

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Town Hall, Main Road, Romford
30 April 2013 (7.30 - 9.20 pm)**

Present:

COUNCILLORS

Conservative Group Melvin Wallace (Chairman), Roger Ramsey and Frederick Thompson (In place of Becky Bennett)

Residents' Group Clarence Barrett (In place of Ron Ower)

Labour Group Pat Murray

Trade Union Observer John Giles

Apologies were received for the absence of Councillors Rebecca Bennett, Eric Munday and Ron Ower, and Marian Clay and Andy Hampshire.

37 INVESTMENT IN LOCAL INFRASTRUCTURE ASSETS

Back in March the Committee approved the revised Statement of Investment Principles (SIP). During discussion of the SIP the Committee indicated a desire to invest in local infrastructure and asked officers to produce a report on the available options.

The Council had faced significant budgetary pressures in the wake of the economic downturn. These pressures were likely to continue but the Council had been keen to consider ways in which the Pension Fund and local residents could both gain from increased local investment. If additional Council contributions to the Pension Fund could be directed towards investment in local amenities and facilities there may be benefits to all concerned.

For example, if the Council made an increased contribution to the Pension Fund which was invested by the Fund in Private Housing development or Commercial Property the following benefits would be generated for each party:

Pension Fund

- Increase in Pension Fund asset valuation
- Revenue stream from rental income

the Council

- Increase in Council Tax base, Business Rates or New Homes Bonus
- Increase in local jobs and services
- Potential reduction in PF contribution rates as the net pension liability reduces.

Recent changes in the LGPS (Management and Investment of Funds) Regulations enable funds to hold up to 30% of its assets in infrastructure.

The Committee were informed that provision had been made in the Medium Term Financial Statement (MTFS) for an increase in the council's contributions.

The Committee:

1. Agreed, in principle, to making investment in Local Infrastructure;
2. Requested officers to develop proposals for the creation of an infrastructure asset class;
3. Noted that the governance arrangements relating to the operation of an infrastructure class would need to be developed in order to meet both statutory requirements and local management needs;
4. Noted that further reports would be required to approve changes to the Investment Strategy and Governance arrangements if we wished to develop this option.

38 CONSULTATION ON COLLECTIVE PENSIONS INVESTMENT FUND

Officers advised the Committee that the Society of London Treasurers (SLT) had recently considered a report from PricewaterhouseCoopers (PWC) regarding increased co-operation across the London Boroughs on pensions and in particular pensions investment.

The PWC Report set out a proposed structure whereby each of the participating Boroughs would retain autonomy in asset allocation and funding strategy. There would be a central entity, or Oversight Agent, working within new governance arrangements, that established a choice of funds within each asset class, selects fund managers and negotiates and monitors fee and service levels. The participating boroughs would set their asset allocation, choosing between wide ranges of Investment Funds offered by the fund.

However, for this model to work boroughs needed to be willing to consider a collective fund and SLT were checking to see what the appetite was amongst the respective funds before considering further work.

The key advantages of Collective Investment Funds as identified by SLT were as follows:-

- It preserved individual boroughs' decisions on funding strategy and asset allocation;

- It enabled the boroughs with lower performance access to better performing fund managers;
- It would provide an investment platform where the boroughs could aggregate investment options making it more attractive for fund managers, hopefully reducing fees;
- It would provide a range of not only asset classes but also different styles of managers to meet requirements of boroughs;
- It would demonstrate that Funds were capable of working together.

SLT had identified some possible down sides

- It required a number of Funds to be prepared to join and ideally some of the better performers;
- There would be the normal cost of changing fund managers, but hopefully less than a number of Boroughs changing individually;

The author of the PWC report was in attendance and ran through the basis of the report, answering questions as they were raised.

The Committee expressed a number of reservations about the proposal and asked officers to draft a response to SLT which should be approved by the Chairman.

39 **AUTOMATIC ENROLMENT**

Previously the Committee had been advised that it had been necessary for the Council to delay the commencement of automatic enrolment because of problems with Oracle. Officers now advised the Committee that as from tomorrow Oracle would be fully compliant and the Council would be meeting its revised commencement date.

Following the Government's acceptance of the Lord Hutton report on pension's reform, several initiatives have been instigated under Workplace Pensions Reform. The Pensions Regulator together with the Department of Work and Pensions are overseeing the changes to the Pensions Act 2011, which requires all employers to offer a pension scheme to their employees, to automatically enrol those who meet certain criteria on the employers staging date, monitor other employees to ascertain when they meet the set down criteria, and to re-enrol those who opt out of the scheme every 3 years.

The legislation is now being reviewed with a view to amendment and a consultation document has been issued, with a response date of 7 May 2013.

The consultation document included 10 proposed changes to the current legislation, highlighting the issues, the proposals and a set of questions following each proposed change topic. The proposals were around redefining certain technical terms and time periods but also included the potential for easements for employers providing good pension schemes.

Officers had provided a set of responses to the consultation and the Committee agreed that these should be submitted to the Pensions Regulator.

40 **LGPS 2014 - CONSULTATION ON SCHEME REGULATIONS AMENDMENTS**

The Committee received a report on consultation on pension reform legislation covering the Local Government Pension Scheme 2014. The report focussed on core elements relating to membership, contributions and benefits.

The consultation fell into three parts, with the response date for Part A being 3 May 2013, and Parts B and C being 24 May 2013. Having considered the suggested responses to Part A the Committee:

1. Approved the responses to Part A as set out in the Appendix to the report; and
2. Delegated approval of responses to Parts B & C to the Lead Officer, Andrew Blake-Herbert and the Chairman of the Pensions Committee.

41 **PUBLIC SERVICE PENSIONS ACT 2013**

The Committee were advised that the above Act had received Royal Assent last week and a full report would be submitted to the next meeting of the Committee.

42 **EXCLUSION OF THE PUBLIC**

The Committee resolved to excluded the public from the meeting during discussion of the following item on the grounds that if members of the public were present it was likely that, given the nature of the business to be transacted, that there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972 which could reveal information relating to the financial or business affairs of any particular person (including the authority holding that information) and it was not in the public interest to publish this information.

43 **LOCAL INFRASTRUCTURE INVESTMENT OPPORTUNITES**

The Council had commissioned PricewaterhouseCoopers (PWC) to look at the opportunities available for the Pension Fund to invest in Local Infrastructure. The Committee were advised that 3 other London Boroughs were considering similar ideas and Strathclyde Pension Fund had recently made an announcement.

Any scheme must meet the following objectives:

- Benefit members, with a requirement that any investment must be based upon robust investment principles and be able to deliver added value for members;
- Generate a level of return that is commensurate with the degree of risk it is exposed to and creates value to the wider portfolio;
- Create regular income streams to help meet the cash outflows of the pension fund; and
- Is predominantly local investment, initially defined as investment within the borough?

A detailed discussion took part on the options available and these are set out in the Exempt minutes.

44 **UBS TRITON FUND**

Officers provided an update on the situation with the UBS Triton Fund.

The Committee noted the oral update.

Chairman