

**AVON PENSION FUND COMMITTEE - INVESTMENT PANEL**

**Minutes of the Meeting held**

Thursday, 18th July, 2013, 9.30 am

**Members:** Councillor Charles Gerrish (Chair), Ann Berresford, Roger Broughton and Councillor Mary Blatchford

**Advisors:** John Finch (JLT Investment Consultancy), Kieran Harkin (JLT Investment Consultancy) and Tony Earnshaw (Independent Advisor)

**Also in attendance:** Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager) and Matthew Clapton (Investments Officer)

**14 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the procedure.

**15 DECLARATIONS OF INTEREST**

There were none.

**16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Councillors Gabriel Batt and Lisa Brett, and Tony Bartlett Head of Pensions.

**17 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

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

There were none.

**19 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were none.

**20 MINUTES: 4 JUNE 2013**

The public minutes of the 4 June 2013 were approved as a correct record. The exempt minutes were approved subject to an amendment.

**21 EMERGING MARKETS EQUITY MANDATE**

The Assistant Investments Manager presented the report. He reminded Members that in the new Investment Strategy agreed at the Special Committee Meeting on 6 March 2013 an additional 5% of the Fund's assets would be allocated to emerging

market equities, to be managed by a single manager. The Panel was invited to agree the specification for the new manager's mandate contained in Exempt Appendix 1

**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 for the duration of the discussion of exempt appendices 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.

After discussion, it was **RESOLVED**

1. To agree the proposed mandate specification at Exempt Appendix 1.
2. That the selection panel will comprise all members of the Investment Panel and should take place on Wednesday 4<sup>th</sup> December.

## **22 INVESTMENT STRATEGY IMPLEMENTATION WITHIN EQUITY AND BOND PORTFOLIOS**

The Assistant Investments Manager presented the report. He circulated a table setting out the current allocations and the proposed changes. A copy of this is attached as Appendix 1 to these minutes. Page 1 summarises the strategic changes to the equity and bond portfolios and page 2 the proposed regional allocation of the global equity portfolio.

The Chair asked why, even after the proposed reduction, such a high proportion (3.1%) would be invested in a single country, namely Japan. Mr Finch replied that in many ways Japan did behave differently from other markets. It remained a significant manufacturer, and had done well from addressing the problems following the tsunami.

The Chair asked about Australia. Mr Finch said that it was a developed market. The status of countries could change, for example it was possible that China would change from emerging to developed at some point in time. A Member said that it was important that Members knew the current status of countries and asked if a list could be provided like the one that used to be circulated. The Assistant Investments Manager undertook to do this. Mr Harkin said that there would be plenty of notice of a reclassification of a country and its transfer from one index to another.

A Member asked about the Schroders global equity portfolio. The Investments Manager said that it was a global portfolio, which included emerging markets; the portfolio had been deliberately set up in this way. Mr Finch said that Schroders could decide to select companies in emerging markets when they were performing well. Managers were close to the markets and could respond appropriately.

Discussion turned to the role of Signet in the Fund's investment portfolio. Mr Finch said that because of the way that Signet manages its funds, it was appropriate for the mandate to be part of the bond portfolio as agreed in the strategy review rather than as part of the hedge fund portfolio. The Investments Manager said that when the mandate was given to Signet, there were hedge funds, but no absolute return bond managers. The Chair suggested that a note of clarification about the Signet

fund should be included in the Fund’s annual report. A Member said that the note should state that it was more cost effective to redefine the asset allocation to better reflect the underlying exposure of the Signet portfolio rather than invest the money in a new mandate.

**RESOLVED**

1. To agree the overseas regional equity allocation and arrangements for annual rebalancing set out in paragraph 4.9 of the report.
2. To agree the changes to the allocation within the bond portfolio and timescale for the changes set out in paragraph 5.5 of the report.
3. To note the intention to take income from the investments portfolio in line with the cash management policy, as set out in paragraph 6.7 of the report.

**23 MANAGER SELECTION PRESENTATION (JLT)**

The Investments Manager reminded the Panel that a Member had requested this presentation. It was hoped it would be useful for Members who had not participated in the selection process of a fund manager previously, and that it would also give some suggestions for how the appointed manager should be monitored.

Mr Finch gave the presentation. A copy of his slides was circulated to Members and is attached as Appendix 2 to these minutes.

The Chair thanked Mr Finch for his presentation.

**24 WORKPLAN**

The Investments Manager presented the report. She circulated a paper outlining a timescale and process for the Committee’s review of infrastructure investment. She reminded Members that the Committee had not delegated the determination of policy on infrastructure to the Panel. It would assist the Committee if the Panel were able to consider some of the framework issues before a Committee workshop.

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

The meeting ended at 11.16 am

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**