

MINUTES OF THE PENSIONS INVESTMENT COMMITTEE

Wednesday, 2 September 2015 at 7.00 pm

PRESENT: Councillors Chris Best, Kevin Bonavia, Simon Hooks, Mark Ingleby, John Muldoon, Liz Johnston-Franklin and Joan Reid.

Apologies for absence were received from Councillor Paul Maslin.

1. Declarations of Interest

Councillor John Muldoon declared a personal interest as a Substitute Member on the Advisory Board of the Local Government Pension Scheme.

2. Minutes

The Chair confirmed that the Hyman's report on Harbour Vest had been dispatched by e-mail subsequent to the last meeting.

Councillor Bonavia observed that the training schedule presented at the last meeting was not convenient for him but that for other areas he had found videos and online webinars to be most useful in meeting his training requirements. The Principal Accountant promised to investigate the availability of such resources covering the Pensions field.

The Chair commented that it was important for members to undertake relevant training especially now that the Pensions Board would be monitoring their performance. In order to be able to demonstrate they had fulfilled the requirement to be adequately trained, he asked that the Member Development Officer be requested to provide a register of training to date undertaken by Pensions Committee members.

RESOLVED that the minutes of the meeting held on June 11 2015 be confirmed and signed as a correct record.

3. Schroders Performance Cover Report

A presentation was made to the Committee by Graeme Rutter, the Head of Real Estate Capital Partners, Neil Turner, the Head of Indirect Real Estate Investment and Lyndon Bolton. They briefed the Committee on recent staffing changes at Schroders and answered questions from the Committee.

The Chair received an explanation of the tertiary property designation and was advised that it was expected the existing significant cash reserves would be drawn upon within four to six months.

In conclusion the Chair thanked the Fund Managers for their presentation.

RESOLVED that the presentation be noted.

4. Investec Performance Cover Report

A presentation was made to the Committee by Stephen Lee, the Lewisham Portfolio Manager in the UK Client Group and Tom Nelson the Head of the Commodities and Resources team. They explained that 2014 had been a very difficult year for Commodities and acknowledged that the asset class had been underperforming.

After member questioning the Chair thanked the Fund Managers for their presentation.

RESOLVED that the presentation be noted.

5. State Street Performance Review Cover Report

A presentation was made to the Committee by Lynn Coventry who made a presentation on the performance of Lewisham's Pension Fund relative only to other Local Authority Funds for the year ending 31 March 2015.

The Chair thanked her for the presentation which he believed to be very positive as it had placed Lewisham in the top quartile of all local authorities.

RESOLVED that the presentation be noted.

6. CIV decision paper update

The Chair referred to the updated version of the report in the Supplementary Agenda and suggested that all three recommendations should be addressed separately.

In respect of the first recommendation the Principal Accountant explained that £50,000 had been paid in service charges so far and that it was proposed there would now be an annual service charge of £25,000pa to support the operational costs of the London CIV which was partly owned by the Council. The Committee agreed the charge was reasonable.

On the second recommendation on regulatory capital, Councillor Best said that at a level of £150,000 the CIV appeared to be over capitalized and the expenditure might be hard to defend given the Council's dire financial circumstances. The Principal Accountant explained the Pension Fund was separate from the Council and its funds could never be used to bolster deficiencies in the General Fund. She stated the payment of this sum as regulatory capital could be regarded as an investment with a return. She further explained the CIV had to demonstrate financial robustness to the FCA with the ability to resist unforeseen exposure and therefore required the over capitalisation. Given this explanation, the Committee agreed to approve the suggested payment.

The Chair outlined previous discussions he had held regarding the third recommendation and said that his conclusion, given the enormous sums

involved, was that he preferred the decision to be taken at a future meeting of the Committee on the basis of a considered report rather than having such a significant decision being delegated on the basis suggested in the report. The Committee concurred with the Chair's view stating that they welcomed the greater transparency a decision made in open session would offer.

RESOLVED that

(1) the payment of an annual service charge of £25,000 to support the operational costs of the London CIV while the Council remains an owner of the company be approved;

(2) the payment of £150,000 to the London CIV for use as regulatory capital to meet the requirements for Financial Conduct Authority authorisation be authorised;

(3) any decision to authorise the transition of pension fund assets into the London CIV should be considered at a future meeting of the Committee and be subject to the necessary financial due diligence being performed by officers and relevant professional (financial and legal) advice being received.

7. Pensions Update

The report was presented by the Principal Accountant who confirmed the Pensions Board had met in July but that it still did not have its non voting Chair. The Committee agreed with a suggestion from Councillor Best that the Council advertises widely including the use of Lewisham Life and its website to attract appointable candidates.

RESOLVED that the report be noted.

8. Exclusion of 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:-

- (1) Performance of quarter 2.
- (2) Alternative Growth Asset Mandate.

9. Hymans Lewisham Performance Q2

The report was presented by Albert Chen from the Council's Investment Consultants, Hymans Robertson.

Based upon a commercially confidential assessment of performance, the Committee agreed the following in respect of the various mandates:

Blackrock	Passive Multi-asset	no change
Harbourvest	Venture Capital	no change
Investec	Commodities	sell
M&G	UK Financing Fund	no change
Schroders	Property	retain but downgrade owing to staffing changes
UBS	Passive Multi-asset	no change

RESOLVED that the proposals made by Hymans Robertson be approved.

10. Alternative Growth Asset Mandate

The report was presented by Albert Chen from the Council's Investment Consultants, Hymans Robertson. He outlined three alternatives for the replacement of the current investment in the Commodities Mandate. These were Multi-Asset, Senior Secured Loans and Infrastructure. The preferred option was Multi Asset which allowed an active manager to access a broad range of assets in a single vehicle.

Members questioned the active nature of the preferred choice and noted Commodities was already an active fund. The Chair stressed that any decision to pursue an active option would mean that the choice of fund manager would be critical to success.

As the meeting had exceeded the two and a half hour limit from the start time advertised in the Summons, the Committee passed a resolution to suspend standing orders to allow full consideration of this item.

RESOLVED that:

- (1) the Investec mandate be replaced with a multi-asset mandate under a pooled fund arrangement as set out in the recommendation by our advisors;
- (2) a manager selection process be commenced for the multi-asset mandate;
- (3) the Non-OJEU procurement single-stage process be approved as the preferred procurement approach to be undertaken;
- (4) the proposed timetable for the Manager selection process set out in the Hymans report be approved
- (5) authority be delegated to the Executive Director for Resources and Regeneration to arrange the timings of the Manager selection process and meetings; and
- (6) the fee stipulated to Hymans for undertaking the carrying out of a pooled fund search under the timetable and process set out in the Hymans report be approved on the assumption eight managers receive and return Requests for Proposals (RfP) with the cost to increase by £2,000 for each additional RfP returned and reviewed.

The meeting closed at 9.46pm