

**Attendance:**

Cllr Imran Uddin (Chair)  
Cllr Mark Allison  
Paul Dale (Interim Assistant Director of Resources)  
Miriam Adams (Treasury and Insurance Manager)  
Geoff Norcott (Pensions Representative)  
Cllr Suzanne Grocott

**Additional Attendees:** Philip Hebson (AllenbridgeEpic)

**1.0 Introduction**

- 1.1 Introductions made by Chair
- 1.2 Apologies for lateness: Cllr Mark Allison
- 1.3 Apologies for absence: Caroline Holland (Director of Corporate Services)  
Alick Stevenson (Independent Adviser)
- 1.3 Members Declaration of Interest - none

**2.0 Presentation of minutes of last meeting (23.9.14)**

- 2.1 Minutes agreed subject to amendment on page 2, point 4.

**3.0 Asset Allocation – Decision Making**

- 3.1 Cllr Uddin stressed the need for the committee to complete its review of the Fund's asset allocation as will give officers direction on how to progress and action investments of assets as well as the tendering of managers.
- 3.2 PD referred to decision making and formal delegations being given to CH but taken with councillors recommendations. CH to produce paper around assumptions for final consultation.
- 3.3 Barnet Waddingham and AllenbridgeEpic had similar recommendations of 65% on equities and DGF (new fund) from between 5 and 8%. Bonds 25% and property 5%. Discussion to move away from property and equally bonds, for some movement and possible some benefits but DGF a new area and to be cautious. Cllr Uddin felt to focus on equities, in particular the split within the equities of active – 25% - (if have right manager and managed properly, can get good growth). Mandates have at moment are very old and restrictive and not getting returns. Passive - recommendation is that 40% of equities should be in passive fund, linked to index.
- 3.4 Cllr Uddin felt to possibly reverse and asked if felt a reasonable thing to do.
- 3.5 PD referred to level of equity and equity likes, and move of valuation. PD referred to data.

- 3.6 PD referred AS strategic asset allocation presentation of potential strategic targets.
- 3.7 Discussion of split of asset of active and passive and feel if go active a higher risk but DGF may be a smoother risk but to be aware of highs and lows of equity markets and going passive doesn't reduce volatility.
- 3.8 Ensure each pot works to best advantage and best return.
- 3.9 PD referred to recommendation of possible smaller increase in risk may provide higher return.
- 3.10 General discussion around various alternatives of strategies and asset allocations and general scope of working around ownership and what component parts are held within DGF.
- 3.11 Discussion around schedule and admitted bodies and volatility. Cllr Allison referred to purpose of verified growth fund and volatility. SG felt go more passive than active, especially if going to new broker. PD felt have more than one active manager for different markets and look for about 1/2% of index.
- 3.12 Discussion at global basis and reason to appoint 2/3 managers to look at but with complimentary styles, ensuring cover all basis.
- 3.13 GN referred to minutes and unconstrained equities and whether the stock picking is constrained. PD referred to giving managers benchmark ie world index, plus 2%. Cllr Allison referred to issue with constraining managers and gave example. Discussion around constrained and high conviction and choose managers that have confidence in.
- 3.14 Cllr Uddin referred to discussion being about ratio of active and passive and felt advantages to passive and requested reminder of upside of passive.
- 3.15 PH commented felt passive at low cost of manager fee and tracking various indices, being blend of markets chosen to invest in. Can decide % of investments in UK and across world or track global index. Make sure identify index going to be tracked; various decisions to be made and risks identified..
- 3.16 Cllr Allison felt significant amount of active and passive but large range. PD referred to not de risking and going into bond and felt once reach higher intake, better value.
- 3.17 SG referred to reasoning of 65%. PH referred to risk of funding level falling due to sharp fall in market and diversification to protect fund.
- 3.18 PD suggested to go with minimum equities of 70%. PH referred to 65%/70% not having to be taken at moment and decide nearer time of funding and not specify the passive/active split. PH referred to looking at process of finding suitable active managers.

- 3.19 PD commented to revamp timetable and look to go out on range of equities between 65%/70%, DGF 5% and decide later on 1/3 and 2/3 active/passive. PH referred to not make panic decisions but have good range.
- 3.20 Cllr Uddin referred to find managers to do passive /active, who are able to make decision. Discussion on fees, expectations and values of managers. Discussion on considering have penalty clause of underperformance built into scope. Agree need passive/active and decide how many active managers required, which can be decided at later stage.
- 3.21 Discussion on property to possibly stay in same fund and leave property where it is. PH felt further discussion to be had but feel some issues. PD felt same with Bonds.
- 3.22 Produce timetable for DGF and equities and look at in greater detail and make decision about passive and active funds and DGF fund but question how to allocate.

**Action:** Recommendation on procurement put forward by AS was noted, however the Committee agreed that the way forward was for CH to write a paper with recommendations. The paper will be circulated to Councillors by email to ensure comments are received speedily.. Councillors to make decision and process to start middle of January 2015.

**Actions:** suggested ranges were - equities between 65 and 75% and DGF (5% – 15%).

#### **4.0 Quarterly Performance Review – September 2014 Quarter Ending**

- 4.1 Underperformance of Fund previously reported to Committee and discussed continues in the quarter report.
- 4.2 UBS property fund – slightly outperformed benchmark during the quarter ending September 2014 compared to the poor performance over the last 18 to 24 months. It was noted that the manager had resolved governance issues within the fund which contributed to poor performance.
- 4.3 Aberdeen equity fund – under performed against benchmark while Aberdeen bond fund performed slightly over benchmark but on 3 year to date basis the manager’s target to outperform its benchmark by 0.60% was not met. The manager’s proposal to reduce fees was accepted subject to confirmation of terms on which the fee reduction was being proposed
- 4.4 All Investment managers within the Fund should be more proactive and provide the Committee with tactical alternative plans if existing mandates were not achieving performance targets. Aberdeen should be contacted to present the Committee with a paper on how performance can be improved within the bond and possible impact to investors of sub-fund closures.
- 4.5 Chair suggested that the manager be given a deadline of Q2 2015 to improve performance significantly as other bond. Market data have shown that other

bond managers are still able to bet targets in this economic environment.  
Preliminary meeting to be held with manager held to discuss plan of action..

- 4.6 Performance of the BlackRock property fund was below benchmark. It was suggested that the manager be put on an amber warning signal.
- 4.7 Recommendation to use the previous quarter's performance data for RREEF was accepted by Committee as this will reduce the lag time in the processing of performance reporting by StateStreet Analytics
- 4.8 PH reminded the Committee that while poor performance is an issue this needs to be looked at in conjunction with asset allocation

## **5.0 Risk Register**

- 5.1 Risk register was presented, review is annual and key risks are also included in the Corporate risk register which is also regularly reviewed.
- 5.3 Key changes to the register are –
- 5.4 MPF 9 – underperformance of Fund investments due to invest manager performance.  
MPF 13 – ratio of active members who will contribute to the Fund reducing in comparison to the pensioners and deferred members of the Fund. The risk score has been reduced from a score of 15 to a score of 9 following the inflow of new members as a result of auto-enrolment.  
It was noted that auto-enrolment has improved membership numbers  
  
MPF 14 – Failure to implement the proposed 2014 LGPS Governance Regulations and Reforms.

**Action:** Data on number of new staff enrolled into the Pension Fund and numbers opting out to be provided to Committee. The possible impact of future cuts and savings in the public sector was discussed.

**Action:** Amend risk register to include mitigation strategy and recirculated to Committee

## **6.0 Update on legislations (discussion item)**

- 6.1 PD reported on new regulations by government – set up national advisory board and referred to shadow board.
- 6.2 PD referred to requirement of pension panels and pensions board (split between representatives of employers and employees). Meant to advise and assist governance group in managing fund. Board to be set up consisting of councillors and employees that don't make decision but scrutinise pension panels decision.

- 6.3 Discussion around requirement and definition of pension board's role and an oversight role. Expectations for board to be set up and membership slots not necessarily filled. First meetings expected to take place around June/July.
- 6.4 Reference made to DCLG and discussion around costs. PH suggested having representatives from neighbouring borough and possibly meet with PH or AS to discuss.
- 6.5 It was noted that a consultation which included the Pensions Board had recently concluded.

**Action:** Cllr Uddin requested to put Governance Regulations on next agenda.

## **7.0 Discretionary Policies**

- 7.1 Four employers have returned confirmations that those authorised with governance in their various establishments have adopted discretionary policies.

**Action:** Update the Committee on employer take up.

## **8.0 Update on London CIV**

- 8.1 The CIV set up is moving along but taking longer than anticipated. Chair noted that the London Councils are working their way through implementation, however the initial possibility of including the CIV in the current restructure may not be feasible as there is a need for the Fund to continue the asset allocation review.

## **9.0 Membership Performance Monitoring**

- 9.1 The Fund membership at 30 September was 11,209 and membership from previous quarter increased by 461. 335 of them being active members. Pensioners increased by 31 during the quarter.

**Action:** circulate total number of leavers and total number of council staff.

**Action:** Committee to consider getting unions to set up drive to recruit new members to pension get more people involved in meeting.

## **10.0 Any Other business**

**Date of Next Meeting :** Tuesday 17<sup>th</sup> March 2015

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