

## **Minutes of the Pension Fund Investment Board held on 12 November 2012**

### **Present:**

#### **Members**

Councillors John Appleton, Chris Davis, Jim Foster, and Bob Hicks

#### **Officers**

Dave Abbott, Democratic Services Officer

Neil Buxton, Pensions Services Manager

Mathew Dawson, Acting Treasury and Pensions Group Manager

John Galbraith, Senior Solicitor, Employment Team

Christine Gough, Senior Accountancy Assistant

#### **Invitees**

Peter Jones, Independent Advisor

Richard Warden, Advisor, Hymans Robertson

Alison Murray, Advisor, Hymans Robertson

Nathan Hargreaves, Fund Manager, Threadneedle Investments

Moira Gorman, Relationships Manager, Threadneedle Investments

No members of the public attended the meeting.

### **1. General**

#### **(1) Apologies**

Councillor Brian Moss who was replaced by Councillor Bob Hicks

Councillor Robin Hazelton

#### **(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests**

None.

#### **(3) Minutes of the previous meeting**

The minutes of the meeting of the Pension Fund Investment Board meeting held on 30 July 2012 were agreed as a true record and were signed by the Chair.

#### **Matters Arising:**

##### **Item 2. Presentation from Manifest – The Proxy Voting Agency**

Councillors noted that the Warwickshire Local Government Pension Scheme (LGPS) voting record is out of date on WCC's website. An update report will be presented to the Board in February 2013.

##### **Item 4. Investment Performance**

An error was discovered in a benchmarking figure from the Bank of New York Mellon. Hymans Robertson had been working with the bank to resolve the issue. Councillors requested that a letter was written from the Board to the Bank of New York Mellon asking for an audit trail report.

##### **Item 11. WCC Direct Payment Services: Penderels Trust**

John Galbraith informed the Board that the Penderels Trust were no longer in negotiations to join the Warwickshire LGPS.

## **2. Investment Performance**

Mathew Dawson, Acting Treasury and Pensions Group Manager, presented the report and informed the Board that the value of the fund at 30 September 2012 was £1,223.9m which represented an increase of 3.8% over the previous quarter.

Equity markets had a good quarter and fund manager performance was ahead of the benchmarks, with overall performance reported to be positive.

### **Resolved**

The Pension Fund Investment Board noted the fund value and investment performance for the second quarter in 2012/13 to 30 September 2012.

## **3. Pension Fund Cash Flow**

Mathew Dawson, Acting Treasury and Pensions Group Manager, presented the report that proposed drawing down some income from investments in order to pay pensions.

Income will be drawn initially from L&G and Threadneedle (UK Equities). L&G are readily set up for this drawdown process through their notional income facility and this will be implemented by officers as will the process for drawing down the income from Threadneedle. Income would be available on a monthly basis from L&G, and on a quarterly basis from Threadneedle.

In the event of a large cash surplus building up in the funds current account, there would be the option to instruct fund managers to suspend the distribution of income.

### **Resolved**

The Pensions Fund Investment Board approved the proposal set out in paragraph 4.1 of the report.

## **3.5 Property Presentation from Threadneedle Investments**

Moira Gorman, Relationships Manager, and Nathan Hargreaves, Fund Manager, at Threadneedle Investments gave a short presentation to the Pension Fund Investment Board about property investments.

The Chair thanked the representatives from Threadneedle for their presentation.

## **4. Absolute Return Managers**

Matthew Dawson, Acting Pensions and Treasury Manager, presented the report and informed the Board that the report considered the implementation of new investment arrangements following the appointment of Barings to manage a multi-asset absolute return mandate, and JP Morgan to manage an absolute return bond mandate.

At the board meeting on 21 May 2012, the Pension Fund Investment Board decided that the 5% allocation to the new Multi-Asset Absolute Return mandate should be funded from equities and that the 5% allocation to the new Absolute Return Bond mandate should be funded equally from equities and government bonds.

In Hymans Robertson's subsequent review of investment strategy, it was recommended that the relative allocations between UK and overseas equities should move from a ratio of 50:50 towards 40:60, reflecting the concentrated nature of the UK equity market and the benefits of a better diversified portfolio. It was intended that the full private equity allocation of 5% will be built up over the next few years.

**Resolved**

The Pension Fund Investment Board approved the current position with regard to the on-going fund manager appointment process.

**5. Employer Modelling 2013 Valuation**

Mathew Dawson, Acting Pensions and Treasury Manager, presented the report and informed members that, ComPASS, a modelling tool developed by Hymans Robertson, could be used to 'stress test' the fund against a number of different funding and investment strategies.

The primary aim of the tool was to introduce a contribution stabilisation mechanism for employers that are long term and secure to avoid surprises, improve budgeting and make contributions more affordable.

If WCC were to pay for modelling of the whole fund, employers would have access to the overall data and then would have the option to buy their own modelling profile. The fees for Warwickshire County Council would be £12,500, then £7,500 for each subsequent employer.

**Resolved**

The Pension Fund Investment Board authorised the Strategic Director for Resources to take the following actions:

1. That a modelling exercise for the whole fund is carried out with results presented at the February 2013 board meeting.
2. In the summer of 2013, further analytical work should be considered on an employer by employer basis.

**6. 2013 Valuation Planning**

Mathew Dawson, Acting Pensions and Treasury Manager, presented the report and informed the Board that the report presented options for paying retirement strain costs. The policy for charging strain costs to employers is set out in LGPS Regulations giving the Fund complete discretion.

**Resolved**

The Pension Fund Investment Board chose option A as the preferred option for the 2013 actuarial valuation but agreed that both option A and B should be offered to employers.

**7. Kingsbury Parish Council**

Neil Buxton, Pensions Services Manager, presented the report and informed the Board that Kingsbury Parish Council (the Council) had passed a resolution for the Parish clerk to have access to the Warwickshire LGPS.

**Resolved**

The Pension Fund Investment Board noted that Kingsbury Parish Council had passed a resolution to become a scheduled body member of the Warwickshire Pension Fund.

**12. Any Urgent Items**

The Board rose at 12.40pm

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Chair