

AVON PENSION FUND COMMITTEE - INVESTMENT PANEL

Minutes of the Meeting held

Tuesday, 4th June, 2013, 2.00 pm

Members: Councillor Charles Gerrish (Chair), Councillor Gabriel Batt, Roger Broughton, Councillor Nicholas Coombes, Councillor Mary Blatchford and Ann Berresford

Advisors: Tony Earnshaw (Independent Advisor) and John Finch (JLT Investment Consultancy)

Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Matt Betts (Assistant 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

There were none.

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

There were none.

6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

Cllr Coombes announced that he was resigning from the Pensions Committee in the middle of June because of other commitments, and that he would not be attending further meetings of the Panel or Committee. The Chair paid tribute to Cllr Coombes' contributions to the work of the Panel and the Committee over the last three ? 2? years.

7 MINUTES: 22 FEBRUARY 2013

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

8 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 31 MARCH 2013

The Assistant Investments Manger introduced the report. He drew attention to the new section contained in the individual manager reports contained in the JLT report, which stated why each particular mandate was included in the portfolio and the reasons each manager was selected.

Mr Finch summarised the market background. As shown on page 19 of the agenda, recovery had been strong in equities in all regions except emerging markets, yet the latter were those where growth was strongest. This apparent paradox was explained by the way the indices were constructed; the indices recorded exports, which were depressed, but economic growth was in the domestic economies. Most bond markets had had a poor quarter, with concerns about inflation still remaining. In the latest quarter, every investment manager had had a positive return. This was because all the managers in the portfolio did well in rising markets. The only manager whose relative performance had fallen short of the benchmark over three years was MAN. It was the hedge funds which had struggled most over the past three years.

The Chair noted that Schroder Global Equity had underperformed over the year and had only just outperformed in the quarter. Mr Finch replied that Schroder's philosophy emphasised value. They had been hit in the past year, but he was comfortable with their current progress. He agreed that Schroder tended not to perform so well in rising markets, but the value approach tended to work better when markets were less strong.

A Member asked about Schroder's property portfolio. Mr Finch said that the property sector was struggling, with no significant rental or capital growth and he does not have concerns with this manager.

The Chair asked whether the economic situation had improved since March. Mr Finch replied that since the end of the previous quarter bond yields had increased, reflecting concerns about the situation in Europe. Markets were also waiting to see what the new Governor of the Bank of England would do. There were encouraging signs in the US economy and there was even some inflation in Japan. Even so, there were plenty of potential shocks in the system.

In response to a question from a Member, Officers confirmed that no rebalancing of the Equity:Bond allocation had taken place and was not required at present.

RESOLVED to note the report.

9 MAN MANDATE

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

Following discussion, the Panel **RESOLVED** on a course of action in relation to this matter.

10 CHANGES TO LIQUID GROWTH PORTFOLIO

The Investments Manager presented the report.

Following discussion, the Panel RESOLVED on a course of action in relation to this matter.

11 DIVERSIFIED GROWTH MANDATE

The Assistant Investments Manager presented the report. Members were invited to approve the mandate specification contained in exempt Appendix 1 and to agree one of the options for the selection meeting given in paragraph 5.4 of the report.

A Member suggested it would be helpful to seek information about fees and to ask those tendering for the mandate to justify their fees.

Two Members expressed a preference for the selection meeting to comprise the full Panel.

RESOLVED:

1. To agree the proposed mandate specification in exempt Appendix 1.
2. That the selection meeting should be arranged as a meeting of the full Panel.

12 INVESTMENT PERFORMANCE MONITORING AND REPORTING

The Assistant Investments Manager presented the report. He said that recent changes to the Fund's structure and delegation arrangements heightened the importance of a robust monitoring and reporting framework. There were two things to be monitored: strategic performance and the performance of individual managers. It was proposed that quarterly reports to the Committee would focus more on strategic performance and that an annual report to Committee on all aspects of investment strategy would be introduced. The monitoring of individual managers had been delegated to the Panel. It was proposed that the normal quarterly reports on manager performance would be supplemented by Red Amber Green (RAG) reporting as described in Appendix 1.

Members agreed that it was essential to know the direction of travel of managers as well as their current RAG rating.

A Member wondered whether managers should be given more time to state their case at meet the manager meetings. Another Member suggested they should not; it was useful to test whether managers could explain what they were doing and why they were doing it simply and concisely.

RESOLVED:

1. To agree the new monitoring policy and reporting arrangements by Officers to Panel and by Panel to Committee as set out in section 6 of the report.

2. To note the new arrangements for investment performance monitoring by Officers to support the RAG reporting process, as set out in Appendix 1.

13 WORKPLAN

RESOLVED to note the workplan to be included in Committee papers.

The meeting ended at 3.35 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services