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**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
13 March 2018 (7.00 - 9.42 pm)**

Present:

COUNCILLORS

Conservative Group John Crowder (Chairman), Melvin Wallace and Joshua Chapman

Residents' Group Stephanie Nunn

East Havering Residents Group Clarence Barrett

UKIP David Johnson (Vice Chairman)

OBSERVERS: Andy Hampshire, GMB

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

43 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

An apology for absence was received from John Giles, Unison Representative.

44 DISCLOSURE OF INTERESTS

There were no declarations made at the meeting.

45 MINUTES OF THE MEETING

The minutes of the meeting held on the 12 December 2017, were agreed as a correct record and signed by the Chairman.

46 PENSION FUND AUDIT PLAN 2017/18

The Committee received an Audit Plan as issued by Ernst and Young LLP for the work they planned to undertake for provision of an audit opinion on the pension fund accounts for the year ending 31 March 2018.

The Audit Plan for the Pensions Fund would be presented to the Audit Committee on the 14 March 2018.

The Account and Audit Regulations 2015 introduced a change in the statutory deadlines from the 2017/18 financial year. The timetable for the

preparation and approval of account would be brought forward with draft accounts needing to be prepared by the 31st May 2018 and audit completion and publication by the 31st July 2018. Officers were confident that the deadline would be met, due to trial completions having been carried out for the past two years.

RESOLVED:

That the Committee noted the report.

47 BUSINESS PLAN/ANNUAL REPORT ON THE WORK OF THE PENSIONS COMMITTEE 2017/18

The Committee received a report which sought to set out the work of the Committee during 2017/18 and the plan of work for the forthcoming three years and of which would form the basis of the Pension Fund Business Plan.

It was explained that CIPFA guidance suggested that the Business Plan be submitted to the committee for consideration and proposed the contents of the document, as outlined in the report under paragraph 1.6.

Members attention was brought to Appendix A which detailed the Training Strategy for the London Borough of Havering Pension Fund. It was explained that if there were a change in Committee membership following the local elections in May 2018, the training plan would be resubmitted once the new committee had been established.

Maintaining expertise, experience and knowledge was a key focus for the committee in order to meet the qualitative test under Markets in Financial Instrument Director (MiFID 11) and firms would undertake an assessment of the expertise, experience and knowledge of the local authority and its pension fund committee in order to be reasonably assured that they were capable of making their own investment decisions and have an understanding of the risks involved before a firm would permit election to professional status. It was noted that all requests for election had been granted for existing investment service providers.

RESOLVED:

The Committee noted the report, which was agreed by the Chair of the Committee in advance of the meeting and which would be referred to the Full Council meeting for consideration.

48 INVESTMENT MANAGEMENT CONSULTANCY SERVICES - EXTENSION TO EXISTING CONTRACT

The Committee received a report which informed of the decision to extend the investment Adviser contract for a further year until 31 March 2019.

The current extended contract would expire on the 31 March 2018 and had the option to extend for a further 12 months.

Following the Committee's decision on the 21 November 2017, a procurement and tendering process had commenced. Subsequently however, the London CIV published a consultation which aimed to clarify its purpose and set out the direction of its future strategy. In view of this announcement, officers in consultation with the Section 151 officer believed that the best outcome at this time was to defer the procurement of an Investment Advisor until 2019 to benefit from service continuity.

RESOLVED:

That the Committee noted the approval of a one year extension of the existing contract for the provision of Investment Advice with Hymans Robertson LLP for the period April 2018 to March 2019.

49 **LONDON CIV - CONSULTATION ON PROPOSED STRATEGY**

Members were presented a report on the London CIV consultation on their proposed strategy. It was explained that a governance review highlighted a number of issues and indicated a need for the LCIV to both change its governance arrangements and clarify its purpose and future strategy. In response, LCIV initiated a consultation on its future strategy and aims including a number of proposals on its governance arrangements and longer term strategy.

Members expressed disappointment with the consultation process and suggested that further information and clarification on the Investments element be undertaken.

During the presentation of the report, officers highlighted the proposed governance and client engagement that would take place (pages 81 and 82 of the report refers).

The LCIV set out three flexible mandates:

- Low Cost: Passive Equity Funds and a Liability Aware Fund.
- Basic: Blended Investment Mandates established across asset classes with LLAs selecting fixed amounts in each according to their Strategic Asset Allocation.
- Enhanced: Blended and Low Cost Investment Mandate established with LCIV providing tactical asset allocation as opportunities arise. LLAs would be able to tailor the amount of discretion afforded to the LCIV in their individual IMA.

Members expressed concern regarding the LCIV's direction of travel for local funds and its decision making on its strategic asset allocation. Officers stated that the LCIV was there to deliver the Fund's strategic asset

allocation and that we will not know for sure whether this can be delivered until the LCIV's proposed client engagement has run its course.

It was noted that neither the Real Asset Management mandate nor Private Debt mandate is presently available from the LCIV.

Members agreed that the Pension Fund would consider the impact of ESG on its investment strategy. It was advised that ESG training would be delayed until views were sought after the May 2018 elections, before making any ESG changes to the Investment Strategy.

Larissa Benbow, Head of Fixed Income, LCIV, was invited to address the committee, during which she provided an update on the CIV to members and outlined the London CIVs priorities for 2018.

Members discussed in depth the LCIV's investment proposal Ms Benbow was able to clarify a number of points from their consultation paper.

During discussion, members raised concern regarding the turnover of executive staff at the LCIV.

RESOLVED: That

- i) The Committee noted and provided comment on the content of the report.**
- ii) The Committee noted the Chairman's response to the LCIV questionnaire on their proposals on its governance arrangements and longer term strategy.**

50 EXCLUSION OF THE PUBLIC

The Committee resolved to exclude 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.

There were no members of the public or press present for the duration of the meeting.

51 PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED DECEMBER 2017

The Committee received an overview of the performance of the Havering Pension Fund investments for the quarter to 31 December 2017.

The net return on the Fund's investments for the quarter to 31 December 2017 was 3.2% (or £22m to £715m). This represented an outperformance of 0.9% against the combined tactical benchmark and under performance of 0.7% against the strategic benchmark.

Based on information supplied by the council's performance measures, the total combined fund value at the close of business on 31 December 2017 was £714.81m.

Simon Jones, Senior Investment Consultant, presented the quarterly monitoring report on behalf of Hymans Robertson LLP.

Richard Nelson, Senior Credit Fund Manager, and Rob Nicholson, Client Relationship Director, Royal London, presented an overview of London Borough of Havering's Pension Fund asset allocation.

The Committee thanked the representatives of Hymans Robertson LLP and Royal London, for their presentations.

Resolved: That

- i) The summary of the performance of the Pension Fund within the report, be noted.**
- ii) The Committee considered Hymans performance monitoring report and presentation (Appendix A – Exempt).**
- iii) A presentation from the Fund's Bonds Manager (Royal London), be received (Appendix B – Exempt).**
- iv) The Committee considered the latest quarterly update from the Chair of the Investment Advisory Committee, LCIV (Appendix C – Exempt).**
- v) The Committee considered the quarterly reports provided by each investment manager.**
- vi) The analysis of the cash balances, be noted.**

Chairman

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