MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Council Chamber - Town Hall
12 December 2012 (5.30 - 7.20 pm)

Present:

COUNCILLORS

Conservative Group	Melvin Wallace (Chairman), Georgina Galpin (In place of Becky Bennett), Eric Munday and Roger Ramsey
Residents' Group	Clarence Barrett (In place of Ron Ower)

Apologies were received for the absence of Councillors Becky Bennett and Ron Ower, and for the absence of Marian Clay (Admitted/Scheduled Bodies Representative).

All decisions were taken with no votes against.

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

25 **MINUTES OF THE MEETING**

The minutes of the meetings held on 2nd October and 31st October 2012, including the exempt minutes for the meeting held on 2nd October 2012, were agreed as a correct record, and signed by the Chairman.

26 **AUTOMATIC ENROLMENT**

The Committee were advised that the Pensions Regulator together with the Department of Work and Pensions were overseeing changes to the Pensions Act 2011, which required employers to offer a pension scheme to their employees, to automatically enrol those who meet certain criteria on the employers staging date, monitor other employees to ascertain when they meet the set down criteria, and to re-enrol those who opt out of the scheme every three years.

For Havering the staging date was 1 March 2013. The statistics around automatic enrolment in Havering showed that at present there were only approximately 630 non school employees who were not either in the LGPS or Teachers Pension scheme, hit the age or earnings trigger and were therefore due to be enrolled under automatic enrolment.

Officers had estimated that the cost of employer's contributions per year, if all eligible job holders stayed in the appropriate pension scheme, would be approximately £2.4m. However, all salary budgets already included the on-cost for employer's contributions.

The cost of non-compliance would be £10,000 per day for the Council. The costs of the Pension Project Manager, communications and training fall on the Council not the Pension Fund.

The Committee sought assurance that the schools had been consulted on the changes. Officers gave an assurance that they had been sharing information with the schools. With regard to transitional relief a decision had been taken that this would not be applied for as this would require the Council to run two schemes. The Group Director, Finance and Commerce would speak to the Lead member regarding outstanding issues.

The Committee:

1. **Noted** the impact of automatic enrolment and the activities to prepare for the Council's staging date of 1 March 2013, in accordance with the Workplace Pension Reform;
2. **Agreed** the Communication Plan for automatic enrolment; and
3. **Noted** that a revised Pension Fund Communication Strategy would be submitted to the next scheduled meeting of the Committee in March.

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 **REVIEW OF INVESTMENT MANAGERS' PERFORMANCE FOR THE THIRD QUARTER OF 2012.**

Officers advised the Committee that the net return on the Fund's investments for the quarter to 30 September 2012 was 3.7%. This represented an out performance of 0.5% against the combined tactical benchmark and an outperformance of 1.8% against the strategic benchmark. The overall net return for the year to 30 September 2012 was 14.1%. This represented an out performance of 0.9% against the annual tactical combined benchmark and an under performance of -1.6% against the annual strategic benchmark.

The Committee were advised that UK Equities had made solid gains in the quarter as markets were boosted by Central Bank stimulus measures across the globe. The UK economy remained sluggish and the Bank of England had cut its forecast for growth in 2012 to close to zero. Global markets had posted steady gains despite economic growth forecasts being revised downwards. The Central Banks provided further policy supports to financial markets. Core government bonds had been driven into expensive territory due to demand of a flight to safety and the effects of quantitative easing. There were no changes to UK interest rates at 0.5% and inflation closer to targets.

1. Hymans Robertson (HR)

HR advised the Committee that in many European countries, including the UK, there was an active debate over the balance between austerity measures and the need to promote economic growth. Civil unrest in Spain and Greece in September demonstrated the deep unpopularity of austerity measures. In the US, weak employment numbers were a recurring source of concern. The Eurozone crisis had been regularly cited as the greatest threat to the global economy. In the US and China decelerating economic growth had been the catalyst for further monetary easing.

In bond markets, Spain, Portugal and Italy continue to pay a ‘premium’ price for borrowing. In contrast, certain German bonds, at times. Returned a negative yield, as investors effectively paid for the security they offered.

Key events during the quarter were:

Global Economy
· Policy makers in the UK, Eurozone, US, Japan and China had announced further asset purchase programmes to stimulate economies;
· Short-term interest rates were unchanged in UK, US and Japan;
· Eurozone short-term interest rates were cut, from 1.0% to 0.75%;
· France and Italy had pressed the case for economic growth rather than austerity as policy priority;
· Moody’s had placed the outlook for credit ratings of Germany and Netherlands on ‘negative watch’.

Equities
· Apple became world’s largest company measured by market capitalisation ($623bn);
· The strongest sectors relative to the ‘All World’ Index were Oil & Gas (+2.6%) and Financials (+1.6%); the weakest were Utilities (-5.7%) and Consumer Goods (-2.4%).

Bonds
· The ECB had announced a bond purchase programme to assist countries struggling to raise funds;
· Corporate bonds had outperformed government issues by a significant margin.

The action taken by policy makers during the quarter reflected deep unease about the global economic outlook. For the US, and indeed the global economy, much depended on the outcome of the November presidential election. The two main candidates offer very different economic strategies.

The Committee were advised of the performance of the various Investment managers during the quarter. Further details are available in the confidential minutes.

2. State Street (SS)

Kevin Cullen, Senior Relationship Manager advised the Committee that the Passive Equity Portfolio continued to perform as expected. Since inception the fund had outperformed the benchmark by 0.03%.

The Committee thanked Mr Cullen for his presentation.

3. UBS Triton (UBS)

The new Portfolio Manager, Howard Meaney and Natasha Paterson, Investor Relations attended the meeting to update the Committee on the current position with the UBS Triton Fund. Details of the discussions are included in the exempt minutes.

29 **INVESTMENT STRATEGY REVIEW**

At the last meeting of the Committee consideration was given to some interim changes to the allocation of funds across the asset classes. To allow this to happen the Committee needed to agree an interim amendment to the current Statement of Investment Practice pending completion of the review of the Investment Strategy.

In accordance with the guidance given at the last meeting officers had invested the proposal to initially increase the asset allocation to the Absolute Return Manager from 10& to 15%. This would be funded by reducing the assets held by the passive equities manager.

The other employers in the fund had been notified of the intended changes to the investment strategy and the interim change to the asset allocations. No adverse comments had been received.

The Committee agreed:

1. To the interim amendment of the current Statement of Investment Practice (SIP), pending completion of the review of the investment strategy;
2. That the Chairman of the Committee be delegated to make the final decision on the proposal having considered any representations made; and

3. To note that a more detailed report would be presented to the Committee setting out the full proposal for the SIP and an action plan for implementation.

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Chairman