

PENSION FUND INVESTMENTS PANEL MINUTES

26 JULY 2010

Chairman: * Councillor Mano Dharmarajah

Councillors: * Kam Chana (2) * Richard Romain
* Thaya Idaikkadar

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

**In attendance:
(Councillors)** Mrinal Choudhury
Ajay Maru

* Denotes Member present
(2) Denotes category of Reserve Members

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

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

16. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Member:-

Ordinary Member

Councillor Tony Ferrari

Reserve Member

Councillor Kam Chana

17. **Declarations of Interest**

RESOLVED: To note that the following interests were declared:

Agenda Item 11 – Presentation by Pantheon

Mr Howard Bluston declared a personal interest in that he had attended the Pantheon Symposium as representative of the London Borough of Harrow and attended the Advisory Committee Dinner. He would remain in the room whilst the presentation was received.

18. **Minutes**

RESOLVED: That the minutes of the meeting held on 14 June 2010, be taken as read and signed as a correct record subject to the following amendments:

Minute 11 – Review of Property Investments

That the resolution of the Panel be amended to read:

“**RESOLVED:** That officers confirm notice in respect of UBS Triton and explore an in-specie transfer from UBS to Aviva”.

Minute 14 – Any Other Business

That the first sentence of the minute be amended to read:

“A Member sought clarification on the role of the Advisor and Actuary for the Council”.

19. **Public Questions, Petitions and Deputations**

RESOLVED: To note that no public questions were put or petitions or deputations received at the meeting.

20. **INFORMATION REPORT - Update on Review of Pension Fund Adviser and Actuarial services**

The Corporate Director of Finance reported that:

- The Council intended to participate in a joint tender led by Croydon Council to appoint both actuary and advisor not necessarily from the same firm or the same choice as the other councils in the tender;
- it was anticipated that the tender process would take four to six months and that the appointment would be agreed before the start of the 2011/12 financial year.

In response to questions raised by the Panel, the officer advised that: appointing an actuary and advisor was a standard procurement process. The

service specification would be defined and agreed in conjunction with the participating London Boroughs.

In response to a request by the Chairman, officers agreed to provide an update at the next Panel meeting.

RESOLVED: That

- (1) the update be noted;
- (2) the specifications for the actuary and advisors positions be circulated to Members prior to tender for comment, amendment or approval.

21. Exclusion of the Press and Public

RESOLVED: That the press and public be excluded from the meeting for the following items under Part I of Schedule 12A to the Local Government Act 1972, paragraph 3 as they contained information relating to the financial or business affairs of any particular person or the authority holding that information:

Item Title

10. Information Report – Presentation by WM
11. Information Report – Presentation by Pantheon
12. Performance of Fund Managers – Quarter Ending 31 March 2010
13. Market Update by Hymans Robertson
14. Currency Update
15. Information Report – Property Update

RESOLVED ITEMS

22. INFORMATION REPORT - Presentation by WM

The Panel received a presentation by WM Performance Services (WM). A representative provided an evaluation of the performance of the Harrow Council's pension fund in which she advised that:

- an average return for the local authority universe of 35% had been reported for the 2009/10 fiscal year. Considering the volatile financial environment, this had produced better results than reported in previous years. Harrow's performance was above this for 2009/10;
- 75% of all funds had underperformed over a three year period in the global and regional equity market;

- the associated cost of changing fund Managers in the 2009/10 financial year would have impacted adversely on Harrow's performance for the same period. However, Harrow's fund had outperformed the benchmark by 1.4%, despite the impact of the in year change;
- due to the restructure of the fund, the currency management had been included in the figures for total equity;
- the performance of the multi-asset mandate managed by UBS was the driving force for the figures reported for all fund Managers. The fund had managed to recoup some of the value that had previously been lost.

In response to questions by the Panel, the representative reported that:

- in absolute and relative terms the fund had performed well over the 2009/10 financial year;
- the Panel may wish to consider the weighting of the equity fund in order to bring it closer to the benchmark.

RESOLVED: That the presentation be noted.

23. INFORMATION REPORT - Presentation by Pantheon

The Panel received a presentation on the performance of the investment in private equity mandate from representatives of Pantheon. The representatives reported that:

- Pantheon had recently been acquired by Affiliated Managers Group Incorporated (AMG) and was now structured as a Limited Liability Partnership (LLP). The business structure of the acquisition provided long term stability as all debts incurred were accounted for in the balance sheet of AMG;
- the financial landscape for private equity had continued to improve and market activity levels had picked up;
- the attractiveness of asset classes in the future would be affected by the level of gearing applied to them. It appeared that investors were seeking comfortable deals that could be agreed at reasonable prices;
- due to changes in the economic climate over time, Pantheon aimed to invest consistently and outperform the benchmark over time.

In response to questions raised by Members, the representatives confirmed that:

- AMG had a general interest in the day-to-day running of Pantheon and provided strategic advice on operating mechanisms;

- products were revalued every quarter in order to have an accurate reflection of the product value and where growth, in percentage terms, had taken place;
- a copy of the investment strategy and the value of the fund was circulated to Members by the representatives at the meeting.

RESOLVED: That the presentation be noted.

24. Performance of Fund Managers - Quarter Ending 31 March 2010

The Panel received a report of the Corporate Director of Finance that set out the performance of the pension fund managers for the quarter ending 31 March 2010.

A Member sought clarification on the meaning of the acronym "FMV". Officers agreed to find out and advise accordingly.

RESOLVED: That the report be noted.

25. Market Update from Hymans Robertson

The Advisor to the Panel presented a report that provided an update on the financial market and its impact on the pension fund. He advised that:

- the general momentum of the fund had been positive and prospects appeared strong;
- index linked bonds had not decreased in price;
- the Panel and officers should consider re-weighting the equities portfolio back to the benchmark;
- the main area of concern was how Central Government would manage and reduce the amount of debt in fiscal areas. It was thought that the government would benefit from having a period of controlled inflation;
- the possibility of a double-dip recession could not be discounted;
- the bond market had received positive support from the early action taken by the Government in relation to conventional gilts. It was felt that index-linked gilts provided better value for money;
- even though the equity market had experienced a strong recovery up to the end of March 2010 and in the past few weeks, it was felt that the Panel should remain cautious.

Officers confirmed that they would draft a policy which would include proposals on how to rebalance the equity portfolio and bring it back to the benchmark.

RESOLVED: That

- (1) the report be noted;
- (2) a special meeting of the Panel be arranged to discuss the policy and actions to rebalance the fund.

26. Currency Update

The Advisor presented an update on the progress of disinvesting from the Record currency mandate and advised on the options available to the Panel. The recommended option was to hold the funds in cash.

RESOLVED: That

- (1) the update be noted;
- (2) the disinvestment be held in cash for the short term;
- (3) the allocation of the cash and the strategic asset allocation to currency be discussed as part of the investment strategy at a future meeting of the Panel.

27. INFORMATION REPORT - Property Update

The Panel received a report of the Corporate Director of Finance that provided a verbal update on the progress of the transfer of the property portfolio from UBS Triton to Aviva investments by way of an in-specie transfer.

The representative from Hymans Robertson advised that the current position had been reported during the Market Update item on the agenda. An update on the transfer would be brought back to the next meeting.

RESOLVED: That the progress made to transfer the property assets from UBS to Blackrock (Aviva) be noted.

(Note: The meeting, having commenced at 6.32 pm, closed at 9.40 pm).

(Signed) COUNCILLOR MANO DHARMARAJAH
Chairman