

## **Pension Committee**

Meeting held on Thursday, 9 May 2019 at 10.00 am in Council Chamber, Town Hall,  
Katharine Street, Croydon CR0 1NX

### **MINUTES**

**Present:** Councillor Andrew Pelling (Chair);  
Councillor Simon Hall (Vice-Chair);  
Councillors Simon Brew, Robert Canning, Clive Fraser, Patricia Hay-Justice  
and Yvette Hopley

Co-opted Members: Mr Peter Howard

**Also Present:** Councillor Michael Ellsmore  
Nigel Cook (Head of Pensions and Treasury) and Lisa Taylor (Director of  
Finance, Investment and Risk (S151 Officer))

**Apologies:** Councillor Luke Clancy  
Co-opted Members: Gilli Driver (Pensioner Representative) and Charles  
Quaye (Union Representative)

### **PART A**

#### **16/19 Minutes of the Previous Meeting**

The minutes of the meeting held on 12 March 2019 were agreed as an accurate record.

#### **17/19 Disclosure of Interests**

Co-opted Member and Pensioner Representative, Peter Howard, declared share ownership through PEP/ISA membership over which he did not have control in addition to being a recipient of a London Borough of Croydon pension.

There were no additional declarations of interests.

#### **18/19 Urgent Business (if any)**

There were no items of urgent business.

#### **19/19 Key Performance Indicators for the Local Government Pension Scheme**

The report was introduced by the Head of Pensions and Treasury with additional comments provided by the Director of Finance, Investment and Risk (Section 151 Officer). An increase in activity was noted as a result of auto-enrolment as of January 2019.

Four new members of the staff team were reported as having been inducted. Committee Members asked questions regarding processes and resourcing in order to fulfil the statutory reporting requirements.

**RESOLVED:** The Committee RESOLVED to note the report and agreed the team member responsible for producing the Key Performance Indicator report would attend the meeting in September 2019 to answer Member questions directly.

#### **20/19 Forward Plan**

The report was introduced by the Head of Pensions and Treasury with additional comments provided by the Director of Finance, Investment and Risk (Section 151 Officer). It was noted that the Governance Review would not be presented to the Pension Board until its meeting in July 2019 and therefore would not come to the Committee until its meeting in September 2019.

It was also noted that a paper on the new Ministry of Housing Communities and Local Government (MHCLG) consultation on changes to the local valuation cycle and the management of employer risk would be provided as an additional item at the Committee's next meeting in June 2019.

**RESOLVED:** The Committee noted the report and RESOLVED to add an additional Committee meeting to the business cycle for the 2019-20 municipal year between September and December 2019 [this meeting now being set for 10 am on November 5].

#### **21/19 Consultation: draft statutory guidance on pooling assets**

The item was introduced by the Head of Pensions and Treasury noting that this was provided for information as given the deadline date, the consultation had been submitted in advance of the Committee meeting.

**RESOLVED:** The Committee RESOLVED to note its contentment with the consultation as submitted.

#### **22/19 Review: training support for the Pension Committee**

The report was introduced by the Head of Pensions and Treasury. Members asked questions regarding available training including advanced training options. Committee Members expressed their interest in undertaking training which was to be followed-up by officers subsequent to the meeting.

**RESOLVED:** the Committee RESOLVED to note the report.

#### **23/19 Environmental Impact of the Croydon Pension Fund (Part A)**

The item was introduced by Councillor Hall, the Cabinet Member for Finance and Resources. It was noted that the report looked at how the previous four years of investments were contributing to emission reduction and clean energy production.

The Mercer's representative noted the need in securing the objective of moving towards carbon neutrality in the Fund's overall investments that the Committee must pay attention to its fiduciary duties.

**RESOLVED:** The Committee RESOLVED to

- Undertake a fact-finding and information session on climate change and investment
- Undertake a fuller carbon footprint exercise
- Update the policy on climate change, incorporating targets and metrics
- Consult with Fund members and other scheme employers on the next steps around moving towards carbon neutrality in the Fund
- Implement the adopted policy.

#### **24/19 Exclusion of the Press and Public**

The following motion was moved by Councillor Pelling and seconded by Councillor Hall to exclude the press and public:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

The motion was put and it was agreed by the Committee to exclude the press and public for the remainder of the meeting.

#### **25/19 Minutes of the Previous Meeting (Part B)**

The minutes (Part B) of the meeting held on 12 March 2019 were agreed as an accurate record (with the correction noted that Councillor Clancy gave his apologies and was not in attendance at the meeting).

#### **26/19 Environmental Impact of the Croydon Pension Fund (Part B)**

The Mercer's representative introduced the report. It was noted by Councillor Hall, the Cabinet Member for Finance and Resources and representative on the London Councils Pensions CIV Board that he is actively lobbying for a carbon/fossil fuel neutral investment options to be available through the London CIV.

Committee Members discussed the challenges inherent to seeking to move towards a carbon neutral approach in the Fund's overall investments.

**RESOLVED:** the Committee RESOLVED that an expert on carbon neutral investments would be invited to attend the Committee's meeting in September 2019.

It was agreed by the Mercer's representative that a report would be produced that could be included in Part A of the agenda of a future meeting.

## **27/19 Investment strategy review**

The report was introduced by the Mercer representative. It was noted that the Croydon Pension Fund held a well-diversified portfolio of differing types of asset classes and that whilst it might not be necessary to make any changes to the investment strategy this needed to be an active decision, if that was the approach to be undertaken.

Members were reminded that implementation of the strategy would be through the CIV and that investments outside of the CIV may be limited by the outcome of the pooling consultation.

Members considered whether the Barbell approach was the right strategy for the Croydon Pension Fund as regards to credit quality mixes in fixed income investment. This approach allowed for a balancing of the risk exposure subject to appropriate timing in the credit cycle.

The importance of the evaluation for determining the correct investment strategy was stressed.

Members also considered value at risk and asset liability modelling.

Inflation risks were highlighted with means of mitigating inflation risk discussed.

Further advice would be provided on long only vol investment techniques.

Members considered the environmental, social and governance criteria.

The merits of a passive or an active manager approach in strong bull markets were also discussed. Councillor Hall, the Cabinet Member for Finance and Resources, noted that the fund had previously paid for active management but had only received the returns expected from a passive approach. Councillor Hall advised that this approach to passive indexed investment management had only been agreed as a holding position whilst the right active products were identified; a passive indexed approach meant being drawn into momentum stocks.

Committee members discussed appropriate active products. The Cabinet Member reported that the CIV had several active products in the pipeline on which more detail would emerge and on which Mercer's view would be invited. It was emphasised that it was possible to achieve environmental, social and governance objectives through the right active funds.

A further presentation to members on the Investment Strategy Review would be made at the June Committee meeting.

**RESOLVED:** the Committee RESOLVED to:

- receive enhanced information on the Schroders' property portfolio; and
- investigate active fund approaches and options.

**28/19 Verbal update: London CIV Emerging Market Fund**

The Director of Finance, Investment and Risk and the Mercer representative provided the Committee with an update on the London CIV Emerging Market Fund.

The meeting ended at 1.10 pm

**Signed:**

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**Date:**

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