

MINUTES OF PENSIONS COMMITTEE

Wednesday, 14 September 2022
(6:00 - 7:45 pm)

Members Present: Cllr Moin Quadri (Chair), Cllr Olawale Martins (Deputy Chair), Cllr Nashitha Choudhury, Cllr Rocky Gill and Cllr Giasuddin Miah

Advisors Present: John Raisin and Nicholas Jellema

Apologies: Cllr Tony Ramsay

7. Training - Fund Triennial Valuation process

In accordance with the schedule of training agreed at the last meeting and prior to the formal business of the meeting, Barry Mackay of Barnett Waddingham presented the Committee with information about the Pension Fund's Triennial Valuation process. He explained about how the Fund is valued which takes into account the liabilities, its assets and the level of contributions from participating active members, the rates of which are set by bands and fixed by salary range and specified in regulations. He also referenced the employer contribution rates (both primary and secondary).

Mr Mackay set out the valuation project timescales over the 12-month period 31 March 2022 – 31 March 2023 and explained the process of valuing liabilities for each employer. As part of the valuation, key actuarial assumptions must be made including their impacts. These cover pension increases (based on CPI), salary increases, demographics including retirement, longevity, commutation and mortality rates, the latter of which also highlighted the effect of Covid. A further factor is the discount rate which takes account of the Fund's long-term investment strategy and performance.

He referenced the last funding valuation explaining the funding position which at the time based on the liabilities and market value of assets estimated the level of the Fund at 90%. The Investment Fund Manager added that due to the changing economic situation the Fund was now over 100% funded.

Looking at further key issues on the Pension Fund Mr Mackay highlighted future inflationary pressures both in the short and long term as well as the volatility of the markets due to the Ukraine crisis and impacts on the global economy and impacts on growth. Concluding the presentation, he summarised the general outlook for the Fund which indicated strong investment performance to date, and although liabilities were increasing due in particular to higher inflation, it had an improved funding position. Although there were upward pressures on primary contributions, and a reduction in secondary contributions for some, overall, the aim was for contributions to remain affordable and stable.

The Chair thanked Mr Mackay for his informative presentation and announced a five-minute comfort break before commencing with the formal business of the meeting.

8. Death of Her Majesty Queen Elizabeth II

The Committee noted with extreme sadness the death of Her Majesty Queen Elizabeth II and the Chair called on those present to stand for a minute's silence.

9. Declaration of Members' Interests

There were no declarations of interest.

10. Minutes (15 June 2022)

The minutes of the meeting held on 15 June 2022 were confirmed as correct.

11. Pension Fund Quarterly Monitoring - April to June 2022

The Investment Fund Manager presented a report on the Fund's performance during the period 1 April to 30 June 2022 (quarter 2), including details of the performance of individual Fund Managers, and the Committee also received a verbal update on the unaudited performance of the Fund up to 14 September 2022 as well as an update on the Fund's investment strategy and performance and a Quarter 2 market update from Nick Jellema, Hymans Robertson.

In response to the latter update, Members asked about the fiscal controls available to the Bank of England to manage the high rates of inflation. Mr Jellema commented that whilst it was likely that the Bank would continue to raise interest rates, this would need to be carefully balanced against chocking off growth with one of the inevitable consequences of higher interest rates being a reduction in the rates of returns against Government Bonds, particularly those with fixed interest rates.

The Investment Fund Manager responded to questions and observations about the underperformance of certain Fund Managers over the last quarter. He advised that those managers have performed well over the longer term but, more recently and given the volatility in the markets, there had been a big correction in certain sectors. The general view was that now was not the right time to consider changes, especially given the success of the Fund's Investment Strategy overall, and it was more appropriate to consider a rebalancing of the Fund amongst the managers.

There was then a discussion about the wider global factors affecting the economy, particularly the war in Ukraine, and the strategy and measures available to best protect the value of the Pension Fund.

The Committee **noted**:

- (i) The progress on the strategy development within the Pension Fund,
- (ii) The daily value movements of the Fund's assets and liabilities outlined in Appendix 1 to the report, and
- (iii) The quarterly performance of pension funds collectively and of Fund Managers individually.

12. Administration & Governance

The report provided an update on the administrative and governance changes that had occurred since the last meeting, setting out the potential impact that the changes may have on the Pension Fund. It also set out the Fund's one and three-year cashflow forecast (1 April 2022 - 31 March 2025), the London Collective Investment Vehicle (LCIV) as the Fund moves towards more pooled investments, LBBB Pension Fund Business Plan update and training requirements.

Responding to comments, the Investment Fund Manager explained the employee pension contribution rates in the light of the high level of inflation, clarification as to the basis of the £20m prepayment sum agreed by the Committee in March 2022, and the arrangements for the setting up of the LCIV.

There was also information and an update from John Raisin, Independent Advisor (IA) to the Committee, in respect of a number of important issues relating to the ongoing development of the LGPS at a national level. These covered current and anticipated consultations from the DLUHC including Investment Pooling, Climate Reporting, Good Governance and Age Discrimination in the LGPS (commonly referred to as "McCloud").

Given that the IA joined the meeting remotely and having regard to some of technical difficulties experienced at the meeting, it was agreed that any questions from Members should be emailed via the Committee Officer for a written response from the IA.

The Committee **noted** the report.

13. Business Plan 2021-2023 Update

The Committee **noted** progress on the delivery of the 2021-2023 Business Plans actions as set out in Appendix 1 to the report.

In relation to the proposed programme of training for the Committee, reference was made to the importance of fully understanding the types of asset classes and, to that end, officers were asked to engage a Fund Manager to provide appropriate input.

14. Private Business

The Panel **agreed** to exclude the public and press for the remainder of the meeting by reason of the nature of the business to be discussed which included information exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

15. Pension Fund Administration Improvements Proposals

The Investment Fund Manager (IFM) presented a report on a proposal to enhance the services available to Pension Fund Members via the award of a contract to Heywood Pension Technologies, the current provider of the administration system used by the Council's Pensions Team, for additional software options.

The IFM advised that, over the years, the number of Fund Members had grown considerably along with an increased demand and complexity for information on an individual's pension promise. Furthermore, there was a move towards having a one stop for pensions, with all such information, including non LGPS, being found in one place.

Given both the increased demand and the need to improve the services provided by the Council's small Pensions Team, and to reduce its workload on basic queries, it was proposed to utilise the following additional software options provided by Heywood:

- Member Self Service, providing internet and intranet facilities to enable all employees, past, present and future, to access their individual information, update data, view documents and carry out "What if..." Modelling;
- Address Look-up to validate addresses and postcodes using a third-party database, and
- Altair Insights, a modern analytics and reporting platform that Heywood had developed to help customers get the most out of their data, providing responsive and interactive dashboards alongside powerful and streamlined reports.

The IMF outlined the costs associated with the contract and confirmed that the pension administration market had become more competitive, which meant that the enhancements now represented value-for-money. A point was raised about having a break clause into the contract to allow for a review of market conditions during the five-year term. The IFM explained the rationale for not seeking a break clause, adding that as the pension administration market developed over time he would foresee the Council seeking a framework arrangement as a means to further reduce costs and improve service provision when the contract expired.

The Committee **agreed** to award a five-year contract to provide Member Self-Service, Address Look Up and Altair Insights to Heywood Pension Technologies on the terms detailed in the report.