

AVON PENSION FUND COMMITTEE - INVESTMENT PANEL

Minutes of the Meeting held

Friday, 11th September, 2015, 2.00 pm

Members: Councillor Christopher Pearce (Chair), Councillor David Veale, Councillor Cherry Beath, Ann Berresford and Councillor Mary Blatchford

Advisors: Tony Earnshaw (Independent Advisor), Steve Turner (Mercer) and James Giles (Mercer)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager) and Matthew Clapton (Investments Officer)

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

2 DECLARATIONS OF INTEREST

There were none.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Shirley Marsh.

4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

5 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

Two questions had been submitted by Virginia Williamson of Transition Bath. These and the answer provided by officers were:

- 1. What is the size of the Avon Pension Fund's investment in fossil fuels, including exploration?*

The Fund has approximately 1.2% of its assets invested in fossil fuel companies or c. £44m.

- 2. How much does the APF invest in renewable energies, including their research?*

The Fund does not allocate directly to renewables. The investment managers can invest in both renewable energy and research into renewables through the stocks that they hold in their portfolios.

At the invitation of the Chair, Ms Williamson made a statement about her background and how she had come to raise these questions. The Head of Business, Finance

and Pensions informed Ms Williamson that the Committee would be conducting a review of its responsible investment policy over the next twelve months, commencing with a paper that would be on the agenda of the next meeting on 25 September. Issues like the ones that Ms Williamson had raised would be considered as part of the review.

6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

7 MINUTES: 4 MARCH 2015

These were approved as a correct record and signed by the Chair.

8 MANAGING LIABILITIES

The Investment Manager presented the report. She said that the two main means of managing a gap between the Fund's liabilities and its investment assets to meet those liabilities were generating more income / capital through the Investment Strategy or by raising the level of employer contributions. Mercer had produced a presentation on investment options and possible ways of managing this investment risk. The Panel was being invited to explore these issues before decisions were taken by the Committee.

Mr Turner gave a presentation based on the Mercer document that had been circulated with the agenda. He explained the possible options as to how the Fund could more effectively manage the risk that the mismatch between liabilities and assets posed to the Fund. The concept of leverage was explained in detail.

The Chair asked for clarification of the discount rate. He wondered whether it meant that future liabilities were calculated at present cash value and, secondly, whether the amount of bonds held would need to vary inversely to the level of interest rates. Mr Turner confirmed both of these suggestions.

There was discussion about the future trend of interest rates. The Head of Business, Finance and Pensions pointed out that political, rather than purely market factors, would have a major impact on the trend. Mr Turner said that markets had already priced in an expected rise in interest rates.

After discussion, the Panel felt that it was not able to make firm recommendations to the Committee at this time, and that they should consider Mercer's proposals again at a future meeting. Members agreed with the suggestion of the Investments Manager that a presentation by an investment manager on how such strategies including leverage worked would be useful.

RESOLVED

1. To request that further work be done on Mercer's proposals on an investment risk management framework and that they should appear on the agenda of a future meeting of the Panel.

2. To increase the allocation to Index Linked Gilts to the maximum permitted, funding the switch from fixed interest gilts.
3. To invite one of the Fund's investments manager to present to the Panel on how leverage works.

9 REVIEW OF STRATEGIC HEDGING OF CURRENCY EXPOSURE

RESOLVED that the Committee having been satisfied that the public interest would be better served by not disclosing relevant information, the public shall be excluded from the meeting during the discussion of this item, in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, because of the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act as amended.

The Investment Manager presented the report.

After discussion, Members **RESOLVED** to made recommendations to the Committee.

The meeting returned to open session.

10 INVESTMENT REPORT

The Investments Manager presented the report. She said that there no major issues to report to the Panel at the moment. The headline figures were given in paragraph 3 of the covering report. The latest funding position was not available at present, but would be given in the report to the next Committee meeting. She drew attention to Appendix 4 dealing with performance reporting of Partners Overseas Property Mandate; it was proposed to make changes to Partners' benchmarks as explained on agenda page 227 in order that the benchmark and performance target more accurately reflected the assets held within the portfolio.

Mr Turner commented on the Mercer investment report.

No issues arising from the investment report were identified for reporting to the Committee.

RESOLVED to note the information set out in the reports.

11 WORKPLAN

The Investments Manager presented the report.

It was noted that the next meeting of the panel was scheduled for 18 November 2015.

The Investments Manager suggested that the Meet the Managers Workshop should take place in November, and said that proposed dates would be circulated to Members.

RESOLVED

1. To note the workplan to be included in the Committee papers.
2. To note the proposed manager meeting schedule for the Panel.

The meeting ended at 4.42 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services