

PENSION COMMITTEE

Meeting held on Tuesday 8 March 2015 at 10am
in Room F10, The Town Hall, Katharine Street, Croydon, CR0 1NX

WRITTEN MINUTES – PART A

Present: Councillor John Wentworth (Chairman);
Councillor Simon Hall (Vice-Chairman);
Councillors Jan Buttinger, Robert Canning, Luke Clancy, Maddie Henson,
and Andrew Pelling

Also Present: Ms. Gilli Driver (Pensioner Representative)
Mr. Isa Makumbi (Staff Side Representative)

In attendance: Nigel Cook, (Head of Pensions and Treasury)
Matthew Hallett, (Pension Fund Investment Manager)
Richard Simpson, (Assistant Chief Executive and s151 Officer)
David Lyons (Aon Hewitt)
Daniel Carpenter (Aon Hewitt).

A01/16 APOLOGIES FOR ABSENCE

Apologies were received from Councillors Humayun Kabir (Councillor Canning as substitute), Yvette Hopley (Councillor Clancy as substitute), and Dudley Mead.

Apologies were also received from Peter Howard (Pensioner representative) and Mike Ellsmore, (Chair of the Local Pension Board)

A02/16 MINUTES OF THE MEETING HELD ON 8 DECEMBER 2015

RESOLVED that the Part A minutes of the meeting held on 8 December 2015 be signed as a correct record of the decisions taken.

A03/16 DISCLOSURES OF INTEREST

No disclosures of interest were made during the meeting.

A04/16 URGENT BUSINESS

There was no urgent business to consider.

A05/16 EXEMPT ITEMS

The allocation of business between Part A and Part B of the agenda were confirmed as stated.

A06/16

REQUIREMENT TO POOL LGPS FUNDS (item 6)

The Head of Pensions and Treasury introduced the item. This government consultation is for the creation of six regional pools of LGPS funds. The appendix to the report represents Croydon's response to the proposals; the further appendix is the London Collective Investment Vehicle (CIV) response, that Croydon is also a member of.

The Assistant Chief Executive stated that Croydon voluntarily joined the CIV however the changes proposed in the consultation will make such pooling compulsory. Due to the work of the CIV London is well ahead of the pooling process compared to the rest of the country. There is an acceptance from central government that the pooling process could be a ten year undertaking.

Responding to questions from the Committee the following was reported:

- The Pension Committee would still be in control of investments, for example setting the rate of infrastructure investment at 10%.
- Croydon's infrastructure investments are bundles of smaller projects rather than large scale developments, thus spreading the risk.
- Initial discussions with some of Croydon's larger fund managers has raised the prospect of anticipated fee savings of around one to one and a half percent. There will be transitional costs associated with pooling but professional transitional managers are being used to help mitigate these costs. The London CIV response makes reference to anticipated savings as well. Ultimately the level of savings will be based on what agreements local funds have with managers.

The Committee **NOTED** the contents of the report.

A07/16

CONSULTATION ON REVOKING AND REPLACING THE LOCAL GOVERNMENT PENSION SCHEME (MANAGEMENT AND INVESTMENT OF FUNDS) REGULATIONS 2009 (item 7)

The Head of Pensions and Treasury introduced this item. Croydon's response to this consultation is attached to the report. The new regulations require funds to use separate bank accounts, previously this was just recommended best practice and Croydon already has such a system in place. The new regulations additionally require an investment strategy and would provide the Secretary of State with a number of additional powers including back stop powers.

David Lyons added that there was no specific guidance in the regulations regarding provision of proper advice. There was also concern raised over the proposed Secretary of State powers – as they stand it would allow intervention even where guidance isn't followed.

The new regulations address the confusion over the definition of derivatives and essentially state that the “prudent person” test should be used when considering investment.

The Committee **NOTED** the contents of the report.

A08/16 **2016 – 2017 PENSION COMMITTEE FORWARD PLAN** (item 8)

The Head of Pensions and Treasury introduced this item. The attached document is an organic draft which will develop as circumstances change. The Committee were encouraged to email officers for any amendments or suggestions.

The Committee **NOTED** the proposed forward plan.

A09/16 **PENSION FUND RISK REGISTER** (item 9)

The Head of Pensions and Treasury introduced this item. It was highlighted that there was only one “red” risk identified as this related to employer members becoming insolvent.

Some Committee members raised that an additional risk to add is the potential risk of the Secretary of State's new powers in the proposed regulations being utilised to force the fund to invest in infrastructure. The Assistant Chief Executive advised that as the regulations are still in consultation it would be prudent to revisit this point after the regulations are in final form.

Daniel Carpenter stated that the most effective risk registers were those that are kept under regular review. The Committee requested that the risk register be reviewed on a half yearly basis.

The Committee **RESOLVED** to agree the contents of the risk register and for the item to return to the Committee for review on a six monthly basis.

A10/16 **UPDATE FROM THE LOCAL PENSION BOARD** (item 10)

The Head of Pensions and Treasury introduced the item. The report was substantially drafted by the Independent Chair to the Local Pension Board

(LPB), and the key point to note was that the Board reviews the Committee papers at each meeting. The report also contains the training sessions that LPB members have attended, as this forms part of the competency requirement of Board members.

The Committee expressed concern that Aon Hewitt were undertaking the governance review as this could create a conflict of interest. David Lyons stated that the potential for such conflict was recognised by Aon Hewitt when bidding for the project. A separate Aon Hewitt office from the investment advisors undertook the review and the advisors' office had no input into the review except for supplying documents when requested.

In response to questions from the Committee the Assistant Chief Executive reported that there was no formal budget for the LPB – the only substantial expenditure of the Board is training sessions and this is a statutory requirement. The governance review is the only other substantial expenditure, and the amount was relatively small. The structure of the LPB comes from the regulations – there must be equal employee and employer representation and an independent chair. It has a duty to report any breaches of regulations. There are a number of stages for this reporting to go through, the final stage being the Pensions Regulator. The chair must be independent, therefore to create a Vice-Chair would require employing another independent person to the Board.

The Committee **NOTED** the Local Pension Board report.

A11/16 STATEMENT OF INVESTMENT PRINCIPLES (item 11)

The Head of Pensions and Treasury introduced the item. It was reported that this statement had been considered by the Committee at its previous meeting and was then taken to the Local Pension Board for consultation. The Board members had comments but no changes for the statement. The final draft presented at this meeting has incorporated the changes made at the last Committee.

The Committee **RESOLVED** to adopt the Statement of Investment Principles.

A12/16 PROGRESS REPORT FOR QUARTER ENDED 31 DECEMBER 2015 (item 12)

The Head of Pensions and Treasury introduced the item. The end of September was another poor performing quarter, however since then the quarter ending in December saw almost a full recovery. Paragraphs 3.2 and 3.3 of the report highlight the progress made towards the new asset allocation strategy.

Daniel Carpenter tabled a presentation for this item which can be found online [here](#). Equities had rebounded in this quarter with strong returns in both the United States and Japan. Whilst there has been a recovery, the overall trend is down from the beginning of 2015. The outlook is for increased volatility moving forwards with weaker economic growth.

In response to questions from the Committee the following was reported:

- L&G assets are focussed on commuter tenants in London and the South East. Officers will circulate a presentation from L&G for further information.
- With regard to currency risk, Knightsbridge operate in dollars and Pantheon's exposure includes both the dollar and euro.
- Daniel Carpenter reported that Aon Hewitt held a neutral view on corporate bonds – whilst starting the year strong, there had been a downward trend recently.

The Committee **RESOLVED** to note the report.

A13/16 CAMERA RESOLUTION (item 13)

The CAMERA resolution was proposed by Councillor Hall and seconded by Councillor Henson.

The Committee **RESOLVED** that the Press and Public be excluded from the remainder of the meeting on the grounds that it is likely, in view of the nature of the business to be transacted or proceedings to be conducted, that there will be disclosure of confidential or exempt information falling within those paragraphs indicated in Part 1 of Schedule 12 A of the Local Government Act 1972, as amended.

SUMMARY OF PART B DISCUSSION

A14/16 The remainder of the meeting included disclosure of exempt information (as defined by paragraph 3 of Schedule 12A in Part 1 of the Local Government Act 1972: 'Information relating to the financial or business affairs of any particular person (including the authority holding that information)'). The minutes of the discussion are therefore also exempt and not available to the public.

A summary of the discussion is below, as required by section 100C(2) of the Local Government Act 1972.

item B1. The Committee **RESOLVED** that the Part B minutes of the meeting held on 8 December 2015 be approved, with one amendment

inserted therein, as a correct record of the decisions taken and be signed by the Chairman.

item B2. Progress Report for Quarter Ended 30 December 2015 (exempt under paragraphs 3 & 10)

The Committee **NOTED** the Part B content of the progress report.

The meeting ended at 11.02am.

DRAFT