

PENSION FUND INVESTMENTS PANEL**25 NOVEMBER 2009**

Chairman: * Councillor Richard Romain

Councillors: * Mano Dharmarajah * Thaya Idaikkadar
* Tony Ferrari

Co-optee (Non-voting): * Howard Bluston

* Denotes Member present

(1) Mr Andrew Elliott of Hymans Robertson attended in an advisory role, as the Council's Actuary/Adviser.]

PART I - RECOMMENDATIONS - NIL**PART II - MINUTES**202. **Attendance by Reserve Members:****RESOLVED:** To note that there were no Reserve Members in attendance at this meeting.203. **Declarations of Interest:****RESOLVED:** To note that the following interests were declared:

<u>Agenda Item</u>	<u>Member</u>	<u>Nature of Interest</u>
10. Performance of Fund Managers – Quarter Ending 30 September 2009) Councillor Richard Romain	Councillor Romain declared a personal interest that he had discretionary portfolio of K-Class shares with Longview. Accordingly, he remained in the room during the discussion and decision-making on these items.
11. INFORMATION REPORT – Review of Fund Managers Performance Comparison Report for Quarter Ending 30 September 2009		
12. Transition Report		
10. Performance of Fund Managers – Quarter Ending 30 September 2009) Howard Bluston	Howard Bluston declared a personal interest in that as a member of and representative for Harrow on the Local Authority Pension Fund Forum (LAPFF) he had attended a meeting where an employee of Fidelity had also attended. He added that as a member of the International Actuarial Association he had also received a presentation by Fidelity during a meeting.
11. INFORMATION REPORT – Review of Fund Managers Performance Comparison Report for Quarter Ending 30 September 2009		
12. Transition Report		
		Accordingly, he remained in the room during the discussion and decision-making on this item.

204. **Minutes:****RESOLVED:** That the minutes of the meeting held on 11 November 2009, be taken as read and signed as a correct record.

205. **Public Questions, Petitions and Deputations:**

RESOLVED: To note that no public questions, petitions and deputations were put at the meeting.

206. **Exclusion of the Press and Public:**

RESOLVED: That the press and public be excluded from the meeting for the following items for the reasons set out below:

<u>Item</u>	<u>Title</u>	<u>Reason</u>
8.	Presentation by Pantheon	Information under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, relating to the financial or business affairs of any particular person (including the authority holding that information).
9.	Presentation by BlackRock	
10.	Performance of Fund Managers – Quarter Ending 30 September 2009	
11.	INFORMATION REPORT – Review of Fund Managers Performance Comparison Report for Quarter Ending 30 September 2009	
12.	Transition Report	

207. **Presentation by Pantheon:**

The Panel received a presentation by Pantheon Ventures Limited that provided a market insight and update on the performance of the private equity fund.

Representatives of Pantheon reported that:

- Pantheon sought to make a capital gain and increase the value of investors funds by exiting private equity backed companies where investments had grown;
- Pantheon were cautiously optimistic about the future outlook of the economy;
- the expectation gap between buying and selling businesses had narrowed;
- it was too early to discuss the effect of currency conversions/ anomalies on the performance of the portfolio.

In response to questions raised by officers and Members of the Panel, representatives from Pantheon confirmed that:

- due to the increased competition and focus on smaller and better markets, fund managers had seen a significant change in the levels of funds raised;
- liquidity within existing portfolios proved challenging, as managers had experienced a reduced level of activity in new deals and fewer actual company write-offs. In response, managers had diversified their portfolios and sought long term business opportunities within Asia and Europe in order to improve performance and generate greater returns;
- business opportunities within Europe and Asia proved advantageous as these markets experienced continued growth;
- costs for finding and making investments charged by fund managers were incurred by all investors.

Following the presentation, members discussed the characteristics of the portfolio. The Chairman of the Panel commented that as the portfolio was relatively new, comprehensive information relating to the fund could not be provided at this stage. The Adviser to the Panel reported that even though the fund had initially underperformed, it was expected to outperform its benchmark over the period of investment.

Members of the Panel thanked the representatives of Pantheon for their presentation.

RESOLVED: That the presentation be noted.

208. **Presentation by Blackrock:**

The Panel received a presentation by BlackRock, Inc that provided an update on the performance of the UK real estate portfolio.

During the presentation, representatives of BlackRock, Inc reported to the Panel that:

- management of the fund-of-fund portfolio had transferred from BlackRock, Inc to Aviva Investors Global Services Limited on 24 November 2009;
- BlackRock and Aviva valued fund-of-funds in the same way. Official valuations considered the net asset value of the fund and the dealing charge was adjusted to the market value;
- lags in the portfolio may exist due to realisable valuations being calculated on a biannual basis as opposed to quarterly calculations;
- due diligence was employed for a consistent and rigorous approach to portfolio construction;
- managers identified the best funds for investment for inclusion in the fund portfolio. Characteristics of these funds often included, better negotiating power and lower purchasing costs;

Following the presentation, Members of the Panel and officers sought clarification on a number of matters, to which the representatives responded to as follows:

- the benchmark figure was not dissimilar to the figures reported by BlackRock as fund managers held a tactical view of the market;
- the secondary market was a potential option for investments;
- BlackRock would offer training to Members of the Panel at a future date.

The Chairman thanked to representatives for their presentation.

RESOLVED: That the presentation be noted.

209. **Performance of Fund Managers - Quarter Ending 30 September 2009:**

The Panel received a report that set out the performance of the pension fund investments for the quarter ending 30 September 2009. A report that reviewed the performance of pension fund managers prepared by Hymans Robertson was also reported. In highlighting the main points of both reports, the representative of Hymans Robertson noted that:

- overall performance of the fund was 1% above the benchmark over this quarter;
- the performance of the private equity portfolio could not be measured at the end of this quarter;
- a strategic approach with guidance on variations to the investment ratio would provide fund managers with clear guidelines and would allow the fund to move forward;
- the equity portfolio was overweight compared to its benchmark. The Panel could consider moving more of the fund to the property portfolio to balance.

In response to questions by Members of the Panel, officers and the representative from Hymans Robertson confirmed that an evaluation of the equity portfolio would be made by Hymans Robertson and presented at a future meeting.

RESOLVED: That the performance of the pension fund managers for the quarter ending 30 September 2009 be noted.

210. **INFORMATION REPORT - Review of Fund Managers Performance Comparison Report for Quarter Ending 30 September 2009:**

The Panel agreed that issues relating to this item had been considered as part of the item on Performance of Fund Managers – Quarter Ending 30 September 2009.

211. **Transition Report:**

The Adviser to the Panel from Hymans Robertson, provided an oral update on the transition of bond and equity mandates.

He advised that as cost considerations had not been finalised, the Panel would be provided with an update at a future meeting.

RESOLVED: That the verbal update be noted.

(Note: The meeting having commenced at 5.32 pm, closed at 8.00 pm)

(Signed) COUNCILLOR RICHARD DAVID ROMAIN
Chairman