

**MINUTES OF THE MEETING OF THE PENSION POLICY & INVESTMENT INFORMAL MEETING HELD ON MONDAY, 19TH FEBRUARY, 2018**

**MEMBERS:** Councillors Derek Levy, Terence Neville OBE JP, Daniel Pearce, Toby Simon (Chair), Alan Sitkin and Doug Taylor (Leader of the Council)

**Officers:**

Fay Hammond (Director Of Finance and Assistant Head of Finance), Paul Reddaway (Head of Finance) and Carolan Dobson (Independent Advisor),

**Also Attending:** Daniel Carpenter (Aon), Rohan Meswani (Aon).

**30. WELCOME & INTRODUCTION**

Councillor Simon (Chair) welcomed all to the meeting. The Chair explained this was an informal meeting (due to the agenda had not being published giving the seven days' notice). Members were to be asked to ratify any decision coming out of this pre-meeting at a properly constituted meeting to be held on 21<sup>st</sup> February 2018 in Enfield

**NOTED:**

Apologies for absence were received from Cllr Pearce, Cllr Sitkin and Cllr Taylor & for lateness from Councillor Neville

**31. DECLARATION OF INTERESTS**

**Noted:**

Councillor Neville declared his nephew was a trainee with CBRE.

**32. MINUTES OF PREVIOUS MEETING : 20TH NOVEMBER 2017**

Minutes of the meeting held 20<sup>th</sup> November 2017 were **NOTED**

**Matters Arising**

- Members noted the latest purchase by Antin. They remained concerned about the reputational risks of heavy concentration in a sector where LAs were the main purchasers.

**33. INVESTMENT STRATEGY REVIEW - FOLLOW UP AND CASH UPDATE**

Received: The presentation material included in members' meeting papers

**Noted:**

## PENSION POLICY & INVESTMENT COMMITTEE - 21.2.2018

- Subsequent to the Fund's reduction in equities to 40% the Fund will be holding a material level of cash including proceeds from redemption from Gruss & Markham Rae. There is limited opportunity to deploy capital across the existing investment managers, particularly within liquid assets where the Fund's capital is deployed immediately, as opposed to drawn down over time
- Aon recognised the London CIV is making headway with the fixed income manager selections and are supportive of both the spectrum of bond opportunities they are looking at and at increasing the Fund's bond allocation. There are also opportunities for the Fund to deploy capital outside the London CIV which they believed were attractive and part of the agreed asset classes
- The Fund's hedge fund portfolio has drifted away from its original construction and strategic weighting. The current allocation has a higher weighting to strategies which typically exhibit a greater correlation to broader equity markets
- Following the recent disinvestment from Markham Rae and the decision to redeem from Gruss, the Fund is expected to have c. 8.6% of assets (based on 31 December 2017 values) in liquid alternatives once these redemptions have been accounted for

### 34. LONDON CIV - FIXED INCOME DEVELOPMENTS

#### **Received:**

The presentation pack included in members' meeting papers.

#### **Noted:**

The Chair welcomed Larissa Benbow and Kevin Cullen from the London CIV to the meeting.

Larissa provided an updated of recent developments. Following a recent tendering exercise for fixed income products resulted in the following appointments.

- Global bonds fund: – PIMCO
- Long only multi-asset credit: – CQS
- Long/short multi-asset credit: – Mid Ocean
- Liquid loans: Ares
- Private debt: -Ares
- Illiquid multi-asset: Not yet appointed

The presentation went through each of the strategies and how they could fit into a fixed income allocation. Managers would not be put onto the LCIV platform until they have soft commitments from at least one borough.

The presentation included ½ hour training on fixed income investment methodologies.

**35. WESTERN ASSET MANAGEMENT PRESENTATION**

**Received:**

The presentation pack was included in members' meeting papers.

**Noted:**

The Chair welcomed Marian George and Annabel Rudebeck , from Western Asset Management (WAM) to the meeting.

WAM reminded members of the mandate given the changes made in 2016 to the portfolio. Corporate bonds had out performed in 2017 in comparison to other credit classes. The portfolio had been overweight in the financials' sector and favourable stock selections had been positive contributors to performance; whilst exposure to the long-dated UK duration yield curve (which had flattened in the year) hurt the performance.

WAM highlighted the continued importance of good stock selection as credit spreads tighten in 2018. They will focus on industries that are de-leveraging their balance sheets and are generating positive cash flows.

The presentation included ½ hour training on corporate bond investments.

**36. REVIEW OF PP&IC TERMS OF REFERENCE**

**Noted:**

To revisit item at the next Pension and Investment meeting

**37. DATES OF FUTURE MEETINGS**

**Noted:**

Thursday 12<sup>th</sup> April 2018

**39. EXCLUSIONS OF PRESS AND PUBLIC**

**40. CBRE - SECURED LONG INCOME FUND**

**Received:**

The presentation pack included in members' meeting papers.

**Noted:**

The Chair welcomed Michael Ness and Paul Gibson from CBRE to the meeting.

CBRE introduced the presentation explaining that this new product has been created with Aon and is being marketed initially to Aon clients (as cornerstone investors) with the aim to raise £300m before going to other institutional investors. Aon are not receiving a fee for co-promoting this product.

## **PENSION POLICY & INVESTMENT COMMITTEE - 21.2.2018**

The CBRE UK Secured Long Income Fund is a new open-ended fund whose objective is to deliver secure, long-term and inflation-linked income streams by investing in UK property assets. CBRE's strategy for the fund is to invest in long lease inflation linked property, income strips, ground rents and higher conviction growth property.

The aim of this fund is to provide long term, inflation linked cashflows with an attractive yield. The fund invests in a variety of property assets to target a return of Limited Price Inflation ('LPI') + 2.5-3.5% p.a. (net of fees) over the long term, with a minimum of 75% of income having prescribed rental increases either linked to inflation (in line with RPI/CPI) but capped at 4% or with fixed increases. Given the fund is a pooled vehicle there will be low governance requirements from the Committee.

Fees have been set at 0.25% which is attractive in comparison to other similar funds. The first drawdown is expected to be made within the first 6 months of the launch of the fund and to be fully invested within 18-24 months.

The presentation included ½ hour training on property investment.

The meeting discussed a report by Hymans Robertson who were commissioned to independently review the Aon/CBRE proposal. One key issue raised was the limited number of initial investors disinvestment by one of them could have a significant impact on the Fund. It was noted there was a 3-year lock in for all investors, and that only one of the four had a single commercial sponsor, which would help mitigate the risks.

### **41. LONDON CIV STRATEGY CONSULTATION**

**Noted:**

Councillor Simon and Fay Hammond both discussed the London CIV strategy and additional comments were noted.

### **42. INVESTMENT UPDATE INCLUDING QUARTERLY INVESTMENT REPORT**

**Received:**

Quarterly Investment Report Q3 2017

**Noted:**

Aon presented review of each of the fund managers' performance for the quarter and long term.