

The **PENSION FUND INVESTMENT BOARD** met at **WARWICK** on the **22nd MAY, 2006**

Present:-

Councillor Chris Davis (Chair)
“ George Atkinson
“ Helen McCarthy
“ Brian Moss

Fund External Advisor

Peter Jones

Officers

Resources Directorate

Phil Triggs

Performance & Development Directorate

Catherine Witham

Also Present:-

Jonathan Fish, Mercers

1. General

(1) Apologies for absence

An apology for non-attendance was received from Councillor Bob Hicks.

(2) Members Declaration of Personal and Prejudicial Interests

Councillors George Atkinson, Chris Davis and Helen McCarthy declared personal interests as members of the Fund.

(3) Minutes of the meeting held on the 17th February 2006 and any matters arising.

(i) Minutes

Resolved:-

That the minutes of the Pension Fund Investment Board's 17th February 2006 meeting – having been amended by the deletion of the word *However* at the beginning of the final sentence of the first bullet point of Minute 2 and of the words *nothing needed to be done other than* where they appear together in that sentence - be approved and be signed by the Chair.

(ii) Matters arising

None.

When considering the following reports, the Board bore in mind comments made at the preceding meeting of the Pension Fund Consultative Panel.

2. Investment Performance

The report of the Strategic Director of Resources was considered.

In response to a question from Councillor George Atkinson, Phil Triggs confirmed that he could provide information on a monthly basis on a fund manager's performance but it would not be possible to produce the benchmark comparison. Peter Jones cautioned against looking at monthly figures, as market fluctuations in a particular month might distort the picture. He favoured instead looking at a rolling twelve monthly or three yearly position. Phil Triggs undertook to include the twelve monthly rolling figures in the report to the next meeting.

In answer to a question from Councillor Brian Moss, Phil Triggs said that the European Tender Process would be used to invite tenders when replacing a Fund Manager. He said that it would be possible to terminate a contract with immediate effect and give the funds concerned to one of the other fund managers, probably the index tracker, on an interim basis.

Peter Jones said that if the Board were unhappy with MFS, they might wish to consider asking for either a more senior person at a higher level to come to the Board meetings or ask for MSF to re-present at the next meeting.

Catherine Witham pointed out that the external audit had criticised local authorities for staying too long with underperforming managers.

It was then Resolved:-

That the Pension Fund Investment Board notes the Warwickshire Pension Fund's value and performance for the fourth quarter in 2005/06 to 31st March 2006.

3. Business Plan Outcome 2005/06

The report of the Strategic Director of Resources was considered.

Members confirmed that they were happy with the current arrangements of four programmed meetings at the Shire Hall together with meetings in London. Councillor Helen McCarthy asked whether Members could be given as much notice as possible of meetings.

It was then Resolved:-

That the Pension Fund Investment Board notes the progress made with regard to the Pension Fund Business Plan objectives for 2005/06.

4. New LGPS Regulations

The report of the Strategic Director of Resources was considered and it was then Resolved:-

That the Pension Fund Investment Board notes the changes to the Local Government Pension Scheme Regulations 1997 introduced by the Local Government Pension Scheme (Amendment) Regulations 2006.

5. Alternative Investment

Jonathan Fish gave a presentation on alternative asset classes, namely:-

- Hedge Funds
- Private Equity
- Property
- High Leased Value Property
- Commodities

Councillor George Atkinson raised the possibility of the Pension Fund investing in property and in particular whether there would be any problem with this being the new County Council offices in Saltisford.

Jonathan Fish said that it would be acceptable provided that it was on a pooled basis and at arms length.

Phil Triggs said that the Strategic Director of Resources was strongly of the opinion that the Pension Fund should not become involved in the acquisition of the Saltisford offices. He had given a strong steer that he considered it essential that there should be no possibility of people being able to suggest that the Pension Fund was benefiting at the expense of the council tax payer nor that the council tax payer was benefiting at the expense of the Pension Fund.

Catherine Witham said that it was legally possible but she understood the Strategic Director's views. The real problem with the suggestion was one of perception.

Councillor George Atkinson, seconded by Councillor Brian Moss, moved and it was Resolved:-

That proposals be brought to the next meeting of the Board for a modest investment in Hedge Funds and Property.

6. **Any other items**
Update on voting and engagement

Jonathan Fish gave the Board an update on voting and engagement. Mercer had recently extended its manager research activity to include the following three new factors:-

- Voting and engagement on corporate governance
- Voting and engagement on wider governance issues such as environmental and social factors.
- Integration of ESG factors into mainstream investment process.

The share voting performance of the Fund Managers had been measured against those factors with the following results:-

- Threadneedle and UBS had performed best and had been above average overall.
- BGI, MLIM and SSGA had performed averagely.
- MFS had been worse, performing below average,

The Chair thanked Jonathan Fish for attending to give his presentations.

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Chair of Board

The Panel rose at 1.02 p.m.