



LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE

Tuesday, 1 March 2011 at 6.30 pm

PRESENT: Councillor Brown (in the Chair) and Councillors Mrs Bacchus, Brown, Hashmi, BM Patel and George Fraser (Non-voting co-optee).

Clive Heaphy (Director of Finance and Corporate Services), Martin Spriggs (Head of Exchequer & Investment) and Valentine Furniss (Independent Adviser) attended the meeting.

1. **Election of Chair**

In the absence of the Chair, Councillor Brown was elected as the Chair for the meeting.

2. **Declarations of personal and prejudicial interests**

None.

3. **Matters arising**

None.

4. **Minutes of the previous meeting - 30 November 2010**

RESOLVED:-

that the minutes of the previous meeting held on 30 November 2010 be approved as an accurate record of the meeting.

5. **Deputations (if any)**

None.

6. **Audit Plan for the 2010/11 audit of Brent Pension Fund**

This report introduced the Audit Opinion for Brent Pension Fund Accounts 2010/11. Martin Spriggs, Head of Exchequer & Investment introduced Paul Viljoen and Gary McLeod from The Audit Commission to the Sub-Committee. At the start of his presentation, Paul Viljoen informed the Sub-Committee that this report was being presented to members as a requirement by the Department for Communities and

Local Government (DCLG) regulations which required each local government pension fund to produce a separate annual report and accounts. He added that in addition to a separate Annual Accounts by the Brent Pension, The Audit had produced an Audit Opinion Plan for the 2010/11 Pension Fund Accounts.

Gary McLeod from The Audit Commission in his presentation outlined the assumptions and the basis of the indicative fee for the audit of £35,000 as indicated in his letter of 16 June 2010. He continued that the audit of the financial statements would be carried out in accordance with International Standards on Auditing and that he would issue an audit report giving their opinion on whether the accounts gave a true and fair view of the financial position of the Pension Fund by 30 September 2011.

In response to members' questions, Gary McLeod clarified that the audit team would meet with key contacts of the Council and review queries so as to ensure that the initial audit is completed by 30 August. Clive Heaphy, Director of Finance and Corporate Resources added that his staff would ensure that all deadlines were to ensure compliance with the target completion date.

RESOLVED:

that the Audit Opinion Plan 2011 be noted.

7. Actuarial Valuation 2010

The Sub-Committee received a report which outlined the anticipated results of the Actuarial Valuation as at 31st March 2010 and indicated that due to deterioration in the funding position, the employers' contribution rates would rise.

Martin Spriggs, Head of Exchequer and Investment informed members that a representative of AonHewitt would a presentation about the funding position since 2007 from £499m to £456m and the deficit from £193.5m to £295.4m. He explained that the main factors for the decline were poor investment returns, staff longevity and low gilt yields. Although future service contribution had decreased marginally, mainly as a result of the switch from the retail price index to the consumer price index rates, overall contribution rates would rise as a result of the rising deficit and falling payroll contributions. He drew members' attention to the revised Funding Strategy Statement (attached as appendix 1 to the report) which reflected how the fund would meet its liabilities as they fell due.

CR confirmed that the 2007 Valuation had found a £193m shortfall (funding ratio of 72%). She gave an overview of the 2010 valuation, confirming a funding shortfall of £295m, and a funding ratio of 61%. CR drew members' attention to the table of employer contribution rates for 2011/12 through to 2016/17 and added that contributions from 1 April 2014 would be reviewed as part of the 2013 actuarial valuation of the Fund.

In response to members' questions, Ms Rice stated that the impact of inflation would not constitute a significant risk on the fund's position as there were checks and balances to correct any imbalances that may occur. She assured members that as there was surplus of income over costs there was no need to panic.

RESOLVED:

that the anticipated results of the actuarial valuation 2010 be noted.

8. Report from Gartmore Investment Managers

AM gave an update on the current UK Small cap team at Gartmore. He confirmed that, despite the takeover by Henderson Global investors, Gartmore had retained most of its key personnel and that its investment processes and approach would not change. He discussed the investment processes followed by the team and some of their favourite companies.

In looking to the future, AM predicted that economic growth (GDP) would be tepid in 2011 and that large cap stocks were unlikely to grow faster than GDP. He warned that dependence on quantitative easing could create inflationary pressures within the economy as monetary stimulus was likely to leak into commodity prices and emerging markets.

Mr Adam McConkey and Mr Martin Powis were thanked for their presentation.

RESOLVED:

that the update by Gartmore Investments be noted.

9. Monitoring report on fund activity for the quarter ended 31 December 2010

The Sub-Committee considered a report that provided a summary of fund activity during the quarter ended 31st December 2010.

MS informed members that equity markets rose during the quarter, bond markets fell on concerns about inflation and economic growth and that other markets rose but less rapidly. The Fund had risen in value from £454m to £476m, and outperformed its benchmark over the quarter (1%) as a result of stock selection. The Fund underperformed the average local authority fund (-0.3%), with performance reduced by low exposure to equities offset by good stock selection in equities and GTAA. Over one year, the Fund had outperformed its benchmark (+0.7%) as a result of higher exposure to equities and good stock selection (equities, bonds, private equity and GTAA), but had underperformed the average fund (-3.3%) as a result of lower exposure to equities / higher exposure to alternative assets. Martin Spriggs gave detailed analysis of individual managers' performance and the main actions that had taken place during the quarter.

The Independent Adviser stated that with the level of inflation rising, interest rates were likely to be increased around summer 2011. As the austerity measures put in place by the present Government was likely to bite for about 3 years, he predicted an increase in unemployment in the UK economy. This contrasted with the Asian Pacific economies which were likely to experience strong growth. In conclusion, he stated that equities and hedge funds of funds would outperform, and that the UK economy should grow.

RESOLVED:-

that the monitoring report on fund activity for the period ended 31 December 2010 be noted.

10. **Any other urgent business**

None.

11. **Exclusion of press & public**

RESOLVED:

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

“3. Information relating to the financial or business affairs of any particular person (including the Authority holding the information).”

12. **Transition to Legal & General Investment Management**

Members received a report that detailed the cost of transitions from the UK in-house and the AllianceBernstein Ltd. global equity portfolios to Legal and General Investment Management (LGIM). The report also provided Members with progress with the appointment of an emerging Markets Manager.

RESOLVED:

that the cost of transition to LGIM and progress with an Emerging Markets manager be noted.

13. **Date of next meeting**

The date of next meeting would be announced after the full Council meeting on 16 May 2011.

The meeting closed at 9.08 pm

D BROWN
In the Chair