

REPORT OF THE HEAD OF DEMOCRATIC SERVICES

Reporting Officer: Head of Democratic Services

(i) ESTABLISHMENT OF A PENSIONS COMMITTEE, INVESTMENT STRATEGY SUB-COMMITTEE

In September 2009, the Pensions Committee recommended the formation of an Investment Strategy sub-committee to create a decision making framework better suited to the demands of managing a large pension fund within the global financial markets of today.

The Leader of the Council is proposing this change to the Constitution and Council is asked to establish the sub-committee with terms of reference as detailed in Appendix A.

RECOMMENDATION: That a Pensions Committee, Investment Strategy Sub-Committee be established with the Membership, Terms of Reference and delegated authority as set out in Appendix A

(ii) MEMBERSHIP OF COMMITTEES 2010/11

Council is asked to approve the following:

RECOMMENDATIONS: That

- a) subject to the approval of i) above, three Members be appointed to the Investment Strategy Sub-Committee (2 Conservative and one Labour – nominations to be supplied before the meeting) and that the sub-committee then be asked to appoint the Chairman and Vice Chairman;
- b) Councillor Gardner be appointed as Vice Chairman of the Hillingdon Domestic Violence Action Forum (this was an oversight from the AGM)
- c) Councillor Curling be appointed as a Labour Group substitute for the Audit Committee, replacing Councillor Harmsworth.

ESTABLISHMENT OF AN INVESTMENT STRATEGY SUB-COMMITTEE

For this Council meeting, the Leader of the Council is proposing a change to the Constitution to establish a Pensions Investment Strategy Sub-Committee to undertake delegated functions of the parent Pensions Committee under Article 8.

INFORMATION

In September 2009, the Pensions Committee recommended the formation of an investment strategy sub-committee to create a decision making framework better suited to the demands of managing a large pension fund within the global financial markets of today.

Increasingly, investment opportunities and threats are rising at a pace which, within the timetable of the regular quarterly Pensions Committee meetings, renders effective assessment and decision-making harder. To enable a quicker reaction to market conditions, where warranted, it is recommended that the sub-committee be given delegated powers to make limited changes within the constraints of the approved investment strategy. This would introduce greater flexibility in implementing changes to the percentage of the fund allocated to each Fund Manager and to Fund Manager benchmarks, whilst maintaining a consistent approach to risk, in line with the Fund's long term strategy.

Whilst the final decision on the appointment of Fund Managers would remain with the Pensions Committee, the sub-committee would be fully involved in the search and selection process and undertake the long list interviews to determine the short-list to be presented to Pensions Committee.

The sub-committee would be fully accountable to the Pensions Committee and to London Borough of Hillingdon. It would report any decisions taken and any activities undertaken to the next meeting of Pensions Committee. It would not have any remit or responsibility in relation to employee issues or awards of additional benefits.

It is suggested that the sub-committee meet at a minimum every quarter, between Pensions Committee dates, but are able to convene more frequently if required by circumstance - and that its membership be small enough to be able to meet quickly, regularly and act swiftly if required.

The proposed membership, terms of reference and delegated powers are detailed overleaf. The Council's timetable of meetings will be updated and circulated to Members once dates have been approved with the Members concerned and Chief Whips.

Pensions Committee, Investment Strategy Sub-Committee

Introduction:

To discharge the functions of the Pensions Committee aimed at improving market governance across the Pension Fund and the operational effectiveness of Investment Strategy.

Membership:

Membership of the Sub-Committee will consist of 3 Councillors from the Pensions Committee, politically balanced. The quorum for attendance will be 2 Councillors. In addition, the Independent Adviser and Investment Consultant would normally attend meetings along with relevant officers.

Terms of Reference:

- 1 To maintain a business plan for its activity and evaluates progress against this plan.
- 2 To monitor financial risks, including all investment risks relative to liabilities, within the Pension Committee's risk framework, and reports any issues or breaches to the Pension Committee.
- 3 To keep asset allocation under review within range guidelines set by the Pension Committee. Within these range guidelines, the Sub-Committee has delegated authority to
 - Increase or decrease the allocation to equities, bonds or property
 - Increase or decrease the amounts / proportions of assets in manager mandates
 - Increase or decrease the level of currency hedging in place
 - Select investments for, or dispose of existing investments in, the "opportunity fund" (5% of assets), using the feeder fund.
- 4 To consider the framework for the allocation of new money among managers. Similarly, in the event that assets need to be realised, the Sub-Committee also considers this matter.
- 5 To formally review annually the mandates of the managers, and their adherence to their expected investment process and style. This ensures that the explicit written mandate of each of the Fund's managers is consistent with the Fund's overall objective and is appropriately defined in terms of performance target, risk parameters and timescale.
- 6 To consider the need for any changes to the investment managers' mandates (e.g. in relation to continuing appropriateness of benchmarks and operating guidelines).
- 7 To consider the need for any changes to the Fund's investment manager arrangements (e.g. replacement, addition, termination) and makes recommendations to the Pension Committee.
- 8 In the event of a proposed change of managers, to evaluate the credentials of potential managers. To make recommendations to the Pension Committee in respect of any change of managers.
- 9 To monitor the investment advice from their investment consultant and investment adviser at least annually. To also review their own decision making process at the same time.
- 10 To be responsible for maintenance of the Fund's Statement of investment Principles (SIP).
- 11 To carry out any additional tasks delegated to it by the Pension Committee.