



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Wednesday 25th March, 2015**, Rooms 3 & 4 - 17th Floor, City Hall.

Members Present: Councillors Antonia Cox, Patricia McAllister, Ian Rowley and Adnan Mohammed

1 MEMBERSHIP

- 1.1 Councillor Suhail Rahuja was replaced by Councillor Adnan Mohammed. Councillor Ian Rowley was elected as Chairman in his absence.

2 DECLARATIONS OF INTEREST

- 2.1 No declarations of interest were made.

3 MINUTES

- 3.1 The Minutes of the Superannuation Committee meeting held on 17 November 2014 were agreed as a correct record and signed by the Chairman.

4 QUARTERLY PERFORMANCE UPDATE

- 4.1 Jonathan Hunt (Director of Corporate Finance & Investment) presented a report which provided a summary of the Fund's performance over the three month period to 31 December 2014 and stated that Westminster's Fund was complying with statutory requirements. The investment report was prepared by Deloitte, the Fund's investment adviser. Alistair Sunderland, in attendance, made himself available to answer questions from the Committee and to clarify key points.
- 4.2 The Committee also received a funding update provided by the Fund Actuary, Barnett Waddingham, and noted that the funding level of the Fund had improved from 74% at the last triennial valuation at 31 March 2013, to 78% at 31 December 2014.

- 4.3 The Committee were reminded that the Fund's current actuary is Barnett Waddingham, who were awarded the contract in November 2012 to 31 December 2020, but with a break clause that enabled WCC to retender at the same time as RBKC and LBHF – planned to be early autumn 2015. Officers intend to exercise the break and carry out a Tri-Borough procurement of the actuarial contract, using the National LGPS Frameworks as the Council did in autumn 2012.
- 4.4 The Committee requested a breakdown of investments within the portfolio, including the top 20 stock holdings. Mr Hunt explained that most investments are in pooled funds which would complicate the provision of this overview but that it would certainly be possible in segregated investments.
- 4.5 **RESOLVED:** That the report on the performance and management of Westminster's Pension Fund be noted.

5 ESTABLISHMENT OF PENSION BOARD

- 5.1 Jonathan Hunt explained to the Committee that the Public Service Pensions Act 2013 provides that the Secretary of State may by regulations establish schemes for the payment of pensions and other benefits for various categories of worker including local government workers. Such regulations for a scheme ("scheme regulations") must provide for the establishment of a Pension Board to assist the scheme manager (i.e. the Council or the committees to which such responsibility has been delegated), to monitor and ensure compliance with the regulations and other legislation relating to the management of the Pension Fund.
- 5.2 The Committee noted that the establishment of a Pension Board, as required by the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 was agreed by the General Purposes Committee on 25 February 2015.
- 5.3 The Committee enquired what the selection process would be for Members of the new for the Pension Board. Carolyn Beech (Director of Human Resources) explained that the regulations require pension boards to have an equal number of employer representatives and scheme member representatives, the total of which cannot be less than four. One clarification that has arisen from the final regulations is that Councillors may now be members of the Pension Board as long as they do not have any direct involvement in the running of the pension fund.
- 5.4 Carolyn Beech informed the Committee that the Council writes to pensioners every year to inform them what their pension would be for the forthcoming year. In the letter, to be sent within the next 10 days, a communication would also be included informing pensioners of the new regulations regarding pension boards and their right to apply to sit on the Board. All other members of the fund would also receive this Background information and motivation for

application will be requested as part of the application process. If more than three responses are received then a selection process will be required.

- 5.5 The terms of reference contain a number of provisions concerning training and knowledge requirements for the members of the Board, conflicts of interest, the management and reporting of meetings. The terms of reference also refer to a number of separate policy documents relating to the operation of the Board. These are currently being drafted and it is proposed that approval of these documents is delegated to the Chief Executive following consultation with the Chair of the General Purposes Committee and Chair of the Pensions Committee. All costs arising from the operation of the Pension Board will be met by the Pension Fund as required by the regulations.
- 5.6 Carolyn Beech explained that union representatives would be able to express an interest in being a Member and should be in a good position to secure a place as they would have some knowledge of the way Boards would operate.
- 5.7 Councillor Mohammed asked what the procedures would be in the case that recommendations of the Pension Board were not followed through by the Pension Fund Committee. It was unclear whether the decision would be escalated to the relevant Policy and Scrutiny Committee or to the General Purposes Committee. Jonathan Hunt advised that clarification was sought from Mick Steward, Head of Committee and Governance Services.
- 5.8 **RESOLVED:**
- 1) That clarification on the escalation process is sought from Head of Governance and Committee Services.
 - 2) That the report on the establishment of a Pension Board be noted.

6 STATEMENT OF INVESTMENT PRINCIPLES

- 6.1 Jonathan Hunt (Director of Corporate Finance & Investment) presented a summary of the Local Government Pension Scheme (LGPS) Management and Investment of Funds 2009 regulations that require Pension Funds to prepare, publish and maintain a Statement of Investment Principles.
- 6.2 Jonathan Hunt recommended that the existing statement is updated to reflect recent changes in investment strategy. He also recommended that an increase in certain limits on investment are recommended to give the Fund flexibility in the choice of investments in the future.
- 6.3 A draft Statement of Investment Principles seeks to reflect the decision taken by the Committee in January to change the asset allocation. It reflects the decisions the Committee have already taken about investment products and managers. The draft proposes that the Committee adopt a whole Fund benchmark which reflects the target asset allocation for the Fund and will

enable the Committee to monitor whether the overall strategy is meeting expectations.

6.4 Councillor Ian Rowley asked if the Committee would receive a regular report detailing compliance with the Statement of Investment Principles. It was agreed that this could be provided on a quarterly basis.

6.5 **RESOLVED:** That the existing statement is updated to reflect recent changes in investment strategy.

7 EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972

7.1 **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>
8 to 9	Information relating to financial or business affairs of any particular person (including the authority holding that information).	3

8 MINUTES

8.1 The confidential minutes of the Superannuation Committee meeting held on 17 November 2014 were agreed as a correct record and signed by the Chairman.

9 UPDATE ON INVESTMENT MANAGERS AND MANDATES

9.1 The Committee received an update on the investment managers and mandates.

The Meeting ended at 8.42 pm

CHAIRMAN: _____

DATE _____