

PENSION FUND INVESTMENTS PANEL SPECIAL MINUTES

3 MAY 2011

Chairman: * Councillor Mano Dharmarajah

Councillors: * Mrinal Choudhury (2) * Richard Romain
* Tony Ferrari

**Co-optee
(Non-voting):** * Howard Bluston

[Note: Other Attendance: Robert Thomas and Terrence Thornton attended in observer roles as the representatives of Harrow UNISON and GMB;

Lorna Tonner of Hymans Robertson attended in an advisory role, as the Council's Actuary/Adviser.]

* Denotes Member present
(2) Denotes category of Reserve Member

84. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Member:-

Ordinary Member

Reserve Member

Councillor Thaya Idaikkadar

Councillor Mrinal Choudhury

85. Declarations of Interest

RESOLVED: To note that the following interests were declared:

Agenda Item 6: Information Report - Update Report and Action Points from Previous Meeting; Item 7: Tender for Actuarial and Investment Consulting Services; Item 8: Information Report - Performance of Fund Managers - Quarter ended 31 December 2010

Mr Howard Bluston declared a personal interest in the above items in that he had been re-appointed as Chairman of the Edward Harvist Trust for the 2011/12 Municipal Year. He would remain in the room whilst the matters were considered and voted upon.

86. Deputations

RESOLVED: To note that no deputations were received at this meeting.

RESOLVED ITEMS

87. Presentation of the Valuation Report by the Actuary

A representative of Hymans Robertson provided a presentation of the Valuation Report as at 31 May 2010.

The Adviser reported that:

- the Valuation Report was conducted every three years as a regulatory requirement for the Council. The draft valuation contained within the report had now been signed off;
- the actual cost of a Fund would be dependant on the pensions actually paid;
- Valuation Assumptions included:

Financial Assumptions

- (i) Investment return
- (ii) Inflation
- (iii) Pay increases
- (iv) Pension increases

Demographic Assumptions

- (v) Life expectancy
 - (vi) Member options
 - (vii) Withdrawals
 - (viii) Marriage statistics
- within the stabilisation mechanism that was already in place, contribution increases were limited to 0.25% per annum;

- the contribution rate this year was 18.85%.

In response to questions, the Adviser reported that:

- The postcode statistics relating to life expectancy were analysed using the Club Vita model. An assumption on life expectancy would be made for each member on the scheme with the Council. Those that lived outside the borough would also be taken into account;
- reduced membership would result in an increase in the deficit recovery contribution percentage for employers;
- assumptions were analysed based on each individual member. Data relating to what might happen in the next year, such as retirement for example, would be considered. This data would then be projected for the next ninety years. A calculation of back-payments over this period would then be assumed;
- the projections were calculated over a ninety year period based on the life expectancy within the borough.

RESOLVED: That the presentation be noted.

RECOMMENDED ITEM

88. Tender for Actuarial and Investment Consulting Services

An officer introduced a confidential report which provided details of a review of actuarial and investment services contained within a framework agreement led by Croydon Council.

The officer advised that:

- Croydon Council had awarded contracts to Hymans Robertson for actuarial services and Aon Hewitt for investment advisory services;
- Hymans were the leading actuary in Local Government, and the Council had good previous experience of their actuary services;
- the technical ability, quality of reports and financial strategies of Aon Hewitt were all examined when considering their appointment. It was felt by officers that although the overall cost for their services would be higher, the ability to grant access to global investors and the strength of their previous investment success, would justify the additional cost;
- the contract for the actuary and investment services would be for six years. There would be grounds available to exit the agreement early;
- a lead consultant from Aon Hewitt who would be responsible for attending all meetings of the Panel should the appointment be agreed, had been named. Officers had met with the proposed lead consultant and were confident of their capabilities. It was essential that the Panel were happy with this consultant prior to agreeing the appointment.

In response to questions, officer advised that:

- the Hymans investment services contract was currently on a six month rolling basis;
- the possibility of conducting a further review for alternative investment services was not considered a viable option at this stage;
- the possibility of sourcing an alternative lead consultant from Aon Hewitt could be considered, should the Panel feel it necessary;
- other Local Authorities also procure external investment advisers.

Given the extent of the financial commitment for the Council, Panel Members expressed concern that they had not been fully consulted on the suitability of Aon Hewitt's investment services at this stage. Members suggested that hosting a meeting with representatives from the organisation to discuss issues, explain costings and demonstrate examples of their work, prior to any decision being made, would provide the opportunity to alleviate any concern felt by Members.

RESOLVED: That:

- 1) the appointment of Hymans Robertson as actuary be agreed;
- 2) an additional meeting with representatives from Aon Hewitt be held prior to any decision on the appointment of investment adviser being made;
- 3) the delegation of authority to the section 151 or deputy 151 officer to sign any documentation necessary or desirable to formalise appointments, be agreed.

89. Information Report - Update Report and Action Points From Previous Meetings

Members considered a report which provided an update on actions taken since the last meeting.

RESOLVED: That the report be noted.

90. Information Report - Performance of Fund Managers - Quarter Ended 31 December 2010

An officer introduced a report which outlined the performance of the investment managers and of the overall fund for the year ending 31 December 2010.

The officer advised that the fund continued to rise consistently and currently stood at approximately £474 million.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 6.08 pm, closed at 8.48 pm).

(Signed) COUNCILLOR MANO DHARMARAJAH
Chairman