



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** _____