

Attendance:

Cllr Imran Uddin (Chair)
Cllr Adam Bush (Vice Chair)
Paul Dale (Assistant Director of Resources LBM)
Tina Pickard (Pensioner Rep - Unison)
Gwyn Isaac (GMB Union Rep)
Paul Audu (Interim Head of Treasury and Pensions)

Additional Attendees: Aniket Bhaduri (JLT)

1. MEETING

- 1.1 Welcome and Introduction by Chair
- 1.2 Apologies for lateness: None
- 1.3 Apologies for absence: Cllr Mark Allison;
Caroline Holland (Director of Corporate Services)
- 1.4 Members Declaration of Interest – Adam Bush (Employee of BDO who are tendering for Council business)

2. PRESENTATION OF MINUTES OF LAST MEETING (28.9.16)

- 2.1 The key actions were:
 - JLT to bring ideas to the Committee meeting on 1st December 2016 and provide training to support Members' decision-making during the strategy review process.
 - The strategy review to resolve the issue of eclectic holdings within some mandates.
 - Fund actuary to release cashflows to JLT at the earliest opportunity to facilitate the required modelling for the investment strategy review.
 - Officers to develop Investment Strategy Statement in consultation with JLT and bring a draft to the PFAC meeting to be held on 8th March 2017. The approved ISS to be published by no later than 1st April 2017.
 - PD to brief the Committee on the outcome of his meeting with the London CIV.
 - Risk register to be taken to Committee, with action noted of failure to MPF19 and Section 13 Report to be introduced.

3. QUARTERLY PERFORMANCE REVIEW (1st July – 30th September 2016)

- 3.1 The market value of the Fund was £609.2m at the end of September 2016 up by £42.3m from the end of June 2016. Total Fund return was 7.5% marginally underperforming the benchmark return of 7.9% with stock selection a slight drag on total performance.
- 3.2 PA discussed the performance report in brief mindful of JLT's attendance at the meeting to discuss their initial strategy work and provide training to the

Committee. He said all investment portfolios bar the passive equity portfolio managed by UBS had underperformed during the quarter and that JLT might contextualise the performance in their presentation.

4. PRESENTATION BY JLT

The Chair welcomed Aniket Bhaduri (AB), Lead Consultant from JLT to the meeting and invited him to introduce himself including professional background being his first attendance at PFAC meetings. The Chair explained the revised order of the Agenda and the Committee's stewardship role and ensuring proper management of the Fund's investments from an effective strategic decision-making perspective.

- 4.1 There was some discussion and high-level update by PA on the London CIV as preamble to JLT's presentation. The Committee asked how a Fund invested with the London CIV would monitor its exposure. PA clarified that the CIV operated unitised arrangement with transparent valuation and investment management and governance structure supporting the pool.
- 4.2 In his introduction, AB gave a brief summary of his professional background. He said he proposed to cover Part 1 of the training material in the time allotted.
- 4.3 He sketched the global economic environment and markets and there was some discussion on the implications for the global economy and markets of a Trump presidency. The Committee sought JLT's view on the likely policy impact of the incoming US administration and any impact on pension funds in the short-term.
- 4.4 In his update, AB said that, going by the President-elect's initial statements, the policy impact of the incoming US administration was of some concern.
- 4.5 JLT was working closely with officers and the Fund actuary to ensure an integrated approach to developing the new investment strategy. Using an inverted pyramid to illustrate the impact of decisions, he advised that the Committee's decision on strategic asset allocation had the highest financial significance in setting investment strategy.
- 4.6 The Chair commented that manager selection was important in so far as the fund manager's decision-making ability was consistent with the flexibility granted to the manager under the mandate. There was some discussion on manager monitoring. Then, a discussion on the liquidity requirement of the pension fund over the medium to long-term ensued. AB gave the Committee some insights on how illiquid assets could be structured to provide liquidity in the long-term to address the Fund's cashflow profile.
- 4.7 The Committee probed the Fund's current solution with respect to contributions and split between income and growth assets and impact on asset allocation. PA advised that the Fund was still cashflow positive. The Committee favoured growth and was less keen on taking defensive stance on asset allocation.

- 4.8 AB broadly agreed that growth was important, but he asked whether the Committee was comfortable with taking risk. Preference for growth required greater appetite for risk.
- 4.9 There was some discussion of funding strategy. The Chair commented that, from the Committee's perspective, it was desirable to get the funding level to 100% as soon as possible. There was the need for assets to work harder to guarantee the required return. He asked AB to clarify next steps.
- 4.10 AB advised that, in terms of moving forward, there was the urgent need to agree on strategic allocation.
- 4.11 PD said that the Committee had already formed a view prior to the appointment of JLT. It was important to ensure that the decision on strategy reflected the Committee's view and preference.
- 4.12 PD suggested that another meeting in January/February to explore the proposed strategy further. The Chair commented that the proposed special PFAC meeting would enable the Committee to consider the proposal and make key strategic decisions.
- 4.13 PA confirmed that the Fund actuary was finalising the required cashflows to facilitate JLT's work and he anticipated the information would be released by the actuary latest by early January 2017.
- 4.14 There was broad agreement for a special meeting to be held in mid-February. The Chair said that there was need to get some momentum behind the investment strategy review process.

5. COMMITTEE TRAINING

- 5.1 AB advised that JLT, Barnett Waddingham the Fund actuary and Council officers were working expeditiously to bring ideas to committee for consideration at the earliest opportunity. He said the comprehensive exercise involved training for the Committee to support Members' decision-making during the strategy review process.
- 5.2 The training focussed on investment strategy development. AB discussed the attributes of a good Fund to set the scene for some insights into the development of investment strategy.
- 5.3 There was lengthy discussion on mandate design and the shape of portfolios. AB explored key aspects of JLT's approach with the Committee including modelling risk/return efficient frontier, risk diversification across strategies and management of unrewarded risk. Then he touched on asset returns and core assumptions, opportunity in some asset classes, the need to strike a balance between growth and stabilising assets and linkage to effective governance.
- 5.4 AB offered to provide training on asset classes at the next (special) meeting.

- 5.5 The Chair asked JLT to provide the strategy review report ahead of the special Committee meeting. The Committee wanted to review the proposal in advance and direct any initial queries and comments via officers to JLT.
- 5.6 AB advised that the split between growth and matching assets would not alter significantly in the new proposal. The Committee agreed to consider JLT's recommendation on appropriate asset classes to achieve the required return.
- 5.7 The Chair thanked AB for the presentation. AB departed the meeting.
- 5.8 The Chair directed that items 4 and 5 on the agenda be deferred to the next meeting to be held on 8th March 2017.

6.0 ANY OTHER BUSINESS

- 6.1 None
- 6.2 The Chair declared the meeting closed at 8:40pm

Date of Next Meetings:

8th March 2017

Special meeting to be held in mid-February (PA to arrange)