

Minutes of the Meeting of the Pension Fund Panel

Date: Wednesday, 11 March 2020

Time: 19:00

Venue: Committee Room 1 Perceval House

Attendees:

Councillor Stephen Donnelly, Councillor Yvonne Johnson, Mr Sukhminder Kalsi, Councillor Rajinder Mann, Councillor Anthony Young

1 Apologies for Absence and Substitutions

Apologies were received from Councillor Kamaljit Nagpal

2 Urgent Matters

There were no urgent items to consider

3 Declarations of Interest

There were none declared.

4 Matters to be Considered in Private

It was noted that there were several appendices to substantive reports that were to be considered in private by virtue of Section 100(A) of the Local Government Act 1972, paragraphs of Part 1 of Schedule 12A of the Act:

Item (9) :Pensions Administration – (1) Monitoring and Contract Arrangements Update ADDENDUM 1 CONFIDENTIAL

- Contained information relating to the financial or business affairs of any particular person (including the authority holding that information);

Item (9) :Pensions Administration – (1) Monitoring and Contract Arrangements Update ADDENDUM 2 - Confidential - LPP Budget Proposal..

- Contained information relating to the financial or business affairs of any particular person (including the authority holding that information);

CONFIDENTIAL Pension Fund Budgetary Estimate and Work Plan for 2020/21 - Appendix 3 Management and Administration Estimates

- Contained information relating to the financial or business affairs of any particular person (including the authority holding that information);

5 Minutes of the Previous Meeting - 21 November 2019

The panel considered the minutes of the previous meeting dated 21 November 2019.

RESOLVED:

The minutes of the previous meeting 21 November 2019 were approved as a true and accurate record of proceedings

6 Ealing Pension Fund Triennial Valuation Outcome 2019

Michelle Doman of Mercer, the Ealing Pension Fund Actuary, introduced the actuarial valuation of the Ealing Pension Fund. It was explained that there had been strong asset returns seen for the fund. It was also highlighted that there had been funding improvements seen for the 2019 valuation, noting that the fund is now 91% funded up from 80% at the 2016 valuation.

It was noted by the Actuary that there were several issues upcoming, including current market volatility and the Sargent/McCloud judgement. The McCloud judgement had significant impact due to the claim of age discrimination for protections in the judges and fire pensions, and the likely implications of this ruling that would apply to the Local Government Pension Scheme (LGPS). It was noted that the Actuarial valuation had taken this into account as the most likely scenario to occur, and had noted an impact on the fund of between 0.2% - 1%.

It was explained by the Actuary that future outlook valuation was more pessimistic. The Actuary noted that current events, the decrease in stocks (resultant of global events) and the impact of COVID-19, had impact for future outlook, they are comfortable with the position of the Ealing Fund, but there is likely to be considerable pressures on individual employers but they do not feel that they need to revisit the valuation.. However, it was noted that the overall economic impact of this was not fully realised.

The Actuary explained that there had been a slowdown in the rate of improvement of life expectancy which has reduced the liabilities and had a beneficial. The recovery period has been reduced from 17 years to 14 years. It was noted by the Actuary that, despite this, the fund was healthy due to the strength of its investments.

It was highlighted by the Actuary that there had been clarification over the payment of Exit Credits. In 2018 regulations were issued directing the funds to pay exit credits where a departing fund is in surplus. What that regulation failed to deal with was where there were risk sharing arrangements. The position was clarified and gave the fund more discretion over exit credits. The guidance provided more flexibility, but also opened the fund to the possibility of challenge.. However, it was explained that the fund had mitigated this risk by implementing a clear policy regarding exit payments.

There was flexibility within the funding strategy to prepay contributions and take a discount.

RESOLVED:

1. That the Board noted the Actuarial valuation.

7 UK Property Manager Update - Lothbury

Jo Bond, Executive Director of Lothbury, made a presentation to the Panel explaining the work of Lothbury and the health of investments. It was explained that high street retail investment opportunities had declined, but that the portfolio has minimal exposure to retail. It was also stressed that the retail investments within the portfolio were of high quality and had low vacancy rates.

It was noted that Lothbury had attracted international investors, increasing its diversity of investor base.

Following questioning from Members, the presenters clarified:

- That the organisation sought to maximise rental income, but that it would prioritise low risk/lower return over high risk/higher return renters.
- That the portfolio was undertaking significant work regarding Environment, Social and Governance improvement, in line with LGPS priorities, but that it could only do this to full effect in areas it fully controlled.

RESOLVED:

1. That the Pension Fund Panel noted the opportunity and thanked the presenters for their presentation.

8 Training - Afinishay Capital Ltd - Impact Investing

The Panel received a presentation from Michael Hart & Pierre Levin of Afinishay Capital Ltd. It was highlighted that there was an investment opportunity for Local Government Pension Schemes (LGPS) had invested because they have declared a climate emergency. Oil was polluting yet demand is increasing. So, investors can do something about it with non-mainstream technology enhanced oil extraction. The training involved explaining that this investment could lead to a culture change in the industry and satisfy fiduciary requirements of pension panels through Clean oil extraction using a biodegradable methodology with no use of fresh water.

It was noted that there were a number of other LGPS schemes that had already invested in this enterprise, such as Berkshire, Merseyside and Thurrock due to its ethical nature and also to achieve a stable income stream..

Following questioning from Members, the presenters clarified:

- That they would not be selling intelligence to other companies, and that the company was not a service company.

RESOLVED:

1. That the Pension Fund Panel noted the opportunity and thanked the presenters for their presentation.

Pensions Administration – Monitoring and Contract Arrangements Update

Jenny Connett, Pensions Manager, introduced the report, noting that there was general satisfaction with the performance of the fund in the financial year 2019/20. It was explained that there was a large number of outstanding cases, but that this was to be expected, and not unusual due to a number of reasons, including turnover of staff. It was additionally explained that the figures also included staff who were redeploying, due to the method in which staff were transferred in the authority.

Officers highlighted the Fund's shared agreement with the Local Pensions Partnership (LPP), and noted their changing arrangements and increasing costs. It was explained that the internal structure of the LPP was shifting, and that this would increase administrative costs for all funds that have entered a shared agreement with the LPP. It was explained that Ealing had received a below cost service, and that changes were bringing the costs in line with what would be expected. It was also noted that other authorities would be similarly

effected. It was stressed that the quality of service was significantly improved upon previous arrangements.

Members emphasised the need to continue to monitor the changes to the LPP administrative structure to ensure no drop in quality and look at other options, including compounding. Officers noted that there would be a review undertaken in September 2020 to monitor this and examine what options were available.

Officers explained that there had been an additional admitted body to the Fund, Minster Care Ealing Ltd. It was noted that this would be a small admission of only two members of staff, and it was asked that Members approve this admission, which was agreed.

RESOLVED:

1. The Panel is recommended to note the performance of the LPP since the last meeting.
1. The panel approved Minster Care Ealing Ltd becoming an admitted body in the fund from 2/3/2020.

11 Pension Fund Budgetary Estimate and Work Plan for 2020/21

Bridget Uku, Group Manager Treasury & Investments, introduced the report the report. It was explained that there was a potential for an “opportunities bucket” of funding for future investment opportunities.

There were no additional comments, therefore it was agreed:

RESOLVED:

That the Board:

1. Agreed the outline Work Plan
2. Noted the forecast pension fund revenue account outturn for 2019-20
3. Noted the estimated cash forecast for 2019-20 and 2020-21
4. Agreed the pension fund revenue account budgetary estimate for 2020-21

12 Pension Fund Performance Monitoring & Update for the quarter ended 31 December 2019 and other matters

The Panel received the panel performance monitoring and update from Bridget Uku, Group Manager Treasury & Investments. There were no additional comments, therefore it was agreed:

RESOLVED:

1. Noted the value of the Fund Investments
2. Noted the Scheme's Funding update
3. Noted the current position on class action filings.
4. Noted that the Pension Fund in house cash stood at £78.7m as at 31 December 2019
5. Noted the latest update on topical issues within the LGPS.
6. Noted the update and next steps of the Additional Voluntary Contributions (AVC) review.
7. Noted the Update on the LCIV
8. Noted the Pension Fund Annual General Meeting (AGM) took place on 18 February 2020
9. Noted the update on Investment Strategy Statement Implementation.
10. Noted that in line with the delegation agreed on the 5 July 2018 to the Chief Finance Officer, the CFO will continue to implement the strategy changes required (managing risks and costs) in consultation with Hymans Robertson, The Chair, Vice Chair and opposition spokesperson.
11. Noted that, in line with the Delegated powers to the Chief Finance Officer (CFO) (acting in consultation with the Chair Vice Chair and opposition spokesperson), officers will continue to finalise all stages of the implementation of the AVC changes proposed by Hymans the Council's adviser.

10 Pension Fund Triennial Actuarial Valuation 2019

Members noted that this item had been conducted as part of training in Item 6 of this meeting.

RESOLVED:

That Members note the report

13 Date of Next Meeting

Bridget Uku, Group Manager Treasury & Investments, noted an update from the Pensions Board, and explained that the Board stressed the need to consider the location of the Fund AGM in 2021.

RESOLVED:

Members agreed that they would look to consider the location of the AGM and feedback before September 2020.

The next meeting of the Panel would be 2 July 2020

The meeting concluded at 9.04pm