



LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE

Tuesday, 24 November 2009 at 6.30 pm

PRESENT: Councillor HB Patel (Vice Chair in the Chair) and Councillors HB Patel, Mrs Bacchus, Detre, Hashmi, CJ Patel and Fraser (non-voting co-opted member)

Apologies were received from: Councillors Crane, D Brown and Mr A Patel (non-voting co-opted member).

1. Declarations of personal and prejudicial interests

None at this meeting.

2. Minutes of the previous meeting

RESOLVED:-

that the minutes of the previous meeting held on 24 September 2009 be approved as an accurate record of the meeting.

3. Matters arising

None.

4. Deputations (if any)

None.

5. Report from Henderson Global Investors

Mark Fulwood (MF), Kevin Adams (KA) and Roger Greville (RG) representatives from Henderson Global Investors attended the meeting for this item.

MF and KA informed the Sub-Committee that there had been a marked increase in market returns for the 3 and 12 month periods ending on September 2009. He continued that the main drivers were corporate bonds, secured loans and a slight fall in government bonds yields buoyed by government measures including quantitative easing and low interest rates. The portfolio has increased in value from £79.4m (30 June 2009) to £84.2m (30 September 2009). In assessing the outlook for fixed income markets, KA stated that short term interest rates were expected to remain low for a long period of time, but that longer terms rates may rise. He suggested the following options to protect the fund and improve returns;

- To change the gilt benchmark in the Core fund from Long dated gilts to All stocks, thereby decreasing the duration of the benchmark
- Allocate to currency strategy within the enhanced portfolio. MF and KA drew attention to Henderson's professional experience, strong focus on research and development which had led to an excellent outperformance of the benchmark and peers.

RG discussed the exposure to infrastructure within the Henderson Fund II. He stated that the strategy was to build a diversified portfolio of investments in Private Finance Initiative (PFI) concessions companies in the lower sectors of the market. With that in mind, the fund had acquired John Laing plc. However, difficult markets and a large pension fund deficit had reduced the value of the Brent holding. RG set out the objectives and key risks for 2010.

In the ensuing discussion the Director of Corporate Finance and Resources expressed concerns about Henderson's recovery plan based on PFI. RG reiterated his confidence in the prospects of the John Laing team adding that geographical and international diversification would enable the team to achieve the objectives.

MF, KA and RG were thanked for their presentation, and for the training session on benchmarks preceding the meeting.

6. Actuarial Valuation 2010

Ms Christine Rice a representative of Hewitt was present at the meeting to discuss the background to the prospective actuarial valuation. She outlined the difficulties facing the Fund – falling gilt yields (increasing the value of liabilities) and poor equity markets have combined to present a scenario of rising employer contribution rates. However, the option of taking a long term view, that markets will recover, is available to the committee. There will be risks to such an approach, but it is likely that there will be action at national level to reduce future liabilities.

7. Monitoring report on fund activity for the quarter ended 30 September 2009

The Sub-Committee considered this report which provided a summary of fund activity during the quarter ended 30th September 2009. The report also examined the actions taken, the economic and market background, investment performance, as well as commented on events in the quarter.

The Head of Exchequer and investment informed the Sub-Committee that during the quarter public equity and credit markets rose sharply while private equity fell. He continued that the Fund had grown in value from £366m to £418m, and had outperformed its benchmark over the quarter (0.7%) mainly as a result of improved performance in global equities, GTAA, fixed interest and hedge funds. He added that the Fund had underperformed the average local authority fund (-2.7%) over the quarter as a result of lower exposure to equities. Over one year, the Fund had underperformed its benchmark (-4.1%) and the average fund (-8.5%) as a result of poor manager performance in global equities, fixed interest, currency and GTAA.

He then referred members to the options for change outlined by Henderson Global investors, including changing the core portfolio gilt benchmark and the extension of

the discretion to use active currency investment to the satellite portfolio. He added that Henderson had hired a highly rated team from Fortis Bank which had improved returns. The Head of Exchequer and Investment expressed support for the options outlined by Henderson Global Investors (HGI).

Members discussed the options outlined by HGI but felt that in view of its current performance, it would be prudent to monitor HGI's performance and progress for the next quarter before considering changing the benchmark as requested in their presentation.

RESOLVED:

- (i) that the decision to amend the benchmark for the core portfolio be deferred until the next meeting;
- (ii) that HGI be authorised to use currency management in the satellite portfolio.
- (iii) that the monitoring report be noted.

8. Any other urgent business

None.

9. Date of next meeting

The next meeting will take place on Tuesday 23 February 2010.

10. Exclusion of Press and Public

RESOLVED:-

That the press and public be excluded from the remainder of the meeting as the report to be considered contained a category of exempt information as specified in the Local Government Access to Information Act 1972, namely;

- "3. Information relating to the personal and business affairs of any particular person (including the authority holding that information)".

11. Review of the Independent Adviser

The Sub-Committee considered this report which examined the work carried out by the Independent Adviser and alternative ways of providing the service. The Head of Exchequer and investment informed members that since his appointment in 2002 the independent Adviser had been involved in a number of areas including reviews of asset allocation, new investments searches for new fund managers, regular quarterly meetings with fund managers and regular reports to members of the Sub-Committee. He added that the feedback from members on the Adviser had been positive. MS outlined the alternatives options available to members.

RESOLVED:-

that the reappointment of the existing Independent Adviser be agreed.

The meeting closed at 8.50 pm

H B PATEL
Vice Chair (in the chair)