

Pension Fund Sub-Committee

Minutes

Tuesday 29 September 2020

This meeting was held remotely. You can watch a recording of it here:
www.youtube.com/watch?v=hlNrLdVAIEs

PRESENT

Committee members: Councillors Iain Cassidy (Chair), PJ Murphy and Matt Thorley

Co-opted members: Michael Adam

Officers: Phil Triggs (Director of Treasury and Pensions), Matt Hopson (Strategic Investment Manager), Tim Mpofu (Pension Fund Manager), David Hughes (Director of Audit, Fraud, Risk and Insurance), Rhian Davies (Director of Resources), David Abbott (Head of Governance)

Guests:

Kevin Humpherson (Deloitte)
Gareth Hopkins (Independent Pensions Advisor)

1. MINUTES OF THE PREVIOUS MEETING

The minutes of the meetings held on the 23rd of June and the 31st of July 2020 were agreed as an accurate record.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Rebecca Harvey.

3. ROLL CALL AND DECLARATIONS OF INTEREST

The Chair carried out a roll call to confirm attendance. Attendance is listed above. There were no declarations of interest.

NOTE: The Chair agreed to reorder the agenda. Items 11, 12, and 13 were given priority.

4. EXCLUSION OF THE PUBLIC AND PRESS

The Sub-Committee agreed, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of Items 12 and 13, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

5. EXEMPT MINUTES OF THE PREVIOUS MEETING

The exempt minutes of the meeting held on the 31st of July 2020 were agreed as an accurate record.

6. PENSIONS ADMINISTRATION UPDATE

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report and gave a summary of the key points. Members discussed the report.

RESOLVED

That the Sub-Committee noted the report.

7. QUARTERLY UPDATE

Tim Mpofo (Pension Fund Manager) presented the report and gave a summary of the key points.

Michael Adam asked if officers had any indication of what the yield on the cash balances would be. Tim Mpofo said there was in the region of £5 to £10m in cash at any one time so the yield would be around £50k.

Michael Adam asked if another £40-50k a year was worth it given the counter-party risk. Tim Mpofo said it was low risk and only for short periods (with daily dealing).

Michael Adam asked for a breakdown of where the fund was currently invested. Tim Mpofo said he could share the fact sheet but generally it was in Triple A rated, lowest risk bond funds.

The Chair asked if the committee approved the recommendation to move cash balances. The sub-committee agreed moving cash balances to Northern Trust's Conservative Ultra Short Fund.

RESOLVED

1. That the Sub-Committee noted the update.
2. That the Sub-Committee approved moving cash balances to Northern Trust's Conservative Ultra Short Fund

8. ANNUAL REPORT

Matt Hopson (Strategic Investment Manager) presented the report and gave a summary of the key points. He noted that the annual report was still draft

because the preparation of the final set of accounts had been delayed by the Covid-19 pandemic.

RESOLVED

1. That the Sub-Committee approved the Pension Fund Annual Report for 2019/20, subject to any necessary final alterations made by the Director for Treasury and Pensions in consultation with the Chair.
2. That the Sub-Committee noted the draft Pension Fund Accounts for 2019/20 and PIRC Universe Overview.

9. RESPONSIBLE INVESTMENT STATEMENT

Tim Mpofu (Pension Fund Manager) presented the report and gave a summary of the key points.

The Chair said he was really impressed with the progress in this area and thanked officers for their hard work. Councillor PJ Murphy agreed and said it would be useful for the committee to understand both the quick wins and the challenges moving forward. Tim Mpofu said officers would look into this and feedback to the committee.

ACTION: Tim Mpofu

Michael Adam asked if this would be expanded in future with more granular comments from fund managers – including how they measured and implemented ESG. He also suggested fixed income could also be incorporated in future.

Tim Mpofu said it would be expanded – and while the impact of fixed income was difficult to measure it could potentially be included in future. This report was the ‘start of the journey’.

RESOLVED

That the Sub-Committee approved the updated Responsible Investment Statement.

10. TRANSITION REPORT

Matt Hopson (Strategic Investment Manager) presented the report and gave a summary of the key points. He noted that the transition had been successfully completed and the overall cost was in line with expectations.

RESOLVED

That the Sub-Committee noted the report.

11. SUPREME COURT DECISION

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points.

The Chair asked if the decision would have an impact on pooling. Phil Triggs said it might – the decision suggested local authorities could exercise more sovereign power, but that may change in future if the Government passed additional legislation.

RESOLVED

That the Sub-Committee noted the report.

12. MCCLLOUD CONSULTATION

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points.

Councillor PJ Murphy asked if this meant each beneficiary would get a statement with two valuations and be asked to choose between them. Phil Triggs agreed but said the detail of any administrative changes would be down to the Head of Pensions Administration.

Michael Adam asked if the Government had set out a timeframe for implementation. He also asked if there was an indication of the impact on liabilities. Phil Triggs said the actuary was prudent when anticipating this decision and made allowance for extra liability and made consideration in their calculations. The contribution rates from the 1st of April took extra liability into consideration.

The Chair asked for regular updates at future meetings.

RESOLVED

That the Sub-Committee noted the report and requested progress updates at future meetings.

13. INVESTMENT STRATEGY REVIEW

Kevin Humpherson (Deloitte) presented the report and gave a summary of the key points.

Councillor Matt Thorley asked if purchasing ground rents meant residential or commercial ground rents. Kevin Humpherson clarified that it was commercial only.

Councillor PJ Murphy asked if purchasing ground rents would overlap with the current property fund. Kevin Humpherson said ground rents were less exposed to property market price – default on a ground rent was very unlikely. But there was a degree of overlap because the underlying market was the same.

Councillor Murphy asked if a property needed a tenant for ground rent to come in. Kevin Humpherson said the level of collateralisation gave protection.

The Chair noted the mention of reputational risk around leasehold and freehold issues and asked if that could affect the commercial sector given the

Governments upcoming planning reforms. Kevin Humpherson said the commercial sector was completely different to the residential sector and he would be surprised to see changes.

The Chair asked what the next steps were. Matt Hopson (Strategic Investment Manager) said officers would bring back a definitive strategy for a ground rent fund with a social supported housing fund – and provide a shortlist of suggested managers at the next meeting. Officers noted that interviews with managers may have to take place outside of the arranged schedule of meetings. The Chair agreed.

RESOLVED

1. That the Sub-Committee noted the report and agreed that asset allocations should be taken to the next stage as a part replacement for the Fund's Inflation Protection portfolio with M&G.
2. That the Sub-Committee agreed an allocation to the LCIV Absolute Return Ruffer fund.

Meeting started: 6:30pm
Meeting ended: 8:40pm

Chair

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