

PENSION FUND COMMITTEE

MINUTES

23 SEPTEMBER 2014

Chairman: * Councillor Keith Ferry

Councillors: * Barry Macleod-Cullinane * Bharat Thakker
Adam Swersky

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

Note: Other Attendance:

(1) Karen Thrunble attended in an advisory role, as the Council's Performance Measurement Advisor.

(2) Tony Baily of Aon Hewitt attended in an advisory role, as the Council's Investment Adviser.

* Denotes Member present

† Denotes apologies received

16. The Openness of Local Government Bodies Regulations 2014

RESOLVED: That Committee Procedure Rule 26.1 be suspended to enable the recording or photographing or broadcasting of any part of the meeting.

17. Attendance by Reserve Members

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

18. Declarations of Interest

RESOLVED: To note that the following interests were declared:

All Agenda Items

Councillor Barry McLeod-Cullinane declared a non-pecuniary interest in that he was a member of the Local Government Pension Scheme as an employee of London Councils. He would remain in the room whilst the matter was considered and voted upon.

Agenda Item 14 – Barings Asset Management Ltd and Diversified Growth Funds Mandates

Councillor Bharat Thakker declared a non-pecuniary interest in that he held a Standard Life pension. He would remain in the room whilst the matter was considered and voted upon.

19. Minutes

RESOLVED: That the minutes of the meeting held on 29 July 2014 be taken as read and signed as a correct record.

20. Public Questions, Petitions and Deputations

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

RESOLVED ITEMS

21. Appointment of Independent Advisers: Professional Indemnity Insurance

The Committee agreed to receive the urgent report of the Director of Finance and Assurance requesting that the Independent Advisers should not be required to hold professional indemnity insurance as a condition of the contract, as their remit does not render it necessary.

A Member commented that it in this case it would be better that the role profile for Independent Advisers made reference to their 'knowledge and experience', rather than their 'expert knowledge' and members and officers agreed to the amendment.

RESOLVED: That there is no requirement for Independent Advisers to hold professional indemnity insurance.

22. Information Report - London Borough of Harrow Pension Fund: Performance Review and Benchmarking

The Committee received a report and presentation by Karen Thrumble of State Street Global Services which provided a performance review of the London Borough of Harrow Pension Fund.

She described the Fund's performance over one, three and ten year periods, and as compared with other local authority funds.

Members discussed the factors driving performance and considered how the selection of statistics and arrangement of data could demonstrate a positive or negative result.

RESOLVED: That the report be noted.

23. Establishment of Pension Board

The Committee received the report of the Director of Finance and Assurance 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.

RESOLVED: That the report and the Committee's comments be noted.

24. Statement of Investment Principles

The Committee received the report of the Director of Finance and Assurance setting out a revised Statement of Investment Principles.

Members requested the following amendments:

paragraph 4.1 (p42 of the agenda)

delete 'index linked' and insert 'corporate'; delete 'and active currency'.

paragraph 4.1 (p42 of the agenda)

include 'Developed World' within 'Global'.

paragraph 7.5 (p44 of the agenda)

that the status and role of 'Club Vita' be clarified.

Paragraph 10.1 (p45 of the agenda)

emphasise that return on investments is the Fund's priority

RESOLVED: That, subject to the incorporation of the amendments proposed, the revised Statement of Investment Principles be approved.

25. Information Report - London Borough of Harrow Pension Fund - Annual Report and Financial Statements 2013-14

The Committee received the report of the Director of Finance and Assurance which set out the London Borough of Harrow Pension Fund Annual Report and Financial Statements for the year ended 31 March 2014.

A Member expressed concern that terms used in the Auditor's report, in respect of risk, could be misinterpreted and viewed in a negative light when in

fact the report demonstrated that the Fund was in a healthy state with good administration and governance.

RESOLVED: That the London Borough of Harrow Pension Fund Annual Report and Financial Statements for the year ended 31 March 2014 be noted.

26. Information Report - Update Report

The Committee received a tabled document and a verbal report on outstanding issues relating to the Pension Fund.

RESOLVED: That the tabled document and verbal update be noted.

27. 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>
14.	Barings Asset Management Ltd and Diversified Growth Funds Mandates	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
15.	Review of Mandate of BlackRock Investment Management	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
16.	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)).
17.	Information Report - Performance of Fund Managers for Quarter Ended 30 June 2014	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

28. Barings Asset Management Ltd and Diversified Growth Funds Mandates

The Committee received the report of the Director of Finance and Assurance which detailed the current position on the Diversified Growth Funds mandate managed by Barings Asset Management Ltd.

Tony Baily of Aon Hewitt advised the Committee on recent activity within the fund and the company.

Members discussed the options before them and agreed to terminate the existing contract with Barings and meet with a shortlist of investment managers in order to appoint a new fund manager.

RESOLVED: That

- (1) the contract with Barings be terminated as soon as is practicable;
- (2) the current weighting in Diversified Growth Funds be maintained;
- (3) four fund managers be invited to present to the Committee in order to select a new fund manager;
- (4) a decision on how to manage the transition of funds be deferred to the next meeting of the Pension Fund Committee on 26 November 2014.

29. Review of Mandate of BlackRock Investment Management

The Committee received the report of the Director of Finance and Assurance concerning correspondence from Blackrock Investment Management.

Members considered whether it would be beneficial to invite Blackrock Investment Management to a future meeting in order to discuss changes to their mandate, but were ultimately of the view that they would prefer more information from the company in the interim period and were minded to extend an invitation to attend the Pension Fund Committee meeting in March 2015.

RESOLVED: That Blackrock Investment Management be requested to provide more information on their proposals, and having received this, to consider their proposals at a later date.

30. 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. It was noted that there had been one change of rating in the quarter.

RESOLVED: That the report be noted.

31. Information Report - Performance of Fund Managers for Quarter Ended 30 June 2014

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 30 June 2014.

In response to a suggestion by an Independent adviser, an officer confirmed that a rolling work programme would be produced, to include meetings with Fund Managers, training sessions and relevant issues for consideration.

RESOLVED: That the report be noted

(Note: The meeting, having commenced at 6.35 pm, closed at 9.30 pm).

(Signed) COUNCILLOR KEITH FERRY
Chairman