

Minutes of the Pension Fund Investment Board held on 30 July 2012

Present:

Members

Councillors John Appleton, Chris Davis, Jim Foster, and Brian Moss

Officers

Dave Abbott, Democratic Services Officer
Neil Buxton, Pensions Services Manager
Mathew Dawson, Principle Accountant
John Galbraith, Senior Solicitor, Employment Team
Christine Gough, Senior Accountancy Assistant
Andrew Lovegrove, Group Accountant
Phil Triggs, Treasury and Pensions Group Manager

Invitees

Peter Jones, Independent Adviser
Paul Potter, Adviser, Hymans Robertson
Sarah Wilson, CEO and founder, Manifest
Lyndon Bolton, Client Director, Schroders
Anthony Doherty, Property Fund Manager, Schroders
Graeme Rutter, Co-Head of Property Multi-Manager, Schroders

No members of the public attended the meeting.

1. General

(1) Apologies

Apologies were received on behalf of Councillor David Wright.

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

Councillors John Appleton and Chris Davis declared personal interests as members of the Local Government Pension Scheme.

(3) Minutes of the previous meeting

The minutes of the meeting of the Pension Fund Investment Board meeting held on 21 May 2012 were agreed as a true record and were signed by the Chair.

Matters Arising:

Fund Manager Appointment Process

A shortlist of fund managers had been chosen and interviews were to be held on the 10th and 11th of September 2012.

Risk – Assessing Employer Finances (bottom of page 5)

The Chair asked for the issue to be addressed in more detail at the next meeting of the Pension Fund Investment Board to be held on the 12th of November 2012.

2. Presentation from Manifest – The Proxy Voting Agency

Sarah Wilson, CEO and Founder of Manifest, addressed the Board and advised the members that a central issue for the fund is promoting good corporate governance in the companies that it invests in. Following an increase in media scrutiny of financial matters and a growing public interest in the sector, groups like 'FairPensions', a charity that promotes responsible investment by pension funds and fund managers, are seeking more transparency over the voting records of pension funds. In response, Manifest recommended that Warwickshire County Council signed up to the Financial Reporting Council's UK Stewardship Code which sets out good practice that it believes institutional shareholders should aspire to. The fund already meets the standards of the code and becoming a signatory would signal Warwickshire's intent to be open and transparent to the public.

Manifest recommended the following actions points be considered by the Board:

2012 – Quarter 3

- Review frequency / content of fund voting disclosures
- FairPensions / media scrutiny of asset owners in view

2012 – Quarter 4

- Become a stewardship Code signatory as an asset owner
- Refresh Statement of Investment Principles to reflect Stewardship Code

2013 – Quarter 1

- Review voting policy in light of:
 - Policy issues flagged by Manifest deeper annual analysis
 - Governance code changes due in Q3

Officers noted that the pension fund's voting record was published online and it can be viewed at the following link: www.warwickshire.gov.uk/pensionstatement

The Chair thanked Sarah Wilson, CEO and Founder of Manifest, for her presentation to the Board.

3. Presentation from Schroder Property

Graeme Rutter, Co-Head of Property Multi-Manager at Schroders, addressed the Board and informed members that the commercial property market had been through an unprecedented period of market volatility. Uncertainty and economic weaknesses still persist and in response to that Schroders had repositioned their investment profile to better suit today's environment.

Anthony Doherty, Property Fund Manager at Schroders, addressed the Board and informed members that Schroders are now focussed on the UK and had a clear strategy that favoured income and core funds. It was noted that transaction costs have also had an impact on investment performance. The key aim over the past twelve months had been to reposition the risk profile to protect the fund.

The Chair thanked Lyndon Bolton, Anthony Doherty, and Graeme Rutter from Schroders for their presentation to the Board.

4. Investment Performance

Mathew Dawson, Principal Accountant, presented the report and informed the Board that the fund value was £1,183.2m at 30 June 2012, a slight decrease from the fund position of £1,205.3m that was reported at the previous meeting. The decrease was attributed to weak equity markets over the period.

Paul Potter, Advisor from Hymans Robertson, noted that there was a discrepancy between the figures being reported by fund managers and the figures being reported by the Bank of New York Mellon. The total fund level figures were still accurate but the relative performance of the fund managers wasn't consistent with what individual managers were reporting. It was agreed that the issue would be followed up immediately after the meeting.

5. Projection of Future Cash Flow

Phil Triggs, Treasury and Pensions Group Manager, presented the report which recommended that a cashflow management policy should be put in place that accounts for the following points:

- The cash balance maintained is not so large as to reduce the potential for future investment returns.
- The cash balance maintained is not so small so as to create a risk that the balance will be easily exhausted, and thus disinvestments will be required either frequently or at short notice.
- Assets are realised in the most efficient manner possible.

Officers would continue to regularly monitor short term cashflows, based on whole fund membership data.

Resolved

That the Board agreed the principles of a cashflow management policy as set out in the report.

6. LIBOR Investigation

The Board considered the report that outlined the impact of the London Interbank Offered Rate (LIBOR) investigation on the Warwickshire pension fund. Phil Triggs, Treasury and Pensions Group Manager, presented the report and informed the Board that the alleged manipulation of LIBOR had had no significant impact on the fund. The fund had no exposure to either the reported treasury losses or the relevant financial instruments.

Officers said they would inform the Board if there were any further developments in the future.

7. Local Government Pension Scheme 2014

The Board considered the report that detailed the central changes to the Local Government Pension Scheme. Neil Buxton, Pensions Services Manager, presented the report and informed members that, following the Hutton report and Union negotiations, the proposed changes to the scheme will be communicated to scheme members, employers, funds and other scheme interests. Unions will consult with their members over the proposals and the LGA will consult employers. Central Government confirmed that a favourable outcome to the consultations will enable them to move to a statutory consultation in the autumn.

Communicating the changes to the membership of the scheme was highlighted as one of the biggest challenges going forward. The Pensions team had worked closely with partner authorities to produce a leaflet that will be sent to all members of the scheme.

8. Academies Update

The Board considered the report that detailed the number of maintained schools converting to academy status. Neil Buxton, Pensions Services Manager, presented the report and highlighted Appendix A, which showed the status of all schools in Warwickshire. At the time that the report was published, 21 maintained schools and one free school have been admitted to the pension fund as academies. A further two conversions were set for September 2012.

Further updates will be presented to the Board as the situation evolves.

9. North Warwickshire Home Carers Pension Provision

The Board considered the report to confirm the admission agreement for the outsourcing of home care services in North Warwickshire. Neil Buxton, Pensions Services Manager, presented the report and informed members that approximately 35 members of the Local Government Pension Scheme would be transferred to Home Group Limited, trading as Stonham Services. The Fund's actuary has assessed an employer contribution rate of 16.5% and a bond of £102,000.

Resolved

That the Pension Fund Investment Board note the admission agreement for the outsourcing of home care services in North Warwickshire.

10. Warwick Schools Catering Contract (Class Catering Ltd)

The Board considered the report to confirm the admission of Class Catering Limited to the Warwickshire Pension Fund. Neil Buxton, Pensions Services Manager, presented the report and informed members that four schools in the Warwick area had appointed Class Catering Ltd to provide catering at the schools. Six employees were members of the Local Government Pension Scheme (LGPS).

Resolved

That the Pension Fund Investment Board note the admission of Class Catering Limited to the Warwickshire Pension Fund in respect of these three contracts.

11. WCC Direct Payment Services: Penderels Trust

The Board considered the report to confirm the admission of Penderels Trust to the Warwickshire Pension Fund in respect of the Direct Payment Services contract. Neil Buxton, Pensions Services Manager, presented the report and informed members that following a tendering process, Penderels Trust won the contract from the County Council to provide direct payment services with effect from 1 October 2012 for four years. The transfer of the service from the Rowan Organisation to Penderels Trust affects six existing members of the Local Government Pension Scheme (LGPS).

Resolved

That the Pension Fund Investment Board note the admission of Penderels Trust to the Warwickshire Pension Fund in respect of the Direct Payment Services contract.

12. Any Other Items

The Chair noted that this was Phil Triggs' last meeting of the Pension Fund Investment Board before he moved to Surrey County Council and wished him the best of luck and thanked him for his all of his hard work on behalf of Warwickshire County Council.

The Board rose at 12.45pm

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Chair