

Minutes of the Pension Fund Investment Sub-Committee meeting held on 8 September 2014

Present:

Members

Councillors Bill Gifford, Brian Moss, John Appleton (Chair), John Horner (Vice Chair) and Sara Doughty.

Officers

Sally Baxter, Democratic Services Officer
Neil Buxton, Pensions Services Manager
Mathew Dawson, Treasury and Pension Fund Manager
Aneeta Dhoot, Senior Finance Officer
John Galbraith, Senior Solicitor, Pension Fund Services
Andrew Lovegrove, Head of Corporate Financial Services
Sukhdev Singh, Senior Finance Officer.

Invitees

Paul Potter, Investment Advisor, Hymans Robertson

1. General

(1) Apologies

John Betts and Peter Jones.

(2) Disclosures

None.

(3) Minutes of the previous meeting

The minutes of the meeting held on 10 February 2013 were agreed as a true record subject to the following factual corrections:

Item 3 – Peter Jones is the Independent Advisor not Paul Jones as recorded in the minutes.

Item 3, paragraph 3.5 – Fundamental indices invested on the basis of present expectations not future as recorded in the minutes.

2. Local Pension Board

2.1 Andrew Lovegrove, Head of Corporate Financial Services referred the committee to the report and Appendix A which contained the draft Terms of Reference for the Warwickshire Pension Board (LPB). The document was in its draft form for the sub-committee to consider and any issues raised would be addressed by the final version.

2.2 Clarification was sought with regard to scheme membership on the board and whether non- members could be appointed to represent members of the board.

Following discussion, caution was expressed and the sub-committee advised that measures be taken to ensure that an employer, potentially upon appointment to represent a scheme member, was not given an advantage over other employers which could lead to unequal weighting in favour of an employer.

- 2.3 Further consideration as to the remit of Audit and Standards Committee would need to be given to ensure that the committee and the Local Pension Board had clear defined roles and that work was not being duplicated.
- 2.4 In response to questions, officers clarified that the term of membership was the responsibility of the administering authority which was Warwickshire County Council and, the term was likely to be three years. With regard to the appointment of Chairman, the sub-committee requested further information in particular, what was the process for application, did the board appoint their own chairman or ratify the decision.
- 2.5 Mathew Dawson, Treasury and Pension Fund Manager, drew the sub-committees attention to the requirement that members of the LPB have the skills and knowledge to undertake their role. John Galbraith, Senior Solicitor, commented that the position would require advertising.
- 2.6 At the last meeting in July, the option to form a regional LPB was discussed however, in order for an application to be successful, the authority would need to demonstrate how the LPB would operate and why the regional option was favoured. This would be problematic and perhaps a regional body would not operate effectively in practice.
- 2.7 The relationship between the LPB and the administering authority was discussed. It was stated that the role of Scheme Manager would be undertaken by an officer of the administering authority (WCC) and advisers to the LPB would include the Fund's administration manager (Neil Buxton, Mathew Dawson and /or Andrew Lovegrove) section 151 Officer and the Fund's legal advisor.
- 2.8 The sub-committee requested what was being put in place to ensure that the LPB had the necessary knowledge to carry out their role. A training programme was being designed with Threadneedle to train the LPB. The Pensions Regulator would also come into effect in April 2015.
- 2.9 Officers clarified that the LPB would monitor the administration of the Fund in particular, the process for making decisions and the Pension Fund Investment Sub-Committee would continue to manage the investment of the Fund. The Staff and Pensions Committee will receive the comments and minutes of this meeting, when considering the draft terms of reference.

2.5 Resolved

That the Pension Fund Investment Sub-Committee discussed the Terms of Reference for the new Local Pension Board and ask the Strategic Director for Resources to prepare a draft for consideration by the Staff and Pensions Committee.

3. Warwickshire County Council Civil Enforcement Officers - NSL

- 3.1 Neil Buxton, Pensions Services Manager, provided an overview of the application from NSL to be admitted to the Pension Fund. Warwickshire County Council had awarded the Civil Parking contract to NSL and they would operate the service from

November 2014. Finance and Accountancy (CIPFA) would mean that a consultation with appropriate persons would be undertaken.

3.2 Due to a number of circumstances, it was difficult to ascertain the exact number of members of the Local Government Pension Scheme (LGPS) that would be affected by the contract but the figure contained in the report had reduced from 54 to between 20 and 30 members.

3.3 Following questioning from the sub-committee, it was noted that the Bond determined by the Actuary, would reduce to reflect the reduction of members.

3.4 Resolved

That the Pension Fund Investment Sub- Committee approves the admission of NSL as an employer to the Warwickshire Pension Fund in respect of the Warwickshire County Council Civil Parking Contract.

4. Barings Dynamic Asset Allocation Fund

4.1 Following the resignation of the Head of the Global Multi-Asset Group at Dynamic Asset Allocation Fund (DAFF), Hymans Robertson issued a 'sell immediately' notice in relation to the Funds holding in DAFF. In addition, two further resignations of experienced team members were also reported. This resulted in the Fund initiating the process to sell having due regard to the prescribed process.

4.2 The price of the units at the time of sale was better than the price at the point of purchase. The costs incurred for the sale would be reflected in the final amount of the asset. It was noted that the value of the units would be affected by the numbers of other investors that decided to sell.

4.3 Paul Potter, Hymans Robertson, explained the risk of staying within the DAFF and the effect it could have on the Fund. Mathew Dawson provided information regarding the cash that was being held due to the sale of the units and asked the sub-committee to decide the allocation of the cash. He advised that it be invested in a short - term constant cash return which wouldn't restrict access to the cash therefore it could be invested quickly if required.

4.4 Following consideration of other options and discussion, the sub-committee agreed that the cash be held as advised.

4.5 Resolved

That the Pension Fund Investment Sub Committee:

- 1) Formally ratifies the decision to sell the funds holding in the Barings Dynamic Asset Allocation Fund (DAFF) and;
- 2) That the cash be held in a short-term constant cash return account until the market has settled to consider investment in the longer term.

5. Exempt Items – Reports containing Confidential or Exempt Information

5.1 The Pension Fund Investment Sub-Committee passed the following resolution:

That members of the public be excluded from the meeting for the item mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

6. (Exempt) Fundamental Index Tracking and Passive Management

6.1 The Pension Fund Investment Sub-Committee considered and discussed the report. as recorded in the exempt minutes.

7. Any other items

i) Item 2.6 – A briefing note would be distributed to the sub-committee in relation to the proposed Local Pension Board.

The Sub Committee rose at 3.20pm

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Chair