

## **Pension Committee**

**Meeting held on Tuesday 20 June 2017 at 10:00am in the Council Chamber,  
Town Hall, Katharine Street, Croydon CR0 1NX**

### **DRAFT MINUTES - PART A**

**Present:** Councillor A Pelling (Chair)  
Councillor P Hay-Justice (Vice-Chair)  
Councillor S Brew, Councillor S Hall, Councillor, Councillor M  
Henson, Councillor Y Hopley, Mr. P Howard.

**Also present:** Matthew Hallett (Pension Fund Investment Manager), Nigel Cook  
(Head of Pensions and Treasury), Freda Townsend (Governance  
and Compliance Manager), Daniel Carpenter (Aon Hewitt), Dave  
Lyons (Aon Hewitt), Lisa Taylor (Director of Finance, Investment and  
Risk), Richard Simpson (Executive Director, Resources).

**Apologies:** Apologies were received from Councillor Wentworth, Councillor  
Dudley Mead, Gilli Driver and Isa Makumbi.  
Apologies were also received from Mike Ellsmore (Chair of Pension  
Board).

### **MINUTES - PART A**

#### **A1 Minutes**

Councillor Henson stated that her apologies to the last meeting had  
been omitted from the minutes.

The Committee **RESOLVED** that, with the addition of the apologies  
stated above, the minutes be approved as a correct record of that  
meeting.

#### **A2 Disclosure of Interest**

There were no disclosures.

#### **A3 Urgent Business (if any)**

There was no urgent business.

**A4 Exempt Items**

The allocation of the meeting between Part A and Part B was agreed as stated in the agenda.

**A5 Communications Strategy**

The Head of Pensions and Treasury introduced the report and stated that the only significant change that had been made to the strategy was the removal of the annual Open Day event. Beyond this, the Committee were informed that the strategy remained unchanged.

The Committee **RESOLVED** to approve the Communication Policy Statement.

**A6 Administration Strategy**

The Head of Pensions and Treasury introduced the report and drew the Committee's attention to paragraph 3.5, which contained the main change from the previous iteration of the strategy. In response to a question from the Committee it was confirmed that the cohabitation period was defined as a minimum of two years.

The Committee **RESOLVED** to approve the updated Administration Strategy Statement.

**A7 Progress Report for Quarter Ended 31 March 2017**

The Head of Pensions and Treasury introduced the report, noting that the Fund had now reached £1.1bn in value and drew the Committee's attention to paragraph 3.6 of the report which detailed the progress towards meeting the asset allocation targets.

The representatives from Aon Hewitt confirmed that the Fund was in a queue for M&G property investments due to the high demand for the fund manager's portfolio. The Committee's attention was also drawn to page 65 of the report, which illustrated that the past quarter had seen good returns from the Fund's assets.

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

**A8 Currency Hedging**

The Chair moved the item to the end of the Part A agenda, to allow for transition into Part B if it were required.

The Head of Pensions and Treasury introduced the report on currency hedging which had been considered for a number of years by officers and Committee Members to address the risks associated with the weakening of sterling. The question for the Committee to address was what proportion of the exposure should be hedged and when such products should be purchased.

The representatives from Aon Hewitt delivered a presentation (found at Appendix 1 of the report) on the broader context and trends of currency markets and the role of hedging – which in the Croydon Fund context was to crystallise the gains made from a weaker sterling over the previous three years. In response to questions from the Committee it was stated that currency hedging was on the agenda of most local authority pension funds, with many actively implementing such hedging.

The Committee asked officers detailed questions related to the hedging process and the risks associated therein. Members were informed that the fund manager currently used, L&G, were able to provide a currency hedging product in-house, and at a considerably low cost. The Committee discussed the benefits and drawbacks of such a scheme and came to a consensus that, in the principle, the low costs associated with currency hedging made it a prudent step to take.

The Committee **RESOLVED** that:

1. The foreign currency denominated equity component of the portfolio should be hedged, with an upper limit of no more than 50% of the value of foreign currency denominated listed equities;
2. The execution of any decision relating to currency hedging, including timing, be delegated to the Executive Director of Resources in consultation with the Chair of the Pensions Committee and the Cabinet Member for Finance and Treasury.

## **A9**

### **Appointment of Actuary**

The Head of Pensions and Treasury stated that the report confirmed the conclusion of the procurement process for the scheme actuary. The contract had been split into three lots, as detailed within the report, and two providers had been chosen. The process had been undertaken through the National Framework which ensured good quality control and value for money.

The Committee **RESOLVED** to note the award under the National Local Government Pension Scheme Framework of the following Lots by the Executive Director of Resources (Section 151 officer):

Lot 1: Actuarial Services, to Hymans Robertson;  
Lot 2: Benefits Consultancy, to Hymans Robertson; and  
Lot 3: Governance Consultancy, to AON Hewitt.

Each contract to run for a period of four years.

**A10                    Schedule of Visits**

The Head of Pensions and Treasury drew the Committee's attention to two paragraphs within the report. Paragraph 3.5 detailed the new fund managers and investments engaged with over the preceding period and paragraph 3.7 identified the calendar of proposed visit dates. Members were encouraged to attend the visits where possible as a useful opportunity to ask detailed questions of fund managers.

Following questions from the Committee it was confirmed that the fund managers regularly flew their senior staff around the world to meet with investors. Officers also committed to providing Members with a summary of each fund manager prior to the meetings.

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

**A11                    Training Policy**

The Head of Pensions and Treasury informed the Committee that the training log formed part of the annual report that would be submitted for approval at the September Pension Committee meeting. Members were invited to review the information provided in the log and submit any changes or amendments to the data contained therein.

In response to a question from the Committee it was confirmed that Pension Committee Members could access the Pension Regulator's free online training courses which had been provided to Pension Board Members.

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

**A12                    [The following motion is to be moved and seconded as the  
"camera resolution" where it is proposed to move into part B of  
a meeting]**

Councillor: Pelling proposed, and Councillor: Henson seconded, to move the Camera resolution and take the remainder of the meeting into Part B.

The Committee **RESOLVED** to move into Part B of the agenda and thus exclude members of the press and public.

The meeting ended at 11.40am.