



City of Westminster

# Committee Agenda

Title: Pension Fund Committee

Meeting Date: Wednesday 25th March, 2015

Time: 7.00 pm

Venue: Rooms 3 & 4 - 17th Floor, City Hall

Members: **Councillors:**

Suhail Rahuja (Chairman)  
Ian Rowley  
Antonia Cox  
Patricia McAllister

**Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda**

**Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.00pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.**



**An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Andrew Palmer: Senior Committee and Governance Officer.**

**Tel: 7641 2802; Email: [apalmer@westminster.gov.uk](mailto:apalmer@westminster.gov.uk)  
Corporate Website: [www.westminster.gov.uk](http://www.westminster.gov.uk)**

**Note for Members:** Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

## **AGENDA**

### **PART 1 (IN PUBLIC)**

#### **1. MEMBERSHIP**

Councillor Adnan Mohammed to replace Councillor Suhail Rahuja.

#### **2. DECLARATIONS OF INTEREST**

To receive declarations of interest by Members and Officers of any personal or prejudicial interests.

#### **3. MINUTES**

To approve the open Minutes of the meeting of the Pension Fund Committee held on 17 November 2014.

**(Pages 1 - 6)**

#### **4. QUARTERLY PERFORMANCE UPDATE**

Report of the Director of Corporate Finance and Investment

#### **5. ESTABLISHMENT OF PENSION BOARD**

Report of the Director of Corporate Finance and Investment

**(Pages 7 - 12)**

#### **6. STATEMENT OF INVESTMENT PRINCIPLES**

Report of the Director of Corporate Finance and Investment

#### **7. EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972**

**RECOMMENDED:** 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 item(s) of business because they involve the likely disclosure of exempt information on the grounds shown below and it is considered that, in all the 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>
8-9	Information relating to financial or business affairs of any particular person (including the authority holding that information).	3

**8. MINUTES**

To approve the confidential Minutes of the meeting of the Pension Fund Committee held on 17 November 2014.

**9. UPDATE ON INVESTMENT MANAGERS AND MANDATES**

Report of the Director of Corporate Finance and Investment

**Peter Large**  
**Head of Legal & Democratic Services**  
**17 March 2015**

This page is intentionally left blank



City of Westminster

## Minutes

Meeting:

**Pension Fund Committee**

**4/2014**

Date of meeting:

**Monday 17 November 2014 at 7.00pm**

Attendees:

**Councillors:**

**Suhail Rahuja (Chairman)**

**Antonia Cox**

**Patricia McAllister**

**Ian Rowley**

**Officers:**

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

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

**Nikki Parsons (Pension Fund Officer)**

**Jonathan Deacon (Senior Committee & Governance Officer)**

Apologies:

**None.**

Contact:

**Jonathan Deacon**

**Senior Committee & Governance 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 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 URGENT BUSINESS**

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**

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.

**11. CLOSE OF MEETING**

11.1 The meeting closed at 8.47 pm.

CHAIRMAN: .....

DATE: .....



City of Westminster

## Committee Report

**Date:** 25 March 2015

**Classification:** For General Release

**Title:** The Establishment of a Pension Board

**Report of:** Director of Corporate Finance and Investment

**Financial Summary:** There are no significant financial implications

**Report Author and Contact Details:** Jonathan Hunt,  
[jonathanhunt@westminster.gov.uk](mailto:jonathanhunt@westminster.gov.uk)  
Tel: 020 7641 1804

### 1. Executive Summary

- 1.1 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.
- 1.2. The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 are due to come into effect on 20th February 2015 and require a Pension Board to be established by 1 April 2015.

### 2. Recommendation

- 2.1 That the Committee note 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.
- 2.2. That the Committee note that the Pension Board Code of Conduct, Conflicts of Interests Policy, Training Policy and the process for selecting non-councillor members of the Board was delegated to the Chief Executive following consultation with the Chair of the General Purposes Committee and Chair of the Pensions Committee by the General Purposes Committee on 25 February 2015.

### **3. Background**

- 3.1 The Public Service Pensions Act 2013 (the “Act”) together with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 provide that each administering authority must establish a Pension Board by 1st April 2015. The role of the Board is to assist the scheme manager with the effective and efficient management and administration of the Local Government Pension Scheme.
- 3.2 The Department for Communities and Local Government have been consulting on the implementation of Pension Boards, as required by the Public Sector Pensions Act 2013. This was initially reported to the Pensions Committee in September 2014 and November. The final Regulations were laid before Parliament and the final version of the guidance issued on 28th January 2015.
- 3.3 The Act and the regulations provide that the “scheme manager” will be responsible for administering, investing and managing the pension fund and may delegate these responsibilities to a committee, an officer or an investment manager (as appropriate). In the case of the City of Westminster, it proposed that the Pensions Committee will continue to deal with these matters and make decisions regarding them.
- 3.4 The Act states that the scheme regulations will provide for the establishment of the pension board which will be responsible for assisting the scheme manager (in WCC’s case, the Pensions Committee) in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme. The guidance has provided some further suggestions about what the Board will do, but leaving it very much up to local determination. It is however clear that, while the Board can make recommendations to the Pensions Committee, it will be up to the Committee whether to action the recommendations. The Board will not be a decision making body but will contribute to the governance of the pension scheme by providing advice and scrutiny.
- 3.5 The proposed terms of reference, attached as Appendix 1, do not go into great detail on the specific areas the Board will focus on as part of its role. Suggestions as to areas of work have been published by DCLG and it is proposed that Officers review the proposals and discuss with the Board when established to determine which areas it wishes to include in its work plan.
- 3.6 The consultation in the summer on regulations raised the possibility of joint pension boards. The shared service response argued that such an arrangement for the three funds would allow for efficiencies and it would be advantageous for it to be available as an option. The Regulations provide that where the administration and management of a scheme is wholly or mainly shared by two or more administering authorities those administering authorities may establish a joint pension board if approval in writing has been obtained from the Secretary of State. This will be explored however in the interim three separate Boards are being set up for the tri-borough councils.

- 3.7 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. The proposed terms of reference in Appendix 1 propose a membership of six to ensure that a quorum is easily achieved at each meeting.
- 3.8 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.
- 3.9 All costs arising from the operation of the Pension Board will be met by the Pension Fund as required by the regulations.

#### **4. Financial Implications**

- 4.1 The establishment of a Pension Board is a legal requirement and the costs of supporting and staffing the work related to the Pension Board will be met by the pension fund – since the work directly and solely relates to the running of the pension fund.

#### **5. Legal Implications**

- 5.1 The Public Service Pensions Act 2013 and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 require the Council to establish a Pension Board by 1 April 2015. The proposed terms of reference comply with the requirements of the legislation and due regard has been paid to the guidance. In order to exercise their functions it may be necessary for members of the Pension Board to receive exempt information or reports. Any such information would be provided specifically for that purpose and should not be disclosed by the Board to any other party. This is a matter which will be dealt with in the Pension Board Code of Conduct

#### **6. Conclusion**

- 6.1 Given the legal and regulatory requirement, the Committee is asked to approve, and that Council then approves the establishment of the Pension Board as set out in this paper.

**If you have any questions about this report, or wish to inspect one of the background papers, please contact: Jonathan Hunt; 7641 1840**

## Appendix 1: Proposed Terms of Reference for Pension Board

### Terms of Reference – City of Westminster

The purpose of this document is to set out the terms of reference for the local Pension Board of the City of Westminster Pension Fund.

#### 1. Role of the Local Pension Board

The role of the local Pension Board is defined by section 5 of the Public Service Pensions Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Governance Regulations 2013. It is to assist the administering authority (the Council) with:

- Securing compliance with the LGPS Governance regulations and any other legislation relating to the governance and administration of the LGPS
- Securing compliance with any requirements imposed by the Pensions Regulator in relation to the scheme and
- Ensuring effective and efficient governance and administration of the scheme- recommendations to the Pensions Committee.

#### 2. Membership

##### a. Appointment process

The Pension Board shall consist of six members and be constituted as follows:

- Three employer representatives comprising one from an admitted or scheduled body and two nominated by the Council who shall be elected Councillors; and
- Three scheme member representatives whether from the Council or an admitted or scheduled body.

The process for selecting non-Council nominated employer members of the Pension Board is set out in a separate document “Selection of Pension Board members”.

##### b. Quorum

The Pension Board shall be quorate when three Pension Board Members are in attendance.

##### c. Chairman of the Board

The Chairman and Vice Chairman of the Board will be appointed by members of the Board as the first business at their first meeting.

##### d. Substitute members

Each Scheme Member representative may agree a nominate substitute at the first meeting who would act in the Board member’s absence.

Each Employer representative is there on behalf of the employer so may be replaced by the nominating body with another individual representing the same employer.

e. Periods of office

Each Board member shall be appointed for a fixed period of three years, which can be extended for a further three year period subject to re-nomination.

f. Termination

Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least two meetings each year. In the event of consistent non-attendance by any Board member, then the membership of that particular Board member should be reviewed by the other Board members with advice from Officers

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all the other Board members present at the meeting.

A Board member may choose not to continue in their role, and so shall notify the Board accordingly following which the process for a replacement shall start.

3. Board meetings

a. Frequency of meetings

The Board shall as a minimum meet twice a year, and where possible, should aim to do so four weeks before the Pensions Committee meets. Meetings shall take place at a time and place agreed by the Pensions Board on an annual basis.

b. Voting rights

Each Board member will be entitled to vote and where a vote is taken the matter will be decided by a majority of the Board members present and voting but it is expected that the Pension Board will as far as possible reach a consensus. In the event of an equality of votes, the Chairman will have a second and or a casting vote.

c. Notice and circulation of papers

The papers for each Board meeting shall be circulated to all Board members one calendar week in advance of each meeting. The papers shall be published on the Council's website unless they contain material considered to be exempt or confidential, as defined by the Local Government Act 1972 and subsequently agreed as such by the Board.

d. Minutes

Minutes of all non-confidential or non-exempt parts of the Board's meetings shall be recorded and published on the Council's website.

e. Secretariat service

Council officers will provide the Board with the secretariat services required.

4. Role of Advisers

a. Access to Council advisers

The Board may request that one of the Council's advisers attends a Board meeting to provide advice or information to the Board. The request should be submitted to the Chief Executive.

b. Appointment of advisers specifically for the Board

If the Board requires advice outside that already provided to the Council, then the request should be made to the Pensions Committee and Council officers.

5. Budget and Expenses

a. Budget

An annual budget will be agreed by the Board for professional advice, training or other purposes if such matters are required and Officers being authorised to incur expenditure to implement the programme.

b. Expenses

Each Board member may claim, upon production of the relevant receipts, travel expenses directly incurred in the work of the Pension Board.

6. Additional policies relating to the Board operations

a. Code of Conduct

The role of Pension Board members requires the highest standards of conduct and therefore, all Board members are required to abide by the Pension Board Code of Conduct.

b. Conflict of Interests

The Board is required to always act within these terms of reference. Board members should abide by the separately prepared Conflicts Policy and keep the policy under review.

c. Knowledge and understanding

All Board members are required to have sufficient knowledge and understanding of pensions matters to undertake their roles. Board members are expected to comply with the separate policy on knowledge and understanding and maintain appropriate records.

7. Reporting

a. Annual report on activity

The Pension Board should prepare an annual report on its activities and its compliance with these terms of reference and the associated policies. This report should be addressed to full Council each year, in the first six months of the financial year, reporting on the activities of the Pension Board for the previous financial year. Such a report will be submitted to the Pension Committee for noting prior to submission to Council.

b. Reporting recommendations

If the Pension Board determines that it wishes to make recommendations to the Pension Committee, such recommendations should be reported to the next meeting of the Pension Committee. The Pension Committee's response to the recommendation will be reported to the next meeting of the Pension Board.