

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
17 March 2015 (7.30 - 10.00 pm)**

Present:

COUNCILLORS

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

Residents' Group John Mylod and Stephanie Nunn

**East Havering
Residents' Group** Clarence Barrett

UKIP Group David Johnson (Vice-Chair)

Trade Union Observers: John Giles

Apologies were received for the absence of Heather Foster-Byron.

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

24 MINUTES OF THE MEETING

The Minutes of the meeting held on 16 December 2014 were agreed as a correct record and signed by the Chairman.

25 DEVELOPMENT OF THE PENSION COLLECTIVE INVESTMENT VEHICLE

On the 26 March 2014 the Committee had considered a request for the Council to join the Collective Investment Vehicle (CIV). At that time the Committee had concerns around the financial and governance arrangements and recommended the Council not to join until further information was available.

Since that date 30 out of 33 London Boroughs had become active participants in the CIV. The total joining cost at this stage was now £75,000. Upon joining there would be a future commitment of contributing towards the on-going operating costs.

Officers advised the Committee that the initial financial implications presented to London Councils had suggested that savings would be achieved in management fees. Indications were that eleven separate

managers might be brought into the CIV for launch, nine of which had provided estimates of fee savings, with an average reduction of 20% in fees per manager.

Whilst there was still some uncertainty over the lack of evidence and no guarantee of any savings, and after a lengthy debate, the Committee concluded that with 30 boroughs already participating and the opportunity to participate in the on-going development of the CIV it was agreed that Havering now participate.

The Committee, therefore, agreed to **RECOMMEND** to Council that the London Borough of Havering seeks membership of the Collective Investment Vehicle and suggested that the Chairman of the Pensions Committee should be appointed as the Council's representative to serve on the Pensions CIV Sectoral Joint Committee.

26 **PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED 31 DECEMBER 2014**

Officers advised the Committee that the net return on the Fund's investments for the quarter to 31 December 2014 was 3.7%. This represented an out performance of 0.3% against the combined tactical benchmark and an under performance of -7.1% against the strategic benchmark.

The overall net return for the year to 31 December 2014 was 9.7%. This represented an out performance of 0.4% against the tactical combined benchmark and an out performance of -15.1% against the annual strategic benchmark.

Officers updated the Committee that they had been approached by Ruffer for permission to invest 5% of the Ruffer's portfolio in a product designed to protect against risk of liquidity in the credit market. Having consulted Hymans, Officers approached the Chairman seeking his approval as the decision had to be made before the next committee meeting. The Chairman had given his permission to proceed with the investment.

1. Hymans Robertson (HR)

Market Summary

- Hymans Robertson updated the Committee with a roundup of the market background as at the end of December.

Fund Performance

- Assets were valued at £547.38m as at 31 December 2014, an increase of £18.37m over the quarter. The total return on the

Fund's assets over the quarter was 3.8%, ahead of the benchmark return of 3.2%

- Performance from the Fund's active equity manager, Baillie Gifford, had contributed positively to performance as the mandate outperformed its benchmark by 3.4%.

Investment Manager changes

- There had been no changes to Fund Manager's during the quarter. However, following the quarter end, the Fund had invested £100.75m into the GMO Global Real Return Fund. This had been phased over two dealing dates with the first tranche of £50m being invested on 13 January 2015 and the second tranche of £50.75m occurring on 20 January 2015.

2. UBS Triton Property Fund (UBS)

Howard Meaney (HM), Head of Global Real Estate – UK (GRE – UK) and Portfolio Manager, UBS Triton Property Fund attended the meeting and gave a presentation on the performance of the UBS Triton Property Fund. The portfolio continues to perform well driven by active asset management. In the last year the Fund had outperformed its benchmark by 1.8%. HM advised the Committee of a number of projects including a new venture, student accommodation in Newcastle. He was very positive about future prospects.

3. Royal London Asset Management (RLAM)

Paul Rayner, Head of Government Bonds and Robert Nicolson, Client Relationship Director attended the meeting to give a presentation on the performance of the Fund in Quarter 4. Despite a relatively poor performance in quarter 4 the portfolio had outperformed the benchmark over the last three and five year periods.

In the medium term RLAM remain cautious on outlook given the current economic climate, but were optimistic that their approach will continue to outperform benchmark.

4. State Street Global Advisors (SSGA)

Chris Vogtherr, Senior Client Relationship Manager attended the meeting to give a presentation on the performance of the portfolio managed by SSGA. The portfolio had performed as required since inception.

The Committee **noted** the reports and presentations.

27 **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.

28 **FUNDAMENTAL EQUITY INDEX INVESTMENT**

After a brief discussion the Committee decided to defer consideration of this item until the next meeting. Training would be provided prior to the next meeting so that members feel better informed about the decision they would be required to make.

Chairman