

**PENSION COMMITTEE****5 September 2016 at 6.00 pm**

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

**13. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Neil Garratt.

**14. DECLARATIONS OF INTEREST**

No declarations were made.

**15. MINUTES OF THE PREVIOUS MEETING**

In response to Minute 5 (13 June 2016), and with the agreement of the Chair, Lyndsey Gamble, Head of Financial Strategy & Planning, tabled further narrative around the figures of the Quarterly Investment Performance Report to March 2016. Members had requested additional information on the one year performance of fund managers. It was explained that the report is quarterly, focusing on activity over the previous quarter, and narrative is provided to explain the performance of fund managers. One year and since inception figures were provided for information and context and Members were advised to refer back to previous reports for the required narratives.

**RESOLVED:** That the minutes of the meeting held on 13 June 2016 are agreed as an accurate record.

**16. MEMBER TRAINING**

David Walker, Senior Investment Consultant at Hymans Robertson delivered a short training session focussing on the latest developments in pension regulations and legislation. The principal items covered were:

- LGPS Investment Regulations
- The Investment Strategy Statement
- Other legislative changes.

David Walker invited comments and questions. At the request of Gerald Almeroth, Strategic Director of Resources, he gave further comment on the rationale behind these recent changes, focussing on pooled investment funds. The Director also queried the power of

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intervention granted to the Secretary of State to which it was responded that this was to ensure local authorities take advantage of the benefits of scale on offer through pooling.

Councillor Hamish Pollock asked whether these developments related to EU regulations or legislation which was answered in the negative. It was added that the recent referendum result could however result in an impact on procurement procedures. Councillor Nick Mattey asked as to an example of model pooling to which the response of pooling investment in the London CIV was given.

**17. QUARTERLY INVESTMENT PERFORMANCE REPORT**

The Head of Financial Strategy and Planning presented this report, and highlighted key aspects of the report for the committee. An amendment was highlighted on Page 16 of the Public Report Pack (Aviva variance to read +0.6) and additional figures provided with regards to exempt information on manager fees. She then invited comments and questions.

Councillor Edward Joyce enquired as to the impact of the recent referendum result on the value of the holdings outlined on Page 9 of the Public Report Pack. It was responded that the quarter had been volatile but that the FTSE had bounced by its end and an impact on property values had not yet been witnessed. David Walker added that the strong performance of the equity market had continued but that currency had seen an impact and yields had been pushed even lower.

Councillor Edward Joyce then questioned the current state of liabilities and it was answered that this would be discussed in further detail at the December meeting of the Pension Committee as only interim valuations were currently available.

The Head of Financial Strategy and Planning committed to confirm the corrected figure on Page 16, as well as Baillie Gifford fees for the quarter, and report back at the next committee.

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

**18. PRESENTATION BY INVESCO**

The Committee received a presentation from Steve Messenger and John German. The presentation introduced Invesco Real Estate and the UK Residential Today strategy, examining 'Build-to-rent' developments and their current locations, outlining the opportunities in investment.

Councillor Hamish Pollock asked for further information as to the specific locations of developments in the Sutton and Croydon boroughs which was given.

Councillor Edward Joyce mentioned that this had been discussed a lot in the news recently and asked whether it was possible to sell on any share. It was answered that the news related to retail not institutional investors, and that in this instance funds are reviewed quarterly and contain a redemption mechanism.

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Councillor Sunita Gordon thanked the representatives for their presentation to the Committee.

## **19. GOVERNANCE REVIEW**

The Committee received a presentation from Michael Ellsmore, Independent Chair of the Pension Board, accompanied by John Raisin who had conducted the governance review as contained in exempt Appendix A. The review was overall positive in that the pension scheme was very well governed and that the Pension Committee sought and took independent advice. Performance was at least satisfactory across all the broad areas of the review and the recommendations given were only to improve further rather than to reach a minimum standard. The Chair of the Pension Committee, Councillor Sunita Gordon, commented positively as to the recommendations and invited questions and comments from other Members.

Councillor Nick Matthey commented that the positive review underlined that Committee Members seek only the best outcome for the Pension Scheme.

Councillor Richard Broadbent remarked that many of the recommendations related to guidance and regulations which he was unsure if the Committee had received information on. The Strategic Director of Resources reassured that Officers take into account the relevant legislative instruments in their work and welcomed any recommendation which reinforced this.

Councillor Richard Broadbent further queried whether it was more appropriate for the Pension Committee to determine the action plan rather than the Board. The Chair commented that the review had been commissioned by the Board and Michael Ellsmore added that the Board was willing to be flexible in its cooperation with the Committee. The Strategic Director of Resources explained that another report would be brought to the Committee in December on any timeline and action points. He further added that the Pension Board supports the governance of the Pension Committee, which is responsible for the administration of the fund.

Councillor Richard Broadbent expressed a particular interest in the recommendations classed as high priority. The Head of Financial Strategy and Planning commented that many were already being acted upon through the Committee's upcoming work programme, including the training plan and regular review of the corporate risk register. The next item on the agenda, the Pension Annual Report, was also highlighted as meeting some of the recommendations.

Councillor Hamish Pollock sought clarification as to whether a further report would be brought before the Pension Committee in December and then six months thereafter, to which the Chair responded in the positive.

The Head of Financial Strategy and Planning committed to distribute the Code of Practice and other relevant reading among Members.

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1. That the outcome of the review be supported and that the recommendations listed in paragraph 3.6 be noted.
2. That the presentation of an action plan setting out implementation of the recommendations to the next Pension Board in October be noted.
3. That further updates on implementation be brought before the December 2016 and June 2017 meetings of the Pension Committee and that work already undertaken by Officers in this regard be noted.

**20. PENSION ANNUAL REPORT**

The Head of Financial Strategy and Planning presented this report, and highlighted key developments following previous discussions at the March meeting of the Pension Committee and the governance review. The following amendments were outlined:

- A dedicated risk management section.
- More detailed financial information on management expenses.
- A section on pension administration to comply with best practice which looks at the capacity of the administration system.
- The inclusion of asset allocation.
- Other minor amendments informative to readers.

She then invited comments and questions.

Councillor Richard Broadbent enquired as to the inclusion of a statement of compliance as per recommendation two of the governance review. The Head of Financial Strategy and Planning answered that this was not currently included in the cover report but was proposed to be in the next version. It was added that the report had been evaluated against CIPFA guidance and addressed the improvements raised at the March meeting of the Committee.

**RESOLVED:**

1. That the Pension Fund Annual report for 2015/16 be approved.
2. That it be agreed for the Strategic Director Resources to make final amendments to the report as required before publication.

**21. PENSION ADMINISTRATION UPDATE**

The Head of Pensions, Andy Banham, presented this report, and highlighted key aspects of the report for the committee including the completion of the annual return, the up-to-date membership and evaluation data provided. It was explained that annual benefit statement due on the 31 August 2016 were delayed and the regulator had been informed accordingly.

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The revised aim was for the statements to be ready by the end of October 2016. The Head of Pensions then invited comments and questions.

Councillor Richard Broadbent enquired as to the potential sanctions available to the regulator to which it was responded that a fine would be the worst case scenario.

**RESOLVED:** that the Pension Administration Update report be noted.

**22. REVIEW OF WORK PROGRAMME**

Members made enquires as to the Triennial Actuarial Valuation and investment strategy outlined in the work programme and discussed whether an informative session be arranged prior to the March 2017 Committee or as part of a meeting. The Strategic Director of Resources advised that any such session be arranged approximately one month prior to the Committee meeting. Councillor Nick Matthey also proposed that distributing facilitative briefing notes could also be useful.

**23. ANY URGENT ITEM BROUGHT FORWARD AT THE DIRECTION OF THE CHAIR**

No urgent items were brought forward.

**24. DATE OF NEXT MEETING**

The next meeting will take place on 12 December 2016 at 7 pm.

The meeting ended at 8.00 pm

Chair: .....

Date: .....

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