

## **PENSIONS INVESTMENT SUB-COMMITTEE**

Minutes of the meeting held at 7.30 pm on 11 February 2014

### **Present**

Councillor Paul Lynch (Chairman)  
Councillor Julian Grainger (Vice-Chairman)  
Councillors Eric Bosshard, Russell Mellor, Neil Reddin FCCA,  
Richard Scoates and Stephen Wells

### **28 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

There were no apologies.

### **29 DECLARATIONS OF INTEREST**

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

### **30 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 7TH NOVEMBER 2013 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION**

The minutes were agreed.

### **31 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING**

There were no questions.

### **32 PENSION FUND PERFORMANCE Q3 2013/14**

#### **Report FSD14019**

The report on Pension Fund Performance included summary details of the investment performance of Bromley's Pension Fund in the 3<sup>rd</sup> quarter of the financial year 2013/14. The report also contained information on the general financial and membership trends of the Pension Fund and summarised information on early retirements.

The market value of the Fund rose in the December quarter to £618.8m, compared to £601.8m as at 30<sup>th</sup> September 2013 and £526.0m as at 31<sup>st</sup> December 2012.

As the transition for Phase 2 of the Fund's revised strategy had only been implemented shortly before Christmas, it had not been possible to produce the usual full performance report. However, the detail on investment

performance for the parts of the Fund that had not undergone changes was provided in a separate report from the Fund's external advisers, AllenbridgeEpic.

**RESOLVED that the report be noted.**

**33           REVISED INVESTMENT STRATEGY - TRANSITION TO  
GLOBAL EQUITIES (PHASE 2)**

**Report FSD14017**

Members considered a report from the Fund's advisers, AllenbridgeEpic, on the completion of Phase 2 (Global Equities) of the revised strategy agreed by the Sub-Committee in February 2012.

In February 2012, the Sub-Committee agreed a future strategy for the Fund, comprising a 10% allocation to Diversified Growth, a 70% allocation to global equities and a 20% allocation to fixed income. It was agreed that the revised strategy would be implemented in three separate phases and, following a "beauty parade" in November 2012, Phase 1 was completed on 6<sup>th</sup> December 2012 with the award of two £25m Diversified Growth mandates to Baillie Gifford and Standard Life.

On 17<sup>th</sup> October 2013, at a "beauty parade" for Phase 2 of the revised strategy, the Sub-Committee received presentations from four global equity managers (Baillie Gifford, Blackrock, MFS and Threadneedle) and agreed to award mandates to three of them (Baillie Gifford £200m, Blackrock £120m and MFS £120m). Transition to the new mandates was completed on 20<sup>th</sup> December 2013.

The update on the report and the transition was provided by the Council's advisor on investment matters, Mr Alick Stevenson from AllenbridgeEpic Investment Advisers. Mr Stevenson requested that his thanks to Mr Dave Starling and Mr Martin Reeves be noted.

**RESOLVED that the report be noted.**

**34           REVISED INVESTMENT STRATEGY - PHASE 3 UPDATE  
(FIXED INCOME)**

**Report FSD14018**

This report provided an update on Phase 2 of the revised investment strategy (fixed income) and, in response to questions raised at the November 2013 meeting, asked the Sub-Committee to give additional consideration to the allocation of fixed income.

Mr Stevenson drew attention to the criteria that he looked at in assessing potential new fund managers to participate in phase 3 of the strategy. In excess of 20 potential new fund managers had been identified that met the

criteria and, if required, this could easily be reduced to a shortlist for further consideration. Mr Stevenson noted that the actuary had produced a Fund cash flow forecast to aid the discussions. Mr Stevenson advised that, in the current market conditions, it would be prudent to look more closely at alternative “protection-type” assets and offered to produce a report for the next meeting setting out options.

Mr Stevenson recommended that, in the interim, the Sub-Committee should consider moving funding for various income assets from Baillie Gifford to Fidelity. A Member questioned why this had to take place. The response to this was that the mandate had a heavy reliance on Gilts and Baillie Gifford would need a change of mandate to reflect changes in current arrangements. The Committee recommended that if the Baillie Gifford Mandate could be changed if they had an alternative product available to closely match Fidelity’s higher returns, then funds should stay with them. However, if this was problematic, then funds should be transferred to Fidelity. It was agreed that any movement of funds to Fidelity or to an alternative product within Baillie Gifford would only proceed following the agreement of the Chairman.

**RESOLVED**

**(1) that the report be noted;**

**(2) the Committee agreed to defer a decision on the final allocation to fixed income and requested a report to the next meeting of the Sub Committee on alternative “protection type” assets as part of the fixed income allocation; and**

**(3) agreed that any movement of fixed income funds to Fidelity or to an alternative product within Baillie Gifford would only proceed following the agreement of the Chairman.**

**35 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**

**36 CONFIRMATION OF EXEMPT MINUTES - 7TH NOVEMBER 2013**

The exempt minutes were agreed.

**37 PENSION FUND TRIENNIAL VALUATION**

**Report FSD14016**

Members considered a report on matters related to the 2013 actuarial valuation for Bromley's Pension Fund. Recommendations were to be put to Council on **the period for the Pension Fund deficit to be recovered**. The Actuary attended the meeting to present his findings.

**38 PENSION FUND - INVESTMENT REPORT**

Quarterly performance reports (to 31st December 2013) from Baillie Gifford and Fidelity had been circulated to Sub Committee Members prior to the meeting along with quarterly reports (to 31st December 2013) from Standard Life Investments and Baillie Gifford in respect of the Diversified Growth Fund investments. Further quarterly reports were also provided from MFS International (UK) Ltd re Global Value and Baillie Gifford concerning Fixed Interest investments. A representative from Standard Life Investments attended the meeting to present their investment review and answer questions.

The Meeting ended at 10.10 pm

Chairman