



CITY OF WESTMINSTER

MINUTES

Pension Fund Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Thursday 21st October, 2021**, Rooms 18.01 - 18.03 - 18th Floor, 64 Victoria Street, London, SW1E 6QP.

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

Also Present: Phil Triggs (Tri-Borough Director of Treasury and Pensions), Sarah Hay (Strategic Pension Lead), Billie Emery (Pension Fund Manager), Matthew Hopson (Strategic Investment Manager), Diana McDonnell-Pascoe (Pensions Project Manager), Kevin Humpherson (Deloitte), Jonny Moore (Deloitte) and Clare O'Keefe (Committee and Councillor Coordinator).

1 MEMBERSHIP

There were no changes to the membership.

2 DECLARATIONS OF INTEREST

Councillor Eoghain Murphy declared that he is an employee of HSBC Global Asset Management, however, this did not directly involve any business for this meeting.

3 MINUTES

RESOLVED:

That the minutes of the meeting held on 24 June 2021 be agreed subject to the following amendments:

- 1) Accurately record reference to the staffing of the Surrey County Council (SCC) team in Item 4. Paragraph two, sentence two was amended to state: 'The team was going to be staffed by personnel who had been working on the processes already and that the team were to be led by an experienced person.'

- 2) Reflect the nuanced discussion of the Committee during Item 7. Paragraph two, sentence five was amended to state: 'The Committee was made aware that some aspects of the private rented sector, including the predominance of AirBnb, could be seen to be contributing to the problem of people not being able to buy their own home.'

4 PENSION ADMINISTRATION UPDATE

The Committee welcomed Andrew Lowe, Hampshire Pension Service (HPS), to the meeting and he was invited to address the Committee and provide an overview of the support and service it would be providing to WCC. The Committee was pleased to note that HPS was aware of the various current issues arising and in regard to processing leavers was confident that the backlog could be resolved when the transfer of the service occurred on the 8 November 2021.

Sarah Hay, Strategic Pension Lead, formally thanked Andrew and his team for the good work of HPS to date. Sarah then presented the report on the Pension Administration Update.

The Committee noted that the Update primarily concentrated on the performance of SCC, from May 2021 to August 2021. The Committee expressed concern that the overall KPI data was poor, and performance did deteriorate throughout the period assessed compared to the service that the fund received when the administration was run from the East Sussex office. Although it was noted that Members currently had not raised any complaints with WCC regarding delays to cases directly.

In response to questions from the Committee it was explained that performance had been impacted by the initial move to the SCC team, the setting up of the new Hub team that was currently managing the WCC pension fund, plus addressing any backlog data queries. An additional issue experienced had been that the Hub team was also asked to concentrate on supporting the London Borough of Hillingdon ahead of their exit to HPS from Monday the 27th of September and had therefore not been adequately resourced to manage WCC's administration work. SCC had confirmed that they would prioritise WCC now that Hillingdon had transferred to HPS. The Committee was pleased to note that all urgent casework retirements for October had been completed and Westminster had received good support from SCC to complete outstanding work.

The Committee held a detailed discussion regarding child payments: there had been a small reduction and two cases were being looked at going forward. The Committee welcomed Mr Lowe's comments on HPS's position on this, especially in regard to errors in administration and were advised that that Westminster was considering its position.

The Committee noted that the main focus of the WCC team in the last few months had been managing SCC to get to the point where Westminster's administration can move to HPS on 8 November 2021. The Committee was

advised that data would be kept by SCC until the end of January 2022 to ensure a smooth transition to HPS and that tests against the data were positive.

RESOLVED:

That the report be noted.

5 PENSION ADMINISTRATION STRATEGY (PAS)

Sarah Hay, Strategic Pension Lead, presented the report and informed the Committee that whilst the fund did have a Pension Administration Strategy (PAS) which outlined the strategy with the fund and employers, it had not been providing what was promised in the original 2017 PAS. There had been a lot of work undertaken to review existing pension policies to ensure they worked with the fund's new administration partner and to outline the expectations that the fund would have going forward for all employers. The team had drafted a new PAS to be sent out to employers.

The Committee held a detailed discussion on the enforcement of fines and Sarah advised that a traffic light warning system would be put in place and employers had been informed this was the direction of travel. The Committee advised they would appreciate a summary of the KPIs when the fines were enforced. The Committee considered the worth of including details of The Pensions Regulator and welcomed Sarah's comments on this.

RESOLVED:

That the draft Pension Administration was approved on the basis:

- 1) That reference to The Pensions Regulator be mentioned in the draft PAS.
- 2) That the Pensions team would advise the Committee of any employer response received to the new PAS at the next Committee meeting.

6 GUARANTEED MINIMUM PENSION RECONCILIATION UPDATE

Sarah Hay, Strategic Pension Lead, presented the report and updated the Committee on the GMP project which had been managed by SCC on behalf of Westminster. As the fund was now exiting the service with SCC, the Committee was advised that it was not appropriate for them to manage the final rectification part of the project. The Committee held a detailed discussion on contracting directly with Mercer (who have been running the project up to date and who held the fund's data) or to ask Mercer to return data (at additional cost) and then contract with HPS Civica (at additional cost). The Committee expressed concern that the contract had not been fulfilled by SCC despite there having been a deadline of 2018.

RESOLVED:

- 1) That the Committee noted the report;
- 2) That Westminster City Council's legal team be requested to review the contract with SCC and determine its enforceability; and
- 3) That the Committee to receive an update in due course.

7 FUND FINANCIAL MANAGEMENT

Matt Hopson, Strategic Investment Manager, presented the report and advised the Committee of the cashflow forecast for the next three years which had been updated with actuals to 30 June 2021 for the Pension Fund bank account and cash held at custody (Northern Trust). The Committee was pleased to note that the bank position continued to be stable. The Committee considered the risks in the risk register for the Pension Fund.

RESOLVED:

That the Committee noted:

- 1) The risks in the risk register for the Pension Fund.
- 2) The cashflow position for the pension fund bank account and cash held at custody, the rolling twelve-month forecast and the three-year forecast.

8 TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (TCFD) REGULATIONS

Phil Triggs, Tri Borough Director of Treasury and Pensions, presented the report and stated that on 11 February 2021 the Pensions Schemes Act 2021 received Royal Assent. The Committee was informed that the act covered climate risk governance and reporting for the private sector scheme and was expected to have a direct impact on the LGPS. The Committee noted that the proposed new measures will ensure trustees are legally required to assess and report on the financial risks of climate change within their portfolios, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. The Committee held detailed discussions on the Pension Schemes Act, impact of climate change on investments and working with other schemes and bodies.

The Committee was pleased to note that the fund was already doing 90 percent of what was necessary in accordance with the new regulation and would welcome a strategy to push past the minimum requirement to be at the front of this accelerating agenda. The Committee advised they would like to receive a report in due course setting out the direction of travel and Deloitte offered to hold information sessions on the relevant areas.

RESOLVED:

That the Committee noted the report submitted by Deloitte on the introduction of climate change governance disclosures for UK pension schemes, as aligned with the TCFD recommendations.

9 THE LONDON FUND

Matt Hopson, Strategic Investment Manager, presented the report which provided a summary of the London CIV's (LCIV) London Fund, as requested by the Committee at the Pension Fund Committee meeting on 24 June 2021. The Committee discussed the report and was pleased to note that it was positive for London and would welcome more information in due course especially in regards to entry evaluation and fees.

RESOLVED UNANIMOUSLY:

The Committee noted the summary on the LCIV's London Fund with a view to exploring this option post the 2022 actuarial valuation.

10 FIXED INCOME STRATEGY

Phil Triggs, Tri Borough Director of Treasury and Pensions, presented the report and detailed the review undertaken by the Fund's investment advisor, Deloitte, on the current fixed income mandates and strategic asset allocation. The Committee held a discussion on the most appropriate strategic fixed income asset allocation for the Fund going forward, including the current MAC portfolio.

The Committee was also informed of the various benefits of an allocation to private debt alongside the existing fixed income allocations. The Committee heard Deloitte's recommendation of splitting the fixed income allocation equally among MAC, Insight and Private Debt. This would increase the expected return as well as volatility. However, the impact at total Fund level would be a circa 0.3% per annum increase in expected return and a circa 0.1% per annum increase in volatility. Income distributions would also be expected to increase by £3.6m per annum to £12.4m, going some way to finance the cashflow deficit, alongside equity distributions and expected future infrastructure income flows. The Committee considered that the debt was something which sat with the fund's responsible investment strategy.

RESOLVED:

- 1) That the private debt be added to the 19% fixed income asset allocation, splitting the portfolio equally between buy and maintain bonds, multi asset credit (MAC) and private debt.
- 2) That the LCIV's proposal of adding a second, complementing manager to the current MAC fund be proceeded with.

11 QUARTERLY FUND PERFORMANCE

Jonny Moore, Deloitte, presented the report which detailed the performance of the Pension Fund's investments to 30 June 2021, together with an update of the funding position. The Committee was pleased to note that the Fund outperformed the benchmark net of fees by 0.4% over the quarter to 30 June 2021 and the estimated funding level was 101.8% as at 30 June 2021. The Committee understood that asset allocations may vary due to changes in market value and held a detailed discussion on uncertainties and risk.

RESOLVED:

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

12 EXCLUSION OF PRESS AND PUBLIC

The Chair moved and it was

RESOLVED:

That under Section 100 (a) (4) and Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following Item of Business because it involves the likely disclosure of exempt information relating to the financial or business affairs of any particular person (including the Authority holding that information) 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.

13 AFFORDABLE HOUSING

Phil Triggs, Tri Borough Director of Treasury and Pensions, presented the report to the Committee and summarised the investment manager shortlist for a proposed new affordable housing mandate, as agreed at the Pension Fund Committee meeting on 24 June 2021. The Committee held a detailed discussion on the proposed strategies to determine which were the most suitable providers to meet the Fund's key investment criteria, investing predominately within affordable housing and social supported living and all were currently open for investment.

RESOLVED:

That the Committee considered four managers shortlisted for the proposed allocation to affordable housing, with Deloitte to prepare a manager selection report.

14 PENSION COMMITTEE CONFIDENTIAL UPDATE

Diana McDonnell-Pascoe, Pensions Project Manager, presented the report which updated the Committee on the progress of the project to transfer the Pension Administration Service from SCC to HPS of Hampshire County Council. The Committee welcomed the reassurance that the project was on track to be delivered on time and within budget. The Committee suggested that an annual report be provided and urgent items be flagged to the Committee on an ad hoc basis. The Committee expressed disappointment at SCC's handling of the fund's administration.

RESOLVED:

That the successful running of the project be noted and commended.

15 LONDON CIV REGULATORY CAPITAL

Phil Triggs, Tri Borough Director of Treasury and Pensions, presented the report which arose from a discrepancy in the classification of regulatory capital by the London LGPS CIV Ltd (LCIV) and the Financial Conduct Authority's (FCA) interpretation as to its classification in accordance with prescribed regulatory practice.

RESOLVED:

That the Committee delegated authority to the Tri-Borough Director of Treasury and Pensions, following a consultation with the Chairman to agree a written resolution to approve the necessary changes to the Shareholder Agreement entered into with LCIV and the Articles of Association (Articles).

16 AOB

The Committee expressed concern that despite over half of the photographs in the Annual Report had been replaced, there were still photographs which could perhaps be considered not relevant to the lives of Westminster residents living in Westminster.

RESOLVED UNANIMOUSLY:

That the Committee requested the further replacing of photos be completed by the next edition of the Annual Report.

The Meeting ended at 21.41.

CHAIRMAN: _____

DATE _____