

## PENSION COMMITTEE

26 September 2018 at 7.00 pm

**MEMBERS:** Councillor Jill Whitehead (Chair), Councillor Ben Andrew (Vice-Chair) and Councillors Edward Joyce, Nali Patel, Param Nandha and Eric Allen

**ABSENT** Councillor(s)

### 12. WELCOME AND INTRODUCTIONS

The Chair welcomed all those present.

### 13. APOLOGIES FOR ABSENCE

There were no apologies from members.

### 14. DECLARATIONS OF INTEREST

Councillor Allen, Councillor Whitehead and Councillor Joyce declared that they are Sutton pensioners.

### 15. MINUTES OF THE PREVIOUS MEETING

**RESOLVED:** that the minutes of the meeting held on 18 June 2018 be agreed as an accurate record and signed by the Chair.

#### Order of items -

The Chair announced that item 11 would be heard ahead of the member training session, item 5.

### 16. MEMBER TRAINING

David Walker from Hymans Robertson delivered the training presentation. The key areas covered were:

- An overview of the LBS Pension fund strategy, including board levels of risk and expected returns and specific allocations and mandates based on long term funding objectives.
- Modelling to establish probability of success / overview of the current investment strategy.
- The role of equities covering the active versus passive management styles and an insight into the current London Borough of Sutton equity allocation and options for equity restructure going forward.

Members asked how an increase in assets had affected the current pension deficit. Officers advised that there had been an improved position and details were covered in the interim

actuarial valuation report. Further debate took place on the expectations of future equity performance and also performance of specific fund managers. Members were advised equities are still expected to perform well over the long term but there is still current market volatility. As part of the equity review, appointment of managers will be considered

## **17. QUARTERLY INVESTMENT PERFORMANCE REPORT TO JUNE 2018**

Lyndsey Gamble, Head of Investment Risk and Commercial Finance, presented the report and updated members on the performance of the total fund and individual fund managers for the quarter ending 30 June 2018. In particular the increase in fund value from £640M to £666M highlighted an increase of 4.1%. The performance by investment type was also discussed and in particular that only equities had performed above the benchmark in the quarter, and all equity managers had outperformed the benchmark except for Schrodgers. In respect of Alternatives performance the committee were advised that Harding Loevner were the only manager to outperform their performance target.

Members asked about an investment in property of £15M and where this investment is located The Officer advised this relates to a range of properties across the country but generally in the South East.

Members queried the investment Managers used by the London CIV and if some existing good performing Fund Managers were not on the CIV platform whether they can continue to be used. Officers advised that a decision would need to be taken on that in the future.

**RESOLVED:** that the performance of the total Fund, contribution at the fund manager level and detailed attribution of the results were noted.

**There was a brief adjournment at 20.20 following this presentation. The meeting resumed at 20.30.**

## **18. PRESENTATION BY SCHRODERS PERFORMANCE REPORT TO MARCH 2018**

The presentation was delivered by Olivia Docker and Tom Mann of Schrodgers. The presentation highlighted:

- LBS Pension fund currently held just over £100M in Schrodgers fund.
- The performance delivered has been 5.4 % which has underperformed the benchmark.
- The fund is highly diversified covering quality companies that are profitable and with well financed balance sheets. Value is the other factor taken into account.
- High quality cheaper stocks have been best performing.
- The cause of underperformance was discussed.

## **19. PRESENTATION BY LONDON CIV AND UPDATE**

The presentation was delivered by Kevin Cullen, Client Relations Director of the London CIV. The following points were highlighted:

- The CIV was set up 2015 to help with pooling and to effect cost savings and to improve performance.
- Currently 40% of London Authorities' assets are so far pooled.

- Future direction of asset allocation will be driven by member requirements and 3 new funds have been launched in the last year. The CIV have identified a demand for a fixed income range of products and will announce plans on infrastructure funds property assets in Q1 next year.
- Fee savings have exceeded the cost of running the CIV.
- Pooling has shifted from voluntary to mandatory.
- The Responsible Investment Policy has been established.

Members were informed of a “meet the manager day” scheduled on 8 November, to which all Members were invited to join.

Members sought clarification on fund selection where it had been identified that results from some funds in the CIV had not been as strong as current LBS Pension Fund investments. The presenter advised that in terms of performance, the CIV managers’ selection is very vigorous but despite that, some managers will go through periods of not performing as well as others, but that the CIV believe asset allocation is more important than who manages the fund.

## **20. INTERIM ACTUARIAL VALUATION OF THE PENSION FUND AS AT 31 MARCH 2018**

Lyndsey Gamble, Head of Investment Risk and Commercial Finance, presented the report. The committee were advised that the last full valuation was in 2016 and the interim valuation aims to assess the current fund valuation.

It was pointed out not all factors had been updated so results of the interim valuation were indicative only. Despite an increase in assets there was an increase in liabilities also, but overall the deficit had reduced which was positive.

The next full valuation is planned for March 2019 and Barnett Waddingham will present on this in due course. This is likely to come to the committee in November 2019, when the investment approach will be looked at in more detail.

**RESOLVED:** that the outcome of the interim valuation was noted.

## **21. PENSION FUND ANNUAL REPORT INCLUDING STATEMENT OF ACCOUNTS**

Paul Audu, Investment, Insurance and Commercial Manager presented the report. The areas that were highlighted were that during the audit the main areas of focus were the revenue cycle and transactions, management override of controls, contributions, benefit payments and valuation of investments. The fund received an unqualified certificate. The Committee’s attention was drawn to an area where LB Sutton is not compliant with statutory guidance and this was in respect of representation of all stakeholders on the Pension Committee.

Members queried the data tables on page 35 and 37 of the report concerning whether the positive numbers within the table should be displayed in brackets. The finance team agreed to look into this post the meeting and correct it if necessary.

**RESOLVED:** that

1. The audited Pension Fund Annual Report for 2017/18, including the Governance Compliance Statement at Appendix III of the report (Appendix A) be approved.

2. The 2017/18 Pension Fund Annual Report Risk Register at Appendix B was noted.
3. Authority be delegated to the Strategic Director, Resources, to make final amendments to the annual report as required before publication.

## **22. PENSION ADMINISTRATION UPDATE**

David Kellond, the Pension Administration Manager presented the report. He provided an update on the main work streams impacting pension administration for the period to August 2018, and the following points were highlighted to Members:

- A number of annual pension returns from Schools for 16/17 were incorrect and therefore the deadline for producing annual benefit statements had not been met. This has been self-reported to the Pension regulator as a breach, in respect of missing the required deadline for production.
- Annual Pension statements can be sent to Members in hard copy on request.
- In respect of the backlog of work, the volume of outstanding items had increased and the reasons for this was discussed, in particular regarding how the backlog is monitored.

Members asked what will be the impact of the report to the pension regulators and why the issue was not known about and dealt with sooner.

The Officer advised the breach has been reported to the regulator, at the same time the regulator was also advised of the reason for the breach and the action plan to resolve this including timescales and preventative measures to avoid this in future. One of the things being investigated is for employers to send data on a monthly basis in a set file format so that data is collated throughout the year rather than at the year end.

Members asked if more staff have been recruited and the officer advised that a pensions apprentice has recently been appointed.

**RESOLVED:** that the Pension Administration update report was considered and noted.

## **23. REVIEW OF WORK PROGRAMME**

Paul Audu, Investments, Insurance & Commercial Manager presented the report, on the proposed work programme of the Pension Committee.

The committee were advised that in respect of monthly member training the topics will be advised in advance of each month and will fit in with the approved training plan.

In respect of the emerging proposal by the government to move the Local Government Pensions Scheme (LGPS) to 4 yearly pension fund actuarial valuations to align with other Public Service Pension Schemes, and also in respect of the Government Section 13 requirements, officers would bring a report to this committee at the next meeting in November on both of these items.

The Chair also asked for the training session on ethical and local government to be rearranged. The Head of Investment Risk and Commercial Finance advised a new date would be sent to Members shortly. Members wished to stress that any meeting should not start before 7pm.

**RESOLVED:** that the Pension Committee work programme was noted.

**24. ANY URGENT BUSINESS**

There were no urgent items.

**25. EXCLUSION OF THE PRESS AND PUBLIC**

The meeting ended at 9.55 pm

Chair: .....

Date: .....