



LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE Tuesday 24 February 2015 at 6.00 pm

PRESENT: Councillor S Choudhary (Chair) and Councillors Filson, Hylton, Perrin, Shahzad, George Fraser and Ashok Patel

Apologies for absence were received from Councillors W Mitchell Murray and Thomas

1. Declarations of personal and prejudicial interests

None declared.

2. Minutes of the previous meeting held on 18 November 2014

RESOLVED:-

that the minutes of the previous meeting held on 18 November 2014 be approved as an accurate record of the meeting.

3. Matters arising

Fund Managers' fee reductions

Mick Bowden (Operational Director of Finance and IT) informed the Sub-Committee that Julian Pendock (Investment and Pensions Manager, Finance and IT) was still in discussion with fund managers about the fee reductions and would update members about the outcome at a future meeting.

4. Deputations

None.

5. Aviva Investors - Property

The Sub-Committee welcomed representatives of Aviva Real Estate Fund of Funds; Bridget Taylor (Client Relationship Director) and Catriona Allen (Fund Manager, Real Estate Multi Manager) to the meeting. Bridget Taylor gave an overview of the UK real estate market, outlook and strategy. Members heard that Brent Pension Fund's mandate with Aviva as at 31 December 2014 was £36.7m which was split into 2: UK holdings of £32.9m and European holdings of £3.8m. She continued that the UK real estate fund of funds' performance had been strong in absolute and relative terms and due to favourable sector allocation and good stock selection, had been outperforming over 3, 5 and 10 years, although Q4 and

year 1 performance was below benchmark due to cash drag and lagging retail sector. The European sector was back into positive performance, although growth prospects remained challenging. Catriona Allen added that Aviva had introduced new funds which had resulted in good performance however, due to the European fund of funds challenging situation, Aviva was in the process of winding it down with anticipated termination in 2018. Brent Pension Fund received £1m denominated in Euro currency in 2013 and 2014.

Catriona Allen then gave a detailed presentation on the UK real estate market performance, drawing attention to the weighted contributions to fund relative return including strong and weak performers. Members noted that whilst industrial property investment fund had a top performance, retail park, retail trust and cash performed poorly. In response to members' questions, Catriona Allen stated that the Fund had moved to underweight positions in Central London offices and retail but had maintained an overweight position to industrial sector. It had also increased allocation to the rest of South East Offices via AEW South East Office Fund. She concluded by adding that the outlook for UK property fund looked favourable.

Bridget Taylor and Catriona Allen were thanked for their presentation.

RESOLVED:-

that the update on Aviva Real Estate Fund of Funds be noted.

6. Monitoring report on fund activity for the quarter ended 31 December 2014

Members considered a report which provided a summary of the Fund's activity during the quarter ended 31 December 2014 and examined the economic and market background, and investment performance. In highlighting the main points, Mick Bowden (Operational Director of Finance) informed members that the value of the Fund had increased by 2.4% from £609m to £623.8m. The Fund's investment return of 2.1% underperformed against the benchmark return of 2.3%. The main factor was the Total Return Bond Fund, which lost money against the backdrop of a record-setting bull market in bonds.

Members noted the comparative statistics in the report that showed that the Fund had been one of the lower performing LGPS funds for a period of many years, largely due to its lower weighting in equities (49% of the fund, compared to the Local Authority average of 63%). Members also noted that with the exception of the Alinda (Infrastructure Manager of the Fund) and Baillie Gifford (Pooled Multi Asset), returns on all other actively managed investment categories underperformed the benchmark over the year. They expressed concerns about the poor performance in 2014 of Henderson Total Return Bond Fund, in particular.

Mick Bowden provided an update on the establishment of Pensions Board, a requirement by statutory regulations as a result of the Hutton Review (The Independent Public Service Pensions Commission). The Pensions Board was to be established by 1 April 2015 and be operational by 20 July 2015. He continued that the Board's mandated role would be to scrutinise the work of the Sub-Committee, with regards to compliance regulations, legislation (existing and new)

and to oversee the governance and administration of the Pension Fund. Its role would be advisory only, and would not alter the role of the Council's Pension Fund Sub-Committee. He continued that the Pensions Board would have an equal number of employer and scheme member representatives and an independent chair. Funded by the Pension Fund, the Board would meet at least twice a year. Mick Bowden informed members that a meeting of the General Purposes Committee on 25 February 2015 would determine the arrangements for the establishment of the Pensions Board.

Mick Bowden also provided an update on the establishment of the Collective Investment Vehicle (CIV). An Asset Service Provider has now been appointed and work is progressing on the preparing the application to the Financial Conduct Authority.

Peter Davies (Independent Adviser to the Fund) gave an overview of the market situation including updates since his report to the Sub-Committee was written. He informed members that the most dramatic – and unexpected – development had been the steep fall in the price of oil which arose from the low-cost producers within the OPEC group, (Saudi Arabia, Kuwait, Qatar and UAE) to maintain their production levels, aware that this would force the price of oil downwards. It was noted that the fall in oil price would severely affect the viability and profitability of shale oil gas producers. He also highlighted the political and economic situation in Greece adding that the reprieve regarding their bail out arrangement would provide a 4 month temporary cushion until June 2015 when the Greek government's intentions on the bail out arrangements would be made clearer. The prospects for future growth in the Chinese economy were considered with concern expressed by the Independent Adviser around the reliability of the official figures and the extent to which the debt burden was sustainable.

RESOLVED:-

That the monitoring report for the quarter ending 31 December 2014 be noted.

7. Any other urgent business

George Fraser

Members were informed that this was the last meeting for George Fraser (Employees representative) on Brent Pension Fund for a considerable number of years as he was due to retire. On behalf of the Sub-Committee the Chair paid tribute to the George Fraser for his invaluable contribution to Brent Pension Fund.

8. Exclusion of press and public

RESOLVED:-

that the press and public be excluded from the remainder of the meeting as the reports to be considered contained the following category of exempt information as specified in the Local Government Act 1972 namely:

“3. Information relating to the business and financial affairs of any particular person (including the authority holding the information”.

9. Quarterly review of fund managers' performance

Members considered a report which provided a summary of the Pension Fund's active managers in quarter 4, 2014 and a commentary of their performance in comparison both to the benchmark and to reasonable expectation. Mick Bowden (Operational Director, Finance) introduced the report and gave a summary of the active managers' performance in the last quarter, over the last year and since inception.

In welcoming the report, Members noted the impressive performance of Baillie Gifford Diversified Growth Pension Fund and a good performance of Aviva property and expressed disappointment about the performance of Henderson's Total Return Bond Fund and Dimensional's Emerging Markets Value Fund in the last quarter of 2014, in the past year and since inception.

RESOLVED:-

that the investment report be noted.

10. Investment in infrastructure

The Sub-Committee considered a report from the Chief Finance officer which provided an overview of investment in infrastructure. With reference to the report, Mick Bowden (Operational Director, Finance) provided the background and set out some of the factors which determined the level of risk and return for an infrastructure project.

RESOLVED:-

that further exploration of the infrastructure sector by the Investment Manager be supported, with a view to submitting an investment proposal to the Pension Fund Sub-Committee at a future meeting.

The meeting closed at 7.45 pm

S CHOUDHARY
Chair