

PENSION COMMITTEE

Meeting held on Tuesday 8 December 2015 at 10am
in Room F10, The Town Hall, Katharine Street, Croydon, CR0 1NX

WRITTEN MINUTES – PART A

Present: Councillor John Wentworth (Chairman);
Councillor Simon Hall (Vice-Chairman);
Councillors Jan Buttinger, Humayun Kabir, Yvette Hopley,
Maddie Henson, Dudley Mead, and Andrew Pelling

Also Present: Mr. Peter Howard (Pensioner representative)
Ms. Gilli Driver (Pensioner Representative)

In attendance: Mike Ellsmore, (Chair of the Local Pension Board)
Nigel Cook, (Head of Pensions and Treasury)
Freda Townsend, (Governance and Compliance Manager)
Matthew Hallett, (Pension Fund Investment Manager)
Richard Simpson, (Assistant Chief Executive and s151 Officer)
Karen McWilliam (Aon Hewitt)
David Lyons (Aon Hewitt)

A36/15 APOLOGIES FOR ABSENCE

Apologies were received from Mr. Isa Makumbi (Staff Side Representative) and Mr. Daniel Carpenter (Aon Hewitt).

A37/15 MINUTES OF THE MEETING HELD ON 8 SEPTEMBER 2015

RESOLVED that the Part A minutes of the meeting held on 8 September 2015 be signed as a correct record of the decisions taken.

A38/15 DISCLOSURES OF INTEREST

No disclosures of interest were made during the meeting.

A39/15 URGENT BUSINESS

There was no urgent business to consider.

A40/15 EXEMPT ITEMS

It was agreed that the contents of item B3 could be moved into Part A as it contained no confidential information. This item would therefore become item 11 of the Part A agenda.

RESOLVED: That item B3 be moved to Part A of the agenda. The remaining allocation of business between Part A and Part B of the agenda be confirmed, as printed.

A41/15 **PROGRESS REPORT FOR QUARTER ENDED 30 SEPTEMBER 2015**
(item 6)

The Head of Pensions and Treasury introduced the item. Q3 had been a poor period with a dip in the Fund's value by £17 million. However October's unaudited returns suggested evidence of an upward trend. The cash from BlueCrest has now been returned and recent press coverage on issues with BlueCrest confirm that this was the right thing to do.

Officers have made progress executing the revised asset allocation strategy. Private Equity continues to be a focus with new funds identified such as investments in onshore wind farms. Property investment is at 10%, which is meeting the set target. There are three Private Rental Sector (PRS) funds being evaluated and recommendations should be forthcoming in the new year.

In response to questions from the Committee the following was stated:

- It was confirmed that the majority of the world equity index investments were held in American equities, with Japan second in terms of overall weighting.
- A shortlist of emerging markets is being drawn up and an investment recommendation will be forwarded to the Assistant Chief Executive and s151 Officer to be discussed with the Chair of the Committee soon.
- Some Committee members raised concerns at the investment in one go of the 5% allocated for emerging markets. It was stated in response that the Committee had agreed that 5% should be invested in emerging markets which is why that was being actioned. A cautious approach was taken with the overall asset allocation but this is separate to the very specific issue of investing in emerging markets.
- David Lyons confirmed that Aon Hewitt remain confident in emerging markets and their long term value. It was also highlighted that previously there had been a step away from emerging markets; therefore the current investments can be considered as restating those investments.

The Committee **NOTED** the contents of the report.

A42/15

**REVIEW OF FUNDING APPROACH FOR ACADEMIES:
CONSULTATION RESPONSES (item 7)**

The Head of Pensions and Treasury introduced this item. All academies had been written to as part of the consultation and invited to comment on three principles: treatment of the deficit, recovery period, and contributions based on the Council's risk-based methodology. There were 29 responses consolidated into one joint response. There was some degree of predictability to the comments raised in the response. There was agreement to a risk based approach and pegging the recovery period to the Council's recovery period. There was less support for the approach to the deficit and no support for the proposal of pooling academies.

Some Committee members raised a proposal for the academies to nominate a representative to sit as a non-voting member on the Committee. Other employer scheme members had numerous ways of engaging such as through the employers' forum. However the academies have been particularly vocal hence the proposal for a representative on the Committee. It was confirmed that the academies would not get a "clean slate" with regard to their past contributions and that arrears would be carried over.

The Committee **RESOLVED** to:

1. Adopt the actuarial principles set out in paragraphs 3.5 to 3.8 of the report in undertaking 2016 actuarial variation.
2. Refer the question of academy representation on the Pensions Committee to the Constitution Working Group.

A43/15

REVISED STATEMENT OF INVESTMENT PRINCIPLES (item 8)

The Head of Pensions and Treasury introduced this item. The document for this report is the last step in the governance process. It is a statutory document to explain how officers will execute the strategy as agreed. The Pension Board will be consulted on this document as well.

Concern was raised by the Committee that 1% cash may not be enough given that the Fund was soon to be a net payer out. David Lyons confirmed that many Local Government Pension Schemes (LGPS) are in a similar position and there are numerous ways the Fund can gain cash from its assets. The current arrangements are sufficient to allow the Fund to generate sufficient cash to meet the Scheme's obligations for the foreseeable future.

Concern was also raised by the Committee that the strategy was not cautious enough. David Lyons responded that pension funds are in a unique position with regard to liabilities that allows scope for more risk with regards to investment. However, diversifying the Fund's investments mitigated that risk.

The Committee **RESOLVED** to:

1. Adopt the revised investment limits as allowed for by the LGPS Investment Regulations, set out in the Statement of Investment Principles (SIP).
2. Note that the draft revisions to the SIP will be passed to the Pensions Board for its consideration and comment before coming back to this Committee for final approval.

A44/15 PENSIONS ADMINISTRATION STRATEGY CONSULTATION (item 9)

The Head of Pensions and Treasury introduced this item. This document is another key part of governance and tells stakeholders what to expect from Fund officers and what is expected from them. The strategy allows for issuing penalties to employers who fail to meet certain requirements. Employers have been consulted on this strategy through the Employers' Forum.

The Committee **RESOLVED** to approve the revised Pensions Administration Strategy.

A45/15 GOVERNMENT CONSULTATION ON THE DESIGN OF THE STRUCTURE AND GOVERNANCE OF EFFICIENT AND EFFECTIVE CIVS FOR LGPS FUNDS; INVESTMENT REFORM CRITERIA AND GUIDANCE; AND REVOKING AND REPLACING THE LOCAL GOVERNMENT PENSION SCHEME (MANAGEMENT AND INVESTMENT OF FUNDS) REGULATIONS 2009 (item 10)

The Head of Pensions and Treasury introduced the item. There were two recent consultations to bring to the attention of the Committee – Regulations and Pooling.

With regard to the Regulations consultation it was stated that there are sets of Regulations dating back to 2009. This consultation aims to move away from this approach and instead pursue a credential code approach – using the “what would a prudent person do” test. Fund officers are already familiar with this as this is how the capital programme is run.

The Pooling consultation was flagged by the Chancellor's speech at Conservative Party Conference. The merging of LGPS funds has been dropped but the proposal is to form six regional pools across the country. The timeframe for sending responses is very tight – February 2016 – and thus there will not be a Committee meeting prior to this deadline. A large amount of work is required from Fund officers within a short space of time. Whilst the Croydon Fund already has the London CIV this makes it the natural first choice of such pooling, but the proposals go far beyond the CIV's structure.

David Lyons confirmed that the CIV is ahead of the game with regard to the pooling proposal.

The Assistant Chief Executive reported that the indications suggest the sovereignty of Funds would remain. There is no intention to pool liabilities, nor to remove the strategic role of Pension Committees. The change proposed relates to the implementation of these strategies. There will also be legislation in place to allow for the Secretary of State to intervene where pooling is not delivering.

The Vice-Chair added that the draft response to the Pooling proposal from Croydon would be circulated to Committee members prior to being sent, and comments from Members would be integrated into the final version.

The Committee **NOTED** the update on the recent consultations.

A46/15 **UPDATE ON MATTERS RELATING TO OTHER EMPLOYERS IN THE CROYDON LGPS** (item 11)

The Head of Pensions and Treasury introduced the item. It was reported that the contract referred to in paragraph 3.3 of the report had now been signed.

The Committee **NOTED** the contents of the report.

A47/15 **CAMERA RESOLUTION** (item 12)

The CAMERA resolution was proposed by Councillor Mead and seconded by Councillor Henson.

The Committee **RESOLVED** that the Press and Public be excluded from the remainder of the meeting on the grounds that it is likely, in view of the nature of the business to be transacted or proceedings to be conducted, that there will be disclosure of confidential or exempt information falling within those paragraphs indicated in Part 1 of Schedule 12 A of the Local Government Act 1972, as amended.

SUMMARY OF PART B DISCUSSION

A48/15 The remainder of the meeting included disclosure of exempt information (as defined by paragraph 3 of Schedule 12A in Part 1 of the Local Government Act 1972: 'Information relating to the financial or business

affairs of any particular person (including the authority holding that information)'. The minutes of the discussion are therefore also exempt and not available to the public.

A summary of the discussion is below, as required by section 100C(2) of the Local Government Act 1972.

item B1. The Committee **RESOLVED** that the Part B minutes of the meeting held on 8 September 2015 be approved as a correct record of the decisions taken and be signed by the Chairman.

item B2. Progress Report for Quarter Ended 30 September 2015 (exempt under paragraphs 3 & 10)

The Committee **NOTED** the Part B content of the progress report.

The meeting ended at 11.40am.

DRAFT