

Pension Committee

Meeting held on Tuesday, 5 November 2019 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, Luke Clancy, Clive Fraser,
Patricia Hay-Justice and Yvette Hopley

Co-opted Members: Mr Peter Howard and Charles Quaye

Also Present: Councillor
Nigel Cook (Head of Pensions and Treasury), Lisa Taylor (Director of Finance,
Investment and Risk (S151 Officer)) and Michael Ellsmore (Independent Chair,
Pension Board)

Apologies: Gilli Driver (Co-opted Member)

PART A

55/19 Minutes of the Previous Meeting

The minutes of the meeting held on 17 September 2019 were agreed as an accurate record with the amendment to reflect that Michael Ellsmore was not a Councillor.

56/19 Disclosure of Interests

Councillor Hay-Justice noted her husband as a pension beneficiary. Apart from this there were no declarations of interests made.

57/19 Urgent Business (if any)

There were no items of urgent business.

58/19 Review of the Investment Strategy Statement

The report was introduced by the Head of Pensions and Treasury who explained there were no changes being proposed but that the Investment Strategy Statement was being put forward for consultation and review. Changes agreed by the Committee would be incorporated into the statement which would be brought back to the Committee for formal adoption prior to the end of the financial year. It was emphasised that officers were initially seeking board guidance from the Committee on what changes were required.

In response to Member questions it was established that the fund contained three broad categories of asset classes:

- Equities: the engine of wealth production in the fund, growing faster than liabilities;
- Fixed interest: for example corporate bonds and government debt which tended to match the growth of liabilities; and
- Alternates: which tended to over perform and used up large amounts of risk.

Additionally, the fund also held cash which was generated by the collection of contributions and was paid out in liabilities (the levels of these two factors were closely matched).

Councillor Hall and Lisa Taylor, the Director of Finance, Investment and Risk, joined the meeting at 10:26am.

It was established that the fund does not hold gold or other precious metals. The Head of Pensions and Treasury explained that as with other commodity trading, this was quite a risky approach with the skills sets involved for management expensive to acquire. The Mercer representative concurred, emphasising that better return rates were available from other asset classes.

In response to a Member question about holding private debt, the Mercer representative stressed that each asset class was in competition for the capital held in the fund and as such had to prove itself. Therefore, it was important to question if it was the right approach to help the fund meet its objectives. The Head of Pensions and Treasury concurred, noting that the more risky the private debt the better the return. Private debt could encompass everything from Treasury Bonds and Gilts, regarded as being as safe as cash, through a whole spectrum of debt from AA (blue chip debt) to high yield debt. It was noted that if this was added to the types of assets held, more resource would be required to manage and provide due diligence.

Members asked about reporting on the investments in Pimco. Officers explained that this was down to timing and that a report would be forthcoming.

A Member questioned the potential for growth through investments in emerging markets and the limitations imposed as a result of pooling through the CIV. The Vice-Chair, Councillor Hall, the Cabinet Member for Finance and Resources, highlighted that the CIV was being very responsive; it was listening to local authorities and developing appropriate products.

Members asked questions about the performance of individual asset classes, how this was measured and benchmarked.

RESOLVED: the Committee AGREED the recommendation in the report for drafting a revised Investment Strategy Statement and delegated to the Director of Finance, Investment and Risk and section 151 officer, in consultation with the Chair of the Committee, the final approval of the Investment Strategy Statement.

59/19 The Investment Consultancy and Fiduciary Management Market Investigation Order 2019

The report was introduced by the Head of Pensions and Treasury who explained that the Competition and Markets Authority (CMA) had issued an order for trustees to have a mechanism in place to measure the performance of investment advisers. Mercer was acknowledged as the advisers to the Croydon Pension Fund.

The urgency of the order was due to guidance not yet being forthcoming from the Secretary of State. The requirement was to create a framework as a way of judging the performance of advisers and to allow report back to the Committee.

It was proposed that officers develop a process to be reviewed by the Committee at its next meeting.

RESOLVED: The Committee AGREED to delegate to the Director of Finance, Investment and Risk/Section 151 Officer in consultation with the Pension Committee Chair and Vice-Chair authority to agree final Strategic Objectives in relation to the provision of Investment Consultancy Services as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

60/19 Report back from the Pension Board

The Pension Committee received a report back on the Pension Board meeting held on 17 October 2019. This was provided by Michael Ellsmore, the Independent Chair of the Pension Board. It was highlighted that the Board had received a report and presentation on the annual review of governance conducted Aon; this would come to the Pension Committee at its meeting in January 2020 accompanied by an action plan.

The Independent Chair informed the Committee that the Board had also been provided with an update on the Administration Service and that as a result there continued to be concern about performance – it was noted that under performance on two Key Performance Indicators had been reported. The Board had been informed of a delay to recruitment which would directly impact on this performance. As a result, the Board had asked the Independent Chair to write to the Director of Finance, Investment and Risk to express its concern.

The Independent Chair also reported that utilisation of external resources to provide additional administrative support was being delayed by the procurement process. Whilst it was appreciated that these issues were experienced by many Pension Funds, it was still a concern.

The Committee was informed by the Independent Chair that he had been interviewed by the Pensions Regulator with regard to the property asset

transfer but that further comment was not possible given this was undertaken as part of the regulator's investigation which was ongoing.

Lastly, Robert Holloway, the Secretary of the Scheme Advisory Board, would be attending the meeting of the Pension Board on from 2pm on 16 January 2020, to provide training on the role of the Local Government Pension Scheme Advisory Board and its view on the role of Pension Boards. All Members of the Pension Committee were invited to attend this meeting.

The Director of Finance, Investment and Risk asked to update the Committee with regard to the staff recruitment. The Director explained how a review of staffing across the Council was being conducted but that this was not impacting on recruitment for the administration of the fund given this was separately funded by the fund itself. However, recruitment remained difficult to achieve which was the most significant factor. There was no delay to using additional external resources to support the administration of the scheme but that this needed to go through the correct engagement process.

In response to Member questions it was clarified that:

- The Committee would be informed of the outcome of the investigation of the Pensions Regulator into the property asset transfer;
- The Board was keen to retain the expertise of its Members and the Constitution permitted that those with experience of representing scheme employers could be retained; and
- The Independent Chair of the Pension Board had suggested that Members, whose time was not remunerated by employers, should receive a retainer of £5K a year plus travel costs. This was to reflect that the pressures on Members becoming increasingly onerous with the Pension Regulator looking more to Boards. It was agreed that officers would consult with Aon to understand what approach was being taken by other Pension Boards.

61/19 Exclusion of the Press and Public

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 3 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.

62/19 Minutes (Part B) of the Previous Meeting

The minutes (Part B) of the meeting held on 17 September 2019 were agreed as an accurate record with the amendment to reflect that Michael Ellsmore was not a Councillor.

63/19 Investing in a Time of Climate Crisis

The Committee received training on Investing in a Time of Climate Change Crisis.

The Committee relocated to room G4 on the ground floor of the Croydon Town Hall building at 12:09 for the completion of the meeting.

64/19 Scenario Analysis

The Committee received a training session looking at scenario analysis.

Councillor Hall and the Director for Finance, Investment and Risk left the meeting at 12:50 to attend other Council meetings. Co-opted Member Peter Howard also left at this point.

The meeting ended at 1.01 pm

Signed:

Date:

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