

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 7.30 P.M. ON THURSDAY, 14 JUNE 2012

COMMITTEE ROOM C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE

Members Present:

Councillor Zenith Rahman (Chair)
Councillor Craig Aston
Councillor Abdal Ullah
Councillor Motin Uz-Zaman (Deputy Leader of the Labour Group)
Councillor Marc Francis
John Gray Non-Voting Member (Admitted Body)

Officers Present:

Alan Finch – (Service Head Financial Services, Risk & Accountability, Resources)
Oladapo Shonola – (Chief Financial Strategy Officer, Resources)
Evelyn Akoto – (Committee Officer)

1. ELECTION OF VICE-CHAIR FOR THE MUNICIPAL YEAR 2012-2013

Councillor Marc Francis nominated Councillor Motin Uz-Zaman to serve as Vice-Chair of the Committee for the remainder of the Municipal Year. The nomination was seconded by Councillor Abdul Ullah.

There being no further nominations, it was

RESOLVED

That Councillor Motin Uz-Zaman be elected Vice-Chair of the Pensions Committee for the remainder of the Municipal Year 2012/13.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Oliur Rahman and Shiria Khatun.

3. DECLARATIONS OF INTEREST

No declarations of personal or prejudicial interest were made.

4. UNRESTRICTED MINUTES**RESOLVED**

that the unrestricted minutes of 17 November 2011 be agreed as a correct record of proceedings.

5. DEPUTATIONS & PETITIONS

There were no Deputations or Petitions

6. UNRESTRICTED REPORTS FOR CONSIDERATION**6.1 Pensions Committees Terms of Reference**

The Chair requested the liberty to change the order in which reports were to be heard. The Chair therefore requested that the first item be 6.4 of the supplementary agenda, Pensions Committee Terms of Reference.

The Clerk, Evelyn Akoto presented the terms of reference report to the committee. The Committee was informed that the report sets out the Terms of Reference, Membership and Quorum of the Pensions Committee for the municipal year 2012/13. She referred members to Appendix A to the report which outlined appointed Membership and Quorum.

RESOLVED

That the report be noted.

6.2 Composition of the Pension Fund Investment Panel

The Service Head, Finance, Alan Finch presented the report circulated at agenda item 6.5 of the supplementary agenda.

The Committee was informed that the report outlined the current arrangement for the provision of investment advice to the committee, and recommended the continuation of this set up. The committee sets up the Investment Panel which comprises of the committee members, officers and special advisers to the fund. The role of the Panel is to consider the technical issues of policies and strategies and make recommendations and monitor the performance of Fund Managers as a way of monitoring investment activities. These meetings are held the same day as Pensions Meeting to allow for convenience for Members to attend both meetings.

RESOLVED

- (1) That the Investment Panel be established, with Terms of Reference as set out in Appendix 1 of the report.

(2) That membership of the Investment Panel comprise:-

- All Members of the Pensions and Accounts Committee or their designated deputies.
- An Investment Professional as Chair.
- An Independent Financial Advisor
- The Corporate Director Resources or his designated deputy; and

(3) That up to two Trade Union representatives (or their designated deputies) as nominated by the Staffside Secretary attend the Investment Panel as observers.

6.3 Pension Fund Work Plan

The Chief Financial Strategy Officer, Oladapo Shonola presented the report circulated at agenda item 6.1. The committee was informed of the committees work plan for the current municipal year, which has been put together to assist in the management of the Fund, so that the Council is able to perform its role as the administering authority in a structured way. The Chief Financial Strategy Officer outlined the statutory reports that will be submitted to the committee.

He informed Members that Pensions training will be scheduled for 15 November 2012 and 21 February 2013, and highlighted the importance of the training and the need for all members to attend in order to fully fulfil their role.

Members queried why the training was not on an earlier date than listed. The Chief Financial Strategy explained that the forthcoming meeting in September will have a lot of time sensitive agenda items, and therefore felt that there will not be enough time to include a segment on training. He however indicated that the training can be brought forward.

Member suggested that the Pensions training be held before the meeting in September, which will help members in their consideration of the important reports being submitted.

AGREED that the pensions fund training be brought forward to the September meeting.

RESOLVED

That the work plan be **AGREED**

6.4 Report of Investment Panel for Quarter Ending 31 March 2012

The Chief Financial Strategy Officer presented the report circulated at agenda item 6.2 of the main agenda. The committee was informed that the report gives details of the activities of the investment Panel and the performance of the Fund and its investment managers for the period ending 31 March 2012. The Chief Financial Strategy Officer, corrected the mistake in 1.4 of the report, and confirmed that six managers performed above their benchmark and only two underperformed below their benchmark, with GMO being substantial.

Referring to 7.1 of the report, the Chief Financial Strategy Officer stated that the managers performed differently based on the asset they are managing, which creates an imbalance in the fund, which needs to be rebalanced. He continued that GMO was the biggest underperforming manager with also the biggest mandate; this has affected the overall performance in this quarter. Schroder also has a trend of underperforming, but there are key issues they are dealing with, so there are no concerns to monitor them closely. Overall however, most present managers are adding value.

In response to questions from the committee, the following information was provided.

- In terms of statement of investment principals, managers have copies of investment principles and the limit on what they can and cannot do. The fund does not have too many prescriptions either than to stay within their mandatory area. Moreover, they are met on a quarterly basis at a sub committee of the investment panel in order for further scrutiny and monitoring to be done.
- With regards to underperforming managers, the committee was informed that Schroder attended the Fund Manager's meeting 6 months ago, which did not uncover any underline problems to approach. GMO who have slightly underperformed will be in line to attend the next meeting.
- Baillie Gifford and GMO have contrasting strategies and so when one does not do well the other tends to improve, so there are no great concerns over their approach.

Members supported the possibility of re-tendering long standing mandate of managers like GMO.

AGREED that the Service Head, Finance, will report to the committee after speaking with Hymans Robertson about the possibility of re-tendering

AGREED that GMO and Schroder will be asked to attend a future Investment Panel

RESOLVED

That the report be noted.

6.5 Report on Rebalancing Policy

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AGREED that GMO and Shroder will be asked to attend a future Investment Panel

RESOLVED

That the report be noted.

7. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT

Nil Items

8. EXCLUSION OF THE PRESS AND PUBLIC

Under the provisions of provisions of Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985, the Chair **moved** that press and public be excluded from the meeting during the consideration of the Section Two business on the grounds that it contained information defined as exempt in Part 1 Schedule 12A of the Local Government Act 1972.

RESOLVED

That press and public be excluded for the consideration of the following item of business.

9. RESTRICTED MINUTES

RESOLVED

That the restricted minutes of 17 November 2011 be agreed as a correct record of the proceedings.

10. ANY OTHER RESTRICTED BUSINESS CONSIDERED TO BE URGENT

A member inquired whether there were any responses from the two academies, the service Head, Finance replied that he has not received any reply.

The meeting ended at 8.20 p.m.

Chair, Councillor Zenith Rahman
Pensions Committee