

PENSION FUND COMMITTEE (SPECIAL) MINUTES

14 JANUARY 2014

Chairman: * Councillor Richard Romain

Councillors: * Tony Ferrari * Sachin Shah
* Keith Ferry

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

[Note: Other Attendance: (1) Tony Baily and Steve Sawyer of Aon Hewitt attended in an advisory role, as the Council's Advisers;

(2) Gemma Sefton of Hymans Robertson attended in an advisory role, as the Council's Actuary.]

* Denotes Member present

† Denotes apologies received

40. Attendance by Reserve Members

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

41. Declarations of Interest

RESOLVED: To note that the following interest was declared:

All Agenda Items

During the meeting, Councillor Tony Ferrari declared a non-pecuniary interest in that he was the Portfolio Holder for Finance, and had, therefore, a wider remit than the Pension Fund Committee. He would remain in the room whilst all matters were considered and voted upon.

42. Deputations

RESOLVED: To note that no deputations were received at this meeting.

The Chair welcomed those present and asked officers for an informal, verbal update on progress with the recruitment and appointment of an Independent Adviser. The Interim Treasury and Pension Fund Manager informed the committee that there was a complex system in place for such activities, but that he would be ready to commence the recruitment process before the end of January. Members agreed that the recruitment and appointment should adhere to all due process, and be inclusive and transparent.

It was noted that Mr Howard Bluston's tenure was based on an annual term, and his role was confirmed at the start of each municipal year. The Director of Finance clarified that there would, therefore, be the recruitment and appointment of at least two independent advisers.

Members expressed their concern that changes in the make up of the Council following the Local Elections in May 2014 could result in the loss of committee members with considerable knowledge, expertise and experience in the field of pension fund management, to the possible detriment of the Council's pension fund.

RESOLVED ITEMS

43. 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>
5.	Actuarial Valuation and Funding Strategy Statement	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
6.	Appointment of Equities Managers	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

44. Actuarial Valuation and Funding Strategy Statement

The Committee received a report of the Director of Finance and Assurance in respect of the draft triennial valuation report carried out by the Council's Actuary, Hymans Robertson LLP, and the draft Funding Strategy Statement.

Gemma Sefton of Hymans Robertson outlined the content of the report, and reminded Members that the modelling exercise had been undertaken a year ago. In her opinion, since then, the possible outputs would have improved in line with the financial climate. Harrow's fund remained in the top quartile for prudence. She also explained the differing assumptions and models for the funding and liabilities of admitted bodies

The Chair invited comment on the report and reminded Members that they should consider the findings and recommendations therein as trustees of the fund rather than as Members of the Council.

A Member declared an interest in that he was also the Portfolio Holder for Finance, and as such had a duty to consider the financial standing and health of the Council as a whole, and within that, its capacity to meet those commitments decided by its constituent committees.

Members discussed the models and assumptions used to calculate contributions, the fund's current standing, and the regulations within which the LGPS operated. Gemma Sefton clarified the distinction between a percentage target of the likelihood of achieving 100% funding, against a target of 100% funding, the latter being considered to be impractical and not necessarily desirable. Members also considered how demographics and timing would affect the fund and determine where the burden of contributions would fall.

In conclusion, the Committee agreed it would be beneficial to receive a further report at a mid-point between triennial valuations.

The Committee then considered the Funding Strategy Statement and discussed this in the light of demographic projections and future staffing. They also discussed the nature and scope of the guarantees provided by scheduled and admitted bodies in respect of their liabilities. The Chair proposed to go to the next meeting with members of admitted bodies, and suggested that Internal Audit conduct a review of the guarantees provided by scheduled and admitted bodies and whether they fulfilled their purpose.

RESOLVED: That

- (1) the Committee notes:
 - (a) the report;
 - (b) the theoretical and actual contribution levels for the employer are 35.2% and 19.9% and employee contribution is approximately 6.4%;

- (c) the increase in deficit from 26.5% to 29.7% (£157m to £234m);
 - (d) the likelihood of achieving 100% funding by 2034 is 56%;
- (2) the Committee would welcome an interim report in approximately 18 months time which focuses on:
- (a) the level of deficit;
 - (b) the level of contributions;
 - (c) the percentage likelihood of achieving 100% funding in 20 years time;
- (3) the Funding Strategy Statement, and governance risks in particular, be noted;
- (4) Internal Audit be requested to conduct a review of the bonds and guarantees in place for scheduled and admitted bodies.

45. Appointment of Equities Managers

The Committee received the report of the Director of Finance and Assurance, containing research by Aon Hewitt, the Council's Advisers to the Pension Fund, which provided information on potential fund managers for the management of funds within two specified mandates.

The Committee agreed that the first appointment should precede consideration of the second in order to allow for a complementary selection.

In considering the Developed World mandate, Members discussed the number of fund managers to be shortlisted for presentation, and whether it was possible to exclude any at this stage. They considered the size and style of management and the focus of operation of each company listed and agreed to invite four of them to make a presentation.

In considering the Emerging Markets mandate, members discussed the number of fund managers to be shortlisted for presentation, and whether it was possible to exclude any at this stage. They considered the size and style of management and the focus of operation of each company listed and agreed to invite five of them to make a presentation.

It was agreed to invite the companies to present on two separate days during the two weeks commencing 17 February. It was noted that one Member was unable to commit to a date at this stage.

The Committee also noted its earlier decision to appoint only one fund manager for the Emerging Markets mandate and agreed to abide by that.

RESOLVED: That

- (1) four listed companies will be invited to present to Pension Fund Committee Members in respect of the appointment of a fund manager with a mandate for unconstrained Developed World equities;
- (2) all five listed companies will be invited to present to Pension Fund Committee Members in respect of the appointment of a fund manager with a mandate of unconstrained Emerging Markets equities.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.00 pm).

(Signed) COUNCILLOR RICHARD DAVID ROMAIN
Chairman