



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Thursday 25th June, 2020**, This meeting took place virtually.

Members Present: Councillors Eoghain Murphy (Chairman), Barbara Arzymanow, Angela Harvey and Patricia McAllister.

Also Present: Gerald Almeroth (Executive Director – Finance and Resources), Phil Triggs (Tri-Borough Director of Treasury and Pensions), Billie Emery (Pension Fund Manager), Matthew Hopson (Strategic Investment Manager), Mathew Dawson (Strategic Finance Manager), Lee Witham (Director of People Services), Sarah Hay (Senior Payroll and Pensions Officer), Eleanor Dennis (Lead Pensions Specialist, People Services), Kevin Humpherson (Deloitte) and Toby Howes (Senior Committee and Governance Officer).

1 MEMBERSHIP

- 1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

- 2.1 Lee Witham (Director of People Services) declared that in respect of item 7, there were recommendations in the report that would directly impact upon him.

3 MINUTES

3.1 RESOLVED:

That the minutes of the meetings held on 19 March 2020 and 13 May 2020 respectively be signed by the Chairman as a correct record of proceedings, subject the Chairman's comments made in respect of the 13 May 2020 minutes.

4 REVIEW OF PROPORTIONALITY ON SUB-COMMITTEES

- 4.1 Toby Howes (Senior Committee and Governance Officer) presented the report and advised that the Committee's approval was sought to formally agree the proportionality and membership of the Committee.

4.2 RESOLVED:

1. That the Committee confirmed the proportional division of seats as follows:

Number of Members: 4

Proportionality: Conservative – 3; Labour - 1

2. That the membership of the Committee be noted as set out in Appendix A of the report.

5 PENSION ADMINISTRATION UPDATE

- 5.1 Sarah Hay (Senior Pensions and Payroll Adviser) presented the report and advised that the key performance indicators were generally holding up, however there had been a few delays in respect of retirements and pension lump sum payments. She added that there was only one end of year data return that was outstanding.
- 5.2 Members sought reasons for the importance of timing in respect of returns. Members welcomed the work undertaken and asked if the Western Union exercise in respect of overseas based pensioners would continue. Concerns were expressed in respect of the role of Orbis, the software provider for pension administration staff and had this led to more complaints from pension scheme members.
- 5.3 In reply to queries from the Committee, Sarah Hay emphasised the importance of ensuring all necessary returns had been completed by 31 May to ensure that members received their annual benefit statements by the end of August. With regards to the Western Union exercise, the payments of 14 scheme members remained suspended whilst the status of their existence was awaiting confirmation. Discussions were also taking place with Western Union with regards to commencing a second project. Sarah Hay advised that Orbis had faced significant challenges in ensuring that staff were able to complete their tasks whilst working from home because of the COVID-19 pandemic. However, the number of complaints from scheme members had remained low, but there were data issues to be addressed.
- 5.4 The Committee requested an update be included with regards to Orbis in the next Pension Administration update.

6 PENSION DATA QUALITY ISSUES

- 6.1 Eleanor Dennis ((Lead Pensions Specialist, People Services) presented an update on this item and advised that an improving data quality exercise had been ongoing for the last 18 months. Officers were working with ITM in

respect of status 2 cases and the number of in scope cases was approximately 1,000.

- 6.2 The Committee asked how the Fund's data quality compared with other Local Government Pension Schemes (LGPS) and was it on par with other local authorities. Members asked if more staff should be recruited to support the pension administration service.
- 6.3 In reply to queries from the Committee, Eleanor Dennis advised that the data quality was reasonable in comparison with other local government pension schemes. The Committee noted that a further progress report would be presented at the next meeting.
- 6.4 Sarah Hay added that a new Section 101 Agreement with Surrey County Council, the Fund's pension administration provider, was currently under discussions and issues such as increasing staff numbers would be raised with them.

7 VOLUNTARY SCHEME PAYS

- 7.1 The Committee considered a confidential report in respect with regard of some voluntary scheme pays requests. Members agreed the recommendations in the report.

7.2 RESOLVED:

1. That the 2019 - 2020 voluntary schemes applications be approved in principle.
2. That it be agreed that future voluntary schemes applications from 2020 – 2021 not be required need to be individually approved by Committee and that a retrospective report on voluntary scheme pays instead be provided to the Committee

8 STRATEGIC INVESTMENT STRATEGY REVIEW

- 8.1 Phil Triggs (Tri-Borough Director of Treasury and Pensions) introduced the report and stated that volatility was an important factor to take into consideration in the context of the COVID-19 pandemic. He then drew Members' attention to the current allocation of the Fund as set out in the report.
- 8.1 Kevin Humpherson (Deloitte) then addressed the Committee and advised that the Fund was currently 99% funded, according to the latest actuarial valuation as of 31 March 2020. It was an appropriate time to re-consider the investment strategy in view of the current circumstances and in the context of the latest evaluation.
- 8.3 Kevin Humpherson then set out some options and recommendations for the Fund's allocation for the Committee to review. It was hoped that markets would continue to improve, however this may not happen in some sectors.

There were some particular concerns in respect of the performance of the passive equities market and it was suggested that increasing the allocation in active equities may be preferable. With regards to property, concerns about performance had been identified since 2019 and the COVID-19 pandemic had exacerbated this. Kevin Humpherson added that in respect of the infrastructure allocation, renewable infrastructure was an attractive option and it was recommended that there be a re-allocation of some funds from the Hermes property fund to renewable infrastructure.

- 8.4 The Committee then considered the options and recommendations that had been set out. Members sought views in respect of considering the appropriate balance between active and passive management in the context of the COVID-19 pandemic. Concerns were expressed with regards to increasing the allocation of funds to active management and a Member felt that the active management fees were too high.
- 8.5 Members emphasised the need to focus on exploring more environmental, social and governance (ESG) options as this area became increasingly more important. Members commented that they felt more re-assured in respect of CQS and asked if it was possible to withdraw income from this allocation.
- 8.6 In reply to queries from the Committee, Kevin Humpherson felt that it would be beneficial to acquire active equity managers with different styles and that would also complement the Baillie Gifford active management portfolio. He advised that the London Collective Investment Vehicle (LCIV) had a portfolio of active managers that Deloitte would monitor. Kevin Humpherson confirmed that income could be withdrawn from the CQS allocation.
- 8.7 The Committee discussed the suitability of the active to passive equity allocation , but felt it was prudent to retain the current allocation at this time.
- 8.8 The Committee agreed that a new fund manager in equities to complement the Ballie Gifford active management portfolio and preferably with ESG credentials, be selected at a future meeting.
- 8.9 The Committee also agreed to transfer 5% of the Fund to renewable energy from the Hermes UK property investment, again with a fund manager to be chosen at a future meeting.

9 QUARTERLY PERFORMANCE

- 9.1 The Committee noted the quarterly performance of the Fund.

9.2 RESOLVED:

That the performance of the Fund's investments to 30 April 2020 and the funding level as of 31 March 2020 be noted.

**10 PENSION FUND ANNUAL REPORT AND STATEMENT OF ACCOUNTS
2019-20**

10.1 The Committee had before them the Pension Fund Annual Report and Statement of Accounts for 2019-20. Members requested that changes be made to the report to include a greater focus on ESG matters and that updated graphics also be included.

10.2 RESOLVED:

1. That the draft Pension Fund Annual Report for 2019/20 be approved, subject to changes being made to include a greater focus on ESG matters.
2. That the Pension Fund Annual Accounts be noted.

**11 PENSION FUND'S PROPOSED RESPONSIBLE INVESTMENT POLICY
AND UPDATE TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE
POLICY**

11.1 The Committee considered the report on this topic. Members asked that further evidence be provided about how the Fund was viewed positively. Members agreed to send Phil Triggs their suggestions in the next few days.

11.2 RESOVLED:

That the ESG and Responsible Investment policies be noted, as per the Fund's Investment Strategy Statement review taken to committee on 20 February 2020.

12 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

12.1 There was no other business.

The Meeting ended at 7.58 pm.

CHAIRMAN: _____

DATE _____