



<u>Committee and Date</u>	<u>Item</u>	<u>Paper</u>
Pensions Committee		
10 February 2010	3	A
10.00 am	Public	

MINUTES OF THE MEETING HELD ON 25 NOVEMBER 2009

10.00 am – 12.15 pm

Responsible Officer Martin Stevens

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Present: Mr T H Biggins, Mrs A Chebsey, Mr A B Davies, Mr M G Pate (Chairman), Mr R Pugh, Mr C Tranter and Mr D Wright.

1. Apologies for Absence and Substitutions

Apologies for absence were received from Mr Malcolm Smith and his nominated substitute. There were no substitutions.

2. Declarations of Interest

Mr Malcolm Pate declared a personal interest on item 8 as he was a Member of the Walker Trust, who used BlackRock as investment managers.

3. Minutes

RESOLVED: That the non-exempt minutes of the meeting held on 9 September 2009 be approved and signed by the Chairman as a correct record, subject to Mr R Pugh being deleted from the list of those present.

RESOLVED: That the non-exempt minutes of the meeting held on 23 October 2009 be approved and signed by the Chairman as a correct record.

4. Public Questions

There were no public questions.

5. Private Equity – HarbourVest

- 5.1 Mr George Anson and Ms Hannah Tobin from HarbourVest gave a presentation to the Pensions Committee. They stated that they took a long-term approach to investment. Seventy-five percent of their clients were Pension Funds. It was typically 4-5 years before cash came back to investors. The J Curve was described where fees and expenses meant that it was quite common for negative returns for the first two years.

5.2 The Scheme Administrator asked what their approach was to companies that they had invested in which then asked for further money. In response they stated that they saw this as rescue financing, which they did not support. They stated that it was presently a great time to be a buyer with many opportunities in the market. They recommended that the Shropshire County Pension Fund committed \$22.2 million to the HIPEP VI Partnership Fund.

6. Private Equity

6.1 The Head of Finance (treasury & Pensions) stated that it was necessary to commit \$22.2 million to the HIPEP VI Partnership Fund in order to reach the target level of investment of 5% of the Fund and achieve diversification across time periods.

RESOLVED: That the recommendation of HarbourVest to commit \$22.2 million to HIPEP VI Partnership Fund be agreed.

7. PIMCO – Global Bonds

7.1 Mr Ben Edwards and Mr Jonathan Webb from PIMCO gave a presentation to the Pensions Committee. They stated that year-to-date there had been a very strong recovery in the portfolios' absolute and relative performance. They were surprised by how quickly the recovery had been. In the last six months they had been taking some of the risk out of the portfolio.

7.2 Members asked if anything had been learnt from the problems experienced during the downturn. In response they stated that they were more cautious and had increased the number of risk factors that they consider. They noted that certain sectors had been hit harder than others; however they still had confidence in their investment.

7.3 Mr Robert Ross asked how other clients of PIMCO had reacted during the downturn. In response they stated that their clients had reacted in the same way as Shropshire, with no clients being lost and all of them experiencing the rebound in performance.

7.4 Mr Roger Bartley stated that he was trying to understand why PIMCO had not been more defensive which would have curtailed the capital loss. In response they stated that the bonds were fundamentally sound and their opinion at the time was that it was not best to sell.

7.5 Mr Andrew Davies asked if they thought there would be an extended period of inflation. In response they stated that they didn't expect any inflation in the next 12 – 18 months but in the next 3 -5 years they saw arguments for higher inflation. As a consequence over the next 12-18 months they would be positioning to buy inflation protection.

7.6 Mr David Wright asked how close PIMCO had kept to the tracking error rate. In response they stated that in the last twelve months due to the exceptional circumstances they had been higher but normally would be well within the

target given. They stated that blended performance since the account inception at the beginning of 2004 had been at a return of 6.9% after fees, which was above the benchmark of 6.06%. Their view was that a strong recovery had resulted because of government intervention but in the longer term, growth was likely to be constrained to low levels, with the recovery being slow and painful. They outlined some key investment themes which in summary were:-

- Remain high in the capital structure
- Invest in bonds supported by governments but not in governments
- Hedge / minimise tail risk
- Position for select emerging market growth

8. BlackRock – Fund of hedge Funds

- 8.1 Mr Rosenbauer from BlackRock gave a presentation to the Pensions Committee.
- 8.2 Members asked Mr Rosenbauer how BlackRock evaluated their investment managers. In response Mr Rosenbauer stated that they looked at the risks that the managers took and their returns. When asked about the poor performance of BlackRock over the last twelve months, Mr Rosenbauer stated that whilst hedge funds eliminated a lot of risks they could not eliminate liquidity risk. It had been a very challenging time and the problem of liquidity had really hurt hedge funds.
- 8.3 Mr Rosenbauer stated that historically BAA's strongest returns had often followed difficult periods for hedge fund strategies. This was a compelling reason why investment should continue.

9. Pensions Administration Monitoring

- 9.1 The Pensions Team Leader stated that a training day for the Administration Team had been held in October which had been very well received by staff. Consultations had taken place at the Civic Offices in Telford for employees in the Pension Scheme at Telford and Wrekin Council.
- 9.2 Annual Benefit Statements had been issued to all the active scheme members. The statements had been redesigned making them clearer to follow. The helpdesk hours were extended for a week following the issue of the statements. The Annual Meeting for 2009 had been held successfully on 10 November with a total of three meetings being held.
- 9.3 The next actuarial valuation of the Pension Fund was due to take place in 2010. A meeting had already been held with the Scheme Actuary, Mercer to discuss data requirements.
- 9.4 Mr C Tranter stated that a number of staff at Telford and Wrekin Council had received their annual statements but additional pensionable hours had not been included. In response the Pensions Team Leader stated that if anyone

did query this with them then a second statement or specific quote would have been provided but it was up to the scheme employers to provide the Pensions Team with the data.

RESOLVED: That the report be noted.

10. Corporate Governance

RESOLVED: That the report, PIRC Quarterly Report at Appendix A and F & C Responsible Engagement Overlay Report at Appendix B be noted.

11. Exclusion of the Press and Public

RESOLVED: That under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Committee in relation to Agenda Items Nos. 12-13 shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the categories specified against the items.

Chairman.....

Date.....