

REPORT FOR: Pension Fund Committee

Date of Meeting: 26 November 2014

Subject: Information Report - Update Report

Responsible Officer: Simon George, Director of Finance and Assurance

Exempt: No.

Wards affected: All

Enclosures: Appendix 1: Pension Board – Draft Terms of Reference; Report to Council of 13 November 2014
Appendix 2 : Pension Board Draft Terms of Reference

Section 1 – Summary

This report sets out an update of actions taken and other developments since the last meeting of the Committee.

FOR INFORMATION

Section 2 – Report

Lead Member roles

1. At their meeting on 18 September 2013 the Committee agreed that they would appoint Lead Members for specific topics within the purview of the Committee who would lead the debate when the topic was discussed.
2. The Committee agreed that the specific topics would be as follows:
 - Committee Governance – Membership and remit
 - Regulation
 - Training
 - Monitoring and feedback for advisers and officers
 - Business plans, objectives, risk management and meeting agenda
 - Actuarial and Member / Employer related issues.
 - Strategy
 - Manager appointments and monitoring (could be split between equity, bond, property and alternatives).
 - Ethical investing and voting
3. Officers were asked to canvass all Members and Reserve Members of the Committee on the topics for which they would like to be considered as Lead Member with officers suggesting a “best fit” for the Committee to consider.
4. On 25 November 2013 Lead Members were allocated to each of the topics.
5. On 29 July 2014 the Committee were advised that with the major changes which had taken place in the Committee’s membership officers would canvass all Members and Reserve Members of the Committee as to their preferences and report the results to the next meeting of the Committee. In view of other priorities over the last few months this canvass has not yet taken place but it will be carried out by the time of the Committee’s next meeting.

Establishment of Pension Board

6. At their meeting on 23 September the Committee received a report on the establishment of a Pension Board. Members expressed concern that the purpose, role and functions of the proposed Pension Board were unclear, and they could see no obvious benefit in the creation or workings of such a body. They also believed it would be difficult to find suitably qualified people to serve on the Pension Board. They asked that their views and concerns be added to those being put forward by industry groups and interested parties.
7. In view of the possible implications for the Council’s Constitution the report and draft terms of reference attached as appendices 1 and 2 were reported to the Council on 13 November and Council agreed:

- the terms of reference
 - to delegate authority to the Director of Finance and Assurance in consultation with the Portfolio Holder for Finance and Major Contracts to make any changes to the terms of reference required following the latest DCLG consultation
 - to delegate to the Director of Legal and Governance Services in consultation with the Portfolio Holder for Finance and Major Contracts to make any consequential amendments to the Constitution if changes are made to the terms of reference as a result of the DCLG's current consultation exercise
8. Officers will implement the Council decisions and report back to the Committee at their next meeting.

London Pensions Collective Investment Vehicle

9. At its meeting on 29 July the Committee recommended to the Council that it resolves to:
- (a) become a shareholder in a private company limited by shares which will be incorporated to be the Authorised Contractual Scheme Operator (the "ACS Operator") of the Collective Investment Vehicle;
 - (b) contribute £1 to the ACS Operator as initial capital;
 - (c) delegate to the Chairman of the Pension Fund Committee authority to act for the Council in exercising its rights as a shareholder of the ACS Operator and to authorise the Deputy Chairman of the Pension Fund Committee to act in his absence and;
 - (d) agree to join the London Boroughs' "Pensions CIV Joint Committee" to be formed under Section 102 of the Local Government Act 1972 and to delegate to such Joint Committee those functions necessary for the proper functioning of the ACS Operator, including the effective oversight of the ACS Operator and the appointment of Directors.
10. Subject to the Council agreeing the above recommendations the Committee also agreed:
- that the Director of Finance and Assurance be authorised to consider any requests for additional capital and, if he assesses that a capital commitment is likely to be beneficial to the Pension Fund, to seek agreement from the Committee
 - to contribute £25,000 to be used to commission specialist expert professional advice associated with the development of the proposed CIV.
11. At their meeting on 13 November Council agreed to the Committee's recommendations and, so far as is currently applicable, officers have implemented them.

Alternatives to Traditional Fixed Income Investments

12. At their last meeting the Committee asked Aon Hewitt to provide some generic papers covering alternatives to traditional fixed income investments.
13. In Part II of the agenda are some papers which the Committee are invited to receive in preparation for their consideration of the BlackRock mandate at their next meeting.

Strategic Currency Hedging

14. At their last meeting the Committee asked Aon Hewitt to provide a paper on strategic currency hedging. The paper is included in Part II of the agenda.
15. With the change in the Committee's equities mandates, consideration needs to be given to the strategic concept of currency hedging and the specific mandate of Record Currency Management.

Financial Implications

16. Financial implications are contained in the body of this report.

Risk Management Implications

17. Risk in connection with the Pension Fund is included on the Directorate Risk Register
18. There is no separate risk register in place but risks are extensively discussed in the Pension Fund Statement of Investment Principles and Annual Report

Equalities implications

19. Was an Equality Impact Assessment carried out? No
20. There are no direct equalities implications arising from this report.

Council Priorities

21. Whilst the financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities there are no impacts arising directly from this report.

Section 3 - Statutory Officer Clearance

Name Simon George



Director of Finance and Assurance

Date: 14 November 2014

Name: Caroline Eccles



on behalf of the Monitoring Officer

Date: 14 November 2014

Ward Councillors notified:

NO

Section 4 - Contact Details and Background Papers

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450