



Pension Fund Committee

Minutes of the meeting held at Town Hall, Bournemouth
on Friday, 1 July 2016

Present:

John Beesley, Mike Byatt, Andy Canning, Ronald Coatsworth, May Haines, Mike Lovell,
Peter Wharf, John Lofts and Johnny Stephens (Scheme Member Representative).

Officer Attendance: Richard Bates (Chief Financial Officer), Nick Buckland (Chief Treasury and Pensions Manager) and David Wilkes (Finance Manager).

Manager, Advisor and Others Attendance:

Alan Saunders (Independent Adviser), Jeff Morley and Rob Roriston (Local Pension Board).

(Notes: 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 Pension Fund Committee to be held on **Monday, 12 September 2016.**)

Election of Chairman

27 **Resolved**
That John Beesley be elected Chairman for the year 2016/17.

Appointment of Vice-Chairman

28 **Resolved**
That Mike Byatt be appointed Vice-Chairman for the year 2016/17.

Apologies for Absence

29 No apologies for absence were received.

Code of Conduct

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

Terms of Reference

31 The Terms of Reference for the Committee were received by members.

Statement by the Chairman

32 The Chairman commented on the recent death of John Wilson who was a member of the Pension Fund Committee between 2006 and 2009 and a minute's silence was held.

The Chairman reported that the Chief Treasury and Pensions Manager would be leaving Dorset County Council on 12 August 2016 after 25 years with Dorset County Council to take up a post with investment consultants, JLT, and that this would, therefore, be his final meeting. The Chairman thanked the Chief Treasury and Pensions Manager for his advice and guidance, his substantial contribution to the Dorset County Pension Fund, and his commitment to Project Brunel.

Minutes

- 33 The minutes of the meeting held on 1 March 2016 were confirmed and signed.

Matters Arising

34 Minute 22 – CBRE Global Investor’s Report

34. The Chief Treasury and Pensions Manager reported that CBRE would be asked to provide a full table of expiry dates for tenancies on all of the Fund’s properties.

Public Participation

35 Public Speaking

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

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

Petitions

There were no petitions received at the meeting in accordance with the County Council’s Petition Scheme.

Funding Update

- 36 The Chief Treasury and Pensions Manager circulated a draft report by the Fund’s Actuary, Barnett Waddingham, which provided an update on the funding position. It was intended that Barnett Waddingham would present to the next meeting of the Committee and that major changes in the overall position of the Fund were not anticipated.

Noted

Pension Administration

- 37 The Committee received a report by the Pension Fund Administrator on matters relating to the administration of the Fund.

The Chief Treasury and Pensions Manager highlighted the Local Government Association’s response to the consultation on the Government’s intention to impose a £95,000 limit on the total value of payments made in connection with the termination of a public sector worker’s employment, consultation on amendment regulations and provisions for transition.

The Chief Treasury and Pensions Manager highlighted the underperformance of a number of the Key Performance Indicators (KPIs). He informed members that many funds did not publish their KPIs and therefore it was difficult to assess how the Dorset Fund compared to other funds. A member raised concerns about absolute performance as well as relative performance. The Chairman requested an update on performance at a future meeting.

Noted

Statement of Investment Principles

38 The Committee considered a report by the Pension Fund Administrator on the revised Statement of Investment Principles. The Chief Treasury and Pensions Manager highlighted the changes and the requirement to ensure the document remained up-to-date.

Resolved

That the publication of the revised Statement of Investment Principles be agreed.

Fund Administrator's Report

39 The Committee considered a report by the Pension Fund Administrator on the allocation of assets and overall performance of the Fund up to 31 March 2016.

The Independent Adviser presented Appendix 2 and provided a commentary on the investment outlook, and how it was likely to affect each asset class. He highlighted the largest risks to investments as the uncertainties relating to (1) the transition in China from investment to consumption driven growth, (2) the forthcoming US elections and (3) the implications of the result of the EU referendum ('BREXIT').

The Independent Adviser commented that the consensus view of most economists was that BREXIT would lead to a fall in UK GDP of about 1% over the next two years, and there would be a significant fall in the strength of sterling. He reported that property values had already been affected particularly in Central London, but the Fund's property portfolio was reasonably defensively positioned. He added that Governor Carney had stated that the Bank of England was prepared to loosen monetary policy if necessary, including further quantitative easing and further cuts to interest rates.

The Chief Treasury and Pensions Manager highlighted the possible demands on the Fund's cash over the remainder of the financial year, including further potential currency hedging payments and further drawdowns of commitments to infrastructure investments. The Pension Fund Administrator commented that options for meeting cash demands would be discussed with the Independent Adviser, and the Chief Treasury and Pensions Manager would circulate a proposal to members prior to the next meeting of the Committee in September. It was agreed to delegate authority to the Chairman and Vice-Chairman to agree the officers' proposals.

The Fund Administrator highlighted the under-performance of Barings, the Fund's Diversified Growth manager, and explained this was partly due to the manager measured against a cash benchmark but investing a high proportion of their allocation in equities.

Resolved

- (i) That the activity and overall performance of the Fund be noted.
- (ii) That no changes to asset allocation be made at this time.
- (iii) That the Fund Administrator monitors the cash-flow and if required instructs the Corporate Bond and/or Global Equity managers to return income to the Fund.
- (iv) That responsibility be delegated to the Chairman and Vice-Chairman to agree the necessary changes to the investment strategy if required, after consultation with the Fund Administrator and the Independent Adviser.

Other Manager reports

40 (a) UK Equity Report

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) confirmed that the divestment from Standard Life had been completed in April 2016.

Noted

(b) Allianz Global Investors

The Committee considered a report from Allianz Global Investors, who were appointed to the Smart Beta Global Equities mandate in December 2015.

Noted

(c) Investec Asset Management

The Committee considered a report from Investec Asset Management, who were appointed to the active Global Equities mandate in December 2015.

Noted

(d) Wellington Investment Management

The Committee considered a report from Wellington Investment Management, who were appointed to the active Global Equities mandate in December 2015.

Noted

(e) Royal London Asset Management (rlam)

The Committee considered a report from Royal London Asset Management (rlam) on the Corporate Bond portfolio.

Noted

(f) CBRE Global Investors

The Committee considered a report from CBRE Global Investors, the Fund's Property Manager.

Noted

(g) Insight Investment

The Committee considered a report from Insight Investment, who had the mandate for the liability matching strategy. The Independent Adviser informed the Committee that performance had underperformed the benchmark because the manager had bought gilts not swaps but in the long term this should not be a problem.

Noted

Dates of Future Meetings

41

Resolved

That meetings be held on the following dates:

12 September 2016
23/24 November 2016

County Hall, Dorchester
London (to be confirmed)

Questions

42

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

Exempt Business

43 Exclusion of the Public

Resolved

That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the business specified in minute 44 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.

LGPS - Investment Reform and Pooling - "Project Brunel" (Paragraph 3)

44 The Committee considered an exempt report by the Pension Fund Administrator that set out the proposed response to the Government's requirements for LGPS funds to pool investments. Members of the Committee discussed the report and a number of questions were raised. All members agreed the recommendations apart from one member who abstained.

Resolved

- (i) That the Committee endorsed the joint submission from the Brunel Pension Partnership, including the Dorset County Pension Fund.
- (ii) That the Committee formally recommended the Council to agree, in principle, to the establishment of a Local Authority Company with the other Brunel founder funds, in which Dorset County Council would own 10% of the shares.
- (iii) That, consequently, the Chief Financial Officer be authorised to continue negotiating as necessary with other Fund Members on the detail of the proposition and, in consultation with the Chairman of the Pension Fund Committee, to agree the terms of any final agreement, reporting back to this Committee in the normal manner.
- (iv) That the Head of Legal and Democratic Services be authorised to execute all necessary legal documents or formal agreements required to be agreed by the Council.

Meeting Duration: 10.00 am - 1.20 pm