

PENSION FUND INVESTMENTS PANEL MINUTES

8 JANUARY 2013

Chairman:	* Councillor Keith Ferry	
Councillors:	* Tony Ferrari	* Bill Stephenson (1)
	* Richard Romain	
Co-optee (Non-voting):	* Howard Bluston	† Steve Compton Sanjay Karia

Ms Lorna Tonner of Hymans Robertson attended in an advisory role, as the Council's Actuary.

Mr John Harrison, Mr Sion Cole and Mr Tony Baily of Aon Hewitt attended in an advisory role as the Council's appointed advisers.

- * Denotes Member present
- † Denotes apologies received

192. Attendance by Reserve Members

RESOLVED: To note the attendance of the following duly constituted Reserve Members:

Ordinary Member

Councillor Mano Dharmarajah

Reserve Member

Councillor Bill Stephenson

RESOLVED ITEMS

193. Declarations of Interest

RESOLVED: To note that no Declarations of Interest were registered.

194. Minutes

RESOLVED: That the minutes of the meeting held on 27 November 2012, be taken as read and signed as a correct record.

195. Public Questions, Petitions and Deputations

RESOLVED: To note that no petitions were received, questions put, or deputations received under the provisions of the Committee Procedure Rules 17, 15 and 16.

196. Review of the Pension Fund's Investment Strategy

The Panel received a report of the Corporate Director of Resources setting out proposed changes to the investment strategy.

An officer introduced the paper which was essentially the same paper that had been presented to the Panel at their last meeting; however, Panel Members had now received training on the asset class (Diversified Growth Funds (DGFs)) as requested, and the report was re-submitted for consideration.

Members considered the possible level of return from DGFs compared with other asset classes, and clarified that the expected level of return would be greater than that currently provided for cash deposits and above inflation. Members also considered factors such as volatility and risk, and whether it was desirable to define acceptable levels for each.

Members consulted with the Council's actuary and advisers on the following:

- the impact of selling bonds rather than equities to fund DGF investments;
- the range of volatility across different asset groups;
- acceptable levels of investment to attract fund managers.

Members had differing opinions on the suggested proportion of the fund to be invested, but established that the minimum amount proposed, 4% or £20m, would be sufficient to attract initial tenders, with the potential to increase. They also discussed which asset groups should be reduced to allow greater investment in DGFs, but agreed this debate and decision could wait for a future meeting.

Despite differing opinions among Members on what constituted an acceptable level of investment, Members agreed that it would be sensible to transfer all

cash holdings into DGFs, with the prospect of further investment if Members thought this appropriate.

RESOLVED: That

- (1) the Panel agrees to a transitional revised strategy, which requires that:
 - a) all cash holdings (to the sum of £20m) be invested in Diversified Growth Funds (DGFs);
 - b) DGF investments will be placed with no more than two fund managers;
 - c) prospective fund managers, as agreed by the Panel, will be invited to tender for the management of DGFs on behalf of the Council's pension fund;

and that

- (2) the Panel will determine at the next meeting the amount to be invested, and how any agreed increase in allocation beyond existing cash balances will be funded.

197. Information Report - Update and Action Points from Previous Meetings

The Panel received a report of the Corporate Director of Resources which provided an update on actions taken since the last meeting.

RESOLVED: That the report be noted.

198. Appointment of Diversified Growth Funds

In accordance with the Local Government (Access to Information) Act 1985, this report was submitted following agenda publication as it had not been available at the time the main agenda was printed and circulated. Once the Panel had agreed a transitional revised investment strategy, the information provided in this report was essential in allowing the Panel to determine a shortlist of potential fund managers.

Having agreed to a revised investment strategy, the Panel then considered the confidential list of prospective fund managers prepared by the Council's advisers.

Sion Cole of Aon Hewitt provided details on the seven fund managers listed and advised Members on factors to consider when determining selection for a shortlist, including compatibility with existing investment allocations.

Members agreed to invite six fund managers to tender for contract, and to receive a presentation from each interested party. The presentations would all be made on one day, to a panel comprising those members present for this meeting, with the exception of one Member who would meet the proposed appointed Manager(s) following the selection process. It was felt that an hour

per presentation would be sufficient, providing the fund managers had provided company details and background information prior to the presentation, which could then focus on the nature of investment, expected levels of return and costs.

The Chair requested that papers be provided one week in advance of the presentations, to include management fees.

An officer explained that although this procurement was not subject to European Union rules, there was still a process to be followed, but there would be an element of choice in weighting and scoring on perceived quality and cost. The Corporate Director of Resources stated that while the procurement process must be legally compliant, it could still be simple and straightforward.

It was noted that for a decision to be made on appointing a fund manager at the Panel meeting in March, the presentations would need to be held at some point during the middle two weeks of February.

The Panel noted that this was the last meeting for John Harrison of Aon Hewitt, who was moving into a different area of work, and stated their appreciation of his valued contribution to the work of the Panel, their thanks for his expertise and advice, and their best wishes for the future.

RESOLVED: That

- (1) six prospective fund managers will be invited to tender for the management of DGFs on behalf of the Council's pension fund;
- (2) those fund managers who submit a tender will be invited to make a presentation to Panel Members;
- (3) a date be set in mid-February for the presentations; and
- (4) the tender process will be fully compliant with contract procedure rules.

199. Exclusion of the Press and Public

RESOLVED: That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
12.	Appointment of Diversified Growth Funds – Appendix 1	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

200. Appointment of Diversified Growth Funds - Appendix 1

The Panel considered and discussed the detailed information on prospective fund managers provided in the appendix to the report.

RESOLVED: That the appendix to the report be noted.

(Note: The meeting, having commenced at 7.05 pm, closed at 8.25 pm).

(Signed) COUNCILLOR KEITH FERRY
Chairman