



## **LONDON BOROUGH OF BRENT**

### **MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE**

**Tuesday 26 June 2012 at 6.30 pm**

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

Apologies for absence were received from: Councillors George Fraser

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

None

#### **2. Minutes of the previous meeting**

RESOLVED:-

that the minutes of the previous meeting held on 28 February 2012 and 18 April 2012 be approved as an accurate record of the meeting with the addition of Councillor Crane being present.

#### **3. Matters arising**

None

#### **4. Report from Aviva Investors**

A verbal update was given by Catriona Allen and John Gellatly from Aviva Investors. It was summarised that Brent Council had an overall investment of £34 million across two investments; UK Real Estate Fund of Funds and European Real Estate Fund of Funds and a brief overview regarding the background of the investments was given. It was reported that the UK Real Estate Fund of Funds consisted of 23 units and had outperformed during the past 4 quarters compared to the benchmark with a lower than UK vacancy rate by 4% and the average level of debt down by 7% compared to 18 months previous. It was noted that quarter four was a weak quarter due to three underperforming funds and the incurred transaction costs of an investment at the end of quarter three. It was explained that the investment positions were reviewed on a weekly basis, with quarterly meetings with each investment manager, monitoring of business plans and red flags with the option to redeem if felt necessary. During questions it was clarified that redeeming an investment could be a lengthy process (up to a year), that Brent had 28% of the overall fund and that, retail warehouse space was still considered to be profitable in large retail units where consumer spending was holding up well.

Further clarification regarding student accommodation was supplied, detailing that the accommodation was often rented for 48 weeks a year with the accommodation potentially being used by the Olympics and businesses during student holidays.

It was explained that the European Real Estate Fund of Funds had 13 investments, with an overall vacancy of 10%, debt of 53% and deterioration in performance throughout 2011 due to three investments in Southern Europe underperforming. It was noted that opportunities in distressed properties had not yet been explored as it was felt that the market could potentially drop further. Martin Spriggs agreed to circulate the fee structure to members.

RESOLVED:-

that members noted the update report

#### **5. Pension Fund Accounts and Audit Commission Audit Plan**

The Head of Exchequer and Investment informed the Committee that the report set out the Audit Plan for the forthcoming year and that the audit had commenced last week, looking at potential breakdown in reporting or valuation. It was clarified that the current Auditors would be transferred to KPMG who will be replacing the Audit Commission for the North of London, with a 40% reduction in fees and the requirement to tender for Audit services in five years' time. The draft pension fund accounts were circulated, highlighting key elements such as the contributions receivable increasing and that a final audited version would be available in September with the expectation that there would be few amendments.

It was stated that although a new pension scheme would be administered in 2014, careful monitoring of the existing scheme needed to be carried out, particularly in regards to reduction of participants in the scheme, benefits payable due to early retirements and the effect future redundancies could have to ensure that the deficit was managed, and reduced. During discussion it was explained that due to efficiencies being made and the installation of new systems such as Oracle in certain areas, savings had been made with the expectation that this would continue for several years.

It was highlighted that prior to the reorganisation, many investment managers were on a performance related fee which had affected the accounts however, total return funds were now favoured which were managed on a fee related basis.

RESOLVED:-

that members noted the report

#### **6. Monitoring report on fund activity for the quarter ended 31 May 2012**

The Head of Investment and Exchequer introduced the report and informed the Committee that the fund had underperformed by 1.9% in quarter one with a 3.7% return compared to the benchmark 5.6%.

It was noted that there was concern regarding the shrinking economy and the effect quantitative easing may have. The performance regarding each investment was explored including fixed interest and hedge funds which had both performed well. The private equity fund had underperformed but this was due to the investment still requiring time to mature and it was thought that it would improve in time.

It was explained that the Statement of Investment Principles had been revised to reflect the new mandates in place with the possibility of a GLA run pan fund for the whole of London being investigated however, it was noted that although this offered savings in costs, it was uncertain whether there would be performance related benefits. The Capital Fund for London would be winding up in July 2014 which would see a 10% interest return on the investment per annum as well as the return of the initial investment.

The Independent Advisor circulated an updated paper with the latest statistics on investments and provided a snapshot of what may lay ahead for the markets in the UK and globally. Within the UK market the Government's austerity programme would continue for another two years, with the economy now technically being in recession, with risk to trade union unrest. Inflation was expected to fall from the current level of 3% with 2.67 million persons being unemployed, equating to 8.4%. The Independent Advisor reported that within the USA there were less new jobs that estimated but it was thought that due to an abundance of shale oil, the economy would pick up despite discussions regarding the benefit going to China through increased consumer spending on imported goods. Concern regarding the Eurozone was expressed with the possibility of Greece leaving the Eurozone and the potential for a two tier system to emerge, with the outcome having implications on export markets in the UK, USA and Asia. It was noted that trade within China remained strong although the GDP in Japan had fallen for a fourth quarter. The Independent Advisor concluded that the pension fund investments were long term by nature and that careful monitoring should occur rather than drastic action.

RESOLVED:

That members:-

- i) noted the investment report
- ii) approved the revised Statement of Investment Principles.

## **7. Business and Training Plans for 2012/13, and Business Plans to 2014/15**

The Head of Investment and Exchequer Martin Spriggs informed the Committee that the business plan had been updated from the previous year and highlighted key issues for the forth-coming year such as review of the independent advisor and revised regulations.

RESOLVED:

that members noted the business and training plans

8. **Any Other Urgent Business**

Councillor Crane thanked Martin Spriggs on behalf of the Committee for his exemplary work as a manager over the past 13 years and for the journey he had taken the Committee on. The Committee wished Martin Spriggs a happy and well-earned retirement.

9. **Date of the Next Meeting**

Noted that the date of the next meeting would take place on 25 September 2012.

The meeting closed at 8.40 pm

S CHOUDHARY  
Chair