



LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE Tuesday, 29 November 2011 at 6.30 pm

PRESENT: Councillor S Choudhary (Chair), Councillor and Councillors Mrs Bacchus, Harrison, Brown, Hashmi, BM Patel, George Fraser and Ashok Patel

Also present: Valentin Furniss (Independent Adviser)

Apologies were received from: Councillors Crane and Mitchell Murray

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

None declared.

2. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 27 September 2011 be approved as an accurate record of the meeting.

3. **Matters arising**

Performance measurement

Martin Spriggs (MS), Head of Exchequer and Investment told members that, following the meeting with WM (the performance measurement company) in September, he had amended the performance targets for private equity and infrastructure.

Investment in the Clean Energy and Infrastructure

MS informed the Sub-Committee that Brent Pension Fund had signed up to invest in the Clean Energy and Infrastructure Fund managed by Capital Dynamics.

4. **Deputations (if any)**

None.

5. **Report from Dimensional Fund Advisers (the emerging market fund managers)**

Akbar Ali (AA - Senior Portfolio Manager) and Chris Morgan (CM - Client Service Manager), attended the meeting for this item. AA gave a detailed presentation on performance in the third quarter. He pointed out that the fund underperformed mainly because the fund's overweights in value and smaller company stocks detracted from performance. AA also stated that the portfolio had marginally outperformed since 30 September 2011.

Akbar Ali and Chris Morgan were thanked for their presentation.

RESOLVED:-

that the presentation by Dimensional Fund be noted.

6. **Report from Henderson Global Investors**

MS informed members that following an advice from Head of Corporate Property about expected operational problems with the Town Hall building due to the industrial action (strike) planned for 30 November, he had asked Henderson Global investors to defer their presentation to the next meeting.

RESOLVED:

that consideration of the report by Henderson Global Investors be deferred to the next meeting.

7. **Monitoring report on Fund Activity for the quarter ended 30 September 2011**

Martin Spriggs, Head of Exchequer and Investment introduced the report which provided a summary of the economic and market background and fund activity during the quarter ended 30th September 2011. He informed the Sub-Committee that the Fund had fallen in value from £494m to £453m, and had underperformed its benchmark over the quarter by -1.3%. This was mainly as a result of both asset allocation and stock selection. He continued that the Fund outperformed the average local authority fund return for the quarter (+1.1%), and outperformed both its benchmark (+0.7%) and the average local authority fund (+1.2%) over one year.

MS advised members that the UK economy was growing very slowly with interest rates expected to remain low for some time. He added that the government was using both fiscal and monetary policy to combat the downturn. Fiscal policy was being tightened over the next four years and it was therefore increasingly possible that the UK would slip back into recession.

Valentine Furniss (VF - Independent Adviser) informed members that as a result of adverse market conditions, equity returns for the quarter ended September across all regions were negative. This picture contrasted sharply with the investment update for the month of October which showed positive equity returns and, generally, positive currency movements. He suggested that the UK government's

austerity programme was likely to continue for two more years resulting in falling household incomes and consumer confidence. He continued that the Eurozone was too huge to be allowed to fall but there was a possibility of it becoming a two-tier body.

Clive Heaphy, Director of Finance and Corporate Services enquired as to the impact of a collapse of the Eurozone and the UK poor growth forecasts on Brent Pension Fund. VF stated that the spread of asset classes of the Fund would ensure the minimum impact on the Fund. He added that although 15% of the Fund was invested in the Eurozone, it would not be prudent to consider withdrawing at this time.

RESOLVED:-

that the monitoring report on the Fund activity for the period ended 30 September 2011 be noted.

8. Review of the Local Government Pension Scheme

Members received a report that summarised how officers intended to respond to the proposals by the Hutton Commission to review public sector pensions. Andrew Gray (AG - Pensions Manager) informed members that the Commission's reports detailing its proposals recommended that if the Government wished to make savings to reduce rising cost pressures, raising employee contribution rates would be the most effective way to achieve that objective. He continued that as the only funded public sector scheme, the government had agreed that the Local Government Pension Scheme (LGPS) may find alternative ways of making the required £900 million savings before April 2015, the proposed date for changes to all public sector schemes. A consultation paper circulated to administering authorities detailing approaches to achieve the required savings was issued by the government on 7th October.

AG continued that Officers intended to respond to the consultation by requesting a simpler and fairer approach that would reduce the accrual rate, and the introduction of benefit changes at one point in time to simplify administration and reduce complexity for members. He added that a further report would be submitted to the Sub-Committee when the outcome of current negotiations was known.

RESOLVED:-

that the report be noted.

9. Exclusion of Press and public

RESOLVED:-

that the press and public be excluded from the remainder of the meeting as the following reports to be considered contained a category of exempt information as specified in paragraph 12A of the Local Government (Access to Information) Act 1972, namely;

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

10. Review of the Actuary for the Brent Fund

Members received a report that reviewed the actuary to the Brent Pension Fund. MS outlined the range of advisory and reporting services involved in actuarial services. He drew members' attention to the financial implications as set out in the report.

RESOLVED:-

that the recommendation be accepted.

11. Asset Allocation Review

Members considered a report that discussed proposals to amend the asset allocation for the Brent Fund. MS referred members to the advice from Mercer that had been discussed with officers and the Independent Adviser. He drew members' attention to Mercers' view that the current asset allocation would support the investment return assumptions within the 2010 Actuarial Valuation. However, he continued that there were opportunities to enhance the returns on assets without a significant increase in the level of risk. With that in mind he suggested a revised asset allocation as set out in the report.

RESOLVED:-

that the recommendations be accepted.

The meeting closed at 8.25 pm

S CHOUDHARY
Chair