

Pensions Sub- Committee Minutes

Tuesday 21 November 2017

PRESENT

Committee members: Councillors Iain Cassidy (Chair), PJ Murphy, Guy Vincent, Michael Adam and Nicholas Botterill

Officers: Matthew Hopson (Strategic Finance Manager, Pensions), Peter Worth (Interim Director of Treasury and Pensions), and Amrita Gill (Assistant Committee Co-ordinator)

Guests: Alistair Sutherland and Kevin Humperson (Deloitte)

1. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 19 September 2017 were approved and signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies of absence were received from Sue Hands (Interim Finance Manager, Pensions)

Apologies for lateness were received from Councillor PJ Murphy.

Apologies for lateness were received from Councillor Nicholas Botterill.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. DRAFT PENSIONS BOARD MINUTES

There were no declarations of interest.

5. QUARTERLY UPDATE

Peter Worth presented the quarterly update report for the quarter that ended 30 September 2017.

Kevin Humperson, referring to page 17 of the agenda noted that over the quarter the total fund underperformed its fixed weight benchmark by 0.1% on a net of fees basis. This was largely as a result of the underperformance from Ruffer, as well as negative contributions from Insight and Partners Group Infrastructure. Over the 12-month period, the fund delivered a net return of 8.4%, outperforming the benchmark by 0.1%. The fund remained ahead of the benchmark over the three and five-year periods and was performing as we had expected.

Standard Life Aberdeen had announced their new management team of their joint real estate business. This had no impact on the property funds, however property transactions were now logged and agreed through a Committee under the new regime.

Peter Worth, referring to appendix 3 of the agenda, noted that the forecast indicated that there would be sufficient cash available to fund pension payments and infrastructure drawdowns until April 2018, however the cash flow position would need to be monitored, as Partners Group were only able to advise of capital calls up to a month in advance. Councillor Nicholas Botterill with reference to the drawdowns on page 47 of the agenda, asked what they referred to. Peter Worth noted that these would be taken out of the liquidity fund.

Councillor Nicholas Botterill asked how accurate the budgeting was for the Council. Matthew Hopson noted that it was fairly accurate, however a new cash flow forecast was being piloted in Hammersmith and Fulham to ensure further accuracy.

Councillor Michael Adam, referring to page 20 of the agenda, asked how the Council would fund the projected annual deficit in 2018. Peter Worth said that the Council would need to set aside income from all funds, however wouldn't need to sell the assets.

Peter Worth noted that the risk register had been reviewed in line with the standardised approach set out in the current Business Plan. Risk 9 had also been included as a new risk factor, namely the possible impact on membership.

RESOLVED

That the Sub-committee noted the report.

6. MIFID II AND MEMBER TRAINING

Peter Worth presented the report that provided an update of progress regarding opting up applications for professional client status under the Markets in Financial Instrument Directive (MIFID II). The key issue arising from the opting up application process was the need for member training and to be able to demonstrate that this had been provided and taken up. Opting up applications had been sent to all investment advisors, investment managers and the custodian – the Council was waiting for feedback.

Councillor Nicholas Botterill asked why this had taken so long. Peter Worth said that there was a lot of information to collate and additional information was also requested from some fund managers which meant that this was a time-consuming process.

Peter Worth noted that the MiFID II update application process had indicated the need to revisit existing training arrangements for Sub-Committee members – effectively as a form of continuous professional development programme.

Councillor Nicholas Botterill said that Councillors were there to bring democratic oversight and to exercise their judgement and knowledge. They also had extensive experience to ensure that the relevant questions were asked and the role of the officers was to supply technical advice and guidance. Peter Worth said that there was a statutory requirement that the Council needed to demonstrate that relevant training had been provided to Councillors.

RESOLVED

1. That the Sub-Committee noted the update.
2. That the Sub-Committee approved the suggested training programme.

7. LONDON CIV UPDATE

Matthew Hopson presented the report and noted that the key items of interest for the Sub-Committee was the launch of the new infrastructure and low carbon working groups. Hugh Grover had now left his position as Chief Executive of the London CIV and Mark Hyde-Harrison had been appointed interim Chief Executive.

Since transitioning to the London CIV, the Pension Fund had paid slightly higher fees in absolute terms. The reason for this higher fee was a result of switching the fee structure in the Majedie portfolio; the fee structure had switched from 35 basis points plus a performance fee; to a flat 60 basis points fee. Ruffer had delivered the fee savings expected by the transition to the London CIV. This supported the transfer of assets from Majedie to the Ruffer Absolute Return fund.

RESOLVED

That the Sub-Committee noted the update.

8. INFRASTRUCTURE TRANSITION UPDATE

Matthew Hopson presented the report and noted that the Sub Committee had already taken the decision to transfer £30m from the Majedie Focus Fund to Aviva Infrastructure Income Fund (AIIF) due to an overweight position in equities and a desire to move into infrastructure. The documentation and contracts had now been reviewed by all parties and were signed week commencing 6 November 2017. Since the 19 September 2017 AIIF had experienced significant queuing of funds for deployments in recent months

and it was anticipated that the Hammersmith and Fulham Pension Fund would be unable to draw down on the existing commitment for 9-12 months. To mitigate the short-term exposure risk, it would be prudent to transfer the £30m commitment to Ruffer until required from drawn down and there were no additional transaction costs for doing so.

Councillor Michael Adam asked if the queue had grown since September and why a decision wasn't made sooner to avoid delay in the transfer process. Peter Worth said that the queue had grown and a Pensions Sub-Committee meeting was required in accordance to the Council's constitution to make a formal decision. Councillor Michael Adam asked for the constitution to be reviewed and feedback to be provided.

Action: Peter Worth/ Amrita Gill

RESOLVED

That the Sub-Committee recommended the divestment of 30m from Majedie Focus Fund and transfer to the Ruffer absolute return fund while Aviva draws down its commitment.

9. DATE OF THE NEXT MEETING

The next meeting was scheduled for 27 February 2018.

Meeting started: 7:00pm

Meeting ended: 8:05pm

Chair

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