

Minutes of the Pension Fund Investment Sub-Committee meeting held on 17 November 2014

Present:

Members

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

Officers

Sally Baxter, Democratic Services Officer

John Betts, Head of Finance

Mathew Dawson, Treasury and Pension Fund Manager

Vicki Forrester, Principal Accountant

John Galbraith, Senior Solicitor, Pension Fund Services

Andrew Lovegrove, Head of Corporate Financial Services

Invitees

Peter Jones, Independent Investment Adviser

Sandro Lunghi, Inalytics

Bill Nicholson, Inalytics

Paul Potter, Investment Advisor, Hymans Robertson

1. General

(1) Apologies

Neil Buxton

(2) Disclosures

- i) Councillor Sara Doughty declared a non-pecuniary interest in relation to Item 10 in so far she was a member of Nuneaton and Bedworth Borough Council.

(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:

Item 1 – Vicki Forrester, Principal Accountant, requested that her apologies for the meeting be recorded in the minutes.

John Betts, Head of Finance, agreed to provide an update on the formation of the Local Pension Board, to the next sub-committee meeting scheduled for February 2015.

2. Equity Manager Performance

- 2.1 Sandro Lunghi and Bill Nicholson, Inalytics, presented a skill report in relation to both MFS (global) and Threadneedle (UK) equities, over a six year period which are appended to the report.

- 2.2 They provided an overview of how they assessed the equity managers to see how effective they were and if they performed well. An analysis was provided at 3 levels for each; buying, selling and portfolio success.
- 2.3 The different styles adopted by each manager were discussed and the effect this had on performance in terms of the market and the time scales when managers had bought and sold shares.
- 2.4 Following questions by the Sub-Committee, it was clarified that the equity managers adopted a different approach for the buying and selling of shares. MFS added value to the shares upon disposal and knowing when to purchase shares, Threadneedle added value when purchasing shares. It was noted that the focus should be on success rates, not volatility of the market. Information regarding the volume of transactions in relation to MFS, would be sent to committee members by Mathew Dawson, Treasury and Pension Fund Manager.
- 2.5 In conclusion, both equity managers, (Threadneedle and MFS) were performing well and adding value to the stocks. With regard to dividends, if funds were required, a request would be made and then the funds would be drawn down.

2.5 Resolved

That the Pension Fund Investment Sub-Committee notes the findings in 2.1 and 2.2.

3. Annual Governance Report

- 3.1 Andrew Lovegrove, Head of Corporate Financial Services, introduced the Annual Governance Report which was produced by the external auditors, Grant Thornton. The report and letter of representation produced by Grant Thornton, was considered and approved by the Audit and Standards Committee at its meeting on 11 September 2014.
- 3.2 It was requested by the Chair that the sub-committee look at the report and letter, consider the contents and make suggestions if appropriate.
- 3.3 The Audit and Standards Committee highlighted that there had been 2 instances of non-compliance however, this had since been explained and steps had been taken to rectify. Mathew Dawson explained that one investment appeared underweighted and another was far adrift the agreed level therefore it looked like there was non-compliance.
- 3.4 Audit and Standards Committee would be made aware of the circumstances and informed that the sub-committee had considered the concerns and were reassured that steps had been taken to rectify the incidents and that procedures were now in place to mitigate against misunderstanding in future.

3.4 Resolved

That the Pension Fund Investment Sub-Committee notes the Annual Governance Report and Letter of Representation and that their comments would be taken into consideration.

4. Investment Performance

- 4.1 Mathew Dawson provided an overview of the fund asset allocation including the class benchmarks and asset allocation against each manager. It was reported that there had been increase of 1.2% on the previous quarter.
- 4.2 It was noted that the level of cash held was a direct consequence of the decision taken with regard to Barings and the majority of managers had outperformed their benchmarks.
- 4.3 Discussions had been had with Managers with regard to the increase in property which was attributed to the increase in rental values, was expected to become stable towards 2015. The sub-committee acknowledged that it was following a similar performance pattern as the stock market.
- 4.4 In response to a question, Mathew Dawson would look at Blackstone and the level of cash held.

4.5 Resolved

That the Pension Fund Investment Sub Committee notes the fund value and investment performance for the second quarter in 2014/15 to 30 September 2014.

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) Minutes of the meeting held on 8 September 2014

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

7. (Exempt) Private Equity Update

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

8. (Exempt) Investment Strategy

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

9. (Exempt) Fundamental Index Tracking

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

10. (Exempt) Nuneaton and Bedworth Leisure Trust

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

11. Any other items

None.

The Sub Committee rose at 11:55am

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Chair