

PENSION COMMITTEE**7 September 2015 at 7.00 pm**

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

15. APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTION

Apologies were received from Councillor Neil Garratt and Nick Matthey.

16. DECLARATIONS OF INTEREST

There were no declarations of interest made.

17. MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting held on 22 June 2015 were approved as a correct record and signed by the Chair.

18. MEMBER TRAINING

David Walker, Senior Investment Consultant at Hymans Robertson delivered a short training session to members on infrastructure investment. He explained what infrastructure was and the advantages and disadvantages of investing in it as well as the risks and implementation options. He updated the Committee on the recent budget announcement regarding saving money through pooled investments and explained the potential pooling options.

19. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the meeting for the following three 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.

20. QUARTERLY INVESTMENT PERFORMANCE TO JUNE 2015

Sue Hogg, the Interim Head of Financial Strategy and Planning, introduced this report that showed the performance of the Pension Fund Investment Managers for the quarter ending 30 June 2015, performance in the last twelve months, annualised rolling three year performance against target benchmark and performance since inception. She highlighted the significant changes in the value of holdings in the table under paragraph 4.3. It was noted that pooled multi assets was down on the benchmark of 0.9% at -1.6% due to falling Government bond yields and the changing position in the oil markets. There was underperformance from Blackrock due to one of their larger investments in Premier Marinas; this property was sold in the last quarter. Total assets value change was -2.6% and which was due to volatility during the quarter mainly in equity markets.

Councillor Joyce queried the figures for Harding Loevner and Schrodgers under paragraph 4.12 as they were exactly the same. It was confirmed that these were correct.

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

21. PRESENTATION BY PARTNERS GROUP (INFRASTRUCTURE)

The Committee received an exempt report from Sergio Jovele and Sarah Brewer, Partners Group. They reported recent company changes with a new office opening in Houston where the majority of the energy market would be dealt with. They gave examples of investments they had made on behalf of Sutton and explained why they had made them and the things they were looking for e.g. flexibility and return. Whilst it was early days in the programme the commitment level had increased to 62.6% to the end of June 2015. There had also been a net return of 7.7% since inception. They responded to Members detailed questions regarding investments, returns and risks.

In response to a query regarding the level of investment into fossil fuels, Sarah Brewer undertook to provide a breakdown of the portfolio assets.

22. PRESENTATION BY BLACKROCK (PROPERTY)

Christopher Head and Paul Tebbit, Blackrock, presented their exempt report to the Committee. They described the key features of investments and explained the performance of the various sector and where they had underperformed or had done well. They also described their outlook and strategy for return.

They responded to Members detailed questions regarding performance and investments.

On conclusion of discussion on the exempt items of business the meeting was reopened to the press and public.

23. LONDON COLLECTIVE INVESTMENT VEHICLE (CIV)

Hugh Grover, CEO for the London Collective Investment Vehicle (CIV) presented this report that summarised the progress made in setting up the London Local Government Pension Scheme CIV and proposed delegating authority to the Strategic Director of Resources in consultation with the Chair of Pensions Committee to settle any contracts concerned with the CIV on behalf of the borough and pension fund where the evidence indicated that it was likely to result in long-term financial benefit for the Council or Pension Fund.

The CIV was reaching the point of “live operation” and would in due course require the Committee to assess the merits for the Fund to transfer assets or invest directly into funds held on the CIV, where this was deemed as beneficial for the Fund to do so. The report also outlined the need for the Fund to invest £150k into the CIV to be held as regulatory capital.

In response to Members questions Hugh reported that:

- Sutton has invested in two of the four current fund managers of the CIV.
- That each fund would have sub funds into which investments could be made whether or not they were originally invested
- Regulatory capital had been agreed at £150k.

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- The Financial Conduct Authority (FCA) was supportive of what the London CIV was doing.
- All personnel of the new Board had to be formally approved by the FCA.

In response to a query from Councillor Broadbent regarding the report recommendation 2.4, it was confirmed that the Chair would consult with Members but that the delegation was to the Strategic Director. Members would be informed of any decisions taken via the delegated decision notice procedure.

RESOLVED:

1. That the update on progress in setting up the London Collective Investment Vehicle was noted.
2. To delegate authority to the Strategic Director of Resources in consultation with the Chair of Pension Committee to settle any contracts concerned with the CIV on behalf of the Council and Pension Fund.
3. To delegate authority to the Strategic Director of Resources in consultation with the Chair of Pension Committee to invest sums required for regulatory capital to the London CIV to meet the requirements for Financial Conduct Authority (FCA) authorisation.
4. That where circumstances arise and the Committee is not available for consultation, delegate to the Strategic Director of Resources in consultation with the Chair of Pension Committee the decision to agree to the transition of Pension Fund assets to the London CIV where the Fund has a pre-existing relationship with the investment manager and where the transfer of such assets is financially advantageous to the Pension Fund.

24. PENSION ADMINISTRATION UPDATE

Gerald Almeroth presented this update report on the main work streams impacting pension administration and highlighted the number of members taking the 50/50 option.

It was noted that the team was still not working at normal levels due to the replacement of the software. Gerald Almeroth assured the Committee that the team were progressing. He also explained that the Pension Administration teams would be a shared service between Kingston and Sutton and that Sutton would be the host borough.

RESOLVED: To note the report.

25. ANNUAL REPORT OF THE PENSION FUND 2014/15

The Committee considered the annual report for the pension fund covering the financial year 2014/15.

In response to clarifications sought it was reported that:

- The Annual General Meeting (AGM) received highlights of the annual report.

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- That reviews were built into the committee cycle e.g. the Investment Strategy as well as the annual report being the vehicle for review.
- That the Investment Strategy was reviewed every three years following the actuarial valuation and was due to be reviewed again by early 2017.

Councillor Broadbent questioned whether the committee had reviewed its performance effectively to which Gerald Almeroth responded that the governance review report on the agenda was part of that process. David Walker also explained that initially it was questioned if the Committee would be able to meet with all fund managers, due to the increase in numbers, but the committee had managed to achieve that.

The Committee requested the following actions/amendments be undertaken:

- a) A discussion about socially responsible investing to be added to the Committee workplan.
- b) To request that the Strategic Director report back on what other Council's do regarding when they hold their AGM and information provided.
- c) That the following amendments be made to the Annual Report:
 - Section 5 – clarification on review of the investment strategy
 - To amend wording of Principle 4 regarding officers' meetings with fund managers and the formal assessment of performance.
 - To include reference to the communication strategy under Principle 6.

RESOLVED:

1. To approve the Pension Fund Annual report for 2014/15 subject to the requested amendments being made as given above.
2. To request that a report come to the Committee regarding Principle 5 and how this could be made fully compliant.

26. GOVERNANCE COMPLIANCE STATEMENT

The Committee considered this report that explained the revisions to the London Borough of Sutton Pension Fund Governance Compliance Statement (Appendix A to the report) and provided assurance that the governance arrangements comply with statutory guidance. The report also considered the impact of the Pension Regulator's Code of Practice 14 (*Governance and administration of public sector pension schemes*).

Councillor Broadbent sought clarification of non-voting members to the Pension Committee as described in paragraphs 4.1 and 6.3 of the compliance statement and questioned whether they should be full members. Gerald Almeroth explained that they were no longer representatives on the Committee and that the Employer representative was now a member of the Pension Board. He also explained that there may have been some confusion over the changes made mid-year but would look at the wording of the statement to help make it clearer.

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Councillor Broadbent also asked about induction training for members as stated under paragraph 3.1 of the statement. Gerald Almeroth explained that at Members first meeting David Walker provided an induction session and further to that a mini session was tailored to and held at each meeting of the Committee. Councillor Broadbent requested that non-financial aspects are covered in the future.

RESOLVED:

1. To approve the Governance Compliance Statement for inclusion within the Pension Fund Annual Report 2014/15 subject to minor amendments by the Strategic Director for Resources.
2. To note that a compliance statement to the Pension Regulator's Code of Practice 14 will be produced and reviewed by the Pension Board (October 2015) prior to being reported to the Pension Committee (November 2015).
3. To request that David Walker re-provide training packs from the Members first meeting and that provided to the Pension Board.

27. REVIEW OF WORK PROGRAMME

RESOLVED: To request that the following items be factored into the workplan:

- A discussion on socially responsible investing, and
- A report back on how other Council's deal with their annual reports and annual general meetings.
- A report back on how Principle 5 of the Annual Report can be made fully compliant.

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

No urgent items were raised.

29. DATE OF NEXT MEETING

The next meeting would take place on 30 November 2015 at 7pm.

The meeting ended at 9.55 pm

Chair:

Date:

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