

PENSION COMMITTEE

4 June 2019 at 7.00 pm

MEMBERS: Councillor Jill Whitehead (Chair), Councillor Richard Clifton (Vice-Chair) and Councillors Edward Joyce, Sam Weatherlake and Eric Allen

ABSENT Councillor(s) Param Nandha

1. WELCOME AND INTRODUCTIONS

The Chair Councillor Jill Whitehead welcomed those present, and in particular extended a warm welcome to the new committee members, Councillor Richard Clifton, Vice Chair, and Councillor Sam Weatherlake, and to all guests.

2. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Param Nandha.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. MINUTES OF THE PREVIOUS MEETING

RESOLVED: that the minutes of the meeting held on 18 March 2019 be agreed as an accurate record and signed by the Chair.

5. PRESENTATION BY LONDON CIV AND UPDATE

A presentation was delivered by Mike O'Donnell Chief Executive and Will McBean Relationship Manager from the London CIV.

Members asked the following questions:

1. The government's aim is to ultimately have all Borough funds invested via the CIV. Do you think the legislators have a clear understanding of how long it will take to accomplish this given the time lines they have set through their recent consultation?

In response Mike O'Donnell Chief Executive advised that whilst the consultation talked about 95% of new investments being pooled by 2020, he was not sure if that target is realistic but believes that Boroughs need to be seen to make good progress. He commented that the CIV need to have all required products available to help make the transition happen.

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2. Until recently the CIV was heavily city dominated. How will the CIV consult boroughs going forward to ensure that Boroughs needs are taken on board, and that the local government ethos is promoted and maintained?

Mike O'Donnell Chief Executive acknowledged this concern. He advised his new role will help to provide balance within the team due to his Local Government background. He also commented on the strong governance within the CIV and highlighted the representation on the shareholder board and committee.

3. Bearing in mind that each Borough will have different and varying priorities, how do these square with the CIV's own asset allocation priorities for London as a whole?

The Committee were advised that the CIV will not have its own asset allocation strategy. This would be governed by each borough's strategy. It was acknowledged that there is a challenge in collating the requirements of all boroughs and being able to meet all individual boroughs requirements.

4. The actuaries are currently carrying out the latest triennial review and this may result in amendments to Sutton asset allocation priorities. How can the level of assets pooled through the CIV be increased? How confident are you that your investment platform will have products which suit our priorities?

The committee were advised of the approach of the CIV Relationship Managers who undertake regular detailed engagement with all London boroughs to capture requirements regarding strategic asset allocation which will aid this process.

5. Regarding demand for popular new CIV products, would investment providers be able to meet demand or does London have too many boroughs to be manageable?

The committee were advised that the CIV Relationship managers are making sure there is capacity for the demand and to make sure funds are fit for purpose and set up in a timely manner.

6. Fund performance is key whether through the pool or not. The Pension Pools were created to save on provider management fees but little thought was given to performance and the transition cost of funds into the CIV. How can you square the saving of expenses with performance?

The representatives confirmed that pooling has to deliver individual value and boroughs need to be able to assess performance net of fees

7. How will the London CIV ensure that ethical investment principles are enshrined in both its existing and future mandates, particularly in view of the current worldwide focus on climate change?

Mike O'Donnell Chief Executive commented that there is an ESG policy agreed but there is more work to be done on engagement and voting. In addition to working with all managers, there is a requirement for the CIV to understand each borough's own ESG policy and to look at exclusion based mandates. This would need to balance the twin objective of return and ESG requirements. It was indicated that there would need to be an improvement on CIV ESG reporting.

8. Sutton is currently reviewing its own ESG policy. How will you deal with any differing investment requirements on ESG across London?

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Mike O'Donnell Chief Executive responded that there is a lot of common ground and recognised the requirement to have specific funds available to boroughs and also across London, and he indicated that boroughs need to get some commonality and collaboration.

6. QUARTERLY INVESTMENT PERFORMANCE REPORT

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 31 March 2019.

Members asked about volatility in the markets. David Walker From Hymans Robinson commented that in Q1 equity markets recovered strongly, however, his expectation is that markets will continue to be volatile and that is a reason to diversify asset allocation.

RESOLVED: that: The performance of the total Fund, contribution at the fund manager level and detailed attribution of the results be noted

7. REVIEW OF DRAFT ESG POLICY

Lyndsey Gamble, Head of Investment Risk and Commercial Finance, and David Walker Hymans Robinson provided a verbal update to Members on the Review of the draft ESG Policy

The committee were advised of the work undertaken on actions from the previous sessions. A further workshop is being planned to identify the Committees current investment beliefs and if any amendments are required. The Head of Investment Risk and Commercial Finance will propose dates to Members so that a date can be finalised during July.

Engagement has taken place with existing fund managers to evaluate the current Investment Manager arrangements to benchmark the extent to which consideration of ESG factors are already embedded in the Funds arrangements, and how this can be reported to the committee via a performance report.

Truecost has been tasked with providing a report to help the committee to understand the ESG profile of the current investment portfolio.

8. MEMBER TRAINING - TRIENNIAL VALUATION

Melanie Durrant, Associate and Actuary, and Julie Baillie, Actuary, from Barnett Waddingham delivered the training presentation to the Pension Committee.

A further update will be provided to the Committee in September and will look at the whole fund and individual employer funds.

Members queried the impact of the new valuation on contribution rates. It was confirmed that the contributions to be paid would be proposed by Barnett Waddingham. New members sought clarity on the role of this committee and if Members were liable if the asset allocation strategy did not deliver the expected returns. Members were advised their role is to act as Trustees but that they were not personally liable.

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Members asked about the impact of austerity and the fact there will be more pensioners and less people earning to cover funds in future. The committee were advised that this is an issue across all funds.

9. TRAINING PLAN

Lyndsey Gamble, Head of Investment Risk and Commercial Finance, presented the report on the training policy and plan that had been developed for the Pension Committee for 2019/20.

The plan was developed to give the committee a base level of knowledge on pensions, and to build on knowledge being shared at each committee meeting. In particular by looking at further training on ESG, topping this up with the online information via the pensions regulator training toolkit and looking at what other training courses committee members may wish to access.

New members asked about the role of the Pension Board. The Head of Investment Risk and Commercial Finance advised this is a separate body which supports the committee from a governance and administration perspective. It was confirmed that the Board has no decision making powers.

RESOLVED: that : The Pension Fund training policy and plan as set out in Appendix A and B be agreed.

10. PENSION ADMINISTRATION UPDATE

David Kellond, Pensions Administration Manager, presented the report and provided an update on the main work streams impacting pension administration for the period from February 2019 to April 2019.

The Committee were advised that the accounting valuation reports have been completed. An error was identified in the application of pension valuations, that has been corrected and overpayments collected. A letter of advice is to be sent to those affected. The average over payment was £2 for the month of April.

The Annual returns deadline was 7 May. At that point 95% of returns were received.

Regarding outstanding processes, the Administration Manager advised it is a key objective to clear this backlog but an immediate improvement is not likely.

The GMP reconciliation closure report was still awaited. The committee was advised that it is expected by the end of this week. The Administration Manager updated the Committee on the sign up to Pensions Online. The committee were advised that currently 25% of active members and 16% of deferred members have signed up for access to the online information.

The committee were advised that the Admin team will increase the online functionality to

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encourage Members to sign up.

RESOLVED: that : The report was considered and noted.

11. REVIEW OF WORK PROGRAMME

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

It was confirmed that the provisional results of triennial valuation will be given in the November meeting. There were no further questions.

RESOLVED: that : The proposed Work Programme set out in the report was noted

12. ANY URGENT BUSINESS

There was no urgent business.

The meeting ended at 9.25 pm

Chair:
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Date:
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