

REPORT FOR: Pension Fund Committee

Date of Meeting: 25th June 2013

Subject: Information Report - Update Report and Action Points from Previous Meetings

Responsible Officer: Simon George, Director of Finance and Assurance

Exempt: No.

Enclosures: Appendix 1- Action Points
Appendix 2 – Meeting Plan 2013-14
Appendix 3 – Membership and Remit

Section 1 – Summary and Recommendations

This report provides an update (appendix 1) of actions taken since the last meeting.

FOR INFORMATION

Section 2 – Report

1. An update of actions taken from prior meetings is summarised in appendix 1.

RBS Legal Action

2. At the March meeting the Committee discussed the potential to join a group legal action against Royal Bank of Scotland seeking compensation for losses suffered from participating in the 2008 rights. The claim arises from deficiencies in the prospectus relating to the rights issue.
3. When last discussed, the Committee sought further legal advice and details of participation by local authorities.
4. Since the March meeting Harrow's Legal team has reviewed the documentation and supports participation on a no win no fee basis provided that Harrow is protected against costs should the claim be lost. Documentation on the funding agreement and adverse cost cover is awaited. Neither has been finalised so far.
5. In terms of participating by Local Authorities, only one has positively committed so far. Another 14, including Harrow, joined a telephone conference call on 10 June 2013 and are actively considering participating.
6. Additional documentation is being discussed with Legal as it arises and Harrow will only participate if the Legal department are satisfied on the cost protection.

Section 3 – Further Information

7. See appendix 1.

Section 4 - Financial Implications

8. Financial implications are central to the issues discussed in the paper.

Section 5 – Equalities Implications

9. Was an Equality Impact Assessment carried out? Yes.
10. There are no direct equalities implications relating to the Pension Fund.

Section 6 - Corporate Priorities

11. Corporate Priorities are not applicable to the Pension Fund as it does not have a direct impact on Council's resources.

Section 7 - Statutory Officer Clearance

Name: Simon George



Chief Financial Officer

Date: 10 June 2013

Name: Matthew Adams



on behalf of the
Monitoring Officer

Date: 10 June 2013

Section 8 - Contact Details / Background Papers

Contact: George Bruce (Treasury and Pension Fund Manager) Tel: 020-8424-1170 / Email: george.bruce@harrow.gov.uk

Background Papers: Nil

London Borough of Harrow

Pension Fund Investment Panel

Update Report and Action Points – 25th June 2013

| Issue/decision | Source | Action Taken | Next Steps |
|---|---------------------------------|--|---|
| <u>Market Update Report</u> The equity allocation is reduced to 64% and proceeds held in cash to be used to fund investment in Standard Life GARS. | Nov 2010 Minute 49 | The cash balance will be used to fund the DGF Mandates. | Complete. |
| <u>Responsible Investment</u> RESOLVED: That the report be deferred to a future meeting and officers, as part of this, be requested to address the comments above. | 15 Nov 2011 Minute 125 | Additional information on the legal position, union views, investment manager stance and income / cost impact is being collected. | Ongoing. |
| <u>BlackRock Bond Opportunities</u> The report was deferred for consideration at the next meeting. | Jun 2012 Minute 163 | On the November meeting agenda | Review at November meeting – also covered in minute 209. Complete |
| <u>Governance of the PFIP</u> RESOLVED: (1) that the outline proposals for the terms of reference of the Pension Fund Investment Panel to be expanded, as set out in the report, be taken to the Constitution Review Working Group for consideration; (2) that following (1) above, detailed proposals be drafted and recommended to the LGPC; (3) that consideration be given to expand the membership of the Pension Fund Investment Panel to include two independent, co-opted members to act in an advisory | Nov 2012 Minute 186 | A revised remit has been adopted by Council. Investigation underway of remuneration levels for similar roles within other LBs | See Appendix 3 Complete Complete Ongoing |

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| capacity; | | | |
| <p><u>Review of the Investment Strategy</u> RESOLVED:</p> <p>1) 10% of the fund be invested in the selected fund managers (5% each to Standard Life and Barings);</p> <p>2) the new managers to be funded from available cash and the balance to be withdrawn from the Fidelity mandate</p> <p>and that:</p> <p>3) the revised strategy as shown in Appendix 2 of the report be approved subject to reflecting the lower 10% allocation to DGF mandates</p> <p>4) the equity mandates be reviewed at the next meeting</p> <p>5) the alternative fixed income products available from BlackRock be reviewed at a later date;</p> <p>6) authority be delegated to the Section 151 Officer (or deputy) to sign any documentation required to complete the appointment of the selected DGF managers.</p> | <p>March 2013 Minute 209</p> | <p>Two DGF Managers were selected: Barings and Standard Life.</p> <p>£35 million was drawn-down with Fidelity.</p> | <p>£27 million was invested with Barings in May 2013.</p> <p>The Investment of £27 million with Standard Life is pending.</p> <p>Complete - SIP updated and included on agenda</p> <p>Complete – on agenda</p> <p>Carried forward</p> <p>Complete</p> |
| <p><u>Meeting Plan 2013-14</u> Resolved: That</p> <p>(1) the report be noted;</p> <p>(2) an informal meeting to meet the equity fund managers be arranged for the May half term break.</p> <p>(3) Training to be provided prior to the commencement of the next meeting on 'good governance' and the CIPFA skills and knowledge framework.</p> | <p>March 2013 Minute 206</p> | <p>Equity fund manager meeting day at Harrow took place on 30th May 2013</p> | <p>Complete - Members who were unable to attend were forwarded materials from the day.</p> <p>On agenda</p> <p>On agenda</p> |

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| (4) An agenda item to be included at the next meeting on investing in infrastructure. 18 th September 2013 25 th November 2013 19 th March 2014 | | See Appendix 2 | |
| <u>London Pension Fund Merger</u> | March 2013 Minute 207 | Members were unanimous in their view that the Harrow Pension Fund should retain its autonomy. | On agenda. |
| <u>Legal Action Against the Royal Bank of Scotland</u> | | More information requested on those authorities already committed to the group action, and further advice on the probable outcome of any action. | See comments above. |
| <u>Information Report - Investment Manager Monitoring</u> RESOLVED: That the report be noted. | March 2013 Minute 210 | N/A | Complete. |
| Information Report - Performance of Fund Managers for Quarter Ended 31 December 2012 RESOLVED: That the report be noted. | March 2013 Minute 211 | N/A | Complete. |
| <u>Update Report</u> That the report be noted. | March 2013 Minute 205 | N/A | Complete. |

Appendix 2

Meeting dates 2013-14

| Quarter 3 18/09/13 | Quarter 4 25/11/13 | Quarter 1 19/03/14 | |
|---|---|--|--|
| Manager Monitoring | Manager Monitoring | Manager Monitoring | |
| Valuation & performance | Valuation & performance | Valuation & performance | |
| Update Report | Update Report | Update Report | |
| Annual Accounts and Auditors' Report | Bond Options | Meeting plan 2014-15 | |
| Investment & administration costs | Annual strategy monitoring & rebalancing | Property and private equity reviews | |
| Review of operational controls at Investment managers | Training on governance requirements arising from 2014 Regulations | Voting and engagement by fund managers | |
| Equity Options – detailed proposals | | | |
| Actuarial valuation | | | |
| | | | |

PENSION FUND COMMITTEE

| | Conservative | Labour | Independent Labour | Ungrouped |
|----------------------------|---|--|---------------------------|------------------|
| | (2) | (2) | (0) | (0) |
| I. Members | Tony Ferrari Richard Romain (CH) * | Keith Ferry * Sachin Shah | | |
| II. Reserve Members | 1. Stephen Wright 2. Kam Chana | 1. Bill Phillips 2. Bill Stephenson | | |

Harrow UNISON Co-optee (Non-voting): Steve Compton
 GMB Co-optee (Non-voting): Sanjay Karia
 Co-optee (Non-voting): Howard Bluston

(CH) = Chair
 * Denotes Group Members for consultation on Delegated Action and/or administrative matters.

PENSION FUND COMMITTEE

The Pension Fund Committee has the following powers and duties:

to exercise on behalf of the Council, all the powers and duties of the Council in relation to its functions as Administering Authority of the LB Harrow Pension Fund (the fund), save for those matters delegated to other Committees of the Council or to an Officer;

the determination of applications under the Local Government Superannuation Regulations and the Teachers' Superannuation Regulations;

to administer all matters concerning the Council's pension investments in accordance with the law and Council policy;

to establish a strategy for the disposition of the pension investment portfolio;
and

to appoint and determine the investment managers' delegation of powers of management of the fund.