

PENSION FUND INVESTMENTS PANEL MINUTES

6 MARCH 2012

- Chairman:** * Councillor Mano Dharmarajah
- Councillors:** * Tony Ferrari * Richard Romain
* Thaya Idaikkadar
- Co-optee
(Non-voting):** * Howard Bluston

* Denotes Member present

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

(2) Mr John Harrison attended in an advisory role, as the Council's Adviser.]

141. Attendance by Reserve Members

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

142. Declarations of Interest

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

143. Minutes

RESOLVED: That the minutes of the meeting held on 9 January 2012 be taken as read and signed as a correct record subject to the inclusion of the following at Minute Item 136, paragraph 3:

'The Aon Representative also advised Members that there was little confidence in Fidelity Select Funds achieving their performance objectives.'

144. Public Questions, Petitions and Deputations

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

RESOLVED ITEMS

145. Review of the Statement of Investment Principles

An officer introduced a report which detailed revised Statement of Investment Principle and advised that requested amendments following a previous submission before the Panel, had been incorporated.

RESOLVED: That the Statement of Investment Principles be approved.

146. Review of the Funding Strategy Statement

Members received a report which outlined the review of the Funding Strategy Statement. An officer advised that:

- the Strategy Statement included provisions on how the recovery of the deficit would be reached, a stabilisation policy and the possibility of achieving a 20 year funding target;
- the Strategy was last approved in 2010, with main alterations including longevity assumptions, reflecting that higher correlations with life expectancy were achieved by basing data on postcodes.

In response to questions, officers advised that:

- a statement on the impact of revised salary packages, in light of proposals to modernise staff terms and conditions, would be presented to a future meeting of the Panel;
- non-contractual overtime was being investigated;
- the Strategy had been forwarded to the Council's investment adviser, Aon Hewitt, for consideration;
- the decision not to have a contingency reserve was based on actuarial advice. Prudence was being factored into the Strategy as a matter of course.

RESOLVED: That the Funding Strategy be approved, subject to determining whether reference to a contingency reserve was a mandatory requirement.

147. External Audit Plan 2011-12

An officer introduced a report which set out the External Audit Plan 2011-12 prepared by Deloitte. This plan would be submitted to a future meeting of the Governance Audit and Risk Management Committee.

RESOLVED: That the External Audit Plan 2011-12 be noted.

148. Fidelity Fee Proposal

An officer introduced a report which detailed an alternative fee proposal submitted by Fidelity in response to points raised by Aon Hewitt. The officer advised that the alternative fee proposal would include a performance related element based over a three year period and would be backdated to the start of the mandate, which commenced in quarter 4 of 2009.

In response to a question, officers advised that the option of reverting back to the original agreement or leaving the mandate, without incurring a fee would still remain viable options. No formal agreement had been made.

RESOLVED: That officers continue negotiations with Fidelity and provide a report at a future meeting of the Panel.

149. INFORMATION REPORT - Investment Manager Monitoring

The Panel received Aon Hewitt's quarterly report on Harrow's fund managers, detailing strengths and weaknesses and overall ratings.

The Aon representative reiterated that BlackRock had been downgraded to a 'hold' rating. This rating would remain until the new staffing structure had shown evidence of sufficient levels of performance. No other changes in rating had taken place in the quarter.

RESOLVED: That the report be noted.

150. BlackRock Presentation

The Panel received a presentation from representatives of BlackRock which included updates on staffing for their Sterling Fixed Income Team and performance of the Council's portfolio. Members were advised that:

- a senior member of staff had recently left the organisation. As a result, two highly skilled professionals had been recruited with over 30 years combined experience in the field;
- the drop in performance in quarter 3 of 2011 was linked to the effects of the national economic difficulties;
- the Council would be granted the opportunity to enhance its portfolio returns by considering other strategic opportunities within the organisation.

In response to questions, BlackRock representatives advised that:

- all staff in the Sterling Fixed Income Team were based in London offices. Recruitment was based on a combination of expertise and suitability, with candidates being recruited for roles both internally and externally when a fresh perspective was deemed necessary. The organisation was not currently seeking to employ additional staff.

BlackRock was satisfied with the current working model and levels of performance;

- good recent performance illustrated why the organisation remained confident following the departure of a senior member of staff.

RESOLVED: That the presentation be noted.

151. INFORMATION REPORT - Update Report and Action Points from Previous Meetings

The Panel received a report which provided an update on actions taken since the last meeting.

RESOLVED: That the report be noted.

152. INFORMATION REPORT - Performance of Fund Managers for Quarter ended 31 December 2011

The Panel received a report which set out the performance of the investment managers and of the overall fund for the quarter, year and three years ending 31 December 2011. The officer advised that performance of the fund was good and had exceeded benchmark over a three year period.

RESOLVED: That

- (1) the report be noted;
- (2) Aon Hewitt be instructed to provide Members with proposals to re-invest the cash holdings including into equities for consideration at a future meeting of the Panel.

(Note: The meeting, having commenced at 6.45 pm, closed at 10.00 pm).

(Signed) COUNCILLOR MANO DHARMARAJAH
Chairman