

PENSION FUND COMMITTEE

MINUTES

19 MARCH 2014

Chairman: * Councillor Richard Romain

Councillors: * Tony Ferrari * Sachin Shah
* Keith Ferry

Co-optee (Non-voting): † Howard Bluston † Steve Compton
† Pamela Belgrave

[Tony Baily and Steve Sawyer of Aon Hewitt attended in an advisory role, as the Council's Adviser.]

* Denotes Member present
† Denotes apologies received

46. Attendance by Reserve Members

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

47. Declarations of Interest

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

48. Minutes

RESOLVED: That

- (1) the minutes of the meeting held on 25 November 2013 be taken as read and signed as a correct record, subject to the following amendment:
Page 15, Minute 33, first bullet point – amend to read:
“Councillor Sachin Shah requested that he would not be allocated the Regulation responsibility”; and
- (2) the minutes of the meeting held on 14 January 2014 be taken as read and signed as a correct record.

49. Public Questions, Petitions and Deputations

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

RESOLVED ITEMS

50. London Pensions Collective Investment Vehicle

The Committee received the report of the Director of Finance and Assurance which set out developments in the establishment of a Collective Investment Vehicle (CIV) for London boroughs, and which proposed that the Committee recommend to Council that the Council become a shareholder in the management company.

Members considered the benefits of joining at the outset, given that the initial financial commitment was small and further contributions could be decided later, against the advantages of monitoring the situation until the membership and direction of the CIV became clear, and the potential outcomes and benefit to Harrow could be more realistically assessed.

Members discussed the structure and governance of the CIV, and the role of borough Leaders, elected members, and expert advisers in determining its management, strategy and direction. A Member expressed the view that Harrow would have more influence in shaping the future of the CIV as a member on the inside than as an observer on the outside. The Chair commented that the decision on joining should be left until after the election, given the scope for change in the composition and focus of all the London boroughs. The Committee noted that the initial deadline for requesting membership was before the next Council meeting at which any recommendation could be ratified.

The officer stated that 25 boroughs had contributed towards the cost of developing the CIV, and it was felt by some of these that membership of the CIV offered some protection against possible, future changes to the Local Government Pension Scheme (LGPS).

Members were clear that their priority was to achieve the best possible outcome for Harrow's Pension Fund, and they agreed that they had insufficient information before them at this stage to be confident that early membership would secure this. They wanted clarity on costs, tax liability, and the degree to which constituent members could be selective in their levels of investment. They agreed to defer the decision until the next meeting, when they hoped that the Director of Finance and Assurance would be available to answer questions and provide further information.

RESOLVED: That the decision on joining the Collective Investment Vehicle for London boroughs be deferred until the next meeting of the Committee.

51. Update Report and Action Points from Previous Meetings

The Committee received the report of the Director of Finance and Assurance which provided an update on actions taken since the last meeting, and the meeting plan for 2014.

The Chair requested that training be provided for any new members appointed to the Committee following the election in May, as the Committee was required to understand and determine complex and technical issues in its management of the Council's Pension Fund. The Committee agreed that this was essential, and that it was also important for any new members to meet with investment fund managers at an early stage.

RESOLVED: That the report be noted.

52. 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.	Appointment of Unconstrained Equities Manager – Developed World	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
12.	Appointment of Unconstrained Equities Manager – Emerging Markets	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 – 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)).
14.	Information Report – Performance of Fund Managers for the Quarter Ended 31 December 2013	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
15.	Information Report – Monitoring of Operational Controls at Investment Managers	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

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| 16. | Information Report –
Decision taken Under the
Urgency Procedure | Information under paragraph 1
(contains information relating to any
individual). |
| 17. | Severance Payments of
£100,000 or Greater | Information under paragraph 1
(contains information relating to any
individual). |

53. Severance Payments of £100,000 or Greater

The Committee received a confidential and urgent report of the Corporate Director of Resources, which sought the Committee's approval for the termination of a contract and resulting severance package for an officer.

The Chair expressed his strong disapproval that the Committee was, in effect, being asked to 'rubber-stamp' a decision, having been presented with a 'fait accompli' in respect of the individual and business case involved. He expressed concern with the level of information provided, and the style of its presentation, as it was not possible to assess what the strain on the pension fund would be.

A Member observed that as the payment was contractual, there was no discretion to vary the terms of the package. Members noted that the decision had come to the Committee for approval as recent changes to the Constitution required that all severance packages of £100,000 or greater were approved by the Pension Fund Committee. Members were of the view that the Committee should be involved at a much earlier stage in the process for such decisions in order to make a meaningful contribution. They also requested that any future cases should be presented in a clear and consistent format.

RESOLVED: That

- (1) in accordance with the Local Government (Access to Information) Act 1985, the following item be admitted to the meeting by virtue of the special circumstances and grounds for urgency stated below:

<u>Item</u>	<u>Special Circumstances / Grounds for Urgency</u>
17. Severance Payments of £100,000 or Greater	The redundancy letter was sent on the working day after the management response following a restructure. Three months notice would fall before the next meeting of the Committee and the decision needed to be taken, both for clarity for the employee and to have appropriate governance as funds requested for release exceeded the £100k threshold. The business case was signed off following agenda despatch and the report could not be submitted before this.

- (2) the severance package, as set out in the business case, be agreed;

- (3) the views of the Committee, in respect of the Committee's involvement at all stages of the process, be noted.

54. Appointment of Unconstrained Equities Manager - Developed World

The Committee received a confidential report of the Director of Finance and Assurance on the process for the appointment of an Unconstrained Equities Manager for Developed Markets, followed by a presentation from two of the shortlisted fund managers. Each presentation lasted 30 minutes and included a question and answer session.

Members discussed the merits of each company, in the light of their investment strategy, attitude to risk and recent performance. Having considered all relevant factors it was

RESOLVED: That Oldfield Partners be appointed as the Unconstrained Equities Manager for Developed Markets on behalf of Harrow Council's Pension Fund.

55. Appointment of Unconstrained Equities Manager - Emerging Markets

The Committee received a confidential report of the Director of Finance and Assurance on the process for the appointment of an Unconstrained Equities Manager for Emerging Markets.

Five shortlisted companies had made presentations to Committee Members on 28 February 2014 and the officer had drafted a table assessing their scores against agreed criteria. Members were mindful also of their prior selection of an Unconstrained Equities Manager for Developed Markets, in order to ensure complementarity across the Fund.

One Member had been unable to attend the presentations and stated that he would abstain from the decision for that reason.

RESOLVED: That GMO UK Ltd be appointed as the Unconstrained Equities Manager for Emerging Markets on behalf of the Harrow Council Pension Fund.

56. Information Report - Investment Manager Monitoring

The Committee received a confidential 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 November report.

RESOLVED: That the report be noted.

57. Information Report - Performance of Fund Managers for Quarter Ended 31 December 2013

The Committee received a confidential 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 December 2013.

RESOLVED: That the report be noted.

58. Information Report - Monitoring of Operational Controls at Investment Managers

The Committee received a confidential report of the Director of Finance and Assurance which summarised the internal control reports of each of the Fund's managers.

RESOLVED: That the report be noted.

59. Information Report - Decision Taken Under the Urgency Procedure

The Committee received notice of a confidential and urgent decision that had been taken by the Director of Finance and Assurance, following consultation with the Chair and Vice-Chair of the Committee, in respect of the termination of employment of two officers.

RESOLVED: That the report be noted.

60. Vote of Thanks

The Chair announced that this was the last meeting of the Pension Fund Committee for the 2013-14 municipal year, and added that it would be his last meeting as he would be standing down as a Councillor. He stated that it had been a privilege to chair the committee, that he had enjoyed the work, and hoped that his interrogative style had been received in the right spirit as his intention had always been to ensure the best decisions were made for the benefit of the pension fund, and to achieve consensus among Members in doing so.

The Vice-Chair, speaking on behalf of the Committee, thanked the Chair both for his stewardship of the Committee, but also for his long and exemplary service as a Member of Harrow Council for over 30 years. He added his personal thanks, commending the Chair for the knowledge, expertise and experience he had brought to the work of the Committee, and from which he himself had learnt a great deal. He commented that as the Chair, he had set an example in striving for excellence and consensus aside of political perspectives, and that the Committee would be the worse for his absence. Members concurred and added their thanks.

(Note: The meeting, having commenced at 6.30 pm, closed at 9.30 pm).

(Signed) COUNCILLOR RICHARD DAVID ROMAIN
Chairman