



AGENDA

PENSIONS INVESTMENT COMMITTEE

Date: THURSDAY, 23 FEBRUARY 2012 at 7.00 pm

**Committee Rooms 4
Civic Suite
Lewisham Town Hall
London SE6 4RU**

**Enquiries to: Clare Weaser
Telephone: 0208 314 7369 (direct line)
Email: clare.weaser@lewisham.gov.uk**

COUNCILLORS

Councillor Dan Whittle (Chair)
Councillor Paul Maslin (Vice-Chair)
Councillor Christine Allison
Councillor Chris Best
Councillor Julia Fletcher
Councillor John Muldoon
Councillor Pete Pattison
Councillor Susan Wise

Observers

Mrs Humble

Officers

Janet Senior – Executive Director
Resources and Regeneration
Selwyn Thompson – Group Manager
Shola Ojo – Principal Accountant
Carol Eldridge – Group Manager (Pensions
and Payroll)

Members are summoned to attend this meeting

**Barry Quirk
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: 15 February 2012**



INVESTOR IN PEOPLE

The public are welcome to attend our committee meetings, however occasionally committees may have to consider some business in private. Copies of reports can be made available in additional formats on request.

ORDER OF BUSINESS – PART 1 AGENDA

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3.	Harbourvest presentation A presentation will be made by Harbourvest	
4.	Fauchier Presentation A presentation will be made by Fauchier.	
5.	Investment Performance Report for Quarter Ended 30 December 2011	8 - 27
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9.	Passive Manager Selection This a late item and will be sent out separately.	
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Agenda Item 1

PENSIONS INVESTMENT COMMITTEE		
Report Title	MINUTES	
Key Decision		Item No. 1
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 23 February 2012

Recommendation

That the Minutes of that part of the meeting of the Committee, which was open to the press and public, held on 17 November 2011 be confirmed and signed.

LONDON BOROUGH OF LEWISHAM

MINUTES of the meeting of the PENSIONS INVESTMENT COMMITTEE, which was open to the press and public, held on THURSDAY, 17 NOVEMBER 2011 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7 p.m.

Present

Councillors Whittle(Chair) Councillor Maslin (Vice Chair), Fletcher, Muldoon, and Wise.

Independent Investment Adviser: Scott Donaldson, Hymans Robertson

Officers: Conrad Hall - Head of Business Management and Service Support.
Selwyn Thompson – Group Manager Budget Strategy.
Shola Ojo – Principal Accountant Budget Strategy.
Helen Glass – Principal Lawyer

Apologies for absence were received from Councillor Allison and Best.

<u>Minute No.</u>		<u>Action</u>
1.	<u>MINUTES</u>	
1.1	Councillor Fletcher referred to paragraph 3.5 in the minutes. She said that she did not say that the FTSE was at an all time low. She said that it had been low and could go even lower.	
1.2	The Chair said that members had received training on social / residential housing as an asset class. It had been very useful. Schroders had discussed pairing up Councils who had money to invest, with Councils who had available land. M & G had discussed buying Housing Association debt at a rate that would give a return to Lewisham. The Chair considered that this latter suggestion should be implemented immediately. He suggested investing up to 1% of the fund. Councillor Maslin asked how this investment would be funded. Conrad Hall said that it would be funded from the bonds allocation. Although members agreed with this recommendation, Councillor Maslin asked Hymans Robertson to send members a form of words advising member that such an investment would be allocated on sound investment principles as well as social reasons. Mr Donaldson agreed to do this.	Hymans Robertson
	RESOLVED that subject to Councillor Fletcher's amendment, the Minutes of the meeting of the Pensions Investment Committee, held on 6 September 2011, be confirmed and signed.	
2.	<u>DECLARATIONS OF INTERESTS</u>	

Councillor Maslin declared that he was a Director of Hales Gallery Limited and UBS was an occasional customer of the Gallery. The interest was personal and prejudicial as UBS were under direct consideration at the meeting. Therefore he left the meeting during the consideration of item 6 Passive Manager Selection – RFP Analysis.

At 7.15pm it was agreed that the meeting should go into closed session. The first item to be discussed was item 6 and Councillor Maslin left the meeting and returned for the discussion on item 7.

5 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act, as amended by the Local Authorities (Executive Arrangements) (Access to information) (Amendments) (England) Regulations 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

6. Passive Manager Selection – RFP Analysis

7. Appointment of Transition Manager

The following is a summary of the items considered in the closed part of the meeting.

6 Passive Manager Selection – RFP Analysis

RESOLVED that the Managers be ranked in order of preference and a final decision be made at the next meeting of this Committee in February 2012

7 Appointment of Transition Manager

RESOLVED that the transitional manager be appointed by Hymans Robertson in consultation with the Director for Resources and Regeneration.

At 9.45pm the Council went back into open session.

Minute No.

Action

3. PENSION FUND ANNUAL REPORT

Councillor Wise said that the charts in the report were not in colour and were, therefore, difficult to read. It was agreed that charts should not be produced in colour in future but rather with visual displays including hatching.

RESOLVED that the report be noted

4. INVESTMENT PERFORMANCE FOR QUARTER ENDED 30 SEPTMEBER 2011

The Chair said that he had heard that managers can be put under pressure by clients who insist that they achieve their benchmark in two quarters otherwise they will be replaced with another manager. Mr Donaldson said that the principle sounded good but it was only short term. Transitions were very expensive and risky. The general view is that performance is better over a 5 to 10 year period.

RESOLVED that the report be noted

Any other business

The Chair advised members that the Pensioners Representative on this Committee, Mr Tucker, had resigned. It was agreed that a letter be sent from this Committee thanking him for his services to this Committee over many years and wishing him well for the future.

The meeting ended at 10 p.m.

Chair

Agenda Item 2

PENSIONS INVESTMENT COMMITTEE		
Report Title	DECLARATIONS OF INTERESTS	
Key Decision		Item No. 2
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 23 February 2012

Declaration of interests

Members are asked to declare any personal interest they have in any item on the agenda.

Personal interests

There are two types of personal interest :-

- (a) an interest which you must enter in the Register of Members' Interests*
- (b) an interest where the wellbeing or financial position of you, (or a "relevant person") is likely to be affected by a matter more than it would affect the majority of inhabitants of the ward or electoral division affected by the decision.

*Full details of registerable interests appear on the Council's website.

("Relevant" person includes you, a member of your family, a close associate, and their employer, a firm in which they are a partner, a company where they are a director, any body in which they have securities with a nominal value of £25,000 and (i) any body of which they are a member, or in a position of general control or management to which they were appointed or nominated by the Council, and (ii) any body exercising functions of a public nature, or directed to charitable purposes or one of whose principal purpose includes the influence of public opinion or policy, including any trade union or political party) where they hold a position of general management or control,

If you have a personal interest you must declare the nature and extent of it before the matter is discussed or as soon as it becomes apparent, except in limited circumstances. Even if the interest is in the Register of Interests, you must declare it in meetings where matters relating to it are under discussion, unless an exemption applies.

Exemptions to the need to declare personal interest to the meeting

You do not need to declare a personal interest where it arises solely from membership of, or position of control or management on:

- (a) any other body to which you were appointed or nominated by the Council
- (b) any other body exercising functions of a public nature.

In these exceptional cases, unless your interest is also prejudicial, you only need to declare your interest if and when you speak on the matter .

Sensitive information

If the entry of a personal interest in the Register of Interests would lead to the disclosure of information whose availability for inspection creates or is likely to create a serious risk of violence to you or a person living with you, the interest need not be entered in the Register of Interests, provided the Monitoring Officer accepts that the information is sensitive. Where this is the case, if such an interest arises at a meeting, it must be declared but you need not disclose the sensitive information.

Prejudicial interests

Your personal interest will also be prejudicial if all of the following conditions are met:

- (a) it does not fall into an exempt category (see below)
- (b) the matter affects either your financial interests or relates to regulatory matters - the determining of any consent, approval, licence, permission or registration
- (c) a member of the public who knows the relevant facts would reasonably think your personal interest so significant that it is likely to prejudice your judgement of the public interest.

Categories exempt from being prejudicial interest

- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
- (b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor;
- (c) Statutory sick pay; if you are in receipt
- (d) Allowances, payment or indemnity for members
- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception)

Effect of having a prejudicial interest

If your personal interest is also prejudicial, you must not speak on the matter. Subject to the exception below, you must leave the room when it is being discussed and not seek to influence the decision improperly in any way.

Exception

The exception to this general rule applies to allow a member to act as a community advocate notwithstanding the existence of a prejudicial interest. It only applies where members of the public also have a right to attend to make representation, give evidence or answer questions about the matter. Where this is the case, the member with a prejudicial interest may also attend the meeting for that purpose. However the member must still declare the prejudicial interest, and must leave the room once they have finished making representations, or when the meeting decides they have

finished, if that is earlier. The member cannot vote on the matter, nor remain in the public gallery to observe the vote.

Prejudicial interests and overview and scrutiny

In addition, members also have a prejudicial interest in any matter before an Overview and Scrutiny body where the business relates to a decision by the Executive or by a committee or sub committee of the Council if at the time the decision was made the member was on the Executive/Council committee or sub-committee and was present when the decision was taken. In short, members are not allowed to scrutinise decisions to which they were party.

Agenda Item 5

PENSIONS INVESTMENT COMMITTEE		
Report Title	INVESTMENT PERFORMANCE FOR THE QUARTER ENDED 31 ST DECEMBER 2012 - INTRODUCTION	
Key Decision		Item No. 5
Ward		
Contributors	Executive Director for Resources & Regeneration	
Class	Part 1	Date: 23 February 2012

1. SUMMARY

- 1.1 This report sets out the performance of the pension fund investment portfolio and that of the individual managers for the quarter ending 31st December.
- 1.2 The report comprises the following sections:
 2. Recommendations
 3. Background
 4. Portfolio Summary
 5. Conclusions
 6. Financial Implications
 7. Legal Implications

2. RECOMMENDATIONS

The Committee is recommended to note the contents of the report.

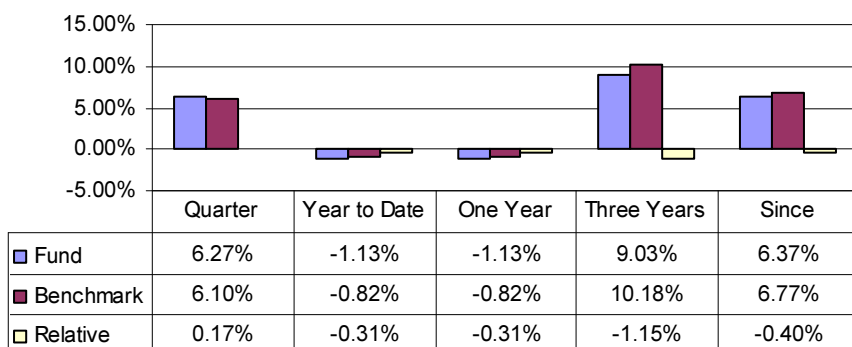
3. BACKGROUND

- 3.1 The revised management arrangements for the Pension Fund investment portfolio have been operational for approximately three years and this report sets out the performance for the quarter ended 31st December 2011 and since inception as provided by the Fund's custodians Northern Trust.

4. PORTFOLIO SUMMARY

- 4.1 The fund had a market value of £751 million as at the 31st December 2011 and achieved a return of 6.27% which was 0.17% higher than the benchmark of 6.10%. The fund performance over the longer term is a set out below.

Table 1: Fund Performance



4.3 The fund currently employs nine specialist managers with mandates corresponding to the principal asset classes. The managers and the associated performance targets and value of funds held are as set out below.

Table 2: Portfolio Summary					
Manager	Mandate	Performance Target	Date Appointed	Value 31 Dec 2011 £m	Value 30 Sep 2011 £m
Alliance Bernstein	Global Equity	1.50%	1 Nov 2004	155.4	145.0
Fauchier	Hedge Fund	5% over 5 Years	28 Jun 2008	20.9	21.2
Harbourvest	Venture Capital	5% over 10 Years	29 Jun 2006	31.9	32.7
RCM	Global Equity	1.50%	18 Sep 2008	159.4	145.1
Schroders	Property	0.75%	12 Oct 2004	72.1	71.2
UBS (Equity)	UK Equity (Index)		27 Feb 2008	120.2	111.0
UBS (Bonds)	Fixed Interest		28 Feb 2008	144.5	134.2
INVESTEC	Commodities		25 Feb 2010	36.8	36.4
M & G	UK Financing Fund		1 May 2010	9.3	8.1
Northern Trust	Securities Lending			0.2	0.2
				£750.8	£705.1

4.4 The performance of the individual managers relative to the appropriate benchmarks is as set out in table 3

Table 3: Managers' Performance Relative to Target			
	Quarter Ended 31 Dec 2011	One Year	Since Inception
Alliance Bernstein	-0.3%	-3.8%	-2.9%
Fauchier	-2.8%	-10.3%	-6.9%
Harbourvest	-11.4%	18.2%	2.2%
RCM	-2.4%	1.4%	-2.3%
Schroders	-0.0%	-1.1%	-0.8%
UBS (Equity)	1.2%	-0.8%	0.1%
UBS (Bonds)	-0.1%	-0.6%	1.5%
INVESTEC	0.0%	0.9%	-1.0%
M & G	0.8%	2.3%	1.8%

4.5 The table indicates the effect of the current volatile period for global markets driven by the uncertainty amongst investors about the global economy. Most managers have underperformed their respective benchmarks over time.

4.6 The performance of individual managers will be analysed by the Council's Investment Advisor at the meeting.

5. CONCLUSION

5.1 Performance continues to be below benchmark. The proposed restructure of the fund is the measure being put in place to address this issue.

6. FINANCIAL IMPLICATIONS

6.1 The comments of the Executive Director for Resources have been incorporated into the report.

7. LEGAL IMPLICATIONS

7.1 As the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.

7.2 The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisers in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Finance Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs including the administration of the Pension Fund.

Background Papers

There are no background papers to this report. If there are any queries on this report contact the Budgets & Efficiency Group Manager tel 0208 314 6932

PENSIONS INVESTMENT COMMITTEE		
Report Title	Exclusion of the Press and Public	
Key Decision	No	Item No. 6
Ward		
Contributors	Chief Executive (Head of Business & Committee)	
Class	Part 1	Date: 23 February 2012

Recommendation

It is recommended that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act, as amended by the Local Authorities (Executive Arrangements) (Access to Information) (Amendments) (England) Regulations 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information:-

7. Minutes
8. Fauchier
9. Passive Manager Selection
10. Transition Manager Selection
11. Voting in Respect of Remuneration Packages

By virtue of paragraph(s) 3, 4, 5 of Part 1 of Schedule 12A of the Local Government Act 1972.

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