

Pension Fund Investment Sub-Committee

8 September 2014

Agenda

The Pension Fund Investment Sub-Committee will meet at **Northgate House Conference Room, Warwick** on **8 September 2014** at **2:00pm**

1. General

(1) Apologies

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

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with (Standing Order 42).
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the new Code of Conduct. These should be declared at the commencement of the meeting.

(3) Minutes of the previous meeting and matters arising

2. Local Pension Board

3. Warwickshire County Council Civil Enforcement Officers - NSL

4. Barings Dynamic Asset Allocation Fund

EXEMPT ITEMS

5. **Reports Containing Confidential or Exempt Information**

To consider passing 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**

7. **Any other items**

Which the Chair decides are urgent.

JIM GRAHAM
Chief Executive
Shire Hall
Warwick

Membership of the Pension Fund Investment Sub-Committee

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

For general enquiries please contact Sally Baxter:

Tel: 01926 412323

Email: sallybaxter@warwickshire.gov.uk

Minutes of the Pension Fund Investment Sub-Committee meeting held on 21 July 2014

Present:

Members

Councillors Bill Gifford, John Appleton, John Horner and Sara Doughty.

Officers

Sally Baxter, Democratic Services Officer
John Betts, Head of Finance
Neil Buxton, Pensions Services Manager
Mathew Dawson, Treasury and Pension Fund Manager
Aneeta Dhoot, Senior Finance Officer
Vicki Forrester, Principal Accountant - Revenue
John Galbraith, Senior Solicitor, Pension Fund Services
Andrew Lovegrove, Head of Corporate Financial Services
Ben Patel-Adler, Democratic Services Officer
Sukhdev Singh, Senior Finance Officer.

Invitees

Peter Jones, Independent Investment Advisor
Paul Hewitt, Manifest
Barry Mack, Head of Governance, Hymans Robertson
Paul Potter, Investment Advisor, Hymans Robertson
Richard Warden, Hymans Robertson.

1. General

(1) Appointment of Chairman

Councillor John Appleton was appointed the Chairman of the Pension Fund Investment Sub-Committee.

(2) Appointment of Vice Chairman

Councillor John Horner was appointed the Vice Chairman of the Pension Fund Investment Sub-Committee.

(3) Apologies

Councillor Brain Moss.

(4) Disclosures

None.

(5) Minutes of the previous meeting

The minutes of the meeting held on 19 May 2014 were agreed as a true record subject to the amendment of Richard Warden who was in attendance at the meeting not Robert Bilton.

Item 4.4 – A meeting was in the process of being arranged with the Community Admission Bodies to discuss the assistance required with regard to meeting contribution rates. It was anticipated that the meeting would have been held before the next meeting of the sub-committee.

2. Changes to the Local Government Pension Scheme – Policy discretions

- 2.1 Neil Buxton, Pensions Services Manager, referred the sub-committee to the report and explained that due to the introduction of the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme Regulations (Transitional Provisions and Savings) Regulations 2013, Warwickshire County Council in its capacity as the administering and employing authority, were enabled to review discretionary policies allowed for by the regulations.
- 2.2 It was noted that some of the regulations had been retained from the previous legislation and would remain in place however, the main changes to the regulations were explained to the sub-committee and a full list was contained in Appendix A to the report. It was noted that Appendix A consisted of the regulations that the Local Government Pension Scheme (LGPS) was required to have and that each employer was to devise their own policy to include policy discretions.
- 2.3 It was explained that the cost of implementing the discretions would be explored at the next actuarial evaluation. It was considered to be more equitable that the cost be divided equally between the employer and employee. Contributions were usually set according to the pay band of the employee but going forward, it would be set nationally with the involvement of stakeholders.
- 2.4 Following questions from the sub-committee, clarification was provided on the following Transitional regulations:
- 10(9) – concurrent employment was considered as being an employee that had two jobs with employers within the LGPS.
 - 30(8) – This was discretionary and was applicable to employers that were defunct.
 - Defunct employers would retain the '85 year rule' where as the rule would be 'switched off' for other employers so as to share the risk with members of the fund.
- 2.5 During discussion the sub-committee was informed of the potential effect to the fund in particular the mechanism and considerations for employers. The impact would be minimal to the fund because each employer would carry any deficit arising from the discretions they had chosen.
- 2.6 Consideration was given to the details of 100(7) in particular, that it gives the right to transfer the value if the pension. The sub-committee agreed that further information would be provided at the next meeting.
- 2.7 It was clarified that the proposed abatement policy only applied to Warwickshire County Council policy and did not concern the fund.

2.8 Resolved

That the Pension Fund Investment Sub-Committee approves the administration policies for the Pension Fund attached at Appendix A.

3. Review of Investment Strategy

- 3.1 Mathew Dawson, Treasury and Pension Fund Manager, explained that following the High Level Strategy delivered by Hyman Robertson at the previous meeting of the Pension Fund Sub-Committee, it was highlighted that there was scope to reduce the risk within the investment strategy.
- 3.2 It was decided that no immediate action to de-risk would be taken however the sub-committee would start to consider the concept of de-risking and start to formulate a strategy. It was also agreed that there was the potential to improve the efficiency of the equity mandate structure. Appendix A contained two proposals for discussion following discussions between Hymans Robertson and officers and Appendix B provided alternative forms of methods of index tracking.
- 3.3 The proposals were in relation to the funds passive equities which invested in index funds tracking market cap weighted indices. There were no proposals to make any changes to the two active equity mandates. It was acknowledged that the DCLG was currently consulting on passive management and that guidance would be provided in due course.
- 3.4 The sub-committee considered the current position as to passive management of assets and the 3 managers in place. It was noted that the rationale was to diversify investment which would result in a decrease in UK investment to invest in global infrastructure. The currency risk in doing this was considered to be acceptable so long as the volatility was long term and that the investment in the UK stock market was not decreased to a low level.
- 3.5 The three alternative approaches to passive management were explained and evaluated;
- Fundamental indices which invested on the basis of future expectations by investing in high growth industries at that moment.
 - Lower volatilities/minimum variance indices which was more expensive to invest and operated using a complex methodology.
 - Equally weighted indices which avoided concentration issues in theory but had practical constraints.
- 3.6 A comprehensive comparison of the three models was presented to the sub-committee which included the preferable model, fundamental index, and a comparison with the market cap index employed by the current passive managers.
- 3.7 Following questions from the sub-committee Paul Potter, Hymans Robertson and Paul Jones, Independent Advisor, explained that the fundamental index invested large shares in 'unpopular' companies and the rationale was to take a long term view therefore if adopted, investment would be weighted differently. A back testing method had been used and a graph to explain was distributed to the sub-committee which in conclusion provided evidence in theory, that it would be sensible to divert a small part of the fund from the current market valuation and into fundamental.

- 3.8 It was anticipated that the associated cost of diversification and its management, would be 0.1% and even though by comparison the models were similar, global investment in varied weightings would be achieved. An explanation of the RAFI fundamental index would be accessible for members if they wanted to know more about investment.

3.7 Resolved

That the Pension Fund Investment Sub- Committee, following discussion of the proposals based on the finding from Hyman Robertson, receive a specific proposal from Hymans Robertson, at a future meeting of the sub-committee.

4. Funding Update

- 4.1 Richard Warden, Hymans Robertson, reported that the funding level as at 31 May 2014 had increased to 82.6% from 76.7% in March 2013, the date of the last formal actuarial valuation.

- 4.2 The assets had returned a higher rate (10%) than expected (5.5%) and long term liabilities rates had improved resulting in a decrease. Employers paid a stabilised contribution rate, not the higher contribution rates based on the Whole Fund rate, to allow for long term asset returns being higher than the discount rate and allowed for gradual rises in interest rates over time.

- 4.3 The sub-committee noted the results in particular, the improvement of the funding level which was considered ahead of schedule and had been factored into the contribution rate. It was clarified that the rate had returned to that of 2003 and was considered comparable with other funds.

4.4 Resolved

That the Pension Fund Investment Sub Committee takes no action as a result of the funding update, as recommended by the actuary and, continues to regularly monitor the funding position ahead of the next valuation.

5. Rugby Borough Council Cleaning Contract

- 5.1 Neil Buxton explained that Rugby Borough Council had confirmed that a contract to Superclean Services Wothorpe Limited had been awarded and had taken effect from 3 June 2013. The fund had been approached by Superclean for an admission agreement and now that confirmation had been received, the Pension Fund's Actuary would calculate a bond and contribution rate for this employer and the funds legal advisers would draft an admission agreement.

- 5.2 One member of the Local Government Pension Scheme was affected by the letting of the contract.

5.2 Resolved

That the Pension Fund Investment Sub-Committee approves the retrospective admission of Superclean Services Wothorpe limited as an employer to the Warwickshire Pension Fund in respect of the Rugby Borough Council cleaning contract.

6. Governance

- 6.1 Barry Mack, Hymans Robertson, provided the sub-committee with an overview of The Pension Regulator's Code of Practice consultation on Governance Regulations which was introduced following the Public Service Pensions Act 2013. The consultation sought information regarding powers, delegation, local Pension Boards, Scheme Advisory Board and additional questions, with a consultation deadline of 15 August 2014 with an expectation that all governance reforms would take effect from April 2015.
- 6.2 The future LGPS governance structure was discussed with particular emphasis on the formation of the Local Pension Board (LPB) which was responsible for assisting the Scheme Manager in securing compliance with the regulations, legislation relating to governance and administration, Pensions Regulator's requirements and to ensure effective and efficient governance and administration.
- 6.3 The LPB was required to be in operation for April 2015 and this body would look at the governance of how funding and investment has been put in place not the actual details of the funding investment itself.
- 6.4 A detailed discussion ensued regarding how the LPB could be incorporated into the existing structure of governance for the LGPS and the different approaches available to the Fund. It was clarified that the membership of the LPB would reflect that of the Fund with an equal number of employers and scheme member representatives and they would form the majority. Local authority members on the LPB could not be either an employer or scheme member representative to ensure there was no conflict of interest.
- 6.5 The Sub-Committee agreed that a working group would be established to identify a model of working that fulfilled the statutory criteria and reflected authority consensus, before the consultation was concluded. The draft model would be considered at the next meeting of the Sub-Committee. John Galbraith would draft a response to the DCLG consultation.

6.6 Resolved

That the Pension Fund Investment Sub-Committee notes the report and establishes a working group including officers, to feed into the draft model for the Local Pension Board.

7. Exempt Items – Reports containing Confidential or Exempt Information

- 7.1 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.

8. Exempt Minutes of the meeting of the Pension Fund Investment Sub Committee – 19 May 2014

8.1 The Pension Fund Investment Sub-Committee agreed the exempt minutes of the meeting held on 19 May 2014 as a true and accurate record.

9. Any other items

None.

The Sub Committee rose at 12.50pm

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Chair

Pension Fund Investment Sub-Committee

8 September 2014

Local Pension Board

Recommendation

That the sub-committee discuss 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.

1. Introduction

- 1.1 At the sub-committee meeting dated 21 July 2014, Hymans Robertson presented a high level strategy paper which advised the sub-committee of the regulatory requirement to establish a local pension board by 1 April 2015.
- 1.2 Due to the level of work involved in preparation for the Local Pension Board and given the timescales there is an urgency to prepare terms of reference to enable Warwickshire County Council (as the Administrating Authority/Scheme Administrator) to approve the new structure and change in constitution.
- 1.3 Officers have therefore been considering what the Terms of Reference should be.

2. Progress since July Meeting

- 2.1 Officers have met several times since the July meeting and the current draft is attached at **Appendix A**.
- 2.2 Due to time constraints parts of the terms of reference have not yet been completed, as officers are still investigating some issues such as how the representatives on the board will be selected. Therefore it is suggested that following the discussion by the Sub-Committee the Strategic Director for Resources is asked to prepare a draft for consideration by the Staff and Pensions Committee.
- 2.3 Also since the July meeting officers have submitted the Administrating Authority/Scheme Administrator's response to the DCLG consultation on the regulations and guidance in relation to Local Pension Board's.
- 2.4 At the time of writing this report DCLG has not provided any response with

regards to the regulations or further guidance but if any response is produced this will be circulated to the Committee.

	Name	Contact Information
Report Author	Mathew Dawson, Treasury and Pension Fund Manager	01926 412227 mathewdawson@warwickshire.gov.uk
Head of Service	John Betts, Head of Finance	01926 412441 johnbetts@warwickshire.gov.uk
Strategic Director	David Carter, Strategic Director, Resources Group	01926 412564 davidcarter@warwickshire.gov.uk

Terms of reference for the Pension Board of Warwickshire Pension Fund

Terms of Reference and Delegated Authorities

1) Introduction

The purpose of this document is to set out the terms of reference for the local Pension Board of Warwickshire pension fund.

2) Role of the Local Pension Board

The role of the local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –

- Assist Warwickshire County Council (WCC) as Administering Authority (Scheme Manager); –
 - to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
 - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
 - in such other matters as the LGPS regulations may specify
- Secure the effective and efficient governance and administration of the LGPS for Warwickshire Pension Fund
- Provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board will also help ensure that the Warwickshire Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

3) Appointment of members of the Pension Board

The process for selecting members of the Pension Board is set out below.

[You will need to consider matters such as who is eligible to stand, how the nomination process will work and what sort of information candidates will need to submit. Also, will appointment be through election or selection and what will the rules be governing the process? How will the chair be appointed? Will there be a role on your Board for independents? Will substitutes be allowed to attend in lieu of Board members? What will the term of office be and what is the policy for re-appointment to the Board?]

The Pension Board shall consist of seven members and be constituted as follows:

- Employer Representatives x 2
- Scheme Member Representatives x 2
- Independent Representatives x 3

For representatives there will be a written person specification followed by a recruitment and selection process involving application form, short-listing and interviews accordance with WCC's policy and procedure.

The Chair of the local Pension Board will be elected by the Board. It will be the role of the Chair to ensure that all members of the Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met.

Each employer representative and scheme member representative so appointed shall serve for a fixed three year period which can be extended for further period(s) subject to re-appointment. The term of office for the Chair will also be three years at which point it will be the decision of the board whether to extend the period or re-elect a chair.

Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least one meeting each year. Substitutes will generally not be permitted unless prior consent has been given in advance by the chair. In the event of consistent non-attendance, or failure to achieve and maintain the required level of knowledge and skills by any Board member, then the tenure of that membership should be reviewed by the Chair in liaison with the Scheme Manager and the Chair may decide to remove the Board member.

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the majority agreement of all of the other members. The removal of the independent member requires the consent of the Scheme Manager.

4) Quorum

The Board shall have a formal quorum of three including the chair.

Advisers do not count towards the quorum.

5) Conflicts of Interest

The policy for identifying conflicts of interest is set out in a separate policy document.

6) Board Review Process

The Board will undertake each year a formal review process to assess how well it and its committees, and the members are performing with a view to seeking continuous improvement in the Board's performance.

7) Advisers to the Board

The Board may be supported in its role and responsibilities through the appointment of advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties including:

- The Fund's Administration Manager;
- The Fund's Legal Adviser;
- The Fund's Section 151 Officer.
- Other advisers, so approved by the Scheme Manager.

The Board shall ensure that the performances of the advisers so appointed are reviewed on a regular basis.

8) Knowledge and Skills

A member of the Pension Board must be conversant with –

- 1 The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
- 2 Any document recording policy about the administration of the LGPS which is for the time being adopted by the Warwickshire Pension Fund.

A member of the Local Pension Board must have knowledge and understanding of –

- The law relating to pensions, and
- Any other matters which are prescribed in regulations.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

Pension Board members will comply with the Scheme Manager's training policy.

9) Board Meetings – Notice and Minutes

The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board. The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Following the approval of the minutes by the Chair of the Board or Board committee, they shall be circulated to all members.

There will be two Pension Board meetings a year to be held in June and December.

10) Remit of the Board

The Pension Board must assist the Scheme Manager with such other matters as the scheme regulations may specify. It is for scheme regulations and the Scheme Manager to determine precisely what the Pension Board's role entails. [You will want to consider what your key priorities are and how your Board can help you deliver them. For example is there a role for the Board in considering administration performance, setting communication strategy or providing an audit function?].

11) Standards of Conduct

The role of Pension Board members requires the highest standards of conduct and therefore the "seven principles of public life¹" will be applied to all Pension Board members and embodied in their code of conduct.

These are –

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty

- Leadership

12) Decision making

Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will reach a consensus.

The Chair of the Pension Board **will have the final deciding vote which** will be reported to the Scheme Manager.

13) Publication of Pension Board information

Scheme members and other interested parties will want to know that Warwickshire Pension Fund is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

Up to date information will be posted on the Warwickshire Pension Fund website showing

- The names and information of the Pension Board members
- How the scheme members are represented on the Pension Board
- The responsibilities of the Pension Board as a whole
- The full terms of reference and policies of the Pension Board and how they operate
- The Pension Board appointment process
- Who each individual Pension Board member represents
- Any specific roles and responsibilities of individual Pension Board members.

¹ Standards Matter: a review of best practice in promoting good behaviour in public life”, Committee on Standards in Public Life, January 2013

Pension Board papers, agendas and minutes of meetings will be published on the **XYZ** Pension Fund website. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

14) Accountability

The Pension Board will be collectively and individually accountable to the Scheme Manager.

15) Expense Reimbursement, [remuneration and allowances]

[You will need to establish a policy in respect of these matters]

16) Reporting Breaches

Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in a separate policy document.

17) Definitions

The undernoted terms shall have the following meaning when used in this document:

<i>“Pension Board” or “Board”</i>	Means the local Pension Board for the ABC administering authority for the XYZ Pension Fund as required under the Public Service Pensions Act 2013
<i>“Scheme Manager”</i>	Means the ABC as administering authority of the XYZ Pension Fund.
<i>“Chair”</i>	Reference to duties to be performed, or authorities exercised, by the Chair
<i>“LGPS”</i>	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and the The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 [In Scotland; The Local Government Pension Scheme as constituted by the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008, the Local Government Pension Scheme Administration) (Scotland) Regulations 2008, The Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008 and the The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010]
<i>“Scheme”</i>	Means the Local Government Pension Scheme as defined under “LGPS”

18) Interpretation

Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Scheme Manager.

Pension Fund Investment Sub-Committee

08 September 2014

Warwickshire County Council Civil Enforcement Officers - NSL

Recommendation

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

1.0 Background

- 1.1 Warwickshire County Council is letting the Civil Parking Contract from November 2014 and the successful contractor is NSL.
- 1.2 There are up to 54 members of the LGPS affected by the letting of this contract.
- 1.3 The letting of this contract affects members of the Local Government Pension Scheme (LGPS) currently employed by Rugby Borough Council, Stratford on Avon and Warwick District Councils.

2.0 NSL

- 2.1 NSL is a national company and provides off and on street parking for a number of organisations both in the public and private sectors.
- 2.2 NSL has approached the Fund for an admission agreement in respect of current members of the LGPS in the Warwickshire Pension Fund.
- 2.3 WCC has awarded the contract to NSL for an initial period of five years with a possible extension of a further two years.

3.0 Next steps

- 3.1 The Actuary has determined a contribution rate of 20.5% and a Bond of £822,000.00.
- 3.2 The Pension Fund's legal advisers have commenced drafting an admission agreement.

	Name	Contact Information
Report Author	Neil Buxton, Pension Services Manager	01926 412195 neilbuxton@warwickshire.gov.uk
Head of Service	John Betts, Head of Finance	01926 412441 johnbetts@Warwickshire.gov.uk
Strategic Director	David Carter, Strategic Head of Resources	01926 412564 davidcarter@warwickshire.gov.uk

Pension Fund Investment Sub-Committee

8 September 2014

Barings Dynamic Asset Allocation Fund

Recommendations

- (1) That the sub-committee formally ratify the decision to sell the funds holding in the Barings Dynamic Asset Allocation Fund (“DAFF”).**
- (2) That the sub-committee, having received advice from with Hymans Roberson, agree where the funds from the sale of the holding in DAFF are placed.**

1. Introduction

- 1.1 On the evening of Tuesday 19 August 2014 Hymans Robertson issued a Sell-Immediately" notice in relation to the Fund's holding in DAFF. The sell notice was issued because Barings announced the resignation of the Head of the Global Multi-Asset Group (Percival Stanion) who is also the lead portfolio for the DAAF. In addition they have announced the resignation of Percival's number two and also the resignation of another experienced member of the team
- 1.2 Having discussed the matter with Hymans Robertson, officers recommended to the Sub-Committee, by way of email on Wednesday 20 August, that the sell notice was followed and that the fund sell it's holding in DAFF immediately on the next available dealing day and hold the money in cash until the board meets on 8 September.
- 1.3 Officers accepted that selling immediately would cost the fund money in terms of being out of the market and holding cash. That figure was and is difficult to quantify but there could easily be a "cost" of 0.5% by being out of DAFF for a month (based on recent performance).
- 1.4 Officers were however concerned that the Fund is only able to sell it's holding in DAFF once a week. Therefore if Officers waited to see whether other Fund's/companies followed the sell notice then the market value could drop as the unit price drops and the Fund would not be able to sell for another week. Again the cost is difficult to quantify as it all depends upon how many other investors decide to sell, but a fall in unit price of 5% would cost the fund £3million.

1.5 Officers therefore sought approval to sell the Fund's holding in DAFF at the next dealing day which is Friday 29 August 2014 and hold the money in cash until the Sub-committee meets on 8th September 2014.

2. Allocation of Cash

2.1 As set out in 1.3 above the holding of cash does cost money from lost returns. The Sub-committee therefore need to consider how to allocate the cash obtained from the Fund's holding in DAFF, balancing the need to obtain returns from the cash but not rushing into an inappropriate investment.

2.2 At the Sub-committee meeting on 8th September Hymans Robertson will verbally present options and advice as to how the money is investment.

2.3 The Sub-committee will therefore need to consider and decide how best to invest the cash both in the immediate short term and in the longer term.

	Name	Contact Information
Report Author	Mathew Dawson, Treasury and Pension Fund Manager	01926 412227 mathewdawson@warwickshire.gov.uk
Head of Service	John Betts, Head of Finance	01926 412441 johnbetts@warwickshire.gov.uk
Strategic Director	David Carter, Strategic Director, Resources Group	01926 412564 davidcarter@warwickshire.gov.uk