



LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE Tuesday 23 February 2016 at 6.00 pm

PRESENT: Councillor Crane (Chair), Councillor and Councillors Daly, Miller, Shahzad and W Mitchell Murray (alternate for Councillor Naheerathan)

Also present: Mr Peter Davies (Independent Adviser to the Sub-Committee)

Apologies for absence were received from: Councillors Khan and Naheerathan

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

None.

2. **Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 17 November 2015 be approved as an accurate record of the meeting.

3. **Matters arising**

None.

4. **Deputations**

None.

5. **Update on London Collective Investment Vehicle (CIV)**

Hugh Grover (Chief Executive) and Julian Pendock (Director) of London Collective Investment Vehicle (CIV) gave a presentation to the Sub-Committee. The Chief Executive explained that London CIV was an investment vehicle of choice for London boroughs, working for and on behalf of the boroughs. He continued that the ethos and culture of London CIV was different from other fund managers in that London CIV reaped the benefits of merger for all boroughs whilst leaving sovereignty to each participating borough. Members heard that London CIV currently comprised of 31 participating London borough funds and London Pension Funds Authority and almost 90 investment managers with a total investment of £29billion and 253 different investment contracts. The company had launched 8 sub-funds with additional ones planned over the coming months and through economies of scale, had saved £109million fund management costs since its launch in December 2015.

Hugh Grover outlined the structure, governance and scrutiny arrangements of London CIV. He clarified that London CIV was a full scope Alternative Investment Fund Manager (AIFM) authorised by the Financial Conduct Authority (FCA) to operate authorised contractual scheme fund. Participating boroughs who were the shareholders in the company maintained overall control at local level, setting their own investment strategy and asset allocation mix. The Pensions Sectoral Joint Committee comprising of members/chairs of various boroughs met periodically to provide member oversight and guidance on how the fund was developing and were advised by the Investment Advisory Committee which comprised of officers from borough treasurers and pension fund managers. The Chief Executive added that in addition to spot checks by the FCA, a Depository consisting of 4 non-executive board members, scrutinised and reported to the CIV and the FCA.

The Chief Executive advised the Sub-Committee that since inception London CIV had managed to reduce investment manager fees, brokerage and transaction costs and saved on procurement including search and selection. He continued that participating funds were receiving wider benefits including governance, shared training and shared knowledge including pro-active responses to the Local Government Pension Scheme reform agenda, thus enabling boroughs to focus on strategic issues.

In response to members' queries, Hugh Grover stated that there was no prospect of contamination effect should a fund member run into difficulties. He added that government changes to pension fund structure would not affect the operation of the London CIV. Julian Pendock highlighted the magnitude in fee drop which in some cases were halved. As to the future, members heard that London CIV would finalise plans for the next phase of fund development, respond to government consultation and prepare for MiFID II.

Hugh Grover and Julian Pendock were thanked for the presentation.

RESOLVED:-

that the update on London CIV be noted.

6. Local Government Pension Scheme (LGPS) Reforms update

Members received a report which provided an overview of the two current pension reform consultations issued by the Department of Communities and Local Government (DCLG). Conrad Hall (Chief Finance Officer) informed the Sub-Committee about the Chancellor's announcement to invite administering authorities to bring forward proposals for pooling Local Government Pension Scheme investments in order to deliver significantly reduced costs while maintaining overall investment performance. He continued that the DCLG issued a consultation on the Local Government Pension Scheme (LGPS); proposing to move to securing a diversified investment strategy that appropriately took account of risk.

The Chief Finance Officer proposed that the consultation response be delegated to him in discussion with the Chair of the Pensions Sub-Committee and a copy shared with the Pension Fund Sub-Committee and the LPB. The views expressed by the London CIV would be considered as part of the response to the DCLG

RESOLVED:-

- (i) that the overview of the two current pension reform consultations issued by the DCLG be noted;
- (ii) that responsibility for responding to these consultations be delegated to the Chief Finance Officer in discussion with the Chair of the Pensions Sub-Committee.

7. **Implementation of Strategic Asset Allocation**

The report from the Chief Finance Officer set out the steps required to implement the new asset allocation policy along with the progress to date. Conrad Hall (Chief Finance Officer) reminded Members that the strategic asset allocation policy was as a result of their decision agreed in July 2015 to move funds into the London Collective Investment Vehicle (London CIV). He continued that many of these steps required were dependant on suitable funds being available within the London Collective Investment Vehicle (London CIV) and therefore clarification would be sought on plans for the introduction of new funds in the CIV.

In reference to the table attached to the report, the Chief Finance Officer identified the funds that would be moved to London CIV, together with investment redemptions and commented on progress to date.

RESOLVED:-

- (i) that it be noted that a decision was made to move investments to the London Collective Investment Vehicle (CIV) as part of the review of the strategic asset allocation policy agreed by the Pension Fund Sub-Committee in July 2015;
- (ii) that the progress to date on implementation of the new policy as set out in the report from the Chief Finance Officer be noted;
- (iii) that it be noted that the decision was made to redeem all the units in the Aviva Real Estate Fund of Funds and that a further decision would be required on where to hold the Aviva monies, if suitable funds were not available in the CIV at the time of receipt of the Aviva redemptions.

8. **Quarterly monitoring report on fund activity: Quarter to September 2015**

The Sub-Committee decided to take the quarterly monitoring report which provided a summary of the fund activity for the quarter ending September 2015 and December 2015 together. The following headlines were noted:

The Fund reduced in value by 1.3% from £642.4m to £634.3m during the quarter ended 30 September 2015 and its return outperformed the benchmark return of -2.4% in the quarter by 1.2% within the context of a very difficult economic environment. In the succeeding quarter ending December 2015, the fund had increased by 4.2% to £661.2m.

Infrastructure and UK property produced the best absolute returns in the quarter (6.3% and 2.7% respectively). Overseas emerging equities and UK equities produced the lowest absolute returns (detracting -15.8% and -5.7% respectively). Relative to benchmark, UK equities matched its benchmark and emerging market equities under performed its benchmark by 1.3%.

Members heard that during the quarter ending December 2015 the holdings in the Dimensional fund were sold of which £34m of the proceeds were invested in the overseas Legal and General tracker fund and the remaining £365,081 being held in cash. Equities produced mixed performance in the quarter. The Legal and General UK index tracker increased in value by 3.3% whilst the UK smaller companies fund decreased in value by 2.1%. The Legal and General overseas tracker fund increased in value by £47.9m (including the £34m additional investment during the quarter). Private equity was the worst performing asset class, with both the Capital Dynamics and Yorkshire funds decreasing in value (by 2.3% and 7.0% respectively).

RESOLVED:-

that the quarterly monitoring reports on fund activity for the quarter ending September 2015 and December 2015 be noted.

9. Quarterly monitoring report on fund activity: Quarter to December 2015

See the previous item for preamble and the Sub-Committee's decision.

10. Any other urgent business

Exclusion of Press and Public

RESOLVED:-

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

“Information relating to the financial or business affairs of particular persons including the Authority holding that information).”

Independent Adviser's contract

Conrad Hall (Chief Finance Officer) informed members that the contract for the Independent Adviser to the Pension Fund was due to expire in March 2016 and sought members approval for extension of the contract.

RESOLVED:-

that the contract for the Independent Adviser to Brent Pension Fund be extended for one year to March 2017 with an option to extend it for a further year thereafter.

The meeting closed at 7.35 pm

G CRANE
Chair