

# MINUTES

## THE PENSIONS INVESTMENT COMMITTEE

Thursday, 14 November 2013 at 7.00 pm

PRESENT: Councillors Dan Whittle (Chair), Paul Maslin (Vice-Chair), Chris Best, Julia Fletcher and John Muldoon

APOLOGIES: Councillors Mark Ingleby

### ALSO PRESENT:

Scott Donaldson (Hymans Robertson - Independent Advisor to the Committee); Geoff Nathan (Hymans Robertson - Actuarial Valuation Lead); UBS: Digby Armstrong (UBS); Stuart Newman (UBS); Black Rock: James Edwards (Black Rock); Andrew Glaver (Black Rock); Nicholas Beth (Grant Thornton)

Officers from London Borough of Lewisham: Janet Senior (Executive Director for Resources and Regeneration); Selwyn Thompson (Group Finance Manager, Budget Strategy); Shola Ojo (Principal Accountant, Budget Strategy); David Austin (Interim Head of Corporate Resources); Helen Glass (Legal), Daisy Cairns (Committee Officer)

### 1. Minutes

- 1.1 The minutes were discussed and the Chair particularly raised an Action for Hymans Robertson, regarding maintenance of investment levels with Harbourvest, namely that they were to test the information from Harbourvest against their internal models and together with LBL officers provide Committee with recommendations / options about joining new Harbourvest funds to maintain investment levels in Private Equity. Scott Donaldson was able to confirm that he has asked Harbourvest to produce modelling for several scenarios for future investment, which will reduce the cost to the fund. This report will be complete this month, and recommendations will come to the February meeting.

**ACTION Scott Donaldson of Hymans Robertson**

### 1.2 RESOLVED:

that subject to the above amendment, the Minutes of the meeting of the Pensions Investment Committee, held on 12 June 2013, be confirmed and signed as an accurate record.

### 2. Declarations of Interest

- 2.1 Cllr Muldoon declared a personal interest, as he is a Substitute Member of the Cost and Contribution Sub-Committee of the recently formed Shadow Advisory Board of the Local Government Pension Scheme. This will become a full Advisory Board in April 2014.

### 3. Pension Fund Annual Report 2012 / 13

- 3.1 Mr Selwyn Thompson presented the Pension Fund Annual Report to the Committee. He was able to confirm there have been minimal changes to the Accounts since a draft was presented to the Committee meeting in June.

3.2 Mr Nicholas Beth from the Auditors Grant Thornton circulated a hard copy report to Members entitled "The Audit Findings for London Borough of Lewisham Pension Fund". The Audit had made only one minor material change to the Report (page 12).

3.3 During subsequent discussions Cllr Maslin asked the report authors to investigate why three of four Observer positions for this Committee are vacant and what is being done to fill them, and to report back to members at the next meeting.

**ACTION      Exec Director Resources and Regeneration**

3.4 It was confirmed that in terms of the Communication Strategy the Audit does not directly compare these with similar Funds to see if there is any effect on joining/attrition rates, and neither do Auditors directly survey Fund Members to establish which documents they are receiving. Carol Eldridge, LBL Group Manager for Pensions & Payroll does sit on a benchmarking group for Local Authority Pension Funds and would be able to comment on comparative position vs other funds.. Cllr Best noted that she personally had not received a statement for some time, and Mr Thompson and the Executive Director suggested that all Fund Members should be sent annual statements and agreed to confirm this is correct and report back to the Committee.

**ACTION      Exec Director Resources and Regeneration**

3.5 Mr Beth said Grant Thornton have also produced a new report on Pensions Investment which includes updates on legislative and regulatory changes as well as advice on good practice for pension committees. He offered to circulate to Members and also to come back to discuss it with committee if necessary.

3.6 **RESOLVED:**

that Members of the committee approved for publication the Pension Fund Annual Report 2012/13, as set out in Appendix 1, subject to any necessary amendments regarding the Observers on the Pensions Investment Committee.

#### **4. Presentation from Hymans Robertson - Pension Fund Actuarial Valuation 2013**

4.1 Geoff Nathan circulated the 2013 Valuation – Initial Results document to the Committee and gave a presentation on the contents, highlighting changes since the last valuation and presenting alternative strategies for stabilising the fund. Members asked questions throughout the presentation and key points raised include:

- There has been a drop in yields since the last date of valuation and overall the fund needs more money to address outgoings.
- This may be offset by changes to the uptake by new staff under the new auto-enrolment system.
- There may also be changes to rates of deferment and rates of early retirement due to the significant changes in staff numbers at LBL over the last few years.

- The fund may also be affected by legislative changes to Local Government Pension Schemes.
- This valuation includes mortality assumptions which have been customised for Lewisham.
- Actual investment returns are 6.1% ahead of the assumptions made at the last valuation.
- Mr Nathan feels that the funding is at a good level in comparison with similar funds.
- There are clear rules preventing giving advice to Fund Members so officers are not able to advise Fund Members or potential Members re auto-enrolment or re taking up the new 50/50 options.

#### **4.2 RESOLVED**

That the Committee support the changes to employer contribution rates described as Scenario 2 in the report from Hymans Robertson.

- 4.3 Members also asked the Exec. Director to provide the Committee with a report on number and proportion of LBL employees who are in or not in the Pension Fund, including separation of those joining pre and post auto-enrolment.

**ACTION      Exec Director Resources and Regeneration**

#### **5. Presentation from Black Rock**

- 5.1 Mr James Edwards and Mr Andrew Graver of Black Rock Investments gave a presentation to the Committee updating them on the performance of the Passive Investments they manage for the Fund. In subsequent discussions they gave Members additional information on areas such as international / emerging markets, future prospects for european banking, and stock lending. A hard copy of the presentation is available for viewing on application.

- 5.2 Mr Donaldson asked a question on behalf of Members about investment in areas which are of potential ethical and/or public health concern, such as Tobacco. UBS noted that the most common Freedom of Information request they received about public investment is regarding the tobacco industry. The nature of passive investment funds is that they aim to track a particular index, which will necessarily represent all industries within a market and so this may implicitly include tobacco and others. They noted that there are ethical indexes which avoid particular industries, but the market for investment in these is smaller, with commensurately higher costs and reduced competitiveness. In pooled funds such as this, it is not possible to explicitly use shareholding vote in the way suggested by Members but Black Rock reassured Members of their corporate stewardship standards and offered to share their Corporate Governance Policy with members.

**ACTION      Black Rock investment managers**

#### **5.3 RESOLVED**

that the Committee note the contents of the report.

#### **6. Presentation from UBS**

6.1 Mr Digby Armstrong and Mr Stuart Newman of UBS gave a presentation to the Committee about the funds which have been invested with them. A hard copy of the presentation is available for viewing on application. The Chair thanked them for providing copies the presentation in advance so that Members had a good period to consider them before the meeting. Members asked questions about the presentation which included their predictions on market reactions to possible further US Federal debt ceiling debates.

6.2 UBS also discussed some alternative passive funds they provide, which track different types of index from the standard types of passive investment funds. Following discussion between Members and Mr Donaldson it was suggested that these "Alternative Beta" products may worth considering for the Fund Mr Donaldson agreed to get some quotes from UBS for the February meeting of the Committee. The Committee also agreed to request training from UBS about the alternative rules based fundamental indexation and agreed that this take place separately from the main committee.

**ACTION**      **Scott Donaldson of Hymans Robertson**  
**ACTION**      **Exec Director Resources and Regeneration**

6.3 **RESOLVED that**

- i) The presentation be noted by the Committee.
- ii) Officers, in collaboration with UBS, be asked to arrange a training session on their alternative index funds before the next Committee in February 2014.

## **7. Investment Performance for Quarter Ended 30th September 2013**

7.1 Mr Selwyn Thompson presented a report showing investment performance by all aspects of the Pension Fund over the latest Quarter. He reported that under authority delegated by the Committee to the EDR&R, £25m of uninvested cash has now been invested with UBS and Blackrock in equal proportions in line with their respective existing benchmarks. Copies of both the covering report and the quarterly summary from Hymans Robertson are available with the minutes.

7.2 **RESOLVED**

that the Committee note the contents of the report.

7.3 The Chair thanked everyone for attending tonight, particular Mr Thompson and his team for all their work preparing the Annual Report.