



Committee and Date

Pensions Committee

13 September 2012

10am

Item No

3

Public

MINUTES OF THE MEETING HELD ON 2 JULY 2012

10.00 am – 12.35 pm

Responsible Officer Michelle Evans

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Present: Mr T H Biggins, Mr A Davies, Mr B McClements, Mrs M Nicholls (Substitute for Mrs A Chebsey), Mr M G Pate, Mr M Smith and Mr C Tranter.

1. Election of Chairman

1.1 It was proposed, seconded and **RESOLVED:** that Mr M Smith be elected Chairman for the ensuing municipal year.

2. Apologies for Absence and Substitutions

2.1 Apologies were received from Mrs A Chebsey, Mr J Fox and Mr R Pugh.

3. Appointment of Vice Chairman

3.1 It was proposed, seconded and **RESOLVED:** that Mr M Pate be appointed Vice-Chairman for the ensuing municipal year.

4. Declarations of Interest

4.1 No declarations of interest were made.

5. Minutes

5.1 **RESOLVED:** that the non-exempt minutes of the meeting held on 22 February 2012 be approved and signed by the Chairman as a correct record.

6. Public Questions

6.1 There were no public questions.

7. Strategy Review Update

7.1 Mr Louie-Paul Hill from AON Hewitt gave a presentation on the Structure of the Fund and the four recommendations being put forward to improve the efficiency of the Fund's investments (copy attached to the signed Minutes). Mr Hill explained that his presentation was a continuation of what had already been discussed with the Committee at previous meetings.

- 7.2 Mr Hill informed the Committee that as the Shropshire County Pension Fund strategy was already good and well diversified, the recommendations sought to achieve the best return for the least amount of risk (or a higher return for the same level of risk). AON Hewitt expected their recommendations to improve the long term expected return of the Fund by approximately 1% per annum.
- 7.3 Mr Hill answered a number of queries from Members and Advisers in relation to the recommendations and further information was requested for the Annual Training Day on 18 July 2012.

8. F&C (Responsible Engagement Overlay)

- 8.1 Mr Ian Biscoe and Ms Sandra Carlisle gave a presentation (copy attached to the signed minutes) on F&Cs approach to engagement.
- 8.2 In response to a query about why the Pensions Committee had not been made aware of the issue of banking bonuses a number of years ago, Ms Carlisle explained that banking bonuses had always been a concern for F&C who had a history of very active engagement on the issue and had voted against pay increases at many global banks where it saw a lack of alignment of pay and performance. However, it had not been in the spotlight until the crisis in 2008. F&C did not wish the issue of pay to hijack other governance issues such as the stewardship code.
- 8.3 Ms Carlisle reported that in 2011 F&C engaged with 161 Companies on behalf of the Shropshire County Pension Fund on a number of issues including Climate Change (eg Rio Tinto) and Business Ethics (eg Glencore International). 65 milestones had been achieved in the UK on issues such as Business Ethics (eg Tullow Oil) and Sustainable management and reporting (eg Xstrata plc). Ms Carlisle explained that through engagement with the companies involved, the identified issues had been resolved.
- 8.4 Ms Carlisle then discussed the focus areas for F&C for 2012 which included Corporate Governance & Stewardship and Engagement on Fixed Income. In order to demonstrate how F&C used their votes to influence change, Ms Carlisle drew Members attention to the case study highlighting how F&C developed the idea of introducing credit quality as an underpin for banking bonus awards and the response from Banks addressing the issue.

9. Goldman Sachs (US Equities)

- 9.1 Ms Gillian Evans and Mr Javier Rodriguez-Alaron gave a presentation on US Equities (copy attached to the signed Minutes). Ms Evans reported that following a disappointing performance the previous year, Goldman Sachs had outperformed its benchmark by 1.4% (0.75%).
- 9.2 Mr Rodriguez-Alaron explained that changes in terms of the economy, had lead to a change in perception of the market from optimism to pessimism. In the first quarter of 2011 the market was very volatile, which had led to huge losses but stocks had however been cheap and US markets had grown quite significantly. By the end of 2011 the economy was back into pessimism with problems in Europe creating lots of changes in relation to risk appetite. By the end of the first quarter of 2012 things were looking quite positive however the

market was now back into pessimism with the global economy continuing the extension of the financial industry problems.

- 9.3 Mr Rodriguez-Alaron informed the Committee that Goldman Sachs were very efficient at identifying attractive stocks and trends that would continue. He drew attention to the investment themes which were a series of systematic ideas that were explored by Goldman Sachs, rather than focussing on just one idea or theme. Goldman Sachs then sought to add value by being overweight in attractive stocks and underweight in unattractive stocks. He then explained how contribution to returns were measured using these factors eg valuation, profitability, quality etc.
- 9.4 Mr Rodriguez-Alaron answered a number of queries from Members and Advisors and he invited Members to attend Goldman Sachs' Annual Conference at Fleet Street on 9 October.

10. Pensions Administration Monitoring

- 10.1 The Committee received the report of the Employment and Pension Service Manager (copy attached to the signed Minutes) which provided Members with monitoring information on the performance of and issues affecting the Pensions Administration Team.
- 10.2 The Employment and Pension Service Manager drew attention to the date of the Annual Meeting which had been arranged for 8 November 2012 at the Walker Theatre, Theatre Severn in Shrewsbury and the Civic Offices in Telford. She reported that the administration team had achieved a rating of good, which was the highest possible rating.
- 10.3 The Employment and Pension Service Manager explained that the Shropshire County Pension Fund had developed a Pensions Administration Strategy in order to improve the processes within the fund and to provide a seamless pension service. In response to a query, it was unclear whether Councillors would be auto-enrolled into the pension scheme.
- 10.4 **RESOLVED:** To accept the position as set out in the report and to agree the Administration Strategy.

11. Termination Funding Policy

- 11.1 The Committee received the report of the Employment and Pension Service Manager (copy attached to the signed Minutes) which outlined the need to introduce a Policy on how the fund would treat admissions into the Fund and the methodology for assessment of a termination payment on the cessation of an admission body's participation in the fund.
- 11.2 **RESOLVED:** To approve the Termination Funding Policy set out at Appendix A to the report.

12. Corporate Governance Monitoring

- 12.1 The Committee received the report of the Treasury & Pensions Service Manager (copy attached to the signed Minutes) which informed Members of corporate governance and socially responsible investment issues arising in the quarter to 31 March 2012.

12.2 **RESOLVED:** To accept the position as set out in the report, the PIRC Quarterly Report (Appendix A) and the F&C Responsible Engagement Overlay Viewpoint Report (Appendix B).

13. Exclusion of the Press and Public

13.1 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 items 14 - 16 shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the category specified against them.

14. Minutes (Exempted by category 3)

14.1 **RESOLVED:** that the Exempt Minutes of the meeting held on 22 February 2012 be approved and signed by the Chairman as a correct record.

15. New Admission Bodies and Scheme Employers (Exempted by Category 3)

15.1 The Committee received the exempt report of the Employment and Pension Service Manager.

16. Investment Monitoring - Quarter to 31 March 2012 (Exempted by Category 3)

16.1 The Committee received the exempt report of the Treasury & Pensions Service Manager.

Signed.....(Chairman)

Date.....13 September 2012.....