

PENSIONS COMMITTEE
Tuesday, 27 September 2022

Minutes of the meeting of the Pensions Committee held at Committee Rooms, West Wing, Guildhall on Tuesday, 27 September 2022 at 2.45 pm and available to view at www.youtube.com/watch?v=vvPZXm33XE4

Present

Members:

Alderman Ian David Luder (Chairman)
Timothy Butcher (Deputy Chairman)
Clare James
Deputy Henry Pollard
Deputy Madush Gupta

In Attendance (Observing Online)

Shahnan Bakth
Andrien Meyers

Officers:

Caroline Al-Beyerty	- Chamberlain
Kate Limna	- Corporate Treasurer, City of London Corporation
Graham Newman	- Chamberlain's Department
Amanda Luk	- Chamberlain's Department
Chris Rumbles	- Town Clerk's Department
Sarah Port	- Chamberlain's Department

Also in attendance:

Lucy Tusa (Mercer)

The Chairman welcomed Clare James, the newly appointed Co-opted Member, to Pensions Committee.

1. **APOLOGIES**

Apologies were received from David Sales.

2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**

There were no declarations.

3. **MINUTES**

RESOLVED – That the public minutes and non-public summary of the Pensions Committee meeting on 11 July 2022 be approved as an accurate record of the meeting.

Matters Arising

Future Committee Dates - A Member questioned whether future committee meetings dates had been agreed and circulated to Members. The Town Clerk agreed to provide confirmation of future dates and also to include a standing item on future meeting agendas showing these.

4. **PENSIONS COMMITTEE WORK PROGRAMME 2022/23**

The Committee received a report of the Chamberlain detailing a forward-looking Pensions Committee work programme.

RECEIVED

5. **RISK REGISTER FOR THE PENSIONS COMMITTEE**

The Committee considered a report of the Chamberlain presenting a Pensions Committee risk register for review.

The Chairman referred to the intention of including a Local Government Association (LGA) statement on McCloud with the Annual Benefits Statements and suggested a paragraph could also be included within the covering letter accompanying the statements making it clear that any change in position following resolution of outstanding issues relating to McCloud and a remedy promulgated by Government would automatically be calculated and applied to accounts, with there being no requirement on scheme members to take any action in this regard. The Chamberlain agreed to include a suitable paragraph.

A Member questioned whether information should also be included within the covering letter relating to transfers out of the Local Government Pensions Scheme and the implications of McCloud; the Chamberlain responded that a number of uncertainties still remain and at this point in time it was not advisable to include too much detail in a letter..

A Member remarked on there being administration related risks that did not appear to be fully captured within the risk register e.g., Members' records not being correct, not being calculated accurately and unrecorded deaths. The Chairman asked the Member to liaise with the Pension Team to consider how these risks could be incorporated.

The Chairman welcomed seeing insufficient assets showing as only an amber risk. The Chairman remarked on recent turbulence in the financial market as being likely to present a risk for many schemes and questioned the risk this presented to the City of London Pension Fund. In response, it was explained how recent market turbulence had largely impacted the Gilts market affecting pension schemes with liability driven investment (LDI) portfolios, where sharp increases in gilt yields led to pressure on leveraged LDI positions, however, the City of London Pension Fund does not have LDI. The weakness in sterling potentially helps unhedged pension schemes like the City of London which has no explicit exposure to bonds.

The Chairman referred to performance of London CIV, which he considered as a risk that needed including on the risk register.

The Chairman remarked on how it would be helpful for him to meet the new Chief Executive of London CIV. The Chamberlain responded confirming there would be a three-month handover between the outgoing and incoming Chief Executive of London CIV; a programme was being put in place that would allow the Chairmen of all the London CIV shareholders, an opportunity to meet the new Chief Executive. The Chairman suggested a request be submitted to London CIV at the earliest opportunity to begin the process.

RESOLVED: That Members: -

- Having reviewed the existing risks and actions presented on the Pensions Committee's Risk Register, agreed that further consideration would be needed to agree precise wording of certain risks; with there being a need to ensure key administration related risks were being fully captured.
- Agreed that performance of London CIV was a further risk relating to the services overseen by the Pensions Committee that needed including on the risk register.

6. **PENSIONS SCHEME - ADMINISTRATOR'S UPDATE**

The Committee received a report of the Chamberlain providing a summary of general information around a range of topics in relation to the administration of the Scheme since the last Committee meeting.

The Chairman noted that there had been one reporting breach, whilst also noting that the detail behind this breach would need to be taken during non-public session.

A Member referred to specific types of data and performance scores that were not currently being shown when looking at Service Level Agreements and Key Performance Indicators e.g. 10 working days to deal with a retirement case or 5 working days to deal with a death and attainment against these. It was suggested Members would benefit from relevant data being included within the report moving forward and providing a level of re-assurance in these areas. The Chamberlain responded confirming key performance data against KPIs had previously been reported annually, but that they would be happy to incorporate this information within the regular administration update report moving forward.

RESOLVED: That the report be received, and its content noted.

7. **LOCAL GOVERNMENT PENSION SCHEME - COMMUNICATIONS ISSUED TO SCHEME MEMBERS**

The Committee received a report of the Chamberlain providing Members with an update and copy of all standard letters and communications that were issued to members of the Local Government Pensions Scheme.

The Chairman referred to a request of the Committee to see all standard communications issued to members of the Local Government Pension Scheme, with the accepted advice being that these would come in two separate batches given the volume of them. The Chairman referred to the discussion

under the previous item and the agreement to include a paragraph on McCould in future communications where it was appropriate. The Chairman questioned whether Members considered there to be any other areas that would need including or were missing.

A Member referred to Guaranteed Minimum Pension equalisation as another known unknown and where correspondence may be needed moving forwards.

A Member referred to dates included within the letters needing a review to ensure these were accurate, with one date showing as 1st June 2019 for enrolment and others appearing to be out of sequence.

The Chairman remarked on the letters appearing readable to a lay person, with the position on opting out of the Local Government Pensions Scheme spelt out clearly and allowing for an informed decision to be taken.

A Member remarked on the current cost of living crisis and questioned whether there had been any increase in the number of Scheme Members requesting to opt out or move to the 50/50 section, to which the Chamberlain responded confirming there had been no marked increase in these requests, but that the position would be kept under observation to see if the numbers started to increase.

The Chamberlain added how a key issue for the Scheme was net cash outflow, with this needing careful monitoring. It was hoped that the pay award this year would assist people this autumn and keep people in the Pension Scheme who may have otherwise thought twice, and with this being monitored very carefully.

The Chairman added that there was a need to remind people of the significant contribution that the City Corporation adds to the Scheme and to ensure Scheme Members were aware of the overall impact of this.

RESOLVED: That the report be received, and its content noted.

8. **LONDON COLLECTIVE INVESTMENT VEHICLE (LONDON CIV) AND MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE II (MIFID II)**

The Committee considered a report of the Chamberlain providing an update relating to the 'Markets in Financial Instrument Directive II' (MiFID II) and a requirement for the City Corporation to update and resubmit an application to maintain elected professional client status as part of the London CIV.

Following the 2022 local elections, London CIV were asking all their clients, including the City Corporation, to update and resubmit professional client assessment applications in order to 'opt-up' and maintain their professional investor status.

The Chamberlain referred to the new Pensions Committee having presented a change in the City Corporation's approach to decision making, with this requiring resubmission of a professional client assessment in order to maintain professional investor status for the City of London.

The Chamberlain referred to a need to ensure that, collectively, Pensions Committee had relevant experience throughout its membership and that appropriate training had been completed. The Chamberlain asked Members to provide information on relevant training that they had completed to date, even where this training had been completed in their workplace, and to return this information by the middle of October.

Members noted that authority was being sought for the Chamberlain to complete a professional client assessment application form to allow the City Corporation to 'opt up' to elective professional client status of London CIV.

The Town Clerk clarified that Members were being asked to approve that the Chamberlain be authorised to complete and submit an application form to London CIV rather than a granting of delegated authority.

The Chairman reminded Members of their obligation to complete the relevant Pensions Regulator (tPR) training modules and asked them to send through certification of this once it had been completed.

RESOLVED: That Members:

- Note the requirement to update and resubmit its application to maintain elected professional client status in order to ensure it can continue to implement an effective investment strategy.
- Agree to authorise the Chamberlain to complete and submit the application to the London CIV.

9. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no questions.

10. **ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT**

There were no additional items of business.

11. **EXCLUSION OF THE PUBLIC**

RESOLVED: That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

12. **MINUTES**

RESOLVED: That the non-public minutes of the Pensions Committee meeting on 11 July 2022 be approved as an accurate record of the meeting.

13. **CITY OF LONDON CORPORATION'S PENSION FUND QUARTERLY MONITORING REPORT Q1 2022**

The Committee received a City of London Corporation Pension Fund Quarterly Monitoring Report Q1 2022.

14. INVESTMENT PERFORMANCE MONITORING TO 31 JULY 2022

The Committee received a report of the Chamberlain relating to investment performance of the pension fund as at 31 July 2022.

15. NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE

Members considered a question regarding the draft pension fund account audit.

16. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT AND THAT THE COMMITTEE AGREES SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED

There were no additional items of business.

The meeting ended at 4.07pm

Chairman

Contact Officer: Chris Rumbles
christopher.rumbles@cityoflondon.gov.uk