

MINUTES OF THE PENSIONS INVESTMENT COMMITTEE
Thursday, 10 March 2011 at 6.30pm

Present: Councillors Whittle (Chair), Allison Feakes Fletcher and Wise

Officers Jim Ricketts Interim Capital and Treasury Manager

Apologies for absence were received from Councillors Maslin and Muldoon

1. Minutes

The Chair stated that he has asked that future scheduling of Pensions meetings should avoid clashes with or over burden other activities. The Chair requested that draft dates of future meetings be circulated to all members (which has been completed) and invited feedback from members on the appropriateness of these dates. All responses should be received before the Council's AGM on 6 April where the draft dates will be rectified.

Regarding matters arising on 4.5, the Chair confirmed that the members briefing on the options for the management structure of the Fund was held on 18 January 2011 and that the report relating to this is listed as item 5 on tonight's agenda.

Councillor Feakes suggested that future minutes should omit information on presentations as this can be found in the paper work provided.

RESOLVED that the minutes of the Pensions Investment Committee held on 18 November 2010 be confirmed and signed.

The Chair confirmed that Scott Jamieson has resigned as fund advisor as he considered that his assets allocation skills was not appropriate for the future direction of the fund. The Chair continued that there is no plan to fill the role in the short term but, close observation will be paid to how the fund functions with sole adviser Scott Donaldson from Hymans.

The Committee would like to thank Scott Jamieson for his work.

With regards to bankers bonuses, the Chair gave an update that he has asked the Interim Capital and Treasury Manager to write to the Fund Managers to politely request information on the bonuses they receive, this question being asked at the last meeting of the managers who attended.

2. Declaration of Interest

Councillor Fletcher declared that her brother in law is Finance Director of Smith and Nephew World Wide Production.

5. Fund Investment Structure

- 5.1 The Interim Capital and Treasury Manager introduced the report and welcomed questions.
- 5.2 The Chair commented that following from the training session on 18 January 2011, the essence of this report is for the committee to decide whether the fund should take a more passive role, reducing the numbers of managers and making it more risk averse.
- 5.3 With reference to section 6, Councillor Feakes asked whether non-core funding is used for higher risk investment. The Interim Capital and Treasury Manager confirmed this to be the case. Property cannot easily be combined with other asset classes. The interesting issue is how to deal with the more peripheral asset classes such as hedge funds, venture capital and credit. Preliminary analysis suggests that an absolute term fund may be appropriate.
- 5.4 Councillor Feakes asked whether there will be a change of managers on the core fund. The Interim Capital and Treasury Manager replied that managers will be changed if the fund moves into passive. At the moment you have RCM, and Alliances which are active global equity managers.
- 5.5 Councillor Feakes asked whether the last meeting made any decision to this effect. The Chair stated that the final decision will effectively be made at the next meeting when Hymans produce a detailed report on the options and process
- 5.6 Councillor Feakes commented that Alliance have not managed the fund satisfactorily, and enquired whether there were any channels of redress to express this view.
- 5.7 The Chair commented that stocks have performed better in the last quarter. However, he noted the concerns raised and suggested that a possible representation through the LAPFF could be made to note the Fund Managers poor performance.

RESOLVED that the committee instruct the Council's investment advisors, Hymans Robertson, to prepare detailed report on the implementation of an investment structure which corresponds to the principles as set out in section 6.1 of the report.

6. Investment Performance Report

- 6.1 The Interim Capital and Treasury Manager introduced the report and welcomed questions.
- 6.2 Councillor Feakes commented that one of the reasons that the committee were interested in the M&G Credit Fund was its positive investment in the economy and suggested that the committee may want to consider the social and regenerative issues associated with other asset classes. He also asked that this option be reflected in the next report.
- 6.3 The Chair said that every decision will be made in the best interest of the fund, this question can be asked in the next report.

RESOLVED that the content of the report be noted

7. Investment of Pension Fund Cash Balances

- 7.1 The Interim Capital and Treasury Manager introduced the report and welcomed questions.
- 7.2 Councillor Wise welcomed the recommendations, but asked what the interest rate on the new account was. The Interim Capital and Treasury Manager replied that the account would receive relatively low rates of interest and it was proposed to minimise the sums in the account by transferring it to Managers as soon as possible for long term investment.
- 7.3 Councillor Feakes asked who the interest will belong to. The Account Assistant replied that the interest will belong to the pension fund. Councillor Feakes further asked whether the interest will appear as part of the return. The Interim Capital and Treasury Manager confirmed this.

RESOLVED that the

- Executive Director for Resources be authorised to open a bank account for the Pension Fund with the Council's bankers the Cooperative Bank Plc;
- arrangements for the operation of the account be noted; and
- arrangements for the transfer of cash

sums to the external fund managers on a basis to be determined by the Executive Director Resources be noted.

8 AOB

8.1 The Chair informed the Committee that the final report of the independent Public Services Pension Commission has been published today. The Chair asked for a full briefing on this report at the next meeting and any development that occurs between now and then. Interim Capital and Treasury Manager

8.2 The committee would like to also note the great job done for the LGA by the Mayor of Lewisham, in supporting Local Government pensions.

The meeting ended at 7.20p.m.