



City of Westminster

Committee Agenda

Title: Pension Board

Meeting Date: Thursday 6th July, 2023

Time: 6.30 pm

Venue: Rooms 18.06, 18.07 and 18.08 - 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.

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 CHAIR AND VICE-CHAIR/MEMBERSHIP

To elect a Chair and Vice-Chair 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 1 February 2023.

(Pages 5 - 10)

4. PENSION ADMINISTRATION UPDATE

Report of the Director of People Services.

(Pages 11 - 16)

5. LGPS PROJECTS & GOVERNANCE UPDATE

Report of the Director of People Services.

(Pages 17 - 22)

6. PERFORMANCE OF THE COUNCIL'S PENSION FUND

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

(Pages 23 - 26)

7. RESPONSIBLE INVESTMENT STATEMENT 2023

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

(Pages 27 - 50)

8. ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT

Stuart Love
Chief Executive
28 June 2023

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CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Wednesday 1 February at 6.30pm. This meeting took place virtually.**

Members Present: Councillor Matt Noble (Chair and Employer Representative), Terry Neville OBE (Scheme Member Representative), Councillor Barbara Arzymanow (Employer Representative), Marie Holmes (Employer Representative) and Christopher Smith (Vice-Chair and Scheme Member Representative).

Officers Present: Matt Dawson (Senior Finance Manager, Tri-Borough Treasury and Pensions), Billie Emery (FM Pensions), Patrick Rowe (FM Pensions), Sarah Hay (Senior Pensions and Payroll Officer), Diana McDonnell-Pascoe (Project Manager) and Sarah Craddock (Committee and Councillor Co-ordinator).

1. MEMBERSHIP

1.1 There were no changes to the Membership.

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 3 November 2022 be approved as an accurate record of proceedings.

4. FUND FINANCIAL MANAGEMENT (Agenda Item 4 on the Agenda Pack)

4.1 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.

4.2 The Board had detailed discussions over the identified risks, the significant price inflation was more than anticipated in the actuarial assumptions, the continuation of the global economic stability following Russia invading Ukraine and the implications of the proposed new regulations for Local Government

Pension Scheme (LGPS) administration authorities in England and Wales to assess, manage and report on climate-related risks. The Board noted the increased scrutiny on environmental, social and governance issues and recognised the need to pay particular attention to future investments.

- 4.3 The Board was interested to note the anticipated future cash flow and that at the moment cash was paying a decent return of 3.5% which was soon to be 4%. Further detailed discussions followed on the advice and reasons behind the investment in the three equality funds, the three-year cashflow forecast and the impact of inflation rate rises on the pension fund.
- 4.4 The Board discussed the Baillie Gifford Paris Aligned transition that took place during December 2022, with circa £42 of the Global Alpha Equality Fund being rebalanced. The Board noted that the Pension Fund Committee took this decision to screen out companies with particular levels of exposure to the fossil fuels industry and ones that would not play a role in the future transition to a low carbon environment.

4.5 **ACTIONS:**

1. That the cost of the Baillie Gifford Paris Aligned transition be included in the next report to the Pension Board.
2. That a briefing note setting out whether there were excess deaths during the pandemic be sent to the Board.

4.6 **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.

**5. PERFORMANCE OF THE COUNCIL'S PENSION FUND
(Agenda Item 5 on the Agenda Pack)**

- 5.1 The Board received a report setting out the performance of the Pension Fund's investments to 30 November 2022, together with an update on the London CIV. The Board discussed and noted that the Fund underperformed the benchmark net of fees by -1.01 over the quarter to 30 November 2022 with the long lease property being the main detractor to performance.
- 5.2 The Board were pleased that during the period from 2019 to 2022 the Pension Fund had increased its overall funding level from 99% to 128% and that the main drivers for this improvement were the significant investment returns and additional deficit recovery payments received from the Council.

5.3 The Board noted that the London CIV had launched their UK Community Housing Fund with investments targeting social and affordable housing (50%), specialist housing (25%) and transitional supported housing (25%). The Board requested further information be sent to them regarding the Fund.

54. The Board heard how teachers working in maintained schools who had enrolled in the Council's Pension Fund were better off than teachers working in Academy schools. The Board further heard the implications of the Council taking a pension holiday. The Board discussed the value of the City of Westminster Pension Fund investments directly managed by the London CIV, the investment in housing in Westminster and around the country and the procurement process to recruit for an Investment Manager. The Board requested a breakdown of assets held within the Man Group Community Housing Fund.

5.5 The Board noted that the 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.

5.6 **ACTIONS**

1. That further information regarding the UK Community Housing be sent to Board members.
2. That a breakdown of assets held within the Man Group Community Housing Fund be sent to the Board.

5.7 **RESOLVED:** That the performance of the investments be noted.

6. **PENSION ADMINISTRATION UPATE (Agenda Item 7 on the Agenda Pack)**

6.1 The Board received an update on the Key Performance Indicator (KPI) data from Hampshire Pension Services (HPS) from October 2022 to December 2022 and the compliments and complaints received by HPS. The Board heard that the KPIs data provided showed 100% compliance with the agreed KPI standards and that the latest data scores have seen a significant improvement on last year.

6.2 The Board heard that the backlog project was making significant progress since the last meeting and how the Council and HPS were supporting five employers with outstanding backlog queries. The Board discussed how HPS and Target had recommended that the fund agree to oversea address tracing on 239 cases as they believed there were indications that those members were oversea. The Board noted the cost per overseas address tracing would be £70 per case.

- 6.3 The Board noted that HPS had now appointed a provider to complete a cyber security testing every six months specifically on the pension fund system UPM since the cyber security issues last September.
- 6.4 The Board were pleased that the relationship with HPS remained positive and thanked the officers for all their hard work.
- 6.5 **RESOLVED:** That the report be noted.

**7. LGPS PROJECTS AND GOVERNANCE UPDATE Projects
(Agenda Item 8 on the Agenda Pack)**

- 7.1 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.
- 7.2 The Board discussed how the McCloud data for Westminster City Council as an employer was currently being collated from the different legacy systems which was a highly intensive and manual process. The Board were pleased to hear about the system designed in house to reconcile the data from CityWest Homes and looked forward to the demonstration at their next meeting. The Board heard about the difficulties of obtaining the Oracle legacy data and noted that a team at Oracle Corporation were investigating a method of completing the data collection on behalf of the Council.
- 7.3 The Board were updated on the Pension Website Review which aimed to create a digitally accessible, curated website with clear planned pathways so that users were able to access the information relevant to them during their work journey and not just at the age of retirement. The Board noted that the users experience was being optimised and user activity would be monitored on the site.
- 7.4 The Board were disappointed to hear about Mercer Ltd (Guaranteed Minimum Pension Project - Rectification Calculations) informing the Council that they could not meet the project completion date of February 2023. The Board noted that Mercer had completed the first half of the project and that the second half should not be complicated to complete. The Board considered that this was a niche market and that it was preferable to stay with Mercer if they could reassure the Council of the quality of the data and agree to a formal project contract setting out responsibly and measurable milestones to complete the project.
- 7.5 The Board discussed in detail Mercer's failure to complete the project and the cost implications of staying with Mercer as well as exiting and/or moving the data to Hampshire Pension Services (HPS). The Board advised that Mercer should compensate the Council for the failure to deliver the project. The Board noted the Council's official complaint made to Mercer, the Council's concerns about Mercer's ability to deliver the project and the quality of the

final product. The Board further noted that WCC Legal and Procurement teams were reviewing the Council's options with this contract.

7.6 The Board noted that the Pensions Dashboard would be a priority in the next financial year and key governance activities were being planned for 2023 starting with an Internal Audit focusing on pension projects in January 2023.

7.7 **RESOLVED:** That the report be noted.

**8. UK STEWARDSHIP CODE 2020
(Agenda Item 6 on the Agenda Pack)**

8.1 The Board considered the Council's most recent application to the Financial Reporting Council's (FRC) UK Stewardship Code (the Code) 2020 signatory list. The Board heard that its principal aim was to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

8.2 The Board commented on how impressive the document was and appreciated the amount of work that had gone in to producing it. The Board discussed the importance of Fund Managers voting in line with the principles that the Pension Fund Committee had agreed to in the document. The Board noted that the document would be included in the Council's Annual Report if the FRC UK Stewardship Code approved the application in February 2023.

8.3 **RESOVLED:** That the application to the FRC UK Stewardship Code 2020 be noted.

9. TERMINATION OF MEETING

9.1 The meeting ended at 9.21pm.

Chair _____ Date _____

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Pension Fund Board

Date:	6th July 2023
Classification:	General Release
Title:	Pension Administration Update
Report of:	Sarah Hay, Pensions Officer People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	£25,000.00

1. Introduction

1.2 This report provides a summary of the performance of Hampshire Pension Services (HPS) with the Key Performance Indicators (KPIs) for the month of January 2023 through to May 2023. I have also provided details of three complaints received in the period and our response. In Section 3, I have updated the Pension Board on the annual returns for 22/23 and good progress with our backlog project. In section 4, I updated the Pension Board that our membership numbers have grown more than 20% and this has resulted in an increase in administration costs of £25,000.00. In section 5 I have updated the Board on some cyber security testing and our next software update.

2.1 KPI Performance

2.2 The scope of the KPIs in this report have been agreed between WCC and HPS in our agreement.

2.3 This paper covers the period of January 2023 to May 2023.

2.4 KPI performance for each month is within each partnership report. HPS report 100% compliance within the agreed KPI in each month. The majority of our KPIs require cases to be completed within 15 days. HPS do provide a breakdown for each category that shows the number of cases processed in each 5-day block.

2.5 Below I have summarised the cases completed in each category in the month.

KPI	Target Days	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Active Retirement	15 days	3	3	9	5	8
Deferred Retirement	15 days	10	15	20	13	15
Estimates	15 days	42	32	41	46	42
Deferred Benefits	30 days	19	42	47	13	54
Transfers In & Out	15 days	1	7	5	3	1
Divorce	15 days	2	1	3	2	0
Refunds	15 days	10	11	13	20	11
Rejoiners	20 days	5	1	4	3	1
Interfunds	15 days	12	28	28	20	17
Death Benefits	15 days	24	18	19	11	15
Grand Total		128	158	189	136	164
		100%	100%	100%	100%	100%

2.6 I am pleased to say that BAU work progresses well, and I have no general concerns. There are currently 215 business as usual cases pending action at the end of May.

2.7 We have been working with HPS since November 2021 and have established a positive working relationship with a stable core service. I have agreed with HPS that we will meet with their management from April 2023 onwards on a bimonthly basis instead of every month. The fund will still receive a monthly partnership report with full details of the service, and we can request meetings if there is anything we need to discuss. With the service in such a strong position I feel our time can be spent more productively than meeting every month.

2.8 The fund strategy working with HPS is to increase the interaction the fund has with members via the member portal. In the last Board report I updated that at the end of December 2022 we had 31.09% of members signed up to the member portal. This has now increased to 35.50 % as at the end of May 2023 as broken down below. We are steadily increasing portal access.

Portal	Opted IN
Active	41.61%
Deferred	26.46%
Pensioner	40.67%
TOTAL	35.50%

2.9 In February we had two complaints and in May we had one complaint.

- 2.9 The first compliant raised with HPS in February has been escalated to an IDR case for which the response has been sent to the member involved by Westminster on the 12th of June 2023. The complaint centres around a member who wanted to investigate a transfer out of our LGPS fund. They had appointed a private firm to act as their agents early in 2022 after they were advised that they could not take their pension whilst they remained actively employed with Westminster unless they took flexible retirement from age 60. The member wanted to remain in full time employment in their current role and so looked at opting out of the fund and then transferring their LGPS pension to a private pension where they could draw down on their pension.
- 2.10 In summary when the member requested the transfer out via the third party in February 2023, HPS discovered via a LGPS database check that he had another LGPS pension in payment and this precluded a transfer. The quote documents had set this out as a reason a transfer could not be completed, however the members advisors had not picked up this point with him and he was disappointed that he could not transfer out as he had plans for his pension money.
- 2.11 The complaint received in May also involved an extended transfer out process. In this case there was an initial 7-month delay where the employer had not notified HPS of the leaver. When the record had been deferred and quote details provided to the members new fund there seemed to be a delay from the new fund in providing the members signed authorisation to complete the transfer and this is at the time of writing this report still outstanding. I am reviewing this case with HPS to ensure that the members record is transferred as soon as possible.
- 2.12 The second February compliant was regarding a member who was chasing a refund. The situation was resolved, and the member paid their refund, but HPS had to take some better communication lessons back to their helpdesk team who worked on this case.

3. Data Work

- 3.1 I am pleased to say we have made excellent progress with the backlog project. Of the 611 cases in scope, HPS have completed 568 with 43 remaining as at the 31st of May 2023. Some of the 43 cases are in processing as well by HPS so the numbers are reducing all the time.
- 3.2 Employers have been responding to queries and are working with us to clear those that remain. The most difficult cases are where the member left sometime ago and in some cases the employers do not retain appropriate payroll records, so cases are deferred on a guestimate basis. Once this backlog is cleared, we must ensure that no new backlog accrues.

- 3.3 I am really pleased to update the Pension Board that all employers have submitted their annual returns for 2022 / 2023. This year we did not Pension Administration Strategy (PAS) charge any employers for late submission though we did proactively chase after the 30th of April deadline the few who had not returned on time. As at the 7th of June not every return has been and loaded onto the UPM pension software to update the member records and to generate this year's queries. As of the 7th of June, we have uploaded 4000 members records without queries, we have 250 records with queries and 614 members whose records are pending update. This is I believe excellent progress from last year where we had 775 queries so hopefully when the remaining 614 member records are updated, we won't see a significant increase above the 250 queries we know about already.
- 3.4 The queries have started to go out and I know some responses have been sent back already. Zuzana Fernandes in the People Services team will be working with HPS and the fund employers to ensure that the responses are received, and the records amended if required so that the data remains accurate.
- 3.5 We will review PAS charges on any missing joiner or leaver cases, and we have advised all employers that charges would apply for these cases. The PAS charges along with strong engagement by WCC and HPS is a key reason why the queries this year look significantly reduced and will help us to not build up any further backlog. We do want the queries next year to be even lower particularly missing member data as this delay our being able to provide members with statutory information and can lead to complaints.
- 3.6 The production of Annual Benefit Statements (ABS) has started with the deferred membership. 99.38% of the deferred statements have been produced with 44 currently outstanding. We will be reviewing progress with HPS in the coming months and to ensure that the active statements are all available by the end of August 2023 with all above queries resolved.

4 Membership, Costs and Partnership

- 4.1 In May 2023 the membership of the Pension Fund has increased by more than 20% of the original figures that Hampshire Pension Services had costed for our service in their Outline Business Case (OBC). The original figures we provided to HPS were based on membership numbers we had from Surrey in early 2021. Due to the backlog of cases waiting to be processed and because many of our fund employers were not providing data on joiners and leavers within a few weeks, it became clear when we moved to HPS in November 2021 that original OBC numbers were underestimating the true membership numbers. The data work we have been doing to clean up our data does now put us in a much more accurate position.

4.2 Employers have gotten in their new starters ahead of the annual returns exercise and thus in May's partnership report we have exceeded the 20% increase. HPS will now increase our annual contract price by £25,000 per annum and reset the base numbers with a view that should the numbers increase 20% again the contract price would again increase. I believe that our numbers are now much more reflective of our true membership and therefore I am not concerned that the fund would see another price increase unless there was a major tupe in from one of the funds major employers. The membership numbers are in the table below. **The preserved refund members are included for completeness but are not counted for the purposes of reporting membership to the Pensions Regulator and DLUHC (previously MHCLG).

	Active	Deferred	Pensioner	Preserved Refunds**	Total
OBC	3,981	6,700	6,122		16,803
May-23	4,898	7,158	6,685	1,464	20,205
Growth	23.03%	6.39%	9.19%		20.24%

4.3 Finally, as part of the partnership arrangements that the Fund has with HPS we had our first annual review meeting at Executive Director level on the 20th of April 2023 attended by the Director of People Services on behalf of Westminster supported by the Head of Operational People Services. HPS sent their Director of Corporate Operations and their Head of Pensions, Investment and Borrowing. The annual meeting is to ensure that both parties understand the pension administration service being provided and are aware of any strategic issues that could impact our working arrangement. The meeting was positive.

5. Cyber Security

5.1 HPS have carried out penetration testing by a third party called to 2 Sec in April 2023. There were five medium risks identified because of this testing, the first was a false positive, the second was a change to their web servers which they are asking IT to implement. The third suggested that it should be prohibited that members can use the word pensions as part of their password. HPS are going to talk to Civica the software provider before taking any action on this risk. The final two risks remain but should be resolved by the next major software update called Umbraco 10 which is due to be available by the 30th of June 2023. HPS will be implementing initially in the test environment and running checks in July and hopefully be ready to update the live system in August 2023. We will be discussing with HPS the progress at our next partnership meeting. The next penetration testing will then be due in November 2023.

6. Summary

- 6.1 In Section 2, I covered the KPI data for the period January 2023 through to May 2023 is 100% within the agreed target.
- 6.2 I have updated the Board in relation to three complaints received during the period. Two complaints relate to transfers out of our Fund, and one has gone to an IDRPs stage one, I will work with HPS to ensure the other transfer is resolved. The remaining complaint is now resolved.
- 6.3 In section 3, I update the Pension Board on the good news that all of this year's annual returns have been submitted and that queries look to be lower than last year. We will be reviewing PAS charges in relation to the missing data to ensure that we continue to improve our data and do not regress after the progress we have made in the last 18 months.
- 6.4 I update the Board on the high percentage 99.38% of deferred member statements already produced for 22/23. The Fund will be looking to produce the active member statements by the statutory deadline of the 31st of August 2023.
- 6.5 I update the Pension Board that membership numbers have now exceeded 20% of the original OBC numbers and this has increased administration cost going forward by £25,000.00 per annum.
- 6.6 WCC and HPS held our first annual review meeting in April attended by Executive Directors from both sides. The meeting was positive and reflected our strong working relationship and shared vision of the service.
- 6.7 Cyber Security, WCC will discuss with HPS the results of penetration testing carried out by a third party. We will review with HPS the implementation of Umbraco 10 to our UPM software and ask for assurance that this has resolved the known risks.



Pension Fund Board

Date:	6th July 2023
Classification:	GENERAL Release
Title:	LGPS Projects & Governance Update
Report of:	Diana McDonnell-Pascoe Pension Project and Governance Lead, People Services
Wards Involved:	All
Policy Context:	Service Delivery
Financial Summary:	None

1. Introduction

The purpose of this paper is to update the Pension Board on the various projects and governance activities 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. Statutory Projects

2.1.1. Guaranteed Minimum Pension (GMP)

We have successfully launched the GMP Project Board, chaired by Claire Weeks, Head of Operational People Services and attended by management and technical experts from both Hampshire Pension Services and Mercer Ltd as well as me, Sarah Hay and Harbinder Manku, Contracts Manager supporting. At the time of writing, we have had two

successful Project Boards with the third happening on Wednesday 28th June 2023.

We are pleased to tell the Board that there has been full engagement from all parties, the GMP Project has restarted properly and based on current engagement we foresee the governance of the project running more smoothly in future. I can confirm that on, 30th May 2023, and as per the project plan, Hampshire Pension Services sent the 2023 post-PI data to Mercer Ltd who are now processing the data, again, in line with the project plan. I will verbally update the Board after the next Project Board on 28th June.

2.1.2. McCloud

We have successfully engaged with Oracle and a third-party contractor, Claremont, to start the process of obtaining the data set we need to process. We met with the database software engineers on 7th June 2023 to discuss our requirements and we are confident that they will be able to deliver the data set we need.

We are still processing the Westminster and City West Homes data sets and are working with Blue Planet Software to refine the last part of the BT Agresso data. The City West Homes data is still being completed manually.

There are 37 employers in the scheme, including Westminster, and there are 24 returns to date which is a return rate of 65% approx. We expect this to improve further going forward.

Hampshire Pension Services have started the initial checks on the data received and have completed over 50% of checks as of 30th May 2023. They are also preparing a proposal, based on Scheme Advisory Board guidance, on how they will treat data from employers that either provide poor data or send no data. We will review the proposal when we receive it

and update the Board as to how the partnership intend to complete the project.

2.1.3. Pensions Dashboards

As per the government decision on 2nd March 2023, the pension dashboard programme has been given extra time to allow for connections and IT infrastructure to be built. The connection deadline has been extended to 31st October 2026 however, we may connect earlier than this date.

Hampshire Pension Services have engaged Civica as their Integrated Service Provider (ISP) to manage this project and make the connections work.

2.2. Non-Statutory Projects

2.2.1. Pension Website Review

We are currently focusing on the user research element of the project and have gained an experienced user researcher who will be conducting interviews with selected users which we will then use to streamline the design of the website.

Originally, we were going to do the user research and then work with the design team but on the advice of the researcher we are going to design in tandem. We expect this collaboration to facilitate a speedier design and completion. We will demonstrate the website at the next Pension Fund Board meeting.

3. Governance

3.1. External Audit

We are expecting the audit with Grant Thornton to happen in July. We had an audit planning meeting in April 2023 to identify lines of communication and plan out the way of working.

3.2. Internal Audit

We had our fourth of four annual quarterly meetings for FY22/23 with Internal Audit on 18th April 2023. They are pleased with our plans to improve governance, e.g., through formal project planning and logging and contract monitoring being put in place.

4. Summary

4.1. The Guaranteed Minimum Pension project is back underway and is running to plan. The governance has been improved and the first milestone has been achieved. There will be a verbal update to the Board after the next Board meeting on 28th June 2023.

4.2. The McCloud data sets are still being compiled to send to Hampshire and we have had success in engaging with Oracle and a third-party supplier, Claremont, to access the final tranche of Westminster data. HPS are drafting a proposal, based on Scheme Advisory Board guidance, on how to apply the remedy to poor data sets or instances of no data sets from Employers.

4.3. The Pensions Dashboard programme deadline has been extended to 31st October 2023. HPS have engaged Civica to be their integrated service provider for the project.

4.4. The Pension Website is in the user research / early design phase and there will be a demonstration of the website at the next Board meeting.

- 4.5.** The External Audit is expected in July. We expect greater collaboration with Grant Thornton post a planning meeting that was held in April 2023.
- 4.6.** Internal Audit have completed their fourth of four quarterly audits in FY22/23. We are still developing the governance piece and there are happy with our progress to date.

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City of Westminster

Pension Board

Date:	6 July 2023
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 Tri-Borough Director of Treasury and Pensions 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 March 2023, together with an update on the London CIV and funding level.
- 1.2 The Fund returned 4.10% net of fees over the quarter to 31 March 2023, performing broadly in line with the benchmark.

2. RECOMMENDATION

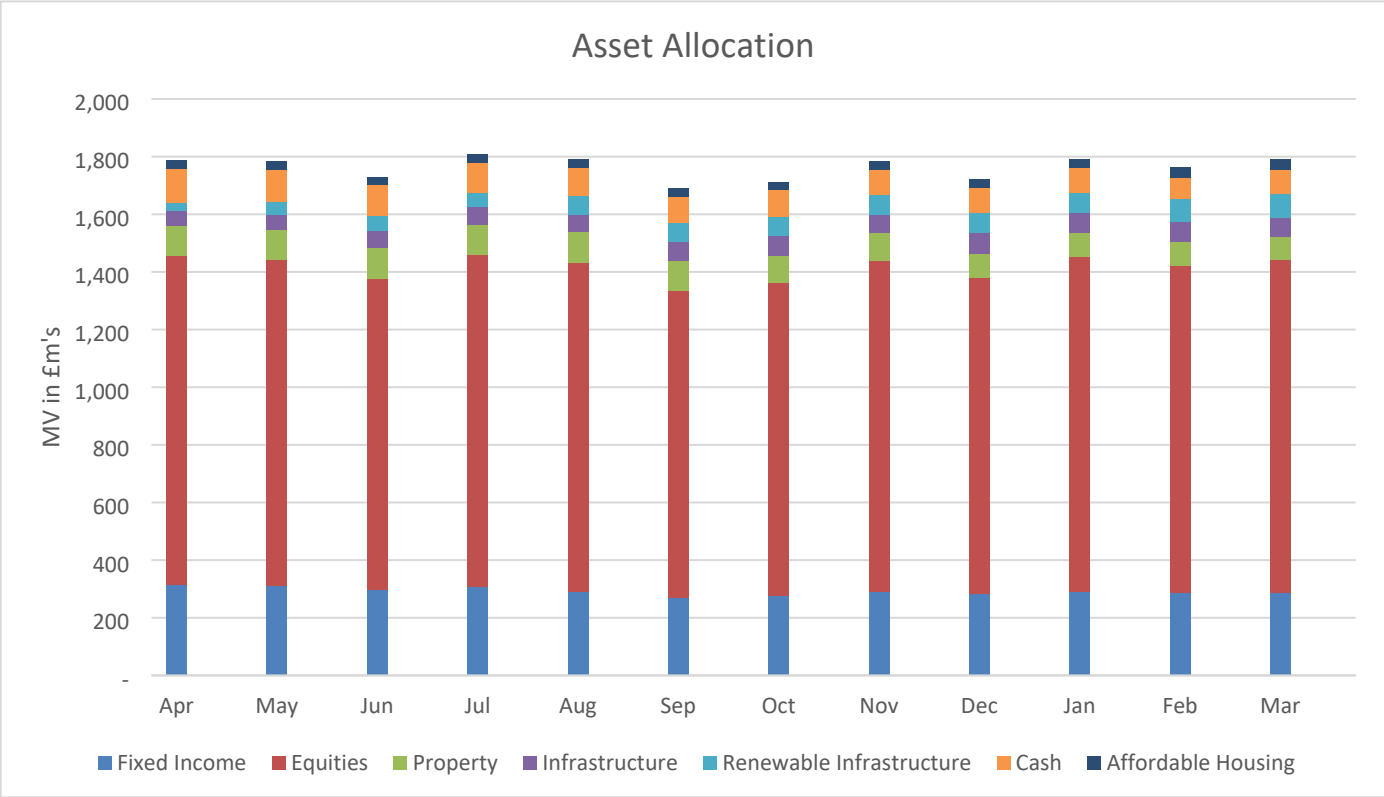
- 2.1 The Board is asked to:
 - Note the performance of the investments and the updated funding level as at 31 March 2023.

3. BACKGROUND

- 3.1 This report presents a summary of the Pension Fund's performance to 31 March 2023.
- 3.2 The market value of investments increased by £68m to £1.791bn over the quarter to 31 March 2023, with the Fund returning 4.10% net of fees. The Fund outperformed the benchmark by 0.2% net of fees, with the CVC Credit Private Debt mandate and Quinbrook Renewable Infrastructure portfolios being the main contributors to outperformance. The Fund's performance was partially offset by poor performance within the Abridged Long Lease Property fund, which underperformed its benchmark by -8.3% net of fees.
- 3.3 Over the 12-month period to 31 March 2023, the Fund underperformed its benchmark net of fees by -0.90% returning -3.4%. This underperformance can be largely attributed to the LCIV Multi Asset Credit mandate, Insight Buy and Maintain Bonds, Baillie Gifford (LCIV) Global Equity mandate and Abridged Long Lease Property. The Pantheon Infrastructure fund, Quinbrook Renewables and Macquarie Renewable Infrastructure mandates outperformed their benchmarks by 11.8%, 27.9% and 18.5% net of fees, respectively.
- 3.4 Over the longer three-year period to 31 March 2023, the Fund underperformed the benchmark net of fees by -0.3%.
- 3.5 It should be noted that Isio, the Fund's investment advisor, continues to rate the fund managers favourably. Please note Isio Group acquired Deloitte Total Reward and Benefits during May 2023.
- 3.6 The estimated funding level for the Westminster Pension Fund has increased to 149% at 31 March 2023 (144% at 31 December 2023). This is largely as a result of an increase in the expected discount rate, which is linked to Gilts.

4. ASSET ALLOCATION AND SUMMARY OF CHANGES

4.1 The chart shows the changes in asset allocation of the Fund from 1 April 2023 to 31 March 2023. 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 socially supported housing.

4.3 Over the quarter to 31 March 2023, capital calls relating to the Quinbrook Renewables Impact mandate, Man Group Community Housing fund and CVC Credit Private Debt fund took place.

4.4 During the quarter, sales took place within the NT Ultra Short Bond fund and LCIV Absolute Return mandate, to fund these capital calls.

5. LONDON CIV UPDATE

5.1 The value of Westminster Pension Fund investments directly managed by the London CIV as at 31 March 2023 was £872m, representing 49% of Westminster’s investment assets. A further £408m continues to benefit from reduced management fees, through Legal and General having reduced its fees to match those available through the LCIV.

- 5.2 As at 31 March 2023, the London CIV had £26.8bn of assets under management of which £14.3bn are directly managed by the London CIV. All London CIV funds, that Westminster are invested, were on normal monitoring at quarter end.
- 5.3 During the quarter, the London CIV undertook 76 meetings/engagements with Client Funds, including CEO introductions, meet the manager sessions and monthly business updates.

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:	6 July 2023
Classification:	General Release
Title:	Responsible Investment Statement 2023
Wards Affected:	None
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 In late 2019, the Local Government Pension Scheme (LGPS) Scheme Advisory Board (SAB) issued draft guidance on Responsible Investment in the LGPS. This guidance outlined the duties of investment decision makers in LGPS administering authorities.
- 1.2 This paper introduces the updated 2023 Responsible Investment Statement for the Westminster Pension Fund, which is attached as Appendix 1 to this paper.

2 Recommendation

- 2.1 The Pension Board is requested to:
 - Note and comment on the Responsible Investment Statement for 2023.

3 Background

- 3.1 The purpose of the Responsible Investment Statement is to make clear the Pension Fund's approach to investing responsibly. This includes the integration of environmental, social and governance (ESG) factors as part of the Pension Fund's investment strategy.
- 3.2 The aim of the Responsible Investment Statement is to demonstrate to scheme members the direction in which the Pension Fund is moving in terms of responsible investment, decarbonisation/climate change and other ESG related issues. The Pension Fund is pleased to report that as at February 2023 the Fund is now a signatory to the Financial Reporting Council's UK Stewardship Code, an accolade held by only a handful of LGPS Funds.
- 3.3 The statement covers in detail topics such as:
- **Investment journey:** since 2019 the Fund has made a number of conscious investment decisions to improve the ESG impact of the Fund's investments. This includes transitioning all equities into ESG-tilted mandates, investment within renewable infrastructure and commitments to affordable housing.
 - **Carbon journey:** over the last three years, the Pension Fund has taken significant steps to reduce its carbon footprint. Since June 2019, the Fund's CO2 emissions have fallen by circa 75% to December 2022.
 - **United Nations (UN) Sustainable Development Goals (SDGs):** as adopted by UN members during 2016, the SDGs are goals that call for urgent action by all developed countries. The RI Statement sets out how the Pension Fund is helping to work towards achieving these goals through its investment assets.
 - **Voting and engagement:** collaboration with key stakeholders in the investment community will be key in influencing companies to run their businesses more sustainably.
- 3.4 Several investment cases study examples have also been included in the RI statement to demonstrate how the Pension Fund has been implementing the policy.
- 3.5 The RI Statement was scheduled to be approved by the Pension Fund Committee on 29 June 2023.

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

Billie Emery bemery@westminster.gov.uk

BACKGROUND PAPERS:

None.

APPENDICES:

Appendix 1: Responsible Investment Statement 2023

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Responsible Investment Statement

City of Westminster Pension Fund • 2023



City of Westminster

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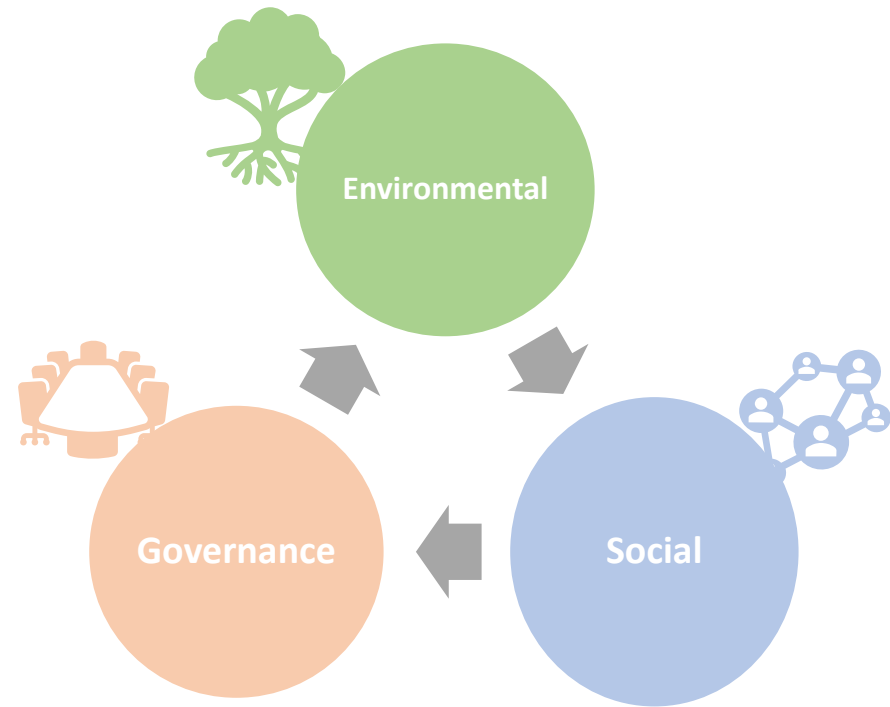
Introduction

Welcome to the City of Westminster Pension Fund's third annual Responsible Investment Statement.

Responsible Investment is defined by the United Nation's 'Principles for Responsible Investment' as an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into the investment decision making process. This is beneficial for the Pension Fund as it helps us to better manage risks, generates more sustainable returns in the long term, diversifies from mainstream asset classes and supports the Council's target for net-zero emissions by 2030.

ESG refers to the three central factors, Environment, Social and Corporate Governance, in measuring the sustainability and societal impact of an investment. There are a wide range of ESG issues, with none greater currently than climate change and carbon reduction. The Pension Fund recognises climate change as the biggest threat to global sustainability alongside its administering authority employer, Westminster City Council.

The Fund committed 6% (c.£110m) to renewable infrastructure during 2021, with Macquarie and Quinbrook each selected to manage a 3% allocation. As at 31 December 2022, the Fund had approximately £62m of capital drawn down, with assets targeted to solar power, onshore and offshore wind, alongside supporting infrastructure such as battery storage and connection assets. It is estimated that once fully drawn these assets will offset 46,000 tCO2 per annum for Westminster's allocation, and power up to c.12,000 homes annually.



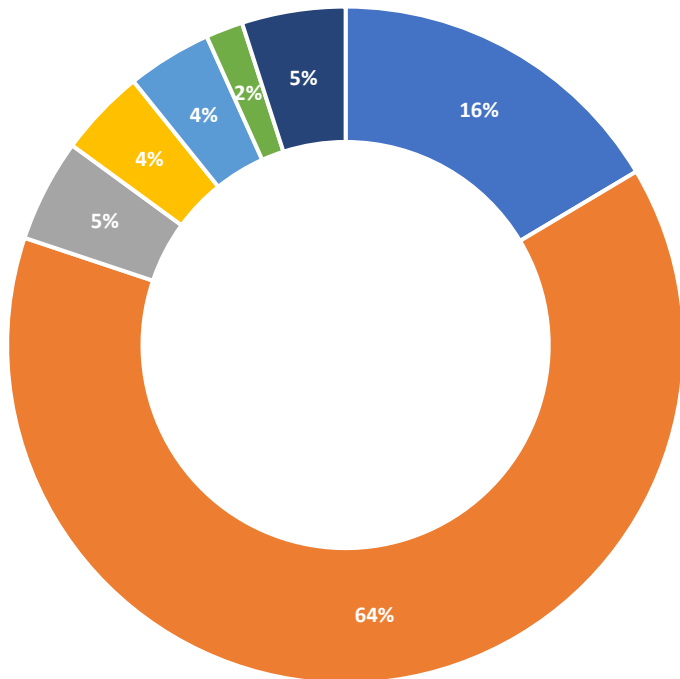
During 2022, the Pension Fund made commitments to both affordable housing and socially supported housing totalling 5% of the Fund. The allocation has a long term goal of providing 13,000 new homes that cost no more than 35% of a household's gross income and across sectors, including children's services housing, specialised supported housing and older person supported housing within the supported living market.

During late 2022, the Pension Fund submitted an application to the Financial Reporting Council to become a signatory to the UK Stewardship Code. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries. The Pension Fund is pleased to report that the application was successful and the Fund is now a signatory to the Code, an accolade held by only a handful of LGPS Funds. The Stewardship Report can be found on the Pension Fund [webpage](#).

Assets Under Management

As at 31 December 2022, the market value of the Pension Fund was £1.723bn. The Fund invests in a diverse range of assets including; equities, property, infrastructure, affordable housing, fixed income and absolute return. The Fund’s assets are managed by 14 individual fund managers who specialise in that asset class.

AUM at 31 December 2022



- Fixed Income
- Equities
- Property
- Renewable Infrastructure
- Infrastructure
- Affordable Housing
- Cash/Temp. Investments

Equities

- Monies invested in companies by purchasing their shares on stock markets.
- The Fund invests in active managers; who aim to beat the market and passive managers; who match the performance of an index.

Fixed Income

- Fixed income assets deliver fixed investment returns to investors, at determined intervals.
- Types of fixed income assets include corporate bonds, government bonds, treasury bills, loans, structured credit, convertibles and emerging market debt.

Infrastructure

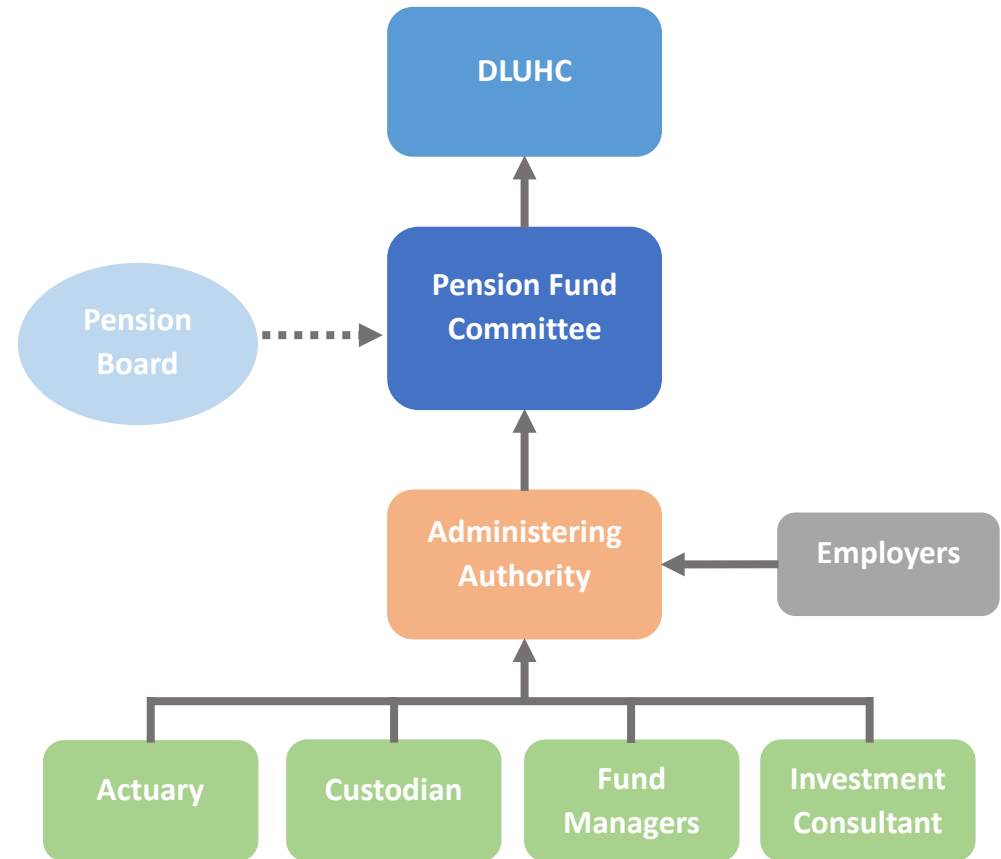
- Infrastructure assets are those that are required by society to facilitate the operation of the economy, this includes transportation, utilities, energy distribution and telecommunications.
- The Pension Fund invests in global infrastructure including renewable assets, such as wind farms.

Property

- The Pension Fund invests in long lease property and affordable housing.
- Long lease property delivers returns from cyclical rent payments usually linked to CPI/RPI.
- Affordable Housing is housing accommodation typically aimed at low income workers.

Governance

- ▶ The **Department for Levelling Up, Housing and Communities (DLUHC)** set the regulations for the Local Government Pension Scheme
- ▶ The **Pension Fund Committee** is the Fund’s decision making body consisting of elected members
- ▶ The **Pension Board** assists the administrating authority, ensuring the effective and efficient governance and administration
- ▶ The **Administering Authority** (the Council), dispenses the scheme on behalf of the Fund employers
- ▶ The **Investment Consultant** and **Actuary** provide advice and assistance to the administering authority and Committee relating to the Fund’s investment assets and liabilities
- ▶ The **Custodian** hold and maintain the Fund’s assets
- ▶ The **Fund Managers** implement the Fund’s investment strategy



Investment Journey

The City of Westminster Pension Fund has committed to reducing its carbon emissions, alongside Westminster City Council. The Pension Fund commissioned a carbon mapping of the Fund's equity and property investments as at 30 June 2019. This included metrics such as carbon intensity, carbon emissions, stranded assets and energy transition.

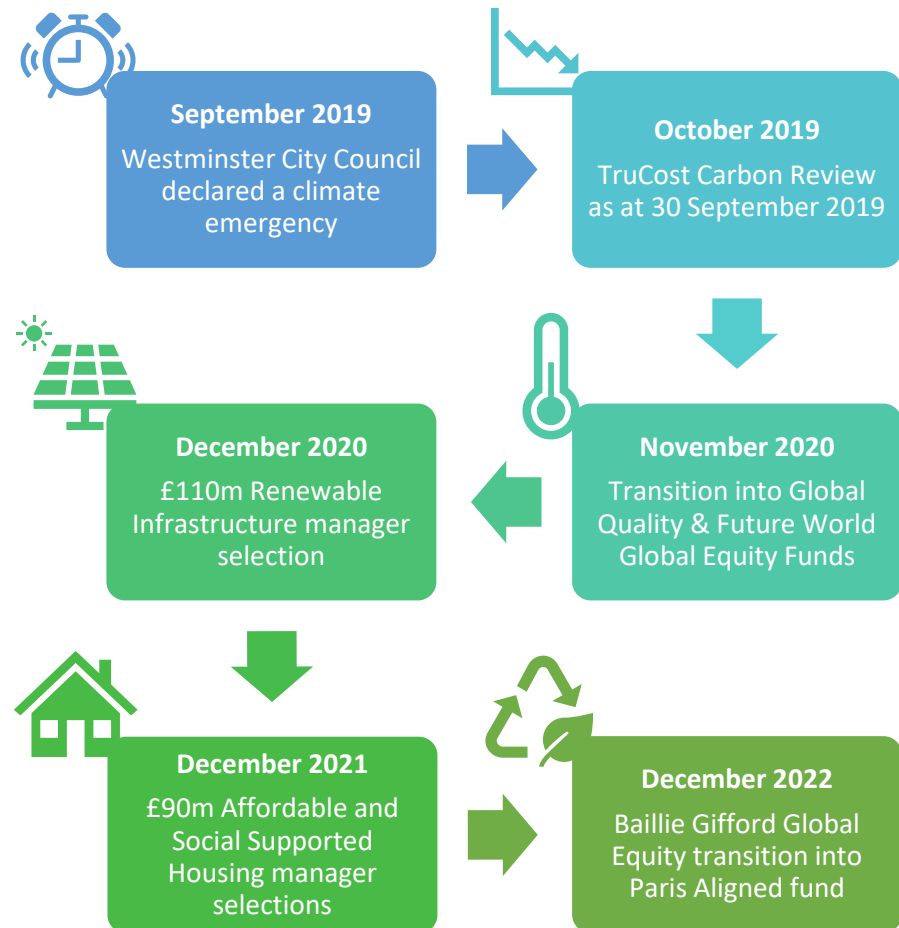
Since this mapping took place, the Fund transitioned its London CIV (LCIV) UK Equity allocation and Legal & General (LGIM) Global Passive Equities into the LCIV Global Quality Fund and LGIM Future World Fund. The Global Quality Fund seeks to provide a concentrated high-quality global portfolio of companies, however, excludes tobacco, alcohol, gambling, weapons, fossil fuels, and gas or electrical utilities. The LGIM Future World Fund tracks the L&G ESG Global Markets Index, whereby an Environmental, Social and Governance screening of companies takes place to remove those companies which do not meet the required ESG criteria.

Alongside this during late 2020, a £110m commitment was made towards investment within renewable infrastructure. A fund manager selection process took place during December 2020, with Macquarie and Quinbrook each selected to manage a 3% allocation. As at 31 December 2022, c.£62m has been invested within these renewable infrastructure funds.

During 2021, the Fund committed a 5% allocation to Affordable and Socially Supporting Housing. As at 31 December 2022, c.£31m had been invested within the Man Group Community Housing fund.

In December 2022, the Committee elected to transition the holdings within the London CIV (Baillie Gifford) Global Alpha Equity portfolio into the Paris

Aligned version. The Paris Aligned version has a quantitative assessment process to screen out companies with particular levels of exposure to the fossil fuels industry, plus a qualitative method to screen out companies that will not play a role in the future transition to a low carbon environment.



Carbon Emissions

The Greenhouse Gas (GHG) emissions of the Pension Fund are reported in tonnes of CO₂ (tCO₂e). These carbon emissions can be broken down into three reporting categories as follows:

Scope 1: emissions directly attributable to a company e.g. vehicles



Scope 2: indirect emissions relating to a company e.g. utilities



Scope 3: emissions further up/down a company's supply chain.



1 tonne of CO₂ is equal to...



The following chart plots the absolute tonnes of CO₂ emissions of the Pension Fund from 30 June 2019 to 31 December 2022. It is estimated that the Fund has reduced its CO₂ emissions by circa 75% over this period.

Where possible the Fund reports on scope 1, 2 and 3 emissions, however as this data can be difficult to collect, this may vary amongst the Fund's asset classes and managers.

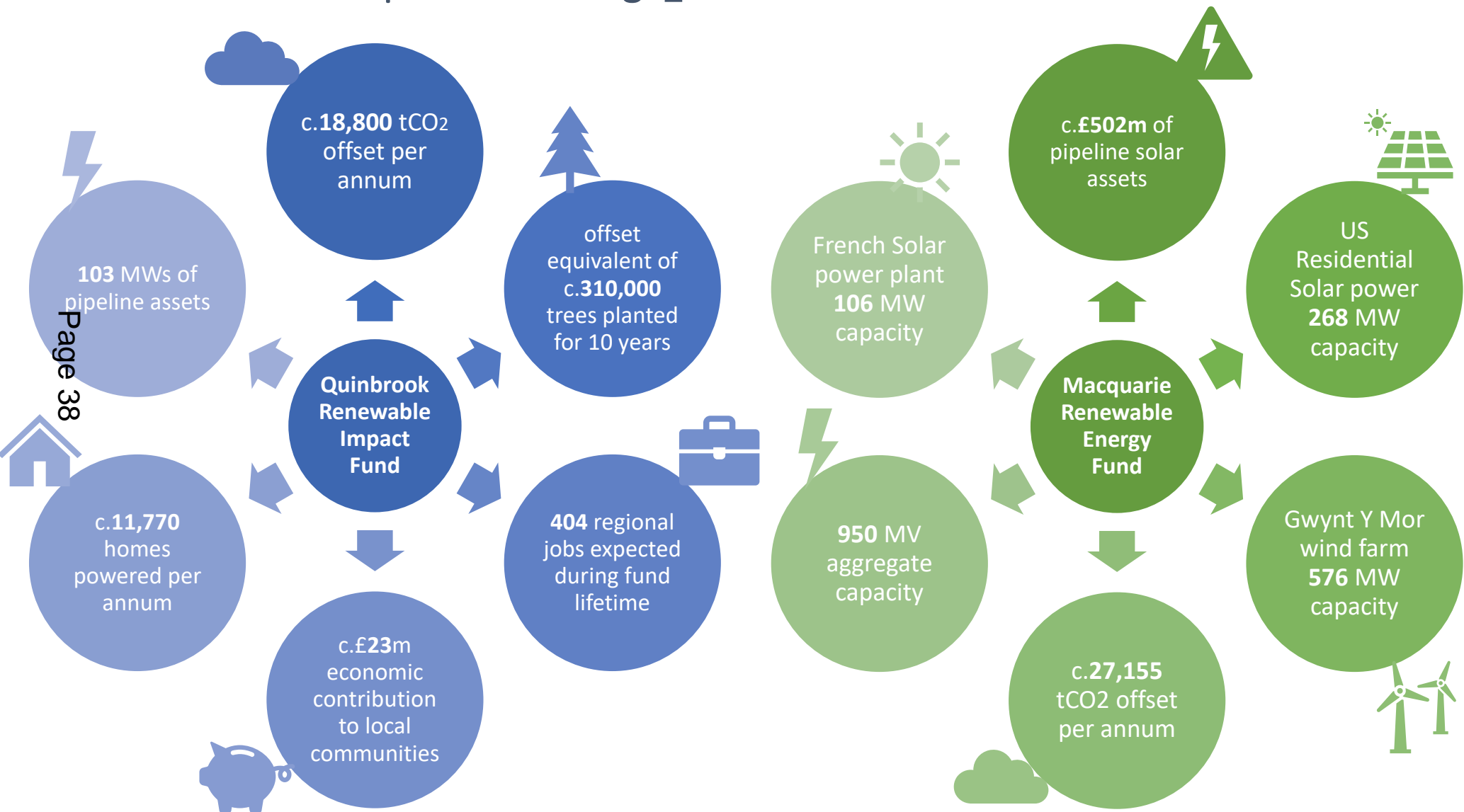
Absolute tCO₂e per annum



Please note the Pantheon infrastructure portfolio carbon emissions are not included within this graph and the Macquarie infrastructure fund and CVC Credit fund emissions include only one of the Fund assets. As data becomes available, this will be incorporated into the analysis.

¹: https://www2.deloitte.com/uk/en/focus/climate-change/zero-in-on-scope-1-2-and-3-emissions.html?gclid=EAIaIQobChMjjsWNhfKu9QIVqeitCh3FSQ0IEAAYASAAEgLiIFD_BwE
²: <https://www.nulacarbon.com/some-notes-on-climate-action/whats-in-a-tonne#:~:text=As%20an%20example%2C%20one%20tonne,person%20living%20in%20Sri%20Lanka!>
³: <https://www.theguardian.com/environment/ng-interactive/2019/jul/19/carbon-calculator-how-taking-one-flight-emits-as-much-as-many-people-do-in-a-year>
⁴: <https://www.tapioview.com/blog/article/what-represents-one-ton-co2-emissions/>

Renewables Impact Modelling



Based on a portfolio of 372MW solar, 523MWBESS, 410MVA Synchronous Condenser; the information is based on the model¹⁴ August 2022 Quinbrook Renewables Impact Fund. Please note all figures have been estimated, so may not be a true reflection of actual impact.

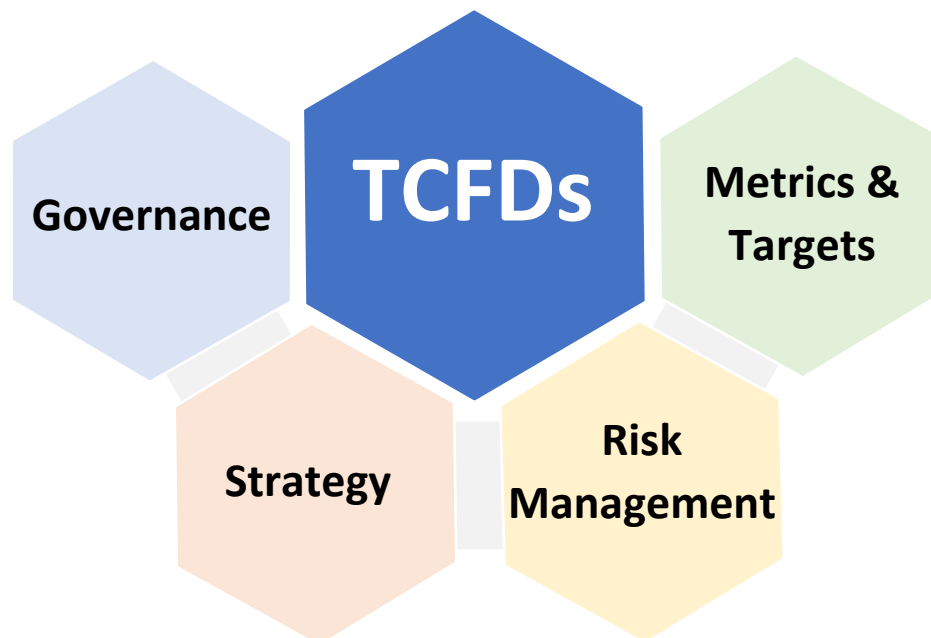
Based on Westminster's commitment of EUR 55 million, circa 3.4% of total fund size, and includes CO₂ offset estimates based on the two assets currently held in the fund. Please note all figures have been estimated, so may not be a true reflection of actual impact.

Task Force on Climate Related Financial Disclosures

The Department for Work and Pensions (DWP) has announced a phased introduction of the planned new mandatory measures that ensure trustees are legally required to assess and report on the financial risks of climate change within their investment portfolios.

Although not yet compulsory for public sector pension schemes, it is anticipated these regulations will be extended to the LGPS by 2023. Therefore, the Pension Fund has started work on the specific climate risks to the Fund and how these can be assessed, monitored and managed.

The TCFD recommendations in relation to climate change, can be split into four thematic pillars.

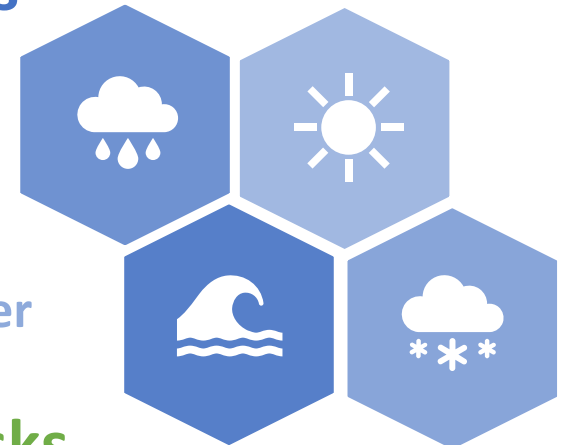


TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Climate related risks can be classified into two categories; Physical and Transition risks.

Physical Risks

- Flooding
- Heat
- Rising Sea level
- Extreme Weather



Transition Risks

- Policy & Legal Liability
- Technological
- Demand-side



United Nations Sustainable Development Goals

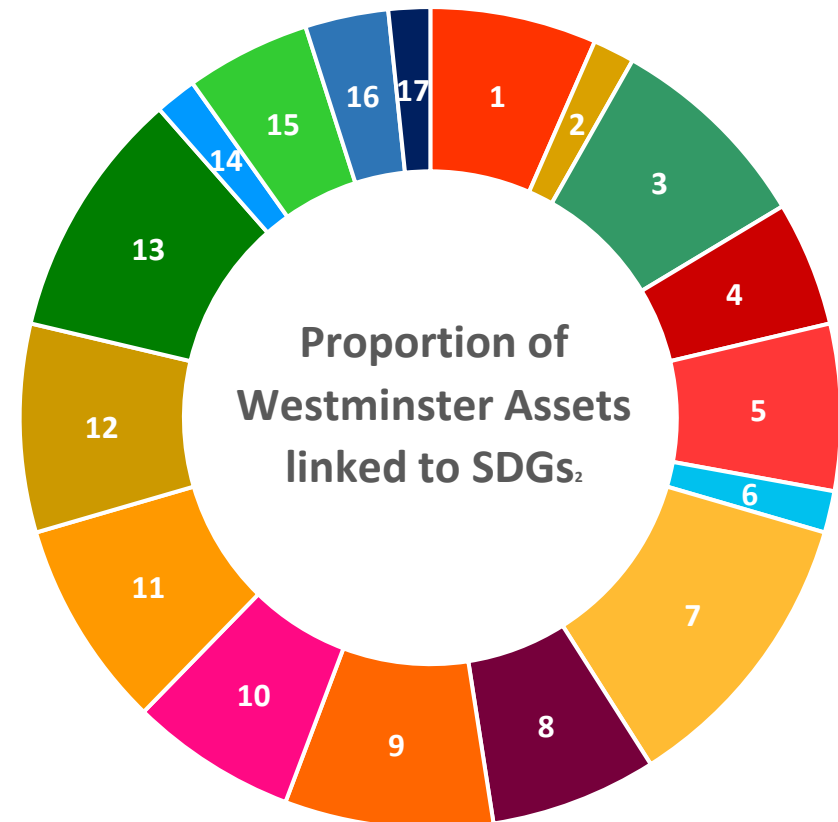
During 2016, all United Nations (UN) members adopted the 2030 Agenda for Sustainable Development, at the heart of this was the 17 Sustainable Development Goals (SDGs). These goals call for urgent action by all developed and developing countries, for ending poverty, global hunger, improving health and education, reducing inequality, tackling climate change and promoting global economic growth.¹

The UN's 17 Sustainable Development Goals are set out below:

SUSTAINABLE DEVELOPMENT GOALS



The City of Westminster Pension Fund's asset managers meet a number of the SDGs as set out by the United Nations. The chart below highlights the goals which the funds asset managers have been most successful in addressing. These include significant work towards addressing the gender pay gap, reducing deaths and illness from air pollution, developing reliable renewable infrastructure, efficient use of natural resources and improving impact on climate change mitigation.



Nature Positivity & Restoration

Nature Positivity and restoration is the regeneration of the natural world, species and ecosystems, with a goal of halting further destruction of nature. The United Nations Convention on Biodiversity international treaty sets out three goals, as shown below¹. Under the Convention, governments are working towards a target of a nature positive world by 2030 and a recovery of nature by 2050².

1: conservation of biodiversity



2: sustainable use of biodiversity



3: fair and equitable sharing of the benefits arising from the use of genetic resources



Project Fortress case study

Project Fortress, within the Quinbrook Renewables Impact Fund, aims to build the UK's largest solar farm and battery storage facility. The site is located in Kent and commenced works during the first half of 2022. Once operational it is forecast that the site could power up to 100,000 UK homes and reduce emissions by 164,450 tonnes per year.

The asset manager has also worked alongside Natural England, Kent Wildlife Trust, Royal Society for the Protection of Birds, and the Environment Agency to design an extensive landscape and biodiversity management plan for the site. This includes planting of more than 3.5km of native hedgerows across the site area and seeking to deliver a net gain of 65% in biodiversity.

Source: Quinbrook Renewables Impact Fund

Pantheon Global Infrastructure case study

Within the Pantheon Global Infrastructure III fund, the Pension Fund has exposure to Magnon Energy. The company is the largest biomass energy company in Spain with renewable energy production in low emission forestry and agricultural biomass.

Magnon Energy manages plants that exclusively feed on biomass of agroforestry origin from nearby environments, which contributes to the reduction in CO₂ by-product. Biomass energy helps to develop the rural environment and contribute to the improvement of the environment. The company has developed a [Sustainability Decalogue for Biomass](#) as a Fuel, a pioneering action in Spanish companies set up to guarantee its commitment to sustainability in the use of biomass and environment protection in the use of this renewable source of energy.

Source: Pantheon Global Infrastructure Fund III

Project Euston case study

Project Euston is held within the Macquarie Renewable Energy Fund, consisting of a solar energy farm in Thetford, England.

An area of 17 hectares will be set aside to offset any potential impact to local wildlife, with the farm area grazed with sheep in the grass growing season. Areas of wildflower will be seeded alongside new trees, with a long-term management strategy including replacement and maintenance. Existing hedgerows will also be treated annually with fertiliser and regular watering to encourage growth.

In addition, a WWII pillbox on the site will be repurposed into a bat hibernaculum, with the project expected to provide an ecological enhancement of the area.

Source: Macquarie Renewable Energy Fund

ESG Case Studies

Environmental



Social



Governance



Environmental, Social and Governance factors are key indicators in measuring the sustainability and suitability of an investment. There is growing research which suggests, when integrated into business decisions and portfolio construction, these can offer stability in future returns.

The Fund expects managers to integrate ESG factors into investment analysis and decision making. Monitoring these effectively can assist with resolving issues at early stages through effective engagement with companies and board members. The Fund expects asset managers where possible to engage and collaborate with other institutional investors, as permitted by relevant legal codes to ensure the greatest impact.

The measurement of ESG performance is still developing and benefitting from significant improvements. There are several performance benchmarks and disclosure frameworks that exist to measure the different aspects of available ESG data which include carbon emissions and a variety of social impact scores.

Environmental: Inti Solar case study

The Inti solar farms are held within the Pantheon Global Infrastructure fund, with the assets located across different regions of Italy. There is also a further pipeline for future solar farms across the globe.

The fund focuses exclusively on generating electricity from 100% clean energy sources. It targets a reduction of CO2 emissions of over 2 million tons per year, thus helping achieve global climate mitigation targets. The asset manager will be heavily involved in the operation of new solar plants, thereby contributing to additional jobs in the countries it targets. As part of the project the manager has launched a charitable foundation, pledging 5% of annual profits towards alleviating poverty. Alongside this, the manager works with a specialist company to improve efficiency, including coating and tests to identify cell breakage and cracks.



Source: Pantheon Global Infrastructure Fund

Social: Experian case study

The Pension Fund holds, Experian, within its LGIM Future World Equity portfolio. The company is a multinational data and credit rating company, with headquarters in Dublin. LGIM believes the company has a key role as a business responsible for the delivery of greater social and financial inclusion.

During 2021, LGIM engaged with Experian on several occasions, and were pleased to note improvements to the company’s ESG strategy, new reporting targets, greater disclosure on societal impacts and community investment, and increased capital allocated to transforming financial livelihoods.

This includes the roll out of Experian Boost, which uses data on how consumers spend their money to allow them to improve their credit score. Alongside this, the company also launched Experian Go, targeted at those with no credit history, to help them build their financial identity. Experian have also launched the United for Financial Health project to help educate and drive action for the most financially vulnerable.



Source: LGIM Active Ownership Report 2021

Governance: Rio Tinto case study

Within the London CIV (Baillie Gifford) Global Alpha Equities portfolio, the Pension Fund has exposure to Rio Tinto, a multinational metal and mining corporation.

During 2020, Rio Tinto demolished a site of cultural significance within Western Australia, promoting widespread criticism and the resignation of the CEO. LCIV had serious concerns on the corporate governance failures that led to the devastating impact on the local communities. Baillie Gifford advised they had undertaken several engagements with the company and recommended the Board to make necessary changes to its working practices to safeguard the long-term success of the company. Notable improvements within Rio Tinto include; the sale of all thermal coal assets leaving no fossil fuel exposure, strengthening carbon reduction commitments, supporting an initiative to improve global mining safety and increased disclosures; and clarity regarding the director remuneration targets. Additionally, the company has most recently published a workplace culture report to highlight areas of failing.



Source: London CIV Stewardship Outcomes Report 2022

Voting & Engagement

The Committee has delegated the Fund's voting rights to the investment managers, who are required, where practical, to make considered use of voting in the interests of the Fund. The Committee expects the investment managers to vote in the best interests of the Fund. In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund will continue to collaborate with the London CIV on maintaining a shared voting policy for the equity managers on the London CIV platform and actively seek to align these policies with manager insights. Lobbying with other London CIV clients will give the Pension Fund greater control and impact over our voting choices and a centralised process will ensure our voting remains consistent and has the greatest impact.

The Pension Fund views engagement with companies as an essential activity and encourages companies to take positive action towards reversing climate change. The Westminster Pension Fund is a responsible owner of companies and cannot exert that positive influence if it has completely divested from all carbon intensive producing companies. The Pension Fund will continue to encourage positive change whilst officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including carbon and other ESG considerations.

Engagement: Shell case study

The Pension Fund holds Royal Dutch Shell within its Ruffer absolute return portfolio, as managed by the London CIV. As one of the highest emitters in the portfolio and following criticisms of the company's transition plan, Ruffer has engaged with the company on a number of issues. During the year, the fund manager met with Shell to discuss their climate transition strategy and to discuss the firm's reduction in carbon output to meet net zero reductions. Shell announced they intended to reduce their scope 1 and 2 emissions by 50% by 2030, however acknowledge that 90% of the emissions relate to scope 3. Ruffer challenged Shell's offset transition strategy and the lack of interim targets and have planned future engagement to further discuss Shell's consumer strategies, which are focused on encouraging the decarbonisation of transportation. Following this Shell have:

- set a target to reduce absolute emissions by 50% by 2030, compared to 2016 levels.
- pledged to reduce the carbon intensity of the energy products Shell sells by 20% by 2030, by 45% by 2035, and by 100% by 2050; and
- announced that interim targets are on the way.



Source: LCIV RI and Stewardship Outcomes Report 2021

Man Group Community Housing

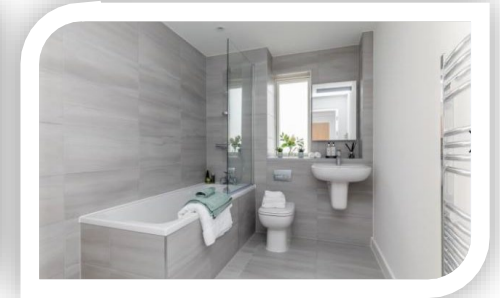
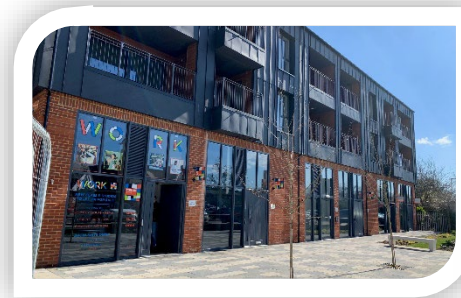
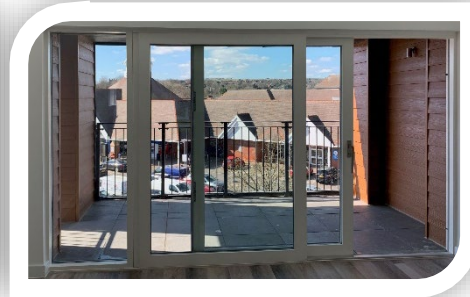
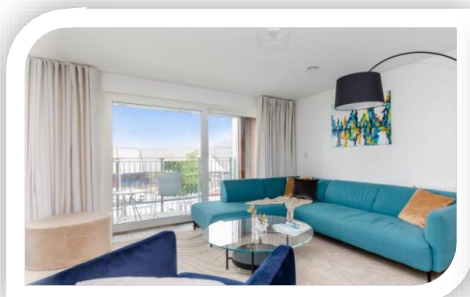
Site Visit

During March 2022, the Pension Fund officers conducted a site visit of the Man Group Community Housing fund, the majority of which, will be made available for discounted rent or shared ownership. The visit was designed to provide an in-person experience of the types of assets within the portfolio, as well as, getting a better sense of the positive impact the portfolio is already having. The visit including two sites in East Sussex, one within Lewes and another in Saltdean.

Lewes Site

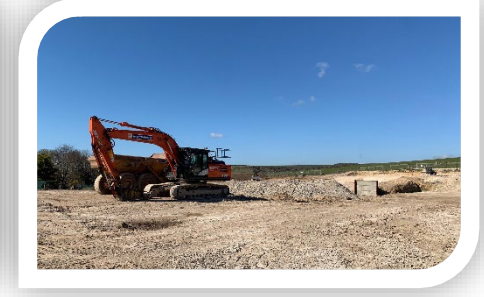
The Lewes site consists of an apartment complex with 41 properties, with 39 units to be sold as shared ownership homes and 2 penthouses to be sold on the open market. The development is located on previously developed brownfield land, in a format to support delivery of both homes and jobs.

In Lewes, home ownership is not affordable for the median household, as a result this development will have a material impact on the provision of good quality affordable housing in the area.



Saltdean Site

The Saltdean site is located on the footprint of a former dairy farm, in proximity to the South Downs National Park. The development comprises of 71 new homes; with 42% allocated to key worker rent, 23% to affordable rent, 18% in shared ownership and 17% for market sale. The provision of these properties will help towards the provision of affordable homes within the Brighton area, with median house prices 10 times average earnings. Alongside this, the scheme will promote substantial environmental gains, with the provision of solar panels for every home, air source heat pumps, electric car charging ports and carbon emissions 46% below the government benchmark.



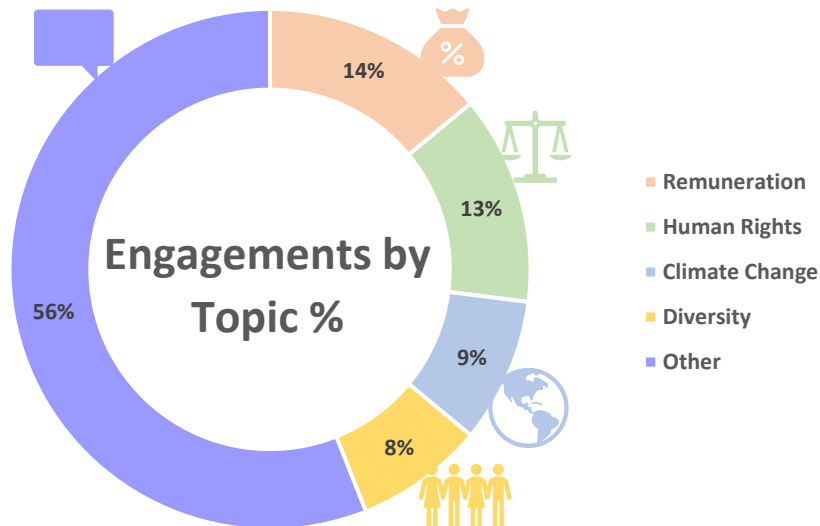
Engagement Activity

London CIV

Engagements by Theme



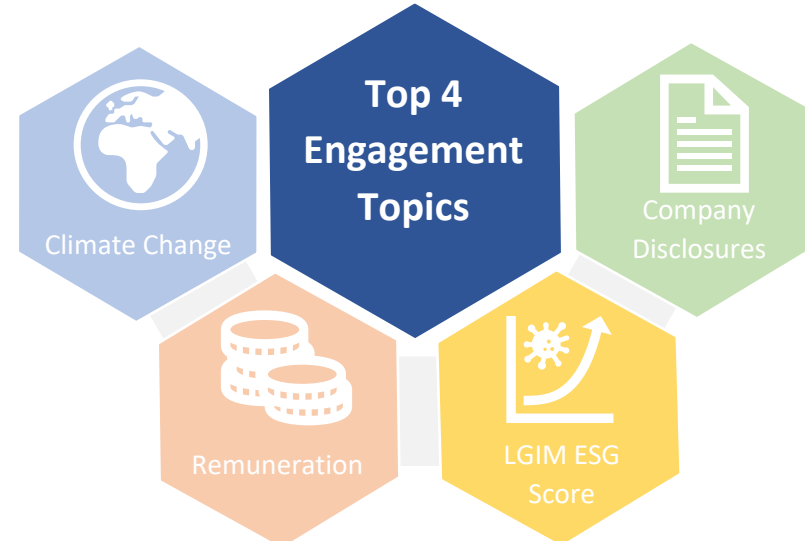
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Source: London CIV Westminster Engagement Data 2022

Legal & General

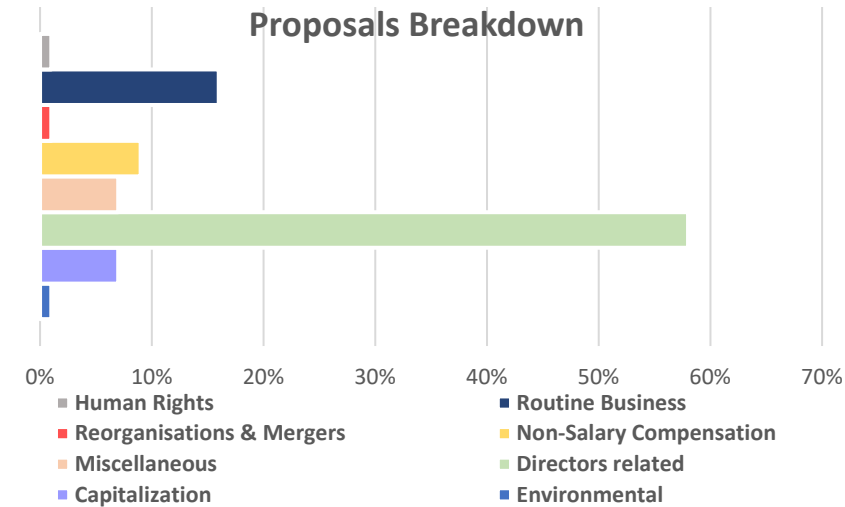
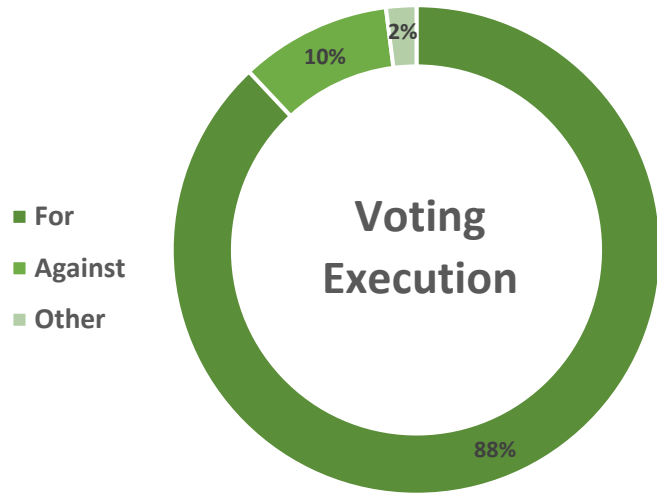
Engagements by Theme



Source: LGIM Active Ownership 2022

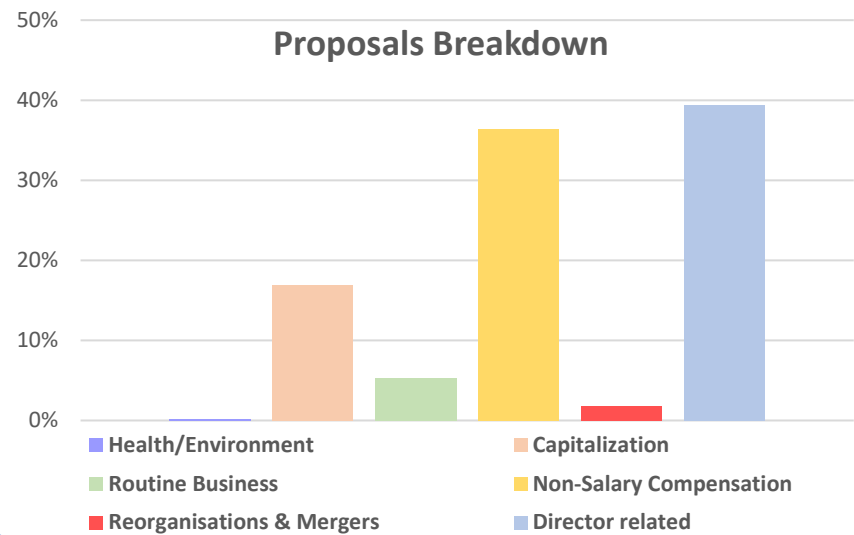
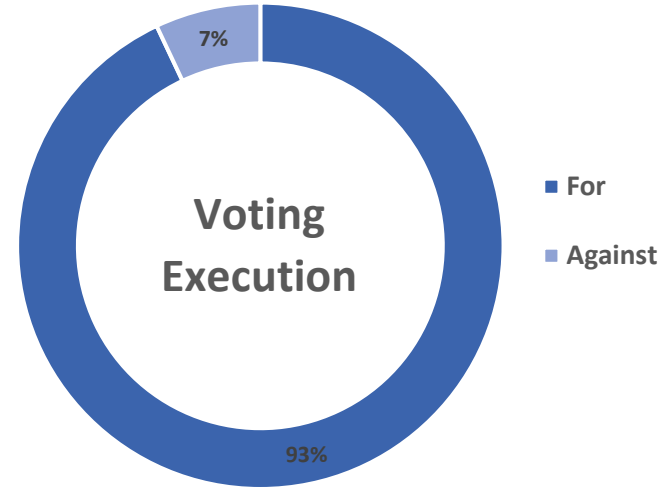
Voting Activity ✓

London CIV



Source: London CIV Westminster Voting Data 2022

Legal & General



Source: LGIM Active Ownership 2022

Connected Organisations



The Pension Fund recognises that significant value can be achieved through collaboration with other stakeholders. The Pension Fund works closely with its LGPS pool company, other LGPS funds and member groups such as the Local Authority Pension Fund Forum (LAPFF), Pensions and Lifetime Savings Association (PLSA) and ShareAction to ensure corporate interests are aligned with the Pension Fund's values.

The Pension Fund actively contributes to the engagement efforts of pressure groups, such as the Local Authority Pension Fund Forum (LAPFF) and requires investment managers to vote in accordance with the LAPPF's governance policies. In exceptional cases, investment managers will be required to explain their reason for not doing so, preferably in advance of the AGM.

Local Authority Pension Fund Forum

The Local Authority Pension Fund Forum are a collection of 84 local authority pension funds and 7 asset pool companies, with assets under management of over £350bn, promoting the highest standard of governance with the aim of protecting the long-term value of pension funds. The LAPFF engage directly with companies, on behalf of all asset owners and pension fund trustee members, on issues such as executive pay, reliable accounting and a transition to a net carbon zero economy.

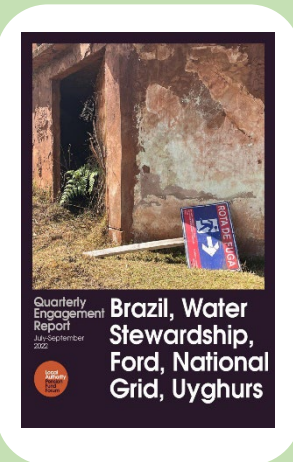
LAPFF Case Study

The LAPFF produce quarterly engagement reports, covering all ESG related issues from climate change, governance, human rights and cyber security.

Over the quarter to 30 September 2021, the LAPFF engaged with 35 companies, including BHP, Apple and the Royal Mail.

During early September 2022, LAPFF Chairman, Doug McMurdo, spent three weeks in Brazil following the tailing dam collapses in Mariana and Brumadinho. This trip formed part of the LAPFF's work on human rights and mining.

During the trip, the Chair met with communities affected by the collapse and met with company executives from Vale, which own the Mariana dam. Air quality, water quality and availability of housing in resettlements remain major concerns for communities and LAPFF will continue to engage on these areas.



Source: LAPFF Quarterly Engagement Report 30 September 2022

Pensions and Lifetime Savings Association

The City of Westminster Pension Fund is a member of the PLSA, who aim to raise industry standards, share best practice and support members. The PLSA works across a range of stakeholders including governments, regulators and parliament to help the implementation of sustainable policies and regulation. They represent pension schemes providing retirement income to more than 30m savers, with assets under management totalling £1.3tn, including those in the public and private sectors.

The PLSA provide an important source for training, support and guidance on regulations and pension support services.

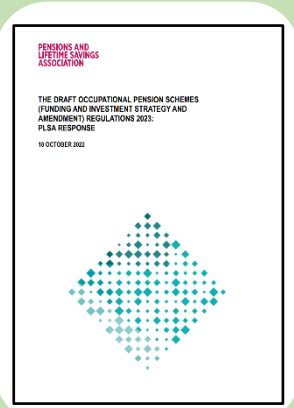
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PLSA Case Study

During October 2022, the PLSA published its response to two consultations with a view to new standards being adopted globally, requiring companies to report on sustainability. The PLSA welcomed the introduction of these standards, with the need for long-term targets for maturing schemes.

The PLSA however reflected their concerns that the framework forces a standardised approach, which does not reflect the wide range of defined benefit (DB) schemes and should allow for a more flexible approach.

PLSA noted that the proposals lacked a clear and measurable objective, with further concerns around the cost of implementation for smaller/mature schemes.



Source: PLSA Response to Funding and Investment Strategy Amendments

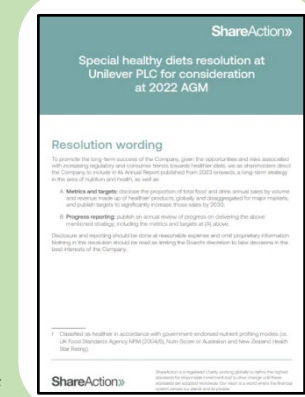
ShareAction **ShareAction**»

ShareAction is a registered charity who promotes responsible investment, working with investors to help influence how companies operate their business on a range of Environmental, Social and Governance (ESG) factors. This includes areas such as climate change, gender diversity, living wages, decarbonisation, biomass and healthy markets.

Healthy Markets Case Study

Since 2019, ShareAction has been working on a Healthy Markets coalition group. The Healthy Market Initiative aims to make food retailers and manufacturers take accountability for their role and impact on people's diets. The City of Westminster is a member of the Healthy Markets coalition and along with other members, represents over \$2 trillion in assets under management.

As per ShareAction research, 1/3 children and 2/3 adults are classified as overweight or obese, with over one million hospitalisations during 2019/20 linked to obesity. During 2022, ShareAction filed a resolution with Unilever, asking the company to commit to a long-term nutrition strategy and disclosure metrics on their proportion of sales related to healthy products. Following this, Unilever have set a new benchmark within the industry, disclosing the healthiness of sales against the government model and their own internal model. They have also set an ambitious target to double the sale of healthy products by 2030.



Source: <https://shareaction.org/reports/unilever-resolution-2022>

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