

PENSIONS COMMITTEE

Minutes of the meeting held at 7.00 pm on 29 September 2021

Present:

Councillor Keith Onslow (Chairman)
Councillor Gary Stevens (Vice-Chairman)
Councillors Simon Fawthrop, Kira Gabbert, Simon Jeal,
Christopher Marlow and Tony Owen

Also Present:

John Arthur, MJ Hudson Allenbridge

132 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

There were no apologies for absence.

133 DECLARATIONS OF INTEREST

There were no declarations of interest.

134 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

135 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 14 JULY 2021, EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

Two amendments were made to the minutes, to record Cllr Tony Owen as present and, in minute 127, resolution (2), to change the amount from £20m to \$20m.

RESOLVED that, subject to the amendments above, the minutes of the meeting held on 14th July be confirmed.

136 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

In relation to minute 127, it was confirmed that the timing of meetings would in future be about six weeks after the end of each quarter, and that further information about the increases in membership had been circulated after the last meeting.

137 PENSION FUND PERFORMANCE Q1 2021/22
Report FSD21057

The Committee received a summary of the investment performance of Bromley's Pension Fund in the 1st quarter of 2021/22. The value of the fund had risen to £1.405bn by the end of June 2021. The report also contained information on general financial and membership trends of the Pension Fund and summarised information on early retirements.

Fidelity were due to present at the Committee's next scheduled meeting on 2nd December, with Schroders presenting on 22nd February. The Chairman suggested that, as he, the Vice-Chairman and the Director of Finance had met with Fidelity recently, it would be more worthwhile to invite another manager – possibly MFS.

John Arthur of MJ Hudson presented his report (Appendix 5 to the report.) The Fund was performing as expected, and outperforming benchmarks by 1%. Overall, this had been a good quarter and all managers had performed well. Most of the Fund's risk remained in its equity position, which was 60% of the Fund, but he advised against de-risking as bond yields were so low. However, he expected inflation to peak above 4% in the UK by the end of the year which could see interest rates and bond yields rising.

Responding to questions, he expected that the third quarter would be flat or slightly down, though he was not aware of any concerns about any of the managers. On asset allocation, the Fund was 4.6% overweight on equities, but the decision to shift \$20m to multi-asset income would marginally reduce this.

The Committee discussed the Revenue Account figures presented in appendix 4, which showed a surplus of £3.7m – the Director of Finance referred to the reinvestment monies impacting on the cashflow and the table would be updated in future to make that position clearer (net cash flow and cash flow before reinvestment.)

The issue of whether the Council should hold a maximum percentage of any fund was discussed – the Chairman suggested that this should be discussed further in 2022.

The Director of Finance reported that a US dollar fund had been identified to hold cash ready for investing with Morgan Stanley. Mr Arthur explained that the assets needed to be liquid and available at short notice, so the return was likely to be below 2%.

Mr Arthur commented that he thought that inflation was being underestimated, and while the supply chain disruption would be overcome there were cost pressures on most companies that were not just caused by restricted supply. He anticipated a period of relatively low growth with higher inflation but not significantly higher interest rates. Returns from all asset classes could be expected to be relatively low for the next decade.

The Chairman commented that the Fund's cashflow position was likely to be strong until 2028, but this situation could change. He was a little concerned that, as equities had been strong for a good decade there might be a case for de-risking. Mr Arthur responded that de-risking should not be into government bonds – the Fund's outlook was long-term and there was no need to worry about short-term volatility. A Member suggested that there might be a need to hedge against inflation – possibly with gold. Mr Arthur confirmed that gold was included in MJ Hudson's analysis if they were appointed to conduct the next Asset Allocation Review.

The Director of Finance reported that Bromley had received another award – for Excellence in Asset Management. The Chairman thanked the Finance Team on behalf of Members.

MJ Hudson provided an additional report on Private Equity which the Committee discussed. The report provided interesting information but Members accepted that no action should be taken until the Asset Allocation Review.

The Chairman commented on the continued high level of discussion about ESG issues. He felt that the right approach to encourage change was for the Council to engage with its fund Managers, and there was evidence from Baillie Gifford that substantial investment was being made in green technologies.

RESOLVED that

- (1) The contents of the report and the information in the related appendices be noted.**
- (2) No action be taken at the current time on investing in Private Equity.**

138 IMPACT INVESTING
Report FSD21062

MJ Hudson Allenbridge had been asked to brief the Committee on Impact Investing and Social Housing – they had provided an introduction to Impact Investing, which was also known as Environmental/Social/Governmental Investing (ISG.) MJ Hudson Allenbridge provided recommendations on how Impact Investing should be viewed in relation to the management of the Pension Fund.

RESOLVED that the contents of the report be noted.

139 UPDATES FROM THE CHAIRMAN/DIRECTOR OF FINANCE/PENSIONS INVESTMENT ADVISOR (PART 1)

The Director of Finance reported that updates on the Pension Regulations were awaited which might cover the impact of the Palestine Solidarity Campaign judgement, although it was possible that primary legislation would be required.

The Director of Finance reported that this would be the last meeting attended by Katherine Ball, Principal Accountant. The Committee recorded its appreciation for her work on the Pension Fund.

140 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND FREEDOM OF INFORMATION ACT 2000

RESOLVED that the Press and public be excluded during consideration of the items of business referred to below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

**The following summaries
refer to matters
involving exempt information**

141 CONFIRMATION OF EXEMPT MINUTES - 14 JULY 2021

The exempt minutes of the meeting on 14th July 2021 were confirmed.

142 POOLING MATTERS

The Committee considered a report providing further information concerning the London Collective Investment Vehicle (LCIV.)

143 PENSION FUND PERFORMANCE Q1 2021/22 - APPENDIX 7 - FUND MANAGER FEES

The Committee received information about Fund Manager fees.

The Meeting ended at 8.50 pm

Chairman