

PENSION COMMITTEE

22 June 2015 at 7.00 pm

MEMBERS: Councillor Sunita Gordon (Chair), Councillor Richard Broadbent
***Absent** (Vice-Chair) and Councillors Edward Joyce and Nick Matthey

1. APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTION

Apologies were received from Councillors Neil Garratt, David Hicks and Hamish Pollock.

2. DECLARATIONS OF INTEREST

Councillor Nick Matthey made a non-pecuniary declaration of interest with regard to Agenda item 8 (Residential Property Fund Investments), due to his son's employment in an investment company involved in commercial property.

3. MINUTES OF THE PREVIOUS MEETING

It was noted that there was an error in a councillor's name which was amended to Councillor Manuel Abellan.

RESOLVED: That subject to the amendment shown above, the minutes are agreed as an accurate record of the meeting.

4. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the meeting for the following three items of business on the grounds that they involve the likely disclosure of exempt information, as defined in paragraph 3, Schedule 12A of the Local Government Act 1972.

5. MEMBER TRAINING

David Walker, Senior Investment Consultant at Hymans Robertson delivered a short training session to members on equities. The training session described the role of equities within a broader investment strategy and detailed the different kinds of equity investment.

The presentation also covered the differences between active and passive fund management, and members of the committee discussed this in some depth. The Strategic Director of Resources, Gerald Almeroth advised that the three yearly review of the investment strategy would evaluate the performance of all fund managers to ensure that the returns they are securing justify their fees.

At the request of Councillor Ed Joyce, David Walker gave a brief comparison of the performance of the LGPS versus private sector pension schemes. In response to a question from Councillor Nick Matthey, he advised that whilst share prices have been rising since 2008, there remains some volatility.

6. PRESENTATION BY HARDING LOEVNER (GLOBAL EQUITIES) FOR INVESTMENT PERFORMANCE RESULTS TO MARCH 2015

Simon Hallett and Scott Cranshaw delivered a presentation to the Committee which detailed the background of the company, the investment philosophy and the performance of the fund from inception to 31 March 2015. They described their approach of quality growth over the long-term, with a low turnover, with a focus on global equity.

With regard to the performance of the fund, it was noted that performance is at expected levels, although there have been fluctuations since inception in October 2012. Simon Hallett noted that the investment philosophy has remained consistent as it lends itself to long-term performance, which has been proven in this case.

7. PRESENTATION BY SCHRODERS (GLOBAL EQUITIES) FOR INVESTMENT PERFORMANCE RESULTS TO MARCH 2015

Lyndon Bolton, the Client Director from Shroders delivered a short presentation to the Committee, outlining the key features of the fund, the investment process, and the performance of the fund from inception to the end of April 2015.

Lyndon Bolton explained in some depth how the value investor approach works and the pros and cons of the approach, encouraging the Committee to look at the fund's performance over the longer term. He advised that the value investor approach achieves maximum results when markets are operating at normal conditions. When asked if the company were likely to change their investment approach, Lyndon Bolton advised that they would not.

8. INVESTMENT PERFORMANCE OF THE FUND MANAGERS TO MARCH 2015

Sue Hogg, the interim Head of Financial Strategy and Planning, introduced this report, and highlighted paragraphs 4.2, 4.3 and 4.22.

With regard to the table at 4.3, Gerald Almeroth pointed out that the pension fund has reached more than £500m for the first time, an increase from £330m three years ago.

Councillor Sunita Gordon thanked those involved in securing reduced fees for Harding Loevner and Pyrfords.

At the request of Councillor Sunita Gordon, David Walker explained in further detail the under-performance of BlackRock and AVIVA, as detailed in paragraphs 4.22 – 4.23 of the report.

RESOLVED: That the Pension Committee notes the performance of the Pension Fund Investment Managers, and the proposed fee reductions.

9. RESIDENTIAL PROPERTY FUND INVESTMENTS

David Walker introduced this report and presented the case for investing in residential property. He outlined the benefits and the risks of such an investment and invited comment and questions from the Committee.

Councillors asked a range of questions about how such investment would be managed. Gerald Almeroth explained that at this stage the Committee are asked to approve the proposed investment in residential property. Further work will then be carried out and detailed proposals on the investment provider, together with legal advice, will be brought to a future meeting of the Committee.

Councillor Richard Broadbent expressed concern about recommendation 2.1. Following some discussion around the wording of the recommendation it was moved by Councillor Sunita Gordon, seconded by Councillor Richard Broadbent and

RESOLVED:

1. That the Pension Committee approves in principle the proposed investment in residential property of between 2% and 4% of Fund assets following the process as set out in the report.
2. That a report is brought back to the Pension Committee to approve the proposed investment fund.

10. GOVERNANCE UPDATE REPORT

Councillor Richard Broadbent queried the appointment by Council in May of Councillors Sunita Gordon and Neil Garratt to the Pension Board. Sue Hogg explained that this was an administrative error, as elected members cannot sit on the Pension Board.

RESOLVED: That the Pension Committee notes progress to date on setting up the Local Pension Board.

11. PENSION ADMINISTRATION UPDATE

Gerald Almeroth presented this report, and gave apologies for the Head of Pensions who was unable to attend this meeting.

Some concern was expressed that the team is still not working at normal levels due to the replacement of the software. Gerald Almeroth assured the Committee that the majority of the new system is working well, with a few manual calculations still to be carried out.

RESOLVED: That the Pension Committee notes the report.

12. REVIEW OF WORK PROGRAMME

Councillor Sunita Gordon encouraged Committee members to contact her with any suggestions for items to add to the work programme. She also encouraged them to attend the Pension Fund Annual Meeting on 20 July .

Gerald Almeroth advised that the September meeting would receive a presentation on the London Pensions Collective Investment Vehicle (CIV).

13. ANY URGENT ITEM BROUGHT FORWARD AT THE DIRECTION OF THE CHAIR

No urgent items were raised.

14. DATE OF NEXT MEETING

The Annual General Meeting of the Pension Fund will take place on 20 July 2015 at 12 p.m.

The next meeting of the Committee will take place on 7 September 2015 at 7 p.m.

The meeting ended at 9.45 pm

Chair:

Date: