

Pension Committee

Meeting of Pension Committee held on Tuesday, 17 March 2020 at 10.00 am in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Andrew Pelling (Chair);
Councillor Simon Hall (Vice-Chair);
Councillors Simon Brew, Robert Canning, Clive Fraser, Patricia Hay-Justice and Yvette Hopley

Co-opted Member: Mr Peter Howard

Also Present: Nigel Cook (Head of Pensions)
Matthew Hallett (Investment Manager)

Apologies: Councillor Luke Clancy and Gilli Driver (Co-copted Member)

PART A

The minutes of the meeting are presented in the structure of the agenda as published despite the order of items being varied at the meeting in accordance with the Chair's wishes.

19/20 Minutes of the Previous Meeting

The minutes of the meeting held on 11 February 2020 were agreed as an accurate record.

20/20 Disclosure of Interests

Co-opted Member and Pensioner Representative, Peter Howard declared that he was in receipt of a pension from the Fund.

21/20 Urgent Business (if any)

In order to take an item of urgent business in Part B (a presentation on an investment fund offered by the London CIV), the following motion was moved by Councillor Pelling and seconded by Councillor Hall to exclude the press and public:

"That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended."

22/20 Progress Report for Quarter 3 (to the end of December 2019)

The item was introduced by the Head of Pensions and Treasury. It was noted that the report covered the quarter to the end of December 2019 and felt historic as a result of the adjustment that had occurred in the market since this time. The Fund was described as a long-term investor and having recovered well from the financial crisis in 2008. It was thought that the same would happen in response to the market adjustment that was in progress.

It was highlighted that there was benefit arising from 5% of the Fund being held in cash and the decision taken 18 months previously to reduce the Fund's equity exposure in preference for investment in the bond market.

The Chair requested more information be provided on the performance of Bond funds specifically Aberdeen Standard Life and Pimco.

It was established that the constant review of Currency Foreign Exchange was achieved through regular updates provided by Mercer UK with more information to be sought.

RESOLVED: The Committee AGREED to note the report.

23/20 Key Performance Indicators for the Period Ended 31 December 2019

The item was introduced by the Head of HR and Finance Service Centre. It was noted that this was the first time that it had been possible to present the Committee with data for the whole of the quarter. This showed that performance was good for the priority areas of retirement and the payment of death benefits. Recruitment was continuing to fill junior posts which meant resourcing for processing was not at capacity. The tendering process was continuing to outsource the clearance of the backlog; three bids had been received and were awaiting evaluation.

Member questions covered the following areas: the timeframe for clearing the backlog of cases; business continuity should working from home become necessary in the light of COVID-19; the number of agency workers in the administration team; the definition of a legal deadline and the action to be taken where this might be breached. The rate of completion of new cases during the peak in notifications experienced during December 2019 was also explored. This had resulted from the implementation of a new payroll system.

RESOLVED: The Committee AGREED to note the report.

24/20 Funding Strategy Statement

The item was introduced by the Head of Pensions and Treasury. It was noted that the Committee had seen the Funding Strategy Statement in a draft format during its briefing from the scheme actuary at its meeting in February 2020. Since this time, the other scheme employers had been consulted on its

contents. There was disappointment expressed that so few employers had participated in this process. However, this process was now complete and the Funding Strategy Statement presented would be in place until the 2022 triennial evaluation took place.

Members asked questions about how the engagement of other employers might be improved with a focus on academies and third-party contractors.

RESOLVED: The Committee NOTED the outcome of the consultation with other employers and AGREED the adoption of the Funding Strategy Statement.

25/20 Risk Management Policy

It was noted that this policy had come through the governance review process and was being presented for re-adoption. It was introduced by the Head of Pensions and Treasury, who explained it was last reviewed and adopted in December 2017. It had been subsequently reviewed by officers, judged acceptable and therefore was being brought forward for re-adoption. Reassurance was provided that it had been fully scrutinised and assessed to still be suitable.

RESOLVED: The Committee AGREED to re-adopt the Risk Management Policy.

26/20 Knowledge and Skills Policy

The item was introduced by the Head of Pensions and Treasury. It was explained that whilst there were detailed expectations for Pension Board members, this was not the case for Pension Committee members. It was explained that the Secretary of State, through the Scheme Advisory Board, had noted this discrepancy and was seeking for this to be addressed. The Knowledge and Skills Policy had been drafted based on the framework provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). It was suggested that once the policy was adopted the Committee could identify training needs to be addressed.

The Committee discussed how the policy was going to be implemented and tracked. It was acknowledged that participation in training by Members was recorded and featured in the Annual Report shared with Secretary of State. The option of online training was highlighted. Training for regulation, benefits and administration was noted as available with other investment training being available including from CIPFA.

Through their questions, Members established that there was more to do in terms of training for Reserve Members. There was discussion about the best providers of suitable training with the Local Government Association specifically mentioned. The knowledge Members were expected to have was described as extensive.

RESOLVED: The Committee AGREED the Knowledge and Skills Policy and adopted the CIFPA Knowledge and Skills Framework.

27/20 Revisions to the Asset Allocation Strategy

Councillor Hall moved the recommendation as stated in the amended officer's report, the Fund's median percentage asset allocation to be set at 40 % Equities, 20 % Fixed Income and 40 % Alternatives. Additionally, Councillor Hall moved the recommendation for £55 million, being equivalent to the sum previously earmarked for investment in the London CIV Emerging Market Fund, to be invested in the London CIV Sustainable Equity Exclusion Fund with the timing to be determined by officers with advice from Mercer UK and that over time the Fund's equity investments shall be moved into the London CIV Sustainable Equity Exclusion Fund.

Both recommendations were seconded by Councillor Pelling.

Officers pointed out that they were not able to give investment advice and the Pension Fund's investment adviser had not been given the opportunity to offer appropriate advice to inform the decision.

All Members agreed the recommendation save for Councillor Hopley who asked that her reservation about all equity investments being placed within the London CIV Sustainable Equity Exclusion Fund be recorded.

RESOLVED: The Committee AGREED the amended recommendation in the officer's report to approve the asset allocation strategy such that the Fund's median percentage asset allocation be set at 40 % Equities, 20 % Fixed Income and 40 % Alternatives. Additionally, the Committee AGREED to move £55 million of the Fund's Equity Investment to the London CIV Sustainable Equity Exclusion Fund with the timing to be determined by officers with advice from Mercer UK and that over time the Fund's equity investments shall be moved into the London CIV Sustainable Equity Exclusion Fund.

28/20 Exclusion of the Press and Public

The following motion was moved by Councillor Pelling and seconded by Councillor Howard to exclude the press and public:

"That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended."

The motion was put and it was agreed by the Committee to exclude the press and public for the remainder of the meeting.

The meeting adjourned briefly at 11:39am and reconvened at 11:47am.

..... **29/20 Progress Report (Part B) for Quarter 3 (to the end of December 2019)**

The meeting adjourned briefly at 12:17pm to allow the Committee time to consider the report. The meeting reconvened at 12:27pm.

The Committee considered the report of the Head of Pensions and Treasury that detailed the commercially sensitive context of the performance of the Pension Fund over the quarter to the end of December 2019.

RESOLVED: The Committee AGREED to note the report.

30/20 Revisions to the Asset Allocation Strategy (Part B)

The Committee considered the commercially sensitive report provided by Mercer UK regarding the Investment Strategy Review.

The meeting ended at 12.30 pm

Signed:

Date: