



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Thursday 12th October, 2017**, Room 3.4, 3rd Floor, 5 Strand, London WC2 5HR.

Members Present: Councillors Suhail Rahuja (Chairman), Couttie, Patricia McAllister and Ian Rowley.

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) Kim Edwards (Senior Pensions and Payroll Adviser), Jeremy Beresford (ICF Manager) and Toby Howes (Senior Committee and Governance Officer).

Also Present: Dr Norman Perry (Chairman, Pension Board), Marie Holmes (Pension Board Member) and Christopher Smith (Pension Board Member), Jason Bailey (Pension Services Manager, Surrey County Council), Ian Hammond (Client Service Director, BT), John Wills (BT), Kevin Humpherson (Deloitte) and Alistair Sutherland (Deloitte).

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS

2.1 Councillor Suhail Rahuja declared that he was employed by fund managers who have amongst their clients Hermes. However, he was not involved in any element of the work which relates to the Westminster Pension Fund and accordingly he did not regard this as a prejudicial interest.

3 MINUTES

3.1 RESOLVED:

That the Minutes of the meeting held on 27 June 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) introduced the report and advised that the only area that had experienced a dip in a performance in the last quarter was retirement options being issued to pension scheme members. She stated that although performance remained within an acceptable level, the area would continue to be closely monitored.
- 4.2 Jason Bailey (Pension Services Manager, Surrey County Council) explained that the reason for the drop in performance with regard to retirement options was attributable to 2 cases that had been issued 2 days over the target. Most other key performance indicators (KPIs) were rated green and overall performance continued on an upwards trajectory. Jason Bailey added that some staff had been relocated to the Lewes office to help with Westminster pension matters, whilst technical support remained at the Kingston upon Thames office.
- 4.3 Kim Edwards (Senior Pensions and Payroll Adviser) confirmed that the Annual Benefit Statements had been issued within the 31 August deadline, after BT had managed to bring forward the date for providing data for Surrey County Council (SCC) to be able to undertake this, however both the tri-borough pensions teams and SCC had made considerable effort to ensure the data was of sufficient quality in order to ensure the deadline was met. There had also been discussions between BT and SCC to ensure the data migrated was correct and BT had sent some staff to work with City Council staff. Kim Edwards added that the process for sending out Annual Benefit Statements was expected to go more smoothly next year.
- 4.4 Members acknowledged the difficulties that SCC, BT and People Services had faced and queried why the number of cases for some of the KPIs were so high, including for example the fact that 184 new joiners had been recorded between June and August. The Chairman sought clarification as to the main reasons for the problems that had been experienced, in particular in relation to data capture and was this an issue prior to SCC taking over pension administration.
- 4.5 In reply to issues raised by Members, Jason Bailey advised that the reason for the high number of new joiners recorded for the period was due to SCC catching up on more recent data following BT's creation of a data interface. Other KPIs had a relatively large number of cases because of the timings of the due dates for some of the activities. Jason Bailey advised that the Altair system was due to be upgraded in October which would make the system more user friendly and allow it to be accessed via mobile phones and tablets.
- 4.6 Ian Hammond (Client Service Director, BT) advised Members that the main reasons for the problems being experienced involved issues concerning whether the data held was correct and was the software configured to calculate this data in the correct way. He acknowledged that it had taken some time to resolve these issues and BT had placed additional resources to assist. Jeremy Beresford (ICF Manager) added that the problems had also been attributable to the lack of the necessary functionality. However, pension

scheme members could now access all information through self-service.

- 4.7 Joanne Meagher stated that the situation had definitely improved since BT had launched the data interface and the whole process of data transfer should now be more straightforward. Kim Edwards added that BT had now created an interface for both starters and leavers and a new interface for leavers was also being tested. She advised that before BT had been used for the payroll, Serco, the previous provider, had used an automated data transfer system that minimised the chances of errors. BT did not have an automated data transfer in place and this had partly been the issue when trying to ensure SCC was receiving the correct data.
- 4.8 Christopher Smith (Scheme Member Representative, Pension Board and Unison Branch Secretary) was invited to comment and he stated that the situation had definitely improved and he was receiving much less pension administration related complaints from staff. He thanked People Services, SCC and BT for their efforts to address issues and a number outstanding cases had now been resolved. There was still some work to be done concerning staff that had been outsourced, however this was in the process of being resolved. One matter that was being addressed involved staff at Sanctuary Housing whose pensions had been lower due to the basic rate of pay being erroneously used to calculate their payments.
- 4.9 The Chairman stated that it would have been desirable if BT had an automated data transfer in place when they assumed the contract, however he welcomed progress that had been made over the last few months and thanked SCC, People Services, BT and Christopher Smith for their input. He also welcomed Christopher Smith to raise any further problems reported by staff.
- 4.10 The Committee noted and endorsed the Pension Administration Strategy.

5 NEW EMPLOYER BODIES

- 5.1 Peter Worth (Interim Tri-Borough Director of Treasury and Pensions) presented the report and advised that Sir Milton University Technical College had joined the Fund as a scheduled body. As of April 2018, the Social Homes Regulator, which was to become a new regulatory arm of the Homes and Communities Agency, an existing admitted body, was also to be admitted to the Fund. Peter Worth confirmed that the Social Homes Regulator would be covered by a Crown guarantee, thus satisfying the need for a bond in joining the Fund as an admitted body.
- 5.2 In respect of proposals to transfer Legal Services to LGSS Law Ltd to become a scheduled body of the Fund, Members commented on whether this should be undertaken on a fully funded basis. The Chairman advised that he would discuss this matter further on what basis the transfer should take place with Peter Worth.
- 5.3 The Chairman also requested that Councillor Rowley meet with Peter Worth to discuss the Admissions Policy and to take up the matter with the relevant

Cabinet Member.

5.4 **RESOLVED:**

1. That the joining of Sir Simon Milton University Technical College to the Fund as a scheduled body be noted.
2. That the proposed transfer of Legal Services to LGSS Law Ltd to the Fund be noted, but that the basis on which the transfer take place be discussed further between the Chairman and the Interim Tri-borough Director of Treasury and Pensions.
3. That officers be authorised to commence the procedure for the Social Housing Regulator to become an admitted body of the Fund backed by a Crown guarantee.

6 QUARTERLY PERFORMANCE REPORT

- 6.1 Kevin Humpherson (Deloitte) provided an update on the performance of the Fund in the latest quarter and advised that there were no particular issues concerning any of the fund managers. He advised that the Fund had outperformed its benchmark by 0.4% for the quarter and also continued to perform above the benchmark in year and over the last 3 years. Although Majedie had underperformed this quarter, the performance of Baillie Gifford, Longview and Standard Life had more than offset this.
- 6.2 During Members' discussions, the Chairman noted that Jill Davys, who currently held the position of Assistant Director, Client Management at the London Collective Investment Vehicle (CIV) was leaving her post and he asked what impact this would have on the CIV. He sought comments on the development of the CIV and why had progress being slower than anticipated. The Chairman noted that the City Council had transferred more of its funds to the London CIV than most other CIV members and expressed frustration that administering authorities did not have the option of investing in more than one investment pool. He asked whether the City Council was required to be in the London CIV and not another investment pool. Members enquired what steps could be taken to speed up progress with the CIV and whether the CIV was investing in property, housing, gas and other fossil fuels. Members commented that it had been prudent for the CIV not to invest in gilts.
- 6.3 In reply to the issues raised, Kevin Humpherson stated that Jill Davys had been a key figure in monitoring fund managers and her departure would be a loss to the London CIV. There had not yet been an announcement about her replacement and Deloitte would continue to monitor this situation.
- 6.4 Alistair Sutherland (Deloitte) stated that the London CIV had been the first investment pool for local authorities to be set up and it was disappointing that it had not made more progress compared to other investment pools. This was partly attributable to resourcing issues, whilst it was also complicated by the number of London boroughs who were CIV members and who all had equal status, which could impact upon progress. However, pressure could be placed

on the CIV management team to accelerate progress. Alistair Sutherland stated that the CIV was not presently investing in property or housing, although it would have been prudent to have considered this at an earlier stage. He advised that there were some funds within the CIV that would involve assets in gas and other fossil fuels, such as those in global equities, however he felt that it was time that the CIV consider further investment in environmentally friendly assets. Alistair Sutherland stated that in theory the City Council could leave the CIV to join another investment pool if that pool accepted. Peter Worth added that although the City Council could not independently invest in more than one investment pool, the London CIV could if it so wished invest funds in another investment pool.

6.5 Members agreed that the meeting to select the shortlist of fund managers in respect of the fixed income mandate take place on 9 November, whilst a final decision on the fund manager to manage this mandate would take place on 30 November. The Chairman added that he was meeting London CIV representatives with officers to discuss fixed income mandate options.

6.6 **RESOLVED:**

That the performance of the investments and funding position be noted.

7 **FUND FINANCIAL MANAGEMENT**

7.1 Yvonne Thompson- Hoyte (Senior Finance Manager – Pensions) presented this item and advised that Markets in Financial Instrument Directive (MiFID) II had been added to the Risk Register. In respect of the risk involving BT unable to provide monthly or end of interface files, this risk had been downgraded from high to medium risk. Members were also updated in respect of the Fund's current cashflow position.

7.2 During discussions, the Chairman queried why no drawn-down of cash for investments was expected in 2017-2018. In reply, Yvonne Thompson-Hoyte advised that draw-down was not needed because of two recent injections of cash to the Fund. The Chairman commented on the desirability of a more systematic approach to be taken on this matter and requested that there be a report on this at a future meeting.

7.3 Matthew Hopson (Senior Finance Manager – Treasury) circulated an additional appendix to Members and confirmed that it set out the budget as of 30 September 2017.

7.4 **RESOLVED:**

1. That the Fund's Risk Register be noted.
2. That the cashflow position and three year forecast be noted.
3. That the changes to the Forward Plan be noted.

8 MARKETS IN FINANCIAL INSTRUMENT DIRECTIVE 2014/65 UPDATE

8.1 Peter Worth presented the report and advised that Markets in Financial Instrument Directive 2014/65 (MiFID II) MiFID II presented a risk that all local authorities, including the City Council's, statuses would be changed to retail client as of 3 January 2018 as opposed to the current professional client status. This would result in the City Council not being able to access a wide range of assets, such as services provided by fund managers and advisers. Peter Worth stated that therefore it was recommended that the City Council 'opt up' to acquire elective professional client status.

8.2 Members expressed their support for the proposal to opt up to elective professional client status.

8.3 RESOLVED:

1. That the potential impact on investment strategy of becoming a retail client with effect from 3rd January 2018 be noted.
2. That the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy be agreed.
3. That in electing for professional client status, it be acknowledged and agreed to forgo the protections available to retail clients attached as set out in Appendix 1.
4. That it be agreed to approve delegated responsibility to the Tri-Borough Director of Treasury and Pensions for the purposes of completing the applications and determining the basis of the application as either full or single service.

9 MINISTERIAL LETTER CONCERNING POOLING

9.1 Peter Worth drew Members' attention noted the ministerial letter concerning pooling. Members commented on the desirability of being able to participate in more than one investment pool and they felt this should be brought to the attention of the Chief Secretary to the Treasury and the Minister for Local Government.

9.2 RESOLVED:

That the contents of the Ministerial letter be noted.

10 INVESTMENT STRATEGY AND POOLING UPDATE

10.1 Peter Worth presented the report that provided an update on transferring assets to the London CIV. He advised that as of 30 June, 76.2% of

Westminster funds had been transferred, or were in the process of being so. Discussions were currently taking place with the CIV to seek clarification of Longview's fees.

10.2 RESOLVED:

1. That progress on the transfer of assets to the London CIV and associated fee savings this brings be noted.
2. That the progress being made, in liaison with the London CIV, in the replacement process and timescales for the fixed income mandate be noted.
3. That the present asset allocations compared to the agreed Asset Allocation Strategy be noted.
4. That the comments made on the Investment Strategy Statement by the Pension Board be noted and that the minor changes to it be approved.

11 PENSION FUND BUSINESS PLAN 2017-18

- 11.1 Peter Worth presented the report and Members noted the update on the action points.
- 11.2 The Chairman advised that the date of the Pensions Annual General Meeting would be confirmed following discussions with the new Tri-Borough Director of Treasury and Pensions who was due to commence his role in December. The Chairman thanked Peter Worth for his efforts in performing this role on an interim basis.

11.3 RESOLVED:

That the update on the action points be noted.

12 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

- 12.1 Yvonne Thompson-Hoyte advised that training forms requesting details of training undertaken to date would be sent to Members for completion next week.

The Meeting ended at 8.26 pm.

CHAIRMAN: _____

DATE _____