

PENSIONS INVESTMENT SUB-COMMITTEE

Minutes of the meeting held at 7.30 pm on 18 November 2015

Present

Councillor Teresa Ball (Chairman)

Councillors Eric Bosshard, Simon Fawthrop, David Livett,
Russell Mellor and Richard Williams

Also Present

Jane Harding, Employer Representative - Local Pension
Board
Alick Stevenson
Brian Toms, Employer Representative - Local Pension
Board

12 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies were received from Councillor Onslow and from Cllr Mellor for late attendance.

Apologies were also received from Lesley Rickards as a Local Pension Board representative.

13 DECLARATIONS OF INTEREST

There were no declarations.

14 CONFIRMATION OF MINUTES OF THE SUB-COMMITTEE'S MEETING HELD ON 23RD SEPTEMBER 2015 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

The minutes were agreed.

15 MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 26TH OCTOBER 2015 (FOR INFORMATION)

Although minutes of the Local Pension Board meeting had been drafted it had not been possible to clear the minutes with officers or Chairman of the Board. The minutes would be circulated to Sub-Committee Members as soon as they had been cleared by officers and agreed with the Board's Chairman.

In view of workload pressures for Democratic Services, Members of the Sub-Committee agreed that they would be content to receive more concise minutes which primarily focused on recording action points and decisions.

16 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

There were no questions.

17 GENERAL UPDATE

The Director of Finance provided a brief update on a number of matters:

- apart from L B Bromley all the other London Boroughs are expected to have joined the London-wide Collective Investment Vehicle;
- further multi-asset pools were being developed through other local authorities which could be of benefit for L B Bromley;
- there was now no need of a combined Pension Board arrangement;
- Public Sector exit cap was expected to be implemented next summer;
- an investigation by KPMG, commissioned by the Local Government Pension Scheme Advisory Board, into the viability of separating a local pension fund from its host authority appears to have resulted in no further action to take the idea forward; and
- the Pensions Seminar originally scheduled for 11th November would now be held at the Civic Centre on Monday 11th January 2016 at 7.30pm;
- an explanation of a new EU Directive affecting local authority Pension Funds would be covered at the seminar.

18 PENSION FUND PERFORMANCE Q2 2015/16

Report FSD15068

Summary details were provided of the investment performance of Bromley's Pension Fund for the second quarter 2015/16 along with information on general financial and membership trends of the Fund and summarised information on early retirements.

AllenbridgeEpic provided further detail on investment performance and Baillie Gifford provided commentary on second quarter performance, future economic outlook, and recent developments in financial markets.

The market value of the Fund ended the September quarter at £684.4m (£710.9m as at 30th June 2015) but by the end of October 2015 it had

recovered to £718.3m. The Fund's medium and long-term returns remained particularly strong.

The total fund returned -3.8% (net of fees) in the latest quarter, compared to the benchmark return of -3.6% and the local authority average of -3.5%. In regard to the local authority average, the fund's performance in the September quarter was in the 66th percentile (the lowest rank being 100%).

Report FSD 15068 also provided an update on admission agreements for outsourced services and related questions at the meeting were clarified. A rise in membership numbers was also noted which could be attributed primarily to the effect of auto-enrolment.

A Member suggested that Diversified Growth Funds had not been performing well for the Pension Fund. There appeared to be significant investment in high risk which was not earning a particularly good yield. The Member suggested that investment in high rate Corporate Bonds could have earned a similar return and suggested the Sub-Committee now review the Diversified Growth investments and their returns. Although such investments were long term he questioned how much longer they should continue given the level of returns being earned; if the Council was not prepared to take risks with its Treasury investments he felt it should not be prepared to take risks with its Pension Fund investments. Mr Stevenson offered to arrange for Baillie Gifford and Standard Life to indicate why they had made the particular DGF investments, the response being reported at the Sub-Committee's next meeting. If there were a further two quarters of poor performance, Mr Stevenson suggested that the Fund Managers be asked to account for their investments and perhaps a further strategy would be necessary for consideration. The Director suggested that Mr Stevenson look at income aspects for the Fund; the Director also outlined background to the Fund's investment strategy. How often asset allocation should be changed was a consideration but it was necessary to think long term for the Fund over 5/10/15 years.

RESOLVED that:

(1) Report FSD15068 be noted; and

(2) the position regarding admission arrangements for outsourced services as set out at paragraphs 3.11 to 3.14 of Report FSD15068 be noted.

19 PENSION FUND - INVESTMENT REPORT

Members received a presentation from MFS representatives, an electronic version of which had been provided in advance of the meeting.

In reviewing performance results, the last quarter was referred to by MFS as a difficult period where markets were negative. On the other hand, the MFS portfolio had outperformed the MSCI World Index (net div) for the past year to

30th September 2015. The portfolio had also outperformed the index since inception in December 2013.

**20 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**

**21 CONFIRMATION OF EXEMPT MINUTES - 23RD SEPTEMBER
2015**

The exempt minutes were agreed.

22 INVESTMENT PROPOSAL

Report FSD15070

Members considered a potential gifting of a significant asset to the Council's Pension Fund.

The Meeting ended at 9.39 pm

Chairman