

# **PENSION FUND INVESTMENTS PANEL MINUTES**

## **15 NOVEMBER 2011**

**Chairman:** \* Councillor Mano Dharmarajah

**Councillors:** \* Tony Ferrari \* Richard Romain  
\* Thaya Idaikkadar

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

Other Attendance:

- (1) Robert Thomas attended in an observer role, as the representative of Harrow UNISON;
- (2) John Harrison of Aon Hewitt attended in an advisory role, as the Council's Adviser.

\* Denotes Member present

### **121. Attendance by Reserve Members**

**RESOLVED:** To note that there were no Reserve Members in attendance at this meeting.

### **122. Declarations of Interest**

**RESOLVED:** To note that the following interests were declared:

Agenda Item 10 – Review of the Pension Fund's Investment Strategy;  
Agenda Item 11 – INFORMATION REPORT - Performance of Fund  
Managers - Quarter ended 30th September 2011

Howard Bluston declared a personal interest in that he was Chair of Edward Harvist Charity which utilized Blackrock Investments and that he had attended meetings of the National Association of Pension Funds at the Aon Hewitt offices in St. Albans. He would remain in the room whilst the matters were considered and voted upon.

### **123. Minutes**

The Panel agreed the minutes subject to amendments as follows:

**Minute 112 (Review of Pension Fund's Investment Strategy)** – “Members were of the view that it was not their role to consider **pension fund** liabilities and that they should concentrate on.....”

**Minute 113 (Information Report – Auditor's Report on Pension Fund Accounts)** – “Deloitte LLP concluded that the assumptions used by the Council in calculating pension liabilities were **modesty more cautious**, based on the benchmarking for other 31 March 2011 bodies.”

**RESOLVED:** That, subject to the above amendments, the minutes of the 12 October 2011, be taken as read and signed as a correct record.

### **124. Petitions, Public Questions and Deputations**

**RESOLVED:** To note that no public questions were put, or petitions or deputations received at this meeting under the provisions of Committee Procedure Rules 17, 15 and 16 (Part 4B of the Constitution) respectively.

## **RESOLVED ITEMS**

### **125. Responsible Investing**

The Panel received the report of the Interim Director of Finance on the potential considerations with regard to responsible investment, following the recent media interest in this area.

Members noted the information and expressed the view that as presented the report did not provide them with the level of detail and extent of legal advice to make a fully informed decision.

The Interim Director of Finance advised that what was sought from Members was an indication of its preferred direction of travel, particularly as moves to a firmer ethical investment approach potentially had implications for the level of return gained on investments.

A Member spoke on the need to gain Union input as part of any firm proposals to come forward as well as clear and definitive legal advice. A further comment made by another Member also questioned the assumptions with respect to Equalities Impacts.

The Panel agreed the report was a summary of the current position and available alternatives but, that further work should be undertaken in terms of input and costed alternatives at a future meeting when submitted for reconsideration.

**RESOLVED:** That the report be deferred to a future meeting and officers, as part of this, be requested to address the comments above.

## **126. 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>
10.	Review of the Pension Fund's Investment Strategy	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).
11.	INFORMATION REPORT - Performance of Fund Managers - Quarter ended 30th September 2011	Information under paragraph 1 (contains information relating to any individual).
12.	INFORMATION REPORT - Update Report and Action Points from Previous Meetings	Information under paragraph 7 (contains information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

## **127. Review of the Pension Fund's Investment Strategy**

The Panel received an initial report outlining potential proposals for the remodeling of the strategic options of the Investment Strategy in response to the Panel's request to at least maintain the level of return expected from the current Strategy. The report proposed that additional training in relation to absolute return investments would be required and it was suggested this be incorporated as part of the arrangements at the January meeting of the Panel.

Officers then addressed the potentials of moving from passive to active equity management, noting that several of the current Investment Managers were "active" in seeking to out-perform their benchmark.

The Aon Hewitt representative advised that the Council's current rate of return achieved from its portfolio management approach was very efficient and that it would need to consider carefully any potential changes to this approach.

Members thanked Aon and officers noting that they were in agreement with the points made. A Member spoke on the issue of absolute return mandates stating that this was an extensive subject and that considerable training arrangements would need to be in place to ensure councilors fully understand the implications of this area before moving to a decision making position with regard to future investment. Officers agreed that training would need to cover the extent of global absolute return mandates and that a training programme would be put in place which would ensure this was addressed. A Member agreed that training was an essential element of Investments decision making but, accepted this could also be an area of rising cost due to the importance of Panel members being fully informed.

Members then discussed their views of the advantages and disadvantages of passive and active management, absolute return mandates and resulting risk elements.

Resolved: that

- (1) the movement of UK equities from passive to active management was not considered a priority but, should be subject to review in the future;
- (2) appropriate training be arranged for all Panel Members on global universe absolute return mandates;
- (3) the targeting of a portfolio with similar returns but lower risks to the current strategy be noted but, no further action be taken until the completion of the training identified in (2) above.

#### **128. INFORMATION REPORT - Performance of Fund Managers - Quarter ended 30th September 2011**

An officer presented a report that set out the performance of the investment managers and of the overall fund for the quarter, year and three years ending 30 September 2011. He reported that the fund value had declined by approximately 10% due to movements in the equity market and the relative performance of fund managers was below the benchmark in what had proved to be a difficult quarter. The Fund value had partially recovered in October.

The Panel briefly discussed Fidelity Investment Managers and agreed that they be invited to make a full presentation to the next meeting.

**RESOLVED:** That

- (1) Fidelity Investment Managers be requested to make a presentation to the Panel on 9 January 2012;
- (2) the report be noted.

**129. INFORMATION REPORT - Update Report and Action Points from Previous Meetings**

An officer presented a report that provided an update on the actions taken from prior meetings and since the last meeting. The currency mandate with Mellon had been terminated and the remaining value added to cash balances.

The Panel noted the progress made in relation to some of the actions.

**RESOLVED:** That the report be noted.

The meeting, having commenced at 6.30 pm, closed at 8.05 pm.

**COUNCILLOR MANO DHARMARAJAH**  
Chairman