

PENSION FUND INVESTMENTS PANEL MINUTES

20 SEPTEMBER 2012

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

Other Attendance:

Mr John Harrison of Aon Hewitt attended in an advisory role, as the Council's Actuary/Adviser.

- * Denotes Member present
- † Denotes apologies received

169. Attendance by Reserve Members

RESOLVED: To note that no Reserve Members were present.

170. Apologies for Absence

Apologies were received from Mr Steve Compton, Unison representative.

171. Declarations of Interest

RESOLVED: To note that Howard Bluston declared a non-pecuniary interest in Items 7, 9 10 and 11, in that he had attended meetings at the Aon Hewitt offices in St Albans, and had attended functions hosted by Fidelity and Wellington in his capacity as an Independent Adviser. He would remain in the room while matters were considered and voted upon.

172. Minutes

RESOLVED: That the minutes of the meeting held on 25 June 2012 be taken as read and signed as a correct record, subject to the following amendments:

- (1) page 1, 'Other Attendance' – delete (2) and add Mr John Harrison and Mr Sahul Patel of Aon Hewitt attended in an advisory role, as the Council's advisors;
- (2) page 4, paragraph 1 – delete Corporate Director, Finance, and add Corporate Director, Resources.

173. Public Questions, Petitions and Deputations

RESOLVED: To note that no petitions were received, questions put or deputations received under the provisions of Committee Procedure Rules 17, 15 and 16.

RESOLVED ITEMS

174. Urgent Items

Some Members expressed concern about the late receipt of the supplemental agenda papers, and stated they had not had sufficient time to read the reports thoroughly, thus inhibiting their ability to make insightful judgements and comments on the matters covered. A Member also commented that the late production of the papers affected the Council's commitment to transparency and accountability. Another Member stated that although he had received the papers electronically, the files were so large that his computer had crashed when trying to open them.

In view of the complexity and importance of the information, Members asked that in future the papers be prepared in good time.

The officers present apologised for the lateness of the papers.

RESOLVED: That the Chair agrees to accept the following items for reasons of urgency as detailed below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
7.	Annual Pension Scheme Accounts and Auditor's Report	To allow consideration of the report as legislation requires the annual accounts to be approved by 30 September 2012.
9.	Information Report – Manager Monitoring Report	To allow consideration of the report as the papers are necessary for proper monitoring of the Pension Fund assets, and

in particular the continued appointment of external Fund Managers.

10. Information Report – Valuation and Performance Report To allow consideration of the report as the papers are necessary for proper monitoring of the Pension Fund assets, and in particular the continued appointment of external Fund Managers.
11. Information Report – Update Report and Action Points from Prior Meetings To allow consideration of the report as the papers are necessary for proper monitoring of the Pension Fund assets, and in particular the continued appointment of external Fund Managers.

175. Annual Pension Scheme Accounts and Auditor's Report

The Panel received a report of the Corporate Director, Resources, containing the draft Pension Fund accounts and the Auditor's report.

An officer gave a summary of the current position of the fund, and explained that there had been a shift in number from active members to pensioners. A Member queried if further structure changes at the Council, which were expected to result in fewer staff, would have an increasingly negative impact on the fund. John Harrison of Aon Hewitt, the Council's advisor on the fund, commented that funds, typically, went through three phases, and that Harrow's current position was to be expected, and generally in line with other, similar authorities. Further to a discussion about the forthcoming actuarial valuation in March 2013, and the general view that the valuation would be low, Mr Harrison explained that Harrow's conservative estimation of long term future returns provided greater flexibility in planning for the deficit.

Members considered possible options in addressing the Fund's deficit, including increasing the level of contributions, and varying the benefits available to Fund members. An officer commented that any rise in contributions would be phased in, and that new government regulations might mitigate the need. He informed the Panel that he would be meeting the Council's actuary in October, and would discuss the likely impacts on the Fund caused by the current, volatile economic situation, and possible changes at the Council.

Members also discussed the following issues in relation to the fund:

- the lump sum death grant
- TUPE transfers
- Academy membership of the fund

- tax receipts from investments
- counter party risk
- AVC provision.

Members discussed the fees charged to the Fund, and considered whether they were reasonable and value for money in respect of the services provided. A Member commented on internal charges, and in particular the charges for IT, which in his view were high and required investigation. The Corporate Director, Resources, informed Members that there were plans to set up a network group among local authorities at which officers could discuss and compare issues and costs.

An officer agreed to provide Members with the information they requested after the meeting.

RESOLVED: That the report be noted.

176. Exclusion of the Press and Public

RESOLVED: That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
9	Information Report – Manager Monitoring Report	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
10	Information Report – Valuation and Performance Report	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
11	Information Report – Update Report and Action Points	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

177. Information Report - Manager Monitoring Report

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

Mr Harrison informed the Panel that little had changed since the last report, but asked Members to note points in respect of investment managers Blackrock, Longview and Wellington; however, he was of the view that none of the issues he described was of immediate concern.

RESOLVED: That the Panel noted the report.

178. Information Report - Valuation and Performance Report

In accordance with the Local Government (Access to Information) Act 1985, this item was submitted late to the agenda in order to consider the report as the papers are necessary for the proper monitoring of the Pension Fund assets, in particular the continued appointment of external Fund managers.

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 30 June 2012. An officer advised that despite a difficult year and volatile market conditions, the Fund had recovered initial losses and although the yearly benchmark had not been met, the fund was still on target to meet the three year benchmark.

Mr Harrison described the global conditions affecting markets, and the continued uncertainty and volatility.

Members discussed the need for an urgent review of the investment strategy and asked that a meeting be arranged to consider this one item.

RESOLVED: That

- (1) the report be noted;
- (2) a special meeting be arranged to discuss the investment strategy.

179. Information Report - Update Report and Action Points from Prior Meetings

In accordance with the Local Government (Access to Information) Act 1985, this item was submitted late to the agenda in order to consider the report as the papers are necessary for the proper monitoring of the Pension Fund assets, in particular the continued appointment of external Fund managers.

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

A Member commented that the update report was extremely helpful and provided continuity through meetings. He proposed that an update report should be provided for every Council committee meeting, and requested that the officer take back his suggestion to Democratic Services for consideration.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.52 pm).

(Signed) COUNCILLOR MANO DHARMARAJAH
Chairman