

Pension Fund Committee

Minutes of a meeting held at County Hall, Colliton Park, Dorchester on 3 March 2015.

Present:

John Beesley (Bournemouth Borough Council) (Vice-Chairman – in the Chair)
Andrew Canning, Ronald Coatsworth, Mike Lovell (all Dorset County Council), John Loftis
(District Council Representative) and Johnny Stephens (Scheme Member Representative).

Officer Attendance:

Richard Bates (Fund Administrator), Nick Buckland (Chief Treasury and Pensions Manager)
and David Wilkes (Finance Manager - Treasury & Investments).

Manager and Adviser Attendance:

Alan Saunders (Independent Adviser).

(Note: These minutes have been prepared by officers as a record of the meeting and of any decisions reached. They are to be considered and confirmed at the next meeting of the Committee to be held on **24 June 2015**.)

Apologies for Absence

1. Apologies for absence were received from Neil Sorton (Borough of Poole Council) and Mike Byatt (Dorset County Council).

Code of Conduct

2. There were no declarations by members of any disclosable pecuniary interests under the Code of Conduct.

Minutes

3. The minutes of the meeting held on 27 November 2014 were confirmed and signed.

Public Participation

Public Speaking

4.1 There were no public questions received at the meeting in accordance with Standing Order 21 (1).

4.2 There were no public statements received at the meeting in accordance with Standing Order 21 (2).

Petitions

5. There were no petitions received in accordance with the County Council's petition scheme at this meeting.

Statement from the Chairman

6.1 The Chief Treasury and Pensions Manager read a statement from the Chairman who was unable to attend the meeting due to ill-health. In his statement the Chairman confirmed that he will not be seeking re-election as a Borough of Poole Councillor in the May 2015 elections and, therefore, this would have been his last meeting of the Committee. The Chairman's statement thanked the present and past Committee members for their collaborative working, and the officers and Independent Adviser for their support and advice.

6.2 The Vice-Chairman made a statement of thanks for the Chairman and proposed that the Chief Treasury and Pensions Manager draft a letter of thanks to the Chairman.

Resolved

7. That the Chief Treasury and Pensions Manager draft a letter of thanks to the Chairman.

Treasury Management Strategy

8.1 The Committee considered a report by the Fund Administrator on the Treasury Management Strategy.

8.2 The Independent Adviser asked if investment limits in the strategy applied to the holding company or the operating companies of counterparties. The Chief Treasury and Pensions Manager replied that different limits applied at a group and operating level.

8.3 One member asked what rate of return the Fund was able to earn on cash balances and whether a better return could be achieved. The Finance Manager (Treasury and Investments) replied that the average rate of return as at 31 December 2014 was approximately 0.60% as set out in the Fund Administrator's report, but the expectation was that this return would continue to fall as interest rates were now forecast to stay lower for longer. The Chief Treasury and Pensions Manager also highlighted that there was no strategic allocation to cash, and he clarified that cash was not held and managed as an investment but to pay liabilities as they arose.

8.4 One member asked if the Fund's counterparty limits took into account cash held by other managers. The Chief Treasury and Pensions Manager replied that it did not.

Resolved

9. That the current Treasury Management Strategy be continued.

Administering Authority Communications Policy Statement

10.1 The Committee considered a report by the Fund Administrator on the proposed revised Communications Policy Statement. The Chief Treasury and Pensions Manager highlighted that the policy would need to be updated when the Local Pension Board was established.

10.2 One member questioned why three items on the communications matrix were not available on line. The Chief Treasury and Pensions Manager reported that the team were working on making the Scheme Member's Annual Benefit Statement and the Deferred Member's Annual Benefit Statement available on-line in the future and he would investigate why the New Starter Pack was not currently available in this way.

Resolved

11. That the revised Communications Policy Statement be approved for publication.

Fund Administrator's Report

12.1 The Committee considered a report by the Fund Administrator on the allocation of assets and overall performance of the Fund up to 31 December 2014.

12.2 The Independent Adviser presented Appendix 2 and provided an update on the investment outlook and how it was likely to affect each asset class. The Independent Adviser highlighted the poor performance of UK equities in 2014. He felt that whilst it might be reasonable to expect positive returns from equities in 2015, continued volatility was also

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likely. The Independent Adviser felt that there would still be some growth in commercial property in 2015 followed by a turn down in the cycle, although the correction would not be as savage as before.

12.3 A member asked for details of the £49M upfront lump sum contributions shown in the cash flow summary for the year to date. The Fund Administrator replied that this option was taken by most of the largest employers.

12.4 A member asked for an explanation of the revenue peaks and troughs for 2014/15 shown in the graph in Appendix 1. The Fund Administrator explained that the peak in Employers' Contributions was a result of the upfront contributions from employers received in year and that the trough in Net Transfers was the result of the transfer of responsibilities for the probation service to the Greater Manchester Pension Fund.

12.5 A member questioned the basis of the property valuation. The Chief Treasury and Pensions Manager replied that all properties were valued independently on a quarterly basis, based primarily on rental information, and in addition there was an annual visit to each property.

12.6 The Vice-Chairman suggested that, in order to address any misconceptions about the LGPS, a Frequently Asked Questions document be produced for Local Pension Board members as part of their induction. The Chief Treasury and Pensions Manager agreed that this would be a beneficial exercise, and would form part of the training for new Local Pension Board members.

12.7 The Independent Adviser commented that the Fund should be expecting a "premium for illiquidity" on Private Equity investments of 4-5% above the benchmark, the FTSE All Share index. The Chief Treasury and Pensions Manager highlighted the fact that there was a three month lag behind the benchmark of the reported performance of Private Equity and also Infrastructure investments which made assessment of performance more difficult than for other asset classes.

Resolved

13. That no changes be made to asset allocation at this time.

Manager Reports

(a) CBRE Global Investors

14. The Committee considered a report from CBRE Global Investors, the Fund's Property Manager. The Chief Treasury and Pensions Manager informed members that since 31 December 2014, the Property Manager had exchanged contracts on the acquisition of the Derwent Shared Ownership portfolio for approximately £9M and they expected to complete the deal shortly.

Noted

(b) Insight Investment

15. The Committee considered a report from Insight Investment, who had the mandate for the liability matching strategy. The Chief Treasury and Pensions Manager informed members that since 31 December 2014 the Fund Manager had implemented additional hedging, meaning that the Fund was now 27.6% hedged against a target of 37.5%. The Chief Treasury and Pensions Manager also reported that he and the Independent Adviser had met with Insight Investment in February 2015, and that some minor changes to target rates for triggers had been agreed to take advantage of the recent drop in market values for inflation swaps.

Noted**(c) Pictet Asset Management**

16. The Committee considered a report by Pictet Asset Management on the Fund's investments in Global Equities. Members were reminded that the performance of the Fund Manager would be discussed under Exempt Business later in the meeting.

Noted**(d) Royal London Asset Management (rlam)**

17. The Committee considered a report from Royal London Asset Management (rlam) on the Corporate Bond portfolio, which showed good performance over the longer term.

Noted**(e) UK Equity Report**

18.1 The Committee considered a report by the Finance Manager (Treasury and Investments) which highlighted the performance of the internally managed UK equities portfolio, the Standard Life UK equities fund, the AXA Framlington fund and the Schroders Small Cap fund. The Finance Manager (Treasury and Investments) highlighted some concern with the performance of Schroders which had underperformed its benchmark over the three year period and this would continue to be kept under review.

18.2 The Chief Treasury and Pensions Manager asked members if they wished to continue receiving the details of all stocks held and all transactions relating to the internally managed UK equities portfolio. The consensus amongst members was that they wished to continue to receive this detail.

Noted**Dates of Future Meetings****Resolved**

19. That meetings be held on the following dates:

24 June 2015	County Hall, Dorchester
10 September 2015	County Hall, Dorchester
25/26 November	London, to be hosted by CBREi

Questions from Members of the Committee

20. No questions were asked by members under Standing Order 20 (2).

Exempt Business**Exclusion of the Public****Resolved**

21. That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the business specified in minutes 22 to 23 because it was likely that if members of the public were present there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing that information.

Overseas Equity Management arrangements (Paragraph 3)

22. The Committee considered an exempt report by the Chief Financial Officer on Overseas Equities management arrangements, with a recommendation for the future structure.

Resolved

- 23.1 That the revised structure for the overseas equity portfolio shown at paragraph 3.7 be agreed.
- 23.2 That the officers and Independent Adviser consult with bfinance as described.
- 23.3 That authority be delegated to the Fund Administrator, after consultation with the Chairman and/or Vice Chairman to amend the structure if necessary, after circulation of any proposed changes to all members of the Committee.
- 23.4 That bfinance be appointed for the manager search exercise.

Meeting Duration 10.00am to 12.05pm