



CITY OF WESTMINSTER

# MINUTES

## Pension Board

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Tuesday 29th November, 2016**, Room 12 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

**Members Present:** Councillor Peter Cuthbertson (Chairman and Employer Representative), Dr Norman Perry (Vice-Chairman and Scheme Member Representative) and Susan Manning (Scheme Member Representative).

**Officers Present:** Peter Carpenter (Assistant City Treasurer – Managed Services Programme), Nikki Parsons (Pension Fund Officer), Joanne Meagher (Head of Operational People Services), Sarah Hay (Pensions and Payroll Adviser) and Toby Howes (Senior Committee and Governance Officer).

**Apologies for Absence:** Councillor Adnan Mohammed (Employer Representative), Marie Holmes (Employer Representative) and Christopher Smith (Scheme Member Representative).

#### 1 MEMBERSHIP

1.1 There were no changes to the membership.

#### 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 23<sup>rd</sup> August 2016 be signed by the Chairman as a correct record of proceedings.

#### 4 MINUTES OF PENSION FUND COMMITTEE

4.1 The Chairman referred to paragraph 6.1 in the Minutes in relation to effective management of the Pension Fund Scheme and sought an update on progress with regard to issues relating to BT and Surrey County Council, and in

particular with payment of pensions, especially for those staff who had just retired.

- 4.2 In reply, Joanne Meagher (Head of Operational People Services) advised that performance had improved slightly over the last quarter, although there was still progress to be made. BT had put in place an improvement plan and had brought in additional resources. Joanne Meagher was hopeful that the changes would mean there would be significant improvement by the end of March 2017.
- 4.3 Sarah Hay (Pensions and Payroll Adviser) added that complaints relating to pension scheme administration had fallen, with two complaints relating to lifetime allowances having recently been received, although performance overall had improved. Surrey County Council's performance was also improving, with additional staff in place and appropriate training being undertaken. Sarah Hay stated that Gareth Wood (Head of Finance for the Shared Service Centre, BT) and Craig Anderson (Service Delivery Director, BT) had been invited to address the Pension Fund Committee at the last meeting on 15<sup>th</sup> November and both had stressed BT's commitment to improving performance.
- 4.4 Peter Carpenter (Interim Tri-Borough Director of Treasury and Pensions) advised that the Chief Executive was meeting BT on a monthly basis to discuss a range of issues, including pension scheme administration matters and one of the main issues was ensuring there was sufficient technical expertise to resolve matters. He added that the Pension Fund Committee had told BT that they would continue to be asked to attend future meetings until the issues were resolved.

4.5 **RESOLVED:**

That the Minutes of the last Pension Fund Committee held on 20<sup>th</sup> September 2016 be noted.

## **5 RISK REGISTER REVIEW**

- 5.1 Nikki Parsons (Pension Fund Officer) presented the report and referred to the first risk on the Risk Register identified by the Board for further consideration: Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements and succession planning not being in place. She drew Members' attention to the controls set out in the report to mitigate this risk, which included using the person specifications to appoint officers with the relevant skills and experience. As part of the annual performance appraisal process, a personal development plan was also in place. Officers could also access guidance on pension matters from the Chartered Institute of Public Finance and Accountancy (CIPFA) and other professional organisations, such as the Pensions and Lifetime Savings Association and these organisations also offered training events and produced publications. Nikki Parsons advised that a framework for officers was also available underpinning the six core areas of pension finance. Members noted that pension finance officers

were part of the tri-borough Treasury and Pensions Team, meaning there are more skilled officers within the team to provide support and cover. Nikki Parsons advised that when the Tri-Borough Director of Treasury and Pensions left the Council in November, Peter Carpenter, who had previously managed treasury and pensions at the Council, was appointed to replace him on an interim basis. An additional officer in People Services had also been appointed in the Pension Support area.

- 5.2 Turning to the second risk: Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints, Nikki Parsons advised that this had a low risk classification and that the Pension Support Team had visited Surrey County Council, the pension administrators, to discuss issues and reassurances had been made, whilst there had also been improvement to the telephone system to deal with customer enquiries more effectively. In addition, the key performance indicators had been reviewed and updated and Surrey County Council would be reporting on a wider range of tasks to allow the Council to monitor their performance more closely.
- 5.3 Members asked whether having more than one officer who had Treasury and Pensions management experience was deliberate in case the post holder left the position at short notice. It was also queried whether there were officers available who could help provide advice in respect of guidance issued by CIPFA and other professional organisations.
- 5.4 In reply, Peter Carpenter advised that there was a range of senior finance officers who had treasury and pensions management experience who could cover the Tri-borough Director of Treasury and Pensions role. He stated that generally most officers who reached Assistant Director level would have covered most areas of finance, including treasury and pensions. Technical advice was also provided to officers by Peter Worth in Finance. In addition, the Pension Fund Committee's membership had remained largely unchanged for a number of years and the members were experienced on pension matters. Peter Carpenter stated that specialist advisers who attended the Pension Fund Committee could also be invited to attend Pension Board meetings.
- 5.5 Members noted that a new appointment had been made to support the Pensions and Payroll Adviser post. Sarah Hay added that Surrey County Council had trained up more staff with the appropriate technical skills to improve resilience in the event of staff going on long term sick leave.

## **6 PENSION BOARD FORWARD PLAN**

- 6.1 Peter Carpenter presented the report and sought clarification on whether the Board wished to create a set of principles based on its Terms of Reference. He also sought Members' views on what matters they wanted the Board to focus on in future and who the Board would like to attend their meetings to provide Members with advice.

- 6.2 During discussion, it was noted that each Board Member was appointed on a three year basis and their appointment could be extended by a further three years, subject to re-nomination. Members suggested that a rota be set up to ensure at least one Board member was always in attendance at Pension Fund Committee meetings. In respect of proposals to invite Board Members to attend the next Pension Fund Committee on 21 March 2017, it was asked whether this meant all Board Members.
- 6.3 Members commented on the need to prevent duplication of work that the Pension Fund Committee was already undertaking, and it was suggested that the Board focus on pension administration matters, such as scrutinising the issues in respect of Surrey County Council and BT's administration of the pension scheme. The Chairman requested that a draft paper be produced for the Board for its next meeting on 27<sup>th</sup> February 2017 to suggest roles the Board can undertake and to form the basis of discussion when members Pension Board meet with the Pension Fund Committee on 21<sup>st</sup> March to discuss allocation of work areas. The Vice Chairman suggested that the Board could focus on the 2016 triennial valuation, the administration of the Fund and Pension Scheme and in terms of investment policy, consider whether the correct procedures were followed in appointing fund managers. In addition, the Board should receive reports that provide evidence of compliance with pension regulations. Members also sought further comments in respect of the Risk Register.
- 6.4 In reply to issues raised by Members, Nikki Parsons advised that it was proposed that the Risk Register to be presented to the next meeting of the Pension Fund Committee would include a break down on the impact score of each particular risk, whether this be in terms of the financial impact, or the number of people it affected. This would include reviewing the scoring mechanism. Nikki Parsons agreed to Members' request that they receive a paper on the revised scoring mechanism and the processes involved for the Board to consider and provide feedback at the next meeting. With regard to Board Members being invited to the next Pension Fund Committee meeting, Nikki Parsons advised that Committee Members had wanted to discuss allocating work appropriately between the Board and the Committee at this meeting and so had wanted to invite Board Members to it.
- 6.5 Peter Carpenter added that he would discuss with the Chairman of the Pension Fund Committee whether it was intended that all Board Members be invited to the next Committee meeting. He stated that the role of the Pension Fund Committee was to monitor the performance of the Fund and to ensure that assets were growing sufficiently to meet liabilities. He confirmed that a draft paper suggesting roles for the Board be produced for discussion at the next Board meeting.

## **7 SURREY PENSION ADMINISTRATION PERFORMANCE**

- 7.1 Joanne Meagher (Head of Operational People Services) presented the report updating Members on the performance Surrey County Council, the pension scheme's administrators. She advised that there had been progress in respect of recently retired staff receiving their first pension payment in timely fashion,

however there was still room for further improvement and this had been impressed upon Surrey County Council. People Services officers had met with Surrey County Council to discuss concerns and it had been agreed that the key performance indicators (KPIs) be reported to the Council on a quarterly basis. Joanne Meagher advised that additional KPIs had been created to more accurately reflect the pension member experience of the service and she referred Members to the new set of KPIs as set out in appendix 3 of the report. This included more details on deferred scheme members where those members who have left the scheme without immediate payment of pension, the number of cases being processed in each area being monitored and additional information where any particular issue impacts on a KPI. Joanne Meagher confirmed that the new KPI format will take effect from December 2016.

- 7.2 Sarah Hay added that following a meeting with the auditors, sample testing had indicated that testing of calculations had identified that benefits were being paid correctly. However, a final report was awaited from the auditors in respect of reviewing Surrey County Council's performance in meeting the agreed timescales and it was hoped that an update on this could be provided at the next Board meeting.
- 7.3 During discussions, Members enquired what the KPI performance targets were and it noted that some KPIs were more critical than others. Members also enquired about the degree of oversight that Surrey County Council councillors, along with their respective Pension Fund Committee and Pension Board, had in terms of monitoring pension administration performance.
- 7.4 In reply, Sarah Hay advised that the targets for most KPIs were 100%, however some KPIs were more critical than others, for instance lump sums being paid within 5 working days was more critical than ensuring new starters had been added to the pension scheme within 30 days. It was also recognised that some KPIs were affected by BT's problems in respect of the lack of an interface for capturing all relevant data. The Council was working with Surrey County Council as part of the Section 101 Agreement in seeking improvements in performance and overcoming issues. Sarah Hay advised that there was Member level appraisal of pension administration performance at Surrey County Council and she would seek further information in respect of this. Surrey County Council Members were also receiving training to help them fulfil their role in overseeing performance. Sarah Hay added that the pension scheme was more complicated now than the other three boroughs, the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith and Fulham, also had their pension schemes administered by Surrey County Council.
- 7.5 Joanne Meagher added that Surrey County Council did not use BT for the administration of their own pension scheme, so it was a learning experience for them.

## **8 PENSION BOARD TRAINING UPDATE**

- 8.1 Sarah Hay presented the report and confirmed that the next training session for Board members will take place on 12<sup>th</sup> January 2017. She advised that the training requirements were being met in terms of compliance and drew Members' attention to the information on upcoming training events being held by Barnett Waddingham in 2017.
- 8.2 Members concurred that they were satisfied with the training they had received to date and that there was plentiful information and training opportunities. Members had also enjoyed the training event held by Barnett Waddingham. It was commented that drawing up a division of responsibilities between the Pension Fund Committee and the Board would be helpful.
- 8.3 Nikki Parsons advised that a representative from Barnett Waddingham, the Fund's actuary, will be attending the next Board meeting.

### **8.4 RESOLVED:**

That the training proposals be approved.

## **9 PROMOTION OF SCHEME MEMBERSHIP**

- 9.1 Sarah Hay presented the report and advised that approximately 200 employees had been identified as needing to be re-enrolled into the Pension Scheme over the summer. BT had initially not completed this task after prompting by People Services, however as of October 2016 this issue had been rectified. Sarah Hay advised that report figures on how many staff had chosen to opt out again was not presently available, however this would be provided at the next meeting. People Services had also met with Surrey County Council where a demonstration of the Altair Self -Service System was shown, which allows both current and ex scheme members to view and check their pension records. Although the self-service system had been active for some time, further improvements had been made to it and a launch was planned at the beginning of the 2017-2018 financial year to promote its use to employees and pensioners. A new staff member had also been recruited whose role would include updating the pension page on the Council's intranet.
- 9.2 Peter Carpenter advised that at the last actuarial valuation in 2013, it had been considered that up to around 50% of scheme members would choose to opt out of the pension scheme. However, the numbers opting out had been much lower than this, with only around 0.3% opting out nationally. This had implications in respect of increasing payouts, particularly those who had been members of the pension scheme for a number of years.
- 9.3 Members emphasised the need for there to be a clear explanation of what opting out the pension scheme meant and the implications of it.

## **10 PENSION ADMINISTRATION STRATEGY AND DISCRETIONARY POLICIES**

- 10.1 Joanne Meagher confirmed that a draft Pension Administration Strategy had been produced and advised that it would be due to be implemented in the next financial year. She advised that the strategy was unable to be implemented any earlier as the BT contract was performing below the specified level with regard their pension administration performance and all payments and records made since April 2015 needed to be up to date. Joanne Meagher emphasised the need to ensure the strategy met all scheme participating organisations' needs. Members noted that Discretionary Policies were available, however these were not to be published on the Council's pension sites until after they had been reviewed. An update on the Strategy and the Discretionary Policies would be provided at the next meeting.

## **11 LONDON COLLECTIVE INVESTMENT VEHICLE GOVERNANCE ARRANGEMENTS**

- 11.1 Peter Carpenter presented the report and advised that the Westminster Pension Fund was fairly advanced in terms of transferring assets to the London Collective Investment Vehicle (CIV) compared to other funds. However, further consideration needed to be given with regard to governance arrangements. Presently, the Pension Fund Committee appointed, and had the ability to remove, fund managers. However in future, the London CIV would be responsible for this function and this posed questions as to the Council's ability to deal with fund managers and how quickly it could move funds around. Consideration also needed to be given as to how the CIV would call fund managers to account. Peter Carpenter advised that firmer governance arrangements needed to be in place as more funds were transferred to the CIV. Issues such as ethical investment needed to be considered and the CIV would be required to produce a statement on how they would undertake pooling. Peter Carpenter also sought a nomination for a Board representative to attend the Fund Manager Monitoring Day on 16<sup>th</sup> December.
- 11.2 During Members' discussions, it was asked whether increasing pooling of funds to the London CIV would diminish the role of the Pension Fund Committee and also how this would impact on the role of the Pension Board.
- 11.3 In reply, Peter Carpenter advised that the London CIV had already made suggestions on the future roles of Pension Fund Committee and Pension Boards. The CIV had set up a working group to consider governance issues and the Council would make every effort to make use of representation on such bodies to put across its views.
- 11.4 Nikki Parsons added that the Pension Fund Committees would still retain the ability to make decisions on funding strategies and asset allocations, whilst the CIV would be responsible for implementing these.
- 11.5 Board members were to liaise with Toby Howes (Senior Committee and Governance Officer) with regard to a Board member attending the Fund

Manager Monitoring Day on 16<sup>th</sup> December. Nikki Parsons advised that a paper on the Fund Manager Monitoring Meeting would be circulated to Members.

**12 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT**

12.1 There was no other business to consider.

**13 MINUTES**

**13.1 RESOLVED:**

That the confidential Minutes of the last Pension Board meeting held on 23<sup>rd</sup> August 2016 be signed by the Chairman as a correct record of proceedings.

The Meeting ended at 8.23 pm.

**CHAIRMAN:** \_\_\_\_\_

**DATE** \_\_\_\_\_