

PENSION FUND INVESTMENTS PANEL MINUTES

9 JANUARY 2012

Chairman: * Councillor Mano Dharmarajah

Councillors: * Tony Ferrari * Richard Romain
* Thaya Idaikkadar

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

[Note: Other Attendance: Mr John Harrison and Sahul Patel of Aon Hewitt attended in advisory roles, as the Council's Adviser.]

* Denotes Member present

130. Attendance by Reserve Members

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

131. Declarations of Interest

Agenda Item 10: INFORMATION REPORT – Investment Manager Monitoring;
Agenda Item 11: Presentation by Fidelity

Howard Bluston declared a personal interest on the above items in that he had attended meetings at the Aon Hewitt offices in St. Albans. He also attended a lunch hosted by Fidelity for Independent Advisers. He would remain in the room whilst the matters were considered and voted upon.

132. Minutes

RESOLVED: That the minutes of the meeting held on 15 November 2011 be taken as read and signed as a correct record.

133. Public Questions, Petitions and Deputations

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

RESOLVED ITEMS

134. Review of the Statement of Investment Principles

An officer introduced a report which set out amendments to the Statement of Investment Principles (SIP). Amendments were required to bring the SIP in line with 2009 Regulations. The officer advised that changes to the SIP included the removal of the names of investment managers as there was no requirement to include them.

Following a discussion, Members suggested the following amendments to the SIP:

- Paragraph 5.2, second sentence, be amended to read: "Principally, these place a limit of 10% on the whole Fund on any..."
- Paragraph 8.1 be amended to read: "Professional advice on investment matters is taken from the investment practice of Aon Hewitt. Hymans Robertson provide actuarial services."
- Paragraph 10.2, second sentence, be amended to read: "The Council encourages its Fund Managers to vote and engage with investee companies worldwide..."
- The title of the table highlighting the asset allocation structure be amended to reflect that data was current, and subject to change.

RESOLVED: That final Statement of Investment Principles, taking account of Members suggestions, be presented to a future meeting of the Panel.

135. 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 for the reasons set out below:

<u>Agenda Item</u>	<u>Title</u>	<u>Reason</u>
10.	INFORMATION REPORT - Valuation of the Fund as at 30 November 2011) 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 - Investment Manager Monitoring)))))
12.	Presentation by Fidelity)

- 13. INFORMATION)
REPORT - Presentation)
by Aviva)
- 14. INFORMATION)
REPORT - Update)
Report and Action)
Points from Previous)
Meetings)

136. INFORMATION REPORT - Investment Manager Monitoring

The Panel received Aon Hewitt's quarterly report on Harrow's fund managers, detailing strengths and weaknesses and overall rating.

The Aon representative highlighted that BlackRock had been downgraded to a 'hold' rating. This was due to the departure of the Head of UK Fixed Income and other role changes for senior staff. It was suggested by the Aon representative that the Fund Manager be invited to a future meeting of the Panel.

The Aon representative also advised Members that there was little confidence in the Select Funds achieving their performance objective. The fund was excessively diversified. This, combined with recent staffing issues resulted in the 'sell' rating.

RESOLVED: That the report be noted.

137. Presentation by Fidelity

The Panel received a presentation from representatives of Fidelity which reviewed the investment to 30 November 2011. Members were advised that:

- Fidelity employed equity analysts who were responsible for applying ratings to stocks ranging from 'strong buy' to 'avoid';
- The investment process involved constructing portfolios from those stocks rated 'buy' by analysts. These stocks were then subject to a risk management stage, which aimed to match broad characteristics of the benchmark at a regional level.

In response to questions by Members, Fidelity representatives advised that:

- The challenging economic climate had resulted in it not delivering the results the Council were expecting. It offered reassurances that its employee base and technological resources were continually being improved to enhance performance;
- The Portfolio Management Team of five were based in America. Fidelity was owned by 50% of active employees and 50% family owned;

- Analysts were rotated every two to three years to eradicate complacency and deliver continued improvement.

Following a discussion, an amendment to the Recommendation was proposed by a Member. Following a vote, this amendment was voted on and passed by way of a majority.

RESOLVED: That Fidelity be retained under watch subject to a substantial reduction in fees and further consideration be given to the continuation of the mandate as the revised strategy is developed.

138. INFORMATION REPORT - Presentation by Aviva

A representative from Aviva introduced a presentation which provided Members with an update on the performance of the fund. Since 2009, performance has been on an upward trend, with Fund Managers implementing strong, risk averse controls.

The representative advised that retail real estate was proving successful, and expressed greater concern in relation to the performance of industrial real estate.

RESOLVED: That the presentation be noted.

139. INFORMATION REPORT - Valuation of the Fund as at 30 November 2011

Members received a report that set out the valuation of the Pension Fund as at 30 November 2011. The valuation at the end of November 2011 had increased compared with 30 September 2011.

RESOLVED: That the report be noted.

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

The Panel received a report which provided an update on actions taken since the last meeting.

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 6.30 pm, closed at 9.55 pm).

(Signed) COUNCILLOR MANO DHARMARAJAH
Chairman