

PENSION COMMITTEE

20 March 2017 at 7.00 pm

MEMBERS: Councillor Sunita Gordon (Chair), Councillors Edward Joyce, Neil Garratt and Manuel Abellan (Substitute).

ABSENT Councillor(s) Hamish Pollock, Richard Broadbent and Nick Matthey.

40. APOLOGIES FOR ABSENCE

Apologies for absence were given by Councillor Hamish Pollock (Vice Chair), Councillor Nick Matthey and Councillor Richard Broadbent, with Councillor Manuel Abellan attending as substitute for the latter.

41. DECLARATIONS OF INTEREST

11. Pension Administration Update

Councillor Sunita Gordon, Non Pecuniary, Governor of Carshalton College.

42. MEMBER TRAINING

David Walker, Senior Investment Consultant at Hymans Robertson, provided training on the Investment Strategy Review, looking in particular at:

- The role of the investment strategy review;
- The background to asset liability modelling; and
- The focus of the strategic review.

43. MINUTES OF THE PREVIOUS MEETING

RESOLVED: That the minutes of the meeting held on 12 December 2016 are agreed as an accurate record, subject to the following amendment:

That it be included in **Minute 33 – Final Triennial Actuarial Valuation of the Pension Fund** at 31 March 2016:

“Councillor Richard Broadbent raised his concern that Committee Members had not received a report or copy of the presentation in advance of the meeting and it was his view that Members had insufficient opportunity to prepare properly for the item and query the information provided.”

And made the following note:

Minute 34 - Governance Compliance Statement

That the revision of the Governance Compliance Statement, as deferred, would be presented to the Pension Committee at its June meeting.

44. QUARTERLY INVESTMENT PERFORMANCE REPORT

Lyndsey Gamble, Head of Financial Strategy and Planning, presented the report, drawing attention to the following key areas:

- Current allocations to the different mandates (Paragraphs 3.1 to 3.4);
- Movement in fund value (Paragraph 4.3); and
- Annualised rolling 3 years to 31 December 2016 (Paragraph 11).

Councillor Edward Joyce sought further clarification on liabilities, to which the Head of Financial Strategy and Planning commented that these were not examined on a quarter basis, rather annually around December.

The Chair, Councillor Sunita Gordon, enquired as to why equal amounts had been taken from the different mandates in relation to the current investment strategy. David Walker, Senior Investment Consultant, explained this to be a pragmatic decision. Members further discussed the respective allocations to the different mandates.

Councillor Neil Garratt enquired as to the 'highly priced Japanese company stocks' mentioned under Paragraph 6.2, which the Senior Investment Consultant explained to mean overvalued.

The Strategic Director of Resources referred to an exempt supplement distributed to Members with regards to a review of Partners Group Infrastructure Allocation, upon which the Senior Investment Consultant elaborated. Members expressed an agreed desire to continue investment via Partners Group, in line with existing strategy and target allocation.

RESOLVED: that the performance of the Pension Fund Investment Managers be noted.

45. PRESENTATION BY PARTNERS GROUP (INFRASTRUCTURE) AND M&G (BONDS) FOR INVESTMENT PERFORMANCE RESULTS TO DECEMBER 2016

John Atkin presented on behalf of M&G Investments on the performance and valuation of the London Borough of Sutton Pension Scheme as at 31 January 2017, reminding Members of the strategy. The presentation concluded with a brief overview of the market outlook.

Councillor Neil Garratt queried where any potential difficulties lay within the fund, to which the representative referred to credit risk assessment and elaborated on methods of investment in response to subsequent questions.

Sergio Jovele and Sian Roberts presented a global infrastructure update on behalf of Partners Group, examining in particular the market, the existing portfolio and maintaining exposure.

Councillor Edward Joyce referred to the returns mentioned, enquiring how these kinds of assets respond to difficult situations, for example, financial crisis. The representatives elaborated on the inherent nature of infrastructure investment, referring to leverage and diversification. Members further discussed leverage among different types of assets, diversification and the future of the market.

46. INVESTMENT STRATEGY STATEMENT

Lyndsey Gamble, Head of Financial Strategy and Planning, briefly presented the report. An addendum to Item 8 was tabled at the meeting outlining discussions held at an Investment Strategy Workshop attended by several Members on 13 March 2017.

RESOLVED: that the Investment Strategy Statement be approved and authority for its finalisation be delegated to the Strategic Director of Resources, in consultation with the Chair of the Pension Committee.

47. REPORTING BREACHES OF LAW

Lyndsey Gamble, Head of Financial Strategy and Planning, briefly presented the report and proposed policy as attached at Appendix A. It was emphasised that not all breaches necessarily need to be reported to the regulator.

Councillor Neil Garratt asked what a non-material breach of the law would be to which the Head of Financial Strategy and Planning referred to Part 5 of the Policy, explaining that it depends upon the circumstances.

RESOLVED: that the Breaches of Law Policy be agreed, as attached at Appendix A.

48. FUNDING STRATEGY STATEMENT

Lyndsey Gamble, Head of Financial Strategy and Planning, briefly presented the report.

RESOLVED: that the Funding Strategy Statement be approved, as attached at Appendix A.

49. PENSION ADMINISTRATION UPDATE

Andy Banham, Head of Pensions, and Sarah Spence, Sutton & Kingston Shared Pension Service Project Manager, presented the report, drawing particular attention to Paragraph 4 - Update on shared administration service and Appendix A.

The Chair, Councillor Sunita Gordon, asked if system administration training provided to one employee from Civica would be cascaded, which was confirmed in the positive.

Members were keen to continue to receive updates in respect of the shared administration service.

Further presentation was provided in relation to Paragraph 6, and Appendix B concerning the Valuation 2016, as well as TUPE Transfers under Paragraph 7. With regards to Paragraph 7.4, it was updated that the colleges had opted for the LPFA fund and that Members could be updated at the next meeting. Councillor Neil Garratt sought clarification on the administrative costs of a merger and the Head of Pension Service explained the impact on the London Borough of Sutton.

Councillor Neil Garratt also referred to Paragraphs 7.1 and 7.2 and asked whether new employees of the Local Authority Trading Companies (LATCs) would join the LGPS, to which it was responded in the negative in relation to Encompass and in the positive with regards to Sutton Education Service. Discussion ensued as to parallel conversations at the Sutton Shareholdings Board. Councillor Sunita Gordon requested further information be presented at the June Committee with the Strategic Director of Resources offering to circulate detail via e-mail.

RESOLVED: that the Pensions administration update report was considered and be noted.

50. REVIEW OF WORK PROGRAMME

Members reviewed the work programme looking at the next meeting in June 2017:

- Governance Compliance Statement from September to June
- Pension Administration Strategy to include charges to schools
- Pension Fund Business Plan

- Strategy Review
- One fund manager presentation rather than two, or potential postponement
- Postponement of CIV Update

Members of the Committee were requested by the Head of Financial Strategy and Planning to respond to the questions circulated in advance of the June item on the training plan. The Chair, Councillor Sunita Gordon requested that a list of recent trainings be circulated among Members.

51. ANY URGENT ITEM BROUGHT FORWARD AT THE DIRECTION OF THE CHAIR

No urgent business was raised.

52. DATE OF NEXT MEETING

The next meeting will be held on 12 June 2017 at the Civic Offices.

The meeting ended at 9.48 pm

Chair:

Date: