

WILTSHIRE PENSION FUND COMMITTEE

DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 22 FEBRUARY 2012 AT COUNCIL CHAMBER - COUNCIL OFFICES, BRADLEY ROAD, TROWBRIDGE, BA14 0RD.

Present:

Cllr Tony Deane (Chairman), Mr Jim Edney, Cllr Charles Howard (Vice Chairman),
Mr Tim Jackson (Associate Member), Cllr Des Moffatt, Cllr Jeff Osborn, Cllr Mark Packard,
Mr Mike Pankiewicz and Cllr Sheila Parker

Also Present:

Cllr John Brady, Cllr Bill Moss

21. Membership Changes

There were no changes.

22. Attendance of Non-Members of the Committee

Cllrs William Moss and John Brady were in attendance.

23. Apologies for Absence

Apologies were received from Lynda Croft and Tim Jackson.

24. Minutes of the Previous Meeting

The Minutes of the meeting held on **01 December 2011** were presented.

It was,

Resolved

To approve the minutes as a true record.

25. Chairman's Announcements

Through the Chair there were the following announcements:

1) New Appointment of Investment Adviser

Following on from the Investment Adviser selection meeting on 6 January, Mercers were appointed as the preferred supplier for the Fund.

Having now completed the signing of the order form, we are pleased to welcome Joanne Holden from Mercers as our new adviser to her first meeting today.

2) Local Government Pension Scheme Update

On 22nd of December an agreement reached by the Local Government Association (LGA) and local government unions on how to take forward the future reform of the Local Government Pension Scheme (LGPS) in England and Wales was accepted by the Government.

This is consistent with our response to the national consultation which was to consider bringing forward the implementation of the Hutton reforms for the LGPS by a year to 2014 which will incorporate the savings required by the Government in a 'one-off' change removing the immediate need for increases in employee contribution rates.

The agreement consists of a set of principles covering the design of a new LGPS, the future management of the cost of the scheme, and the governance of the LGPS

A timetable for implementing the new scheme by April 2014

A project outline for managing the process of agreeing, by April 2012, the 'big ticket' elements of the new scheme.

Detailed discussions are now being held at least weekly between representatives of the Local Government Association (LGA), Department for Communities and Local Government (DCLG), and GMB and UNISON (unions) a further updates will be provided when known. Further information is available on the Wiltshire Pension Fund website.

26. Declarations of Interest

There were no declarations.

27. Public Participation and Councillors' Questions

There were no questions.

28. Treasury Management Strategy

The Fund Investment and Accounting Manager presented a report seeking Members approval on the Treasury Management Strategy for 2012-13, drawing attention to the following key points:

- a) The Fund will aim to achieve the optimum return on investments commensurate with high levels of security and liquidity.

- b) The monies will be invested separately from the Council's and the Fund will receive the actual interest earned.
- c) The Pension Fund will use the same criteria for maximum limits and terms with individual counterparties as approved by Wiltshire Council on an annual basis in its own Treasury Management Strategy, subject to:
 - i. A maximum of £8 million with any single counterparty.
 - ii. No investment will be made in the money market funds / cash vehicles used by the Custodian to invest any cash it holds on behalf of the Fund's investment managers.
- d) Given the nature of Trowbridge Cash (ie. short-term working capital nature), the investments will only be made either in:
 - i. Call Accounts provided by an approved deposit-taker that complies with the Counterparty Policy set out in the Strategy; or
 - ii. Money Market Funds managed by an approved investment manager.
- e) The providers of the Call Accounts, and the Money Market Fund vehicles, must have a "high credit rating" as prescribed in the minimum requirements for "high credit rating" set out in Wiltshire Council's annual Treasury Management Strategy.
- f) The Fund will not borrow except by way of temporary loan or overdraft from a bank or otherwise, and then only in exceptional circumstances where it is for the purpose of:
 - i. Paying benefits due under the Scheme; or
 - ii. Meeting investment commitments arising from the implementation of a decision by the Committee to change the balance between the different types of investment.
- g) The management of Wiltshire Pension Fund's cash will be carried out by Wiltshire Council's Treasury Management team under a Service Level Agreement.

The Committee discussed the report, seeking clarification on specific wording, the exact financial limits of the Fund and the use of the Sector creditworthiness service. The Service Director (Finance) was in attendance and welcomed all feedback to assist with redrafting the proposed Council's Strategy from which extracts had been taken where appropriate.

After the debate, it was,

Resolved:

That the Committee approve the proposed Treasury Management Strategy.

29. **Wiltshire Pension Fund Administration 2011-12 Budget Monitoring**

The Head of Pensions introduced an update on the Wiltshire Pension Fund Administration 2011-12 Budget Monitoring, highlighting the following points:

- The current projected outturn included a performance fee for Baillie Gifford that had now been triggered for the first time in three years which had previously been taken out of the budget;
- There was an overspend on Investment Consultancy resulting from the on-going strategic investment review and manager selection process;
- There was a small underspend in administration for the Fund in part due to vacancies being held pending the teams restructure and the delay in implementation of the imaging project;
- A Final outturn report will go before the Committee in July.

A discussion followed, during which it was clarified that in future budgets allowance would be made for performance fees.

It was,

Resolved

To note the update from the Head of Pensions.

30. **Date of Next Meeting**

The date of the next ordinary meeting of the Committee was confirmed as **23 May 2012**.

A special meeting of the Committee for the appointment of a Dynamic Currency Hedging manager and Absolute Return Fund manager was confirmed for **28 March 2012** in the Council Chamber, Council Offices, Bradley Road, Trowbridge.

31. **Urgent Items**

There were no urgent items.

32. **Exclusion of the Public**

Resolved:

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 Minute Nos. 33-38 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 1 & 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.

33. **Wiltshire Pension Fund Administration Budget 2012-15**

The Head of Pensions introduced by the Chief Finance Officer outlined the proposed Administration budget for 2012-13 and planned expenditure in 2013-14 and 2014-15 in a confidential report.

The Committee discussed the report and presentation in detail.

After debate, it was,

Resolved

- a) To approve the proposed Pension Fund Administration Budget for 2012-13;
- b) To note the indicative budget allocations for 2013-14 and 2014-15.

34. **Investment Quarterly Progress Report Update**

The Fund Investment and Accounting Manager presented a report and verbal update highlighting key issues relating to the Fund's investment performance as at 31 December 2011, including:

- The return over the past 12 months was 1.5% behind its consolidated benchmark, but had recovered significantly from a fall in value experienced over the summer, being £1.25bn compared to £1.29bn as at June 2011.
- Since inception the annualised return is 6.6%, which is 1.6% behind the benchmark, with half the underperformance relating to the Fund's passive currency hedge implemented to reduce volatility on overseas investments.
- However, the rolling three year performance gave a Fund return of 9.8% per annum, 0.3% above the consolidated benchmark.

After discussion, it was,

Resolved:

To note the Quarterly Investment Progress Report.

35. **Investment Strategy and Manager Selections Update**

The Head of Pensions presented a report to provide an update on investment activities, to outline potential investment options and examine managers currently under formal review prior to receiving representations from those managers later in the meeting.

The Committee then discussed debate the proposals of the report, after which it was,

Resolved

- a) **To appoint Legal & General as the preferred investment for the Passive Fundamental Index equity mandate representing 5% of the Fund's assets funded on the bases outlined in the report;**
- b) **To appoint Partners Group as the preferred investment for the Infrastructure Fund of Funds mandate and to make an initial commitment of £40m in 2012 with a further allocation of £20m in 2013 funded by £35m from the Legal & General UK passive equities mandate and £25m from the global equities allocation;**
- c) **To approve the increase limits for partnerships to 5% for any single partnership and 7% for all partnerships until the termination of these mandates to ensure the Fund complies with the Local Government Pension Scheme (Management and Investment of Funds) regulations 2009 and to update the Statement of Principles to reflect this policy;**
- d) **To note the on-going position of the Absolute Return Fund and Dynamic Currency Hedging procurements, with new managers to be appointed;**
- e) **To remove the 12.5% limit for new investment mandates and to set a temporary limit of 20% for a single active manager and 30% for a passive manager; and**
- f) **To commission a review of the Fund's current asset allocation from the new Investment Adviser, Mercers, to be circulated to Members at the May meeting and to include comparisons with other Pension Funds.**

36. **Capital International - Formal Review of the Global Equities & AIG Mandates**

The Committee welcomed representatives from Capital International and received a presentation as part of the formal review of the Global Equities and AIG mandates they managed.

After discussion, it was,

Resolved:

- a) To give notice to terminate the Capital International AIG mandate (10% of the Fund's assets) and use this allocation to fund the new Absolute Return Fund mandate (7.5%) once a manager has been appointed and part fund the Passive Fundamental Index Equity mandate (2.5%); and
- b) To terminate the Capital International global equities mandate (12.5% of the Fund's assets) and to hold the allocation in a passive global equities mandate on a temporary basis; and
- c) To provide an update to the committee meeting on 28 March 2012 on the process for rebalancing the Fund and to report on the cost implications.

37. **Edinburgh Partners - Formal Review of the Global Opportunities Fund**

The Committee welcomed representatives from Edinburgh Partners and received a presentation as part of the formal review of the Global opportunities Fund they managed.

After discussion, it was,

Resolved

To keep Edinburgh Partners on watch for a further 12 months on a month by month basis and to reduce their allocation to 7.5% and to increase the allocation to the Baillie Gifford Global Growth Fund to 15.0%.

38. **Fauchier Partners - Formal Review of the Jubilee Fund**

The Committee welcomed representatives from Fauchier Partners and received a presentation as part of the formal review of the Jubilee Fund they managed.

After discussion, it was,

Resolved

To keep Fauchier Partners on watch for a further 12 months.

(Duration of meeting: 10.30 am - 2.25 pm)

The Officer who has produced these minutes is Kieran Elliott of Democratic Services, direct line 01225 718504, e-mail kieran.elliott@wiltshire.gov.uk

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