



Pensions Committee

20 June 2014

10.30 am

Item

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Public

**MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 20 MARCH 2014
10.30 AM - 12.50 PM**

Responsible Officer: Sarah Townsend
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Present:

Members of the Committee:

Councillor Malcolm Pate (Chairman)
Councillors Thomas Biggins, Andrew Davies and Roger Evans (Substitute) (substitute for Anne Chebsey)

Co-Opted Members (Voting):

Malcolm Smith and Arnold England (Substitute) (substitute for Bill McClements)

Co-Opted Members (Non-Voting):

Jean Smith

1 Apologies for Absence and Substitutions

Apologies for absence were received from Councillor Anne Chebsey and Mr Bill McClements.

Councillor Roger Evans substituted for Councillor Anne Chebsey and Mr Arnold England substituted for Mr Bill McClements.

2 Disclosable Pecuniary Interests

Members were reminded that they must not participate in the discussion or voting on any matter in which they had a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

3 Minutes

RESOLVED:

That the Minutes of the meeting held on 27 November 2013 be approved and signed by the Chairman as a correct record.

4 Public Questions

There were no public questions.

5 Majedie Asset Management (UK Equities)

Mr Simon Hazlitt and Mr Mark Hepburn gave a presentation on the performance of the UK Equities Portfolio. They explained that they were still committed to remaining small which they felt was an advantage in the market and that they had been closed to new investments since 2006. In terms of performance, Majedie adopted a flexible investment approach which had consistently outperformed the FTSE All-Share Index (which they Benchmark against) through several market cycles. Whilst last year's performance had been very good, this had now gone slightly in reverse in the last two quarters to December 13, but was still above their Benchmark / Target.

In response to a query from a Member regarding ethical issues, the Committee noted that provided the companies operated within the law, there were no restrictions in place for the Funds Investment Managers.

The Chairman thanked the representatives from Majedie for their presentation and stated that the Committee was satisfied with the work that they were doing.

6 MFS Investment Management (Global Equities)

Mr Matt Hensher and Mr Ben Kottler gave a presentation on the performance of the Global Equities Portfolio.

Members were first provided with an overview of MFS and it was reported that their business strategy had not changed during the last year. There had also been no internal changes to either their investment team or investment process during the last year.

In terms of the Executive Summary, the Committee was informed that the Portfolio had increased in value over the past year with the beginning value as of 31 December 2012 being £114million and the ending value as of 31 December 2013 being £123million.

In respect of the Market Overview, the MFS representatives reported that in an environment of slow but improving economic growth and subdued inflation, equity markets had performed well in 2013.

It was reported that the global growth picture looked reasonably positive, particularly in the US, with the economy accelerating amid less fiscal drag. However, whether the improving economic backdrop would translate into further improvement in earnings growth remained a key question for equity investors.

In terms of the forecast for the next year, MFS reported that following a good year's performance, they anticipated another strong year but beyond that, were predicting that there would be a much slower growth environment.

7 **Aberdeen Fund Management Ltd (Pan European Property)**

Mr Michael Dinsdale, Mr Tom Richardson and Mr Mark Wilkins gave a presentation on the performance of the European Property Portfolio.

By way of a corporate update, it was confirmed that the acquisition of the Scottish Widow Investment Partners was a diversification strategy which had not yet completed. This acquisition was not expected to significantly affect Aberdeen Property Multi Manager which had been relocated to the Aberdeen Solutions Division to improve alignment of business processes.

Looking at Shropshire's Portfolio Summary, the Committee was reminded that in 2013, Aberdeen's Portfolio Strategy was revised with an increased UK focus and an additional allocation invested into the UK market during quarter four. It was also noted that further money was expected to be invested by June 2014 in order to increase the property allocation back up to its strategic allocation of 5%.

Several questions were asked and comments made by Members in terms of Aberdeen's decision to write down the value of investment in CG Malls to zero and the fact that going forward, investments would be focused on open ended UK balanced funds.

It was reported that despite increased investor confidence in the UK real estate market, capital raising for UK specific Fund of Funds continued to be challenging. Whilst Aberdeen had received expressions of interest from various UK institutional investors during 2013, no further capital had been subscribed to the Fund. This had resulted in the long term future of the Fund being uncertain and a decision had needed to be made on the future of the Fund. On the 13 February 2014, following feedback from all investors, the Fund's Management Company decided to place the Fund into liquidation. The liquidation would take place from the 18 May 2014, after expiration of a three month notice period provided to all investors on the 17 February 2014. On the 28 February 2014, in specie/cash distribution feedback from all investors, including Shropshire, was received. Shropshire had indicated that it would prefer an in specie distribution. It was therefore expected that the UK Fund of Funds would be substantially liquidated by the 30 June 2014.

8 **Schedule of Committee and Other Meetings 2014/15**

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which set out a schedule of meetings of the Committee and outside bodies on which the Committee was represented. It also identified which managers would be attending the respective meetings.

RESOLVED:

- (a) That the schedule of Committee meetings, including the Annual Meeting, as set out in the report be agreed.
- (b) That the representation at other conferences and training events as set out in the report be agreed.

9 Pension Fund Treasury Strategy 2014/15

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which proposed the Pension Fund Treasury Strategy for 2014/15 for the small cash balances that the Adminstrating Authority maintained to manage the day to day transactions of the Fund.

RESOLVED:

- (a) That authority be delegated to the Scheme Administrator (Section 151 Officer) to manage the Pension Funds day to day cash balances.
- (b) That the Pension Fund Treasury Strategy be approved.
- (c) That the Scheme Administrator (Section 151 Officer) be authorised to place deposits in accordance with the Pension Fund's Treasury Strategy.
- (d) That the Scheme Administrator (Section 151 Officer) be authorised to add or remove institutions from the approved lending list and amend cash and period limits as necessary in line with the Administering Authority's creditworthiness policy.

10 Corporate Governance Monitoring

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which informed Members of Corporate Governance and socially responsible investment issues arising in the quarter 01 October 2013 to 31 December 2013.

RESOLVED:

That the position as set out in the report, Manager Voting Reports (Appendix A) and F&C Responsible Engagement Overlay Viewpoint Reports (Appendix B) be accepted.

11 Funding Strategy Statement

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which informed Members of the requirement to publish an updated Funding Strategy Statement. Members were informed that the Statement was updated following the 2013 Actuarial Valuation and that employers were consulted on the updated content of the Funding Strategy Statement during February 2014. No comments had been received.

RESOLVED:

That the updated Funding Strategy Statement be approved.

12 Statement of Investment Principles

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which provided Members with an update to the

Pension Fund's Statement of Investment Principles to reflect changes to the Fund's investment management arrangements.

RESOLVED:

That the revised Statement of Investment Principles (Appendix A) be approved.

13 Pensions Administration Monitoring

The Committee received the report of the Pension Administration Manager (copy attached to the signed Minutes) which provided Members with monitoring information on the performance of and issues affecting the Pensions Administration Team.

Members noted that the Council's Voluntary Redundancy Programme continued to impact upon the team, increasing work levels much higher than normally expected and that this had had a knock on effect on other work.

The Pension Administration Manager confirmed that all councillors who were members of the Local Government Pension Scheme on the 31 March 2014 could continue to accrue rights until the end of their term of office. However, applications received from Councillors to join the scheme could not be accepted after the 31 March 2014. All Councillors had been informed of this via email.

RESOLVED:

That the position as set out in the report of the Pension Administration Manager be accepted.

14 Exclusion of Press and Public

RESOLVED:

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to the following items, shall not be conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the category specified against them.

15 Exempt Minutes (Exempted by Category 3)

RESOLVED:

That the Exempt Minutes of the meeting held on 27 November 2013 be approved and signed by the Chairman as a correct record.

16 New Admission Bodies (Exempted by Category 3)

The Committee received the exempt report of the Pension Administration Manager (copy attached to the Exempt signed Minutes) which provided details of a new Admission Body, a potential new Admission Body and a new Schedule 1 Part 1 Scheme Employer (Academies).

RESOLVED:

That the recommendations in the exempt report of the Pension Administration Manager be approved.

17 Investment Monitoring - Quarter to 31 December 2013 (Exempted by Category 3)

The Committee received the exempt report of the Head of Treasury and Pensions (copy attached to the Exempt signed Minutes) which provided Members with monitoring information on investment performance and managers for the quarter period to 31 December 2013, and reported on the technical meetings held with managers since the quarter end.

RESOLVED:

That the recommendations in the exempt report of the Head of Treasury and Pensions be approved.

(The full version of Minutes 16 and 17 constitutes exempt information under Category 3 of Paragraph 10.4 of the Council's Access to Information Rules and has accordingly been withheld from publication).

Signed (Chairman)

Date: