

# MINUTES OF PENSIONS COMMITTEE

Wednesday, 13 December 2023  
(7:00 - 7:57 pm)

**Members Present:** Cllr Moin Quadri (Chair), Cllr Manzoor Hussain (Deputy Chair), Cllr Rocky Gill, Cllr Giasuddin Miah and Cllr Tony Ramsay

**Observers Present:** Susan Parkin

**Advisors Present:** John Raisin and Nicholas Jellema

## 9. Declaration of Members' Interests

There were no declarations of interest.

## 10. Minutes (14 June 2023)

The minutes of the meeting held on 14 June 2023 were confirmed as correct.

## 11. Quarterly Monitoring 2023/24 - 1 July to 30 September 2023

The Investment Fund Manager presented the standard report on the Fund's performance during the period 1 July to 30 September 2023, including details of the performance of individual Fund Managers. The Committee also received a verbal update on the unaudited performance of the Fund up to December 2023. The update showed a reduction in the value of the Fund driven by significant increases in pension payments over the past two years affected by high levels of inflation as reflected in a funding level update provided by Barnett Waddington, the Fund Actuaries. Consequently, the overall value of the Fund had fallen below 100%, something the Committee needed to be mindful of as the Fund moves towards the next full triennial valuation expected to be carried out by 31 March 2025 with new contribution rates set from 1 April 2026.

The report included the Committee's Independent Advisor's market background for Q3 alongside which the Committee received a commentary from Nick Jellema, Hymans Robertson as to the current economic market position.

Looking at the overall performance of the Fund and its closing value at Q3, reference was made to a short-term loan of £5.8m. The Investment Fund Manager explained that there were lots of asset movements between Fund Managers and as the Fund did not hold a significant amount of cash the loan was taken as a short-term arrangement only.

Looking at the performance of individual Fund Managers it was noted that the returns from Baillie Gifford were not particularly strong when viewed over both one and three years.

The Investment Fund Manager responded that when considered over the preceding 10-year period they had matched the benchmark. However, acknowledging the more recent poorer performance it was noted that LCIV were monitoring the situation, and it may well be that along with a number of other underperforming managers it would be prudent to arrange to meet with Baillie Gifford to discuss their performance records. However, the Investment Fund Manager was at pains to state that overall the Fund was performing well.

In noting the current economic outlook Hymans Roberson were asked to speculate about the future direction of the Base Rate? Nick Jellema supported the market expectations that there were likely to be a series of modest percentage point reductions in the Base Rate over the coming year, which depending on quickly the rate of inflation drops, could see a rate of around 4%/5% by the end of 2024/early 2025.

Clearly this will be dependent on many world factors such as the ongoing war in Ukraine together with the continued underlying effects brought about by the pandemic, the overall consequences of which could potentially disrupt commodity markets and in turn push up inflation. John Raisin, the Independent Advisor affirmed the view that the Bank of England would remain cautious as to the timings and size of any reductions in the Base Rate.

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) Funding levels update from Barnett Waddingham, and the
- (iv) The quarterly performance of the Funds collectively and that of Fund Managers individually.

## **12. Administration and Governance Report**

The report presented by the Pension Fund Accountant provided an update on the administrative and governance changes that had occurred since the last meeting and the potential impact that the changes may have on the Pension Fund going forward. It set out the Fund's one and three-year cashflow forecast (1 April 2023 - 31 March 2026), an update on the London Collective Investment Vehicle (LCIV) as the Fund moved towards more pooled investments, the McCloud (age discrimination in the LGPS) summary (as further referenced in the Independent Advisor's update under minute 14), Member Self Service implementation and the Internal Audit of the Pension Fund.

In response to the report and specifically the Internal Audit, the Investment Fund Manager provided more information on work undertaken by management to address the two risk areas identified through the Review namely checking and verifying life certification of overseas Pensioners and meeting minimum standards in responding to service requests to stakeholders.

The Committee noted that following the launch and notification of the Member Self-Service Pension Portal in the Summer, to date just over 2,000 from a total of 6,000 members had registered to use the service. Subsequent communications would continue to be issued to encourage more members to register.

In response to a question about the investment performance of the London CIV, the Investment Fund Manager commented that the figures in the quarter 30 June to 30 September showed the negative difference in the fund totals held by the LCIV was brought about by the movement of funds from Baillee Gifford to the global Bond Fund. This was not a reflection of the LCIV's investment performance which would continue to be monitored.

The Committee **NOTED** the report.

### **13. Admitted Body Status**

The Committee received a report from the Pension Fund Accountant regarding applications for Admitted Body status to the Council's Pension Fund from Taylor Shaw and Alliance in Partnership, providers of school catering, both of whom had recently secured contracts to supply catering to Borough Schools.

The Committee **resolved** that both applications be approved as 'closed' agreements.

### **14. Independent Advisor- LGPS Update**

The Committee's Independent Advisor presented his quarterly update on the Local Government Pension Scheme (LGPS) which covered the following matters:

- The outcome of the recent Government Investment Consultation exercise,
- An update on the long-awaited regulations on Climate Change reporting, and the
- Further consultation on 'McCloud' (age discrimination in the LGPS),

The Committee **noted** the update.

### **15. Business Plan 2024-26**

The Investment Fund Manager introduced the report on the Pension Fund Business Plan 2024 to 2026, which set out the key tasks for the Pension Committee for the said period, reflecting the Committee's commitment to ensure the future Investment Strategy and monitor procedures to enable the Fund to meet its objectives and comply with best practice. Quarterly progress updates on the Business Plan would be reported to the Committee.

Reference was made to the general training and events that will be provided to Committee Members to enable them to accord with CIPFA's Knowledge and Skills Framework which covered seven areas of knowledge and skills identified as being the core technical requirements for those involved in decision making. In that respect a series of future training sessions would be held forming part of the meeting cycle in the coming year.

The Committee **resolved** to agree the Business Plan for 2024- 2026 as set out in the report.

## **16. Investment Strategy and Structure Review**

The Pension Fund Accountant presented an outline of the Fund's Investment Strategy and Structure Review and progress with its implementation. The Review considered the scope to improve the chances of achieving the Fund's primary objective and the risk return profile of the Fund's investments, optimizing diversification benefits where possible, whilst being mindful of contribution rate affordability and income requirements.

The Committee **noted** both the Investment Strategy and Structure Review by Hymans Robertson and its implementation in accordance with the steps agreed at the last meeting (minute 8 refers).