

# MINUTES OF PENSIONS COMMITTEE

Wednesday, 18 September 2019  
(7:00 - 8:27 pm)

**Members Present:** Cllr Dave Miles (Chair), Cllr Giasuddin Miah (Deputy Chair), Cllr Sade Bright, Cllr Kashif Haroon, Cllr Amardeep Singh Jamu and Cllr Tony Ramsay

**Observers Present:** Susan Parkin

**Advisors Present:** John Raisin, Colin Cartwright and Joe Peach

## 9. Declaration of Members' Interests

There were no declarations of interest.

## 10. Minutes - To confirm as correct the minutes of the meeting held on 12 June 2019

The minutes of the meeting held on 12 June were confirmed as correct.

## 11. Pension Fund Quarterly Monitoring 2019/20 - April to June 2019

The report provided information for employers, members of London Borough of Barking and Dagenham Pension Fund and other interested parties on how the Fund has performed during the quarter 1 - April to June 2019 as well as a verbal update on the unaudited performance of the Fund in quarter 2 – July to 17 September.

The report summarised the effects during the periods of the global market including Brexit and a No Deal outcome and detailed the overall performance of the pension funds both collectively and of individual fund managers.

The Investment Fund Manager reported that despite the volatility of the markets in this quarter the Fund had performed well with Baillie Gifford and Newton, fund managers continuing to perform the best. However there remained concerns about the underperformance of Mellon Corporation (Standish), as a result of which it is proposed to withdraw funds (see Minute 16).

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; and
- (iii) The quarterly performance of pension funds collectively and the performance of the fund managers individually.

## 12. Pension Fund Annual Report 2018/19

The Pension Fund Accountant presented the Committee with the Annual Report for the year ended 31 March 2019 which included the 2018/19 Audited Pension Fund Accounts. The auditors are currently reviewing the accounting of a pre-payment but this matter has now been resolved and the accounts are at the point of being signed off and consequently a final update report will be presented to the Committee in December.

The Annual Report was available on the Council's website at:

<http://www.lbbdpensionfund.org/about-us/forms-and-publications.aspx>

## 13. 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 2019;
- c) Update on the custodian tender and specially the appointment of Northern Trust, and
- d) Update on the Scheme Advisory Board (SAB) Good Governance Project in the LGPS by the Independent Advisor

In respect to the latter the Independent Advisor supplemented his report in section 5 updating the Committee on the outcome of a further meeting today of the SAB which has confirmed that rather than imposing a particular "one size fits all" model, the governance structure of the LGPS will remain as now on the basis that the future governance of the Scheme should be enhanced utilising an "outcomes based" approach with minimum standards which is assured through regular independent review, and which all authorities will be expected to adopt in 2020/21.

The Committee **resolved** to note:

- (i) That the Pension Fund is cash flow positive;
- (ii) The Fund's three-year budget for the period 1 April 2019 to 31 March 2022;
- (iii) The appointment of Northern Trust as the Fund's Custody and Performance Monitoring Provider, and
- (iv) The Independent Advisor's LGPS Update.

#### **14. Business Plan Update 2019/20**

The purpose of this report was to update the Pension Committee on progress regarding the Pension Fund's 2019/20 Business Plan.

Appendix 1 provided a summary of the Business Plan actions from 1 January 2019 to 31 August 2019 and those for the remainder of the year.

The Committee noted the report and Business Plan.

#### **15. 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).

#### **16. CQS Multi-Asset Credit Strategy Appointment**

Following consistent underperformance by BNY Mellon (Standish) the Investment Fund Manager presented a report from the Council's Chief Operating Officer detailing the outcome of interviews conducted by the Pensions Committee on 13 June in the presence of representatives of the London Collective Investment Vehicle (LCIV) with three fixed income fund managers as part of the fixed income strategy review. This resulted in the decision to appoint CQS as the Fund's fixed income manager, subject to due diligence checks.

In the light of the said checks, officers had subsequent discussions with LCIV, who advised that the fund manager has been placed "on watch" which in turn placed a hold on the transition process from BNY Mellon.

The Fund's Investment Advisors, Aon along with the Fund's independent advisor were asked to provide comments, the former of which were contained in Appendix 2 to the report, and the latter verbally outlined at the meeting.

The independent advisor provided a personal opinion of CQC whom he felt had demonstrated their suitability for appointment through their investment record over the past four years. He stated that the Committee should view his comments as merely observational and represented constructive challenge, on the basis that under the LGPS Investment Regulations 2016 investment advice is provided to the Barking & Dagenham Pension Fund by Aon Hewitt.

Aon then summarised their findings. Strategically they believed that the type of mandate that CQS operated was correct for what the B&D Pension Fund required. That said given the role of the LCIV within the LGPS pooling environment in selecting the appropriate fund managers for each mandate, it was felt appropriate that representatives of the LCIV be invited to attend the meeting to discuss these matters.

Representatives of LCIV attended the meeting and were questioned as to the concerns that they had with CQS and the reasons why subsequent to the interviews they had been placed 'on watch'. There was also a discussion about the set up under the LCIV and the concerns over the limited number of manager

options available for each type of asset.

In the light of the discussions and having regard to view of the Advisers,

The Committee **RESOLVED** to: Appoint CQS as the Fund's Credit Manager and to transfer funds from BNY Mellon in two tranches during October and November 2019 in the manner detailed in Section 4 of the report.