

The **PENSION FUND INVESTMENT BOARD** met at **WARWICK** on the **18th MAY, 2007**

Present:-

Councillor Chris Davis (Chair)
“ John Appleton
“ Bob Hicks
“ Helen McCarthy
“ Brian Moss

**Officers
Resources Directorate**

Phil Triggs

Performance & Development Directorate

Tony Maione

The Chair said that he had received a request from Vaughan Jones, the police UNISON staff representative, for agenda papers of the Consultative Panel to be sent earlier.

Phil Triggs explained that papers were late on this occasion because the information required for the performance management item had been very complicated to obtain and assimilate into the report because it related to end of year figures and the transitional process carried out by BlackRock Investment Management.

**1. General
(1) Apologies for absence**

An apology for absence was submitted from Peter Jones.

(2) Members Declaration of Personal and Prejudicial Interests

Personal interests relating to any item on the agenda arising by virtue of the member serving as a District/Borough Councillor were declared as follows:-

- (i) Councillor John Appleton – Stratford-on-Avon District Council
- (ii) Councillor Brian Moss – North Warwickshire Borough Council

In addition Councillors Chris Davis and Helen McCarthy disclosed personal interests as members of the Pension Fund.

(3) Minutes of the meeting held on the 12th, 13th and 19th February 2007 and any matters arising.

(i) 12th February 2007

(a) Minutes

Resolved:-

That the public minutes of the Pension Fund Investment Board's 12th February 2007 meeting be approved.

(b) Matters arising

Nil.

(ii) 13th February 2007

(a) Minutes

Resolved:-

That the public minutes of the Pension Fund Investment Board's 13th February 2007 meeting be approved.

(b) Matters arising

Nil.

(iii) 19th February 2007

(a) Minutes

Resolved:-

That the minutes of the Pension Fund Investment Board's 19th February 2007 meeting be approved and be signed by the Chair.

(b) Matters arising

Nil.

In considering the following reports, the Board had regard to discussions at the meeting of the Consultative Panel held that morning.

2. Investment Performance

The report of the Strategic Director of Resources was considered.

The Board noted the fund value and performance for the fourth quarter in 2006/07 to 31st March 2007. It was also noted that the current value of the fund was £999.1m.

In answer to a question from Councillor Helen McCarthy, Phil Triggs confirmed that an absolute return of LIBOR Rate + 6% was set for the Hedge Fund portfolio and this was expected to be achievable.

Members noted it was the first time that all four managers had underperformed and that Threadneedle Street had done so in all four quarters. It was also noted that a review of managers as at 30 September 2007 (the third anniversary of the appointments) would be undertaken. Members accepted that managers' performance needed to be judged over the long term.

In view of Threadneedle Investment's performance, it was agreed that they should be invited to host the next meeting.

Members discussed the issue of corporate governance and whether they should take a more proactive stance about instructing the way in which managers invested with regard to the voting of shares held in the fund. They realised that this had the potential of creating a huge workload and considered that it would be wise to adopt a cautious approach with as simple a strategy as was viable. It was agreed that Phil Triggs should draw up a strategy for their consideration bearing in mind the comments made.

3. Business Plan

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

That the Board approve the Warwickshire County Council Pension Fund Business Plan for 2007/08 as set out in Appendix A.

4. Business Plan Outcome 2006/07

The report of the Strategic Director of Resources was considered.

It was noted that there was no process by which the Board reviewed its decisions. It was suggested that this could be done by means of a report to the Board with a summary of decisions taken. Phil Triggs said that he would prepare a report for the next meeting. Councillor Appleton suggested that it would be helpful to know what other Boards were doing about this issue.

The Board congratulated officers on their submission to the LGC Pension Fund Awards and being placed in the final top three.

It was then Resolved:-

That the Board note the progress made with regard to the Pension Fund Business Plan objectives for 2006/07.

5. New Statement of Investment Principles

The report of the Strategic Director of Resources was considered.

The following points were noted:-

- (1) The statement was published on the website.
- (2) Phil Triggs would report to the next meeting on the issue of share voting.
- (3) It was noted that the Fund was not Myners compliant with regard to the issue of transaction costs. It was stated that UBS had in the past been unwilling to cooperate in connection with a transaction costs analysis. He would pursue this issue with them. He referred to a company that had offered to get the information from all the Fund managers and present it in a form that was understandable. This service was being offered free this time. The usual fee would be upwards of £1,000 per annum.
- (4) It was noted that the four points listed in Annex 2 should be used to assess the performance of Mercer Investment Consulting.

It was then Resolved:-

That the new Statement of Investment Principles be adopted.

6. Outcome of the Pension Fund Restructure and Transition Processes

The report of the Strategic Director of Resources was considered.

It was noted that BlackRock Investment Management had been employed to manage the transition arrangements and this had again proved successful. The overall cost to the fund was calculated to be 0.14% of the funds in transition, an extremely favourable outcome. BlackRock had charged a flat rate fee of £30,000. As a result of the various transactions they had earned £22,278 commissions that they deducted from the fee, so the final cost to the fund was £7,722.

7. Any other items

Phil Triggs undertook to circulate Members with the dates of the Board's meetings.

8. Report Containing Exempt Information

It was Resolved:-

That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of the Local Government Act 1972.

9. Exempt Extracts of the minutes of the 12th and 13th February 2007

(1) 12th February 2007

(a) Minutes

Resolved:-

That the exempt extract of the minutes of the Pension Fund Investment Board's 12th February 2007 meeting be approved and that the minutes of that meeting be signed by the Chair.

(b) Matters arising

Nil.

(2) 13th February 2007

(a) Minutes

Resolved:-

That the exempt extract of the minutes of the Pension Fund Investment Board's 13th February 2007 meeting be approved and that the minutes of that meeting be signed by the Chair.

(b) Matters arising

Nil.

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Chair of Board

The Panel rose at 12.18 p.m.