

AGENDA

Meeting: Investment Sub-Committee
Place: The West Wiltshire Room - County Hall, Trowbridge BA14 8JN
Date: Thursday 6 July 2017
Time: 10.30 am

Please direct any enquiries on this Agenda to Libby Johnstone, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718214 or email libby.johnstone@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225) 713114/713115.

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Chairman's Briefing:	Date	Time	Place
	6 July 2017	10am	West Wilts Room

Membership:

Cllr Tony Deane	Cllr Gordon King
Cllr Roy While	Cllr Steve Weisinger

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Public Participation

Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

For assistance on these and other matters please contact the officer named above for details

PART 1

Items to be considered when the meeting is open to the public

1 **Election of a Chairman** **10:30am**

To elect a Chairman for the forthcoming year 2017-18.

2 **Membership**

To note any changes to the membership of the Sub-Committee.

3 **Attendance of non-members of the Sub-Committee**

To note the attendance of any non-members of the Sub-Committee.

4 **Apologies**

To receive any apologies for absence or substitutions for the meeting.

5 **Minutes** (*Pages 7 - 12*)

To consider the Part 1 (public) minutes of the meeting held on 1 March 2017.

6 **Declarations of Interest**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

7 **Chairman's Announcements**

To receive any announcements through the Chairman.

8 **Public Participation and Councillors Questions**

The Council welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named above for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution. Those wishing to ask questions are required to give notice of any such questions in writing to the officer named above (acting on behalf of the Corporate Director), no later than **5pm on Thursday 29th June**

2017 in order to be guaranteed a written response prior to the meeting. Any question received between the above deadline, and no later than **5pm on Monday 3rd July 2017**, may only receive a verbal response at the meeting.

Please contact the officer named on the first page of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

9 **Date of next meeting**

The next ordinary meeting of the Sub-Committee will be held on 13 September 2017.

10 **Urgent items**

Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.

11 **Exclusion of the public**

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 12 – 19 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

PART 2

Items during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed.

12 **CBRE Property Proposal** *(Pages 13 - 20)* **10:35am**

A confidential report on increasing the non-UK investment limit above 25% and the possible introduction of currency hedging arrangement is presented for the Sub-Committee's consideration.

13 **Liability Driven Investing** *(Pages 21 - 26)* **10:50am**

A confidential report demonstrating the use of leverage in a Liability Driven Investment programme is circulated for members' consideration.

- 14 **Investment Quarterly Progress Report** *(Pages 27 - 82)* **11:05am**
Three confidential reports, including one from Mercer are circulated updating the Committee on the performance of the Fund's investments as to the end of March 2017.
- 15 **Barings- Review of 2016-17 and Plans for the Future** *(Pages 83 - 132)* **11:15am**
A confidential Annual Report from Barings is attached and Members are asked to consider this along with the verbal report at the meeting.
- 16 **Baillie Gifford- Review of 2016-17 and Plans for the Future** *(Pages 133 - 170)* **11:55am**
A confidential Annual Report from Baillie Gifford is attached and Members are asked to consider this along with the verbal report at the meeting.
- 17 **Loomis Sayles- Review of 2016-17 and Plans for the Future** *(Pages 171 - 240)* **1:05pm**
A confidential Annual Report from Loomis Sayles is attached and Members are asked to consider this along with the verbal report at the meeting.
- 18 **Investec- Review of 2016-17 and Plans for the Future** *(Pages 241 - 296)* **1:45pm**
A confidential Annual Report from Investec is attached and Members are asked to consider this along with the verbal report at the meeting.
- 19 **Minutes** *(Pages 297 - 302)*
To confirm the Part 2 (confidential) minutes of the meeting held on 1 March 2017.

Close 2:20pm

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INVESTMENT SUB-COMMITTEE

PART 1 MINUTES OF THE INVESTMENT SUB-COMMITTEE MEETING HELD ON 1 MARCH 2017 AT THE LACOCK ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Tony Deane, Jim Edney, Joanne Holden, Cllr Charles Howard, Cllr Gordon King and Cllr Steve Weisinger

Also Present:

Mike Pankiewicz

34 Membership

There were no changes to the membership of the Sub Committee.

35 Attendance of non-members of the Committee

Members of the public were in attendance.

36 Apologies

There were no apologies for absence.

37 Minutes

Resolved:

To confirm the Part 1 (public) minutes of the meeting held on 24 November 2016.

38 Declarations of Interest

There were no declarations of interests.

39 Chairman's Announcements

There were no Chairman's Announcements.

40 **Public Participation and Councillors Questions**

The Chairman welcomed members of the public to the meeting.

41 **Investment Strategy Statement**

Teresa Fallon, a scheme member, made a statement in respect of the Investment Strategy Statement (ISS), suggesting further ways it could be extended to secure 'greener' investing and further management of the risks posed by climate change. Ms Fallon also encouraged that scheme members be involved in discussions on the ISS.

The Chairman thanked Ms Fallon for her statement and invited the Head of Pensions to introduce the Investment Strategy Statement. The officer explained that the ISS would replace the Statement of Investment Principles as a result of the Government's new investment regulations which were amended to allow investment pooling. It was proposed that the draft ISS presented before the Sub-Committee would go out to consultation prior to approval by the Wiltshire Pension Fund Committee on 23 March. It was explained that the Statement considered financial and non-financial issues (such as climate change) to investing and noted that it would be reviewed in 12-18 months time as a result of the Fund's investment in Brunel Pension Partnership, since this presented a material change to the governance of the Fund.

The Head of Pensions advised that stakeholders (employers within the funds, the Pension Fund Committee, Pension Board and member representatives on these bodies) would be invited to feedback on the draft ISS, which would also be available to scheme members and the public to view on the Fund's website. It was noted that the Statement incorrectly referenced the approval of the full business case for Brunel Pension Partnership by Wiltshire Council as taking place on 21 March, it was confirmed this had in fact been agreed on 21 February and officers advised the draft Statement would be amended to reflect this.

Resolved:

To approve the draft 2017 Investment Strategy Statement for consultation and submission to the Pension Fund Committee on 23 March 2017.

To note the requirement to review the Investment Strategy Statement as and when material changes occur, such as the progression of Brunel Pension Partnership.

42 **Investment Themes and Opportunities 2017**

Jo Holden, Mercer, presented on the investment themes and opportunities the firm expected for Wiltshire Pension Fund and the wider markets for the next 12

months. It was noted that macroeconomic events would affect the market and it was expected that economic policy would become more protectionist in some countries. It was expected that globally, inflation would increase and interest rates would rise. The advisor highlighted that the Fund should use its assets for various reasons, such as diversification, rather than just to generate returns. In terms of structural change for the future, the Fund needed to consider an ageing population, new technological advances and the risks and opportunities posed by climate change.

Members discussed the significance of the Fund's level of maturity, it was explained that this would impact upon cashflow, as benefits would increasingly need to be paid and the cost of this would increase with inflation. Following questions on index-link gilts it was explained that these were used to value liabilities and, although gilts were expensive, they had the benefit of providing cash flow.

Resolved:

To note the report from Mercer on the latest developments and thoughts on investments for the Sub-Committee.

43 Date of next meeting

The Chairman highlighted that the next meeting was to be held on 6th July, correcting an error in the published agenda.

44 Urgent items

There were no urgent items.

45 Exclusion of the public

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute items 46-51 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

46 Minutes

Resolved:

To confirm the Part 2 (confidential) minutes of the Investment Sub Committee meeting held on 24 November 2016.

47 **Update on the Government's proposals on pooling of investments and Brunel Pension Partnership**

The Head of Pensions provided an update on the progress of Brunel Pension Partnership.

Resolved:

To note the update provided by the Head of Pensions.

48 **Investment Quarterly Progress Report**

Catherine Dix, Strategic Pension Manager, presented an Investment Quarterly Progress Report for the Fund.

Resolved:

To note the report and update provided at the meeting.

49 **Introduction to Liability Driven Investing and Structure Equity**

Officers and advisors explained the benefits of Liability Driven Investing and Structure Equity to protect the fund against its liabilities which would increase with inflation, interest rate changes and increasing life expectancy of pensioners

Resolved:

To request that officers undertake further development and detailed consideration of these products to enable a recommendation for future implementation if they are deemed to be beneficial to the Fund.

To recommend to the Wiltshire Pension Fund Committee that the Fund take its first step towards Liability Driven Investing by the restructuring of its passive over 5 year index linked gilts to two longer dated index linked gilt holdings to provide more hedging from interest and inflation risk and this costed option be presented to the next meeting.

50 **L&G Liability Driven Investing**

Chris Lyons and Anna-Marie Cunnold from Legal and General presented on the benefits of Liability Driven Investing.

Resolved:

To note the presentation provided by Legal and General and to request that a worked example of the leverage option be provided to the Committee.

51 **Schroders- Equity Protection**

Representatives from Schroders presented on the benefits of an equity protection strategy for the Fund.

Resolved:

To note the presentation from Schroders and to request that officers look into equity protection options to present to a future Sub-Committee meeting for further consideration

(Duration of meeting: 10.30 am - 1.45 pm)

The Officer who has produced these minutes is Libby Beale, of Democratic Services, direct line 01225 718214, e-mail elizabeth.beale@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115

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