



CITY OF WESTMINSTER

# MINUTES

## Pension Board

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Wednesday 27th November, 2019**, Room 18.01, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

**Members Present:** Terry Neville (Chairman and Scheme Member Representative), Representative), Councillor Tim Mitchell (Employer Representative), Marie Holmes (Employer Representative), Chris Smith (Scheme Member Representative) and Chris Walker (Scheme Member Representative).

**Also Present:** Phil Triggs (Tri-Borough Director of Treasury and Pensions), Mathew Dawson (Senior Finance Manager, Tri-Borough Treasury and Pensions), Eleanor Dennis (Lead Pensions Specialist), Sarah Hay (Senior Pensions and Payroll Officer), Kevin Humpherson (Deloitte) and Toby Howes (Senior Committee and Governance Officer).

**Apologies for Absence:** Councillor Guthrie McKie (Vice-Chairman and Employer Representative) and Martin Colwell (Scheme Member Representative).

#### 1 MEMBERSHIP

1.1 There were no changes to the membership.

#### 2 DECLARATIONS OF INTEREST

2.1 Terry Neville (Chairman and Scheme Member Representative) declared that he is a councillor at the London Borough of Enfield, however he is a scheme member of the Westminster Pension Fund.

#### 3 MINUTES

##### 3.1 RESOLVED:

That the minutes of the meeting held on 9 July 2019 be signed by the Chairman as a correct record of proceedings.

## **4 PENSION ADMINISTRATION UPDATE**

- 4.1 Sarah Hay (Senior Pensions and Payroll Adviser) presented the report and advised that the key performance indicators (KPIs) had remained stable since the last update, with only a few issues highlighted that had needed additional attention. She advised that the existence checking undertaken by Western Union had been completed in September and an update would follow at the next meeting. Members noted that a new Section 101 agreement with the existing pension administrator, Surry County Council, was to be re-negotiated.
- 4.2 Eleanor Dennis (Lead Pensions Specialist) then updated the Board on the data cleansing exercise and advised that the common data score accuracy had improved from 77% in 2018 to 89.9% in 2019. Moves were afoot to appoint a new organisation to undertake the exercise and an update on this would be provided at the next meeting.
- 4.3 Members welcomed the progress on data cleansing accuracy and asked if all recommendations arising from the review were to be implemented.
- 4.4 Eleanor Dennis advised that all recommendations were to be implemented and two additional staff had been appointed to assist with this.

## **5 PENSION FUND ANNUAL REPORT**

- 5.1 Phil Triggs (Tri-Borough Director of Treasury and Pensions) presented the report and confirmed that the accounts for the Pension Fund had been completed on 11 April, the first local authority in the country to do so. He added that the accounts had been cleared by both internal and external audit. Phil Triggs advised that the Pension Fund annual report had now been published, following a couple of changes requested by the Pension Fund Committee.
- 5.2 Members noted that the Funding Strategy had been agreed in 2014 and subsequently revised in 2016. It was commented that the names of Board Members had not been included in the Pension Fund annual report. Members enquired why administration costs per pension scheme member had increased in the last year. The Board expressed an interest in seeing data concerning who was covered by grandfather rights in respect of early retirement.
- 5.3 In reply to issues raised by the Board, Phil Triggs advised that future Pension Fund annual reports would include the names of Pension Board Members. He added that figures could be provided in respect of who was covered by grandfather rights concerning early retirement.
- 5.4 Sarah Hay advised that administration costs had risen in the last year because of additional resources brought in to improve data quality.
- 5.5 **RESOLVED:**

That the Pension Fund annual report and the Pension Fund accounts for 2018-19 be noted.

## **6 CARBON EXPOSURE REVIEW**

- 6.1 Kevin Humpherson (Deloitte) presented the report and advised that an organisation named Trucost had undertaken a calculation of the carbon exposure within the Fund. He referred to the report to explain the methodology and results of this analysis.
- 6.2 The Board asked whether renewal figures would be available should the Fund pursue low carbon investments. Members commented that the level of transparency and the amount of data collected may vary between funds. It was noted that the approach to the carbon issue would influence the Investment Strategy. Members asked whether there was collaboration between investment pools with regards to carbon exposure and it was remarked that it would be useful if the Pension Fund Committee made a statement on ethical investing. A Member remarked that the number of pensioners within the Westminster Pension Fund scheme was rising and efforts were being made to encourage younger people to join the scheme. He added that there was support amongst young people for ethical investing.
- 6.3 In reply to the issues raised by the Board, Kevin Humpherson advised that work was being undertaken to produce more data on renewables. Fund managers were engaged in lowering the carbon exposure for their funds and they produced annual detailed reports on this. The matter was also influencing the Investment Strategy and assessments of fossil fuel reserves was being undertaken, especially as such assets could become valueless in future. Collaboration with other investment pools also took place.
- 6.4 Phil Triggs advised that reducing carbon exposure was high on the agenda of the London Collective Investment Vehicle (LCIV) and it had appointed an Environmental, Social and Governance (ESG) specialist to progress this matter further. He added that the specialist could be invited to attend a future Board meeting if members so wished.

### **6.5 RESOLVED:**

That the report findings be noted.

## **7 DRAFT ACTUARIAL VALUATION**

- 7.1 Phil Triggs presented the report which provided the initial results from the Fund's actuary. He advised that once the contribution rates had been calculated, a draft Funding Strategy Statement would be circulated for consultation. The Board noted that the overall funding level for the Fund was healthy and the discount rate and the consumer price inflation rate were also significant factors.

### **7.2 RESOLVED:**

That the initial actuarial results be noted.

## **8 FUND FINANCIAL MANAGEMENT**

8.1 Phil Triggs presented the report and advised that there was no particular issues of concern to highlight.

### **8.2 RESOLVED:**

1. That the risk register for the Pension Fund be noted.
2. That the cashflow position, the rolling 12-month forecast and the three-year forecast be noted.
3. That the attached forward plans for 2019/20 be noted.

## **9 INVESTMENT CONSULTANT AIMS AND OBJECTIVES**

9.1 Phil Triggs presented the report and advised that the Competition and Markets Authority required all pension funds to establish aims and objectives for their investment consultant. He then referred to the aims and objectives set out in the report that had been agreed by the Pension Fund Committee on 23 October.

9.2 Members requested that a paper be produced cross referencing a responsible investment policy with carbon exposure. Members commented that fixed assets, such as solar panels and zero carbon buildings, should also be considered. The Board also commented that reports should be jargon free and more plain English used.

### **9.3 RESOLVED:**

That the aims and objectives for the Pension Fund's investment consultant, Deloitte, be noted.

## **10 QUARTERLY PERFORMANCE REPORT**

10.1 Phil Triggs presented the report and confirmed that over the year, the Fund had underperformed its benchmark by 2.1%, largely because of the negative performance from the Majedie portfolio and the Standard Aberdeen mandate during this period.

10.2 The Board expressed concern that the Chief Investment Officer of the LCIV had resigned following only a very brief period in post. Members commented that the LCIV should provide information on a more frequent basis. Members also asked for the reasons why the LCIV had concerns about one of the fund managers, CQS.

10.3 In reply, Phil Triggs advised that the performance results for CQS had been satisfactory and Deloitte and other London boroughs had no such concerns. He added that the LCIV may elaborate on their reasons in future.

**10.4 RESOLVED:**

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

**11 SCHEME ADVISORY BOARD GOOD GOVERNANCE REPORT**

11.1 Mathew Dawson (Senior Finance Manager, Treasury and Pensions) presented the report and referred to the recommendations of the Scheme Advisory Board. He felt that these recommendations would not present the Fund with any particular issues, although it may give rise to a number of challenges for other funds.

11.2 Members commented on the need for stability in memberships of the Pension Board and the Pension Fund Committee in order to build the appropriate level of knowledge. It was noted that in some boroughs, such as the London Borough of Enfield, the Constitution required that Pension Fund Committee members serve at least a four year term.

**11.3 RESOLVED:**

That the contents of the report be noted.

**12 THE PENSION REGULATOR REPORT**

12.1 Mathew Dawson introduced the report and referred to the areas of improvement identified by The Pensions Regulator after engaging with ten Local Government Pension Scheme (LGPS) funds. He added that he did not think these were particular issues of concern for the Westminster Fund.

**12.2 RESOLVED:**

That the contents of the report be noted.

**13 LONDON COLLECTIVE INVESTMENT VEHICLE REMUNERATION REVIEW**

13.1 Phil Triggs presented the report and advised that the Pension Fund Committee had agreed to the signing of the LCIV Pensions Recharge and Guarantee of Liability Agreement. He added that the LCIV had agreed to close membership of the LGPS to newly appointed staff members.

**13.2 RESOLVED:**

That the LCIV remuneration policy review and the Pension Fund Committee meeting outcome on 23 October 2019 be noted.

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

14.1 There was no other business.

The Meeting ended at 9.35 pm.

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

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