

INVESTMENT SUB-COMMITTEE

Minutes of the meeting held on 2nd February 2010

Present

Councillor Brian Toms (Chairman)
Councillor Peter Morgan (Vice-Chairman)
Councillors Julian Grainger, Russell Mellor and Ernest Noad

Councillor Eric Bosshard was also present

21 APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS

An apology for absence was received from Councillor Reg Adams.

22 DECLARATIONS OF INTEREST

Councillors Eric Bosshard, Julian Grainger, Russell Mellor and Ernest Noad declared a personal interest as members of the Local Government Pension Scheme.

Councillor Noad declared a personal interest in relation to item 9 (Trial Asset Allocation Service) and did not participate in the discussion thereon.

23 MINUTES

RESOLVED that the Minutes of the meeting held on 3rd November 2009, excluding those containing exempt information, be confirmed.

24 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

The action which had subsequently been taken in relation to the Pension Fund Annual Report 2008/09 (Minute 16 – 3.11.09) was noted. A further report updating Members in relation to the Future Asset Allocation Options (Minute 20 – 3.11.09) was to be considered in the confidential part of the Sub-Committee's meeting.

25 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

26 PENSION FUND PERFORMANCE
Report DR10014

The Sub-Committee considered a report received from the Director of Resources detailing the investment performance of Bromley's Pension Fund for the first three quarters of the financial year 2009/10. Information was also provided on general financial and membership trends of the Pension Fund and in relation to early retirements during the year.

Notwithstanding the fluctuations which had occurred in recent years in the total market value of Bromley's Fund, there had been a steady improvement in the total value until the turmoil in the financial markets in the latter half of 2008/09. However, since the fall in the fund value to £298.1m at 31st March 2009, there had been a marked improvement in the first three quarters of 2009/10 whereupon the fund value had risen from £324m at 30th June 2009 to £408m as at 31st December 2009. The latest fund value at the date of this meeting had shown a slight decrease to £402m.

In the September 2009 quarter, Bromley's Fund had achieved an overall ranking of 1% and had been the best performing fund in the local authority universe. This had followed a good ranking of 11% in the June 2009 quarter. Local authority averages for the December 2009 quarter were not yet known and would be reported to the Sub-Committee's next meeting.

In examining the last quarterly performance, Members noted that Baillie Gifford had performed better than Fidelity, having returned 4.8% in the December quarter (1.9% above benchmark) and had achieved a cumulative return of 38.7% in the period 1st April 2009 to 31st December 2009 (5.8% above their benchmark). This compared with Fidelity having returned 3.8% in the December quarter (1.0% above benchmark) and having achieved a cumulative return of 34.9% in the first three quarters of the year (4.2% above their benchmark). Baillie Gifford's performance in the last year (+ 27.3%) was now better than Fidelity's (+ 26.2%), although Fidelity's three and five year performance (+ 5.8% and + 9.0%, respectively) was still better than Baillie Gifford's (+ 5.0% and 8.8%, respectively).

The Director of Resources' representative informed the Sub-Committee that Bromley's Pension Fund had recently won a "Local Government Chronicle" award for the best performance and return on equities of all pension funds over the past three years. Members considered that this achievement reflected the strategy and direction provided by this Sub-Committee and also acknowledged the performance of the fund managers over this period. The Director of Resources was requested to ensure that all members of staff were made aware of the performance of the Pension Fund. Members also requested that the report to the Sub-Committee's next meeting

should provide details, in graph form, on the absolute performance of the fund in terms of purchasing power in comparison with either the retail price index or index-linked gilt indices and showing whether or not the fund's growth had occurred entirely as a result of the Council's injection of investments since 2002.

Members were reminded that the next full actuarial valuation of the fund would take place as at 31st March 2010 and that the officers were due shortly to meet with representatives of the Council's Actuary to discuss their approach to the valuation. The Chairman felt that, in view of the financial benefits which could accrue to the Council, an extension of the deficit recovery period was worth considering. A report on the latest actuarial valuation of the fund and setting out the Council's contribution for the three years from 2011/12 would be submitted to this Sub-Committee in November 2010.

RESOLVED that

(1) the report of the Director of Resources and present position be noted; and

(2) details be included in the report submitted to the next meeting showing the absolute performance of the fund in comparison with the retail price index or index linked gilt indices.

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

RESOLVED that the Press and public be excluded during consideration of the items of business referred to in the following Minutes 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

28 EXEMPT MINUTES – 3rd NOVEMBER 2009

The exempt Minutes of the meeting held on 3rd November 2009 were confirmed, subject to minor amendment.

29 TRIAL ASSET ALLOCATION SERVICE

Further to Minute 20 (3.11.09), the Sub-Committee considered details of the latest performance regarding Bromley's trial Asset Allocation Service operated by AEGON Asset Management and agreed that further discussions thereon should continue and that representatives of that Company should be invited to attend the next meeting.

30 PENSION FUND - INVESTMENT REPORT

The Sub-Committee noted the reports on Investment Performance. Representatives from Fidelity attended the meeting and answered various questions from Members.

Chairman

The meeting started at 6.30 pm and ended at 8.21 pm.