

## **INVESTMENT SUB-COMMITTEE**

Minutes of the meeting held on 4<sup>th</sup> May 2010

### **Present**

Councillor Brian Toms (Chairman)  
Councillors Eric Bosshard, Julian Grainger,  
Russell Mellor and Ernest Noad

### **31 APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS**

Apologies for absence were received from Councillors Reg Adams and Peter Morgan.

### **32 DECLARATIONS OF INTEREST**

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

Councillor Noad declared a personal interest regarding item 8 (in relation to the Trial Asset Allocation Service and did not participate in the discussion thereon).

### **33 MINUTES: 2<sup>ND</sup> FEBRUARY 2010, EXCLUDING EXEMPT INFORMATION**

The Chairman referred to Minute 26 (Pension Fund Performance) and sought information in relation to the request which had been made by the Sub-Committee that the report to this meeting (Minute 36 refers) was to have provided, in graph form, details 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 shown whether or not the fund's growth had

occurred entirely as a result of the Council's injection of investments since 2002. In response, the Director of Resources commented that he had sought further clarification from Members of the Sub-Committee as to exactly what the graphs were required to show, but no response had been received. As an interim measure, pending further clarification, the amounts of Pension Fund Revenue Account which had been paid over to fund managers since 1<sup>st</sup> April 2001 had been included in the table in paragraph 5.2 of the Director's report at Minute 36 below.

**RESOLVED that the Minutes of the meeting held on 2<sup>nd</sup> February 2010, excluding those containing exempt information, be confirmed.**

**34            MATTERS OUTSTANDING FROM PREVIOUS MEETINGS**

A further report updating Members in relation to the Trial Asset Allocation Service (Minute 29 – 2.2.10) was to be considered in the confidential part of the Sub-Committee's meeting.

**35            QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING  
THE MEETING**

No questions had been received.

**36 PENSION FUND PERFORMANCE**  
**Report DR10046**

The Sub-Committee considered a report received from the Director of Resources detailing the investment performance of Bromley's Pension Fund for the whole 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.

The total market value of Bromley's Fund had fluctuated considerably in the last few years. However, since 2002/03, in spite of some periods of volatility, most notably the turmoil in the financial markets in the latter half of 2008/09, there had been a steady improvement in the total value which, as a result of an increase of almost 50% over 2009/10, stood at £446.4m at the year end on 31<sup>st</sup> March 2010. The latest fund value at the end of last week had shown a slight decrease to £444m.

Over 2009/10 Bromley's Fund had achieved an overall ranking of 3% in the December 2009 quarter (the lowest rank being 100% in the local authority universe) which had followed rankings of 1% in September 2009 and 11% in June 2009. The rankings for the March 2010 quarter were not yet available and would be reported to the next meeting but it appeared that the Bromley Fund's performance in 2009/10 would be one of the best in the local authority universe. At total fund level, a summary of the fund performance returns in 2009/10 was shown in comparison with the local authority averages, the details of which for the March 2010 quarter were not yet known and would be reported to the Sub-Committee's next meeting. The performance of the fund managers, Baillie Gifford and Fidelity, were indicated and showed a return from Baillie Gifford of 51.3% against their benchmark of 42.3% and a return from Fidelity of 45.9% against their benchmark of 39.8%.

Members expressed satisfaction at the latest figures but were mindful that these had to be considered within the context of the unusual financial circumstances which had prevailed in recent times. The Director of

Resources indicated that the Sub-Committee would be provided with a performance comparison with other local authority funds at a future meeting. Members were also reminded that the next full actuarial valuation of the fund based on the figures at 31<sup>st</sup> March 2010 was to take place shortly with information provided to the actuary next month prior to the anticipated submission of a report thereon to the Sub-Committee's meeting in November 2010 and which would also set out the Council's contribution for the three years from 2011/12. Members felt that the actuarial valuation should include a review of the funding level and highlight assumptions in relation to the broad movement of assets and liabilities.

Some Members expressed concern that, unlike most other Council pension funds, the Bromley fund currently lacked any exposure to property. This was seen as a potential disadvantage, particularly as property funds were recovering and in relation to the loss of rent yields. Questions were raised as to why the Glades Shopping Centre had not been included in the Pension Fund. In supporting the decision which had excluded the Glades from the Pension Fund, the Director of Resources pointed out that the Council received 15% of the rents from the Glades which equated to £2.9m a year but that, at present, there was a high level of vacant retail units. Furthermore, as the freeholder, the Council would be required to make a large contribution to the refurbishment of the Glades. The Director also drew attention to implications for the pension fund in relation to financing maintenance where physical property was included in the Portfolio. The Chairman also expressed doubt as to whether the size of the Bromley Pension Fund would enable there to be sufficient property to be able to spread the risk and indicated that it was harder to diversify in property than in either equities or bonds. Another Member was also concerned that, in times of an economic downturn, the volatility of the property market could prove to be a large liability.

The Sub-Committee recognised that detailed consideration was required in order to determine the long term strategy of whether or not to include property in the Bromley Pension Fund and, to this end, the Director of Resources undertook to bring forward a report to a future meeting which

would include the current activities of the fund managers around property together with advice from the Council's actuary.

**RESOLVED that**

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

**(2) the report on the latest actuarial valuation of the fund to be submitted to the Sub-Committee's meeting in November 2010 should include a review of the funding level and the broad movement of assets and liabilities; and**

**(3) the Director of Resources be requested to submit a report to a future meeting setting out the issues for discussion on whether or not property should be included in the Bromley Pension Fund, including details of current activity around property by the fund managers and advice from the Council's actuary.**

**37 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**

### **38 EXEMPT MINUTES – 2<sup>ND</sup> FEBRUARY 2010**

The exempt Minutes of the meeting held on 2<sup>nd</sup> February 2010 were confirmed.

Further to Minute 29 (2.2.10), the Sub-Committee was updated by the Director of Resources regarding Bromley's trial Asset Allocation Service operated by AEGON Asset Management. In the light of the proposal reported, officers were requested to obtain further documentation and data relating to the trial for consideration at the Sub-Committee's next meeting.

### **39 PENSION FUND – INVESTMENT REPORT**

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

### **40 LAST MEETING**

This was the last meeting of the Sub-Committee in the current Council term. The Chairman, Councillor Toms, was not standing at the forthcoming Borough Elections. Members of the Sub-Committee, supported by the Director of Resources, paid tribute to the expertise, informed knowledge and intellect, together with the leadership, that Councillor Toms had displayed in chairing the Sub-Committee for the past seven years in which decisions had been taken which had contributed to the total value of the fund having more than doubled over that period. Reference was also made that this would be the last meeting attended by Richard Millar (Democratic Services) prior to his imminent retirement from the Council's employment and the Chairman recorded his thanks and those of the Sub-Committee for the excellent work he had done over the years.

Chairman

The meeting started at 6.30 pm and ended at 8.25 pm.