



CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Tuesday 29th January, 2019**, Room 18.4, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillor Angela Harvey (Chairman and Employer Representative), Terry Neville (Vice-Chairman and Scheme Member Representative), Councillor Guthrie McKie (Employer Representative) and Martin Colwell (Scheme Member Representative).

Also Present: Matthew Hopson (Strategic Investment Manager, Treasury and Pensions), Joanne Meagher (Head of Operational People Services), Sarah Hay (Senior Pensions and Payroll Officer) and Kisi Smith-Charlemagne (Senior Committee and Governance Officer).

Apologies for Absence: Councillor Guthrie McKie and Chris Walker.

1 MEMBERSHIP

1.1 It was noted that Martin Colwell was deputising for Chris Walker.

2 DECLARATIONS OF INTEREST

2.1 Terry Neville declared that he is a councillor at the London Borough of Enfield, however he is a scheme member of the Westminster Pension Fund.

3 MINUTES

3.1 RESOLVED:

That the Minutes of the meeting held on 26 November 2018 be signed by the Chairman as a correct record of proceedings.

4 TERMS OF REFERENCE

4.1 Members had before them the Board's Terms of Reference. Members commented that the Terms of Reference was useful in clarifying the Board's role and remit. The Board's function as playing a scrutiny role to assist Pension Fund Committee and looking at specific matters, such as the

administration of the Pension Fund Scheme and how it impacted on scheme members was also recognised.

5 FUND FINANCIAL MANAGEMENT

- 5.1 Matthew Hopson (Strategic Investment Manager) presented the report and updated Members in respect of the Risk Register, cashflow position, three year forecast and the forward plans for the Pension Fund Committee and the Board respectively.
- 5.2 During the Board's' discussions, Members commented that the Risk Register was easy to follow, however it was difficult to identify what risks were of greater importance than others. Members welcomed the improvement in the levels of deficit for the Fund. Members felt that the expenses costs should be reducing, for example, in respect of fund manager fees as more costs were shared with the London Collective Investment Vehicle (LCIV). In respect of cashflow, reasons were sought as to the spike in the bank balance in August 2018. Members also queried why there was sometimes a fair degree of variance between forecasts and actuals with regard to the Fund's costs.
- 5.3 In reply, Matthew Hopson advised that the Council had made a £10m deficit recovery payment in August 2018 which explained the hike in the bank balance at that time. He advised Members that a further explanation could be given with regard to costs forecasts and actuals at a future meeting.
- 5.4 The Chairman requested a report to a future meeting to provide details with regard to forecasts and why these sometimes varied widely from actual costs.

5.5 RESOLVED:

1. That the Risk Register of the Pension Fund be noted.
2. That the cashflow position and three year forecast be noted.
3. That the forward plan of the Pension Fund Committee be noted.
4. That the forward plan for the Pension Board 2019/20 be noted.

6 QUARTERLY FUND PERFORMANCE

- 6.1 Matthew Hopson presented the report and advised that the Fund had outperformed its benchmark for the quarter up to September 2018 by 0.2% and the estimated funding level as of 31 December 2018 was 94.5%. He confirmed advised that the transfer of £91m of assets managed by Longview to LCIV had been completed on 1 November 2018.
- 6.2 In noting further transfer of funds to the LCIV, Members asked whether this had led to any savings. It was commented that the diversification of funds was prudent considering the current economic situation and the potential volatility of markets and it was important to ensure there were sufficient funds to make

pension payments. Members also queried if the performance figures of the Fund for the latest quarter were available.

6.3 In reply to issues raised by Members, Matthew Hopson advised that there had been fee savings made in respect of the passive mandates held by the LCIV. Members noted that the latest quarterly report figures were not available at the time the report was produced.

6.4 Members concurred with the Chairman's suggestion that future Board meetings be scheduled so that the latest quarterly performance figures were available. Matthew Hopson agreed to liaise with Committee and Governance Services to provide dates of when performance figures for each quarter would become available. Committee and Governance Services would then advise the Chairman of these dates accordingly to use as a basis for proposing future Board dates.

6.5 **RESOLVED:**

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

7 HAMPSHIRE COUNTY COUNCIL IBC UPDATE

7.1 Joanne Meagher (Head of Operational People Services) presented the report that provided an update of the transfer of payroll services to Hampshire County Council (HCC) through the IBC solution. Joanne Meagher advised that the transfer would lead to changes as to how employee contributions are calculated. Auto-enrolment for some employees where opt out dates are not held may also have some impact on the Fund.

7.2 Members sought a further explanation as to what changes would be made to monthly pension contributions compared to how they were calculated under the previous payroll provider.

7.3 In reply, Joanne Meagher advised that the current system calculated pensionable pay by determining annual salary through the grossing of 12 monthly salary payments. The annual salary calculated would then determine the pension contribution rate. The IBC solution worked differently in that it takes the base salary for the year, plus a rolling 12 month look at any additional one off payments made to determine the contribution banding. If an additional payment was made, this would influence the contribution rate for the whole 12 months, whereas under the present system, a higher contribution rate would be payable for the month where the one off additional payment had been made. Joanne Meagher added that it was felt that the new system was a fairer, more equitable solution and would nevertheless ensure a low risk of over payments.

7.4 **RESOLVED:**

That the update be noted.

8 MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT ASSET POOLING

8.1 Matthew Hopson introduced the report and advised that the new draft guidance was a reminder to Local Government that it should be pooling assets. He advised Members that the biggest change would be the Administering authority no longer having control of manager selection for its investments and this would be carried out by the asset pool, in Westminster's case, the London CIV.

8.2 Members expressed some concern over this change. Matthew Hopson informed Members that a response would be drafted by officers to the consultation on asset pooling asserting the Fund's concerns.

8.3 The Board raised concerns regarding the pooling of fixed income. It was also commented that the Board's Terms of Reference should reflect the updated guidance from the Ministry of Housing, Communities and Local Government on asset pooling.

8.4 RESOLVED:

That the draft guidance on pooling be noted.

9 MEMBERS TRAINING

9.1 Members had before them a revised Knowledge and Skills Self-Assessment Form following earlier feedback from the Board. Members felt that training sessions should be no longer than 30 to 60 minutes. Some statements in the form were perhaps not entirely appropriate, such as the statement "*I have all the knowledge detailed below and do not require additional training*". Members expressed an interest in more information on the role of fund managers, including the appointment process and fee structures, and on receiving more information generally on financial markets and products knowledge.

9.2 RESOLVED:

That the updated Knowledge and Skills Self-Assessment training form be noted.

10 COMMUNICATIONS POLICY

10.1 Members had before them a revised Communications Policy for the Pension Fund that had been amended following suggestions from the Board at its previous meeting. Members suggested a few further minor changes to the text and advised that the active member carer stream had not been entered into the Policy's glossary.

11 PENSION ADMINISTRATION UPDATE

- 11.1 Joanne Meagher presented the report and advised that the Pension Manager position at Surrey County Council, who administered the pension, was now vacant. Details were awaited in respect of this position being filled. A few issues had arisen in respect of one retirement benefit processed late and two benefit statements being sent late. In respect of data cleansing, Joanne Meagher advised that data accuracy for common data was 77% and the scheme specific accuracy score was 71%. It was acknowledged that this needed to improve and the Fund's actuary would inform the Council of its data issues which would be used to form a Data Improvement Plan. Joanne Meagher then referred to the key performance indicator scores as set out in the appendix of the report.
- 11.2 Members expressed concern in respect of the data accuracy score, noting that it was a requirement from the Pension Regulator for fund data accuracy to be measured. The Chairman requested that a report on data accuracy and steps being put place to improve accuracy be presented to the Board at the next meeting.

12 PENSION FUND COMMITTEE DATES

- 12.1 The Board noted that the dates of the Pension Fund Committee for the municipal year 2019-20 had been agreed by Council at its meeting on 23 January 2019. Committee and Governance Services were to circulate these dates to the Board.

13 FORWARD PLAN AND PENSION BOARD DATES

- 13.1 Members noted the Board's forward plan. The Chairman would discuss future Board dates with Committee and Governance Services before proposing possible dates to other Members. As discussed under item 6 on the agenda, Quarterly Performance Fund, every effort would be made to ensure that the dates coincided with when the latest quarterly performance figures were available.

14 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

- 14.1 There was no other business.

15 EXCLUSION OF PRESS AND PUBLIC

15.1 RESOLVED:

That under Section 100 (A)(4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following items of business because they involve the likely disclosure of exempt information on the grounds shown below and it is considered that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

16 MINUTES

16.1 RESOLVED:

That the confidential Minutes of the meeting held on 26 November 2018 be signed by the Chairman as a correct record of proceedings.

17 FUND COST SUMMARY

17.1 RESOLVED:

That the Pension Fund costs and the associated LCIV savings and costs be noted.

18 INFRASTRUCTURE INVESTMENT STRATEGY

18.1 RESOLVED:

That the infrastructure manager selected by the Pension Fund Committee be noted.

The Meeting ended at 8.18 pm.

CHAIRMAN: _____

DATE _____