

PENSION FUND COMMITTEE

MINUTES

25 MARCH 2015

Chair:	* Councillor Keith Ferry	
Councillors:	* Barry Macleod-Cullinane	* Bharat Thakker
	* Adam Swersky	
Co-optee (Non-voting):	* Howard Bluston	* John Royle Pamela Belgrave

[Note: Other Attendance:

(1) Honorary Alderman Richard Romain and Colin Robertson attended as Independent Advisers to the Committee.

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

* Denotes Member present

45. Attendance by Reserve Members

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

46. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda Item 8 – London Pensions Collective Investment Vehicle

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.

47. Minutes

RESOLVED: That the minutes of the meeting held on 26 November 2015, be taken as read and signed as a correct record, subject to the following amendments:

Page 7, final paragraph: amend to read “Mr Colin Robertson, Independent Adviser to the Committee, declared a non-pecuniary interest in that he was an adviser to State Street Global Markets. He would remain in the room for the presentation and questions.

Page 8, All Agenda Items, paragraph 2: delete ‘State Street Global Markets’ and replace with ‘BlackRock’.

48. Public Questions, Petitions and Deputations

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

RESOLVED ITEMS

49. Establishment of Pension Fund Risk Register

The Committee received a report of the Director of Finance and Assurance with a draft risk register appended for Members’ information and comment.

The Treasury and Pension Fund Manager introduced this item and advised Members that the risk register had been established for a number of reasons, but in particular that it had been a recommendation within the last two external audit reports, and would sit alongside the Funding Strategy Statement and Statement of Investment Principles.

He informed the Committee that the register was based on a Council-wide template, and, for the Fund, contained nine categories of risk, which were potentially analysed as ‘red’, ‘amber’ or ‘green’. There were three areas of risk considered ‘amber’, in the areas of actuarial assumptions and investment strategy. There were no risks identified as ‘red’.

An independent adviser suggested that Item 9 be categorised as a ‘C2 red risk’, rather than a ‘D2 amber risk’. The Treasury and Pension Fund Manager agreed to review this and report back to the next meeting.

A Member commented that in Item 17 it would be more accurate to state that asset allocation was ‘periodically’ reviewed, rather than ‘regularly’ reviewed. Another Member asked for greater clarity on the definitions of risk and benefit.

It was suggested that the register be shown to the external auditors and the newly formed Pension Board.

RESOLVED: That the Draft Risk Register be agreed.

50. London Pensions Collective Investment Vehicle

The Committee received a report of the Director of Finance and Assurance updating Members on the establishment of the London Pensions Collective Investment Vehicle (CIV).

The Chair informed the Committee that he had attended a cross-borough meeting of the CIV group and gave his opinion that he had little confidence in the process so far. Further funds were being sought, and while it was possible that these amounts would be compensated for through the savings achieved, he thought that the amounts required should have been identified and stated at the outset. He did not think there was sufficient clarity about the process for the selection of fund managers, and felt that meetings requiring the input and agreement of 30 representatives would be unwieldy.

The Vice-Chair had also attended a meeting, at the Chair's suggestion, and concurred with his views about lack of detail and transparency.

The Director of Finance and Assurance reminded the committee that the theory behind the CIV was the potential for saving on fees; research had shown that boroughs were investing in similar products and therefore there was potential for economies of scale. There had also been the intention to divert the introduction of a government led scheme for London boroughs. He believed it was sensible to be a member of the CIV, and suggested inviting the Programme Director of the CIV committee to a future meeting.

Members agreed that the principle of saving on fees was sound. A Member commented that Harrow should only commit to passive investment funds at this stage, and should not relinquish sovereignty.

RESOLVED: That

- (1) the report be noted;
- (2) the further payment of £50,000 in respect of legal and other costs necessary to establish the London Pensions Collective Investment Vehicle be agreed;
- (3) where a further, urgent payment is needed and no meeting of the Pension Fund Committee is scheduled within deadline, delegated authority be given to the Director of Finance and Assurance to make payments of up to £25,000, following consultation with the Chair of the committee;
- (4) in respect of (3) above, any such payments are reported to the next meeting of the committee.

51. Work Programme 2015-16

The Committee received a draft work programme for the Municipal Year 2015-16.

Members considered the content, duration and timing of the proposed programme and requested that the meeting with managers be limited to five managers and take place in a single day, and that consideration be given to moving the date of the meeting on 26 November 2015 to 25 November 2015.

RESOLVED: That the work programme be agreed subject to the requested amendments.

52. Training Programme 2015-16

The Committee received an outline training programme for the Municipal Year 2015-16.

Members discussed the timing of content and dates for training in the light of the forthcoming general election and further developments in the London Pensions Collective Investment Vehicle.

RESOLVED: That the training programme be agreed.

53. Information Report - Strategy Update

The Committee received a progress report on their agreed allocation strategy. The Treasury and Pension Fund Manager stated that the strategy as agreed had been followed, and that no re-balancing was required at present.

RESOLVED: That the report be noted.

54. Information Report - Pension Board

The Committee received a verbal progress report from the Treasury and Pension Fund Manager on the establishment of a Pensions Board and considered the following points:

- the Pension Board's terms of reference;
- the purpose and membership of the Pension Board;
- funding of the Pension Board;
- the role of the Pension Board in relation to the Pension Fund Committee;
- the intended outcomes of the Pension Board's work.

RESOLVED: That the verbal progress report be noted.

55. 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>
15.	Presentation by Record Currency 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.	Presentation by BlackRock	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
17.	HB Public Law	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
18.	Annual Review of Internal Controls at Fund Managers	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
19.	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)).
20.	Performance of Fund Managers for Quarter Ended 31 December 2014 and Valuation at 31 January 2015	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

56. Information Report - Presentation by Record Currency Management

The Committee received a presentation by Record Currency Management on the currency overlay mandate they manage on behalf of the Council.

RESOLVED: That the presentation be noted.

57. Review of Mandate of BlackRock Investment Management

The Committee received a confidential report of the Director of Finance and Assurance which provided the background to a request by BlackRock Investment Management to adjust their mandate for bonds and index linked gilts.

The Committee considered that a that a further report from the Investment Adviser would be necessary before they could make a decision on the matter

RESOLVED: That

- (1) the report be noted;
- (2) a further report be brought to the Committee.

58. HB Public Law - Staff Transfer Arrangements

The Committee received a confidential report of the Director of Finance and Assurance which set out the latest position in negotiations with the London Borough of Barnet in respect Pension liabilities arising from the transfer of Legal Services staff.

RESOLVED: That

- (1) the report be noted;
- (2) it be noted that in the event of no agreement being reached, the matter will be referred to a third actuary for resolution.

59. Information Report - Annual Review of Internal Controls at Fund Managers

The Committee received a confidential report of the Director of Finance and Assurance which summarised the latest internal controls reports for each of the Council's Fund Managers.

RESOLVED: That the report be noted.

60. 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.

61. Information Report - Performance of Fund Managers for Quarter Ended 31 December 2014 and Valuation at 31 January 2015

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 31 December 2014.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 6.35 pm, closed at 9.40 pm).

(Signed) COUNCILLOR KEITH FERRY
Chair