



Pensions Committee

18 March 2016

10.00 am

**MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 27 NOVEMBER 2015
10.00 AM - 12.07 PM**

Responsible Officer: Sarah Townsend
Email: sarah.townsend@shropshire.gov.uk Tel: 01743 257721

Present:

Members of the Committee:

Councillor Malcolm Pate (Chairman)
Councillor Michael Wood (Substitute) (substitute for Thomas Biggins)

Co-Opted Members (Voting):

Councillor Charles Smith

Co-Opted Members (Non-Voting):

Jean Smith and Nigel Neat

33 Apologies for Absence and Substitutions

Apologies for absence were received from Councillors Thomas Biggins, Anne Chebsey, Andrew B Davies and Malcolm Smith.

Councillor Michael Wood substituted for Councillor Thomas Biggins.

Apologies for absence were also received from Councillor Roger Evans (Substitute Member).

34 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.

35 Minutes

RESOLVED:

That the Minutes of the meeting held on 25 September 2015 be approved and signed by the Chairman as a correct record.

36 **Public Questions**

There were no public questions.

37 **HarbourVest (Private Equity)**

Mr Edward Holdsworth and Ms Hannah Tobin were in attendance and gave an overview of the company and changes that had occurred since they were last in attendance at a meeting of the Pensions Committee.

A list of the assets in which Shropshire County Pension Fund was invested as at 30 June 2015 was detailed together with their status and performance. A more detailed analysis of the various funds was then provided.

Finally, the strong performance of the Dover Street VIII investment was considered followed by the summary of terms for investing in Dover Street IX, with the initial round of subscriptions being 16 December 2015.

Ms Tobin commented that she would provide Mr Roger Bartley, Independent Advisor to the Committee, with further information regarding HarbourVest's longer term performance compared to their peers. It was also confirmed that a briefing paper on private equity would be published by the end of next week and sent to all clients.

Several questions were asked regarding the manager's opinions in relation to the Government's intention for pooling Local Government Pension Scheme investments, to significantly reduce costs while maintaining overall investment performance.

38 **BlackRock (Hedge Funds)**

Mr Simon Betteley and Mr John Ware were in attendance and gave an overview of the company which provided bespoke hedge fund solutions. It was noted that they now had 92 investment professionals (and not 88 as was stated in their presentation).

Shropshire County Pension Fund's investment was in QIP Ltd, which sought to minimise the frequency and magnitude of negative returns. The presentation detailed the portfolio characteristics and its discipline and strategy allocations. Its performance over the last quarter was discussed along with whether it was in line with expectations.

Finally, a summary of the current outlook and opportunities by strategy was provided.

39 **Brevan Howard (Hedge Funds)**

Ms Anouck DeSommer and Mr Magnus Olsson were in attendance and gave a presentation about Brevan Howard, which is a large global macro absolute return manager. It was founded in 2002 and currently has £25 billion of assets under management for more than 450 institutional investors in over 25 countries.

Shropshire County Pension Fund's investment which was made in August 2013 is in Brevan Howard Multi-Strategy Master Fund Ltd, which in turn is invested in four underlying Brevan Howard managed funds and a Direct Investment Portfolio, where funds are allocated directly to Individual Traders. The paper presented, detailed the investment allocation to each fund, as well as risk allocation by asset class and an analysis of historical performance to September 2015.

Economic conditions have been difficult for Macro Hedge Fund managers generally since Shropshire County Pension Fund's investment and fund performance has been below target. Reasons behind this were given and a number of questions were asked relating to performance. The level of performance fees were also questioned and Ms Anouck DeSomer and Mr Magnus Olsson agreed to take this point back for discussion and report back on the outcome.

40 **Alternative Indexation**

Mr Louis-Paul Hill and Ms Linette Newton from Aon Hewitt, gave a presentation on Alternative Indexation. They explained what alternative indices were, what was attractive about alternatives, why one would invest in alternative indices, the case for market cap indices verses the case for alternative indices and the exposures of alternative indices.

RESOLVED:

That Alternative Indexation be revisited at a future Pensions Committee meeting.

The Committee was also informed that the Government had just published several documents relating to Local Government Pension Scheme (LGPS) investments in England and Wales as follows:

- A consultation on new LGPS investment regulations.
- Criteria and guidance with respect of LGPS investment pooling.
- A response to the May 2014 consultation on LGPS investments collaboration.

41 **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. The Chartered Institute of Public Finance and Accountancy (CIPFA) have published guidance on the application of the Myners Principles in the Local Government Pension Scheme (LGPS) and it was reported that the Statement of Investment Principles outlines the Fund's compliance with these principles.

RESOLVED:

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

42 **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 July 2015 to 30 September 2015.

RESOLVED:

That the position as set out in the report, Manager Voting Reports (Appendix A) and BMO Global Asset Management Responsible Engagement Overlay Activity Report (Appendix B) be accepted.

43 **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.

RESOLVED:

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

44 **New Policy - Breaches Policy**

The Committee received the report of the Head of Finance, Governance and Assurance (Section 151 Officer) (copy attached to the signed Minutes) which outlined the requirement for all individuals with a role in the Local Government Pension Scheme (including members of the Committee, members of the Local Pension Board and officers) to have a duty to report breaches of law when they have reasonable cause to believe that a breach has occurred.

The Head of Finance, Governance and Assurance (Section 151 Officer) confirmed that following approval, the Breaches Policy would be issued to all employers and published on the website.

RESOLVED:

That the Breaches Policy (Appendix A) be approved.

45 **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 Minutes 14 to 16, be not conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the category specified against them.

46 Exempt Minutes (Exempted by Category 3)

RESOLVED:

That the Exempt Minutes of the meeting held on 25 September 2015 be approved and signed by the Chairman as a correct record.

47 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 Members with details regarding three new Employer admissions to the Fund, all under Schedule 2 Part 3 Regulation 1(d)(i) of the Local Government Pension Scheme Regulations 2013. These admissions were due to services transferring from a Scheme Employer under a service contract.

Members were also provided with confirmation of a new admission, which under the governance arrangements, had been approved by the Chairman of the Pensions Committee between committee meetings, to allow the sealing of the Admission.

RESOLVED:

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

48 Investment Monitoring - Quarter to 30 September 2015 (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 30 September 2015, and reported on the technical meetings held with managers since the quarter end.

RESOLVED:

(a) That the position as set out in the exempt report by the Head of Treasury and Pensions be noted.

(b) That further investments be made into the recommended Funds following the successful completion of the review of the Funds by Aon Hewitt.

(The full version of Minutes 47 and 48 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: