

MINUTES OF PENSIONS COMMITTEE

Wednesday, 10 June 2020
(5:00 - 6:40 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: Susan Parkin

Advisors Present: John Raisin, Nicholas Jellema and Stephen Jasinski

1. Declaration of Members' Interests

There were no declarations of interest.

2. Minutes - 11 March 2020

The minutes of the meeting held on 11 March 2020 were confirmed as correct.

3. Pension Fund Quarterly Monitoring - January-March 2020

The report provided information for employers, members of LBBD Pension Fund and other interested parties on how the Fund performed during the Quarter-1 January to 31 March 2020. Hymans Robertson, the recently appointed Investment advisors updated the Committee on the current state of the markets in the light of COVID-19.

The Fund's externally managed assets closed Q1 valued at £1,005,00m, a decrease of £121.32m from its value of £1,126.33m at 31 December 2019. The cash value held by the Council at 31 March 2020 was negative £10.51m, giving a total Fund value of £994.49m. The Investment Fund Manager verbally reported on the performance of the Fund up to 9 June 2020, which showed a significant bounce back with overall the Fund ending 1.96% up.

The Committee accordingly **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 continues to be put on hold until clarification is obtained from LCIV.

4. Investment beliefs session - Hymans Robertson (Investment Advisors)

Following their appointment and in the light of the completion of 2019 actuarial valuation, Hymans Robertson (HR) had been asked to present an investment strategy review for the Committee's consideration at the meeting in September.

Forming part of that work Nick Jellema and Stephen Jasinki of HR outlined in a presentation the aim of the review which would:

consider the ability for the current funding and investment plan to meet the objective of the Pension Fund being fully funded in any given year,
allow members to consider the impact of alternative investment strategies and funding plans on the probability of success,
enable members to assess the attractiveness and appropriateness of the combinations considered, and
understand the implementation consequences, including the availability of assets not only within the LCIV, but also the wider investment market

The only options to achieve full funding going forward are either to increase the employer ('the Council') contributions in the future and/or improve the return on investment, hence the importance of putting forward recommendations for progressive change to the current investment strategy.

The presentation set out the strategic framework with good governance seen as key and having a set of clear objectives which are outcomes focused. This will necessitate a review of current objectives with the priority of aligning funding and investment strategies. The review is to be supported by asset liability modelling (ALM) analysis which is designed to enable informed decisions on the appropriate investment strategy (in the context of funding strategy), having examined the trade-off between risk and return.

Questions were raised and responded to by the investment advisors, specifically around diversified growth investments, performance management (poor outcomes v poor investments) and the principle levers for addressing the fund's deficit.

To support the review HR issued all Pension Committee members with an Investment Beliefs questionnaire to complete, the findings of which were presented and discussed. In summary HR will use the findings to identify the areas of strong belief to inform the review of the investment strategy and those areas where further development is required, and which will be reported upon in September.

The independent adviser (JR) was pleased to see the investment advisors actively seeking the Committee's views on their beliefs. He welcomed the emphasis on the investment strategy rather than focusing on management issues. He noted a word of caution that since Brexit, UK assets had generally underperformed, a factor that will need to be considered in the review. He was also keen to ensure that the Actuary's views were taken into account with the investment strategy, the importance of which was recognized by HR.

The investment advisors were thanked for their informative presentation.

5. Application for Admitted Body Status - Caterlink

In March 2019 it was agreed that Caterlink, the catering contractor to Goresbrook School should become an Admitted Body member of the Council's Pension Fund enabling transferred former Council employees to remain in the Local Government Pension Scheme or "broadly equivalent" scheme, as is their right.

Caterlink have gained a number of new contracts with various schools and have applied for an Admitted Body status for these contracts as staff will be transferring across. Accordingly,

The Committee have **resolved** to agree the application for Admitted Body status by Caterlink, as a 'closed' agreement.

6. 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 2020 to 31 March 2023,
- b) Cash flow to 31 March 2020,
- c) An update on the appointment of Hymans Robertson and Barnett Waddington for the Fund's Investment Consulting Services and its Actuarial Services respectively, and
- d) From the Independent Advisor on the Scheme Advisory Board (SAB) Good Governance Project and other significant developments in the LGPS which focused on:
 - Good governance in the LGPS project, particularly the Phase II report, and
 - The judgement in the Supreme Court case regarding the 2016 LGPS statutory guidance.

The Committee accordingly **noted** the report

7. Business Plan Update 2020

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 December 2020. A Strategic Asset Allocation is being carried out by the Fund's Actuary and a full business plan for 2020/21 is being drafted alongside this and will be presented to the Committee in September 2020 for approval.

The Committee noted the report and Business Plan.