PENSIONS COMMITTEE

Minutes of the Inaugural Meeting held on Tuesday 23 July 2019
In Lister Room, Newham Town Hall, East Ham, E6 2RP

Members Present: Councillor Nareser Osei (Chair)
Councillor Joshua Garfield
Councillor Nazir Ahmed
Councillor Nilufa Jahan
Councillor Tonii Wilson
Councillor Zulfiqar Ali
Councillor Harvinder Singh Virdee (Substitute)

Also Present: Councillor Moniba Khan.
Brenda Bedminster (Unite Observer)
Gloria Hanson (Unison Observer)
Pete Smith – Barratt Waddingham
Forhad Hussain – Independent Advisor

Officers Present: Conrad Hall – Corporate Director of Resources
Nida Nasir – Technical Accountant
Rakesh Rajan – Pensions Manager
Stephen Wild – Head of Pensions & Treasury
Tara Haroon – Pensions Accountant
Pauline Egan – Democratic & Governance Officer

The meeting commenced at 7.00 p.m. and closed at 8.48 p.m.

1. ELECTION OF VICE CHAIR

The Chair welcomed attendees to the first meeting of the new Pensions Committee and asked everyone to introduce themselves.

The Chair then called for nominations for the position of Vice Chair to the committee.

Councillor Garfield was nominated by Councillor Zulfiqar Ali and seconded by Councillor Nilufa Jahan.

There were no other nominations.

RESOLVED that Councillor Joshua Garfield be elected Vice Chair to the Pensions Committee for the Municipal Year 2019/2020.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTES

Apologies for absence were received from Councillor John Gray (with Councillor Harvinder Singh-Virdee substituting), Councillor James Asser and from the GMB observer Stella Ikanik.
3. DECLARATIONS OF INTEREST

Membership of the Pension Scheme was not considered to result in a Disclosable Pecuniary Interest. However, the Monitoring Officer under Section 33 of the Localism Act 2011 had granted a general dispensation to all Members in relation to the Local Government Pension Scheme, unless any matter related specifically to their own circumstances.

There were no declarations of interest received from Members.

4. TERMS OF REFERENCE

Council, at its Annual Meeting held on 16 May 2019, agreed the terms of reference of the newly-established Pensions Committee, which were being presented to the Committee at this meeting to remind Members of the role and functions of the Committee.

It was noted that in respect of clause 2.1 that “Director of Finance” be amended to “Corporate Director of Resources”.

Following a question from a Member in respect of clause 2.1 it was agreed that a briefing note be circulated explaining what Sections 7, 12 and 24 of the Superannuation Act allowed Members to do and not do.

ACTION: A briefing note be circulated to the Committee regarding the remit of clause 2.1 under the terms of reference.

RESOLVED that, subject to the amendment at clause 2.1, the Pensions Committee Terms of Reference, be noted.

5. MINUTES OF THE LAST MEETING

RESOLVED that the public minutes of the former Investment and Accounts Committee’s (IAC) last ever meeting held on 21 March 2019 be agreed as a correct record.

6. LOCAL GOVERNMENT ACT 1972, AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - EXCLUSION OF PRESS AND PUBLIC

The Committee RESOLVED to exclude the press and public from the meeting during consideration of the following matters as it was likely that exempt information would be disclosed by virtue of Paragraph 3 to Section 12A, as amended of the Act:

Item 7 Exempt Minutes of the meeting of the former Investment and Accounts Committee held on 21 March 2019; and
Item 8 Exempt papers of the Investment Strategy Update and associated appendices
7. **EXEMPT MINUTES OF THE LAST MEETING**

RESOLVED that the exempt minutes of the former Investment and Accounts Committee’s (IAC) last ever meeting, held on 21 March 2019, be agreed as a correct record.

8. **INVESTMENT STRATEGY UPDATE (EXEMPT ITEMS)**

RESOLVED that the recommendations made in the report be agreed.

The following documents were considered as part of the Committee’s deliberations.

APPENDIX 1 INVESTMENT MONITORING REPORT
APPENDIX 2 LIQUIDITY WATERFALL
APPENDIX 3 ASSET STATEMENT
APPENDIX 4 ABSOLUTE RETURN BOND SUMMARY
APPENDIX 5 SOCIAL MANAGER HOUSING SELECTION
APPENDIX 6 - NEWHAM CURRENCY HEDGING MANAGER RECOMMENDATION
APPENDIX 7 - NEWHAM EQUITY OPTIONS STRUCTURE UPDATE

9. **PENSIONS ADMINISTRATION UPDATE**

Officers presented progress on the administration and management of the pension scheme.

**Public Sector Exit Cap Summary**

The Government had first announced plans to cap exit payments in the public sector in 2015. On 10 April 2019, HM Treasury (HMT) launched a consultation, which summarised the proposals as they related to the local government pension scheme in England and Wales. The exit payment cap was set at a total of £95,000 with no provision for this amount to be index-linked. Exit Payments included redundancy payments (including statutory redundancy payments) severance payments, pension strain costs – which arose when a Local Government Pension Scheme (LGPS) pension was paid unreduced before a member’s normal pension age – and other payments made as a consequence of termination of employment.

The major impact of the regulations would be on LGPS members aged 55 or over who currently qualified for an unreduced pension because of redundancy or efficiency retirement. If the cap was exceeded and a pension strain payment could not be made it was understood that the policy intent was for the member to be forced to take a reduced pension.

It was noted that very long serving members of staff on more moderate salaries would be included in the cap.

The Local Government Association (LGA) had submitted a 43 page response to the consultation which closed on 3 July 2019. The response was not included within the paperwork.
ACTION: The official response of the LGA would be circulated to committee members

Admitted and Scheduled Bodies Update
At present there was one Admitted Body where several Bond Providers who had been approached had declined to provide a Bond. Negotiations would continue.

Local Pension Board (LPB)
The role of the LPB was to contribute to the governance of the pension scheme by scrutinising the work of the Pension Fund Committee and making recommendations where appropriate. The current position with regard to the LPB was that both employee representatives had now resigned their positions and in addition one employer representative had now left employment with Newham College of Further Education. The appointment under the current Terms of Reference (TOR) required that representatives were to be in employment with an employer in the Fund. This left only one employer representative and therefore no meetings would be quorate.
The TOR were being revised. The Corporate Director of Resources had made an amendment to the suggested TOR and these were now with the Legal Officer who had delegated authority to approve them.

10. PENSION BUSINESS PLAN UPDATE
Officers updated Members on the delivery of the Newham Pension Fund (“the Fund”) Business Plan and developments since the last meeting held on 21st March 2019.

Independent Non-Voting member
The Chair advised that although the Terms of Reference made reference to appointing a non-voting independent member it was always the intention of the Committee to appoint an independent advisor to lead on trustee mentoring and development. As such the term “member” in section 1.1 of the Terms of Reference was to have the meaning “advisor” for the duration of the appointment.

Officers reminded Members of the Committee that they awaited their training needs analysis forms in order to progress training and the 1:1 mentoring sessions.

ACTION: The Member training needs analysis forms for completion to be recirculated to Members

Pension Fund Audit
The Audit was expected to commence in early August 2019.

With regards to the prefunding options discussed at a previous meeting of the Investment and Accounts Committee officers confirmed that £28.4m had since been paid into the Pension Fund.
As part of the revised closedown process the accounts had been produced earlier in line with the revised corporate timetable. Any subsequent changes to the accounts would be agreed by the Section 151 Officer in consultation with the Chair.

LGPS Local Valuation Cycles and Exits
The Ministry of Housing, Communities and Local Government (MHCLG) had issued a consultation on proposed changes to the LGPS regulations. This was summarised as:

- To move from triennial (3 year) to quadrennial (4 year) valuations to bring the LGPS valuation cycle in line with other (non funded) public service pension schemes
- Ability to carry out interim valuations
- Flexibility on exit payments
- Requirement for an administering authority to take account of a scheme employers exposure to risk when calculating the value of an exit credit.
- Relax requirements for Colleges to offer LGPS membership to new nonteaching staff.

RESOLVED that the Section 151 Officer, in consultation with the Chair and following advice from the Fund’s Actuary, be given delegated authority to respond to the consultation.

McCloud Case
Members of the Firefighter and Judges’ Pension Schemes took the Government to court and successfully argued that transitional protections to scheme members within 10 years of their normal retirement date were illegal on age discrimination grounds. The Government Actuaries Department (“GAD”) had estimated that the potential impact on the LGPS could be a 1% increase in overall liabilities. This equated to approximately £17.8m and could lead to an increase in employer contribution rates.

RESOLVED that the following recommendations be approved:

(i) to note
   - the Pension Fund Audit Plan 2018-19
   - the Fund’s Budget Monitor update
   - the Draft Business Plan 2019-20; and

(ii) to agree:
   - the Draft Pension Fund Annual Report 2018-19 and delegate to the Section 151 Officer, in consultation with the Chair, any changes thereafter arising from the audit.
The following documents were considered as part of the Committee’s deliberations:

APPENDIX 1 NEWHAM PENSION FUND AUDIT PLANNING REPORT
APPENDIX 2 PENSION FUND - REVENUE FORECAST MONITORING - JUNE 2019/20
APPENDIX 3 NEWHAM PENSION FUND - ANNUAL REPORT 2018/2019

11. APPENDIX 4 PENSION FUND - DRAFT BUSINESS PLAN 2019-20
   The draft business plan was noted.

12. DATE OF NEXT MEETING

   The next meeting of the Pensions Committee was scheduled for Wednesday 16 October 2019 at 7pm at Newham Town Hall but as this would clash with the Pensions and Lifetime Savings Association (PLSA) Annual Conference, the Clerk was asked to source another date for the Committee.