

PENSION FUND COMMITTEE

MINUTES

26 NOVEMBER 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) Colin Robertson and Honorary Alderman Richard Romain attended as Independent Advisers to the Committee

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

* Denotes Member present

32. Attendance by Reserve Members

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

33. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda Item 7 – Re-Structure of Equities Mandates and Transition Management

Mr Colin Robertson, Independent Adviser to the Committee, declared a non-pecuniary interest in that he was consulting with State Street Global Markets

on behalf of other clients. He would remain in the room whilst the matter was considered.

Agenda Item 10 – Update Report

Councillor Barry Macleod-Cullinane declared a non-pecuniary interest in that he had been an adviser at London Councils when the proposals for the London Collective Investment Vehicle had been drafted. He would remain in the room whilst the matter was considered.

All Agenda Items

Councillor Barry Macleod-Cullinane declared a non-pecuniary interest in that he was a member of the Local Government Pension Scheme by virtue of his employment with London Councils.

Mr Howard Bluston, Co-opted member of the Committee, declared a non-pecuniary interest in that he had regular dealings with Aon Hewitt and State Street Global Markets through his work with other clients.

34. Minutes

RESOLVED: That the minutes of the meeting held on 23 September 2014, be taken as read and signed as a correct record, subject to the addition of Colin Robertson and Honorary Alderman Richard Romain in attendance as Independent Advisers to the Committee.

35. Public Questions, Petitions and Deputations

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

RESOLVED ITEMS

36. Re-structure of Equities Mandates and Transition Management

The Committee received the report of the Director of Finance and Assurance which set out a summary of decisions taken in respect of the Pension Fund's equities mandates.

RESOLVED: That the report be noted.

37. Presentation on Transition Management

The Committee received a presentation from Paul Gallagher of State Street Global Markets in which he described the rationale, functions and operation of the transition service provided by State Street and explained the explicit and implicit costs of transactions along with the company's charges.

RESOLVED: That

- (1) Paul Gallagher of State Street Global Markets be thanked for his informative presentation;

- (2) the Treasury and Pension Fund Manager and his team be thanked for their hard work throughout the transition process.

38. Statement of Investment Principles

The Committee received the report of the Director of Finance and Assurance which set out the revision proposed.

RESOLVED: That the Statement of Investment Principles be revised as follows:

Delete paragraph 4.8 and replace it with “Stock lending is permitted in pooled funds where applicable. Details of investment managers’ procedures and controls are available on request.”

39. Update Report

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

Pension Board

An officer stated that a Pension Board had been established ahead of the April deadline and it would aim to hold its first meeting in May 2015. The Director of Finance and Assurance and Director of Legal and Governance Services, following consultation with the Portfolio Holder for Finance and Major Contracts had delegated authority to make changes to the draft terms of reference and to the Constitution as required, following the current government consultation. Final regulations informing the role and function of the Board had not yet been passed and progress could not be made until this had been completed. Legislation would be monitored and reviewed, and officers would ensure that Harrow’s Pension Board was consistent with the regulations and those of other local authorities.

A Member queried the role and operation of the Board, and the mechanism for reporting back to the Committee. He also suggested that the Chair should be pro-active in pursuing information and action in this matter, and expressed his dissatisfaction when the Chair declined to do so. The Chair stated that the Board was a completely separate entity from the Committee, and that he in turn was disappointed that plans for such bodies were so far advanced without information or legislation in place to support their creation and operation.

London Pensions Collective Investment Vehicle

All mandated actions had now been implemented, and the Chair and Vice-Chair would represent Harrow as lead and reserve members.

Responsible and Ethical Investment

Members discussed the suitability and practicality of adopting a responsible and ethical investment strategy, and whether it was possible to find an optimum balance between the need to achieve the maximum return for the fund and adherence to responsible and ethical investment principles. In response to a suggestion that a policy should be included in the Statement of Investment Principles (SIP), Members noted that the SIP already made reference to this in paragraph 10.1. A Member offered to draft a brief report on the matter for the next meeting of the Committee.

Alternatives to Traditional Fixed Income Investments

Members considered whether a strategy review was necessary, and agreed that the paper on this, circulated approximately 3 years ago, should be circulated. They also discussed the content and timing of training in order to maximise their knowledge and understanding prior to consideration of specific issues.

In response to Members' comments about the style of presentation in this report and the terminology used, Tony Baily of Aon Hewitt explained that this was a generic style and that to customise the information or provide a bespoke report would incur greater costs. He agreed that canvassing the opinions of other authorities could provide an opportunity to tailor reports for laymen and local authorities which might offer economies of scale in costs.

RESOLVED: That the report be noted.

40. Work Programme for 2014-15 and 2015-16

An officer introduced the report and invited the Committee's comments on items for consideration and suggestions for training.

Members considered the optimum programme, timing and content for training, and agreed to hold two half days for meeting fund managers, along with individual sessions for fund managers with specific issues.

Members considered aspects of the Statement of Investment Principles (SIP) including the desirability and practicality of including a strong statement on responsible and ethical investment, and the audit requirements and expectations for the SIP.

RESOLVED: That

- (1) the Work Programme be agreed, subject to the following additions and amendments:
 - a training session be arranged at 5.30 pm prior to each meeting of the Committee;
 - in addition to the report on responsible and ethical investing discussed in minute 39, a full officers report be considered in September 2015;

- the Statement of Investment Principles be reviewed in November 2015;
- (2) training prior to the meeting on 25 March 2015 would be on bonds and currency hedging; for subsequent meetings officers will propose three themes for training, with one to be agreed and arranged.

41. 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>
14.	Appointment of Diversified Growth Fund Manager	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 – 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)).
16.	Information report – Performance of Fund Managers for Quarter Ended 30 September 2014	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
17.	Update Report (Item 10) – Confidential Appendices	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

42. Appointment of Diversified Growth Fund Manager

The Committee received the report of the Director of Finance and Assurance which invited the appointment of Insight Investment Management Ltd to take over the diversified growth fund mandate currently held by Baring Asset Management Ltd.

A Member queried if it would be possible to write to the new manager and advise them in respect of the Committee's expectations in respect of responsible and ethical management. The Chair stated that until the decision was approved and implemented the Committee could not act, but that in any event, this was not part of the current Statement of Investment Principles.

RESOLVED: That

- (1) the appointment of Insight Investment Management Ltd be agreed;
- (2) officers implement the transfer in the most effective and efficient manner possible.

43. 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, weaknesses and overall ratings.

RESOLVED: That the report be noted.

44. Information Report - Performance of Fund Managers for Quarter Ended 30 September 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 September 2014.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.45 pm).

(Signed) COUNCILLOR KEITH FERRY
Chairman