

PENSION COMMITTEE**13 June 2016 at 7.00 pm**

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

58. APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTION

There were no apologies for absence.

59. DECLARATIONS OF INTEREST

There were no declarations of interest.

60. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held on 14 March 2016 were agreed and signed by the Chair as an accurate record.

61. MEMBER TRAINING

David Walker, Senior Investment Consultant at Hymans Robertson delivered a training session which covered:

- Investment beliefs
- Academic studies and research and how it relates to London Collective Investment Vehicle (CIV).
- Strategies and how they drive investment.
- Liability driven Investing (used in private sector funds).
- Key areas of focus such as ESG – Environmental Social and Governance
- Koedijk / Slager framework for analysing investment beliefs, how to practically implement beliefs into your strategy Agreed belief in committees is a good way to audit your decision making process
- Questions that decision makers could consider in order to assist with choosing how to invest and how they relate to this committee.

The Committee discussed how investment beliefs differed from investment strategy, and it was confirmed that the committee would define their own in the coming municipal year.

62. QUARTERLY INVESTMENT PERFORMANCE REPORT TO MARCH 2016

Lyndsey Gamble, Head of Financial Strategy and Planning, presented a report on investment performance. This was the first time that all the fund managers had been in place for three years so the report was able to make comparisons between them. The report showed that most fund managers had underperformed except Harding and Loevner, although their performance was still well below benchmark.

Councillors asked for clarification on the performance tables and were informed that the equities were in comparison to the benchmark which may go up at different rates and are dependent on how you balance that relatively. Lyndsey Gamble agreed to provide some further narrative around the figures in the performance report.

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Councillors discussed how the investments would compare to increased liabilities and officers confirmed that this can be monitored over time but it depends how that information is used as Sutton are a long-term investor so don't want to be making short-term decisions.

It was noted that of the two fund managers to attend the meeting, Schroders had underperformed whereas Harding and Loevner had performed relatively well.

63. PRESENTATION BY HARDING LOEVNER (GLOBAL EQUITIES) AND SCHRODERS (GLOBAL EQUITIES) FOR INVESTMENT PERFORMANCE RESULTS TO MARCH 2016

Lyndon Bolton attended from Schroders to present on the method of investment used by the fund manager. Schroders used a value-led approach when choosing stock to invest in. Schroders did not intend to alter their strategy in spite of their poor performance. Lyndon B informed the committee that as they are a value manager they look for the cheapest stocks around the world, screen them for quality, and have a wide portfolio, so each stock investment is a fraction of a percent of their investment, therefore, low risk. He also described how the USA has led growth in stocks and informed the committee that Schroders consider minimum volatility as value rather than high-growth companies such as Facebook. Looking ahead, Schroders intended to diversify the stock investment across the world and across various sectors.

Councillors asked questions about value investment and asked for an explanation for the poor performance. Lyndon B told the committee that although value investment has lagged, Schroders had performed better than other managers on the value index.

Scott Crawshaw attended from Harding and Loevner to present on their performance over the last year. Harding and Loevner had more USA-based assets as the US dollar had been particularly strong. The manager looks for high-quality investment that would progress over time causing a slow incremental portfolio change. Whilst 2016 had a particularly bad start due to factors such as China's policy on currency, high-quality investing had done better than low-quality, however, low-growth investing had better outcomes than high-growth investing, so they had not won or lost as a high-quality-growth investor.

Councillors asked questions about the risk of weighting a lot to IT and technology in the USA and about cyclical economic trends.

64. PENSION FUND RISK REGISTER

At this point the chair announced that the public and press would need to leave the room as the committee were to discuss an item containing exempt information.

Lyndsey Gamble presented a report to the committee on the risk register. There would be a review of the register to be presented at Pension Board in July. The committee discussed the roles of the pension board and the pension committee in relation to one another.

RESOLVED that the Pension Committee:

1. Reviewed the updated Sutton Pension Fund Risk Register.
2. Agreed for a further report in November 2016 and a regular report twice a year.

65. CIV UPDATE - JULY SUBMISSION TO GOVERNMENT

Lyndsey Gamble provided an update on London Collective Investment Vehicle (CIV). London have pooled and the government is encouraging the rest of the UK to pool into eight groups. Pools must reach a £25 billion investment threshold in order to qualify. The London CIV had released a draft report which the committee would receive and would need to respond to in July 2016.

66. PENSION ADMINISTRATION UPDATE

Andy Banham, Head of Pensions, presented a report to update the committee on Pension administration. Councillor Nick Matthey asked whether the reduction of staff at the London Borough of Sutton would affect the ability to fund retired members. Andy Banham indicated that this was a risk and that investing the fund should contribute to Sutton’s ability to bridge that gap. Councillor Richard Broadbent asked why TUPE transfers were taking a long time and Andy Banham responded to inform the committee that bulk transfers historically take a long time, and that there is no statutory deadline.

67. REVIEW OF WORK PROGRAMME

The committee discussed its work programme over the coming municipal year and agreed to an earlier start time of 6pm for the next meeting on 5 September 2016.

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

There were no urgent items brought forward.

69. DATE OF NEXT MEETING

The next meeting will be held on Monday 5 September 2016 at 6pm in the Civic Offices, St Nicholas Way.

The meeting ended at 9.24 pm

Chair:

Date:

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