



Committee and Date

Pensions Committee

20 June 2011

10am

Item No

**5.2**

Public

## MINUTES OF THE MEETING HELD ON 6 APRIL 2011

10.00 am – 11.30 am

**Responsible Officer** Michelle Evans

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**Present:** Mr S Bentley, Mr T H Biggins, Mr A Davies, Mrs M Nicholls, Mr M G Pate (Chairman), Mrs J Smith, Mr M Smith and Mrs P Wilson

### 1. Apologies for Absence and Substitutions

1.1 Apologies were received from Mrs A Chebsey, Mr R Pugh, Mr C Tranter and Mr D Wright.

### 2. Declarations of Interest

2.1 No declarations of interest were made.

### 3. Public Questions

3.1 There were no public questions

### 4. AON Hewitt – Infrastructure Training Refresher

4.1 Gary Allen from AON Hewitt gave a brief refresher training session on Infrastructure – copy attached to signed Minutes - which covered the following areas:

- Defining infrastructure
- Typical features of infrastructure
- Pros and cons
- Ways to access the asset class
- Typical investment strategies
- Keys to success for selecting managers and assets.

4.2 Mr Allen explained that the four main asset categories were Transportation, Energy and Utilities, Social Infrastructure and Communications. He discussed the key features of this asset class and explained that being inflation linked was very attractive to Pension Funds.

- 4.3 Mr Allen reported that target returns for this asset class would be between 11% and 16% net of fees. The asset class requires a high reliance on manager skill and their ability to drive the asset in order to get out as much operational efficiencies as possible.
- 4.4 Mr Allen stated that the poor liquidity associated with this asset class would not be an issue for the Pension Fund and could be used to its advantage to generate higher returns. Another issue to be considered was the higher management fees and having to pay these fees on uncommitted funds however, if investors were confident of getting value from their managers they should be happy to pay the fees. Mr Allen reported that a lot of the managers had backgrounds within the industry or had banking backgrounds.
- 4.5 Mr Allen then briefed Members on the ways in which to access the asset class, the most effective way being via limited partnership vehicles. He explained the investment characteristics of limited partnerships and outlined some of the problems with the asset class which included being exposed to currency risk, the time it took to get the money invested as managers had to source attractive deals (up to 3/4 yrs) and the difficulties of measuring performance due to finding an appropriate benchmark.
- 4.6 Mr Belgrove elaborated on the appointment process and the reasons for inviting the selected manager to attend the Committee. The higher fees charged by them was a reflection of the quality of the team and its ability to secure the right contracts. It was felt that Infrastructure Managers were strongly suitable for Local Authority Pension Schemes because they could take a long term view.
- 4.7 Mr Belgrove and Mr Allen answered a number of queries from Members in relation to interest rates, fund performance and the type of assets Managers would be investing in.

**5. Exclusion of the Press and Public**

- 5.1 It was **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 item 6 shall not be conducted in public on the grounds that it involves the likely disclosure of exempt information as defined by the category specified against it.

**6. Appointment of Infrastructure Manager (Exempted by Category 3)**

- 6.1 The Committee received the report of the Treasury and Pension Fund Manager.
- 6.2 Representatives from Global Infrastructure Partners gave a presentation.

**7. Chairmanship of Committee**

- 7.1 It was agreed that Chairmanship of the Committee would remain with Shropshire Council for the 2011/12 municipal year.

Signed.....(Chairman)

Date.....20 June 2011.....