

PENSIONS INVESTMENT SUB-COMMITTEE

Minutes of the meeting held at 7.00 pm on 19 September 2012

Present:

Councillor Paul Lynch (Chairman)
Councillor Julian Grainger (Vice-Chairman)
Councillors Graham Arthur, Richard Scoates and Stephen Wells

Also Present:

Glenn Kelly (Non-Voting Staff Representative)

44 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillors John Ince, Russell Mellor and Neil Reddin who was replaced by Councillor Graham Arthur.

45 DECLARATIONS OF INTEREST

Members present declared an interest as members of the Bromley Local Government Pension Scheme.

Councillor Paul Lynch declared an interest as the company he worked for were on the long list of potential DGF Managers (minute 53 – Revised Investment Strategy - Update).

46 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 8TH MAY 2012 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED that the minutes of the meeting held on 8th May 2012 (excluding exempt information) be confirmed as a correct record.

47 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

Members noted the following updates from previous meetings –

(A) Auto-enrolment (Minute 35, 8th May 2012)

Auto enrolment was due to start in March 2013, although a later start was still possible. A report from Liberata had indicated that, in the year ended 30th June 2012, 31% of new staff who were eligible did not join either the LGPS or the Teachers' Pension Scheme.

(B) Pension Fund Investment Strategy Review (minute 38, 8th May 2012)

An update was provided in part 2 of the agenda.

(C) London Mutual Pension Fund (minute 35, 8th May 2012)

The Finance Director reported that it was now unlikely that the proposals would proceed in the near future.

(D) Government Proposals for the LGPF (minute 35, 8th May 2012)

The latest proposals from Government were intended to reduce employers' cost, but savings were likely to be modest, at most 1-2%, with 10 year protection reducing this further. The reference to a cost ceiling was more helpful, though. The Council was lobbying to change the rules for non-consolidated bonuses, which were non-pensionable in other public sector schemes, but not in the LGPS. There were also changes to give more protection to staff whose work was outsourced and there might be more applications for admitted body status – further detail was awaited in the next few months.

48 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

49 PENSION FUND PERFORMANCE Q1 2012-13
Report RES12159

The Sub-Committee received a summary of the investment performance of Bromley's Pension Fund for the first quarter of the financial year 2012/13. The report also contained information on general financial and membership trends relating to the Pension Fund and summarised information on early retirements.

The Sub-Committee's Independent Advisor, Mr Alick Stevenson, briefed Members on three significant factors –

(i) The announcement at Jackson Hole by Ben Bernanke, Chairman of the US Federal Reserve, of a significant round of quantitative easing, which had not been expected so close to the US presidential election.

(ii) The statement by Mario Draghi, President of the European Central Bank, that it would do everything possible, without limit, to protect the euro.

(iii) The decision by Saudi Arabia to pump more oil in an effort to promote growth in the global economy.

In addition, he thought that further quantitative easing from the Bank of England was possible in the next few months.

Turning to the performance of the Council's fund managers, Mr Stevenson reported that it had been a poor quarter, with both Fidelity and Baillie Gifford producing negative returns and staying close to their benchmarks. However, Baillie Gifford had used their asset class bandwidth and as a result produced better results, with a 1.1% impact from currency attribution, whereas with Fidelity it was just 0.5%.

Mr Stevenson also informed the Sub-Committee about Fidelity's Europe (Ex UK) fund, as nearly 16% of funds were now invested in the UK, and 1.9% in the USA. He explained that the fund manager was permitted to generate performance outside their benchmark by up to 20%, but he was concerned that this had not been highlighted.

RESOLVED that the contents of the report be noted.

50 PENSION FUND ANNUAL REPORT 2011-12
Report RES12158

The Sub-Committee received the annual report and accounts of the Bromley Pension Fund for the year ended 31st March 2012 which the Council was required to publish. The report had been submitted in draft form to the external auditor, PricewaterhouseCoopers LLP (PWC) in June and a final draft was submitted for audit on 4th September. No significant issues had been raised in this audit, and PWC's ISA 260 (International Standards for Auditing) report was attached as appendix 2 to the report.

The Chairman suggested that a training evening be held for Members which could focus on issues such as global equities and fixed income. The Finance Director would prepare a framework for the evening and seek the views of the Sub-Committee.

Alick Stevenson reported that there had been talk at the recent Local Government Association conference of a 50% or low cost pension option, and it was suggested that, along with auto-enrolment, this might help to stop the rate of opting out from increasing. With fewer members funds would lose flexibility and need to focus more on low risk investments.

RESOLVED that the Pension Fund Annual Report 2011/12 be noted and approved and, on completion of the external audit by PWC, arrangements be made to ensure publication by the statutory deadline of 1st December 2012.

**51 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE
LOCAL GOVERNMENT (ACCESS TO INFORMATION)
(VARIATION) ORDER 2006 AND FREEDOM OF INFORMATION
ACT 2000**

RESOLVED that the Press and public be excluded during consideration of the items of business referred to below as it is likely in view of the

nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

**The following summaries
refer to matters
involving exempt information**

52 CONFIRMATION OF EXEMPT MINUTES - 8TH MAY 2012

The exempt minutes of the meeting held on 8th May 2012 were confirmed.

53 REVISED INVESTMENT STRATEGY - UPDATE
Report RES12160

The Sub-Committee received an update on progress with a revised investment strategy.

54 PENSION FUND - INVESTMENT REPORT

Quarterly reports from both Fund Managers, Fidelity and Baillie Gifford, had been circulated prior to the meeting and a representative from Fidelity attended the meeting to present their report and answer questions.

The Meeting ended at 8.26 pm

Chairman