

Pension Committee

Meeting held on Tuesday 6 December 2016 at 10.00am in Room F10, Town Hall, Katharine Street, Croydon, CR0 1NX

DRAFT MINUTES - PART A

Present: Councillor S Brew, Ms. G Driver, Councillor S Hall (Vice-Chair), Councillor P Hay-Justice, Councillor M Henson, Councillor Y Hopley, Mr. P Howard, Mr. I Makumbi, Councillor A Pelling (Chair), Councillor J Wentworth

Also present: Robbie McInroy and Richard Warden (Hymans Robertson), Daniel Carpenter (Aon Hewitt), Nigel Cook (Head of Pensions and Treasury), Richard Simpson (Executive Director - Resources and s151 Officer), Lisa Taylor (Assistant Director of Finance and Deputy 151 Officer).

MINUTES - PART A

A1 Minutes of the last meeting

The following amendments to the minutes were stated:

- At the second paragraph of pack page 2, the word "that" to be changed to "than".
- At the first line of the Section 13 report item, pack page 4, the word "stated" to be changed to "stating"

The Committee **RESOLVED** that, with the aforementioned amendments included, the minutes be agreed as a correct record of the meeting.

A2 Disclosure of Interest

There were none.

A3 Urgent Business (if any)

There was no urgent business to consider.

A4 Exempt Items

The allocation between Part A and Part B of the agenda was agreed as stated.

A5 Funding Strategy Statement

The Head of Pensions and Treasury introduced the item by stating that the funding strategy statement was fundamental to the health of the Fund. There were almost 100 scheme employers and therefore consultation was crucial. The consultation process was described to the Committee which included being considered by the Pension Board.

The Committee requested information on how and to what extent instruments such as the Employers' Forum and Pension Board would consider the statement.

The representatives from Hymans Robertson delivered a presentation on the valuation and updated the Committee on four key changes:

1. Use of a risk based approach for all employers.
2. The breakup of the charities pool and the creation of separate funding strategies for the three remaining admitted charities in the scheme.
3. The removal of further education colleges from the Council pool and separate funding strategies for each institution.
4. On average, academy contributions had gone down as calculated into the 22 year deficient recovery plan.

The Committee expressed interest in how the consultation process panned out with the academies. The Committee were informed that by early February 2017 the formal consultation would end and the statement would be finalised in time for the Committee meeting in March. The new rates would take effect from 1 April 2017.

The Committee additionally asked questions surrounding the risks associated with the reclassification of colleges and charities and the potential increase in contribution rates for these employers.

The Committee **RESOLVED** to endorse the proposed consultation exercise on the Funding Strategy Statement.

A6 Developments to the Regulatory Framework for the LGPS

The Head of Pensions and Treasury introduced the item and highlighted five key updates for the Committee:

1. The Introduction of new investment regulations.
2. The Scheme Advisory Board had commissioned research on academies in the LGPS.
3. A slight change to the regulations related to outsourcing TUPE arrangements.
4. Changes to exit payments changes, that had previously been

raised with the Committee at earlier meetings.

5. A Financial Instruments Directive due to take effect in January 2018 and would potentially have a large impact on the Fund's future investment opportunities.

The Committee asked questions related to the likely effect the Directive would have on the Fund. Representatives from Aon Hewitt considered it too early to make definitive judgments but it was likely that the Fund would be classed as a retail investor and this would restrict the asset classes available for investment.

The Committee **NOTED** the changes outlined in the body of the report.

A7 Key Performance Indicators for the LGPS

The Head of Pensions and Treasury stated that the item had been prompted by discussion by Members at the last Committee meeting.

The Committee discussed the nature of some of the targets that had been set, including the possibility of bench-marking. It was agreed that the Committee would want to review this bi-annually.

The Committee were informed that maintenance of a breaches log was the responsibility of the Pension Board. Members also asked questions related to auto-enrolment and to ensure all potential scheme members were given the opportunity to join.

The Committee **RESOLVED**:

- 1.1. To note the Key Performance Indicators set out in the report.
- 1.2. That the Committee receive an updated KPI report on a bi-annual basis.

A8 Progress Report for Quarter Ended 30 September 2016

The report was introduced by the Head of Pensions and Treasury and particular attention was drawn to the over performance of equities which, despite the Fund moving considerable money into other asset classes, continued to make the Fund overweight in equities.

The representative from Aon Hewitt updated the Committee and highlighted the expected volatility in global markets for the near future. The strategy adopted by the Committee was being implemented but given the state of equity markets the timing of implementation was important.

The Committee discussed the overweightness of equities in the Fund

and the progress of allocation to asset classes such as infrastructure. Questions were asked in relation to the valuation of infrastructure investments and the fund managers used in this asset class. Additionally, the Committee asked to be informed as to whether any of the bonds in the fund are, or could be, offered out for repo to secure additional income.

The Committee **NOTED** the report.

A9 [The following motion is to be moved and seconded as the “camera resolution” where it is proposed to move into part B of a meeting]

Councillor Pelling proposed, and Councillor Henson seconded, the CAMERA resolution to move the remainder of the meeting into Part B.

The Committee **RESOLVED** to approve the CAMERA resolution.

The meeting concluded at 12.24pm