

PENSIONS INVESTMENT SUB-COMMITTEE

Minutes of the meeting held at 7.30 pm on 19 May 2016

Present:

Councillor Teresa Te (Chairman)
Councillor Keith Onslow (Vice-Chairman)
Councillors Eric Bosshard, Simon Fawthrop, David Livett,
Russell Mellor and Richard Williams

Also Present:

Jane Harding, Employer Representative - Local Pension Board
Alick Stevenson, AllenbridgeEpic Investment Advisers
Brian Toms, Employer Representative - Local Pension Board
Rohan Worrall, AllenbridgeEpic Investment Advisers

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

There were no apologies for absence.

2 DECLARATIONS OF INTEREST

There were no additional declarations of interest.

3 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 11TH FEBRUARY 2016

The minutes of the meeting held on 11 February 2016 were agreed, and signed as a correct record.

4 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

There were no questions.

5 POOLING OPTIONS

Report FSD16034

The Committee received a further update from the Director of Finance on the "Pooling Options" report considered at the previous meeting of the Sub-Committee where details of the pooling options consisting of the London

Collective Investment Vehicle (CIV) and ACCESS were considered. Members agreed that the Director of Finance, in consultation with the Chairman and Vice-Chairman submit a formal first stage consultation response incorporating the views expressed at the meeting and reflecting the outcome of a follow up meeting with the London Borough of Wandsworth and Kent County Council. The outcome of these meetings was reflected in the consultation responses submitted and attached as [Appendix 2](#) to the report. The consultation response was submitted on 19th February 2016 and also covered proposed changes to pension regulations which enabled a direction from the Secretary of State in terms of where to invest in the future and powers for the Secretary of State to intervene if Councils did not pool their investments. The consultation response from the Council referred to being minded to join the London CIV but to retain the option to be able to join more than one pool. It also included Bromley's concerns about the affordability of the pension scheme and issues relating to outsourcing although this was outside the scope of what was required in the response. In March 2016, the Minister for Local Government wrote to the Chairmen of every Pension Committee to outline issues raised for individual submission and confirming that individual funds could not join multiple pools. He also revealed the preference for pools to be set up and regulated through the Financial Conduct Authority (FCA) which prevented a lower cost "joint committee" option.

Apart from Bromley, all other London Boroughs had joined the London CIV. The report recommended that the Council joined the London CIV on the basis of an expected lower cost option of joining; it was already FCA regulated with potential for earlier achievement of savings in management fees and had an agreed commitment of one member one vote.

Members of the Sub-Committee agreed that the following additional recommendation should be added to the report:

"That Officers be authorised to provide the formal recommendation to Council on 4th July 2016 to join the London CIV following completion of specific legal and technical processes."

In response to questions from Members of the Sub-Committee, the Director of Finance confirmed that once the Local Authority had joined one pool it would not realistically be possible leave in order to join another pool. In addition to this, revised statutory regulations empowered the Secretary of State to intervene if Local Authorities failed to join a pool.

In response to a question from a Member of the Local Pensions Board, the Director of Finance explained that the Local Authority would retain control of asset allocation and the requirement to meet the pension fund deficit .

Members of the Sub-Committee discussed the arrangements for repayment of the pension fund deficit and . the Director of Finance advised that the proposals, following the actuarial triennial valuation, would be considered at the February 2017 meeting of this sub-committee.

RESOLVED: That

(a) the General Purposes and Licensing Committee recommend to Council that the Council joins the London Collective Investment Vehicle (CIV); and

(b) Officers be authorised to provide the formal recommendation to Council on 4th July 2016 to join the London CIV following completion of specific legal and technical processes.

6 PENSION FUND PERFORMANCE Q4 2015/16

Report FSD16032

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

AllenbridgeEpic provided further detail on investment performance and Baillie Gifford provided commentary on its fourth quarter performance, future economic outlook, and recent developments in financial markets. Representatives from Baillie Gifford reported that there was currently turmoil in the markets with external factors such as the US Elections and the British EU Referendum causing a degree of uncertainty.

The Committee were introduced to Mr Rohan Worrall an Investment Adviser from AllenbridgeEpic specialising in Fixed Income. Mr Worrall would be attending future meetings of the Investment Sub-Committee and was likely to eventually be Mr Stevenson's replacement as Investment Advisor to the Investment Sub-Committee.

The market value of the Fund ended the March quarter at £745.8m (£732.0m as at 31 December 2015) but as of 30 April 2016 it had fallen to £742.4m. The comparable value as at 31 March 2015 was £742.9m.

Overall, the total fund returned +1.9% (net of fees) in the latest quarter, compared to the benchmark return of +3.0%. Local authority average rankings for the March quarter were not available for the report. The Fund's medium and long-term returns remained particularly strong.

Members of the Committee asked a number of questions of the representatives from Baillie Gifford regarding the performance of the fund, expressing concerns surrounding the poor performance of oil markets and the impact that this could have on Pension Fund investments. Members expressed concern that the returns on the investment portfolio had reduced and a member suggested that greater returns could have been gained by investing in a FTSE 100 or FTSE 250 tracker which would carry less risk.

The Committee requested that future updates contain greater detail of the level of investment in emerging markets in order to provide greater transparency, and also include performance attribution information for the fixed income portfolio.

RESOLVED That:

- (a) the report be noted;**
- (b) the information regarding Performance Measurement Service as detailed in paragraph 3.3.3 of the report be noted; and**
- (c) the programme for Fund Manager attendance as set out in paragraph 3.6.1 of the report be noted.**

7 PENSION FUND CASH FLOW

Report FSD16033

The Committee considered a report providing an update on the projected cash flow position for the Pension Fund over the next few years. The Pension was projected to move into a 'cash negative' position within the next five years whereby the total cost of payments to pensioners would exceed the total incoming cash flow to the pension fund from employee and employer contributions and investment income. Officers were planning to hold a roundtable meeting with the Fund Managers, Chairman and Vice-chairman of the Pension Investment Sub-Committee, Portfolio Holder for Resources and AllenbridgeEpic to explore options for the future investment and asset allocation strategy of the Pension Fund.

The Director of Finance provided an update to the Sub-Committee under part 2 proceedings of the meeting regarding commissioning further work to explore changes in the future asset allocation to reflect the impact of the updated cash flow for the fund.

RESOLVED: That

- (a) the report be noted; and**
- (b) a review of the Pension Fund asset allocation strategy be undertaken and report back to a future meeting of the Sub-Committee.**

8 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**

9 BROMLEY COLLEGE PENSION ARRANGEMENTS

Report FSD16031

The Committee considered a report seeking the Sub-Committee's support for an application made by a scheduled body to the Secretary of State for the appointment of another Pension Fund as its designated administering authority, in place of the London Borough of Bromley.

RESOLVED: that the recommendations be agreed.

The Meeting ended at 9.12 pm

Chairman