

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

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