MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Town Hall, Main Road, Romford
27 June 2012 (7.30 - 9.40 pm)

Present:

COUNCILLORS

Conservative Group	Becky Bennett (Vice-Chair), Roger Ramsey and Georgina Galpin (In place of Melvin Wallace)
Trade Union Observers	John Giles (UNISON) and Andy Hampshire, GMB

Apologies were received for the absence of Councillors Ron Ower and Melvin Wallace.

In the absence of the Chairman the Vice-Chairman, Councillor Becky Bennett took the Chair.

All the decisions were taken with no votes against.

The Chairman reminded Members of the action to be taken in an emergency.

1 MINUTES OF THE MEETING

The minutes of the meeting held on 27 March 2012 were agreed as a correct record and signed by the Chairman.

2 EXTERNAL AUDIT PLAN 2011/12 - PENSION FUND AUDIT

Further to Minute no. 51 of the meeting held on 27 March 2012 PricewaterhouseCoopers (PWC) had submitted their plan for the audit of the Pension Fund. The planned approach was set out as follows:

- Introduction and developments;
- Communicating and reporting;
- Audit approach;
- Project management; and
- Independence.

During the audit PWC indicated they would be assessing the risks on Investment Assets and returns, contributions and Benefits and membership. PWC advised the committee that the anticipated fee for the audit would be £35,000. This was the same level of fee as last year.

The Committee **noted** the contents of the plan.

3 EXCLUSION OF THE PUBLIC

The Committee resolved to excluded the public from the meeting during discussion of the following item on the grounds that if members of the public were present it was likely that, given the nature of the business to be transacted, that there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972 which could reveal information relating to the financial or business affairs of any particular person (including the authority holding that information) and it was not in the public interest to publish this information.

4 INTERNAL PENSION CASH MANAGEMENT POLICY

Officers advised the Committee that they had been working closely with Hymans Robertson, the Pension Fund's Investment Advisor, to develop a cash management policy.

After discussing the matter in detail with officers and Hymans Robertson the Committee **agreed** that:

1. In the event that the cash balance at the start of the month was less than £2 million (or the previous months pension payroll if higher), then the cash balance should be topped up to £4 million by way of disinvestment. This level recognised that some level of discretion might be exercised over the timing of the unpredictable payments;

2. In the event that the cash balance at the start of the month was greater than £5 million, then cash might be invested to reduce the cash balance to £4 million; and

3. In the event that the monthly pension payroll increased by more than 5% above current levels (i.e. above £2.1m), then the policy would be reviewed.

4. Hymans Robertson undertakes a review of the Investment Strategy.

The Committee gave consideration to how cash might be realised and details of their discussions and decisions are contained in the exempt minutes.

5 **PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED 31 MARCH 2012**

Officers advised the Committee that the net return on the Fund's investments for the quarter to 31 March 2012 was 5.8%. This represented an over performance of 1.1% against the combined tactical benchmark and an over performance of 9.8% against the strategic benchmark, The net return for the year to 31 March 2012 was 4.2%. This represented an underperformance of -0.6% against the annual tactical combined benchmark and an under performance of -16.9% against the annual strategic benchmark.

The Committee were advised that the markets had seen unprecedented volatility since the latter half of 2007, with further market falls during 2008. The markets did rally during 2009 and 2010, erasing some of the earlier losses.

a) Hymans Robertson (HR)

HR informed the Committee that whilst risk had been rewarded in quarter 1, the market had seen a downturn during quarter 2.

Equity markets had performed well during the first quarter of 2012, adding to the gains made over the closing months of 2011. Investor sentiment had been mildly optimistic and it was interesting to reflect on the reasons for this. The United States was a good first „port of call". The economy was expanding, reported unemployment was falling and policy makers had made some optimistic comments in their public pronouncements.

In Europe, the immediate sense of crisis in the Eurozone had passed, as Greece had secured a second bailout (€130bn) after prolonged and intense negotiations, and there had been some indications of some stability in the global banking sector.

Recent election results in France and Greece and the part-nationalisation of Bankia in Spain had cast shadows on this view. Further, notwithstanding the more positive tone in markets, central bankers had warned of continuing downside risks to the global economic outlook. If events proved them to be correct, the current regime of loose monetary policy and record low interest rates was likely to persist throughout 2012 and well into 2013. Many commentators made the point that the European debt crisis was not so much resolved as deferred, as further remedial action would be required.

In the UK, the downward revision to economic growth during the final quarter of 2011, announced in late March 2012 and the subsequent report that the UK had entered a technical recession highlighted the challenges faced by the government and provided ammunition to critics of the coalition’s austerity measures.

Key events during the quarter were:

Global Economy
• UK and European central banks had provided further liquidity to money markets.
• Moody’s and Fitch had placed the UK’s top credit rating on negative outlook.
• Short-term interest rates were unchanged in the UK, US and Eurozone.
• Chinese economic growth had slowed on weaker demand from overseas markets.
• The price of oil had risen to record levels on concerns over possible supply interruptions.
• The US was the only ‘major’ to report growth during Q4 2011; all others (UK, Eurozone and Japan) had contracted.

Equities
• US Dow Jones Industrial Average index had moved above 13,000 for first time since May 2008.
• The strongest sectors relative to the ‘All World’ Index were Technology (+7.9%) and Financials (+4.7%); the weakest were Telecoms (-8.3%) and Utilities (-7.8%).

Bonds
• Long bond yields in ‘secure’ government markets had risen from record lows, reflecting investors’ tentative move from ‘risk free’ assets.
• Corporate issues (in aggregate) had outperformed government bonds.

The legacy of the financial crisis remained a legitimate concern and still had the capacity to deliver ‘shocks’ to the system. The economic outlook was, at best, uncertain, and policy makers had a fine line to tread between ‘austerity’ and expansionary measures.

HR then updated the Committee on the performance of the individual Fund Managers and details were included in the exempt minutes.

b) UBS Triton Property Fund (UBS)

Justin Brown, Portfolio Manager, UBS Triton attended the meeting to inform the Committee of the performance of the Triton Property Fund during quarter 1. Details of the presentation are given in the exempt minutes.

c) Ruffer LLP

David Balance, Investment Director attended the meeting to inform the Committee of the performance of the fund during quarter 1. Details of the presentation are given in the exempt minutes.

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Chairman