

LONDON BOROUGH OF LEWISHAM

MINUTES of the meeting of the PENSIONS INVESTMENT COMMITTEE, which was open to the press and public, held on WEDNESDAY 13 JUNE 2012 at LEWISHAM TOWN HALL, CATFORD, SE6 4RU at 7 p.m.

Present

Councillors Best, Fletcher, Maslin, Muldoon, and Pattison.

Observer – Mr Whittet (UNISON)

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 Councillors Allison, Whittle and Wise.

1. Appointment of Chair and Vice Chair

RESOLVED that Councillor Whittle be elected Chair and Councillor Maslin be elected Vice -Chair of the Pensions Investment Committee for the municipal year 2012/13. In the absence of Councillor Whittle, Councillor Maslin chaired the meeting.

Councillor Maslin welcomed Steve Whittet who is the new observer on the Committee representing UNISON.

2. Minutes

RESOLVED that the Minutes of the meeting of the Pensions Investment Committee, held on 23 February 2012, be confirmed and signed.

3. Declaration of interests

Councillor Fletcher declared that her brother in law had recently been employed as a trader for Bryden International which is part of the Melrose Group.

Councillor Maslin declared that he is a Director of Hales Gallery Limited and UBS is an occasional customer of the Gallery.

4. Draft Pension Fund Accounts - Year Ending 31 March 2012

- 4.1 Mr Thompson presented the report. He said that although the value of investment had increased by £11m as outlined in paragraph 3.9 of the report, the fund had decreased as of 13 June 2012.

4.2 Mr Thompson referred members to fund management fees in the pensions fund accounts. He said that fees had increased from £1.4m to £3.2m, this was due, in part, to the performance of commodities. Mr Donaldson said that fees had increased because returns to the fund had been high which had triggered more fees.

4.3 Councillor Muldoon asked how many people in Lewisham's Pension Fund had AVC Contracts. Mr Thompson did not have the figures at the meeting; he agreed to send the information to members.

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RESOLVED that the draft Pension Fund accounts for the year ended 31 March 2012, as set out in Appendix 1 to the report be noted.

5. Investment Performance for the quarter end 31 March 2012

5.1 Mr Donaldson presented the report.

5.2 Councillor Fletcher asked Mr Donaldson for his prediction regarding the financial markets for the next three months. Mr Donaldson said that it is always difficult to predict future markets because they are constantly changing. He said that a lot could depend on whether Greece will exit the Eurozone. The result of French and Greek elections could have an effect on global financial markets. Ultimately he considered that the behaviour of markets will depend on the effectiveness or otherwise of politicians' meetings where the focus will be on how to prevent an immediate breaking up the Eurozone and destabilisation of the world economy.

5.3 Councillor Fletcher asked whether the American economy was improving because the government was not taking any action until after the elections in November. Mr Donaldson said that the American economy was improving slowly so the government could afford to hold off quantitative easing. Employment in the first quarter was encouraging. As the election approaches it will lead to uncertainties. He said that the portfolio needs to diversify because markets are volatile.

5.4 Councillor Muldoon asked whether it was advisable to invest in Gilts. Mr Donaldson said that the performance of corporate bonds was fair. Gilts were not performing well. He said that money flows into Gilts from Local Government Pension Funds which can take a long term view of their investments. However, nominal Gilts do not look good investment opportunities in real terms.

RESOLVED that the report be noted

6. Terms of Reference

RESOLVED that the terms of reference of the Pensions Investment Committee be noted

7. 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:

8. Minutes

9. Passive Investment Manager Selection

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

8 Minutes

RESOLVED that the minutes of the meeting of the Pensions Investment Committee held on 23 February 2012 which were not open to the press and public be confirmed and signed.

9 Passive Investment Manager Selection

RESOLVED that

(i) the move to a more passive investment strategy for the Council's Pension Fund be approved as set out in section five of the report;

(ii) the amended Statement of Investment Principles, at Appendix 1 to the report be approved.

(iii) UBS Global Asset Management (UK) Limited ("UBS") be appointed as the passive investment manager for the equity and bond portfolio described in section eight of the report;

(iv) Blackrock Advisors (UK) Limited ("Blackrock") be appointed as the passive investment manager for the equity and bond portfolio described in section eight of the report;

(v) officers be instructed to issue termination of contract letters to Alliance Bernstein, RCM and UBS Equity.

(vi) it be noted that the Council's existing custodians, Northern Trust, have been appointed as the transition

manager for this process;

(vii) officers be instructed to report back to this Committee on the implementation of the transition process in the Autumn;

(viii) the options available for use of the redeemed Hedge Fund from Fauchier Partners as set out in section eight of this report be noted;

(ix) the redeemed assets be invested in short term investment and a further report be submitted to the next meeting of this Committee;

(x) the risks set out in this report be noted and

(xi) officers be authorised to ask new Passive Investment Managers to inform the Committee as to how they propose to engage with companies/funds over issues relating to Corporate Governance to include the remuneration of Directors.

The meeting ended at 7.25pm

Chair