



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee (Formerly Superannuation Committee)

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Monday 17th November, 2014**, Rooms 3 & 4 - 17th Floor, City Hall.

Members Present: Councillors Suhail Rahuja (Chairman), Antonia Cox, Patricia McAllister and Ian Rowley

1 MEMBERSHIP

- 1.1 No apologies for absence were received. All Members of the Committee were in attendance.

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 8 September 2014, which did not include exempt information, were agreed as a correct record and were signed by the Chairman.

4 PERFORMANCE AND MANAGEMENT OF THE COUNCIL'S PENSION FUND

- 4.1 Jonathan Hunt, Director of Corporate Finance and Investments, introduced the report. He advised that the auditors had not required any material changes to the 2013/14 draft Annual Report and it had therefore been approved under authority delegated at the previous Committee meeting. Mr Hunt stated that it was intended that a revised Statement of Investment

Principles would be available at the next meeting of the Committee. It had not been published for the current meeting as it was believed that given the changes that may be occurring to the fund manager structure, it would be appropriate to update the SIP, with Deloitte's input, when this is better known. It was noted that the next meeting of the Committee was currently scheduled for 25 March and consideration would be given to whether a formal committee meeting should take place prior to that date.

- 4.2 Mr Hunt confirmed that the handover process since the Fund had changed custodian from BNY Mellon to Northern Trust had gone smoothly which was reassuring to Members. Mr Hunt and Ms Parsons stated that they were in discussions with BNY Mellon to supply historical performance data. Ms Parsons also added that the auditors would be looking at the transition from BNY Mellon to Northern Trust as part of the audit in January 2015.
- 4.3 Alistair Sutherland from Deloitte, the Council's investment consultants, addressed Members on the investment performance report to 30 September 2014. Over the quarter the Fund had underperformed the benchmark and broader market. There had been disappointing relative performance for the period from Baillie Gifford and Majedie. Deloitte had no concerns regarding the management of these companies. Overall, there had not been significant changes in the management of any of the Fund managers the Council employed. Standard Life's real estate team had increased in size as part of the acquisition of Ignis Asset Management. However, the assets acquired were retail orientated with no long lease element.
- 4.4 Mr Sutherland advised that Deloitte were in touch with all long lease managers regarding their investments in supermarkets. Standard Life was intending to reduce its allocation in supermarket investments from 30% to 28%. The Committee agreed the Chairman's suggestion that Members meet Standard Life's Fund Manager in the near future to discuss the allocation to supermarkets.
- 4.5 Mr Hunt also gave a brief summary of the funding update provided by the Fund Actuary, Barnett Waddingham. The update indicated that the funding level had improved from 74% at the last triennial valuation at 31 March 2013 to 79% at 30 September 2014.
- 4.6 **RESOLVED:** That
- 1) the Committee noted the contents of the report, including Appendices 1 and 2 from Deloitte and Barnett Waddingham respectively; and,
 - 2) Members of the Committee meet with Standard Life to discuss their investments in supermarkets.

5 PENSIONS ENGAGEMENT STRATEGY

- 5.1 The Committee received a report which set out the proposed strategy for pensions' administration engagement up to 31 March 2016 and also a summary of the engagement which had taken place over the previous twelve months. Carolyn Beech, Acting Director of Human Resources, stated that the new pensions administration provider, Surrey County Council, was working closely with Westminster's Human Resources to ensure that actions contained within the strategy were met. These included communications to high earning staff on the life time allowance and employee pension surgery advice sessions. She added that Surrey County Council have a telephone helpline for staff and are able to meet Westminster's employees at any time to discuss their options by appointment. A one day forum for admitted body representatives was scheduled for next year. The recently developed Westminster Pensions Website would be continuously updated. The Pensioners Fund member panel was due to meet up to four times prior to 31 March 2016. There would also be a major information campaign on the benefits of the 50/50 scheme.
- 5.2 The Committee thanked Westminster employees for their contribution to the well attended Pension Fund Annual General Meeting ('AGM') held on 8 October 2014. Members requested that the next AGM is scheduled for a similar time of the year in 2015 and agreed that it should again take place at City Hall. The Chairman recommended that for the 2015 AGM a greater percentage of the allocated time is given over to the question and answer session.
- 5.3 **RESOLVED:** That Members of the Committee be consulted on the date for the next Pension Fund Annual General Meeting in 2015.

6 PENSION FUND GOVERNANCE MATTERS

- 6.1 The Committee received an update on a number of governance matters. Mr Hunt referred firstly to the Stewardship policy which had been amended to take into consideration changes including the fact that all equity funds were now held in pooled accounts and that the Committee was now called the Pension Fund Committee following the decision of Council at the meeting on 12 November. Members of the Committee expressed the view that the 'Stewardship Policy & Proxy Voting Guidelines for Fund Managers' document was lengthy and somewhat difficult to read through. Mr Hunt offered to provide a one page executive summary with the document setting out the key points. It was then intended that officers would circulate a final version to the equity fund managers for their comment and make the report available on the Fund's website.
- 6.2 The Committee discussed what was known to date regarding the Department for Communities and Local Government's proposals for a Pension Board. Mr Hunt advised that a consultation document had been released recently which had clarified that Councillors were able to be members of the Pension Board as long as they do not have any direct involvement in the running of the

pension fund. Members and Officers with direct engagement in Pension Fund Committee discussions would be excluded. In response to questions from Councillors Cox and McAllister, Mr Hunt stated that there would need to be an equal number of employers and employee representatives, with no less than four members. The Pension Board would need to be established by 1 April 2015. The Board would have the ability to monitor and comment on how the Pension Fund Committee interpreted the requirements of the Pensions Regulator. Ms Parsons added that the first meeting of the Pension Board was able to take place up to three months after the Board was established. Councillor Rowley suggested that if there was to be an elected Member on the Pension Board, it would be of benefit to include the Chairman or a Member of the Audit and Performance Committee who had experience of examining the Pension Fund accounts. It was agreed that a report would be submitted to the next meeting of the Committee setting out proposals for the establishment of the Pension Board.

6.3 A revised terms of reference had also been approved at the recent Council meeting on 12 November. The revised document took into account the change of name of the Committee to the Pension Fund Committee and the significant changes which had taken place in respect of the Pension Fund since the last time the terms of reference had been updated in 2008. Councillor Cox asked a specific question on the Committee's role regarding point 12 of the terms of the reference that the Fund would be able to determine the compensation policy on termination of employment and make any decisions in accordance with that policy other than decisions in respect of the Chief Executive, Chief Officers and Deputy Chief Officers of the Council which was the role of the Appointments Sub-Committee. Mr Hunt and Ms Beech clarified that this responsibility would be formally delegated by the Committee to officers.

6.4 **RESOLVED:** That

- 1) the Corporate Governance Policy be approved, with a one page executive summary being added to the 'Stewardship Policy & Proxy Voting Guidelines for Fund Managers' document;
- 2) a report be submitted to the next meeting of the Committee setting out proposals for the establishment of the Pension Board; and,
- 3) the revised Terms of Reference for the Committee and the current status of the Pension Board requirements be noted.

7 ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT

7.1 Mr Hunt brought to Members' attention the current position regarding the London Pension Collective Investment Vehicle ('CIV'). Over the last two years, the 32 London Boroughs and the City of London had been collaborating through London

Councils to establish a route through to reduced costs and overall improved investment returns for the Local Government Pension Scheme funds across the Capital. The CIV was now a legal entity, London Councils had set up a board of directors on an interim basis and a suitable adviser was being sought. It was believed to be unlikely that the CIV would be in operation before June 2015.

8 EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972

- 8.1 **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>
9 to 10	Information relating to financial or business affairs of any particular person (including the authority holding that information).	3

9 MINUTES (EXEMPT)

- 9.1 The minutes of the Superannuation Committee meeting held on 8 September 2014 which included exempt information were agreed as a correct record and were signed by the Chairman.

10 THE APPOINTMENT OF EQUITY MANAGERS

- 10.1 The Committee received a report on the potential appointment of equity managers.
- 10.2 **RESOLVED:** That one of the equity managers referred to in the report be appointed and another of the managers be requested to present at the next meeting of the Pension Fund Committee.

The Meeting ended at 8.47 pm

CHAIRMAN: _____

DATE _____