

PENSION COMMITTEE

18 December 2017 at 7.00 pm

MEMBERS: Councillor Sunita Gordon (Chair), and Councillors Richard Broadbent, Edward Joyce and Nick Matthey

ABSENT Councillor(s) Hamish Pollock and Neil Garratt

29. WELCOME AND INTRODUCTIONS

The Chair welcomed all those present.

30. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Hamish Pollock.

31. DECLARATIONS OF INTEREST

There were no declarations of interest made.

32. MINUTES OF THE PREVIOUS MEETING

RESOLVED: that the minutes of the meeting held on 4 September 2017 be agreed as an accurate record.

Members asked if information regarding how other London Boroughs approach committee composition, had been circulated to the Committee as requested at minute 23 at the last meeting. Lyndsey Gamble, Head of Investment, Risk and Commercial Finance confirmed that it had been circulated and that the format of the Pension Board would be looked at, at the same time as the Pension Committee next year.

33. ORDER OF ITEMS

The Chair announced that Item 7 on the agenda would now follow Item 5.

34. MEMBER TRAINING

A member development session was delivered on the subject of Myners Compliance and focussed on:

- Background and development of the Myners Code
- The Myner Principles

- How the Fund addresses and approaches the Principles
- Potential next steps for development of areas around the Fund objectives and beliefs, risk monitoring frequency, performance monitoring and review of the Fund's ESG policy

Members raised queries regarding the performance assessments and reviews of pension fund managers and requested the Committee allocate time for performance monitoring.

Officers present explained that conversations take place between David Walker of Hyman Robertson and Fund Managers in the background as well as quarterly monitoring and strategic reviewing. When necessary matters are referred to the Committee.

Members suggested the Committee revisited responsible investments next municipal year, to which the Chair was in agreement.

David Walker of Hyman Robertson explained that at a basic level, one should check the company is acting responsibly and being well run and well governed. At a next level you could then look at sustainable investment and ethical standards.

35. PRESENTATION BY THE LONDON CIV FOR THE INVESTMENT PERFORMANCE RESULTS TO SEPTEMBER 2017

Kevin Cullen, Client Relations Director and Rob Hall, Head of Equities gave a presentation on The London Collective Investment Vehicle (CIV). The presentation focused on:

- An update on, assets held by the CIV, breakdown of the funds and streamlining of reporting
- Quarter 3 Investment Report (Page 7 - Error on the page re BG performance)
- LCIV BG Diversified Growth Fund performance, positioning and outlook
- LCIV PY Global Total Return Fund performance, positioning and outlook
- LCIV NW Global Equity Fund performance, positioning and outlook

Members questioned whether the London CIV was looking at infrastructure and potential pressures on the Local Government Pension Scheme. The Client Relations Director explained that they were speaking to other pools and looking at the situation on a global level non-politically. He reported that there had not been any pressure from Government to invest in the UK.

Members queried whether Partners Group had an advantage by investing globally. The Head of Equities said they were a good manager with access to a wide range of funds but advised investment houses may struggle more than in the past.

Members asked whether tobacco come under the ESG code as an appropriate sector/stock to invest in. The Head of Equities explained that tobacco was a large sector and to not hold stock would be an unusual position for a global equity fund to take.

Members raised concerns regarding how well Newton were performing in their role as they were holding falling stocks in Teva. The Head of Equities responded that the fund managers had not changed their process and there was no rationale why they kept on holding onto to stock, which the London CIV did raise. He explained further that at the review stage they had not reached the point of underperforming, they didn't have the right catalysts in place and hadn't reviewed next stage of growth resulting in their passive holding.

The Strategic Director for Resources, Gerald Almeroth, requested the presenters take back the question of 'How do we know the CIV is performing well' to the London CIV. He explained to the Committee a report of the governance review of the CIV report had now been completed, the Governance Steering Committee will look at the report and make recommendations regarding the CIV. The CIV was not working as well as it should do and some authorities not engaging as they should be.

36. INTERIM ACTUARIAL VALUATION OF THE PENSION FUND AS AT 31 MARCH 2017

Alison Hamilton, from the Actuary, Barnett Waddingham presented the report.

Members commented that the funding level had increased to 88% and questioned why contributions had not subsequently decreased. Alison Hamilton explained that in considering funding future contributions, the Council made a decision to keep things stable, and not reduce contributions just because the situation appeared to be getting better.

The Strategic Director for Resources told the Committee that the ideal would be for the fund to be 100% funded, taking into account contributions into the fund made by employers.

The Committee congratulated the fund on its growth.

RESOLVED: that the interim valuation outcome be noted.

37. QUARTERLY INVESTMENT PERFORMANCE TO SEPTEMBER 2017

Lyndsey Gamble, Head of Investment, Risk and Commercial Finance, presented the report.

Members commented that funds in the CIV were doing poorly but ones outside were

not, and asked whether there were some pressures on the CIV funds to only invest in the UK. The Head of Investment, Risk and Commercial Finance said it was just a coincidence with the funds in the CIV.

Members noted that at 6.3 of the report, in the 3rd line, the wording could have been clearer and at 8.3 of the report it should have showed Baillie Gifford is out performing.

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

38. INVESTMENT STRATEGY REVIEW

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

RESOLVED: that the Investment Strategy be reviewed and recommendations agreed

39. GOVERNANCE REVIEW ACTION PLAN PROGRESS REPORT

Lyndsey Gamble, Head of Investment, Risk and Commercial Finance, presented the report.

Members queried whether point 10 of the Governance Review Action Plan had been agreed by the Committee. The Head of Investment, Risk and Commercial Finance explained that having both the Pension Committee and Board reviewing the risk register every quarter was overkill, and Members therefore agreed, on recommendation from officer, that the register should be reviewed every 6 months by one body.

Members requested that the point be raised with John Raisin at a later date. The Chair reminded the Committee that the risk register is maintained in real time and the Head of Investment, Risk and Commercial Finance confirmed they would look into sharing it with members

Members felt that point 15 of the Governance Review Action Plan didn't mention what was actually happening in the narrative. Sarah Spence, Sutton & Kingston Shared Pension Service Project Manager said that her team had begun to look at the performance measures against performance measures included in the Pension Administration Strategy, and more detail would be provided at the next committee.

Members pointed out that point 16 was marked as completed, despite the Committee only considering the strategy in December and that for point 18

completion should be put as January. Officer's confirmed that the amendments would be made

RESOLVED: that the updated governance action plan as set out at Appendix A be noted.

40. INDEPENDENT ADVISOR

Ian Talbot, Investments, Insurance & Commercial Manager, presented the report.

Members discussed the option of not appointing an Independent Advisor and requested that the Committee discuss the matter with John Raisin, and ask him to clarify his recommendation to appoint one. Some members expressed that they were happy to not appoint for the moment but did want to look at this again at a later date. Other members said that a view from a different perspective is welcomed.

Chair commented that they were already supported solidly by Hyman Robertson and was totally in favour at this point, of the recommendation.

The Strategic Director for Resources told the Committee that they can take comfort in that Officers have sufficient advice, and that regular administration reports and performance data are received. The Strategic Director said further that there can be conflict between the investment and independent advisor and the issue should kept under review.

RESOLVED: that it be agreed the Pension Committee should not engage an independent advisor at this time

41. PENSION ADMINISTRATION STRATEGY

Sarah Spence, Sarah Spence, Sutton & Kingston Shared Pension Service Project Manager presented the report.

Members asked for clarification on what had changed in the strategy since the earlier draft was presented to the committee in June 2017.

The Shared Pension Service Project Manager explained that the wording in the strategy had been made clearer to emphasise that the strategy came from Sutton Council and not just the Pension Administration Team.

RESOLVED: that the final version of the pension administration strategy be signed off

42. PENSION ADMINISTRATION UPDATE

Sarah Spence, Sutton & Kingston Shared Pension Service Project Manager presented the report.

The Chair made the Committee aware of a non-pecuniary interest in one of the academy schools mentioned in the report. Councillor Edward Joyce disclosed that previously he was a teacher at 3 of the schools mentioned in the report.

Members noted that a lot of P1 cases, outlined in appendix A, had gone up. The Shared Pension Service Project Manager said this was mainly due to deaths in retirement and cases that can stay open a lot longer. The Strategic Director added that it was not an issue to see a jump in one month and that they are going to bring in some extra resources to assist the team in getting the backlog down in the next the 3 months.

RESOLVED: that the report be noted

43. REVIEW OF WORK PROGRAMME

The Committee noted that John Raisin would be attending the Committee in June 2018.

44. ANY URGENT BUSINESS

There were no urgent items.

The meeting ended at 10.00 pm

Chair:

Date: