



CITY OF WESTMINSTER

MINUTES

Pension Board

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Board** held on **Tuesday 9th July, 2019**, Room 18.08, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Terry Neville (Chairman and Scheme Member Representative), Representative), Councillor Guthrie McKie (Vice-Chairman and Employer Representative), Martin Colwell (Scheme Member Representative), Marie Holmes (Employer Representative) and Chris Walker (Scheme Member Representative).

Also Present: Mathew Dawson (Senior Finance Manager, Tri-Borough Treasury and Pensions), Sarah Hay (Senior Pensions and Payroll Officer) and Toby Howes (Senior Committee and Governance Officer).

Apologies for Absence: Councillor Tim Mitchell (Employer Representative) and Christopher Smith (Scheme Member Representative)

1 ELECTION OF CHAIRMAN AND VICE-CHAIRMAN/MEMBERSHIP

1.1 It was noted that Councillor Tim Mitchell (Employer Representative) was a newly appointed Member on the Board, replacing Councillor Angela Harvey.

1.2 RESOLVED:

That Terry Neville and Councillor Guthrie Mickie be appointed as Chairman and Vice-Chairman respectively for the 2019-2020 municipal year.

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 Members sought progress in respect of removing critical errors in the Fund's data and would the Council be liable for costs of around £14,500.

3.2 In reply, Sarah Hay (Senior Pensions and Payroll Officer) advised that data for cleansing had been sent to Surrey County Council (SCC) and that the Council was liable for costs.

3.3 **RESOLVED:**

That the minutes of the meeting held on 13 May 2019 be signed by the Chairman as a correct record of proceedings.

4 PENSION ADMINISTRATION UPDATE

4.1 Sarah Hay presented the report and advised that the key performance indicators (KPIs) had improved since the last meeting. Sarah Hay had met with Surrey County Council (SCC) to discuss problems relating to the two separate work streams from the Surrey office and the East Sussex office that had led to some jobs being missed and following this meeting this issue had been addressed. In respect of data cleansing, the organisation appointed to undertake this, JLT, was not progressing at the rate that had been anticipated and the Council was raising this issue with SCC on a daily basis. The Board noted that the Western Union existence checking was close to completion and the second letters were due to go out on 10 July. Sarah Hay confirmed that the end of year files had been submitted at the end of June.

4.2 During Members' discussions, it was queried whether another organisation could undertake the data cleansing exercise as opposed to JLT, Members asked how hopeful were officers that progress on data cleansing would improve and how much time did each data error case take to rectify. Members sought examples of typical data errors that had been identified and what steps were being taken in respect of missing leaver data. Members asked if costs and resource issues were preventing the Council from undertaking the data cleansing exercise itself and was a procurement process used to appoint JLT.

4.3 In reply to issues raised by the Board, Sarah Hay advised that replacing JLT with another provider to undertake the data cleansing exercise was under consideration. She advised that SCC held the data and so were the overall coordinators of the data cleansing exercise. It was feasible that the Council could undertake the exercise itself, however there were resource issues to consider, including the time taken to recruit and train staff. Sarah Hay confirmed that JLT had been appointed through a formal procurement process and she added that other London boroughs who had appointed JLT to undertake data cleansing had also experienced backlogs. Discussions had taken place with Finance officers on what steps to take in the long term on this issue. However, Sarah Hay was hopeful that the situation would improve and People Services were in daily contact with SCC on this matter and discussions on taking on additional administrative resources had taken place with them. Members noted that most cases took around 30 minutes to rectify and typical errors included leaver dates which were sometimes complicated by issues such as long term sick leave.

4.4 The Board requested that there be an update in respect of data cleansing and the situation concerning JLT at the next meeting.

5 FUND FINANCIAL MANAGEMENT

5.1 Mathew Dawson (Senior Finance Manager, Treasury and Pensions) presented the report and referred to the five key risks to the Fund highlighted in the report, these being:

- London Collective Investment Vehicle (LCIV) disbands or is unable to produce sufficiently ambitious proposals
- Scheme members live longer than expected, leading to higher than expected liabilities (an issue that affected all funds)
- Significant volatility and negative sentiment in global investment markets following global disruptive political/economic events
- Price inflation is significantly more than anticipated in the actuarial assumptions
- Structural changes in an employer's membership or an employer fully/partially closing its Local Government Pension Scheme offering

5.2 In respect of the volatility risk, Mathew Dawson advised that the Fund was de-risking by moving away from investments in equities. In respect of price inflation, investments in fixed income provided some protection to the Fund.

5.3 Turning to cashflow monitoring, Mathew Dawson advised that the spike in June 2019 was attributable to a deficit recovery receipt.

5.4 Mathew Dawson confirmed that that the LCIV) had appointed a new Chief Executive Officer and he felt that this was a sound appointment.

5.5 During Members' discussions, Members enquired if there were concerns that the possibility of more people retiring than joining the pension scheme would represent a risk to the cashflow situation and was it possible to forecast the number of retirees for future years.

5.6 In reply, Mathew Dawson advised that it was expected that contribution rates would increase over time and the triennial evaluation would identify such trends. He informed Members that the cashflow situation was currently positive.

5.7 Sarah Hay added that it was possible to model the anticipated number of retirees and the Fund's actuary would look at the data to provide information on this.

5.8 **RESOLVED:**

1. That the Risk Register for the Pension Fund be noted.
2. That the cashflow position, the rolling 12 month forecast and the three year forecast be noted.
3. That the forward plans for 2019/20 for the Pension Board and the

Pension Fund Committee be noted.

6 FUND FINANCIAL MANAGEMENT

- 6.1 Mathew Dawson introduced the report and confirmed that the Fund had underperformed to its benchmark by 0.88% over the three months to 31 May 2019. However over the longer three year period it had outperformed its benchmark by 0.48%. Mathew Dawson also advised that the estimated funding level for the Fund was a healthy 94.5% as of 31 December 2018.
- 6.2 During discussions, Members commented that the assets with the LCIV could be seen as a potential risk because the amount of assets the Fund had allocated to it, with a significant proportion in equities.
- 6.3 In reply, Mathew Dawson advised that the equities allocation in the Fund was reducing as it was acknowledged that it was overweight in this asset class.
- 6.3 Members requested that charts need not appear in future reports which should summarise the main points and officers could advise the Board where such charts could be viewed online. Members also requested that the Fund's actuary, Barnett Waddingham, be invited to a future meeting. Members expressed an interest in attending the Pension Fund Committee where the triennial evaluation was considered.

6.4 RESOLVED:

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

7 MCCLOUD, COST CAP AND VALUATION

- 7.1 Mathew Dawson presented the report and advised that the Pension Fund Committee would respond to the consultation in respect of the Cost Cap and valuation proposals. In respect of the McCloud case, the implications for the LGPS were not yet known. Turning to the valuation proposals, Mathew Dawson advised that if the valuation proposals went ahead, an interim valuation would need to be undertaken in 2022, and this could prove quite a challenge for funds.
- 7.2 Members commented that the Government's valuation proposals needed to be re-thought as there would be a number of knock on effects.

7.3 RESOLVED:

That the report be noted.

8 INVESTMENT STRATEGY CONSIDERATION

- 8.1 Mathew Dawson presented the report and confirmed that the Pension Fund Committee had chosen the option to de-risk the Fund by investing in buy and maintain credit. He advised that an update on progress with this would be presented at the next meeting.

8.2 Members noted the report and commented that the Fund's equity allocation was still fairly high.

8.3 **RESOLVED:**

1. That the strategy consideration paper prepared by the Fund's investment adviser, Deloitte, be noted.
2. That the Investment Strategy for the forward funding receipt approved by the Pension Fund Committee on 20 June 2019 be noted.

9 ANY OTHER BUSINESS THE CHAIRMAN CONSIDERS URGENT

9.1 There was no other business.

10 EXCLUSION OF PRESS AND PUBLIC

10.1 **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 the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

11 MINUTES

11.1 **RESOLVED:**

That the confidential minutes of the meeting held on 13 May 2019 be signed by the Chairman as a correct record of proceedings.

The Meeting ended at 8.22 pm.

CHAIRMAN: _____

DATE _____