

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
2 October 2012 (7.35 - 9.55 pm)**

Present:

COUNCILLORS

Conservative Group	Melvin Wallace (Chairman), Becky Bennett (Vice-Chair), Roger Ramsey and Georgina Galpin (in place of Eric Munday)
Residents' Group	Ron Ower
Labour Group	Pat Murray
Trade Union Observers	John Giles (UNISON)

Apologies were received for the absence of Councillor Eric Munday and Andy Hampshire (GMB).

All decisions were taken with no votes against.

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

8 THE ADMISSION OF FAMILY MOSAIC TO HAVERING'S PENSION FUND

The Committee were advised that Family Mosaic had won the contract to provide reablement services on behalf of the Council. The contract was for five years and would commence on 5 November 2012. When the service transfers to Family Mosaic the contracts of employment of 106 employees were due to be transferred from the London Borough of Havering to Family Mosaic. The Transfer of Undertakings (Protection of Employment) Regulations (TUPE) applied to the employment terms and conditions of the relevant employees except for pension rights. 106 of the employees concerned were members of the LGPS. In accordance with Government policy for Local Government employers, Family Mosaic were required to provide pension benefits for future service which were broadly comparable to those provided under the LGPS or to participate in the LGPS for the provision of pension benefits for the transferring employees.

Family Mosaic did not have a broadly comparable pension scheme and had applied for admitted body status to Havering's Pension Fund, solely for the benefit of the 106 transferred employees who were currently members of

the LGPS. If agreed, Family Mosaic would be admitted under a 'closed' agreement, whereby only those employees transferring at the time the contract became effective would be eligible to join.

The Pension Fund's Actuary had assessed the level of indemnity bond required as £3,646,000 although this would need to be finalised. The contribution rate set by the Actuary for membership was 24.6% of pensionable pay.

The Committee **AGREED** to admit Family Mosaic to Havering's Pension Fund, as an Admitted Body, to enable the 106 members of staff who transferred from the Council under TUPE to continue membership (or have the right of membership) of the Local Government Pension Scheme (LGPS) subject to:

1. All parties signing up to an Admission Agreement; and
2. An indemnity or insurance bond in an approved form with an authorised insurer or relevant institution, being put into place to protect the pension fund.

9 **BUSINESS PLAN/ANNUAL REPORT ON THE WORK OF THE PENSIONS COMMITTEE 2011/12**

The Committee were advised that to enable the Business Plan and Annual Report to be submitted to Council on 19 September 2012 the Chairman had approved the report.

The Committee **noted** the report.

The Committee again raised their concerns that not all members of the Committee were availing themselves of the training opportunities made available to all members. Officers reminded members that a CIPFA questionnaire had been circulated to all members to ascertain gaps in members' knowledge. This would be re-circulated as not all members had returned it, and it would also be circulated to named substitute members.

Officers indicated that specific training would be made available on the Pension Services Bill and the new regulations, once the new regulations were released. It was likely that training on the new regulations would need to be undertaken during the daytime. A general discussion on training took place and members were asked for their cooperation in identifying whether they prefer evening or daytime training. Members agreed to let officers know what time would be best for them to undertake training.

Members informed officers that they had found the training on Scheduled and Admitted Bodies very useful, but would like an extended session as they felt there was more to learn.

10 **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.

11 **PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED 30 JUNE 2012**

Officers advised the Committee that the net return on the Fund's investments for the quarter to 30 June 2012 was -2.3%. This represented an under performance of -1.1% against the combined tactical benchmark and an under performance of -9.1% against the strategic benchmark. The net return for the year to 30 June 2012 was 0.3%. This represented an underperformance of -1.8% against the annual tactical combined benchmark and an under performance of -23.4% against the annual strategic benchmark.

The Committee were advised that after a strong start to the year UK Equities had fallen in the second quarter. In a volatile quarter the Eurozone crisis and signs of slowing global economical growth undermined market confidence and investors sought safety. Political turmoil in Greece, banking problems in Spain and a change of Government in France added to market uncertainty. There had been no change in UK interest rates at 0.5% and inflation was continuing to fall.

a) Hymans Robertson (HR)

HR advised the Committee that an intriguing mix of political, economic and financial factors had contributed to a sense of crisis throughout the quarter. Political uncertainty in Greece, and the burden of debt in certain European nations (particularly Spain and Greece), had threatened the viability of the Euro which, not for the first time, seemed close to 'collapse'. The newly elected President of France had challenged the established consensus on how to deal with difficulties in the Eurozone, by promoting a switch in emphasis from austerity to growth.

The deteriorating global economic backdrop had offered little solace to investors, with the UK, and much of Europe, falling into recession, mixed data in the US and reduced activity in China. Nevertheless, the difficulties of

the Eurozone were widely cited as the greatest threat to global economic activity.

In the UK, the Bank of England had cut its economic growth forecast for 2012, from 1.2% to 0.8%. This compared with an average of 0.3% made by 'independent' forecasters and just 0.1% by the British Chamber of Commerce. In June, the Chancellor of the Exchequer had announced a £100bn support programme for the economy, with a 'funding for lending' scheme at its core. The Governor of the Bank of England had hinted that short-term interest rates might be cut to zero, in order to stimulate the economy.

Key events during the quarter were:

Global Economy

- EU had agreed €100bn 'bailout' facility for Spanish banks.
- Ratings agencies had cut credit ratings of UK, European and US banks.
- Short-term interest rates had remained unchanged in the UK, US and Eurozone.
- China had cut key interest rate on concerns over prospects for economic growth.
- France, Germany, Italy and Spain had agreed €130bn economic growth package.

Equities

- Equities were highly volatile, reflecting the ebb and flow of economic and financial news.
- The strongest sectors relative to the 'All World' Index were defensives - Telecoms (+8.4%) and Health Care (+7.3%); the weakest were cyclical - Basic Materials (-6.3%) and Oil & Gas (-3.7%).

Bonds

- Yields on UK, German and US government bonds had reached record lows in early June on continued flight to safety.
- Borrowing costs for Spain and Italy had risen to levels not sustainable in the long term.

The bailout of Spanish banks and other 'rescue' packages had dealt effectively with the immediate crisis in the Eurozone. The longer term outlook remained uncertain. Much depended on the recently agreed EU fiscal treaty and proposed Europe-wide banking supervision.

HR advised the Committee of the performance of the individual Fund managers. Details are available in the exempt minutes.

b) Royal London (RLAM)

Paul Rayner (Head of Government Bonds) and Fraser Chisholm (Client Services Manager) attended the meeting to deliver a presentation on their performance in Quarter 1. Details are available in the exempt minutes.

c) Standard Life (SL)

David Cumming (Executive Director, Head of Equities) and Dale MacLennan (Investment Director, Global Account Management) attended a meeting to deliver a presentation on their performance in Quarter 1. Details are available in the exempt minutes

d) Miscellaneous

The Committee **noted:**

1. Hymans' performance monitoring report and presentation;
2. the presentations from the Funds UK Equities Manager (Standard Life) and the Funds Investment Grade Bonds Manager (Royal London);
3. the summary of the performance of the Pension Fund as set out in the report;
4. the quarterly reports provided by each Investment Manager;
5. that there were no Corporate Governance issues arising from the voting as detailed by each manager;
6. that UBS have appointed a new portfolio Manager – Howard Meaney who had joined the team on 17 September 2012; and
7. that there would be no further draw downs of funds to supplement the cash balances pending the outcome of the Investment Strategy Review.

12 INVESTMENT STRATEGY REVIEW UPDATE

The Committee considered a report from the Fund's Investment Advisers regarding the direction the Investment Strategy should take.

Chairman