

# MINUTES OF PENSIONS PANEL

Monday, 18 September 2017  
(6:02 - 7:19 pm)

**Members Present:** Cllr Dominic Twomey (Chair), Cllr Faraaz Shaukat (Deputy Chair), Cllr Sade Bright, Cllr Edna Fergus and Cllr Jeff Wade

**Observers Present:** Susan Parkin

**Advisors Present:** John Raisin and Joe Peach

**Apologies:** Cllr James Ogungbose, Cllr John White, Gavin Palmer, John Garnham and Colin Cartwright

## 10. Declaration of Members' Interests

There were no declarations of interest.

## 11. Minutes - To confirm as correct the minutes of the meeting held on 14 June 2017

The minutes of the meeting held on 14 June 2017 were confirmed as correct.

## 12. Pension Fund Quarterly Monitoring report 2017/18- April-June 2017

The report provided information for employers, members of London Borough of Barking and Dagenham Pension Fund ("the Fund") and other interested parties on how the Fund has performed during the quarter 1 April 2017 to 30 June 2017 ("Q2"). The report updated the Panel on the Fund's investment strategy and its investment performance. Appendix 2 provided a definition of terms used in this report and Appendix 3 set out roles and responsibilities of the parties referred to throughout this report.

The Fund's externally managed assets closed Q2 2017 valued at £945.8, an increase of £37.1m from its value of £908.7m as at 31 March 2017. The cash value held by the Council at 30 June 2017 was £0.5m giving a total Fund value of £946.3m.

For Q2 the Fund returned 1.8%, net of all fees, outperforming its benchmark by 0.6%. Over one year the Fund has returned 14.6%, outperforming its benchmark by 2.1%. Over three years the Fund has outperformed its benchmark by 0.1%, with a return of 10.7%. The Fund's quarterly and annual returns are provided below:

An oral update on the unaudited performance of the Fund for the period 1 July to 15 September 2017 was provided for the Pensions Panel and it was noted that BlackRock and Aberdeen Asset Management had returned 4.6% and 4.2% in quarter 2, exceeding their benchmarks. In addition, Newton had been underperforming and had not reached its benchmark and it was recommended

that officers discuss with them and that Newton present to the Pension Panel in December 2017. In addition they would discuss with Standish about arrangements following the departure of Raman Srivastava.

The Pension Fund was approximately 80% funded.

The Panel 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; and
- (iii) The quarterly performance of pension funds collectively and the performance of the fund managers individually;
- (iv) The Panel agreed for officers to discuss with Newton Fund Managers why they were underperforming and not reaching their benchmark and that Newton present to the Pensions Panel in December 2017.

### **13. Administration and Governance report**

It is best practice for Members to receive regular administration data and governance updates. Administration data includes cash flow, member numbers, governance and consultations. The report covered the following areas:

- i. Pension Fund Budget 1 April 2017 to 31 March 2020;
- ii. Cash flow to 31 July 2017;
- iii. Update on the Havering College of Further & Higher Education merger with Barking and Dagenham College;
- iv. The London Collective Investment Vehicle (LCIV)
- v. Update on MiFID 2; and
- vi. Actuary Contract Tender.

It was highlighted that the Fund was expected to remain cash flow positive for the duration of the three years but for the net dealing with members to reduce to £3.25m by 2020. Fund Managers fees were forecast to drop from £3.5m to £3.0m by 2020. It was anticipated that the Fund would be funded at 82.3% in due course.

It was also highlighted that on 28 July 2017, Barking College advised that the Havering Board had decided not to pursue the proposed merger and as a result Havering College of Further and Higher Education (HCFHE) would not now transfer its support staff into the Fund.

The Fund currently uses Hymans Robertson as its actuary, with the contract agreed through a framework agreement established by the London Borough of Croydon Pension Fund. The Croydon framework ended on 31 March 2017, with the Fund's contract with Hymans Robertson ending towards the end of 2017.

It was proposed that the Fund seek to join the National LGPS Framework for Actuarial and Benefit Consulting which has 37 LGPS funds from across the UK.

Using a framework saves considerable time and money, whilst still delivering a service specified to the Fund's requirements.

Members were asked to agree to delegate authority to officers to commence procurement for an actuary, using the National LGPS Framework. If agreed, the interview dates would likely to be held in late November 2017

The Panel noted:

- i. That the Fund is cash flow positive;
- ii. The Fund's three-year budget for the period 1 April 2017 to 31 March 2020;
- iii. That Havering College for Further Education will now not transfer its support staff into the Fund; and
- iv. That interview dates for the actuarial tender will likely be in late November. If any Member would like to be on the selection panel, please can they advise the Group Manager for Treasury and Pensions by e-mail.

The Panel agreed:

- v. That the Fund should seek to Opt Up to Professional Investor;
- vi. To delegate authority to the Sections 151 officer to complete the Opt Up process; and
- vii. To delegate authority to officers to commence procurement for an actuary, using the National LGPS Framework.

#### **14. Business Plan Update 2017**

The purpose of the report was to update the Pension Panel on progress regarding the Pension Fund's 2017 business plan.

Appendix 1 provided a summary of the Business Plan actions from 1 January 2017 to 31 August 2017 and the actions for the remainder of the year.

The Panel noted progress on the delivery of the 2017 Business Plan at Appendix 1 to the report.

#### **15. Pension Fund Accounts 2016/17**

The report presented the Panel with the Annual Report for the year ended 31 March 2017 and included the 2016/17 Audited Pension Fund Accounts.

The Local Government Pension Scheme (Administration) Regulations 2008 (No 239) requires each administering authority to prepare an annual report for the pension fund. The regulations prescribed that the following should be included in the annual report:

- a report on the management and financial performance of the fund during the year;
- an explanation of the investment policy;

- a report on the administrative arrangements for the fund;
- a statement from the actuary on the latest funding level;
- the current version of the governance compliance statement;
- the fund account and net asset statement with supporting notes and disclosures;
- the extent to which the fund has achieved its required performance levels and
- the current version of the funding strategy statement, the statement of investment principles and communications policy and any other information the authority considers appropriate.

It was noted that the Annual Report was available on the Council's website at: <http://www.lbbdpensionfund.org/about-us/forms-and-publications.aspx>

The Panel noted the annual report and that the Council's external auditors (KPMG) would sign off the accounts by 30 September 2017.

#### **16. Application for Admitted Body Status - Aspens-Services Limited**

At present, the Pension Fund has a number of Admitted Bodies, some of which have been members of the London Borough of Barking and Dagenham Pension Fund ("the Fund") for a number of years.

As Administering Authority, the Council cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the Local Government Pension Scheme (LGPS) regulations. In cases where the requirement of the LGPS regulations have been met, the Pension Panel can agree to retrospectively agree an admission agreement.

The Panel were asked to consider the application for Admitted Body status from Aspens-Services Limited (Aspens) to the Local Government Scheme (LGPS).

The Panel agreed the application for Admitted Body Status by ASPENS, as a 'closed' agreement. Officers would seek clarification regarding the guarantee provided by Partnership Learning and would provide Members with an update at the Panel meeting in December 2017.

#### **17. Application for Admitted Body Status - Sports & Leisure Management**

At present, the Pension Fund has a number of Admitted Bodies, some of which have been members of the London Borough of Barking and Dagenham Pension Fund ("the Fund") for a number of years.

As Administering Authority, the Council cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the Local Government Pension Scheme (LGPS) regulations. In cases where the requirement of the LGPS regulations have been met, the Pension Panel can agree to retrospectively agree an admission agreement.

The Panel were requested to consider the application for Admitted Body status from Sports & Leisure Management (SLM) to the Local Government Scheme (LGPS).

The Panel agreed the application for Admitted Body Status by SLM, as a 'closed' agreement.

#### **18. Application for Admitted Body Status - Be First**

At present, the Pension Fund has a number of Admitted Bodies, some of which have been members of the London Borough of Barking and Dagenham Pension Fund ("the Fund") for a number of years.

As Administering Authority, the Council cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the Local Government Pension Scheme (LGPS) regulations. In cases where the requirement of the LGPS regulations have been met, the Pension Panel can agree to retrospectively agree an admission agreement.

At the March and June 2017 Pension Panel, Members were advised that the Council was looking to create several different service delivery vehicles including, transferring its Leisure Services and establishing a company, Be First, to manage the implementation of its investment and regeneration strategy. In addition, a number of Traded Services will be set up.

The Panel agreed the application for Admitted Body Status by Be First, as a 'closed' agreement.

#### **19. Private business**

#### **20. \*The Council's Relationship with the Pension Fund Re: Property Investing**

At the Pension Panel meeting held on 14 June 2017, Members asked the Fund's advisors, Aon Hewitt (Aon), to write a paper for the September Panel to clarify the relationship between the Council and the Fund. The report should include how the Fund can invest within the Borough and the process the Fund would need to go through to buy assets from the Council.

The Panel noted:

- (i) Aon Hewitt's report on the Council's Relationship with the Pension Fund Re: Property Investing (appendix 1);
- (ii) The Independent Advisors observations of the review (appendix 2); and
- (iii) The officer view and recommendations provided (section 4) of this report.

The Panel agreed:

- (iv) That the Fund must seek independent specialist legal advice prior to any investment with the Council which uses a sale and leaseback agreement;
- (v) That the Fund must also seek independent property advice and that of the Independent Advisor prior to bringing any investments to the Pension Panel for potential agreement;

- (vi) The Fund must obtain specific legal advice as to the precise meaning and implications of Regulation 7(4) of the LGPS (Management and Investment of Funds) Regulations 2016;
- (vii) That the Funding of any sale and lease back agreement with the Council should be limited to a maximum of 5% of the Fund's value, with a maximum duration of 30 years; and
- (viii) That any investment with the Council using a sale and leaseback agreement should be funded from the Fund's passive bond allocation.

*\*Item considered following the passing of a resolution to exclude the public and press by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.*

## **21. \*Equity Portfolio Review**

At the Panel meeting held on 14 June 2017, Members ask the Fund's advisors, Aon Hewitt (Aon), to review Fund's equity allocation, with a report to be taken to the September Panel, covering:

- (i) Equity Strategy Review;
- (ii) Equity Manager Review;
- (iii) Review of the options and opportunities available through the London Collective Investment Vehicle (LCIV);
- (iv) Options available through investing passively; and
- (v) taking into consideration the destination portfolio.

The Panel noted:

- (i) Aon Hewitt's Equity Review (appendix 1);
- (ii) The Independent Advisors observations of the review (appendix 2); and
- (iii) The officer strategy review and economic forecast in section 4 of this report.

The Panel agreed:

- (iv) That the Fund's current 48% strategic allocation to equities is maintained;
- (v) That the Fund's allocation to Baillie Gifford and UBS is maintained;
- (vi) That officers arrange a meeting for Members to meet the manager on the LCIV and that the meeting is with the following managers:

1. Epoch – Global Shareholder Yield
2. Longview – Equity Total Return
3. Newton – Global Thematic
4. RBC – Global Sustainable Equities
5. Hendersons

- (vii) That if none of these managers are suitable replacements, then a training day should be arranged for Members, covering

the various passive investment strategies, including fundamental index.

*\*Item considered following the passing of a resolution to exclude the public and press by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.*