

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Town Hall, Main Road, Romford
16 December 2014 (7.30 - 9.05 pm)**

Present:

COUNCILLORS

Conservative Group John Crowder (Chairman), Melvin Wallace and Roger Westwood

Residents' Group Stephanie Nunn

**East Havering
Residents' Group** Clarence Barrett

UKIP Group David Johnson (Vice-Chair)

**Admitted/Scheduled Bodies
Representatives:** Heather Foster-Byron

Apologies were received for the absence of Councillor John Mylod and John Giles (UNISON) and John Hampshire (GMB).

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

21 MINUTES OF THE MEETING

The Minutes of the meeting of the Committee held on 25 November 2014 were agreed as a correct record and signed by the Chairman.

22 PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED 30 SEPTEMBER 2014

Officers advised the Committee that the net return on the Fund's investments for the quarter to 30 September 2014 was 2.7%. This represented an out performance of 0.2% against the combined tactical benchmark and an under performance of -4.7% against the strategic benchmark.

The overall net return for the year to 30 September 2014 was 8.6%. This represented a performance in line with the tactical combined benchmark and an out performance of -5.2% against the annual strategic benchmark.

1. Hymans Robertson(HR)

Market Summary

- Hymans Robertson updated the Committee with a round up of the market background as at the end of September.

Fund Performance

- Assets were valued at £529.01m as at 30 September 2014, an increase of £13.0m over the quarter. The total return on the Fund's assets over the quarter was 2.5%, marginally ahead of the benchmark return of 2.3%.
- Performance from the Fund's active equity manager, Baillie Gifford, had detracted from performance as the mandate underperformed its benchmark by 1.2%. Performance from the Multi-asset mandates had been positive with the Baillie Gifford DGF, Barings DAAF and Ruffer Absolute funds all outperforming their respective benchmarks.

Investment manager changes

- In August, Barings had announced the departure of Percival Stanion (head of the Global Multi-Asset group and lead portfolio manager for the DAA Fund) together with Andrew Cole and Shaniel Ramjee, two other members of the team. Following this, HR had changed their rating of the DAA Fund to "1"-Sell immediately and had advised the Fund to disinvest. Disinvestment had been made on the 29 August 2014 dealing date, with the funds being transferred into the SSgA Sterling Liquidity Fund. Following the quarter end, the Committee had agreed to invest in the GMO Global Real Returns (UCITS) Fund as a replacement for Barings.

Asset Allocation

- As at the quarter end, the Fund's direct allocation to equity assets had been slightly overweight target at 26.0%. On a look-through basis, the equity allocation had reduced from 45%, previous quarter, to 35% as at 30 September 2014. This reflects the disinvestment from the Barings DAAF which had a significant allocation to equities (c.54%). The Fund was currently overweight to cash, although this was expected to be eliminated before the year end.

2. Baillie Gifford (BG)

James Mowat and Paul Morrison attended the meeting to give a presentation on the performance of BG's Global Alpha and Diversified Growth Funds. Both funds had shown growth in the quarter and this had been continued up to 31 October 2014. As at 15 December the total value of the two funds combined remained the same.

3. Miscellaneous

The Committee was advised that following the decision to appoint GMO and invest in their Global Real Return (UCITS) Fund (GRRUF) officers had completed the necessary documentation and intended to transfer the funds early in the New year.

The Committee **noted** the report.

23 ESTIMATED DEVELOPMENT OF THE FUNDING POSITION FROM 31 MARCH 2013 TO 30 SEPTEMBER 2014

The Committee received a report from the Fund's Actuaries Hymans Robertson estimating the development of the Pension Fund's funding position from 31 March 2013 to 30 September 2014. The report looked at the whole fund position and did not allow for the circumstances of individual employees.

Employer contributions would not be reviewed until the next valuation as at 31 March 2016. The purpose of the funding update was to assess whether the funding plan was on track and take actions where necessary.

The funding level at the last formal valuation had been 61.2%. As at 30 September 2014 the funding level had increased to 66.8%. This was largely as a result of higher than expected investment returns and an additional cash contribution paid into the fund by the Council in March 2014, principally in relation to the creation of a Local Investment Fund.

Although Assets had increased, liabilities had also increased.

The Committee were satisfied that there was no reason to change the funding plan.

Chairman