



LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE Thursday 22 June 2017 at 7.00 pm

PRESENT: Councillor S Choudhary (Chair), Councillor and Councillors Perrin and Shahzad

Also present: Peter Davies (Independent Adviser to the Fund) and David Ewart (Independent Chair, Pensions Board)

Apologies for absence were received from: Councillors Aden, A Choudry, Daly, Davidson and Hammond (UNISON)

1. **Declarations of Interest**

None declared.

2. **Minutes of the Previous Meeting**

RESOLVED:-

that the minutes of the previous meeting held on 14 February 2017 be approved as an accurate record of the meeting.

3. **Matters Arising**

None.

4. **Deputations**

None.

5. **Quarterly Monitoring Report on Fund Activity: Quarter to March 2017**

Members considered a report that provided a summary of the Fund's activity during the quarter ended 31 March 2017 and examined the economic and market background, and investment performance, as well as commenting on events in the quarter. Ravinder Jassar (Head of Finance) introduced the report and answered members' questions. He informed members that the Fund increased in value by 3.5% from £775.4m to £802.7m during the quarter ending 31 March 2017 and in the calendar year of 2016/17, the value of the Fund rose by 17.3%.

In reference to the asset allocation table within the report, the Head of Finance drew members' attention to the overweight in equities and cash. He clarified that the equity overweight was as a direct result of investment appreciation and the Fund's cash position was for investment in other investment opportunities. He

explained that in Q1 £50m was invested into the London CIV Ruffer Fund in March 2017 as per the Investment strategy agreed by the sub-committee in February 2017. The remaining balance was principally held for further calls on capital commitments in private equity and infrastructure as well as to re-allocate to other investments. He continued that some of that cash would also be required to fund transfer values in relation to the College of North West London as it had been agreed by their governing body to merge with the City of Westminster College and transfer their element of the Pension Fund to the London Pension Fund Authority (PLFA). This was currently planned for August 2017.

The Head of Finance updated members on the Fund's property portfolio. He clarified that UK property investments had been completely sold as planned, leaving only European property investments of £3.6m and subject to market conditions, the latter was planned to run down in 2017/18. Members were appraised about the following other notable distributions and capital proceeds that took place in Q1 2017:

- a) Capital Dynamic private equity distributions in the quarter of £6.0m
- b) £2.2m sales proceeds from the Aviva UK property fund

Peter Davies (Independent Adviser) presented his report to the Sub-Committee. The report focussed on the economy, markets both equities and bonds, currencies, commodities and properties. Members heard that Global Equities had registered solid gains for the 6th successive quarter, giving a cumulative rise of 42% in the All-World Index (in £) in the 18 months to end-March. The rise which assisted the main UK and US market indices to recently attain all-time highs was boosted by low interest rates, and sizeable quantitative easing programmes in Europe and Japan. He drew members' attention to various uncertainties arising from the recent UK Parliamentary Elections and the Brexit negotiations, the US Presidential Election and the French Elections and their impact on bond yields.

He continued that with further increases in US short-term interest rates predicted for 2017 and 2018, yields on medium-dated US government bonds seemed unlikely to fall from their present levels. Any signs of a slowdown in the pace of quantitative easing in Europe or Japan could also have an adverse effect those bond markets.

Members raised questions about the rising inflation and/or the recent fines imposed on Barclays Bank Plc for manipulating the LIBOR would have an impact on the Fund's strategy. Peter Davies responded that the rise in inflation was a mere fluctuation and thus not significant as to affect the assumptions made for the Fund's investment strategy. Similarly, the fines imposed on Barclays Bank PLC was a local problem which again would not impact on the Fund.

RESOLVED:-

That the report on quarterly monitoring on the Fund's activity for the period ending March 2017 be noted.

6. **Outcome of the Triennial Review**

Members considered a report that updated on the outcome of the 2016 Triennial Review for the Brent Pension Fund as required by the Local Government Pension Scheme (Administration) Regulations 2013 (the Regulations) for administering

authorities in England and Wales to obtain a valuation of their pension funds on a triennial basis.

Douglas Green (representative from Hymans Robertson) presented to the Sub-Committee. He informed members that the main purpose of the triennial valuation was to assess: the solvency of the Pension Fund as a whole and the level of solvency for each participating scheme employer; the effectiveness of the Funding Strategy both retrospectively and how this applies for future years; comment on the main risks to the Pension Fund that may result in future volatility; determine scheme employers' contribution rates for a three year period. The 2016 Triennial Valuation will determine scheme employers' contribution rates for the financial years 2017/18, 2018/19 and 2019/20.

Douglas Green emphasised the need for correct data as incorrect data could lead to incorrect contributions and in that regard advised on regular data cleansing using data portals, collaboration with employers, development of processes for new employers, monitoring of cashflows and on-going contact and discussions with administrator and employers. He outlined the monitoring and governance arrangements and noted that the Fund was in the category of low funding level but high contributions

Conrad Hall (Chief Finance Officer) advised against taking high risks in order to move up the league table and added that in his view, the investment strategies currently in place were moving the Fund in the right direction. David Ewart (Independent Chair of Pensions Board) added that the Board found the level of contributions to be acceptable and added that officers in the Council's Human Resources department were actively taking measures to address performance with regards to the pensions contract.

RESOLVED:

That the outcome of the Triennial Review be noted.

7. London Collective Investment Vehicle (CIV) Update

Members received a report that provided an update on recent developments of the London Collective Investment Vehicle (London CIV) including upcoming investments. Ravinder Jassar (Head of Finance) informed members that as at 31 March 2017, assets under management within London CIV were £3.5bn with 18 London boroughs invested across 6 sub-funds. He drew members' attention to the table within the report that showed performance of each sub fund as at 31 March 2017. Members heard that Brent currently had £0.125bn assets under management directly with the CIV, £0.076bn with Baille Gifford and £0.049bn with Ruffer.

He continued that a further 6 new sub-funds were scheduled for launch on the CIV platform over the next 5 months (3 of which would be global equity sub-funds). Additional equity sub-funds were due to open in December, but the strategies chosen for launch would be announced over the summer, once additional work had been done to assess London Fund demand for different equity strategies. Two fixed income and cashflow generating sub-funds were planned to be launched in

the first quarter of 2018. He undertook to provide additional information to a future meeting once the additional work had been done.

In response to members' questions about the possibility of investing the additional cash, Peter Davies (Independent Adviser) responded that the cash was required to pay for the exit of College of North West London (CNWL) from the Fund following its merger with City of London University. Douglas Green (Hymans Robertson) added that exit of CNWL would not have a material impact on the Fund's funding position as all assets and liabilities will transfer accordingly.

RESOLVED:

That the progress report on London CIV be noted.

8. Brent Pension Fund: Annual Report and Accounts 2016/17

The Sub-Committee received a report that presented the draft Pension Fund Annual Report and Annual Accounts for the year ended 31 March 2016. Members heard that the draft accounts had been prepared to meet the requirements of the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the Code) governing the preparation of the 2016/17 financial statements for Local Government Pension Scheme funds. The accounts (which were unaudited) aimed to give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017.

Conrad Hall (Chief Finance Officer) added that the report was to give members an opportunity to have sight before the final version is completed.

RESOLVED:-

That the draft Brent Pension Fund Annual Report and Accounts 2016/17 be noted.

9. Minutes of Pension Board - 9 March 2017

Members received the minutes of the Pensions Board that took place on 9 March 2017. David Ewart (Pensions Board Chair) reiterated Board members' dissatisfaction with the level of service currently being provided by Capita.

RESOLVED:

That the minutes of the Pensions Board be noted.

10. Any Other Urgent Business

None.

The meeting closed at 8.10 pm

S CHOUDHARY
Chair