Bath and North East Somerset Council

AVON PENSION FUND COMMITTEE - INVESTMENT PANEL

Minutes of the Meeting held

Wednesday, 4th September, 2013, 11.00 am

Members: Councillor Charles Gerrish (Chair), Ann Berresford, Roger Broughton and Councillor Ian Gilchrist
Advisors: John Finch (JLT)
Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Matt Betts (Assistant Investments Manager) and Matthew Clapton (Investments Officer)

25 EMERGENCY EVACUATION PROCEDURE

The Chair drew attention to the emergency evacuation procedure.

26 DECLARATIONS OF INTEREST

There were none.

27 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Mary Blatchford and Councillor Gabriel Batt.

28 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

30 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

31 MINUTES 18 JULY 2013

The public and exempt minutes of the meeting of 18 July 2013 were approved and signed by the Chair.

32 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 30 JUNE 2013

The Assistant Investments Manager presented the report. He drew attention to the RAG report on the Fund's investment managers, which had been included on the agenda for the first time. He invited Members' comments on the RAG report. He also drew attention to the information about the changes within the bond portfolio contained in section 4 of the covering report. Before completing the rebalancing of the bond portfolio Officers had investigated whether it would be appropriate to invest in RLAM's ethical fund and concluded that it was not appropriate because of the size of the ethical fund. In addition, because there was less commonality between the two funds than previously assumed, separate tenders may be required.

Mr Finch commented on the JLT report. As the tables on page 3 of the JLT report showed, there had been negative returns amongst a variety of asset classes during the last 3 months, though this was mainly because of market reaction to comments made by the Chairman of the Fed about the future of Quantitative Easing very near the end of the quarter. The last one year and three years showed equities moving up, but bond yields had risen by 50 basis points, which despite having a negative impact on bond returns, was, however, good for the Fund because it reduced liabilities by 10%. It had been good for the Fund to move from gilts to corporate bonds. The US economy was showing improvement, with encouraging job figures. Consumers might now be tempted to make big purchases (the average age of cars was now 8 years). Inflation might be a challenge down the line, but at present it was more of a problem in developing economies. He referred to the aggregate relative performance of managers shown in the tables on pages 9 and 10 of the JLT report (agenda pages 44 and 45) said that it was the best that he had known in his time reporting on the Fund's managers. Over the quarter fourteen managers had delivered returns in line with or over their benchmark. The Fund would soon be disinvesting from Man, one of the managers which had not achieved their benchmark. TT International had not met their three-year target, which admittedly was a challenging one, but had improved recently to become one of the best performing managers. The other four managers who had not met their targets were all hedge funds.

A member noted that Schroder Global Equity had shown improved performance this quarter following a period of underperformance and closer monitoring by the Panel.

A Member said that she felt a little concerned that though Partners and Schroders Property were performing above their benchmark and that the relative performance of Partners was among the best of the Fund's managers, property as an asset class was performing below its assumed strategic return. Mr Finch responded that these managers were performing well in a difficult market, but acknowledged that the assumption had been that property would perform better over the longer term than it had. It was also noted that the reporting would use the updated strategic return assumptions and benchmark once some of the changes to the strategic asset allocations had been made. The Assistant Investments Manager suggested that the performance of individual managers in meeting their performance targets and the long-term performance of the asset classes are both important aspects of investment performance and the reporting should clearly distinguish between both aspects. The Member thought that it was the role of the Panel to help the Committee to judge whether it had the right strategy as well as monitoring the managers' performance.

Before discussing the RAG report (Appendix 3), the Panel passed the following resolution:

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 appendix 3 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.

Following discussion, it was **RESOLVED:**

1. To note the information as set out in the report.

33 WORKPLAN

RESOLVED to note the Panel workplan.

The meeting ended at 11.54 am

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services