

PENSIONS INVESTMENT SUB-COMMITTEE

Minutes of the virtual meeting held at 6.00 pm on 28 July 2020

Present:

Councillor Keith Onslow (Chairman)
Councillor Gareth Allatt (Vice-Chairman)
Councillors Simon Fawthrop, Simon Jeal, David Jefferys,
Christopher Marlow and Gary Stevens

Also Present:

John Arthur, MJ Hudson Allenbridge

76 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

There were no apologies for absence.

77 DECLARATIONS OF INTEREST

Councillor Keith Onslow declared that his son was employed by Fidelity but had no involvement with the Bromley Pension Account.

78 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

Four questions had been received from members of the public – the written replies provided are attached as Appendix A.

79 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 13 FEBRUARY 2020, EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

The Democratic Services Manager apologised to the Sub-Committee that the minutes from the meeting held on 13th February 2020 were not yet available.

80 UPDATES FROM THE CHAIRMAN/DIRECTOR OF FINANCE/PENSIONS INVESTMENT ADVISOR

The Director of Finance reported on the McCloud judgement, an age discrimination case raised by the unions regarding changes to the Pension Scheme in 2014 which benefitted scheme members nearing retirement age. This would add some cost to the Pension Fund, although the Actuary had taken the impact of the judgement into account. The judgement was retrospective, and the current contractual arrangement with Liberata did not allow for the required changes to be made. He would report back to a future meeting to cover the resource implications.

The Chairman explained that he had asked for fund manager visits to be deferred until December, but he hoped that the Sub-Committee would be able to hold a real meeting in September. Cllr Jeal understood the need to postpone fund manager visits, but asked whether questions could still be asked about their reports. The Chairman suggested that questions be put through Mr Turner and copied to all members of the Sub-Committee.

The Chairman reported that the London CIV had held its AGM – the Director of Finance stated that papers for the CIV meetings could be circulated to Sub-Committee members. Cost transparency was an issue that had been raised frequently; there was a London CIV workshop on 7th August and an independent working group had been established to look at the matter. The Chairman was interested to know what the net savings from pooling were – he had asked John Arthur to give a presentation on this in September, and Mr Arthur offered to try to provide performance tables for the funds. There were two particular areas of concern with the CIV where progress had been made – one was the defined benefit pension scheme for its staff, and agreement had been reached with all 32 boroughs on closing this to new entrants; the other was the change of business permissions, where agreement had been reached that authorities wanting additional services from the CIV would have to pay for them.

The Chairman thanked Mr Turner and his Finance Team and Mr Arthur for their continued briefing of himself and the Vice-Chairman, and Cllr Fawthrop thanked the Chairman and Vice-Chairman for their remarkable achievements in affecting the work of the London CIV.

81 PENSION FUND PERFORMANCE Q1 2020/21

Report FSD200

The Sub-Committee received a summary of the investment performance of Bromley's Pension Fund in the first quarter of 2020/1 including a report from the external advisor, MJ Hudson Allenbridge. The report also contained information on general financial and membership trends of the Pension Fund and summarised information on early retirements. The Chairman was pleased to note that the Fund had risen to a total value of £1.171bn.

Mr Arthur briefed the Sub-Committee on the report, emphasising that performance had been strong, with an increase of 17.7% over the quarter, driven in particular by Baillie Gifford. The situation remained very volatile, with the likelihood of a further wave of the pandemic and the United States presidential election. The Fund was over-weighted towards equities at 66.6%, rather than the 60% in the asset allocation strategy. He recommended a re-balancing towards around 63%, which the Sub-Committee supported. The position on cash-flow was noted and would continue to be monitored.

The report included a part 2 appendix on International Real Estate Manager selection. John Arthur stated that, despite the changes accelerated by Covid-19 to the office and retail sectors, this was still a good time to invest in

international property through an adept investment manager looking to add value to particular properties. He also wanted to see greater diversification in the Fund. These funds ran on a limited lifecycle of roughly ten years, and there were limited timeframes for investing. The issue of honing the terms of reference further in view of the events of the last six months was raised, but it was considered that it was important that the process remained outcome focussed and the fund managers should have flexibility.

Members agreed that the decision made earlier in the year to diversify into international property was sound, and wanted to proceed with the selection process for a fund manager in September. The chairman suggested that this should be done in a physical meeting if possible.

Members considered the Council's fixed interest mandate, which as at the end of June was 13% of the Fund. The recommendation from MJ Hudson, which Members supported, was to move UK Government Gilts to UK Investment Grade Credit by switching both the current mandates into the Fidelity Sterling Corporate Bond Fund.

RESOLVED that

- (1) The contents of the report be noted.**
- (2) The latest cash-flow position and that the situation will continue to be closely monitored as outlined in the MJ Hudson report be noted.**
- (3) No action be taken on the recommendation to consider currency hedging to cover a value of up to 50% for the fund's global equities, as outlined in the MJ Hudson report.**
- (4) In relation to the weighting of asset classes, 3.5% of the Fund (approximately £40m) be switched from Global equities to Multi-Asset Income, as recommended in the MJ Hudson report.**
- (5) The latest shortlist for the international property procurement be noted, and it is agreed that the final selection will take place at the meeting in September as outlined in Appendix 6 on the Part 2 agenda.**
- (6) The Baillie Gifford fixed interest fund is transferred to the Fidelity Sterling Corporate Bond Fund.**

82 PENSION FUND DRAFT ANNUAL REPORT 2019/20
Report FSD20054

The Sub-Committee received the draft annual report and accounts of the Bromley Pension Fund for the year ended 31st March 2020 which the Council was required to publish under the Local Government Pension Scheme Regulations 2013. In accordance with the regulations, the annual report included a number of stand-alone documents that required the approval of the Sub-Committee (the Governance Policy Statement, the Funding Strategy

Statement, the Investment Strategy Statement and the Communications Policy Statement). The draft annual report (attached to the report at Appendix 1) was subject to audit by the Fund's external auditor, Ernst & Young LLP. In accordance with the regulations, the Council would publish the final Annual Report on its website by 1st December 2020.

RESOLVED that

(1) The draft Pension Fund Annual Report 2019/20 be noted and approved.

(2) The Governance Policy Statement, Funding Strategy Statement, Investment Strategy Statement and Communications Policy Statement, as outlined in paragraph 3.2 of the report, be approved.

(3) It is noted that the final Pension Fund Annual Report 2019/20 will be reported to this Sub-Committee on 15th September 2020 following conclusion of the audit.

(4) Arrangements be made to ensure publication by the statutory deadline of 1st December 2020.

83 PENSION FUND RISK REGISTER
Report FSD20056

The Pension Fund Risk Register covered those risks which impacted on the ability to deliver its priorities and objectives. The Sub-Committee received a report which set out the risks and the actions taken to control them.

RESOLVED that the current Pension Fund Risk Register and the existing controls in place to mitigate risks be noted.

The Meeting ended at 8.17 pm

Chairman