

Pensions Sub-Committee

Minutes

Wednesday 9 September 2015

PRESENT

Committee members: Councillors Michael Adam, Iain Cassidy (Chair), PJ Murphy and Guy Vincent.

Officers: David Hodgkinson (Assistant City Treasurer), Ibrahim Ibrahim (Assistant Committee Coordinator), Neil Sellstrom (Interim Head for Pensions Shared Service) and Nicola Webb (Pension Fund Officer).

External: Kevin Humpherson (Deloitte) and Alistair Sutherland (Deloitte).

15. MINUTES OF THE PREVIOUS MEETING

RESOLVED –

THAT, the minutes of the meeting held on 24 June 2015 were agreed as a correct record and signed by the Chair.

16. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Nicholas Botterill.

Apologies for lateness were received from Councillors Michael Adam and Guy Vincent.

17. DECLARATIONS OF INTEREST

There were no declarations of interest.

18. PENSION FUND QUARTERLY UPDATE REPORT

The Committee received an update on the Pension Fund for the quarter ending 30 June 2015.

Barnet Waddingham Quarterly Update Report

Nicola Webb (Pension Fund Officer) drew Members attention to page 44; appendix 3 of the report. The report showed an increasing employer

contribution rate and an increase to the funding level. The Fund Actuary confirmed that this was attributed to the following:

- Since the last triennial valuation in 2013, the assets have grown more quickly than the liabilities and so the funding level improved from 83% to 87%.
- Reduction in the indicative deficit funding element of the employer contribution rate from 8.3% to 7.8% at 30 June 2015.
- Reduction in the discount rate to 5.5% leading to an increase in the indicative employer contribution rate required to fund future benefits.

Nicola Webb confirmed that the Fund Actuary would be revisiting the Fund's contribution rate as part of a detailed analysis as at 31 March 2016. However, Members still shared concerns of a further increase to the employer contribution rate in light of a reduction in the discount rate. In response, Neil Sellstrom agreed to request a detailed explanation from the Fund Actuary.

ACTION: Neil Sellstrom, Interim Head of Pension Shared Services

Cashflow Monitoring: April 2015 to June 2015

Nicola Webb drew Members attention to page 45; appendix 4 of the report, which set out the cashflow monitoring. The forecast showed that the Fund was forecast to be overdrawn by November 2015 without additional monies. It was proposed that £5m be transferred from the £30m held in the LGIM Sterling Liquidity Fund to cover the overdraft. It was reported that officers would present a proposal to deal with the long-term cash flow position for the next meeting of the Sub-Committee in November 2015.

ACTION: Nicola Webb, Pension Fund Officer

Pension Fund Risk Register

Nicola Webb drew Members attention to page 47; appendix 5 of the report, which showed the risk register. It was noted that there had been three changes to the register since the previous quarter regarding operational governance and administration. It was additionally noted that the Pensions Board held its first meeting prior to the statutory deadline on 30 July 2015.

In light of the Council's transition to BT Managed Services, Members were concerned that risk item number 18 on page 55; appendix 5 of the report, was described as a medium risk. In addition, there was similar concern regarding risk number 23 on page 57; appendix 5 of the report as this was rated as a 'very low' risk. Nicola Webb agreed to refer these concerns to Hitesh Jolapara (Director for Finance) and Debbie Morris (Bi-Borough Director for HR).

ACTION: Nicola Webb, Pension Fund Officer

Budget Announcement: Future Consultation

Neil Sellstrom (Interim Head of Pension Shared Services) drew Members attention to page 59; appendix 7 of the report. The Department for Communities and Local Government (DCLG) were preparing a Consultation, which would be issued by November 2015 that would seek proposals from LGPS Funds to reduce costs, without impacting on investment returns. It was noted that the Government welcomed moves to participate in national frameworks for procurement as well as participation in the London Collective Investment Vehicle (CIV).

RESOLVED –

THAT, £5m is withdrawn from the LGIM Sterling Liquidity Fund and paid into the Pension Fund current account to cover pension payments.

19. PENSION FUND ANNUAL REPORT AND ACCOUNTS

Nicola Webb introduced the report as set out on pages 60 – 62 of the report. The Local Government Pension Scheme regulations require the Pension Fund to prepare and publish an annual report by 1 December every year. It was reported that CIPFA had used new guidance when preparing the management expenses as set out on page 98; appendix 1 of the report. However, Members requested a 'like for like' comparison to be included as part of the management expenses section of the annual report.

ACTION: Nicola Webb, Pension Fund Officer

RESOLVED –

(a) THAT, the Pension Fund Annual Report 2014/15 be approved, subject to final audit sign-off.

(b) THAT, the Pension Fund Accounts for 2014/15 be noted, pending approval at the Audit, Pensions and Standards Committee on 15 September 2015.

20. PENSION BOARD UPDATE

Nicola Webb provided Members an update following the establishment and first meeting of the Pension Board on 30 July 2015. Nicola Webb drew Members attention to page 122 of the report, which showed the Board membership. It was noted that a joint meeting of the Pensions Sub-Committee and Pensions Board had been arranged for 16 September 2015 to discuss how they wanted to work together and to discuss their training needs

RESOLVED –

THAT, the report be noted.

21. LONDON CIV UPDATE

Neil Sellstrom provided Members an update on the London CIV. It was reported that the London CIV was in the final stages of obtaining regulatory approval before it was able to be operational and take investments and that a further £25,000 contribution was required to fund this set up. It was additionally reported that a capital sum of £150,000 per London Borough was required to comply with regulatory requirements. This would be treated as share capital and therefore an investment, rather than a cost.

Members queried the level of return expected on the £150,000 although it was understood that a return on the investment was unlikely. In addition, Members queried whether or not the Fund would be able to request the money back in the future if it was to withdraw from the London CIV. Neil Sellstrom agreed to discuss this in further detail with Hugh Grover (Chief Executive, London CIV) and then provide an update to Members.

ACTION: Neil Sellstrom, Interim Head of Pension Shared Services

RESOLVED –

(a) THAT, the Sub-Committee approve the payment of £150,000 to the London CIV in respect of a contribution towards the regulatory capital, which represents the purchase of 150,000 class B shares.

(b) THAT, the Sub-Committee agreed to make a further contribution of £25,000 to the establishment of the London CIV.

22. DATE OF THE NEXT MEETING

25 November 2015

23. EXCLUSION OF THE PUBLIC AND PRESS

The Chair requested for any members of the public and press to leave the meeting room, as all the public reports had been heard and the Committee were then moving onto exempt items.

RESOLVED –

THAT, under section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined by paragraph 3 of Schedule 12A of the said Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

24. EXEMPT MINUTES OF THE PREVIOUS MEETING

RESOLVED –

THAT, the exempt minutes of the meeting held on 24 June 2015 were agreed as a correct record and signed by the Chair.

25. APPOINTMENT OF PENSION FUND ACTUARY

RESOLVED –

THAT, the Sub-Committee approved the recommendations contained within the report.

26. INFRASTRUCTURE INVESTMENT UPDATE

RESOLVED –

THAT, the report be noted.

27. PENSION FUND ABSOLUTE RETURN BONDS INVESTMENT

RESOLVED –

THAT, the Sub-Committee approved the recommendations contained within the report.

28. INVESTMENT STRATEGY NEXT STEPS

RESOLVED –

(a) THAT, the Sub-Committee approved the recommendations contained within the report.

(b) THAT, the Sub-Committee approved the recommendations contained within the report.

(c) THAT, the Sub-Committee approved the recommendations contained within the report.

Meeting started: 7:10pm

Meeting ended: 9:40pm

Chair

Contact officer: Ibrahim Ibrahim
Assistant Committee Co-ordinator
Governance and Scrutiny
☎: 020 8753 2075
E-mail: ibrahim.ibrahim@lbhf.gov.uk