

**Attendance:**

Cllr Philip Jones (Chair)  
Cllr Stephen Crowe (deputising for Cllr Adam Bush)  
Cllr Mark Allison  
Roger Kershaw (Interim Assistant Director of Resources LBM)  
Caroline Holland (CS Director LBM)  
Paul Audu (Treasury and Insurance Manager)  
Gwyn Isaac (GMB Union Rep)  
Jackie Stephens (Minute taker)

**Additional Attendees:** Aniket Bhaduri (JLT)

**1.0 MEETING (Part 1)**

- 1.1 Introductions made by Chair
- 1.2 Apologies for Absence: Cllr Adam Bush, Tina Pickard (Pensioner Rep)
- 1.3 Members Declaration of Interest – None

**2.0 PRESENTATION OF MINUTES OF LAST MEETING (7<sup>th</sup> September 2017)**

- 2.1 Agreed as true record.

**3.0 QUARTERLY PERFORMANCE REVIEW (1<sup>st</sup> July – 30<sup>th</sup> September 2017)**

- 3.1 It was noted that the fund was valued at £661.6m at 30 September 2017. Up by £7.7m (1.2%) since 30 June 2017.
- 3.2 The fund underperformed the benchmark by 0.3% for quarter ending 30 September 2017 (1.1% gained compared to benchmark 1.4%)
- 3.3 All three fund managers performed slightly below benchmark, although underperformance not significant.
- 3.4 The report was noted.

**4.0 UPDATE ON PENSION FUND INVESTMENT STRATEGY IMPLEMENTATION**

- 4.1 PA asked panel to note report which looks at progress to date on implementation, as agreed by PFAP on 8<sup>th</sup> March 2017. PA highlighted delay in products being developed by the London CIV.
- 4.2 The panel was updated on progress to date since March 2017. Officers and JLT have been exploring strategy options and reviewing products. JLT confirmed that they were able to make specific recommendations on some products available within the CIV at a later part of the agenda.
- 4.3 PA gave update on asset classes that Merton was looking to consider and develop solutions outside CIV. It was noted that the CIV were unlikely to offer illiquid products for some time.

- 4.4 RK advised the panel that Merton had an additional complexity in its current position in working to implement its new strategy whilst at the same time endeavouring to move its mandates into the CIV.
- 4.5 PA advised the panel that there would be some one off procurement costs to undertake pre tender work which will be charged to the pension fund.
- 4.6 The panel discussed the importance of any collaboration with other London Council's on joint procurement mandates being 'CIV proof'.
- 4.7 The panel agreed that Merton, in consultation with JLT, would pursue collaborations with other London Boroughs to develop alternative solutions to access asset classes and to mitigate risk of London CIV further delaying investment strategy implementation plans.
- 4.8 JLT then advised the panel on a review it had undertaken on potential products offered by the CIV that would be suitable for the Merton fund to invest in pursuant to its new strategy. After some discussion the decision was made to invest in the following CIV products:
- Baille Gifford Global Alpha Growth Fund 10%
  - RBC Global Sustainable Equity Fund 10%
  - Baille Gifford – Diversified Growth fund 5%
  - Pyrford Global – total Return Strategy 5%

## **5.0 UPDATE ON LONDON CIV**

- 5.1 The update was noted. The CIV was in some areas moving at gradual pace and had recently experienced some personnel changes in its management structure. It was also going through a governance review, the outcome of which was still awaited.

## **6.0 MARKET IN FINANCIAL INSTRUMENTS DIRECTIVE (MiFID II)**

- 6.1 PA referred to the report seeking panel agreement to the immediate commencement of applications for professional client status and panel to agree in elected professional client status and agree that the authority will forgo the protections available to retail clients and panel to delegate authority to Director of Corporate Services to pursue 'opt up'.
- 6.2 The following recommendations were noted and approved:
- Potential impact on investment strategy of becoming a retail client with effect from 3 January 2018.
  - Immediate commencement and progress of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.
  - The Authority, in electing for Professional Client status, will forgo the protections available to retail clients.
  - Give Director of Corporate Services delegated retrospective and ongoing responsibility for the purposes of completing and lodging applications and determining the basis of the application as either full or single service.

## **7.0 RISK REGISTER**

- 7.1 Panel accepted recommendations and acknowledged report and Pension Fund Risk Register.

## **8.0 PANEL TRAINING**

- 8.1 PA referred to report and recommendations to develop a training policy in consultation with JLT. Work programmes for PFAP and Merton Pension Board to be noted and training policy to be submitted at next PFAP on 7<sup>th</sup> March 2018 for consideration/approval.
- 8.2 Clarification was given that training will be ongoing to reflect regulations as part of MiFID II process. Requirement for panel to have skills and understanding to enable them to carry out duties effectively. All training to be logged as evidence to obtain ongoing professional client status.
- 8.3 Future PFAP agenda's to be balanced against standard items and training.
- 8.4 The panel received training in Equity funds and Diversified growth funds to assist them in assessing the options form moving the Merton Fund towards their determined strategy.

## **9.0 ANY OTHER BUSINESS**

- 9.1 CH referred to accounts to close earlier than usual, therefore future timings of meetings to be considered.
- 9.2 Chair declared meeting closed at 9.45pm.

### **Date of Next Meetings:**

7<sup>th</sup> March 2018

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