



LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE Tuesday 14 February 2017 at 6.30 pm

PRESENT: Councillor S Choudhary (Chair), Councillor and Councillors Aden, Daly, Khan, Shahzad and Hammond

Also present: Councillors

Apologies for absence were received from: Councillors

1. Declarations of personal and prejudicial interests

None.

2. Minutes of the previous meeting

RESOLVED:-

that the minutes of the previous meeting held on 6 November 2016 be approved as an accurate record of the meeting.

3. Matters arising

None.

4. Deputations

None.

5. London CIV Presentation

Representatives from London Collective Investment Vehicle (London CIV), Julian Pendock (Chief Investment Officer) and Jill Davys (AD Client Management) gave a presentation to the Sub-Committee on progress and fund development. They emphasised London CIV principle of closely working with Funds to deliver their current and future needs including significant savings on fees. Members heard that London CIV worked closely with Funds to ensure they received the level of engagement and reporting needed to understand investment strategies, performance and investment risk. In this regard, London CIV was working with the investment Advisory Committee to develop its overall reporting framework. The representatives gave an update on fund development and total London CIV assets under management and drew members' attention to the asset allocation table as set out in the document circulated at the meeting.

Julian Pendock and Jill Davys were thanked for the presentation.

6. Investment Manager Presentation

Representatives from Newton Investment Management (Peter Hensman and Elizabeth Para) and Ruffer LLP (Alex Lennard and David Balance) gave a presentation to the Sub-Committee on the investment philosophy and performance of their respective firms.

Members thanked the representatives for their presentation.

7. Quarterly monitoring report on fund activity: Quarter to December 2016

Members considered a report from the Chief Finance Officer which provided a summary of the Fund's activity during the quarter ended 31 December 2016. The report also examined the economic and market background, and investment performance, as well as commented on events in the quarter. Members noted that the Fund had increased in value by 3.6% from £774.7million to £776.9million during the quarter ending 31 December 2016.

Gareth Robinson (Head of Finance) informed members about the following distributions or capital proceeds that had taken place in quarter 4, 2016:

- a) £13.7m sales proceeds from the Aviva UK property fund
- b) Capital Dynamic private equity distributions in the quarter of £3.5m.
- c) £2.1m distributions from Alinda Parallel II Infrastructure

He drew members' attention to the summary of performance of fund managers from which it was noted that Henderson Bond Fund had under-performed the benchmark; Legal & General had performed at the market rate of return because they are tracker funds; Henderson Small-caps had performed slightly below the benchmark but due to its sector volatility, it was not an area of concern; Aviva had under-performed in commercial property which Fund was getting out of. YFM and Capital Dynamics were not compared in this manner because they were private equity. Alinda's Infrastructure investment had done very well in large part because it was primarily denominated in American dollars and Baillie Gifford had its second strong quarter in a row. Cash had just started being invested via Treasury to enable a return and protect the principal, but returns would inevitably be commensurate with the level of risk tolerated.

Peter Davies (Independent Adviser) advised that the key table to note in the performance of various funds was the asset allocation table as at 31 December 2016 compared to the benchmark. He then gave a summary of his report and the economic outlook.

RESOLVED

that the monitoring report for the quarter ending 31 December 2016 be noted.

8. Investment Strategy and Asset Allocation

The Sub-Committee received a report that noted the Council's approved asset allocation strategy and investment overview, particularly in relation to the London Collective Investment Vehicle (CIV).

Gareth Robinson (Head of Finance) informed members that The Pension Fund strategic allocation was approved in November 2015 and since then, The Fund had been disinvesting in asset classes that did not meet that strategic allocation and re-allocating to assets that did. He drew members' attention to the asset allocation table set out in the report and commented that while the Fund awaited decisions on the investment managers available through the London CIV, it would need to decide on whether the Asset allocation needed updating or refining. He added that whilst any review would not delay actions already in train to exit asset classes or investments and future investment opportunities, it would make decisions about fixed income more challenging.

RESOLVED:

that the report investment strategy and asset allocation be noted.

9. Minutes of Pension Board - 13 December 2016

RESOLVED:

That the minutes of the Pension Board be noted.

10. Any other urgent business

None.

11. 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 a category of exempt information as specified in the Local Government Act (Access to Information) 1972:

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

12. Investment Strategy Statement

The Sub-Committee considered a confidential report that sought members' agreement to select a second Diversified Growth Fund (DGF) and the allocation of 5% on UK small caps to reduce cash further.

RESOLVED:

- (i) that Ruffer LLP be selected as the second Diversified Growth Fund (DGF);
- (ii) that the Fund utilise its agreed allocation of 5% on UK small Caps to reduce its cash further.

13. Triennial Update of Key Strategies including Brent Council Contribution Rates

Members considered a report that included the draft Investment Strategy Statement (ISS), the proposed contribution rates for Brent Council and a request to finalise the FSS in consultation with all admitted bodies. Members noted that the latter would normally have come for approval but issues with the data quality of smaller bodies and contractor performance caused large delays.

RESOLVED:

- (i) that the draft version of the Investment Strategy Statement be approved for consultation and to delegate to the Chief Finance Officer to finalise it as appropriate.
- (ii) that the contribution rate for the next three financial years for Brent Council, as being 32.5% for 2017/18, 33.8% for 2018/19 and 35.0% for 2019/20 be approved;
- (iii) that it be noted that the Pension Fund is still on track to achieve full funding in the anticipated 19 years.
- (iv) that delegated authority be given to the Chief Finance Officer to finalise all remaining elements of the Funding Strategy Statement and the contribution rates in consultation with the various admitted bodies.
- (v) that it be noted that the actuaries have sent the Local Government Pension Scheme Funding Certificate to the Scheme Advisory Board ("SAB"), confirming the Brent Pension Fund's funding level as at 31 March 2016 to be 66% on SAB's standardised assumptions.

14. Verbal Update on Triennial Review

Gareth Robinson (Head of Finance) gave a verbal update on the Triennial Review.

RESOLVED:

that the verbal update on the Triennial Review be noted.

15. College Merger Transfer

The Sub-Committee considered a report that informed members about further education mergers including The College of North West London (CNWL) and College of Westminster and sought delegated authority to the Chief Finance Officer to deal with the impact of College mergers on Brent Pension Fund.

RESOLVED:

that delegated authority be granted to the Chief Finance Officer to agree to a transfer in or out of the Fund and comply with the deadlines as appropriate.

The meeting closed at 9.10 pm

S CHOUDHARY
Chair