

PENSION FUND INVESTMENTS PANEL SPECIAL MEETING MINUTES

21 SEPTEMBER 2010

Chairman: * Councillor Mano Dharmarajah

Councillors: * Tony Ferrari * Richard Romain
* Thaya Idaikkadar

**Co-optee
(Non-voting):** * Howard Bluston

[Note: Other Attendance: (1) Robert Thomas and Ron Thornton attended in an observer role, as the representative of Harrow UNISON and the GMB;

(2) Mr Andrew Elliott of Hymans Robertson attended in an advisory role, as the Council's Actuary/Adviser.]

* Denotes Member present

28. Attendance by Reserve Members

RESOLVED: To note that there were no Reserve Members in attendance at this meeting.

29. Declarations of Interest

RESOLVED: To note that there were no declarations of interests made by Members.

30. Deputations

RESOLVED: To note that no deputations were received at this meeting.

31. Exclusion of the Press and Public

A Member of the Panel sought clarification on whether the press and the public should be excluded from the meeting for Agenda Item 5, Portfolio Rebalancing Policy. He stated that the proposed rebalancing policy could be placed in the public domain as it did not contain detailed sensitive information relating to the finances of the Council. The Corporate Director of Finance concurred with this view as additionally the report did not contain information relating to partners and Finance Managers of the Fund. The Members of the Panel agreed with this view.

RESOLVED: That the press and public not be excluded from the meeting for Agenda Item 5, Portfolio Rebalancing Policy.

RESOLVED ITEMS

32. Portfolio Rebalancing Policy

The Panel received a report of the Corporate Director of Finance that proposed a portfolio rebalancing policy for the London Borough of Harrow's Pension Fund. The policy sought to address movements from the agreed strategic asset allocation and recommended current rebalancing actions.

An officer advised that:

- the report had arisen following the discussion at the previous PFIP meeting. Members had felt that the fund portfolio was moving away from the asset allocation agreed by the Panel in 2008;
- the report included an approach that would cost-effectively rebalance the fund back to the strategic benchmark. The revaluation policy was comprised of two elements: quarterly reviews of the allocations to quoted equities and bonds; and an annual review that considered all asset classes. It was proposed that the Corporate Director of Finance would receive delegated authority to manage the quarterly rebalancing policy following its implementation. This would ensure that rebalancing the portfolio would be completed in a timely manner every quarter. Any action taken quarterly would be reported to the following Panel meeting. Annual rebalancing, that considered all asset classes, in particular property transactions, would be undertaken by the Panel;
- research conducted by State Street and Vanguard concluded that a wide spectrum of frequency and thresholds to rebalance the fund were available. Normal practice within the market was for quarterly rebalancing with 3-5% as the normal band widths;

In response to questions raised by the Panel, officers and the Adviser to the Panel advised that:

- the proposed quarterly rebalancing was designed to maintain the risk and return expectations that the Panel had of the portfolio. Actions

taken by Officers would return the Fund to the agreed strategic allocations;

- the Corporate Director of Finance would only take action to rebalance the fund if asset class holdings strayed outside the proposed ranges. Asset classes would not be moved away from the agreed strategy;
- officers would make decisions relating to the fund at a pooled fund level. Individual Fund Managers would be responsible for deciding which securities to buy or sell within each pooled fund;
- property transactions would be completed on an annual basis, in order to minimise costs incurred from buying and selling property;
- the performance position of Fund Managers was evaluated by the Adviser/Actuary to the Panel who also monitored the position of the mandate. Any concerns raised were promptly referred to the Panel for consideration;
- in order to rebalance the property portfolio, funds from the sale of quoted equities and cash balances would be invested in the Blackrock/Aviva property portfolio;

RESOLVED: That

- (1) the rebalancing policy detailed in Appendix 1 to these minutes be approved;
- (2) the Corporate Director of Finance be authorised to rebalance quoted equities and bonds based on a quarterly basis in accordance with the approved policy;
- (3) sales of quoted equities and cash balances be invested within the Blackrock/Aviva property portfolio to bring it in line with a 10% allocation.

(Note: The meeting, having commenced at 6.05 pm, closed at 6.50 pm).

(Signed) COUNCILLOR MANO DHARMARAJAH
Chairman

Rebalancing Policy

1. the revaluation policy for the fund comprises two elements:
 - a) Quarterly reviews of the allocations to quoted equities and bonds.
 - b) An annual review that considers all asset classes.
2. The table below sets out the proposed rebalancing ranges.
3. It is proposed that the implementation of quarterly rebalancing be delegated to the Corporate Director of Finance. The annual rebalancing would be undertaken by the Panel. Action taken quarterly will be reported to the subsequent Panel meeting.

Asset class	Strategic Allocation %	Proposed Rebalancing Ranges %	31st July 2010 Allocation %	Relative allocations %
UK Equities	26		26.2	+0.2
Global Equities	45		47.9	+2.9
Total Quoted Equities	71	+/- 5%	74.1	+3.1
Private Equity	3	N/A	4.1	+1.1
Property	10	+/- 2%	6.6	-3.4
Bonds	13	+/- 2%	12.6	-0.4
Active Currency	3	N/A	1.2	-1.8
Cash and NCA	0	N/A	1.4	+1.4
Total Assets	100		100	

4. No individual allocations or ranges have been set for UK equities or the three mandates within global equities. It is however proposed that rebalancing at the aggregate equity level is implemented to move the portfolios towards the allocations above and below, while avoiding simultaneously buying and selling of units within each asset class:

Wellington - 45%
 Fidelity - 40%
 Longview - 15%