

MINUTES OF INFORMAL PENSIONS COMMITTEE

Wednesday, 16 March 2022
(7:00 - 8:45 pm)

Members Present: Cllr Kashif Haroon (Chair), Cllr Foyzur Rahman (Deputy Chair), Cllr Rocky Gill and Cllr Mick McCarthy

Observers Present: Susan Parkin

Advisors Present: John Raisin and Nicholas Jellema

Apologies: Cllr Amardeep Singh Jamu, Cllr Dave Miles, Cllr Tony Ramsay, Dean Curtis and Steve Davies

24. Declaration of Members' Interests

There were no declarations of interest.

25. Minutes (14 December 2021)

The minutes of the informal meeting held on 14 December 2021 were noted.

26. Independent Advisor Contract Renewal

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 IA's work during the past year.

The Committee **recommended** extending 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 job description included as Appendix 1 to the report.

Given that John Raisin had been the Committee's IA for a number of years, it was noted that the Investment Fund Manager would carry out an in-depth review of the market prior to the Committee reconsidering the appointment of the IA next year.

(Note: This recommendation was subsequently enacted by the Chief Executive acting under the provisions of paragraph 6.1(c) of Chapter 1, Part 3 of the Council Constitution.)

27. Pension Fund Quarterly Monitoring - October to December 2021

A report introduced by the Investment Fund Manager provided information for the Committee, employers and other interested parties on how the Fund had performed during the 4th quarter (1 October to 31 December 2021) together with an update on the Fund's investment strategy and performance. It included a verbal update on the unaudited performance of the Fund up to 14 March 2022 which also reflected on the potential impact on the markets of the war in Ukraine .

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 purchase of £769k of BlackRock units at 31 December 2021; and
- (iv) The quarterly performance of pension funds collectively and of fund managers individually.

28. Administration and Governance Report

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 2021 - 31 March 2024) as well as updates on the London Collective Investment Vehicle (LCIV) as the Fund moves towards more pooled investments. The Fund's positive cash flow position was noted, as was the submission on 5 January 2022 of the Compliance Statement to the Competitions and Markets Authority.

The Committee also received an update since the last meeting from the Independent Advisor (IA) on a number of developments relating to the LGPS covering:

1. The creation of the Department for Levelling Up, Housing and Communities and the appointment of a new Minister responsible for the Scheme
2. Levelling Up White Paper and the LGPS in England and Wales
3. LGPS consultations and responses
4. Cost Control mechanism, and
5. Review of 2019 Actuarial Valuations - Section 13 report by the Government Actuary Department (GAD)

In respect to the latter, the IA outlined the decision by GAD to issue an amber flag warning in respect of the Barking & Dagenham Fund's Deficit Recovery Plan, specifically the decision to reduce employer contribution rates from the 2016 to 2019 valuation by an average of 1.5%, from 25% to 23.5%, which was taken to support the Council's budget position at that time.

The Investment Fund Manager explained the background and provided the context behind this decision in so far that the reduction coincided with the setting up and transfer of Council staff into a number of Council owned subsidiary companies each of whom were making significant contributions to the Fund to the extent that it effectively offset the 1.5% reduction.

In noting the report, the Committee **recommended** that in order to allow the Fund to meet capital calls for infrastructure and fund Diversified Alternatives without the need for the Fund to sell any assets to fund the investments, a prepayment of pension contributions totalling £20m be made on 1 April 2022 in order to reduce the overdrawn cash position in 2022/23. This action mirrored a similar prepayment made last year.

(**Note:** This recommendation was subsequently enacted by the Chief Executive acting under the provisions of paragraph 6.1(c) of Chapter 1, Part 3 of the Council Constitution.

29. Training Policy

By Minute 23 (14 December 2021), the Committee supported the adoption of the CIPFA 2021 Code of Practice on LGPS Knowledge and Skills including specifically the five key principles, the seven statements and eight core technical areas, all of which would apply to Pensions Committee Members, Board Members and Fund officers. It was noted at that time that the Committee's Independent Advisor (IA) would, in consultation with Fund officers, prepare a Training Policy applicable for Members.

The IA presented the Policy, the format of which took account of the guidance in the 2021 CIPFA Knowledge and Skills Framework. He stated the Training Policy aims and objectives which would be delivered having regard to all the relevant legislation and guidance as it applied to the LGPS.

The IA detailed the competencies that would apply to the Committee Members, observers and senior Fund officers set down in the identified eight core technical areas, where appropriate knowledge and skills would need to be achieved and maintained on a regular basis. To measure this, the Policy had adopted knowledge matrices as set out in the CIPFA 2021 Framework which, when applied, would demonstrate that Members had an appropriate knowledge and skills relating to their LGPS duties and responsibilities.

The report detailed the training resources and delivery methods, including in-house training formed of various modules as part of the programmed meetings, regular updates to meetings and internal and external courses.

An Annual Training Plan would be developed for each Member of the Committee and Board. Regular monitoring would take place to ensure that Committee and Board Members and senior Fund officers had the required knowledge and skills to undertake their roles. To establish a baseline, an annual self-assessment against the competencies for each would be undertaken.

The reporting and compliance process was outlined which included the Fund Annual Report and Accounts detailing the training delivered and regular reports presented to both the Committee and Board on attendance levels and planned future training. In accordance with the Code, an individual must be named to be responsible for ensuring the Policy is implemented. For Barking and Dagenham, the nominated person will be the Investment Fund Manager.

The Committee **endorsed** the Training Policy as set out at Appendix 1 to the report, to be applicable to Committee Members, Observers, Local Board Members and senior Fund Officers, and noted that the Investment Fund Manager would be responsible for the implementation of the CIPFA Code of Practice on LGPS Knowledge & Skills 2021 and the Training Policy.

30. Business Plan Update

The Committee **noted** progress on the delivery of the 2021/22 Business Plan as set out in Appendix 1 to the report.

31. Pension Fund Annual Report 2020/21

The Committee **noted** the draft Pension Fund Annual Report for the year ended 31 March 2021, which included the draft 2020/21 Pension Fund Accounts.

32. Admitted Body Status

The Committee received a report from the Independent Fund Manager on applications from Aspens-Services Ltd (Aspens) and Medequip for Admitted Body status to the Council's Pension Fund.

It was **recommended** that both applications be approved as 'closed' agreements.

(**Note:** The recommendation was subsequently enacted by the Chief Executive acting under the provisions of paragraph 6.1(c) of Chapter 1, Part 3 of the Council Constitution.)

33. Strategy Update - BGGG Paris Aligned Strategy Paper

The Investment Fund Manager reported on the progress that had been made following the Strategy Review by Hymans in September and December 2020.

The Investment Fund Manager advised that further increases in the allocation to BlackRock had been completed totalling £1.269m, bringing the value of the BlackRock portfolio to £57.4m as at the end of February 2022. Arising from training sessions on Environmental, Social & Governance (ESG) and Alternative Assets investment matters, Members had indicated a desire for further integration of responsible investment and climate risk factors into the Fund's Investment Strategy. Stemming from that, Hymans Robertson's had carried out a high-level review and its report, set out at Appendix 1 to the report, assessed the benefits of the Fund transferring all of its existing Baillie Gifford equity holdings from the standard Global Alpha to the Paris-Aligned Fund, the strategy for which could be accessed through the London CIV. Hymans advised that the Paris-Aligned Fund focussed on companies that collectively had a lower carbon footprint, in keeping with Members' aims, and would be relatively cost effective to implement.

The Investment Fund Manager also advised on progress for the Alternative Asset Review together with a summary of the next steps of the Strategy Review over the course of the year, more detail on which would be presented to the Committee in June 2022.

Taking into account the advice received, it was **recommended** that officers liaise with the London CIV to arrange the efficient transfer of the Fund's current allocation from the Baillie Gifford Global Alpha Fund to the Paris Aligned Fund.

(**Note:** The recommendation was subsequently enacted by the Chief Executive acting under the provisions of paragraph 6.1(c) of Chapter 1, Part 3 of the Council Constitution.)