

PENSIONS COMMITTEE

Wednesday 12 December 2018 at 6.00 pm

MINUTES

PRESENT: Councillor Mary Atkins, Councillor Anna Birley, Councillor Pete Elliott, Councillor Joshua Lindsey and Councillor Iain Simpson (Chair)
Co-Opted Members: Robert Kennedy (Employee Representative) and Peter Woodward (Trade Union Representative)

APOLOGIES: **Co-Opted Members:** Desmond Farry (Pensioner Representative)

1. **DECLARATIONS OF INTEREST**

There were no declarations of interest. It was noted in discussion that some Members had not received the agenda and Mercer packs, and needed correction for future meetings.

2. **MINUTES FROM THE PREVIOUS MEETING**

RESOLVED: That the minutes of the meeting 25 September 2018 were agreed as an accurate record.

3. **INVESTMENT PERFORMANCE REPORT**

Andrien Meyers, Treasury and Pensions; and, Sandy Dickson, Mercer, presented the report and answered questions as below:

- The Fund was overweight in global equities, but external events were naturally reducing this position.
- Emerging markets and the diversified growth had struggled.
- Majedie, Baillie Gifford, and Janus Henderson had caused the Fund's underperformance over the quarter.
- It was doubtful that the Fund would continue to post returns as it had over the three year benchmark.
- The *Investment Strategy* decision to move from UK equity to emerging market equity would be reflected in Q1 2019 reporting.
- Officers would send around the delegations log.
- MFS was red flagged as although it was positive last quarter, it had underperformed by 3.4% over the last year and over longer timespans.

RESOLVED:

1. That the report, together with the information in the accompanying exempt from disclosure report, be noted.

4. RISK REGISTER AND KPIS

Christina Thompson, Director for Finance and Property; and, Linda D'Souza, Head of HR Operations, introduced the annual report and noted:

- Risk PA9 was an administrative risk and fell under the Pensions Board's remit.
- Risk PA10 related to working from home policies and fell under the remit of the Corporate Committee. This risk was rated as serious as it involved handling personal information under GDPR regulations.
- Attendees were content with Risk PA17 (actuarial evaluation) as the Committee and Board had received training and had spent a year analysing it.
- The report in future would be presented as it appeared on the corporate risk register, with 0-32 scoring and detailed control measures.
- Officers would add additional risks detailing GMP equalisation, methodology and longevity.
- Risks could be added to the register by Members.
- Stranded assets were included under Risk PA21.
- The Pensions Fund's consultants, Mercers, monitored managers' ESG ratings.

RESOLVED:

1. To note and review the Lambeth Pension Fund Risk Register and the additional actions proposed to mitigate risk.

5. LAMBETH TRIENNIAL VALUATION

Christina Thompson, Director of Finance and Property; Andrien Meyers, Treasury and Pensions; Linda D'Souza, Head of HR Operations; and Steven Law, Hymans Robertson, introduced the report and responded to questions as below:

- The agenda pack, page 172, detailed the timeline of the triennial evaluation.
- The key funding statement (agenda pack, page 173, paragraphs 2.2-2.4) informed the Council's contribution and the investment strategy statement, whilst paragraphs 2.5-2.10 detailed the Section 13 and Government Actuary Department (GAD) requirements.
 - When GAD carried out S13 valuation it reviewed compliance, consistency, solvency, and long-term cost efficiency; with Lambeth in the top third for solvency.
 - Lambeth's Pension Fund received an amber flag for long-term cost efficiency, due to its recovery period and declining contribution rates, however this had originally been a red flag which the actuary and officers had lowered in consultation the GAD.
 - Five or six other local authority pension funds had received an amber flag.
 - It was important not to raise any further flags (specifically with regards to reducing contributions or extending deficit recovery periods), as these could lead to the GAD enforcing the Fund to change its funding or portfolio, but this was an untested mechanism.
 - There were significant questions of how the GAD interpreted CIPFA guidance and on the arbitrary setting of definitions, such as the 70% funding level.
- Local authorities had one of the strongest covenants, so there was little scope to improve and whilst a charge on assets has been floated, the Scheme Advisory Board and GAD were sceptical and had not approved their use.
- CIPFA accounting rules did not allow Funds to charge on assets that local authorities owned.
- The Fund tendered consultants every four years.

RESOLVED:

1. That the report be noted.

6. INVESTMENT PERFORMANCE (MANAGER) REPORT

Exclusion of the press and public and summary of part II proceedings.

MOVED by the Chair and:

RESOLVED:

That under section 100A-H of the Local Government Act 1972, the press and public be excluded from the remainder of the meeting on the grounds that, for the item of business summarised below, it was likely that exempt information, as defined by Section 1001 and Schedule 12a of the Local Government Act 1972 and as specified by reference to the appropriate paragraph thereof, would be disclosed to them:

3. Information relating to the financial or business affairs of any particular person including the authority holding that information.

7. LCIV UPDATE, RESPONSIBLE INVESTMENT AND THE LAMBETH PENSION FUND

Exclusion of the press and public and summary of part II proceedings.

MOVED by the Chair and:

RESOLVED:

That under section 100A-H of the Local Government Act 1972, the press and public be excluded from the remainder of the meeting on the grounds that, for the item of business summarised below, it was likely that exempt information, as defined by Section 1001 and Schedule 12a of the Local Government Act 1972 and as specified by reference to the appropriate paragraph thereof, would be disclosed to them:

3. Information relating to the financial or business affairs of any particular person including the authority holding that information.

CLOSE OF MEETING

The meeting ended at 8.04 pm

CHAIR

Date of Despatch: Thursday 17 January 2019

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