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Pension Committee

Meeting held on Wednesday, 13 April 2022 at 10.00 am in Room 1.01 and 1.02 - Bernard Weatherill House, Mint Walk, Croydon CR0 1EA

MINUTES

Present: Councillor Andrew Pelling (Chair);
Councillor Clive Fraser (Vice-Chair);
Councillors Simon Brew and Yvette Hopley

Co-opted Members: Ms Gilli Driver, Mr Peter Howard and Charles Quaye

Also Present: Nigel Cook (Head of Pensions and Treasury), Jane West (Director of Finance, Investment and Risk (S151 Officer)), Luke Clancy, Nina Degrad (virtually), Steve Hollands, Karen Jewitt, Caragh Skipper, Robert Ward, Alison Murray (Aon Hewitt) (Part) and Peter Gent (Mercer) (Part B)

Apologies: Councillor Robert Canning and Pat Clouder

PART A

1/22 Disclosure of Interests

The Chair noted that there were certain pre-election protocols (ahead of the Council elections) which needed to be followed and Councillors were reminded of the need to follow such protocols. It was noted that no formal decisions would be made at this meeting.

The Chair noted the Council had adopted a new Code of Conduct and members were reminded to declare any disclosable pecuniary interest (DPI), other registrable interest (ORI) or non-registerable interests (NRI) relating to any matter on the agenda. Members confirmed that their declarations were up-to-date with no further action required.

2/22 Urgent Business (if any)

The Chair noted that a number of members would be leaving the Committee and thanked them for the contributions they had made. The Chair thanked Nigel Cook (Head of Pensions and Treasury) for his long service and noted Matthew Hallett will be acting as interim Pensions Officer.

Councillor Brew noted that there is no item on the agenda to approve the minutes of the last meeting. It was further noted that minutes of the meetings held on 8 December 2020, 16 March 2021, 26 May 2021 and 3 December 2021 were in draft for finalisation. The Chair noted it was important that all the minutes were completed. It was further noted that given the impending changes in the Committee membership that such minutes would be completed as soon as possible.

Nigel Cook noted that, through the LGPS National Framework for Legal Services and following a competitive tender, Burges Salmon LLP had been appointed to provide legal review and comment on the committee reports. Burges Salmon would also provide draft minutes of the meetings for the Pension Committee and Pension Board. Further details of the appointment would be shared by the Pensions Team with the Committee.

3/22 Progress on Implementing Findings of Governance Review

Members received and reviewed a progress report further to the findings of the Governance Review of June 2021.

Nigel Cook reminded the Committee that Aon Hewitt had been commissioned by the Pensions Board to undertake a Governance Review, and had reported back in September 2019. This work had then been reviewed in June 2021. The progress report included actions completed to date and progress of the delivery of the balance of items.

The Chair noted there had been a separation of the roles between the Council (Treasury) and the Fund and highlighted the importance of this given the size of the Fund and need for the Fund to receive appropriate attention. It was agreed that a clear separation between the roles of the Council and the Fund was important, and should be maintained by future committees. It was further noted there would be occasions where it would be appropriate for the Fund and the Council to be independently advised.

The Chair also noted that the Committee should consider further employer representation outside of the Council and it should be considered whether changes to voting arrangements would be beneficial.

Councillor Hopley noted that in her view the recommendations described within the progress report were sensible, and that the Committee should work to improve the line of communication between officers, the Chair and the Committee going forwards.

Alison Murray of Aon Hewitt joined the meeting to summarise the key points from the report. In particular it was noted:

- the recommendations in the report should be considered and addressed (where appropriate);
- progress should be tracked and recorded;
- communication could be enhanced (for example changes in Committee members should be communicated in advance of meetings);
- there should be appropriate training for new Committee members;
- resourcing should be considered given the number of forthcoming legislative changes.

The Chair noted in particular that continuity of membership can support the operation of the Committee, and the Fund, and requested that the Director of Finance, Investment and Risk (Section 151 Officer) write to the party Whips and request that future Committee members are drawn from those who are able to commit sufficient time to the role over their term.

The Section 151 officer noted the importance of training for new Committee members. Councillor Brew further requested that training undertaken should be recorded and retained as a formal public record.

Nigel Cook noted that an online training programme had been procured from Hymans Robertson and would be available to current and future Committee members. Nigel Cook also described that whilst internal resource within the Council was constrained, the Council would need to continue to recruit.

Councillor Degradis requested that a job description for the Committee role is created and that a history of the Fund is created for new Committee members to assist their understanding of the arrangements, and their confidence in the role. The Section 151 Officer agreed to arrange for the preparation of those documents.

RESOLVED to note the content of the report.

Alison Murray left the meeting.

4/22 Timetable for Triennial Actuarial Valuation and Review of Asset Allocation

Members received and reviewed a report on the timetable for the Triennial Actuarial Valuation and Review of Asset Allocation.

Nigel Cook noted that the triennial actuarial valuation would be completed in time for April 2023. It was further noted that the report described the various processes that were required to come together in order to prepare the triennial actuarial valuation.

In particular it was noted:

- the triennial valuation is the valuation of the liabilities within the Fund;
- the investment advisers would be examining and challenging the current asset allocation strategy to ensure the investment strategy is appropriate in the context of the Fund liabilities;
- environmental, social and governance factors will be considered as part of the valuation and investment processes; and
- consideration needs to be given to the London Collective Investment Vehicle (CIV). It was noted further there was an obligation to consider the CIV when making investment decisions, and that as the CIV expanded its offering the Fund would be able to increase its use of the CIV.

Nigel Cook also noted there was significant interaction between the scheme actuary and the Fund administration team to produce the data cut for the valuation. The Fund also needed to consider over 100 other scheme employers in the Fund (who were also included in the process).

The Chair noted the importance of ensuring that asset allocations were appropriate to reduce volatility in the Fund, and to assist the management of contribution rates payable by the Council and other Scheme employers participating in the Fund. It was noted that an increase in Council contributions could ultimately impact on taxpayers in the local area.

The Section 151 officer agreed that it was important to have in place appropriate governance for the review of asset allocations and to ensure this it was carried out at the right time (and as part of the valuation process). There was a further discussion as to whether there should be an acceleration of the asset allocation review given current volatility in markets and rising inflation. This would be considered at a future Committee meeting.

The Chair invited Peter Gent of Mercer to comment, who explained the Fund was currently in a strong funding position given the recent growth of assets. Peter Gent noted however that, even if the Fund is 100% funded, it is 100% funded on the basis that the Fund continues to generate assumed investment returns. It was noted further that a material level of equity and other growth seeking investments is required to be held by the Fund in order to achieve long term gains under the current investment strategy. It was noted that it would be important to monitor the position on inflation.

RESOLVED to note the content of the report and that there would be a further discussion as part of Part B on the agenda.

5/22 Progress Report for Quarter ended 31 December 2021

Members received and reviewed a progress report on the performance of the Fund for the quarter ended 31 December 2021.

Nigel Cook introduced the progress report and the purpose of it. It was noted that it is a technical report but that it included some commentary on the impact of the war in the Ukraine on the Fund.

Nigel Cook referred the Committee to the report (and in particular paragraph 3.6.6) which illustrated the asset allocation of the Fund (at year end) against the target asset allocation. In summary it was noted the Fund assets were, against the target allocation, a little overweight in equities, and underweight in fixed interest. It was further noted that the tolerance limits in the target allocation had not been breached.

Councillor Brew noted that it had been some time since he had met any of the Fund managers. Nigel Cook noted that in part that was due to COVID restrictions. After discussion, it was noted that future Committees would consider how best to engage with the relevant fund managers and whether Fund managers should attend Committee meetings.

RESOLVED that members noted the content of the report.

6/22 Appointment of External Auditors

Members received and reviewed a report on the appointment of External Auditors.

The Chair noted this item had been requested to ensure the Committee understood the process of the appointment of external auditors in connection with the Fund.

The Section 151 Officer noted that Public Sector Audit Appointments Ltd (PSAA) was used by many local authorities and its purpose was to facilitate the appointment of auditors across local government. It was noted that the Council had to date only given an indication that it wished to be involved in the sector led approach described by the report.

The Chair noted that the Committee wished to be fully engaged in the appointment of an auditor to the Fund and that Grant Thornton should be on the candidate list for this committee and that it should not be excluded solely because the wider Council did not appoint Grant Thornton or use its services.

It was noted that the Committee would be updated once the PSAA had provided further details of how it will engage with the market.

The Chair asked the Section 151 Officer if it was possible for the Council and the Fund to appoint separate auditors. The Section 151 Officer agreed to confirm the position and report back to the Committee.

RESOLVED to note the report and a decision as to how to proceed was adjourned.

7/22 Exclusion of the Press and Public

The following motion was moved by Councillor Pelling and seconded by Councillor Brew 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.

8/22 Progress Report for Quarter ended 31 December 2021

It was MOVED by the Chair and RESOLVED that under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the remainder of the meeting 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 meeting ended at 12.01 pm

Signed:

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Date:

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