

Local Pension Board

MINUTES of the Local Pension Board meeting held on 10 April 2019 at 10.00 am at 160 Tooley Street, London SE1 2QH (Room G02B)

PRESENT:

- Dominic Cain – Employer Representative (Chair of meeting)
- Fiona Dean – Employer Representative
- Diana Lupulesc – Employee Representative
- Tony O’Brien – Retired Employee Representative
- Mike Antoniou – Schools Employer Representative

OTHERS PRESENT:

- Jo Anson – Head of Financial and Information Governance
- Barry Berkengoff – Pensions Manager
- Alex Moylan – Senior Finance Manager
- Caroline Watson – Divisional Accountant

1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Dominic Cain (vice chair) chaired the meeting.

Apologies were received from Mike Ellsmore and Neil Tasker.

2. NOTICE OF INTENTION TO CONDUCT BUSINESS IN A CLOSED MEETING

.To note the items specified below will be conducted in a closed meeting

- Agenda Item 10 – Investment Update

- Agenda Item 11 – Investment Strategy Implementation - property
- Agenda Item 12 – PAP meeting papers - Equities
- Agenda Item 13 – Sustainable Infrastructure

Resolved: There were no representations relating to these items.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

4. MINUTES

RESOLVED:

That the open minutes of the local pension board meeting held on 23 January 2019 be agreed as a correct record and signed by the chair with the following matter arising noted:

- That the employer activity update covers the pensions arrangements for academy contractors and how the risk of closure of contractors will be managed, especially regarding where closure deficits will sit.

5. ACTION TRACKER

Alex Moylan provided an update:

6. COST MANAGEMENT

Alex Moylan gave an update on the cost management process. Details were provided of the Scheme Advisory Board and Treasury cost cap mechanisms and the likely impact on the Southwark fund. It was explained that the process is being delayed due to a court case which could potentially add additional costs to the LGPS. The 2019 actuarial valuation will go ahead without a conclusion of the cost cap mechanism or the court case.

7. ACTUARIAL VALUATION 2019

A verbal update was provided. Alex Moylan set out the key dates for the 2019 actuarial valuation and confirmed that changes to academy contributions will be deferred to September 2020 (as per the 2016 valuation). Mortality improvements have fallen in recent years and this will provide a saving to the Fund.

8. PENSIONS SERVICES UPDATE

Jo Anson and Barry Berkengoff addressed the board.

Jo Anson provided an update on progress made on data collection for performance monitoring purposes. It was confirmed that data only covers work which has been received since January 2019.

Barry Berkengoff provided an update on improvements in ensuring robust data and processes. Progress on the implementation of the iConnect project was provided and it was confirmed that data is now in the best place it has been for some time, leading into the actuarial valuation.

Mike Ellsmore had requested in his absence that it was noted that he is pleased with the positive progress and performance data and KPIs provided.

There was a discussion on a number of elements of the performance data and KPIs.

Mike Antoniou asked if there is anything that is not being done. Jo Anson confirmed that weaknesses have been identified but there are no legal compliance issues to be brought to LPB's attention.

Jo Anson confirmed that the issue overall is with schools data and that work is being done in conjunction with the new Head of Schools HR to build relationships with schools and payroll providers.

9. POOLING UPDATE

Alex Moylan provided an update on the London CIV and the pooled status of assets in the Southwark Fund. An update was also provided on LCIV's revised governance arrangements.

Alex Moylan referred to pooling guidance issued in January 2019 and noted that it will be compulsory for all new investments to be made in a pool after April 2020, except in exceptional circumstances. It was noted that a group of LGPS funds are planning to put a legal case against government regarding some of the compulsory elements of the guidance.

10. QUARTERLY INVESTMENT UPDATE

Performance of the Fund's investments over the previous quarter was noted and it was acknowledged that this had been a difficult quarter for the wider investment market, with performance bouncing back in the first quarter of 2019.

11. INVESTMENT STRATEGY IMPLEMENTATION - PROPERTY

Alex Moylan presented the report. He gave details of the change in approach in rebalancing to the strategic allocation to property: an additional allocation will be given to the existing private residential sector funds, Invesco and M&G, rather than appoint additional funds.

RESOLVED:

1. That the agreed change and approach is noted.

12. INVESTMENT STRATEGY IMPLEMENTATION - EQUITIES

Alex Moylan presented the report. Details were provided on the agreed transition of developed market equities held in conventional passive market capitalisation weighted investment funds with LGIM and BlackRock into a market capitalisation weighted index with fossil fuel companies excluded.

The risk of under performance in the short term was acknowledged. However this can be accepted if it mitigates the risk of large scale write down in future.

INVESTMENT STRATEGY IMPLEMENTATION – SUSTAINABLE INFRASTRUCTURE

AM presented the report. Details were provided on the implementation progress of the 5% allocation to sustainable infrastructure and the shortlist of managers to be invited to an interview session.

Resolved:

Report was noted

14 RESPONSIBLE INVESTMENT UPDATE

Alex Moylan advised that the Fund's investment principles are set out in the Investment Strategy Statement and the report matches these back to the Fund's activities.

Resolved: report was noted

15 TRAINING PLAN

It was agreed that the training questionnaire will be reissued to LPB members. Details of the CIPFA LPB annual meeting have been distributed to LPB members. Agreed that board would continue with briefing sessions prior to quarterly meetings (to ensure administering authority obligations are met).

16 ANY OTHER BUSINESS

Date of next meeting – 10 July at 10am