

**AVON PENSION FUND COMMITTEE - INVESTMENT PANEL**

**Minutes of the Meeting held**

Thursday, 16th September, 2010, 2.00 pm

- Members: Councillor David Bellotti (Chair), Councillor Gordon Wood, Ann Berresford, Councillor Mary Blatchford and Andy Riggs (In place of Bill Marshall)
- Advisors: Dave Lyons (JLT Benefit Solutions)
- Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Feinstein (Investments Manager) and Matthew Betts (Assistant Investments Manager)

**1 CHAIR'S WELCOME**

The Panel noted the appointment of Cllr David Bellotti as Chair of the Panel for the remainder of the Municipal Year.

**2 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the procedure.

**3 DECLARATIONS OF INTEREST**

There were none.

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

There were none.

**5 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Cllr Gabriel Batt and from Bill Marshall, for whom Andy Riggs substituted.

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

There were none.

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

There were none.

**8 MINUTES: 27 MAY 2010**

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

**9 PRESENTATION BY TT INTERNATIONAL**

**RESOLVED** that having been satisfied that the public interest would be better served by not disclosing relevant information, and in accordance with the provisions of section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for this item 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.

The Investments Manager reminded Members that concerns had been raised at the meeting of the Avon Pension Fund Committee held on 25<sup>th</sup> June 2010 that TT International had made several purchases of shares in BP on behalf of the Fund after the Deepwater Horizon oil spill had occurred. The Committee had agreed to invite TT to submit a written statement setting out the rationale for its decisions and to attend a meeting of the Panel to answer questions.

TT's statement had been circulated with the agenda. Peter Hunt and Martin Pluck of TT International made a presentation to the Panel and then answered questions.

### **RESOLVED**

(i) that officers should continue to monitor the positions in the oil sector taken on behalf of the Fund by TT;

(ii) that TT should be invited to meet the Panel again within six months;

(iii) that a short report on today's discussion with TT should be tabled at the next meeting of the Avon Pension Fund Committee on 24<sup>th</sup> September 2010.

## **10 ANNUAL REVIEW OF PROPERTY PORTFOLIOS**

Members had met representatives of Schroders and Partners at a Panel workshop held prior to this meeting.

**RESOLVED** that the Panel recommends that the Committee:

(i) approves the changes to the IMA guidelines for the property portfolio managed by Partners.

(ii) authorises the Panel to review the property portfolios annually and agree changes to the investment guidelines as appropriate, referring any strategic changes for agreement by the Committee.

## **11 PASSIVE INVESTING**

The Investments Manager presented the report. She reminded Members that concern had been expressed at the meeting of the Committee on 25<sup>th</sup> June 2010 about the proportion of the Fund's assets invested passively by BlackRock and the exposure the Fund had to BP through its passively managed UK equity portfolio. The core portfolio passively invested by BlackRock accounted for 47% of the assets of the Fund.

The report set out three alternative options for reducing the risks to the Fund of the current passive investment portfolio. These were:

1. Reducing the strategic allocation to the regional/country indices in favour of less concentrated global indices.
2. Exploring the use of alternative indices as the benchmark for a passive portfolio.
3. Increasing the allocation to active management in the markets where concentration is an issue, such as the UK.

There was a general discussion about the passively managed portfolios and the concentration within the UK equity market. A Member noted that the assets managed passively across the south west LGPS funds ranged from 3-37%, which suggested that Avon's allocation of 47% was high. The Chair observed that the general aim of the Fund was to diversify and spread risk. The Investments Manager explained that the risks associated with passively managed investments were primarily corporate and operational (as there is no active management risk), and the Fund's assets are ring-fenced, i.e held in a beneficial name by an external custodian so if the investment manager became insolvent, creditors would have no claim on the Fund's assets.

**RESOLVED** to request JLT Benefit Solutions to prepare a paper for the next meeting of the Panel on the implications on the risk return profile of the Fund of switching from passively managed UK equities to passively managed global equities.

## **12 PERFORMANCE REVIEW FOR QUARTER ENDING 30 JUNE 2010**

The Assistant Investments Manager summarized the key figures for the quarter. No issues of significant concern had been identified by JLT, though they had commented that SRI constraints on Jupiter might be at the cost of significant volatility relative to the benchmark. JLT had noted that the Fund had benefited from diversification. During the quarter it was announced that MAN had acquired GLG and Jupiter had become a public company. Both these developments would be closely monitored by Officers.

**RESOLVED** to note the report.

## **13 PANEL WORKPLAN**

A Member asked when the Panel would consider Socially Responsible Investment (SRI). The Investments Manager said that it had not been possible to include this in the 2010/11 plan because of the existing workload, in particular the review of hedge funds and investment tenders. She was of the opinion that it would be better to defer SRI until after the local elections following which may give rise to significant changes in the membership of the Committee and any review of SRI would not necessarily be completed prior to this. The Member queried whether this was an adequate reason to defer SRI.

The Panel agreed that SRI should be the first priority of the new Committee.

**RESOLVED** to agree the workplan and to recommend it to the Committee.

**14 ANY OTHER BUSINESS**

There was none.

The meeting ended at 3.43 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**