

Pensions Sub-Committee

Minutes

Tuesday 20 June 2017

PRESENT

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

External Guests: Alistair Sutherland from Deloitte

Officers: Peter Carpenter (Interim Director of Treasury and Pensions), Peter Worth (Finance Officer), Susan Hands (Interim Finance Manager), and Amrita Gill (Assistant Committee Co-ordinator)

1. APPOINTMENT OF VICE CHAIR

RESOLVED

That Councillor Michael Adam was elected as Vice Chair of the Pension Sub Committee for the 2017/18 municipal year.

2. MINUTES OF THE PREVIOUS MEETING

Peter Carpenter noted an update under Item 5 – Pensions Fund Quarterly Update Pack: The London CIV would attend the Pensions Sub-Committee on 19 September.

Peter Carpenter noted an update under Item 6 – Pension Fund Actuarial Certification: In terms of the actuary figures, the funding had increased from 88% to 94% and the deficit had halved. Following a discussion with the actuary he noted that it would take 10 years to become fully funded at a hurdle rate of 6%. He said that the actuary data would be reported to the Sub-Committee on a quarterly basis going forward. Councillor Michael Adam asked why there had been a significant improvement in comparison to the figures the Sub-Committee received in January 2017. Peter Carpenter responded that he would confirm why this was the case. Peter Carpenter confirmed that public sector deficits were lower than private sector figures due to the private sector using gilt yields as the comparison basis and public sector figures were based on actual returns.

RESOLVED

That, with the above correction, the minutes of the meeting held on 15 March 2017 were agreed as a correct record and were signed by the Chair.

3. APOLOGIES FOR ABSENCE

Apologies for lateness were received from Councillor PJ Murphy.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. RESULTS OF THE PENSION STRATEGY REVIEW

Peter Carpenter presented the paper and noted the recommendations discussed at the investment strategy review working group meeting on 20 May 2017, which was to remain with the present allocation model. Relative to most Local Government allocation models, the Council's model was not fully dependent on equities for its return and had a broad diversification, however the present portfolio was 7% overweight in equities and needed to be rebalanced as per the asset allocation strategy.

Councillor Michael Adam said to take the opportunity and use some of the profit from the equity overweight portfolio and move the assets from LGIM to Ruffer and invest the balance into infrastructure.

Peter Carpenter said following agreement from Councillors, discussions would be held with the London CIV on 21 June 2017. Councillor PJ Murphy asked how long would it take to transfer the assets. Alistair Sutherland said the process would take approximately two weeks. Councillors queried if LGIM was in the London CIV. Peter Carpenter responded LGIM was a life fund, therefore could not be a CIV product however the Council was paying a lower fee through the London CIV.

Alistair Sutherland, in reference to Appendix D, noted that four infrastructure investment options had been considered and additionally infrastructure would depend on drawdown rates. Councillor Michael Adam highlighted that the Aviva fund invested in unleveraged infrastructure assets and actively sought assets with limited competition for structural reasons, therefore wouldn't pose a risk that came with leverage.

Councillors noted that there was an overlap between Aviva Investors and Hermes Investment Management and felt that they were a similar product. Councillors felt that they needed to meet with the organisations to assess their financial viability prior to making a decision. Alistair Sunderland recommended that if Councillors wanted to meet with three different infrastructure managers he would recommend a combination of Aviva Investors, Standard Life Capita Partners, and First State Investments. Peter Carpenter said he would invite the organisations to present to the Sub-Committee at a separate selection meeting within 6 weeks.

Peter Carpenter noted, in relation to Friends of the Earth he had informed the Leader Councillor Stephen Cowan that the Council would continue to embed the present allocation strategy due to their fiduciary responsibility, therefore would not make any decisions in the short-term, but would review the position

after 2 years. In addition, at the meeting Friends of the Earth were asked for a consistent position across London for clarity and consolidation of Investment Vehicles. Councillor Guy Vincent commented that actual carbon items were with the London CIV and no longer directly with the Council.

RESOLVED

1. That the Pension Sub-Committee considered the options set out in this report to examine the present investment strategy, the results and requirements of the recently completed triennial revaluation, external factors and investment opportunities to evaluate any changes required to the present investment strategy set out in the statement of investment principles to ensure that the fund's assets grow (and were protected) at an adequate rate to meet on-going liabilities.
2. That if more work was required to move the strategy forward, that meetings were scheduled over the summer to make sure the updated strategy was ready in October 2017.

6. QUARTERLY REVIEW PACK

An updated copy of Appendix 1 of the agenda was tabled.

Peter Carpenter presented the quarterly update pack for the quarter that ended on 31 March 2017 and noted that the risk register had been updated.

Alistair Sutherland, in reference to Appendix 2 of the report, noted that a section on the London CIV had been included to provide the Sub-Committee with an overview of the sub-funds currently available on the London CIV platform. He also added that The Standard Life and Aberdeen Asset Management merger had now taken place.

Councillor Guy Vincent queried if The London CIV were cooperating as expected and if they consulted officers on behalf of the Sub-Committee prior to making decisions. Alistair Sutherland noted that improvements had been made and they were actively working towards streamlining their decision making process. He reassured Councillors that, if a fund was being offered and officers thought it was not appropriate the Council would be obliged to inform the London CIV as it held fiducial responsibility.

In addition, Peter Carpenter commented that Surrey County Council and BT would be invited to the next Pensions Board meeting for Councillors to fully understand what their present position was and how the Council would get assurance that processes were in place and being followed correctly.

RESOLVED

That the report was noted.

7. BUSINESS PLAN

Peter Carpenter presented the report for the Pension Fund Business Plan 2017-2018 and noted that it was best practice for Council services to have business plans that set out objectives of the service.

Councillor PJ Murphy asked whether a cost-benefit analysis had been undertaken since the Tri-Borough Treasury and Pensions arrangements were established. Peter Carpenter responded that the primary aim of the present arrangements was to provide resilience that would not otherwise be there in a single Council environment. He also noted that although there was considerable consolidation, the three funds were still free to make their own choices independently.

RESOLVED

That the Pensions Sub-Committee noted the Tri-Borough Pensions Business Plan and agreed with the direction of travel set out in the plan in regard to the Action Plan.

8. COMPLIANCE PLAN

Peter Carpenter presented the item and noted that there was a requirement for the Sub-Committee, on a yearly basis, to review its governance arrangements to ensure statutory requirements were being met. Overall the Sub-Committee complied with all statutory requirements except for representation. He said that the Sub-Committee may co-opt non-voting independent members, including Trade Unions and representatives from the admitted and scheduled bodies in the Pensions Fund, however a Trade Union Representative had not attended for over three years and as such might have dropped off the invite list. The Councillors commented that they had no objection to a Trade Union Representative attending future Sub-Committee meetings.

RESOLVED

1. That the Pensions Sub-Committee approved the 2017/18 Governance Compliance Statement.
2. That the Pensions Sub-Committee delegated to the Pension Board, as its scrutiny body, to review compliance to the Pensions Regulator's Codes of Practice at its next meeting and report back to the Sub-Committee.

9. ANNUAL REPORT TO SCHEME ADVISORY BOARD ON POOLING

Peter Carpenter presented the report and noted that local authority pension fund administering authorities were required to move Pension Fund assets into asset pools (such as the London Collective Investment Vehicle or CIV) to obtain lower fees from investment managers through economies of scale. The paper set out what opportunities were available through the London CIV and the pipeline of investment managers that would become available in the near-term. The Council was in a strong position and was towards the 'higher end' compared to other London Boroughs with assets on the CIV at 56%. He said

that London CIV would be invited to the next Pensions Sub-Committee for further discussions with the Councillors.

RESOLVED

That the Pensions Sub-Committee noted the present position regarding Fund Managers presently available via the London CIV and those being used by the London Borough of Hammersmith and Fulham Pension Fund.

10. DATE OF THE NEXT MEETING

The next meeting was scheduled for 19 September 2017.

Meeting started: 7:20pm

Meeting ended: 8:40pm

Chair

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