



CITY OF WESTMINSTER

# MINUTES

## Pension Fund Committee

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Pension Fund Committee** held on **Thursday 7th March, 2024**, Rooms 18.06, 18.07 and 18.08 - 18th Floor, 64 Victoria Street, London, SW1E 6QP.

**Members Present:** Councillors Robert Eagleton (Chair), Maggie Carman and Ed Pitt Ford

**Apologies for Absence:** Councillor Ryan Jude

#### 1 MEMBERSHIP

1.1 Apologies had been received from Councillor Ryan Jude.

#### 2 DECLARATIONS OF INTEREST

2.1 Councillor Ed Pitt Ford declared a pecuniary interest in agenda item 7.

#### 3 MINUTES

3.1 It was highlighted that a spelling error on Councillor Carman's name should be corrected. Furthermore, under paragraph 8.4, the Committee agreed that the wording should read "Isio advised there were limited ESG market opportunities within the current market". Additionally, within paragraph 8.8, Members were minded to correct the minutes to read as "A Committee Member challenged whether the Fund should be targeting higher returns in order to reduce employer contributions in future".

#### RESOLVED:

**That the minutes of the meeting held on Thursday 29 November 2023 were approved as an accurate record, subject to the agreed amendments.**

## **4 PENSION ADMINISTRATION UPDATE**

- 4.1 Sarah Hay, Pensions Officer People Services, introduced the report highlighting the positive performance of the pension administrator, Hampshire Pension Services (HPS), which remained at 100% across all key performance indicators. Members were also updated on the data backlog project noting that only four cases remained; these cases were proving stubborn, but work was ongoing to complete the project.
- 4.2 On the matter of work on hold, Members were informed that as at the end of January 2024, 225 cases were reported as being 31 days plus in workflow with 163 of these being transfers between LGPS Funds. Officers were continually working on clearing the cases, particularly looking at older cases and ensuring that they were moving forward; however, work was heavily reliant on the provision of data from other Funds.
- 4.3 The Committee were informed that online member portal sign up had reached over 52% of active members and work scheduled for later in the year would ask the Fund's employers to promote the online portal further. Members queried paragraph 2.9 of the officers' report and it was clarified that the second reference to September 2023 should be amended to read 'as at the end of January 2024'.
- 4.4 Officers elaborated on the Pension Administration Strategy (PAS) project informing the Committee that there had been one response to the PAS consultation. The response raised an interest regarding work with payroll providers; officers highlighted that they would be regularly meeting with payroll providers to offer support. The Committee were asked to approve the updated PAS to come into effect from 01 April 2024.
- 4.5 Members were encouraged by the performance of Hampshire Pension Services and praised the improved online portal uptake highlighting that it was moving in the right direction. With regard to the PAS project, the Committee queried whether officers would be lenient on employers that could prove that any delay in them providing data to officers was caused by delays from payroll providers. Officers highlighted that although the new PAS was strict on deadlines, they would offer a certain amount of leniency; however, it was noted that the Fund's employers employed their own payroll providers and officers wanted to motivate the employers to hold their providers to account where they did not provide information on time. It was noted that there was sympathy for school employers, particularly pooled schools, because the schools themselves did not know whether their payroll providers had provided the relevant data.
- 4.6 It was highlighted that the strict deadlines and the potential of a fine for missed deadlines needed to be there to ensure the prompt return of high-quality data. Officers also noted that they would always work with employers where there were issues in providing data.

### **RESOLVED:**

## **That the Pension Fund Committee:**

- 1) Noted the contents of the report, and;**
- 2) Approved the draft updated Pension Administration Strategy for implementation from 01 April 2024.**

## **5 LGPS PROJECTS & GOVERNANCE UPDATE**

- 5.1 Diana McDonnell-Pascoe, Pension Project & Governance Lead, introduced their report noting that the focus for the coming financial year 2024/25 would be on reviewing and improving administration governance and compliance with The Pensions Regulator's extensive new general code of practice which was published in January 2024. It was highlighted that administration of the Fund was in a strong position and the working relationship with Hampshire Pension Services (HPS) was positive.
- 5.2 Members were informed that the McCloud project was ongoing and officers noted that there were some stubborn data issues where employers had not yet provided relevant data. It was highlighted that HPS were no longer pro-actively chasing employers and had referred outstanding returns to officers to obtain; in the absence of data being received, it was noted that HPS would look to implement an interim solution based on informed estimates.
- 5.3 The Committee heard that the Guaranteed Minimum Pension (GMP) project was approaching its closing stages. It was noted that officers had commenced the process of paying arrears to the fifty-one members who had been underpaid. Since the previous Committee meeting officers had attended the LGPS Conference and spoken to other funds regarding how they were approaching the GMP project with regard to members who had been historically overpaid; it was noted that officers had also obtained legal advice. It was deemed that generally what other funds were choosing to do was to correct their records without any mitigation and should they be approached by pensioners claiming hardship due to the corrections, they would be dealt with on a case-by-case basis. Legal advice was that officers could not withhold pensions increases (PI) without speaking to the member affected first. Upon the legal advice and investigations of what other funds were doing, officers recommended that the Committee pursue unmitigated record correction (Option 4), and in the event of a complaint or an appeal of hardship, that this be dealt with on a case-by-case basis.
- 5.4 Members were also informed that, with regard to the GMP project, there were a number of cases that would require manual calculation as they were missing certain information. Officers highlighted that they would be reporting more detail on this at a future Committee meeting.
- 5.5 The Committee commended officers for investigating further what other LGPS funds were doing with regard to GMP, in addition to seeking legal advice to ensure that Members made an informed decision. Members were supportive of an Option 4 approach, with the ability to look at liaising with members who raise hardship concerns as to whether PI could be withheld. It was deemed

that withholding PI was a longer term approach to recuperating the monies from a member that had been overpaid, this would take longer to eventually rectify than an unmitigated correction of pension payments. Officers noted that there needed to be an element of flexibility in terms of how they would approach those who raised hardship concerns.

- 5.6 It was understood that the law required officers to correct records but it was also agreed that these cases needed to be dealt with sensitively. The Committee queried whether treating members differently due to them raising hardship concerns could compromise the Fund legally; it was highlighted that the law allowed officers to reduce a member's payments where they were previously being overpaid and it was emphasised that the members in question had benefitted significantly from overpayments for a number of years at this point.
- 5.7 Members questioned how those members affected by a correction on their record would be communicated with, as it was noted that these were complex changes and elderly members may find it difficult to understand. Officers highlighted that they had been working with HPS and had spoken to colleagues at Shropshire, who had been through the GMP process already, to devise a standard letter of communication. Officers noted that, once the Committee had made its decision, the letter template would be finalised.
- 5.8 Members queried whether any feedback had been received from those who had historically been underpaid and had now received rectification payments. Officers noted that those payments had only recently gone out so there had not yet been any feedback, however it was noted that should any come in, the Committee would be notified.
- 5.9 The Committee discussed how the current situation of having overpaid a number of members came to be. It was highlighted that this was not unique to Westminster and was indeed a national GMP project. Officers highlighted that attending the LGPS Conference in January 2024 was a very useful exercise in terms of understanding how other funds were approaching their GMP projects and that this had fed into officers recommendation for the Committee. The Committee's preference was to go ahead with officers' recommendation on the basis that the members affected had been overpaid for a number of years and the fund would not be recuperating any of the overpaid monies.

## **RESOLVED:**

### **That the Pension Fund Committee:**

- 1) Noted the contents of the report; and,**
- 2) Proceeded with Option 4 for the GMP project; unmitigated record correction and in the event of a complaint or an appeal of hardship, officers were to investigate on a case-by-case basis.**

## **6 FUND FINANCIAL MANAGEMENT**

- 6.1 Ruby Vuong, Pension Fund Manager, introduced the report summarising the top five risks to the Fund and noting that, although the top five risks had not changed, the trending of some of the risks had changed. The most significant risk, volatility of markets affecting asset and investment risk, was trending higher due to significant geopolitical and economic uncertainty, partly attributed to ongoing conflicts in Ukraine and Gaza in addition to a substantial number of high-profile elections taking place in 2024 including in the UK, US and India. It was highlighted that new political leadership over the world could introduce new monetary policies which would influence markets.
- 6.2 It was also noted that Liability Risk was steadily trending as although inflation remained relatively high, it had been falling at steady rate and was at 5.1% in January 2024, down from the peak of 11.1% in October 2022. Regulatory and Compliance Risk also remained steady as it was expected that the recommendations from the Taskforce on Climate-Related Financial Disclosures (TCFD) would be delayed as a general election was expected in 2024. The Chancellor's budget, announced on 06 March, made mention to a requirement for LGPS funds to report on the UK assets that funds were invested in.
- 6.3 The Committee were also given a summary of the Fund's cashflow position highlighting that as of the end of December 2023, the cashflow account held around £2.2m. Payments and receipts remained stable and where liquidity was required, withdrawals from cash at custody were made to maintain a positive cash balance to pay the Fund's pensioners. It was highlighted that £4m had been withdrawn over the last quarter. Members queried how low the cashflow account went on a regular basis, to which officers highlighted that the Fund Manager ensured that the cashflow account never dropped below £0 and there was a target to always keep the account at around £2m.

### **RESOLVED:**

#### **That the Pension Fund Committee:**

- 1) Noted the top five risks for the Pension Fund, and;**
- 2) Noted the cashflow position for the Pension Fund bank account and cash held at custody, the rolling 12-month forecast and the 3-year forecast.**

## **7 QUARTERLY PERFORMANCE REPORT**

- 7.1 Jonny Moore of Isio, the Fund's investment advisor, introduced the report highlighting that the Fund returned 6.5% in the quarter, outperforming the benchmark by 0.8%. It was noted that over quarter 4 of 2023/24, the economy was boosted as it was expected that central banks all over the world would be dropping interest rates.

- 7.2 It was noted that Baillie Gifford had met with advisors, officers, and the Committee in 2023 where their previous underperformance was discussed at length. Members noted how the first half of 2023 was a turbulent period for them, however, they had since been delivering a more stable performance helped by recovering equity markets in general. Isio also highlighted that the last quarter had been very good for Baillie Gifford noting that some of the underlying companies of the Baillie Gifford Fund, which had previously been negatively impacted by high interest rates, had essentially been pushed to improve their overall operating efficiencies, this helped to deliver stronger returns upon the recovery of markets.
- 7.3 The Committee were informed that the LCIV UK Housing Fund had issued its first capital call of about 1% of the total commitment; it was noted that this was encouraging to have the LCIV actively utilising committed capital. Members sought clarity on this as it was noted that the LCIV UK Housing Fund was not present in the LCIV report. Isio confirmed that LCIV reported on their private funds with a one quarter lag and Westminster had only recently invested. It was confirmed that the relevant information would be reported in the next quarterly report and this would subsequently be reported back to the Committee.
- 7.4 Members discussed whether the outcome of any forthcoming UK general election would have an impact on the Fund's performance. It was highlighted that any impact would be minimal as the more dominant factor impacting the Fund's performance would be interest rates set by central banks. It was highlighted that, in terms of equity markets, less than 10% of the Fund's investments were within the UK. By contrast it was noted that around 60% was within the United States which would be more of a driver on influence impacting the Fund. Members were informed that central banks had been clear about interest rates holding steady and the key factor to focus on would be the level of certainty around the path of interest rates.

## **RESOLVED:**

### **That the Pension Fund Committee:**

- 1) Noted the performance of the investments and the updated funding level as at 31 December 2023; and,**
- 2) Approved that appendices 1, 2 and 4 to the report were not for publication on the basis that they contained information relating to the financial or business affairs of any particular persons including the authority holding that information.**

## **8 RESPONSIBLE INVESTMENT STATEMENT**

- 8.1 Ruby Vuong, Pension Fund Manager, introduced the report summarising the drafted Responsible Investment (RI) Statement for 2024 which outlined the Fund's approach to investing responsibly and showed the Fund's carbon journey since 2019 as measured against the United Nations' Sustainable Development Goals. The Committee were asked for their comments and any

amendments they would like to see made ahead of publication of the statement.

- 8.2 The Committee commended officers on the preparation of the 2024 statement and were supportive of its publication on the Council's website.

**RESOLVED**

**That the Pension Fund Committee:**

- 1) Noted and commented on the Responsible Investment (RI) Statement; and,**
- 2) Delegated authority to the Tri-Borough Director of Treasury and Pensions to publish the RI Statement on the Council's website.**

The Meeting ended at 7.45 pm

**CHAIRMAN:** \_\_\_\_\_

**DATE** \_\_\_\_\_