

MINUTES OF PENSIONS COMMITTEE

Wednesday, 16 September 2020
(5:00 - 6:33 pm)

Members Present: Cllr Kashif Haroon (Chair), Cllr Foyzur Rahman (Deputy Chair), Cllr Rocky Gill, Cllr Amardeep Singh Jamu, Cllr Mick McCarthy, Cllr Dave Miles and Cllr Tony Ramsay

Observers Present: Steve Davies and Susan Parkin

Advisors Present: John Raisin, Nicholas Jellema and Stephen Jasinski

Apologies: Dean Curtis

8. Declaration of Members' Interests

There were no declarations of interest.

9. Minutes - 10 June 2020

The minutes of the meeting held on 10 June 2020 were confirmed as correct.

10. Pension Fund Quarterly Monitoring - April-June 2020

The report introduced by the Pension Fund Accountant provided information for employers, members of London Borough of Barking and Dagenham Pension Fund and other interested parties on how the Fund had performed during the quarter ("Q2") 1 April to 30 June 2020 as well as a verbal update on the unaudited performance of the Fund for the period 1 July to 15 September 2020.

The report summarised the effects of the global market during the periods and detailed the overall performance of the Pension Fund collectively as well as the performance of individual Fund Managers in Q2, and during both 2018 and 2019. The Fund's externally managed assets were valued at £1,132.03m, an increase of £127.03m from its value of £1,005.00m as at 31 March 2020. The cash value held by the Council at 30 June 2020 was £0.81m, giving a total Fund value of £1,132.84m. This total included a prepayment of £35.0m from the Council. Therefore, the net asset value as at 30 June 2020 after adjustment for the prepayment was £1,097.84m.

The report also updated the Committee on the Fund's Investment Strategy and performance. Consequently,

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,
- (iv) the update on the transition to CQS, and
- (v) the Independent Advisor's Market Background report 2019/20

11. Draft Pension Fund Accounts 2019/20

The report introduced the annual accounts of the LBBB Pension Fund for the year ended 31 March 2020 which have now been published on the Council's website. The accounts set out the financial position of the Pension Fund as at 31 March 2020 and as such act as the basis for understanding the financial well-being of the Pension Fund. In response to a question, the Council's Investment Fund Manager noted that because the accounts reflected the Pension Fund as of 31 March 2020, that this showed a drop in the Fund's value due to the market's position as a result of the Covid-19 pandemic.

The report included a summary of the key highlights of the Fund's performance over the year.

12. 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:

- i. The Independent Advisor's update on Government Consultation to address Age Discrimination relating to 'transitional protection' in the LGPS (commonly referred to as "McCloud");
- ii. That the Fund is cash flow negative;
- iii. The Fund's three-year budget for the period 1 April 2020 to 31 March 2023, and
- iv. The London CIV Update

13. Business Plan Update 2020

The purpose of the report was to update the Committee on the progress of the Pension Fund's 2020/21 business plan. Appendix 1 provided a summary of the Business Plan actions from 1 January 2020 to 30 June 2020. A Strategic Asset Allocation Review was being carried out by the funds' Investment Advisors (Hymans Robertson) and a full business plan for 2020/21 was being drafted alongside this, setting out the key tasks for the Pensions Committee in respect to the Pension Fund issues for 2020/21.

The Committee noted the report and Business Plan.

14. Private Business

The Committee **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. Investment Strategy Review - Hymans Robertson (Investment Advisors)

At the last meeting in June 2020 the Committee received a presentation from Hymans Robertson outlining the planned approach to the review of the existing investment strategy which followed the 2019 actuarial valuation. The review has considered the scope to improve the chances of achieving the Fund's primary objective and the risk return profile of the Fund's investments, optimising diversification benefits where possible, whilst being mindful of contribution rate affordability and income requirements. The report and presentation from Hymans Robertson set out the conclusions of the review of the Fund's investment strategy and put forward a number of recommendations on the asset allocation and mandate structure for the Fund's investment arrangements, having regard to the Member responses to the Investment beliefs questionnaire which was discussed at the last meeting.

In the light of the presentation the Committee agreed to:

- i) adopt an alternative investment approach as outlined which has the highest success measures, and reduces the downside relative to the current strategy, and
- ii) accept in principle the changes proposed by Hymans Robertson as part of their structure review, subject to additional work by officers supported by advisors, with a view to a further report being presented in December outlining how the changes will be implemented.

The Council's Investment Fund Manager noted that training would be provided for Members, with an additional report scheduled to be presented at the December committee to explain further developments. Representatives from Hymans Robertson also stated that they would provide training to Members in due course.