

PENSION FUND COMMITTEE

MINUTES

26 JUNE 2019

Chair:	* Councillor Keith Ferry	
Councillors:	Dean Gilligan	* Bharat Thakker
	* Norman Stevenson	
Co-optee (Non-voting):	* Howard Bluston	
Trade Union Observers:	John Royle	Pamela Belgrave
Independent Advisers:	* Mr C Robertson	Independent Adviser
	* Honorary Alderman R Romain	Independent Adviser

* Denotes Member present

71. Attendance by Reserve Members

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

72. Declarations of Interest

All Agenda Items

Councillor Norman Stevenson, a member of the Committee, declared a non-pecuniary interest in that he was a Director of Cathedral Independent Financial Planning Ltd., and that he had clients who were past and present members of the Harrow Pension Scheme. His wife was a member of Harrow Council's Pension Scheme. He would remain in the room whilst the matters were considered and voted upon.

Howard Bluston, prospective non-voting co-optee, declared non-pecuniary interests in that he had previously worked with Aon and that he knew a number of Fund Managers, including BlackRock. He added that he had clients who had invested in GARS (Global Absolute Return Strategies Fund). Additionally, he knew the new Chief Investment Officer, including his successor. He would remain in the room whilst all matters were considered and make contributions.

Colin Cartwright, Aon, declared that his wife had a small investment in GARS (Global Absolute Return Strategies Fund). He would remain in the room whilst matters were considered and advise the Committee.

Colin Robertson, Independent Adviser, declared that he and his mother had personal investments in GARS (Global Absolute Return Strategies Fund). He would remain in the room whilst matters were considered and make contributions.

73. Appointment of Vice-Chair

RESOLVED: That Councillor Bharat Thakker be appointed as Vice-Chair of the Committee for the 2019/2020 Municipal Year.

74. Minutes

RESOLVED: That the minutes of the meeting held on 12 March 2019, be taken as read and signed as a correct record.

75. Public Questions, Petitions and Deputations

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

RECOMMENDED ITEMS

76. Appointment of Pension Fund Co-optee

The Committee received a report of the Director of Finance regarding the re-appointment of the non-voting co-optee to the Committee.

An officer amended the recommendation set out in the report and it was

Resolved to RECOMMEND: (to Council)

That Howard Bluston be re-appointed as a non-voting Co-optee to the Pension Fund Committee for the Municipal Year 2019/20 under the working arrangements described in paragraphs 2 and 3 of the officer report.

RESOLVED ITEMS

77. London Borough of Harrow Pension Fund: Draft Annual Report and Financial Statements for the year ended 31 March 2019

The Committee received the report of the Director of Finance, which set out the draft Pension Fund Annual Report and Financial Statements for the year ending 31 March 2019 on which the Committee's comments were invited.

An officer introduced the report and highlighted the performance of the Fund in that the net assets of the Fund had increased from £816.1m to £851.3m during 2018/19. This performance equated to a 6% return on investments during a volatile year in the financial markets. He drew Members' attention to the Pension Fund Account as at 31 March 2019 set out at page 45 of the agenda and referred to the pension benefits of £33.527m paid during 2018/19 which had exceeded contributions received but this shortfall been offset by investment income.

The Committee welcomed the Senior Manager, Public Services Audit, Mazars, Council's external auditor, to the meeting. He informed Members that the final accounts would be presented to the September 2019 meeting of the Committee.

The advisers to the Committee made the following comments:

- the table at page 37 of the agenda, 'actual asset allocation as at 31 March 2019 to the agreed allocation', needed to be amended to reflect the inclusion of 11% Multi Asset Credit and the reduction in Diversified Growth Funds from 17.5% to 6.5%. The Director of Finance agreed with this point. An adviser stated that a clear performance benchmark was not always required. A Fund Manager could be appointed who was benchmark agnostic;
- the introduction at page 29 of the agenda should be reworded to be less specific with regard to the timing of further investment in the London CIV (Collective Investment Vehicle). The Director of Finance agreed to revisit the wording;
- the table at page 34 of the agenda, 'cost of running the Pension Fund' was difficult to interpret. An officer explained that this was a given standard table which Councils had been asked to produce to help and benchmark cost against other Councils. It was suggested that further information or a footnote might be appropriate in this instance;
- sponsor risk section at page 40 of the agenda ought to be amended to read 'The Fund is currently ... will require the continued payment from 'may require' ...
- how robust was the assumption at page 72 of the agenda. A representative of Hyman Robertson LLP, Council's Actuary, reported that an analysis had not yet been carried out but would form part of the

2019 actuarial valuation. The Chair was of the view that a new valuation needed to be discussed.

In response to a question on fees, an officer reported that there had been an overall reduction in the fees, whilst the value of the Fund had increased. The reduction in fees had been achieved though the London Collective Investment Vehicle (CIV) and further information would be provided. The Chair stated that pointers/footnotes might be appropriate.

RESOLVED: That

- (1) the report be noted, including the proposed changes set out in the preamble above;
- (2) it be noted that a final report would be submitted to the September 2019 meeting of the Committee.

78. Pension Fund Committee - Performance Dashboard and Update on Regular Items

The Committee received a report of the Director of Finance, together with a confidential appendix, which updated Members on:

- the draft Work Programme inviting Members' comments and agreement;
- a new investment and management performance dashboard report summarising key fund performance, risk indicators, trigger monitoring report and PIRC Performance Indicators. The Committee were invited to comment on the performance and investment dashboard report and the preferred format and presentation for future reports;
- the Fund's performance to 31 March 2019;
- issues raised by Pension Board.

A representative of Aon Hewitt introduced the report and referred to the Investment Dashboard, colour copies of which were circulated to the Committee and large copies would be available for the future. The Committee welcomed the Dashboard, as it brought together all elements of the Pension Fund on two pages. It was noted that the Dashboard would be produced quarterly. The representative reported that he was not recommending any changes to trigger monitoring and no de-risking actions were being recommended. He explained the asset allocation as set out on the Dashboard and within the London CIV (Collective Investment Vehicle). He added that there were no areas of concern and the performance was dependant on the investment strategy. All Fund Managers were being monitored and the new team at LaSalle was being given an opportunity to 'bed in'.

An Independent Adviser asked question relating to the London CIV and the projections for 1 year and 3 years. In response, a representative of Aon Hewitt stated that this aspect was covered elsewhere on the agenda but assured the Committee that the direction of travel was right. The asset allocation within the London CIV would be considered. The Chair indicated that he was not supportive of the CIV and would take that message back to the CIV.

The Chair requested that an updated appendix 5 to the report be circulated electronically monthly. An officer said that the Fund value had increased despite the volatility in the financial markets. He expected the figure set out in appendix 5 to show £867m by end of June 2019.

An Independent Adviser enquired if Minute 58, resolution 1 – rebalance to the Strategic Benchmark Allocation by redeeming 5% across all equity holdings and the cash holding to be held within Blackrock to sit within the London CIV – had been actioned. An officer reported that the process was underway. He confirmed that the London CIV did not have a cash management sub-fund. Aon Hewitt reported that they did not understand why the CIV did not have a cash fund.

An officer confirmed that the holding in Aberdeen Standard Investments had been sold and that a transition manager had not been used.

An adviser raised the recent experience of Woodford Investment Management. A representative from Aon Hewitt assured the Committee that the Harrow Pension Fund was not affected and that he was not overly concerned with the holding of liquid assets within the Fund. He was of the view that there were no liquidity issues in relation to Standard Life GARS (Global Absolute Return Strategies Fund) before it was sold in April 2019.

RESOLVED: That, subject to comments set out in the preamble above, the Work Programme for the period up to March 2020 be agreed.

79. Exclusion of the Press 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>Agenda Item No</u>	<u>Title</u>	<u>Description of Exempt Information</u>
13.	Pension Fund Committee - Performance Dashboard and Update on Regular Items - Appendix	Information under paragraph 3 contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
14.	Actuarial Valuation 2019	Information under paragraph 3 contains information relating to the

financial or business affairs of any particular person (including the authority holding that information)

15. Investment Strategy Workplan Information under paragraph 3 contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

80. Pension Fund Committee - Performance Dashboard and Update on Regular Items

[See Minute 78 above.]

81. Actuarial Valuation 2019

The Committee received a confidential report of the Director of Finance, which referred to a presentation from the Actuary, Hymans Robertson LLP, on progress on the triennial valuation to date and the consideration of the valuation assumptions. The presentation was received prior to the meeting.

The Chair raised the issue of 'assumption', how it was arrived at and whether the Committee would have any input into the assumption. A representative of Hymans Robertson LLP, Council's Actuary, together with the Director of Finance, responded appropriately.

An adviser stated that it was important for the Committee to consider the issue of 'assumption(s)' and that it ought to satisfy itself that the proposed assumptions lay appropriately in the range of acceptable assumptions. This would encompass both the margin above the risk free rate and the CPI (Consumer Price Index) assumption which was not necessarily RPI (Retail Price Index) inflation deduced from the gilt market less an adjustment. Another adviser said that the Committee needed to decide on a set of assumptions that was acceptable and one that did not result in the issue of 'red' flags'. In setting the range, the Committee would need to be prudent and conservative.

A lengthy discussion ensued during which a number of points were made, questions asked and answered.

RESOLVED: That

- (1) the report be noted;
- (2) Hymans Robertson LLP be requested to prepare a sensitivity analysis for 1.6%, 1.8% and 2.0% margins above the risk free rate to allow the Committee to see the difference in rates/outcomes and the Director of Finance convene an informal meeting in September 2019 for further discussion;

- (3) the intention at (2) above was to ensure a fully funded Pension Fund within a period of 20 years.

82. Investment Strategy Workplan

The Committee received a confidential report of the Director of Finance together with a report produced by Aon Hewitt, Advisers to the Fund, which requested consideration of the proposed workplan for an investment strategy review of the Fund. The report also provided background information on the current asset allocation strategy and the Fund's approach to asset pooling.

A representative of Aon Hewitt introduced the report and stated that given the discussion at Minute 81, it would be appropriate to bring the work on investment strategy forward. A Member suggested that training on 'Risk' should be brought forward.

An adviser suggested that paragraph 27 at page 132 of the agenda should include reference to the future use in the Strategy of DGFs (Diversified Growth Funds).

RESOLVED: That the Investment Strategy Review Workplan, set out in the appendix to the report, be approved.

(Note: The meeting, having commenced at 6.36 pm, closed at 8.30 pm).

(Signed) COUNCILLOR KEITH FERRY
Chair