



City of Westminster

Committee Agenda

Title: Pension Board

Meeting Date: Thursday 28th July, 2022

Time: 6.30 pm

Venue: Room 18.07, 18th Floor, 64 Victoria Street, London, SW1E 6QP

Members: **Councillors:**

Barbara Arzymanow
Matt Noble

Employer Representative:
Marie Holmes

**Scheme Member
Representatives:**
Terry Neville OBE
Christopher Smith

Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.00pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.



An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Sarah Craddock, Committee and Councillor Co-ordinator.

Email: scraddock@westminster.gov.uk
Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. ELECTION OF CHAIRMAN AND VICECHAIRMAN/MEMBERSHIP

To elect a Chairman and Vice-Chairman of the Pension Board.

2. DECLARATIONS OF INTEREST

To receive declarations of interest by Members and Officers of any pecuniary interest or any other significant interest in matters on this agenda.

3. MINUTES

To approve the minutes of the Pension Board held on 30 March 2022.

(Pages 3 - 8)

4. PENSION ADMINISTRATION UPDATE

Report of the Director of People Services.

(Pages 9 - 16)

5. COWPF LGPS PROJECTS UPDATE

Report of the Director of People Services.

(Pages 17 - 28)

6. FUND FINANCIAL MANAGEMENT

Report of the Tri-Borough Director of Treasury and Pensions.

(Pages 29 - 34)

7. PERFORMANCE OF THE COUNCIL'S PENSION FUND

Report of the Tri-Borough Director of Treasury and Pensions.

(Pages 35 - 38)

8. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

**Stuart Love
Chief Executive
18 July 2022**



CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Wednesday 30 March at 6.30pm**, Room 18.06, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Terry Neville OBE (Chair and Scheme Member Representative), Councillor Guthrie McKie (Vice-Chair, Employer Representative), Marie Holmes (Employer Representative), Councillor Tim Mitchell (Employer Representative) and Christopher Smith (Scheme Member Representative).

Officers Present: Mathew Dawson (Senior Finance Manager, Tri-Borough Treasury and Pensions), Sarah Hay (Senior Pensions and Payroll Officer), Billie Emery (FM Pensions) and Tristan Fieldsend (Senior Committee and Councillor Co-ordinator).

Apologies for Absence: Chris Walker (Scheme Member Representative).

1 MEMBERSHIP

- 1.1 There were no changes to the Membership.
- 1.2 Due to IT issues experienced by the Chair, the Vice-Chair, Councillor Guthrie McKie, chaired the meeting.

2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest, other than the standing declarations already made by Members.

3. MINUTES

- 3.1 **RESOLVED:** That the minutes of the meeting held on 18 January 2022 be approved as an accurate record of proceedings.

4. PENSION ADMINISTRATION UPDATE (Agenda Item 4 on the Agenda Pack)

- 4.1 The Board received an update on the Key Performance Indicator (KPI) data from Hampshire Pension Services (HPS) from December to 2021 to February 2022.
- 4.2 The Board considered the KPI data provided to Westminster in the December, January and February period and noted that the partnership reports by HPS showed a 100% KPI completion record. It was expected that overall cases processed by HPS would be approximately 100 per month which would maintain a healthy position with no backlogs. Details of two complaints submitted in January by members were provided in addition to the compliments received.
- 4.3 An update was provided on the additional resource provided by HPS to complete approximately 450 cases of unprocessed leavers. The cost of the work was expected to be £23,800 with the project running between April and September 2022. Following discussions at the last meeting, the Board reiterated its expectation that this sum would be recovered from Surrey.
- 4.4 Members discussed the interruption experienced by Hampshire County Council's data centre during Storm Eunice. Members were reassured that the data centre remained operational, service was maintained for users despite the disruption and the recovery and business continuity programme functioned as necessary. Members requested that IT attend a future meeting of the Board to provide details of the incident along with the features of the business continuity programme.
- 4.5 In response to questions from the Board, it was noted that the fund had asked all employers to submit their McCloud data by 31 January 2022. It was recognised that the data request was complex as many employers had a range of systems dating back to 2012 and therefore the retrieval of data could be problematic. It was noted that support had been offered to employers to complete the data work.
- 4.6 Finally, the Board was pleased to note that HPS had been certified as meeting the customer service excellence standards as independently assessed.
- 4.7 **ACTION:** That IT be invited to a future Board meeting to provide details of the data centre incident experienced during Storm Eunice, in addition to highlighting the features of the business continuity programme.
- 4.8 **RESOLVED:** That the Board noted the report.

5. COWPF LGPS PROJECTS AND GOVERNANCE UPDATE Projects (Agenda Item 5 on the Agenda Pack)

- 5.1 The Board received an update on the various projects and governance activities being undertaken by the Pension and Payroll Team to improve the administration of the COWPF LGPS.
- 5.2 The Board was informed that with regards to the exit from Surrey a letter had been received from Aquila Heywood confirming that data had been deleted at the end of January from Altair as requested. The project costs of exiting from Surrey were also provided and it was noted that these were within budget.
- 5.3 In terms of the pension website the Board was informed that the current website for the COWPF LGPS was being reviewed with respect to value for money with a focus on three key areas:
- Further integration with finance;
 - Diversity and inclusion; and
 - Digital value.
- 5.4 The Board held a detailed discussion about the website and was of the opinion that it did require updating in order to make it more accessible for members. It was recognised that the review had to consider value for money and all options needed exploring. The Board requested that members be asked for feedback on the website so that it can be taken into account as part of the updating exercise.
- 5.5 The Board was pleased to note the Guaranteed Minimum Pension project had been launched in March with Mercer and HPS with Mercer expected to start work in April after the Pensions Increase.
- 5.6 The Board discussed the governance around HPS contract monitoring and was informed that work was underway to put in place robust contract monitoring and governance processes. HPS were providing monthly partnership reports to COWPF with updates on Service Delivery KPIs and other relevant information which would be subsequently discussed at a monthly partnership meeting.
- 5.7 **RESOLVED:** That the report be noted.

6. FUND FINANCIAL MANAGEMENT (Agenda Item 6 on the Agenda Pack)

- 6.1 The Board discussed the report which outlined the top five risks for the governance and pension administration fund which were set out in the report.
- 6.2 Detailed discussions over the identified risks took place and focused on the significant global economic uncertainty following events in Ukraine and that

whilst the pension fund was not directly affected by events things could change quickly due to the volatility of the situation. Another significant risk discussed was that UK price inflation was now significantly more than anticipated in the current actuarial assumptions. The Board also noted the increased scrutiny on environmental, social and governance issues and was pleased to note that Westminster had been at the forefront in fighting climate change, declaring a climate emergency in September 2019. Whilst the Council was well placed in this area it was recognised that going forward lots of work was still required.

6.3 The Board was interested to note the returns being received on cash. Further detailed discussions followed on the three-year cashflow forecast and the impact of inflation rate rises on the pension fund.

6.3 **RESOLVED:**

- 1) That the top five risks for the Pension Fund be noted.
- 2) That the cashflow position for the pension fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast be noted.

**7. PERFORMANCE OF THE COUNCIL'S PENSION FUND
(Agenda Item 7 on the Agenda Pack)**

7.1 The Board received a report setting out the performance of the Pension Fund's investments to 28 February 2022, together with an update of the funding position at 31 December 2021. The Board discussed and noted that the Fund had underperformed the benchmark net of fees by -2.71% over the quarter to 28 February 2022 and that the estimated funding level was 103.0% as of 31 December 2021.

7.2 It was noted that there was currently a high level of volatility and uncertainty in markets following events in Ukraine. The Board also interested to note that with the exception of one asset manager, all had underperformed with respect to their benchmarks. The Baillie Gifford Global Alpha mandate was the main detractor to performance and the Board was pleased to note that they had been invited to attend the next Committee meeting to discuss their recent performance. It was explained that overall however, over a three-year period there had been an under performance had been 0.5% which was not considered a significant under performance.

7.3 **RESOLVED:**

- 1) That the performance of the investments and the funding position be noted.
- 2) That the summary of the changes to the Fund's asset allocation be noted.

**8. RESPONSIBLE INVESTMENT STATEMENT 2022
(Agenda Item 8 on the Agenda Pack)**

- 8.1 The Board received the Responsible Investment Statement 2022 which had been approved by the Pension Fund Committee at its meeting on 10 March 2022, pending some minor changes. The Board noted that the statement covered in detail topics such as: the investment horizon of the Fund, its carbon journey over the past 2.5 years and voting and engagement with key stakeholders.
- 8.2 The Board discussed the purpose and aim of the statement which was to make clear that the Pension Fund's approach was investing responsibly with the integration of environmental and social and governance (ESG) factors as part of the Pension Fund's investment strategy.
- 8.3 The Board expressed its satisfaction with the statement which now reflected some of the concerns expressed by the Board when the first draft was considered, and was a significant improvement on previous statements issued. The Board discussed options for disseminating it more widely to members and the possibility of circulating the link with a precis of its contents.
- 8.4 **ACTION:** Billie Emery to contact the Communications Team to assess options for circulating a link to the statement out to members along with a precis of its contents.
- 8.5 **RESOLVED:** That the Responsible Investment (RI) Statement for 2022 be noted.

9. ANY OTHER BUSINESS

- 9.1 The Board wished to place on record its thanks to Councillor Guthrie McKie, who was attending his last meeting, for all the valuable contributions he had made to the work of the Board over a significant period of time.

10. TERMINATION OF MEETING

- 10.1 The meeting ended at 7.48pm.

Chairman _____ Date _____

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Pension Fund Board

Date: 28th July 2022

Classification: General Release

Title: Pension Administration Update

Report of: Sarah Hay, Pensions Officer People Services

Wards Involved: All

Policy Context: Service Delivery

Financial Summary: Limited

1. Executive Summary

1.1. This report gives an update on the KPI data from Hampshire Pension Services (HPS) from March 2022 to June 2022. In section 3, I cover some Annual returns and data work. and in section 4 a general pension administration update. In Section 5 I give an update on Auto enrolment for the main fund employer WCC. The summary is in section 6.

2. KPI Performance

2.1 I am pleased to advise the Board that the KPI data provided to Westminster for the period March 22 through to June 22 shows 100% compliance with the agreed KPI standards. The table below provides the categories measured, the target days and the number of cases processed in each reporting month.

KPI	Target Days	Mar-22	Apr-22	May-22	Jun-22
Active Retirement	15 days	0	5	4	2
Deferred Retirement	15 days	7	23	17	16
Estimates	15 days	31	30	42	27
Deferred Benefits	30 days	24	19	16	26
Transfers In & Out	15 days	2	3	1	4
Divorce	15 days	0	2	2	2
Refunds	15 days	3	5	7	2

Rejoiners	20 days	0	5	5	1
Interfunds	15 days	20	18	21	15
Death Benefits	15 days	8	23	13	6
Grand Total		95	133	128	101
		100%	100%	100%	100%

2.2 The overall cases processed by HPS has fluctuated. I would expect that our average case processing would be around 100 cases per month to maintain a healthy position with no backlogs.

2.3 The partnerships report also provide a breakdown of the active cases on hold. In March we had 152 cases and then in April this reduced to 117 cases. In May this increased back to 149 cases and remained the same in June. It's important that over the course of six months or a year we make sure that this work on hold does not build up again, so we have clear sight that there are no unseen backlogs going forward.

2.4 Following on from year end returns, administration case queries that are submitted will create some additional work for the pension administration team.

2.6 Overall the service with HPS has embedded well and noise from the employers and fund members is very low. We are pleased that the 23.66% of the membership has already registered for the new member portal. This is a steady increase on the 19.43% that we reported at the last Pension Board. Our communication with employers and members going forward will aim to increase this percentage and we will promote to active members in late August early September so that members can view their pension annual benefit statements.

Portal	
Active	32.62%
Deferred	15.81%
Pensioner	25.31%
TOTAL	23.66%

2.7 Members can opt out of online services including the member portal and electronic communication. In June 594 members had opted out of the portal. This was primarily pensioner and deferred members with one active member.

2.8 There were two complaints in the period. One received in May and one in June. The May complaint was from a member who had opted out of online services in December 2021. He was complaining that he had not received any written confirmation from HPS since he opted out including any P60. The issue seems to have been caused in part by HPS not having the correct

address record for the member record to contact him. The member has been apologised to and HPS have amended their process to check the address *details on the record when they opt someone out of electronic communication*. The June complaint involved a pensioner member who had married recently and sent in their original marriage certificate. The certificate had been noted but then confidentially destroyed rather than returned to the member. This member also complained that HPS had not amended their contact details to a second address. HPS apologised to the member for the destroyed certificate and refunded the member the cost of replacing the document. HPS advised the member that although they had printed their second address at the bottom of the letter that they had sent in advising of their marriage, they had not requested that HPS amend the main contact address to their second home.

- 2.9 There were four compliments over the same reporting period. One in April, two in May and one in June. Details below.

April "The response was swift and written instructions were easy to follow, I am very impressed by my only and first contact"

May "Thank you for sending me a paper copy of my p60 form. This is a big help as I can't access it online. I need to send a copy to Merton Benefits service, so your help is much appreciated"

May "Lady in question Adele Beston, remained helpful and courteous in face of my grumpiness, change the half hour expiry time on e-mailed access codes to take account of e-mail delivery delays. Better still get rid of access codes."

June "Timely way of working and ensuring I've not been forgotten!"

3. Annual Returns and Data Work

- 3.1 I am pleased to confirm that all of the funds' employers submitted their annual returns to HPS. We did levy our first fines under the Pension Administration Strategy (PAS) against one academy group for late submission but otherwise had extended our deadlines and worked with employers who were engaged with the process. This is the first year we have run end of year with HPS and the reconciliation service they provide matching the contributions paid to the data on the employer's returns has been really productive and picked up a few issues with employers that we managed to resolve in time. This added value will give the fund additional security over the long term.
- 3.2 Following on from the submission of end of year returns I advise you that HPS identified the following data issues for our fund. 775 queries in total this is proportionally significant for our fund. With approximately 100 or slightly more cases being processed in an average month you will want to note that

this could cause a further backlog if not dealt with promptly. Please see table below.

Total Queries identified						
Starters	Leavers	Missing Data	Add Conts	Pay *	Other	Total *
300	205	215	0	143	55	775

Outstanding Queries at 12/07/2022						
Starters	Leavers	Missing Data	Add Conts	Pay *	Other	Total *
89	91	187	0	18	20	387

- 3.2 As above the internal team has been working with HPS and the scheme employers to chase up missing data and we have had a good response so far to reduce total queries outstanding to 387. I would expect that number to again reduce significantly in the next few weeks. We are working with employers and trying to encourage them to send in data regularly to reduce numbers. Where employers are not so engaged, we will consider charges under the Pension Administration Strategy (PAS).
- 3.3 I can confirm that data for valuation purposes has now been run and provided to the actuary Hymans on the 15th of July 2022 as per our agreed timescale.
- 3.4 The ongoing project with HPS for them to pick up 446 leavers that had not been completed by the former administrator prior to our transfer, is now underway. As per June's partnership report the number of outstanding cases had been reduced to 352. HPS have sent a number of fund employers requests for 260 of the remaining members and responses are not forthcoming. thus far. The internal team again will start to chase employers with significant data outstanding in the coming weeks when we can move on from chasing annual returns and new queries because of those returns. Again, our approach will be to try and get employers to send data into the fund in blocks so cases can start to be processed. Where we get no engagement, we will need to consider charges under the PAS.
- 3.5 I can confirm additionally that HPS has commenced a new tracing project with Target a third-party provider on our behalf. The Pension Committee agreed that we could spend up to a maximum of £6000 on tracing work and

we consider this a vital step in improving our overall data quality and the data scores that we must annually report to the pension regulator. We are concentrating on two groups initially, 1025 preserved refund records and 1026 deferred benefit members. I will update the board in the next report on the progress of the tracing project.

- 3.6 McCloud work continues. The table below outlines the funds position for data returns for the period April 2022 to March 2021. Twenty employers have sent in their data although not all checks are yet complete on the returns received. The proportion of members this data covers is only 17.36% primarily because the largest employer WCC has not yet returned. Diana will give you a more detailed update in her paper on our internal progress.

Number of employers submitted data collection	20
Number of returns expected	37
Proportion received	54.05%
Total Members	4331
Members received	752
Members received %	17.36%

- 3.7 The table below provides an update on the April 2021 to March 2022 data. This is the easiest data for employers to return as it will be on the most recent systems. The internal team have been chasing employers to send in returns however we did prioritise end of year work as this impacts member entitlement and valuation more immediately.

Number of employers submitted data collection	15
Number of returns expected	39
Proportion received	38.46%
Total Members	4777
Members received	640
Members received %	13.40%

- 3.8 We will be working with employers and chasing data to ensure returns are made in line with other data we are also following through.. The biggest challenge though is for Westminster to ensure we can retrieve our internal data to increase the percentage of members we have data for significantly. We have now started a monthly meeting with HPS

HPS General Admin update

- 4.1 I am pleased to advise the board that our continued experience of working with HPS from the point we agreed to move our service to the date of this report has been a positive experience for Westminster. From go live on the

8th of November, HPS have been supportive and generally responsive to our members. We will be having monthly partnership meetings with HPS to address any issues, and these will continue until such time we are satisfied that the service is meeting our expectations.

- 4.2 There are several audits planned in the coming year of HPS. There is currently a transfer audit underway the results of which will be made available to the board when they are published.
- 4.3 The board may want to note that regulations governing pensions transfers strengthened in November 2021 to try and limit the possibility that people could be duped into transferring their pension pots into scam schemes. As a fund we could now potentially refuse to proceed with a transfer if we believed that the transfer raised certain flags. This was a significant change as previously members had an absolute entitlement to transfer despite our concerns. HPS do have a transfer process that would include escalation to the fund in certain circumstances. To date no case has been escalated to WCC and I would only expect this to happen on a very rare basis. The audit above should be ensuring that any flags are being highlighted by HPS.
- 4.4 Additionally from 1st of June 2022 we are required for anyone looking at transferring their AVC pot to nudge them towards taking advice from the “Pension Wise” service. People can opt out of the service, but we have to encourage them to do this action. HPS have picked this up within their processes and are recording this data going forward for relevant members.
- 4.5 The fund has warnings for members on pension scams on our fund website and additionally we signed the Pension Regulators pledge to combat scams.

Auto Enrolment

- 5.1 WCC, the funds main employer reaches it's auto enrolment date on the 1st of August 2022. There has been an agreed communication plan developed by the Pension Project Manager. This includes advertising via the internal WIRE, Teams company communicator message, presentation to staff via the weekly loop live session. Additionally, we have contacted areas that don't have access to the WIRE including Westminster Adult Education Service (WAES) and Sayers Croft (Activity Field Centre) and ensured that staff are advised of auto enrolment before the 1st of August
- 5.2 There has been some contact from people not wanting to be auto enrolled and some from those in the 50 50 scheme who will enrolled back into the main scheme but in general people now seem aware of what they need to do. We are advising people that they cannot opt out prior to being auto enrolled and that any opt outs will be processed in September with refunds paid or adjustments made if people opt to re-join the 50 50 scheme.
- 5.3 Other fund employers are likely to also be going through auto enrolment at a similar time or in the next few months. We will review fund membership

going forward and engage with employers to ensure new starter information is provided as well to ensure we do not have another build-up of missing starters when we run next year's annual returns.

Summary

- 6.1 The KPIs data is positive since we went live with HPS.
- 6.2 Annual returns for all employers have been submitted with queries generated as a result. At the time of this report 387 remain outstanding and work will continue to reduce these. The data for valuation has now been sent to the actuary.
- 6.3 Data work outside of our main projects will centre on the backlog cases and the tracing project which is now underway.
- 6.3 McCloud data work continues to be difficult for both WCC and some employers. We have now booked in a monthly meeting with HPS to pick up on McCloud issues and so we can more actively chase missing data.
- 6.4 Our relationship with HPS is positive.
- 6.5 The board will want to note that the fund has tightened the transfer process because of new legislation and will be pointing those wanting to divest an AVC towards Pension Wise advice.
- 6.5 WCC will reach its auto enrolment date on the 1st of August 2022. We will keep an eye on the scheme membership numbers but I would not expect a significant change.

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City of Westminster

Pension Fund Board

Date:	28th July 2022
Classification:	General Release
Title:	COWPF LGPS Projects Update
Report of:	Diana McDonnell-Pascoe Pensions Project Manager, People Services
Wards Involved:	All
Policy Context:	Service Delivery

1. Introduction

The purpose of this paper is to update the Pension Board on the various projects being undertaken by the Pensions and Payroll Team to improve the administration of the City of Westminster Pension Fund (COWPF) Local Government Pension Scheme (LGPS).

2. Current Projects

2.1. Pension Website

The current pension website is being reviewed as to suitability and fitness for purpose. Areas under review include, Equality, Diversity and Inclusion, Value for Money, and the type of content we offer. This review is being conducted because of our transfer from Surrey County Council (SCC) to Hampshire Pensions Services (HPS). When we were with SCC, we needed our own website however HPS have their own and can provide access to most but not all of the information our website provides. We will still need to provide the remaining information somewhere, so we are investigating and reviewing our options.

So far, we have reviewed the website with the ABLE network and will also aim to review it with the BAME network shortly. We have had positive feedback from one visually impaired member of staff who said the current website worked well with his read out loud software. We had a joint review with Hampshire Pensions Services also.

Further evaluation work on the viability of the website will include using a decision matrix to compare different options, using Google Analytics to analyse the traffic to the site, conducting a survey of our members, pensioners, employers to get their stakeholder feedback, creating curated focus groups for reviewing the site and other options so we can ensure we have the best solution available to us and our customers. We are also looking at untapped opportunities that may be in our interest to explore in terms of online promotion of the good things that the Pension Funds does such as green investment.

2.2. Guaranteed Minimum Pension (GMP)

2.2.1. What is the status of the GMP project?

The GMP reconciliation is now complete and there are no outstanding client decisions on reconciliation. Once decisions on the approach to GMP rectification have been agreed, and the calculations performed, the results will be used to manage all the adjustments required to payroll records at a single point. The deferred members will also require adjustment. While the GMP values have been reconciled during the reconciliation process, individual member records will require update or correction given values used in the calculation of benefits for some members will not be correct.

We are currently working with Hampshire Pension Services (HPS) and Mercer to enter the rectification phase of the project. We anticipate that this will start no later than August 2022. We anticipate the rectification phase to take approximately seven months and have a deadline of completing the rectification phase by the end of February 2023 because

the new financial year will require calculations for pensions increases which will invalidate any rectification completed already.

The agreed cost for this project with Mercer is £33,000 as previously agreed by the 16th of December Pension Committee meeting.

For background, Mercer were originally running the project on our behalf as appointed by Surrey County Council for all Surrey's managed pension funds. The previous pension Committee approved us running the project directly with Mercer because Mercer could deliver the project at a substantially lower cost.

Despite choosing Mercer to deliver the project, we knew there would be some supplementary costs charged by HPS and the software supplier Civica for the uploading of data and some additional work once the data was ready for upload, however, we did not have exact clarification on what these costs would be in December as we had not been provided with the detailed breakdown from Mercer in advance.

Mercer have now provided the fund and HPS with a breakdown of the format that they require updated pension fund data in following the running of the pension increase in April. The data requirement is significant and detailed, requiring not only data on pensions in payment but preserved and active members with full breakdown of service including transferred in service that may all impact a GMP. HPS have asked their software provider, Civica, to quote to provide that data download as it is beyond the capabilities of their internal team. The cost has come back at £18,200 for Civica to complete that work.

Consequently, the original Mercer cost of £33,000 and the new Civica cost of £18,200 combined comes to a new project cost of £51,200. However, this new project cost is still substantially less than the alternative project

cost of £81,400 where HPS deliver the project (£62,400) with Mercer's rectified data (£19,000).

The Pension Committee has consented for us to spend this sum to keep the project on track and as of 11th July 2022, Civica has already begun project work to obtain the data from Mercer. I will update the Board at the next Board meeting as to how the project is progressing but if Civica deliver as expected against timelines, then Mercer can get underway with time to complete the GMP Rectification exercise by early 2023.

2.3. McCloud

As the Board is aware, the McCloud judgement was aimed at preventing age discrimination in the LGPS. This means that COWPF LGPS needs to recalculate the benefits for eligible members for the remedy period of 1st April 2014 to 31st March 2022.

As previously advised, the benefits recalculation is in two phases. Phase 1 requires the collection of data on eligible members and Phase 2 is the recalculation of benefits of eligible members. Once the benefits have been recalculated, the members will be contacted and informed as to the changes, if applicable, to their benefits.

2.3.1. Workstream 1 – COWPF Employer Data Collection – led by Zuzana Fernandes, COWPF Pension Team

HPS have received 20 of 37 completed service/break data sets from Westminster employers; initial data checks have been completed on all the data sets received. This represents 17.36% of the membership population who are likely to require McCloud remedy. This means that there are 17 employers yet to provide data. HPS are working with Westminster to encourage these employers to provide this as soon as possible.

HPS have received 14 of 39 completed service/data sets from employers for the period 1st April 2021-31st March 2022. This represents 10.59% of the membership who are likely to require McCloud remedy.

2.3.2. Workstream 2 – WCC Data Collection – led by Diana McDonnell-Pascoe, WCC Payroll Team

In this workstream we are collecting the McCloud data for Westminster City Council as an employer. We have three legacy payroll systems (Oracle, Agresso and CIPHR) and the current payroll system, IBC, to obtain the data from.

Current progress is as follows:

- **IBC:** Our IBC colleagues have sent the required data to Hampshire Pension Services.
- **BT Agresso:** We have worked with Blue Planet Software to create a custom report in Agresso to download a report which is currently being reviewed prior to submission. The approximate cost of this is £4k.
- **City West Homes (CIPHR):** We have working with our IT colleagues to extract the data from the CIPHR databases in a viable format for review and as of 11th July, we are in the process of requesting IT to move the data to WCC's Corporate Data Warehouse from where an interactive dashboard can be created for us to retrieve the necessary data.
- **Oracle:** We are in the process of negotiating with Oracle Development to create a custom reporting mechanism to get the relevant data out of the Oracle database. There will be a one-off cost to migrate the data to an active data warehouse (ADW) so that the online reporting mechanism can be created and then there will be an increase to our annual subscription costs to access the full functionality of this reporting mechanism. So far, we have been quoted rough order of magnitude costs of approx. £50-60k which is considerable for what we need, so we are exploring other avenues

of obtaining the data currently. I will update the Board at the next meeting on progress.

This project has been complex, time-consuming, and very involved due to the high customisation of data reporting required across different systems which has meant that we have had to work quite closely with different consultants to get what we need. Also, because this project fulfils a statutory requirement, we have no option other than to find and obtain the data from the various systems that contain the data and pay the costs incurred while doing so.

Therefore, I submitted to the Pensions Committee that it may be prudent to scope out and cost a project to move the legacy data in-house to a data warehouse and build a simple interface and reporting mechanism with our IT colleagues so that any future requirements, legislative or otherwise, can be satisfied more easily and cost-effectively in future. At present, we must pay various consultants / organisations to access and process the data each time we want to create custom reports or change access type. The Committee approved my request to scope and cost such a project with a view to evaluating the cost effectiveness of merging our legacy data in that way versus continuing to pay consultants / organisations on an ad hoc basis as required.

2.3.3. Workstream 3 – LGPS Benefits Recalculation Exercise – led by Hayley Read, HPS Pension Team

HPS have monthly internal McCloud project meetings, which are led by a dedicated project manager and attended by all senior management.

HPS are in the process of testing a final version of the McCloud bulk data uploader, with a view to arranging the Live installation by 31st July 2022, as they are eager to start uploading data sets from early August.

2.3.4 HPS Project Costs

When we moved to Hampshire Pension Services (HPS) in November 2021 we understood that project work including the McCloud project would be in addition to the agreed business as usual cost with HPS.

At the point of transfer, HPS did not have an estimate of costs for this project which HPS are sharing between the partners for which they provide services. This helps the WCC pension fund because substantial software development costs are only partially met by our fund based on our membership.

The costs for the year 21/22 are £1,600, the costs for 22/23 are now notified as £9,567. HPS will be charging quarterly for the McCloud project, as the underpin calculation work has to be completed by the fund administration partner. I will update the Pension Board in due course of any additional costs.

3. Upcoming Projects

3.1. Pensions Dashboards

3.1.1. What is a Pension Dashboard?

Pensions dashboards will enable individuals to access their pensions information online, securely, and all in one place, thereby supporting better planning for retirement and growing financial wellbeing. Dashboards will provide clear and simple information about an individual's multiple pension savings, including their State Pension. They will also help them to reconnect with any lost pension pots.

To make the dashboard work, multiple parties and technical services need to be connected in what is referred to as an ecosystem. The ecosystem

encompasses the dashboards themselves, the data providers' find and view interfaces to the ecosystem, and the central digital architecture.

The Money and Pensions Service (MaPS) set up the Pensions Dashboards Programme (PDP) in 2019 to be responsible for designing and creating the pensions dashboards ecosystem, which contains the digital architecture that will make pensions dashboards work.

The PDP is responsible for delivering the digital architecture and services, which will enable data providers and dashboard operators to inter-operate. There is no central database within the ecosystem that holds personal information supplied by users or pensions information. Instead, the ecosystem functions like a giant switchboard, connecting users with their pensions via dashboards.

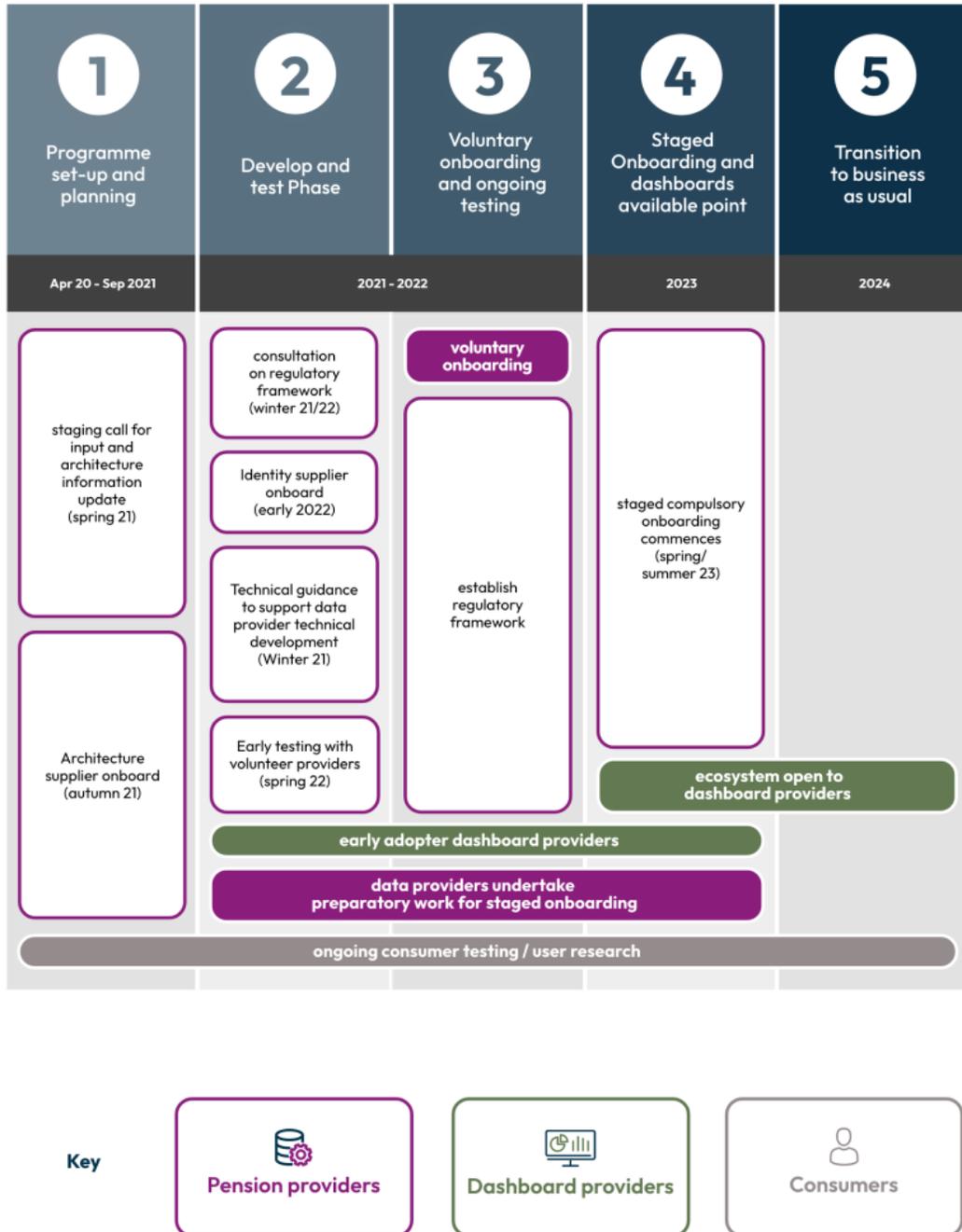
3.1.2. Programme Timelines

The PDP started in 2020 with multiple planned phases of development. Phase One (Programme Planning and Setup) has been completed and the programme is into phases two and three (see Figure 1 below).

The PDP is currently working to refine the onboarding process during the test phases, testing connectivity and compatibility of the digital architecture with the pension providers and schemes that have elected to onboard early. This work will help ensure there is a robust process in place once the PDP reaches the point of compulsory staging from April 2023.

The Pensions Regulator (TPR) is aiming to contact trustees and scheme managers at least 12 months ahead of their scheme's proposed staging deadline, to help them to prepare sufficiently and on time, starting in May 2022. TPR continues to build its compliance function, working with PDP to ensure the programme has the right data to monitor compliance. TPR is also developing its compliance and enforcement policy for consultation.

Figure 1 - Data Providers' Timeline



3.1.3. What does this mean for City of Westminster Pension Fund LGPS?

UK-based pension providers, schemes, trusts, and administration software providers operating on their behalf, will all supply data to the pensions' dashboards ecosystem.

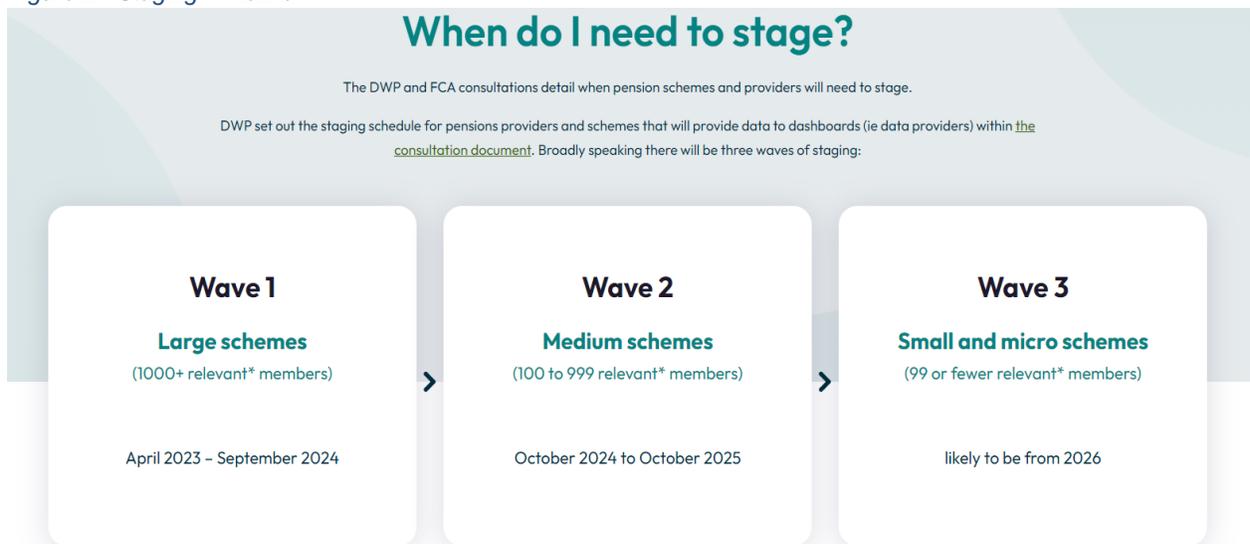
The COWPF LGPS is therefore classed as a data provider in this ecosystem and as such will need to:

- prepare data for connection
- create the appropriate find and view interfaces
- ensure they are operating within the necessary standards and regulations

We will do this by working with our administrators Hampshire Pension Services (HPS) and their software provider, Civica. As you will see from Figure 2, we expect to stage between April 2023 and September 2024, so we currently have enough time to prepare appropriately.

I will update the Board further as we progress on the project to connect with the Dashboard.

Figure 2 - Staging Timeline



4. Summary

- 4.1. The Pension Website is still under review and there will be a decision matrix used to help with deciding viability under various categories. We have had some engagement with the Staff Networks and aim to get additional feedback.
- 4.2. The Guaranteed Minimum Pension rectification needs to start by August 2022 in order to complete by end of February 2023 ahead of Pensions Increases. Hampshire Pensions Services are unable to complete the advance work for Mercer with their internal team and the software provider, Civica, quoted £18,200 to complete the work. We have requested HPS to engage Civica as required and as of mid-July, Civica have started the project which should allow Mercer to begin the rectification on time.
- 4.3. The McCloud work is continuing apace with Zuzana Fernandes working with Employers to submit their data to Hampshire Pensions Services as quickly as possible. Zuzana is supporting the schools particularly as they have outsourced payroll providers. The internal WCC payroll work is continuing with IBC submitting our data to HPS by the end of June and work continuing on extracting and verifying the data from the legacy systems. Due to the complex and varying nature of extracting and verifying the data, I sought the Committee's approval to scope and cost a project to migrate the legacy data in house so that it can be combined and used centrally.
- 4.4. Upcoming projects include the Pensions Dashboard as per the programme initiated by The Money and Pensions Service (MaPS). Pensions dashboards will enable individuals to access their pensions information online, securely, and all in one place, thereby supporting better planning for retirement and growing financial wellbeing. Dashboards will provide clear and simple information about an individual's multiple pension savings, including their State Pension. They will also help them to reconnect with any lost pension pots. COWPF LGPS will need to supply data to the dashboard, and we will work with HPS and Civica to connect to the dashboard when it is time for us to be staged. The staging period will be between April 2023 and September 2024, however we will need to work on preparing the connections between now and then.

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City of Westminster

Pension Board

Date:	28 July 2022
Classification:	General Release
Title:	Fund Financial Management
Wards Affected:	All
Policy Context:	Effective control over council activities
Financial Summary:	There are no immediate financial implications arising from this report.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> pdriggs@westminster.gov.uk 020 7641 4136

1. Executive Summary

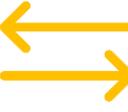
- 1.1 The risk register is divided into two sections: governance (investment and funding) and pensions administration. The top five risks are highlighted in the report below.
- 1.2 The cashflow forecast for the next three years has been updated, with actuals to 31 May 2022 for the Pension Fund bank account and cash held at custody (Northern Trust). The bank position continues to be stable.

2. Recommendations

- 2.1 The Board is asked to note the top five risks for the Pension Fund.
- 2.2 The Board is asked to note the cashflow position for the pension fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast.

3. Risk Register Monitoring

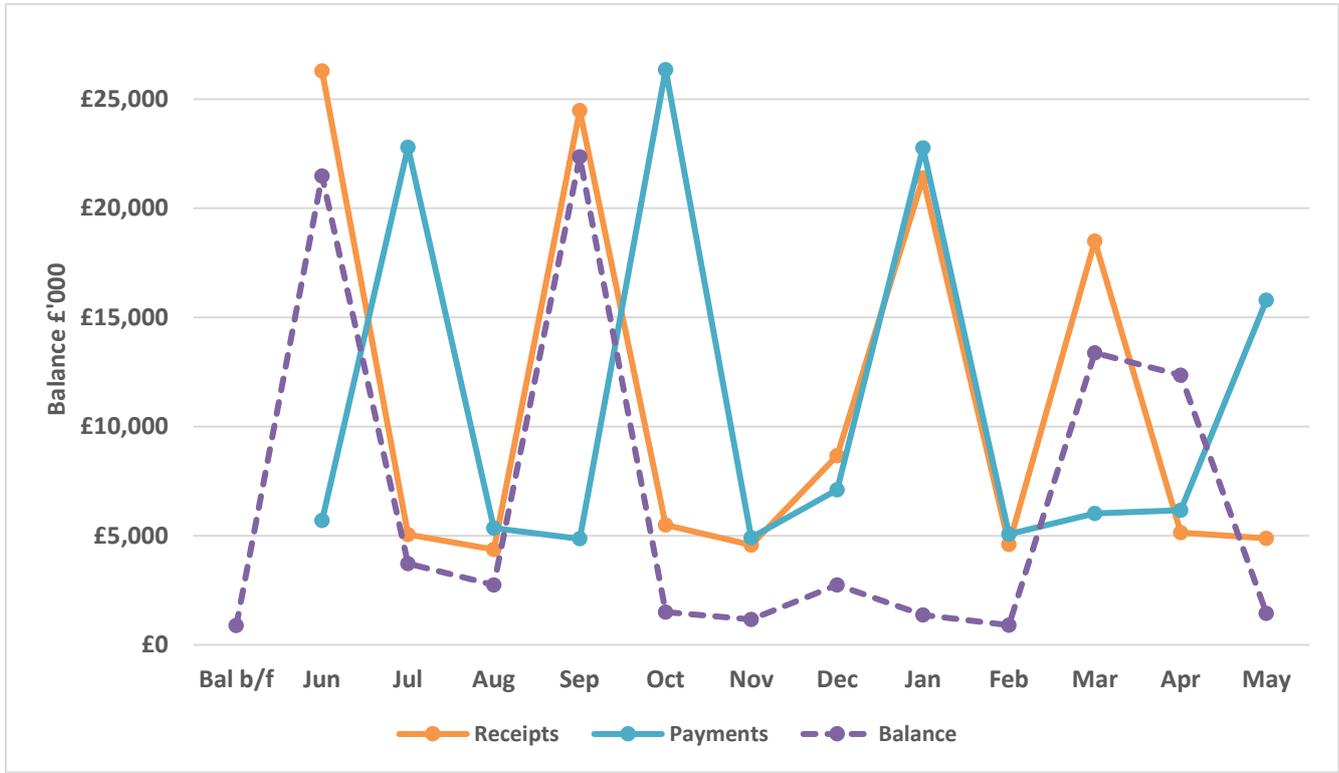
3.1 The risk register is divided into two sections: investment and pensions administration. The risk groups have been updated to reflect the CIPFA guidance on risk categories. The current top five risks to the Pension Fund, as updated in June 2022, are highlighted in the table below:

CIPFA Risk Group	Risk Rank	Risk Description	Trending
Liability Risk	1 st /40	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 2.7%. Inflation continues to rise in the UK and globally due to labour shortages, supply chain issues, and high energy prices. CPI rose to 9.1% as at 31 May 2022, its highest rate in 40 years.	
Asset and Investment Risk	2 nd /40	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty. On 24 February 2022, Russia invaded Ukraine marking an escalation in the conflict which has been ongoing since 2014.	
Asset and Investment Risk	3 rd /40	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in September 2019: how this will affect the Pension Fund going forward is currently unknown. Taskforce climate change financial disclosure (TCFD) regulations will impact on LGPS schemes, but these are currently not released, albeit expected to be published early in 2022 and to take effect from 2023.	
Asset and Investment Risk	4 th /40	Investment managers fail to achieve benchmark/outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.9m. The Fund returned 3.6% gross of fees in the year to 31 March 2022, underperforming the benchmark by -3.5% gross of fees. Much of this underperformance can be attributed to the Baillie Gifford global equity mandate.	
Liability Risk	5 th /40	Scheme members live longer than expected leading to higher than expected liabilities. This risk is trending down as life expectancy is no longer increasing at the rates expected anticipated some years ago.	

4. Cashflow Monitoring and Forecasted Cashflows

4.1 The balance on the Pension Fund's Lloyds bank account at 31 May 2022 was £1.5m. The Lloyds bank account is the Fund's main account for day-to-day transactions which includes receiving member contributions and transacting out pension payments to scheme members. Payments from the bank account will continue to exceed receipts on an annual basis. During the year, withdrawals from cash at custody are expected to take place to maintain a positive cash balance.

4.2 The graph below shows changes in the bank balance from 1 June 2021 to 31 May 2022.



4.3 Payments and receipts have remained stable over the last twelve months. Officers will continue to keep the cash balance under review and take appropriate action where necessary to maintain necessary liquidity. During the year, the Fund has received deficit recovery receipts from the Council, which have subsequently been paid over to the custodian for safeguarding. During March 2022, the Council made a final deficit recovery payment of £13.3m to the Pension Fund, £10m of which was paid over to the custodian during May 2022.

4.4 The Pension Fund held £16.8m in cash with the global custodian, Northern Trust, as at 31 May 2022. Fund manager distributions, deficit recovery receipts, proceeds from the sale of assets and purchases of assets, take place within the Fund's custody account at Northern Trust. The income distributions are largely from the Baillie Gifford global equity, CQS multi asset credit and infrastructure mandates. The following table shows the cash inflows and outflows within cash at custody for the three-month period from 1 March 2022 to 31 May 2022.

Cash at Custody	Mar 22	Apr 22	May 22
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	42,280	15,644	15,768
Distributions	3,567	0	0
Deficit Recovery	0	0	10,000
Sale of assets	763	15	4,458
Interest	5	7	6
Cash withdraw	0	0	0
Foreign Exchange Gains/Losses	0	102	243
Purchase of Assets	(30,971)	0	(13,639)
Miscellaneous	0	0	0
Management fees	0	0	0
Balance c/f	15,644	15,768	16,836

- 4.5 During the quarter, capital calls totalling £15m relating to the Pantheon Global Infrastructure fund, Quinbrook Renewables Impact mandate and Macquarie Renewable Infrastructure fund took place. As per the Pension Fund Committee meeting on 16 December 2021, during the quarter £22m was paid over to the Abridn long lease fund and £7.5m was invested in the Man Group Affordable Housing fund. Alongside this, an equalisation payment of £4.5m within the Man Group fund was received during May 2022.
- 4.6 The total cash balance, including the pension fund Lloyds bank account and cash at custody, is shown below for the period from 1 March 2022 to 31 May 2022. The total cash balance as at 31 May 2022 was £18.3m.

Cash at Custody & Bank account	Mar 22	Apr 22	May 22
	£000	£000	£000
	Actual	Actual	Actual
Balance b/f	43,184	29,027	28,120
Cash outflows	(36,988)	(6,073)	(19,428)
Cash inflows	22,831	5,166	9,592
(Withdraw)/Deposit from custody to bank account	0	0	10,000
Withdraw/(Deposit) from bank account to custody	0	0	(10,000)
Balance c/f	29,027	28,120	18,284

- 4.7 The following table illustrates the expected rolling cashflow for the 12-month period from 1 April 2022 to 31 March 2023 for the pension fund's Lloyds bank account. Forecast cashflows are calculated, using the previous year's actual cashflows, which are then divided equally over the 12 months and then inflated by 2%. Pension benefits are linked to prior year September CPI, which was 3.1% at 30 September 2021.

Current Account Cashflows Actuals and Forecast for period April 2022 - March 2023:

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Total	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
	Actual	Actual	F'cast											
Balance b/f	13,383	12,353	1,448	708	969	1,229	1,490	750	1,011	1,271	1,532	1,292	£000s	
Contributions	4,647	3,285	3,274	3,274	3,274	3,274	3,274	3,274	3,274	3,274	3,274	3,274	40,675	
Transfers in, overpayments, VAT reclaim, recharges & misc. receipts	497	1,600	520	520	520	520	520	520	520	520	520	520	7,293	
Pensions	(3,587)	(3,641)	(3,637)	(3,637)	(3,637)	(3,637)	(3,637)	(3,637)	(3,637)	(3,637)	(3,637)	(3,637)	(43,596)	
HMRC Tax Payments	(615)	(675)	(634)	(634)	(634)	(634)	(634)	(634)	(634)	(634)	(634)	(634)	(7,634)	
Transfers out, lump sums, death grants, refunds & misc. payments	(1,966)	(1,337)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(1,095)	(14,251)	
Expenses	(6)	(137)	(167)	(167)	(167)	(167)	(167)	(167)	(167)	(167)	(167)	(167)	(1,817)	
Net cash in/(out) in month	(1,030)	(905)	(1,739)	(19,330)										
Withdrawal/(deposit) from custody cash	0	(10,000)	1,000	2,000	2,000	2,000	1,000	2,000	2,000	2,000	1,500	2,000	7,500	
Deficit Recovery Contributions	0	0	0	0	0	0	0	0	0	0	0	0	0	
Balance c/f	12,353	1,448	708	969	1,229	1,490	750	1,011	1,271	1,532	1,292	1,553		

- 4.8 The three-year cashflow forecast for 2022/23 to 2024/25 for the pension fund's Lloyds bank account is shown below. Forecasted cashflows are calculated using the previous year's cashflows which are then inflated by 2%, with pensions payable linked to CPI-inflation.

Three Year Cashflow Forecast for 2022/23 to 2024/25:

	2022/23	2023/24	2024/25
	£000	£000	£000
	F'cast	F'cast	F'cast
Balance b/f	13,383	542	1,154
Contributions	39,291	40,077	40,878
Transfers in, overpayments, VAT reclaim, recharges & misc. receipts	6,236	6,361	6,488
Pensions	(43,642)	(47,613)	(49,518)
HMRC Tax	(7,614)	(7,766)	(7,921)
Transfers out, lump sums, death grants, refunds & misc. payments	(13,136)	(13,399)	(13,667)
Expenses	(2,008)	(2,048)	(2,089)
Net cash in/(out) in year	(20,873)	(24,388)	(25,829)
Withdrawal/(deposit) from custody cash	8,000	25,000	25,000
Deficit Recovery Contributions	32	0	0
Balance c/f	542	1,154	325

- 4.9 It is anticipated that the Fund will have a future cashflow requirement of circa £25m p.a., to be funded from cash held with the custodian, income distributions and liquidation of Fund assets.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery pensionfund@westminster.gov.uk

BACKGROUND PAPERS: None

APPENDICES: None



City of Westminster

Pension Board

Date:	28 July 2022
Classification:	General Release
Title:	Performance of the Council's Pension Fund
Wards Affected:	All
Policy Context:	Effective control over council activities
Financial Summary:	There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.
Report of:	Phil Triggs <i>Tri-Borough Director of Treasury and Pensions</i> ptriggs@westminster.gov.uk 020 7641 4136

1. EXECUTIVE SUMMARY

- 1.1 This report presents the performance of the Pension Fund's investments to 31 May 2022, together with an update of the funding position as at 31 March 2022.
- 1.2 The Fund underperformed the benchmark net of fees by -1.17% over the quarter to 31 May 2022 and the estimated funding level was 103.0% as at 31 March 2022.

2. RECOMMENDATION

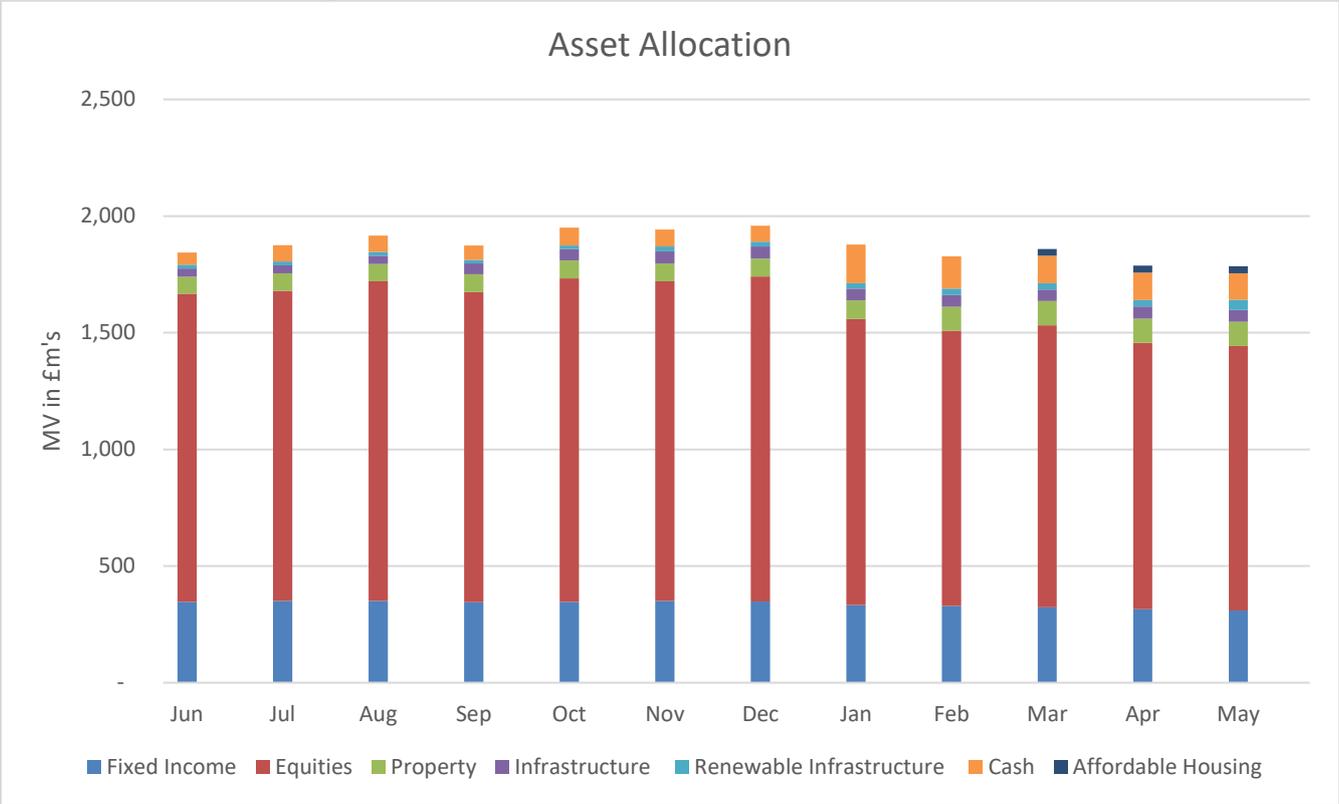
- 2.1 The Board is asked to:
 - Note the performance of the investments and the funding position.

3. BACKGROUND

- 3.1 This report presents a summary of the Pension Fund's performance to 31 May 2022 and estimated funding level.
- 3.2 The market value of investments decreased by £42m to £1.785bn over the quarter to 31 May 2022, with the Fund returning -2.88% net of fees. The Fund underperformed the benchmark net of fees by -1.17% over the quarter, with the equity mandates and fixed income portfolios being the main detractor to performance. Much of this underperformance can be attributed to inflationary concerns and the ongoing conflict within Ukraine.
- 3.3 The Fund's underperformance was partially offset by positive performance within the Abrdn long lease property fund, Macquarie renewables and Quinbrook renewable infrastructure mandate, which outperformed their benchmarks by 10.30%, 13.58% and 7.92% net of fees, respectively.
- 3.4 Over the 12-month period to 31 May 2022, the Fund underperformed its benchmark net of fees by -3.86% returning -3.33%. This underperformance can be largely attributed to the Baillie Gifford (LCIV) Global Alpha Growth mandate, with the strategy's large-cap growth stock bias proving detrimental as investors sought safety in value-oriented parts of the market. Baillie Gifford were invited to present at the Pension Fund Committee meeting on 23 June 2022, the manager acknowledged the poor performance over the last twelve months, however reaffirmed their commitment to growth-oriented companies.
- 3.5 The Abrdn long lease property fund has again performed strongly over the one-year period, outperforming its benchmark by 22.59% net of fees. Alongside this, the Pantheon infrastructure fund, Macquarie renewables and Quinbrook renewable infrastructure mandate have returned 29.13%, 9.07% and 16.80% net of fees, respectively. Since inception, the Fund has outperformed the benchmark net of fees by 0.37%.
- 3.6 The estimated funding level for the Westminster Pension Fund has remained stable at 103.0% as at 31 March 2022 (103.0% at 31 December 2021). It should be noted that at the next valuation, 31 March 2022, future expected returns are anticipated to fall with inflation expectations expected to rise. The Council paid off its deficit during 2022, with final payments of £80m made during 2021/22.

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The chart shows the changes in asset allocation of the Fund from 1 June 2021 to 31 May 2022. Please note asset allocations may vary due to changes in market value.



*Fixed Income includes bonds, multi asset credit (MAC) and private debt
 **Cash includes the NT ESG Ultra Short Bond Fund and Ruffer (LCIV) Absolute Return Fund

4.2 The current Westminster Pension Fund target asset allocation is 60% of assets within equities, 19% in fixed income, 6% in renewable infrastructure, 5% within infrastructure, 5% within property and 5% to affordable and social supported housing.

4.3 During the quarter, capital calls for Pantheon Global Infrastructure fund, Quinbrook Renewables Impact mandate and Macquarie Renewable Infrastructure fund took place.

4.4 As per the Pension Fund Committee meeting on 16 December 2021, during the quarter £22m was paid over to the Abrdn long lease fund and £7.5m was invested in the Man Group Affordable Housing fund. However following further commitments to the fund, an equalisation payment of £4.5m within the Man Group fund was received during May 2022.

4.5 The value of Pension Fund investments directly managed by the LCIV as at 31 May 2022 was £871m, representing 49% of Westminster’s investment assets. A further £404m continues to benefit from reduced management fees, through Legal and General having reduced its fees to match those available through the LCIV.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

Billie Emery pensionfund@westminster.gov.uk

Background Papers: None

Appendices: None