

## PENSION COMMITTEE

30 November 2015 at 7.00 pm

**MEMBERS:** Councillor Sunita Gordon (Chair), Councillor Richard Broadbent  
**\*Absent** (Vice-Chair) and Councillors Neil Garratt, Edward Joyce and  
Nick Matthey

### 30. APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTION

No apologies for absence were received.

### 31. DECLARATIONS OF INTEREST

Members declared interests regarding the following agenda item:

#### **Agenda item 8. Residential Property Fund Investments**

Councillor Nick Matthey, Non Pecuniary, as his son's employment relates to residential property fund (not specified).

### 32. MINUTES OF THE PREVIOUS MEETING

Councillor Neil Garratt noted that there was no asterisk next to Councillor Nick Matthey's name to indicate he was absent from the meeting.

Councillor Richard Broadbent noted that he had not received the breakdown of portfolio assets from Partners Group.

Councillor Richard Broadbent advised that minute 26 should read "Councillor Broadbent also asked about induction training for members as stated under paragraph 3.3 of the statement."

Councillor Sunita Gordon noted that Sue Hogg was no longer supporting this Committee and extended thanks for her support and work in the previous year.

**RESOLVED:** That, subject to the amendments detailed above, the minutes are agreed as an accurate record of the meeting.

### 33. ORDER OF AGENDA

With the approval of the Committee, the Chair reordered the items on the agenda.

### 34. REVIEW OF THE WORK PROGRAMME

Councillor Richard Broadbent asked when the next report on Responsible Investment, should it be agreed later in the meeting, would be brought to the Committee. The Strategic Director of Resources advised that this would be discussed under that item and the work programme updated accordingly.

**35. INTERIM ACTUARIAL VALUATION OF THE PENSION FUND AT 31 MARCH 2015**

The report was introduced by Lyndsey Gamble, the Head of Financial Strategy and Planning. She highlighted paragraph 4.3 of the report which details the results of the interim valuation carried out in March 2015 which gives an idea of the full valuation.

Councillor Nick Mattey noted the impact of the application of the discount rate on the level of the liabilities and asked if this was typical across all pension funds. The Strategic Director of Resources explained that a long-term (40 year) prediction is made, and inflation has been very low for some years, but acknowledged that some numbers are quite stark.

In response to questions, Andy Banham, the Head of Pensions, advised that the cash deficit contribution was £4.8m this year. Gerald Almeroth added that a 1% employee contribution increase would amount to around £900k. He advised that employee contributions cannot be raised following the valuation, as this is set in statute.

Councillor Nick Mattey suggested that it may be useful to know what the long-term financial implications would be on the fund if the London Living wage were to be introduced.

RESOLVED: That the Pension Committee notes the outcome of the interim valuation.

**36. PENSION ADMINISTRATION UPDATE**

The Head of Pensions, Andy Banham, introduced this report. He explained that the new deadline for the issue of Annual Pension Statement was 31 August 2015, and only seven local authorities met that deadline, of which Sutton was not one. He advised that the team are working to issue them as soon as possible. He described the difficulties in obtaining the relevant from around 50 employers for the 4000 employees in the scheme and noted that response rates from employers has been mixed, but this may improve with the self-service software soon to be piloted, which will enable employers to upload their own data.

With regard to the shared Pension Service, the Strategic Director of Resources confirmed that he has authority to make decisions around the shared service, but Members have been kept updated.

RESOLVED: That the Pension Committee

1. Notes the report
2. Notes the approach proposed for progressing the shared Pension Administration Service with RB Kingston.

### **37. EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED: That the press and public be excluded from the following items of business on the grounds that they involve the disclosure of exempt information as defined in paragraph 3, Schedule 12A of the Local Government Act 1972.

### **38. PRESENTATION BY M&G (BONDS) AND NEWTON (GLOBAL EQUITIES) FOR INVESTMENT PERFORMANCE RESULTS TO SEPTEMBER 2015**

The Committee received a report from Jeff Munroe and Kelly Tron of Newton Investment Management. The presentation covered the mandate from LB Sutton, the world market background, their investment performance at 30.09.15 and attribution and some contextual information on global thinking.

Kelly Tron pointed the Committee to the implementation of MIFID II which is currently subject to consultation. Councillor Sunita Gordon advised the Committee that information is available online and they can participate in the consultation.

The Committee then received a report from John Atkin of M&G Investments. His presentation covered the investment performance at 30.09.15, details of M&G's strategy, and the outlook for the Government bond market.

### **39. MEMBER TRAINING**

David Walker, Senior Investment Consultant from Hymans Robertson, delivered a short presentation to the Committee on the investment strategy for the pension fund. The training covered how the strategy is set, the objectives and beliefs, the decision making structure around the fund, implementation of the strategy and the role of each mandate within the current strategy.

### **40. QUARTERLY INVESTMENT PERFORMANCE TO SEPTEMBER 2015**

The Head of Financial Strategy and Planning, Lyndsey Gamble, introduced this report, and highlighted the table in paragraph 4.3 of the report which shows the value of the fund dropped for a second consecutive quarter.

Councillor Richard Broadbent asked if the performance of Shroder was cause for concern, and the Strategic Director of Resources, Gerald Almeroth responded that performance over two quarters was not sufficient to raise concern, and the review should be taken over a much longer term.

Councillor Nick Matthey asked about Sutton's performance in comparison with other local authorities and Gerald Almeroth advised that Sutton is sixth from the bottom. He acknowledged that a higher position would be preferable, but gave some background of the changes to the administration of the fund and its investment strategy since 2010, when he joined the authority. He reminded the Committee that the value of the fund has increased from £200m to approximately £500m in five years, but liabilities continue to grow alongside that.

RESOLVED: That the Pension Committee notes the performance of the Pension Fund Investment Managers.

#### **41. RESIDENTIAL PROPERTY FUND INVESTMENTS**

David Walker, Senior Investment Consultant for Hymans Robertson gave a detailed introduction to this report and invited comments and questions.

In response to questions, David Walker advised that the fund structure will ensure legal and efficient administration of the fund. He confirmed that the pension fund will own the assets when constructed, and will therefore benefit from the rental of the properties and any increase in their value. He also explained that 2-4% of the fund assets equates to £10m-£20m.

**RESOLVED:** That the Pension Committee approves the investment in residential property in the Invesco Real Estate UK Residential Fund of between 2 and 4% of fund assets.

#### **42. RESPONSIBLE INVESTMENTS**

David Walker, Senior Investment Consultant for Hymans Robertson gave a detailed introduction to this report and invited comments and questions.

The Strategic Director of Resources, Gerald Almeroth, reminded the Committee that they had asked for this item to be brought to them and to decide if further action is required.

The Head of Financial Strategy and Planning, Lyndsey Gamble updated the Committee with regard to Sutton's position as 'partially compliant' with the fund's Statement of Investment Principles (SOIP). All fund managers have been contacted and all but two have adopted the UK Stewardship Code. The two that have not adopted the code do not reflect the principles of it and are almost fully compliant. Councillor Nick Matthey questioned if those fund managers who do not adopt the code should continue to be part of the investment strategy. Gerald Almeroth explained that there is already a SOIP in place, and all fund managers are aware of the requirements in that before they approach us. He also noted that they are likely to have a very similar statement of principles in place. However, he suggested that the Committee may wish to satisfy themselves that the SOIP reflects current thinking.

The Strategic Director of Resources suggested that the Committee may wish to receive a presentation from the LAPFF. He undertook to approach them in order to establish the cost of becoming a member of the Forum and to ask them to attend the March meeting of this Committee.

**RESOLVED:** That the Pension Committee

1. Agrees that review is to be undertaken of the environmental, social and governance factors that may impact on the fund, with a report to come back to the June meeting of this Committee on the outcome of the review and options for future actions.
2. Agrees that fund managers be requested to adopt the UK Stewardship Code.

**43. ANY URGENT ITEM BROUGHT FORWARD AT THE DIRECTION OF THE CHAIR**

No items were raised.

**44. DATE OF NEXT MEETING**

The next meeting will take place on 14 March 2016.

The meeting ended at 10.10 pm

Chair: .....

Date: .....