



Pensions Committee

Minutes - 24 September 2014

Attendance

Members of the Pensions Committee

Cllr Bert Turner (Chair)
Cllr Lorna McGregor (Vice-Chair)
Cllr Peter Bilson
Cllr Sandra Samuels
Cllr Tersaim Singh
Cllr Jasbir Jaspal
Cllr Phil Page
Cllr Paul Singh
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Mohammed Arif (Walsall MBC)
Cllr Damian Gannon (Coventry City Council)
Cllr Alan Rebeiro (Solihull MBC)

Trade Union observers

Martin Cliff (Unite)
Victor Silvester (Unite)
Ian Smith (Unite)

Employees

Mark Chaloner	Assistant Director, Investments
Carl Craney	Democratic Support Officer
Rizwan Dhanani	Assistant Accountant
Geik Drever	Director of Pensions
Rachel Howe	Head of Governance - Pensions Services
David Kane	Head of Finance, Delivery Directorate
Amanda MacDonald	Client Lead Auditor

Advisors

William Marshall – Hymans Robertson LLP
Graeme Johnston – Hymans Robertson LLP
David Robson – PwC

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies for absence had been received from Cllr Val Evans (Wolverhampton City Council), Cllr Zahid Shah (Wolverhampton City Council). Cllr Steve Eling (Sandwell MBC) and Cllr Sandra Hevican (Substitute Member) (Sandwell MBC).
- 2 Notification of Substitute Members (if any)**

No Substitute Members had been appointed for this meeting.

3 Declarations of Interests (if any)

The Vice Chair, Cllr Lorna McGregor declared a personal interest in matters pertaining to the Local Government Pension Scheme as a Member of that Scheme.

4 Minutes

(a) Pensions Committee – 25 June 2014

Resolved:

That the minutes of the meeting of the Pensions Committee held on 25 June 2014 be confirmed as a correct record and signed by the Chair.

(b) Investment Advisory Sub Committee – 25 June 2014

Resolved:

That the minutes of the Investment Advisory Sub Committee held on 25 June 2014 be received and the acts, proceedings and recommendations contained therein be adopted.

(c) Pensions Joint Consultative Forum – 3 September 2014

Resolved:

That the minutes of the meeting of the Pensions Joint Consultative Forum held on 3 September 2014 be received subject to the deletion of “Sandra Hevican – Assessor – Revenue and Benefits” and the addition of “Cllr Sandra Hevican (Sandwell Metropolitan Borough Council)” in the Attendance Record.

5 Matters arising

There were no matters arising from the minutes of the Pensions Committee held on 25 June 2014, the Investment Advisory Sub Committee held on 25 June 2014 or the Pensions Joint Consultative Forum held on 3 September 2014.

6 Pensions administration report

Geik Drever presented a report on the work of the Pensions Administration Service during the period 1 April 2014 – 30 June 2014.

With reference to paragraph 6.2 of the report insofar as it referred to applications for admitted body status, Martin Clift requested that future reports include an indication as to whether the schemes for which applications were made were open or closed.

Resolved:

1. That the write off decisions be approved;
2. That the applications approved by the Director of Pensions and the Chair and Vice Chair of the Committee for admission to the West Midlands Pension Fund as detailed in paragraph 6.2 of the report be noted;
3. That the proposed transfer to the Greater Manchester Pension Fund in respect of the National Probation Service pension members be noted.

7 **Compliance monitoring**

Geik Drever presented a report which detailed the quarterly update on the Compliance Monitoring Programme (“The Programme”) which highlighted any issues which had arisen or which had been identified.

Resolved:

That the fact that no compliance issues had arisen in the period be noted.

8 **Local Government Pensions Scheme (LGPS) 2014**

Geik Drever presented a report which provided an update on the progress to date of the implementation of the LGPS 2014.

Resolved:

1. That the activity and progress to date of the implementation of the LGPS 2014 be noted;
2. That the expected timescales for the implementation of the pensions administration system changes be noted.

9 **Service Plan monitoring**

Geik Drever presented a report which updated the Committee on the Fund’s financial and service plan monitoring.

Resolved:

That the financial monitoring along with the Fund’s key performance indicators be noted.

10 **Annual Reports and Accounts 2013/14**

Geik Drever and David Robson presented the Fund’s Annual Report and Accounts 2013/14 and responded to questions from Members of the Committee.

Resolved:

1. That the Fund’s 2013/14 Annual Report and Accounts and its publication on the Fund’s website following the completion of the external audit be approved;
2. That the thanks of the Committee be extended to David Robson for his report and presentation.

11 **Strategic Investment Allocation Benchmark (SIAB) annual review**

Mark Chaloner presented a report which invited the Committee to review the Fund’s investment strategy and to consider changes to the Strategic Investment Allocation Benchmark (SIAB). The Committee received a presentation from Graeme Johnston on the proposed changes. Copies of the presentation were circulated at the meeting.

Resolved:

1. That the following changes in the SIAB allocation with effect from 1 October 2014 be approved:
 - i) An increase in the allocation to property to 10% of assets (from 9%), with a 7% allocation to direct property (up from 6%) and a 3% allocation to indirect property;
 - ii) The creation of an allocation to real assets and infrastructure, with a target allocation of 6% (compared with the current 4% allocation to infrastructure)

and for the allocation to agriculture funds (0.2% and currently in the commodities portfolio) to be transferred to this segment;

iii) The elimination of the allocation to hedge funds (3%);

iv) In the stabilising segment of the fixed interest portfolio, for an increase in the allocation to index linked gilts to 6% (from 5%) and for a corresponding decrease in the allocation to conventional gilts (to 3% from 4%);

2. That the asset transfer arrangements for the Ministry of Justice (MoJ) Probation Trust pensions, for which Greater Manchester Pension Fund would be assuming responsibility be endorsed. (It is estimated that the Fund would transfer £235 million of assets in the final quarter of 2014, with funding from cash resources (£175 million) and the balance from the transfer of the Fund's holding in a short dated UK gilt fund (£60 million) managed by Legal & General.

12 **Active ownership activities - April 2014 to June 2014**

Mark Chaloner presented a report which informed the Committee of the work undertaken by the Investments Team regarding their voting and engagement activities, collectively referred to as "active ownership" activities, between the period 1 April 2014 – 30 June 2014.

Resolved:

1. That the Fund's voting and LAPFF's engagement activity for the three months ending 30 June 2014 (including Appendix 1) be noted;
2. That the issues discussed by the Local Authority Pension Fund Forum (LAPFF) in the Quarterly Engagement Report which was available on the Fund's website be noted.

13 **Governance Reform 2014 - update**

Rachel Howe presented a report which provided the Committee with an update on the governance reforms to date and which detailed the next steps for implementation. An explanatory sheet detailing a comparison between the advisory Pensions Board and the decision making Pensions Committee was circulated at the meeting.

Resolved:

1. That the structure of the Pensions Committee under the 2014 reform, subject to any statutory guidance be agreed;
2. That the structures and remit of the Pensions Board under the 2014 reform be agreed;
3. That authority be delegated to the Director of Pensions to implement the changes in conjunction with the Administering Authority;
4. That it be recommended to Full Council of the Administering Authority that the changes be implemented and approved.

14 **Exclusion of the public and press**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information falling within the paragraphs of Schedule 12A of the Act set out below:

Item	Title	Applicable paragraph
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15	Investment portfolio valuation	3
16	Responsible Investment Policy related Activities – April 2014 – June 2014	3
17	Employer covenant update report	3
18	Property Management Service Contract	3

Part 2 – exempt items, closed to the public and press

15 Investment portfolio valuation

The Investment Portfolio Valuation as at 30 June 2014 was presented and Councillors were invited to submit any questions and / or comments to Geik Drever.

Resolved:

That the Investment portfolio Valuation as at 30 June 2014 be received.

16 Responsible Investment Policy related activities: April 2014 - June 2014

Mark Chaloner presented a report which informed the Committee of the policy work undertaken by the Investments Team regarding the Fund's responsible investment activities during the period 1 April 2014 to 30 June 2014. For the avoidance of doubt, he confirmed that BAE was not involved in the production of cluster munitions.

Resolved:

1. That the Fund's revised UK voting policy as detailed in Appendix RI2 to the report be approved;
2. That the concept of fiduciary duty as it relates to responsible investment as outlined in Appendix RI1 to the report be noted;
3. That the implications of the Law Commission findings for the Fund, specifically that the Fund should not exclude companies from investment on non-financial grounds be noted, and that the Investments Team would continue to monitor developments in this area;
4. That the update on the LAPFF's engagement programme with arms companies being conducted on the Fund's behalf be noted.

17 Employer covenant update report

Geik Drever presented a report which provided the Committee with an update on the monitoring of employer covenants by the Fund.

Resolved:

That the report and associated implications be noted.

18 Property Management Service Contract

Mark Chaloner presented a report which updated the Committee with progress and conclusion of the procurement process for the appointment of an investment manager to manage the Fund's direct property portfolio.

Resolved:

That CBRE's re-appointment to manage the Fund's direct property portfolio be noted.