

PENSION FUND COMMITTEE

MINUTES

18 SEPTEMBER 2013

Chairman: * Councillor Richard Romain

Councillors: * Tony Ferrari * Sachin Shah
* Keith Ferry

Co-optee (Non-voting): * Howard Bluston Steve Compton
Sanjay Karia

(1) Mr Tony Baily and Ms Stephanie Randall of Aon Hewitt attended in an advisory role, as representatives of the Council's Adviser.

* Denotes Member present

18. Attendance by Reserve Members

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

19. Declarations of Interest

RESOLVED: That the following Declaration of Interest be noted:

Howard Bluston declared a non-pecuniary interest in all the agenda items 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, and had recently attended a function hosted by Standard Life. He would remain in the room while matters were considered and voted upon.

20. Minutes

RESOLVED: That the minutes of the meeting held on 25 June 2013 be taken as read and signed as a correct record, subject to the following amendment:

Item 2(2)

Replace the final sentence with the following sentence:

“He declared a specific interest in Agenda Item 12 in that he serves on the Local Authority Pension Fund Forum.”

21. Public Questions, Petitions and Deputations

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

RESOLVED ITEMS

22. Annual Pension Scheme Accounts and Auditor's Report

The Committee received the report of the Director of Finance and Assurance on the annual Pension Scheme accounts, comprising the Pension Fund Annual Report, an expense summary, and the Auditor's Report.

An officer informed the Committee that the draft report would be signed off on 30 September. The Chair asked that any changes made to the final report before sign-off would be circulated to all Members for comment.

Members discussed the fees charged by one fund manager and considered whether it represented value for money. It was agreed that the fund manager should be invited to participate in the session planned for October, when Pension Fund Committee Members would meet with fund managers.

In response to a query about the comparator used for cost, Tony Baily of Aon Hewitt explained that the comparison with outer London boroughs was considered to be appropriate, both in terms of the size of the fund and local circumstances and costs.

Members queried whether the strategy should promote yield over growth, given cash flow issues. Members also discussed the contribution rates for admitted bodies, and whether these would fully fund their liabilities.

An officer informed Members that a report on the actuarial valuation would be brought to the next meeting, and following this the strategy statement would be updated. The officer confirmed that the report would encompass planned changes to the Local Government Pension Fund (LGPF), due to be implemented in 2014.

The Chair drew attention to the four areas of risk described in the report, namely financial, demographic, regulatory, and governance, and he welcomed the Auditor's views on how these might be mitigated. He asked that particular attention be paid to these areas of risk when drafting the new strategy statement.

Members noted that the Pension Fund Annual Report would also be presented to the Governance, Audit and Risk management Committee, as part of the Annual Statement of Accounts, and requested that any comments made be reported back to the Pension Fund Committee.

Resolved: That

- 1) the report and appendices be noted;
- 2) officers note Members' concerns about the current strategy statement;
- 3) officers include identified areas of risk when drafting the new strategy statement for 2014;
- 4) any comments made on the Pension Fund Annual Report at the forthcoming Governance, Audit and Risk Management committee be reported back to the Pension Fund Committee.

23. Update Report

The Committee received the report of the Director of Finance and Assurance which detailed actions taken since the last meeting of the Committee.

The Chair asked that officers canvass all Members and Reserve Members of the Committee for their preferences in undertaking a 'Lead Member' role in the areas listed, with slots filled on a 'first come, first served' basis.

He then proposed that an advert be placed in the local press to invite applications for an 'Independent Adviser', with a view to securing the appointment of a local person to serve on the Committee. He suggested remuneration of between £10k and £20k for a suitably qualified person.

A Member stated his view that a job description and person specification should be prepared for the role in the first instance, in order to determine what calibre of person was required, and what an appropriate level of remuneration would be. Another Member commented that the appointment could be made on the basis of expenses rather than a salary.

Members agreed that the individual appointed should be able to attend meetings, challenge officers and advisers, and offer an additional, informed opinion, with a specialism in investment rather than governance. Officers were requested to prepare a job and person specification which would be brought to the next meeting for comment.

The interim Treasury and Pension Fund Manager, Ian Talbot, was introduced to the Committee. Members reiterated their thanks and good wishes to the departing Treasury and Pension Fund Manager, George Bruce.

Resolved: That

- 1) the report be noted;
- 2) that officers prepare a job and person specification for the role of Independent Adviser to the Pension Fund Committee, to be brought to the next meeting in November;
- 3) that the Committee records its thanks to George Bruce for his service at Harrow.

24. 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 items for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
11.	Equity Options	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
12.	Information Report - Investment Manager Monitoring	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
13.	Information Report – Performance of Fund Managers for Quarter Ended 30 June 2013	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

25. Equity Options

The Committee received the report of the Director of Finance and Assurance which set out options and recommendations for changes to the equity fund manager structure, in response to preferences expressed by the Committee at their meeting in June.

Members were reminded of the existing structure, allocation and category of investments and the representative of Aon Hewitt gave his opinion that the fund was overexposed in certain areas, and missing potential opportunities in others. He described a range of options and further advised on the best approach for each.

Members then considered the following aspects of available options:

- asset allocation, in particular the proportion of equities held;
- global, UK and / or emerging markets;
- active versus passive management;
- boutique selection;
- unconstrained investment;
- appetite for risk;
- the optimum number of fund managers;
- optimum selection of fund managers;
- transaction costs;
- flexibility and speed of response to opportunity;

Members agreed they were unhappy to make a firm decision at this stage and agreed to defer their decision on equity options until the next meeting, and following the session with fund managers.

Resolved:

- (1) the report be noted;
- (2) that up-to-date information be circulated to Members prior to the meeting with fund managers;
- (3) That the final decision on investment in equities be deferred until the next meeting of the Committee.

26. Information Report - Investment Manager Monitoring

The Committee received the report of the Director of Finance and Assurance which presented Aon Hewitt's quarterly report on Harrow's Fund Managers, detailing strengths and weaknesses and overall ratings, and noted that the ratings remained unchanged from the June report.

RESOLVED: That the report be noted.

27. Information Report - Performance of Fund Managers for Quarter Ended 30 June 2013

The Committee received a report of the Director of Finance and Assurance which set out the performance of the investment managers and of the overall fund for the quarter, year and three years ending 31 March 2013.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.30 pm).

(Signed) COUNCILLOR RICHARD DAVID ROMAIN
Chairman