

Attendance:

Cllr Imran Uddin (Chair)
Cllr Adam Bush (Vice Chair)
Cllr Mark Allison
Paul Dale (Assistant Director of Resources LBM)
Paul Audu (Head of Treasury and Pensions)

Additional Attendees: None

1.0 MEETING (Part 1)

1.1 Introductions made by Chair

1.2 Apologies for lateness: None

1.3 Apologies for absence: Caroline Holland (CS Director LBM), Cllr Mark Allison

1.4 Members Declaration of Interest - None

2.0 PRESENTATION OF MINUTES OF LAST MEETING (15.9.15)

Minutes agreed.

3.0 QUARTERLY PERFORMANCE REVIEW (1 July 2015 – 30 September 2015)

3.1 PA presented the report and provided information on portfolio actions and results for the quarter. Total fund was valued at £495.3million, down by £25.8m or 4.9% over the period. Global markets were volatile during the quarter however, the outlook for UK economy remained positive.

3.2 Total fund return was -4.0% compared to the benchmark return of -3.3%. The 0.7% underperformance was attributed to stock selection (0.4%) and asset allocation (0.3%), the former due to fund manager decisions and the latter due to strategic decisions made by the Fund. Year-to-date, the Fund underperformed the benchmark by 1.1 (0.9% v 2.0%). Over 3 years, the Fund gained 7.2% compared to the benchmark return of 8.1%.

3.2 In terms of allocation, the Fund was overweight benchmark on Equity (73.2% v 70.0%), underweight Bond (23.6% v 25.0%) and underweight Property (3.2% v 5.0%). The market value chart showed that the Fund had grown significantly (by £239m) in the last 7 years.

3.3 PA commented on the Fund's diversified portfolio of investments and provided high-level analysis of sectors and markets. Broadly, the Fund performed better in overseas equity markets than domestic UK equity market albeit the Fund and the benchmark produced negative return across global markets for the period. Total Equity returns were -6.6% and -6.2% for the Fund and benchmark respectively. Total Bond return for the Fund was 4.2% compared to the benchmark return of 4.3%. The Fund made 3.3% on property over the quarter compared to the benchmark return of 3.0%.

- 3.4 At the individual fund manager level, UBS (passive global equity) tracked the benchmark with identical return of -5.6%. The manager underperformed the benchmark in the active global equity portfolio (-7.4% v -7.0%). The Property portfolio run by UBS was 0.4% better than the benchmark (3.4% v 3.0%). Aberdeen Asset Management (global equity) underperformed the benchmark by 1.5% (-8.5% v -7.0%) and the manager's return of 3.3% on global bonds was identical to the benchmark. Blackrock (Property) underperformed the benchmark by 0.4% (2.6% v 3.0%). PA discussed the impact of asset allocation and stock selection decisions on overall performance.
- 3.5 There was discussion on equity mandates. The Committee considered whether to allow managers some flexibility and how that might be reflected in the SIP. PD said that officers would consult with fund managers and bring back some ideas. It would be prudent to rely on investment managers and not to constrain them.
- 3.6 PA referred to managers' performance being similar across the Fund's equity mandates and the need to consider reducing the current restrictions on asset allocations at the next investment strategy review.

4.0 RESPONSIBLE INVESTING

- 4.1 PD referred to the executive summary of EVD (section 2) report and Counsel's opinion given to members in 2013 and advice on social, ethical and environmental issues.
- 4.2 The Committee noted the report. ESG matters will be discussed and considered in future.

5.0 ANNUAL REPORT AND ACCOUNTS – 2014/15

- 5.1 PD informed the Committee that audit of the Pension Fund Annual Report and Accounts 2014/15 by Ernst & Young was complete. There were no qualifications or recommendations in the auditor's report. The Committee noted the report and agreed that this should be reported to the General Purpose Committee.

6.0 UPDATE ON INVESTMENT ADVISER PROCUREMENT

- 6.1 PA referred to the report and procurement process for the appointment of the investment adviser. Final interviews were held in October, following the evaluation of bidders' submission by officers. Bidders had been informed about the outcome of the interviews and officers anticipated that the Council would enter into contract in the near future giving regard to OJEU cooling period. Next steps – review of investment custody arrangement is ongoing. PA advised the Committee that officers would aim to rationalise the custody arrangement ahead of any decision on asset allocation and procurement of fund managers.
- 6.2 **Action:** PD to confirm if £100k is an internal cost for the procurement.

6.3 Discussion took place on having possible meeting with advisers to clarify views and involve members in discussions, and whether to revisit previous proposals. The Committee should be involved in the discussions and detail to move forward and design new mandates.

6.4 **Action:** PD to inform members once meeting date(s) with the advisers are agreed with a revised timeline for circulation.

7.0 UPDATE ON LONDON CIV

7.1 PD reported that the CIV was now operational and that the Council took up its allotted 150,000 shares in London LGPS CIV Ltd at a cost of £150,000. Two sub funds launched in December 2015, with assets transferring from some London boroughs to the CIV.

7.2 PD advised that further discussion on what to put through the CIV would take place. There is no requirement to tender. The CIV's sub funds will increase through mini competitions.

7.3 There was some discussion on the timing of the investment strategy review and manager procurement and the Committee believed that it was advantageous that the CIV was up and running before the proposed review.

8.0 PFAC WORK PROGRAM 2016/17

8.1 PA reported that officers were working on a draft programme to be brought to the next meeting of this Committee on 8th March 2016, setting out a full year's work programme designed around the key areas of the Committee's responsibility. The aim of the Work Programme is to ensure all areas are covered and the Committee has visibility across the Fund arrangements to ensure proper governance and performance evaluation.

8.2 Discussion took place on governance and various key areas/issues and requirements to be fulfilled across investment and administration functions. Also, there was some discussion on communication /engagement with the scheme members via various media; intranet, newsletters, etc. as Chair keen for members to be made aware of current processes. PA said the intranet was an effective way to engage scheme members. He also suggested the use of self-service features on website for accessing reports and other information.

9.0 ANY OTHER BUSINESS

9.1 Local Pension Board

Discussion took place on possible shared joint Board or having one committee/pool of 5 people in collaboration with other London boroughs.

9.3 Action: PD and PA to discuss possible solution for Pension Board and consult with CH about fall back position to ensure meetings set up in order to be compliant with the regulation.

Date of Next Meeting:
8th March 2016