

The **PENSION FUND INVESTMENT BOARD** met at **WARWICK** on the **4<sup>th</sup> AUGUST, 2008**

**Present:-**

Councillor Helen McCarthy (In the Chair)  
“ John Appleton  
“ Brian Moss

**Advisor**

Peter Jones

**Officers**

**Resources Directorate**

Oliver Winters  
Phil Triggs  
Matthew Dawson  
Christine Gough  
Jennifer Leung

**Performance & Development Directorate**

John Galbraith

**1. General**

**(1) Apologies for absence**

An apology for absence was submitted from Councillors Chris Davis and Bob Hicks.

**(2) Members Declaration of Personal and Prejudicial Interests**

Councillors John Appleton and Helen McCarthy disclosed personal interests as members of the Pension Fund.

**(3) Minutes of the meeting held on the 19<sup>th</sup> May 2008 and any matters arising.**

**(a) Minutes**

It was then Resolved:-

That the public minutes of the Pension Fund Investment Board's 19<sup>th</sup> May 2008 meeting be approved.

**(b) Matters arising**

Nil.

## **2. Investment Performance**

The report of the Strategic Director of Resources was considered.

The following points arose:-

- (1) It was noted that the Fund stood at just under £980m at the 30<sup>th</sup> June 2008.
- (2) UBS were still struggling particularly in connection with global equities.

## **3. A Way Forward**

The report of the Strategic Director of Resources was considered.

The following points arose:-

- (1) The report was a discussion document and therefore did not contain firm recommendations.
- (2) The Fund was 86% funded at the date of the actuarial valuation and was second only to Somerset County Council.
- (3) Although the overall investment performance of the Fund from the 1<sup>st</sup> October 2004 to the 30<sup>th</sup> June 2008 was 40.0% against a fund benchmark of 40.1%, this did not take account of the fees charged by fund managers. The index tracker fees were charged at around 5 or 6 basis points, whereas for specialist managers this could be ten times that figure.
- (4) An alternative investment model with a core of passive investment could offer easily achieved returns at a very modest level of fees.
- (5) In light of the large out performance by Threadneedle, any new investment strategy would clearly need to retain that fund manager.
- (6) Because of a restriction on the percentage of a fund that could be held by a passive manager, an increase in the investment would require the appointment of another passive manager.
- (7) If accepted, the move to the new investment model could take place gradually when it was best for the fund.
- (8) It was noted that Myners recommended that the actuary should be different to the company giving other investment advice. Although Mercers was employed by the Fund in both capacities, totally separate arms of Mercers were involved.
- (9) Officers said that there was an increasing tendency for Mercers to invoice for advice.
- (10) The continuing poor performance by UBS was of concern to the Board and consideration was given to what action should be taken bearing in mind the high fees charged by them. It was agreed that Oliver Winters and Phil Triggs should visit Paul Harris to discuss the mandate the Fund had with UBS and possible changes and whether there could be a rebate on the fees and to report back to the next meeting.

- (11) It was noted that termination of the contract with UBS required no notice but that the Board would need to have an alternative strategy in mind before taking that action. In the event of matters moving more quickly than expected, a special meeting of the Board could be convened if a decision were needed before the next scheduled meeting.

It was then Resolved:-

That the Pension Fund Investment Board notes the Strategic Director of Resources report and instructs officers (1) to visit UBS to inform them that members were dissatisfied with the performance of UBS and to discuss the Warwickshire Pension Fund's mandate with them and the possibility of a fees discount in reflection of that poor performance and (2) to report back to the next meeting on the result of the visit to UBS and a possible alternative investment model.

#### **4. Shareholder Activism**

The report of the Strategic Director of Resources was considered.

The following points arose:-

- (1) It was noted that Peter Jones had made some suggestions for amendments to the document and it was proposed to use those comments and any feedback from today's meeting to formulate a final document for submission to the next meeting.
- (2) Manifest proposed a fee of £6,500, compared to a fee of £10,000 quoted by another company.
- (3) Members were generally in support of the proposals.

#### **5. Any other items**

Nil.

#### **6. Items 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.

7. **Exempt extract of the minutes of the meeting held on the 19<sup>th</sup> May 2008**

(1) **Minutes**

Resolved:-

That the exempt extract of the minutes of the Pension Fund Investment Board's 19<sup>th</sup> May 2008 meeting be approved and that the minutes be signed by the Chair.

(2) **Matters arising**

Nil.

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Chair of Board

The Board rose at 12.12 p.m.