

MINUTES OF PENSIONS COMMITTEE

Wednesday, 11 March 2020
(7:00 - 8:00 pm)

Members Present: Cllr Dave Miles (Chair), Cllr Giasuddin Miah (Deputy Chair), Cllr Kashif Haroon and Cllr Foyzur Rahman

Observers Present: Susan Parkin, UEL

Advisors Present: John Raisin

Apologies: Cllr Sade Bright, Cllr Amardeep Singh Jamu and Cllr Tony Ramsay

17. Declaration of Members' Interests

There were no declarations of interest.

18. Minutes- 18 September 2019

The minutes of the meeting held on 18 September 2019 were confirmed as correct.

19. *Independent Advisor

The Investment Fund Manager introduced a report on the proposed renewal of the contract for the Council's Pension Fund's Independent Advisor (IA), which included a review of the current Independent Advisor's work during the past year.

The Committee resolved to **agree** to extend the appointment of John Raisin Financial Services Limited as the IA for the Council's Pension Fund for a further one-year period based on the revised job description included as Appendix 1 to the report.

**Item considered following the passing of a resolution to exclude the public and press due to the nature of the business to be discussed which included information exempt from publication by virtue of paragraphs 1& 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).*

20. Pension Fund Quarterly Monitoring 2019/20 - October to December 2019

The report provided information for employers, members of LBBB Pension Fund and other interested parties on how the Fund performed during the Quarter - 1 October to 31 December 2019. The Fund's externally managed assets closed Q4 valued at £1,126.32m, an increase of £15.96m from its value of £1,110.36m at 30 September 2019. The cash value held by the Council at 31 December 2019 was £3.43m giving a total Fund value of £1,129.75m. An oral update on performance of the Fund for the period 1 January to 11 March 2020 was also provided to the Committee.

Taking into account the broader world market factors, overall the Fund had performed well and was currently 75% funded having reached a high of 96%, notwithstanding the fluctuations caused by the recent coronavirus outbreak.

Further to Minute 16/9/19 the Investment Fund Manager updated the Committee regarding the appointment of CQS as a new fund manager and the subsequent delays of transition from BNY Mellon.

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,
- (iii) the quarterly performance of pension funds collectively and the performance of the fund managers individually, and
- (iv) that the transition to CQS had been put on hold until clarification was obtained from LCIV.

21. Administration and Governance Report

The Pension Fund Accountant updated the Committee on the latest administrative and governance issues relating to the Pension Fund, which covered the following areas:

- a) Pension Fund Budget 1 April 2019 to 31 March 2022,
- b) Cash flow to 31 March 2020,
- c) Investment Advisor and Actuary tender and contract award
- d) A strategy review to be carried out and reported to the June meeting by the Fund's newly appointed Investment Advisors, and for which specific training on asset allocation and investment strategy will be provided to the Committee beforehand,
- e) Pension Fund Prepayment options, and
- f) An update on the Scheme Advisory Board (SAB) Good Governance Project and other significant developments in the LGPS by the Independent Advisor which focused on:
 - Good governance in the LGPS project, particularly the Phase II report
 - The 'McCloud Case', a legal challenge to the transitional protections contained in 2015 Judges and Firefighters Pension Schemes
 - Update of knowledge and Skills requirements (CIPFA frameworks etc), and
 - The Pension Regulator's report on Governance and Administration in the LGPS

The Committee **resolved** to:

- (i) Note the Pension Fund's three-year budget for the period 1 April 2019 to 31 March 2022 and that the Fund is presently cash flow positive,

- (ii) The appointment of Hymans Robertson to provide Investment Consulting Services with effect from 1 April 2020 and Barnett Waddingham to provide Actuarial Services with effect from 1 July 2020, and
- (iii) The use of £40m prepayment to the Pension Fund for potential investment opportunities that arise from either market corrections, an increase in allocation to property and/or capital calls from infrastructure, and for which authority is delegated to the Chief Operating Officer in consultation with advisors and the Fund's Chair.

22. Triennial Valuation Results

Every three years the Pension Fund is required to have a full valuation of its liabilities carried out by its actuary. Following a number of assumptions discussed with officers the actuary have produced the calculation of the valuation of the whole fund, the results of which showed that the deficit had reduced from £228m to £119m and that the funding level had improved to 90% with a discount rate of 4% from 2016 level of 77%, which the independent adviser commented was very positive compared to many other funds.

A meeting was held in January 2020 with the actuary and the Fund's various employers to discuss the draft results, which indicated that the contribution rates for employers varied with some rates dropping and some increasing. The Committee noted that the UEL had effectively closed its LGPS to new entrants which made the deficit recovery plan for the Scheme riskier although to ensure that their contribution rate remained affordable, the UEL were willing to provide a charge against their assets to cover the deficit.

As part of the consultation the actuary and officers produced and distributed a draft Funding Strategy Statement (FSS) to Fund employers.

Accordingly, the Committee noted the results and that the FSS would be updated where necessary for the assumptions made by the actuary and consulted with admitted and scheduled bodies together with their proposed employer contribution rates.

23. Funding Strategy Statement

The Pensions Committee is required to agree the aims and objectives outlined within the Pension Fund's Governance and Investment strategies. Following the triennial valuation (minute 22 refers) two key strategy documents were required to be reviewed, updated and approved by the Pension Committee by 1 April 2020. These documents are the Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS). Both outline the Fund's funding and investment strategy and have been updated to meet statutory requirements and guidance from the DCLG and the Scheme Advisory Board.

The FSS was summarised in the report, with the full Strategy included as an appendix. The ISS will be produced following the Strategic Asset Allocation Review which will be the subject of a report from the outgoing Investment Advisor (AON) to the Committee in June 2020. Accordingly, the Committee:

1. Agreed the final Funding Strategy Statement as appended, and
2. Noted that the final actuarial valuation results, along with the Rates and Adjustments Certificate will be provided by the actuary by 31 March 2020.

24. Business Plan Update

The purpose of this report was to update the Pension Committee on progress regarding the Pension Fund's 2020/21 Business Plan.

Appendix 1 provided a summary of the Business Plan actions from 1 January to 31 June 2020. The full business plan for 2020/21 is presently being drafted and will be presented to the Committee for agreement in June 2020.

The Committee noted the report and Business Plan.

25. Annual Allowance Scheme Pays

The Committee received a report from the Pension Manager outlining the Annual Allowance tax charge policy which the LBBP Pension Fund will adopt. There are two types of Scheme pays, namely Mandatory and Voluntary, which were detailed in the report.

There is a limit on how much tax relief a person can receive on their pension contributions known as an annual allowance and which is presently set at £40,000 per annum. It covers all pension schemes to which a person is a member and includes any Additional Voluntary Contributions.

Where the allowance limit is exceeded in any one tax year then the Pension Scheme is required to pay this charge liability on the individual's behalf to HMRC in return for an appropriate reduction in their pension benefit. If it is not met the Scheme may still pay the tax charge under a Voluntary Scheme Pays (VSP) arrangement as detailed in the report.

In view of the above the Committee **agreed** changes to the LBBP Pension Fund policy to allow for a VSP arrangement when a member is not entitled to Mandatory Scheme Pays, having regard to the circumstances listed in the report which would determine whether an application would be accepted or not for VSP.

26. Vote of Thanks

The Chair advised that subject to the Council re-appointment process this was potentially his last meeting as Chair of the Panel. He therefore took the opportunity to thank his fellow Members, officers and the independent adviser for their hard work over the year.