving in the right direction. Sarah Hay (Pensions and Payroll Adviser) added that BT had sent a report on automated leavers, however checks were being made before this went live.
- 4.2 During Members' discussions, the Chairman commented that BT representatives had been in attendance at the last Pension Fund Committee meeting to answer questions. He asked whether problems experienced had led to any response from the Pensions Regulator. In noting that the Pension Fund Committee had endorsed the Pension Fund Strategy, the Chairman indicated his support for it too and sought further comments in respect of this. The Chairman also expressed an interest in the Board playing a role in respect of developing an Admissions Policy.
- 4.3 A Member welcomed the progress in improving pension administration performance, however concern was expressed that problems may arise again during re-organisation of City Council staff in some service areas and he sought views on whether BT and SCC would be able to cope effectively with this. He remarked that governance arrangements in respect of pooling were changing and he suggested there was a role for the Board to look into this in respect of the London Collective Investment Vehicle (CIV). Another Member asked how admitted bodies were valued, particularly as academies were underwritten by the Secretary of State.
- 4.4 In reply to issues raised by the Board, Joanne Meagher advised that the Pensions Regulator had not felt the need to raise questions with regard to the pension administration issues that had been experienced. With regard to changes to City Council staff, she advised that no more than 49 redundancies were expected and she did not think the changes would be too challenging for BT and SCC to cope with. Sarah Hay added that People Services was discussing with the service areas affected about arrangements on this matter and the automated leavers file would help in this respect once it went live.
- 4.5 Peter Worth (Interim Tri-Borough Director of Treasury and Pensions) stated that the Pension Administration Strategy sought to address management of liabilities and ensure the right people were paid at the right time. In respect of governance of pooling, concerns were being addressed over the potential loss of control over monitoring of fund managers for individual local authorities. In respect of the London CIV, this included 32 relatively small funds and a structural review would have been desirable. Peter Worth concurred that the Board could look into the issue of an Admissions Policy and it was important

that one was in place. He advised that academies, which initially had been classified as admitted bodies in a Fund, were now classified as scheduled bodies.

5 EMPLOYEE SURVEY REPORT

- 5.1 Joanne Meagher presented the report and advised that 24 people had replied to the survey. She stated that those completing the survey were more likely to have experienced issues. The survey was to be kept open and a further report may be provided to the Board in 6 months. Joanne Meagher added that the survey was currently only open to City Council employees, however this could be extended to other organisations in future. Sarah Hay added that encouraging younger staff to respond to the survey was a challenge.
- 5.2 Members welcomed any proposals to extend the survey beyond City Council staff and indicated that they would be happy to promote the survey. It was suggested that the survey could also be sent to Union members and all employers that participated in the Fund.

6 MARKETS IN FINANCIAL INSTRUMENT DIRECTIVE 2014/65 (MIFID) UPDATE

- 6.1 Peter Worth presented the report and advised that the City Council was taking action to opt up to professional client status as a pension fund administering authority with regard to the Markets in Financial Instrument Directive (MiFID) 2014/65. This would include the City Council's engagement with all other organisations in respect of pension fund activities, including the London CIV. Peter Worth referred to the applicant form to opt up to professional client status as included in the report and stated that the task would be somewhat onerous, with evidence also required for each application required. He advised that any changes to pensions staff or the Pension Fund Committee needed to be reported back. Peter Worth also informed Members that he was putting together training on MiFID to Pension Fund Committee and Pension Board Members.
- 6.2 In noting that staff changes were taking place in the Treasury and Pensions Team, a Member asked if officers would be in place to undertake training. Peter Worth replied that a staggered replacement of staff would be desirable if possible.

6.3 RESOLVED:

That the action being taken to elect to opt up to professional client status on behalf of the Authority in respect of the Pension Fund be noted.

7 LONDON COLLECTIVE INVESTMENT VEHICLE UPDATE

- 7.1 The Board had before them representatives of the London Collective Investment Vehicle (CIV) to provide an update on the CIV's progress. Chloe Crouch (Client Relations Executive, London CIV) initially addressed the Board and advised that the London CIV now held 10 funds, of which 5 were

global equities, whilst a new Epoch Global Equity fund had been launched on 30 September, which had increased the total value of the CIV's funds from £5.5bn to £6.1bn. Chloe Crouch stated that the London CIV was in the process of opting up its London borough members to professional client status in respect of MiFID 2014/65 and 26 of 32 members had already been completed. Work was also being undertaken in respect of an infrastructure mandate.

- 7.2 Kevin Cullen (Client Relations Director, London CIV) drew Members' attention to the CIV's structure chart circulated at the meeting and stated that he had started his position in the last week. He advised that Hugh Grover had stepped down as Chief Executive Officer and Mark Hyde Harrison now fulfilled this role. The London CIV had made a lot of progress since its inception in 2014, however there was still much work to do.
- 7.3 Larissa Benbow (Head of Fixed Income, London CIV) then addressed the Board and stated that the London CIV currently had no fixed income platform. This was partly attributable to London boroughs retaining their own fixed income funds. Larissa Benbow explained that her role was to develop fixed income funds for the CIV and she had been discussing fixed income options with all London borough members of the CIV. This would involve launching 5 funding strategies and Larissa Benbow advised that 6 preferred fund managers had been identified, of which 2 of these would be selected. Work on setting up the first fixed income fund for the CIV was due to commence in the week commencing 4 December, with a view to the fund coming into existence in March 2018. Similarly, work would also start on setting up liquid loan funding in the week commencing 4 December, with a view to a fund being created in May 2018. Members noted that work would also take place on a multi-asset credit strategy. The emphasis would be on looking at good value and 2 fund managers would be selected. Larissa Benbow added that training would be made available for any London boroughs interested.
- 7.4 During Members' discussions, the Chairman asked what governance arrangements were in place for Pension Fund Committees to monitor the London CIV. In respect of the CIV itself, he sought further details of its own governance arrangements and emphasised that the Board was particularly interested in its processes. Members asked whether a Board Member could attend one of the London CIV governance meetings, for example one of the scrutiny meetings.
- 7.5 In reply to issues raised by the Board, Larissa Benbow advised that the Investment Oversight Committee oversaw governance arrangements for the CIV. The CIV was in a continual process of evolution since it had been created and it now had staff with both public and investment experience. Governance arrangements and the appropriate documentation were in place, however Larissa Benbow advised that a governance review was currently underway and the first set of recommendations from this review were expected on 17 November. Full diligence would also be undertaken in respect of the fixed income mandate. Larissa Benbow advised there was a process for the CIV to feedback to Pension Fund Committees, and officers were

invited to meetings. There were also Working Groups in the CIV whose memberships were quite open.

7.6 Chloe Crouch added that the CIV held quarterly meetings with Baillie Gifford who were monitoring its activities. She also stated that consideration could be given as to whether a Board Member could attend London CIV meetings.

7.7 The Chairman thanked London CIV representatives for their informative presentation.

7.8 **RESOLVED:**

That the update from the London CIV be noted.

8 RISK REGISTER AND FORWARD PLAN

8.1 Yvonne Thompson-Hoyte (Senior Finance Manager – Pensions) presented the report and advised that 2 risks had been added to the Risk Register, the first in respect of failure to meet the deadline or rejections of opting up to professional client status for MiFID and the second on data protection, following a request by the Board at its previous meeting. The BT interface files risk had also been downgraded from high to medium risk.

8.2 The Chairman welcomed the fact that only one risk was classified as red in the Risk Register. He also expressed an interest in the Board receiving the formal triennial evaluation report.

8.3 **RESOLVED:**

That the changes to the Risk Register and the Forward Plan be noted.

9 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

9.1 Members asked if there was any training planned before the next Board meeting. In reply, Peter Worth advised that a training programme was being drafted and there would also be discussions with the London CIV on whether they could undertake some member training. All new members would receive an induction pack and training. Consideration would also be given as to what training other local authorities undertook for their members.

The Meeting ended at 8.50 pm.

CHAIRMAN: _____

DATE _____