



CITY OF WESTMINSTER

# MINUTES

## Pension Fund Committee

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Thursday 20th February, 2020**, Rooms 18.04 and 18.05, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

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

**Officers Present:** Gerald Almeroth (Executive Director – Finance and Resources), Phil Triggs (Tri-Borough Director of Treasury and Pensions), Mathew Dawson (Strategic Finance Manager), Billie Emery (Pension Fund Manager) and Toby Howes (Senior Committee and Governance Officer).

#### 1 ELECTION OF CHAIRMAN/MEMBERSHIP

1.1 It was noted that Councillors Barbara Arzymanow and Angela Harvey were newly appointed substantive Members of the Committee, replacing Councillors Melvyn Caplan and Antonia Cox.

#### 1.2 RESOLVED:

That Councillor Eoghain Murphy be appointed as Chairman of the Pension Fund Committee.

#### 2 DECLARATIONS OF INTEREST

2.1 Councillor Angela Harvey declared that the Pensions and Lifetime Savings Association had been a client of hers in the past, with the relationship no longer current.

#### 3 DRAFT INVESTMENT STRATEGY STATEMENT AND INVESTMENT BELIEFS

3.1 The Committee had before it the draft Investment Strategy Statement (ISS) and draft Investment Beliefs. Phil Triggs (Tri-Borough Director of Treasury and Pensions) advised that it was good governance to review the ISS on an annual basis, whilst this was the first time that a set of Investment Beliefs had

been drawn up. The Committee agreed that the ISS be reviewed on an annual basis.

- 3.2 The Committee then first considered the draft Investment Beliefs that were based on the five principles of investment governance, long term approach, environmental, social and governance (ESG) factors, asset allocation and management strategies.
- 3.3 In respect of investment governance, the Committee noted that there were a number of training opportunities available for Members, however it was asked what steps would be taken to ensure that new Members of the Committee received the appropriate training. One Member commented that they had previously received training whilst a Member of the Pension Board. It was noted that a rolling training programme for Committee Members was in place which frequently occurred before or after a Committee meeting and Members welcomed the continuation of this approach. A Member remarked that the Pensions Lifetime Association offered useful training. The Committee stated that consideration should be given as to what extent comparisons were made with the Fund's investment consultants with other investment consultants. Members also asked what other journals on pension related matters were available to them.
- 3.4 In reply, Phil Triggs stated that discussions would take place with new Members of the Committee with regards to their training needs. He advised that the usual competitive tendering would take place once the contract with the current investment consultant had expired. Members were welcome to collect any pension journals or have these journals sent to them where there were items of particular interest.
- 3.5 Turning to the long term approach, Members commented that this should reflect that there had been a reduction in equities allocation. The Committee agreed that Point 2d of the long term approach section be re-worded so that it reflects that overall there is a diversified Fund.
- 3.6 The Committee then considered ESG factors. Members remarked that this should reflect the fact that there had been a notable shift in moving towards ESG assets in the past 12 months and it should be noted that these were now more prominent. Point 3d of this section should also recognise the current mood with regards to ESG considerations during the Committee's decision-making process. Members also sought clarification with regards to what timescales did long-term imply.
- 3.7 Phil Triggs advised that ESG factors would be a consideration as part of the ISS review. Point 3a of this section set out the advantages of investing in ESG. Phil Triggs advised that 'long term' would mean a period from when a new member of staff was appointed right through to when they were drawing their pension.
- 3.8 The Committee indicated its satisfaction with the asset allocation investment beliefs.

- 3.9 Turning to management strategies, Phil Triggs explained that the second sentence of 5c referred to where fund manager fees had previously been performance based. The Committee commented that there should be a distinction between performance of the market and performance of the Fund. It was agreed that words “rather than the performance of the market” be deleted at the end of 5c.
- 3.10 The Committee then considered the ISS. In respect of objective 7.2 (a), a requirement to invest fund money in a wide range of instruments, Members emphasised the importance of maintaining liquidity for the Fund.
- 3.11 Turning to objective 7.2 (b), the authority’s assessment of the suitability of particular investments and types of investment, it was commented that due diligence should be refreshed with existing factors. Members noted that a general paper on this matter could be produced for the Committee. It was also suggested that a paper on how benchmarking was undertaken could be provided. The Committee agreed to move paragraph 3.2 of objective 7.2 (b) to the beginning of paragraph 3.1.
- 3.12 With regard to objective 7.2 (c), the authority’s approach to risk, including ways in which risks are to be measured and managed, Members suggested that a breakdown of Fund assets by country would be useful and Phil Triggs advised that this information could be provided as part of the quarterly fund performance reports.
- 3.13 For objective 7.2 (d), the authority’s approach to pooling investments, including the use of collective investment vehicles, the Committee noted the significant savings on fund manager fees obtained since the Fund had become part of the London Collective Investment Vehicle. Members also noted that the figures set out in paragraph 5.7 of this objective would change on a quarterly basis, and the final version of the ISS would have the latest figures.
- 3.14 Moving on to objective 7.2 (a), how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention, and realisation of investments, Members noted that a report on carbon exposure review had been considered by the Committee in October 2019.
- 3.15 In reply to questions from Members, Phil Triggs advised that the Council, as the administering authority of the Fund, engages in dialogue with other organisations in the Fund with regards to ESG matters, including at the Pensions Annual General Meeting.
- 3.16 The Committee agreed that the ESG policy also be circulated to external organisations of the Fund. In respect of the last bullet point of 6.8, the Committee also agreed that this be re-worded so that scheme members gain the trust of the governance process.
- 3.17 The Committee then considered objective 7.2 (f), the exercise of rights (including voting rights) attaching to investments, Phil Triggs advised that the

Council did carry some influence on the Pension and Lifetime Savings Association (PSLA) and the Local Authority Pension Fund Forum (LAPFF) as a member of both these organisations. Updates on the Council's participation with the PSLA and the LAPFF could be provided to the Committee on a quarterly basis.

- 3.18 The Committee then considered the Responsible Investment Policy in Appendix D of the ISS. Members requested that the word 'notwithstanding' at the beginning of paragraph 1.7 be replaced with a more appropriate word. A re-wording of paragraph 1.10b in respect of passive managers was requested to provide greater clarity. An alternative word to 'investable' in the first word of the last sentence of paragraph 1.11 was also requested.
- 3.19 The Committee then finally considered Strategic Asset Allocation as Appendix E of the ISS. Members commented that there be the appropriate assurances in place in respect of liquidity of the Fund.

The Meeting ended at 7.14 pm.

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

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