

**ROYAL BOROUGH OF KINGSTON UPON THAMES**

**PENSION FUND PANEL  
12 FEBRUARY 2019**

**(10:00 am – 12:50 pm)**

Councillor Mark Beynon **(Chair)**  
Councillor Dennis Goodship **(Vice Chair)**

Councillor Roy Arora  
Councillor Jaesung Ha  
\* Councillor Alison Holt

**Non-Voting Observer Members**

**Co opted Member**

* Lesley Diston	Kingston University	Vacant
Majid Mafi	RBK Staff Side	
Chris Coke	Retired Members	

\*Absent

Apologies were received from Councillor Alison Holt and Majid Mafi.

Substitute Member – Marc Cooper for Majid Mafi.

**Declarations of Interest - None**

**34. Minutes**

**Appendix A**

**RESOLVED** that the minutes of the meeting held on 13 December 2018 are confirmed as a correct record.

**35. Pensions Administration Update**

**Appendix B**

Particular points highlighted on the update from November to January were

Team restructure - this has been positively received by the team and post are in the process of being recruited to but it would probably be April / May before all posts are filled.

Complaints monitoring - a case which has been through stages 1 and 2 of the process is now with the Pensions Ombudsman for consideration this concerns information on retirement benefit options.

Software upgrade - this was completed at the end of January and a review of processes will be carrying out shortly

Guaranteed minimum pension (GMP) reconciliation - the final reports on pensioners data and payments are nearing completion add a report will be submitted to the next meeting there may be some under/over payments. In the case or overpayments

national guidance is expected on the approach to be taken on recovery of these which are not the fault of the individual.

Bulk transfers there are 4 in progress and the actuaries for both boroughs are liaising on a common approach to transfer values.

A Panel member commented on the increasing use of online only access in many areas of life and hoped that benefit statements and other records will continue to retain a paper copy option. It was noted that while members are being encouraged to opt for ecopies there remains the option for a paper copy.

**36. Performance for Quarter to 30/12/2018**

**Appendix C**

The value of the fund at December was £817.6m a decrease of £66.3m (7.5%) from September, illustrating the fall in markets. The fund value is now at the same level as March 2018.

The composition of the Fund at 31 December was

Equities	59.3%	Property	5.5%	12.3%	Cash	0.8%
DGF	22%	Bonds				

The majority of the fall is in equities across all sectors and market conditions are reflected through the performance against benchmark.

The Panel was provided with a commentary from each of the fund managers outlining their investment performance during the quarter to 31 December 2018.

Over 1 year UBS had a positive return over the year albeit they are the only fund still reporting performance as gross figures. All of the fund managers failed to meet their benchmark returns and performance targets.

Over 3 years the 3 equity fund managers provided the highest returns and the only fund with a negative return was the Aberdeen Standard DGF.

Columbia Threadneedle and Janus Henderson ASC exceeded their benchmark.

On the residential property fund investment M&G has confirmed its commitment to the subscription but has not yet issued a notice calling for funds. The Panel is aware that it may take 2 years (from February 2018) for the investment to be made the subscription.

The Investment strategy is considering options to reduce equity risk, Overall several asset classes do not look particularly attractive. As part of the consideration of diversification options, the investment in Aberdeen Standard, where the allocation has already been reduced, is also being reviewed.

Developments since the December meeting.

Ryan Myerberg, portfolio manager in the Global Bonds team and co-Portfolio Manager on the Janus Henderson Total Return Bond Fund has left the firm to pursue other opportunities.

Chris Diaz, Co-Head of Global Bonds, has joined Andy Mulliner as co-Portfolio Manager on the Janus Henderson Total Return Bond Fund. There will be no changes to the investment process or philosophy of the Total Return Bond Fund.

**Resolved** that the latest performance information is noted.

**37. Investment Strategy Review - Bond Portfolio**

**Appendix D**

The Investment Strategy review in September highlighted opportunities to enhance the funds risk-return profile by reallocating a proportion of the bond holding to a multi asset credit fund (MAC). The London CIV now offers a MAC, the Manager is CQS a global manager with over \$14 billion under management of which \$5 billion is in MAC funds.

The current asset allocation of the fund shows that the bond portfolio is underweight at 12% against a benchmark allocation of 15 %. Aon Hewitt's bond portfolio review shows that reducing the Janus Henderson All Stocks Credit fund by around £32m and investing in the CIV MAC would lead to greater return and less volatility than the current Bond portfolio.

**Exclusion of Press and Public**

It was Resolved to exclude the press and public from the meeting for the discussion on this on the grounds that it was likely that exempt information, as defined in paragraph 3 of Part I of Schedule 12A to the Act, would be disclosed and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

This paragraph covers information relating to the financial or business affairs of any particular person (including the authority holding that information)

Will McBean and Larissa Benbow from the CIV gave an overview on current developments at the CIV, the greater engagement with Boroughs and the manager selection process.

They introduced Soraya Chabarek and Craig Scordellis from CQS

Craig Scordellis the Fund Manager outlined the philosophy of the fund which is to preserve capital and avoid volatility. There are a lot of challenges politically and economically but the fund adheres to the philosophy to return cash plus 4% - 5% with minimum volatility, focusing on the quality of businesses understanding regulatory changes and being in the right asset class or geographical area at the right time. None of the funds' investments represent more than 1.2 % of the portfolio.

At present whilst there are opportunities for investment, risks include the geo political situation and rate volatilities examples of the funds view of risk areas and those of opportunity were given.

**Resolved** that the report is noted and the proposal contained in Aon Hewitt's review of the bond portfolio (**exempt Annex 1**) to re-allocate a proportion of the funds currently invested in Janus Henderson's All Stocks Credit fund to the London CIV Multi-Asset Credit fund approved.

**38. ESG - Next Stages**

Aon Hewitt gave a presentation covering the feedback from members question is giving their views on ESG investment, other LGPS fund approaches and the continuing work on developing a policy on this area of investment.

The responses show that more training is needed in this area; that there is overall agreement on having a responsible investment policy, balancing fiduciary duty and investment; agreement that climate change will have a material impact on investment; no consensus on minimising risk.

The Panel is in a similar position to many other authorities, needing to build knowledge and understanding and clarifying the approach they want to take.

Looking at what is happening in other authorities, the Border to Coast pool (12 LGPS) is doing a lot of work on engagement with companies their approach to client climate change what they are investing in and any decarbonisation processes they are implementing.

The CIV is also working on policy development on this, and it is a fundamental part of its manager selection process. A training session for all members is planned for May.

Next steps for the Panel are further training allocating further discussion time at meetings and further updates on progress in other LGPS funds. This is a complex area and development of a policy and the governance framework will take time.

**Resolved** that the current position and next steps are noted.

**39. Local Authority Pension Fund Forum - Presentation**

Keith Bray presented the role of the LAPFF and services offered to members. It is a powerful investor body, members investments are £260bn and it has considerable influence in areas/issues affecting LGPS schemes. Representatives of LAPFF always discuss these with companies / organisations at Board level.

79 UK LA funds belong to the LAPFF, the annual subscription is £9,500

An example of its influence is the evidence it has given on the need changes to the Financial Reporting Council - regulating conduct of banks and auditors - where it considers the organisation to be unworkable and has called for its replacement.

Another example is its stance on ESG investment, in the face of pressure for LA funds to divest, particularly from oil related investments, the LAPF view is that this is a blunt tool. Funds can have more effect on change as investors engaging with companies.

The Panel decided there were benefits in membership of the LAPFF and **Resolved** to join.

**40. LGPS Governance Conference January - Update from Chair**

The Chair had attended this conference over 2 days in Bristol. Over half the sessions had concerned responsible investing. Merseyside has adopted an innovative approach where a small percentage of the fund is invested in local RI projects which offer a positive return.

**41. Review of Work Programme**

**Appendix E**

The proposed Work Programme for June 2019 to February 2020 was presented, this is subject to change in the light of any developments in the LGPS world. It was noted that Hymans Robertson will be attending for the discussions on the 2019 triennial valuation at the June and December meetings.

**Resolved** that the work programme is agreed.

Signed.....Date.....

Chair