

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 2 - Town Hall
19 September 2017 (7.00 - 9.20 pm)**

Present:

COUNCILLORS

Conservative Group	John Crowder (Chairman), Melvin Wallace and Joshua Chapman
Residents' Group	Stephanie Nunn and Nic Dodin (for part of the meeting)
East Havering Residents' Group	Clarence Barrett
UKIP Group	David Johnson

Unless otherwise indicated all decisions were taken with no votes against.

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

10 MINUTES OF THE MEETING

The minutes of the meeting of the committee held on 15 June 2017 were agreed as a correct record and signed by the Chairman.

11 LOCAL AUTHORITY PENSION FUND FORUM MEMBERSHIP

The Committee received a presentation from a representative from the LAPFF on the benefits of the Havering Pension Fund (the 'Fund') becoming a member of his organisation.

Members recognised that LAPFF has lobbying power when it comes to holding predominantly UK-based companies to account for their operation and governance. Questions were raised however regarding its influence and strategy with the emergence of pooled resources such as CIV.

The Committee:

1. Agreed that the fund should become a member of LAPFF on an initial one year basis with a review in November 2018 as to continued membership;

- 2 Noted that the Investment Strategy Statement would be amended To reflect membership of LAPFF and incorporation at the next review

The resolution was passed by 4 votes to 3. Councillors Crowder, Wallace and Chapman voted against the resolution.

12 **IMPLEMENTATION OF THE MARKETS IN FINANCIAL INSTRUMENTS DERIVATIVE (MIFID 11)**

The report before Members outlined the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") and in particular the risk to the administering authority of becoming a retail client on 3rd January 2018.

The report recommended that elections for professional client status be made on behalf of the authority with immediate effect.

The Committee:

1. Noted the potential impact on investment strategy of becoming a retail client with effect from 3rd January 2018
2. Agreed to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy.
3. In electing for professional client status the committee acknowledged and agreed to forgo the protections available to retail clients attached as APPENDIX 1 of the report (Retail client protections) and that this meant no change to the existing arrangements.
4. Agreed to delegate responsibility to the Statutory Section 151 Officer Finance (Interim) for the purposes of completing the applications and determining the basis of the application as a full service.

13 **PENSION FUND ACCOUNTS 2016/17**

The report before Members provided an extract of the Council's Statement of Accounts for the year to 31st March 2017, showing the unaudited accounts of the Havering Pension Fund as at that date.

Key movements as noted in the report from the 2016/17 accounts were:

- The Net Assets of the Fund have increased to £671m for 2016/17 from £573m in 2015/16, a net increase of £98m.
- The net increase of £98m is compiled of a change in the market value of assets of £95m, investment income of £6m and net additions of cash of £1m and offset by management expenses of (£4m).

- Mandates held with Baillie Gifford (Global Alpha Fund) and Ruffer (Absolute Return Fund) were both transferred into the London CIV, increasing the assets classified in the accounts under Pooled Investments and decreasing the assets directly classified under Bonds.

The Committee noted the Havering Pension Fund unaudited Accounts as at 31st March 2017 and considered that there were no issues that needed to be brought to the attention of the Audit Committee.

14 **PENSION FUND ANNUAL REPORT - YEAR ENDED 31 MARCH 2017**

The report detailed the Pension Fund Annual Report 2016/17 (attached as an appendix to the report) which had been prepared in accordance with Regulation 57 of the Local Government Pension Scheme Regulations 2013, and which applied for reporting periods beginning 1 April 2014. This superseded Regulation 34 of the Local Government Pension Scheme (Administration) Regulations 2008.

The Committee:

1. Agreed the 2016-2017 Pension Fund Annual Report.
2. Agreed that the Pension Fund Annual Report be published electronically.
3. Agreed that the Chairman and the Statutory Section 151 officer be authorised to conclude and sign so far as necessary, the annual report.

15 **EXCLUSION OF THE PUBLIC**

It was **RESOLVED** that members of the public be excluded from the meeting as there would likely be disclosure to them of exempt information within the meaning of paragraph 3 of the Local Government Act 1972 as it referred to the financial or business affairs of the organisation

16 **PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED JUNE 2017**

The report provided the Committee with an overview of the performance of the Havering Pension Fund investments for the first quarter to 30 June 2017. The performance information was taken from the quarterly performance reports supplied by each Investment Manager, State Street Global Services Performance Services PLC (formerly known as WM Company) quarterly Performance Review Report and Hymans Monitoring Report.

It was noted that the net return on the Fund's investments for the first quarter to 30 June 2017 was 1.3% (or £10m to £681m). This represents an outperformance of 1.0% against the combined tactical benchmark and represents an outperformance of 3.1% against the strategic benchmark. The Baillie Gifford (BG) Global Equity Fund was the best performer over the quarter. The BG DGF and GMO Global Real Return Fund both outperformed their respective benchmarks over the quarter whilst the Ruffer Fund underperformed. The RLAM Fund lost money albeit less than the benchmark reflecting a fall in the value of bond markets over the quarter.

It was also noted that the overall net return of the Fund's investments for the year to 30 June 2017 was 13.5%. This represents an outperformance of 5.0% against the combined tactical benchmark and an outperformance of 4.7% against the annual strategic benchmark - this is a measure of the Fund's performance against a target based upon gilts + 1.8% (the rate which is used in the valuation of the funds liabilities). The implications of this shortfall were set out in the report before Members.

The Committee:

1. Noted the summary of the performance of the Pension Fund within the report.
2. Noted Hymans performance monitoring report and presentation
3. Received a presentation from the Fund's Multi-Asset Manager (Ruffer)
4. Noted the latest quarterly update from the Chair of the Investment Advisory Committee, LCIV
5. Noted the quarterly reports provided by each investment manager.
6. Noted the analysis of the cash balances.

17 IMPLEMENTATION OF INVESTMENT STRATEGY UPDATE

The report provided an update on the progress of the implementation of the Investment Strategy as outlined at the June Pensions Committee meeting.

The Committee:

1. Noted the progress report as prepared by the Fund's Investment Advisor.
2. Noted that the implementation of the multi-asset credit allocation will be undertaken through the London Collective Investment Vehicle (LCIV) as suitable products are developed.

3. Agreed that a search for a private debt manager will be undertaken in collaboration with other London Boroughs.
4. Agreed that a search for a real asset strategy will be undertaken in conjunction with Newham, noting that this will allow Havering to provide input on the scope of the search and ensure that its requirements can be met.

Chairman