AVON PENSION FUND COMMITTEE - INVESTMENT PANEL

Minutes of the Meeting held

Monday, 14th November, 2016, 2.00 pm

Members: Councillor Christopher Pearce (Chair), Councillor David Veale, Councillor Cherry Beath, Ann Berresford, Councillor Mary Blatchford and Shirley Marsh
Advisors: Steve Turner (Mercer), James Giles (Mercer) and Tony Earnshaw (Independent Advisor)
Also in attendance: Tony Bartlett (Head of Business, Finance and Pensions), Liz Woodyard (Investments Manager), Matt Betts (Assistant Investments Manager), Nathan Rollinson (Assistant Investments Manager) and Helen Price (Investments Officer)

20 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised Members of the procedure.

21 DECLARATIONS OF INTEREST

There were none.

22 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

23 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

25 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

26 MINUTES: 5TH SEPTEMBER 2016

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

27 LIABILITY RISK MANAGEMENT FRAMEWORK - IMPLEMENTATION

The Assistant Investment Manager introduced this item. He reminded Members that the trigger levels were a crucial part of the LDI framework. They determined the time and price at which hedging instruments would be purchased. There had been a significant change in yields since May, when the Panel had recommended to the Committee that the setting of triggers should be delegated to Officers in consultation with the Panel. In the Exempt Appendix Mercer explained their recommendations for amending the LDI framework they had originally proposed in the light of changes in market conditions. Yields were volatile and could change significantly in a short time. Therefore the Panel was now being invited to delegate the setting of triggers to Officers in consultation with the professional advisers, both at the time of implementation and on an ongoing basis. Regular reports would be made to the Panel on trigger levels and any changes made.

Before considering Exempt Appendix 1 the Panel, having been satisfied that the public interest would be better served by not disclosing relevant information, **RESOLVED**, in accordance with the provisions of Section 100 (A) (4) of the Local Government Act 1972, that the public should be excluded from the meeting for the discussion of Exempt Appendix 1, 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 note the amendment to the setting of the triggers summarised on page 3 and explained on page 5 of Exempt Appendix 1.

2. To delegate the setting of the trigger levels to Officers in consultation with the Investment Consultant, Actuary and Manager, at the time of implementation.

3. To delegate ongoing review and revision of trigger levels to Officers in consultation with the Investment Consultant, Actuary and Manager, as necessary.

4. That Panel Members should be notified when triggers were changed or activated

28 REVIEW OF INVESTMENT PERFORMANCE FOR PERIODS ENDING 30 SEPTEMBER 2016

The Panel returned to open session.

The Assistant Investments Manager introduced this item. He asked Members to note that three managers were rated amber. There were also a few were hovering around the tolerance threshold. There were no strategic issues to note. It was expected that final drawdown of infrastructure investment would take place early in the new year.

Mr Giles commented on the Mercer investment report.

A Member noted the underperformance of active managers: none of them seemed to be achieving what the Fund wanted. Mr Turner replied that active management could add value if done in the right way, though it was true that all the active managers had underperformed in this period. This might be a coincidence; detailed analysis would be required to establish what the reasons were. Genesis might be underperforming because they were underweight in China, but overweight in India, for example. He thought there was still a place for active managers, but the Fund should review whether it had the right combination. For example, one investing style that had not done well at all over the past five years was value management, but with rising interest rates and a shift in emphasis from monetary policy to fiscal policy it might do much better. With a change in the economic environment the Fund might find itself underweight in value stocks. It was difficult to know at any time what the ideal allocations were, but the aim should be to achieve a balanced exposure.

The Investment Manager said that markets had been so volatile over the past six months that investment managers were having a very difficult time. For some mangers it may be that the volatility means the timing of their decisions is affected in the short term.

The Chair said that the Fund seemed to have done reasonably well over the quarter judging by the increase in its value despite the volatility in markets. He asked the Mercer representatives whether they were generally satisfied with the Fund's strategy and mix of portfolios. Mr Turner replied that he would not recommend any immediate changes, but there was opportunity for a review next year when the Investment Strategy was considered.

In preparation for the Panel's meeting with Royal London Asset Management after the public meeting Mr Giles commented on their performance summary on agenda page 82.

RESOLVED

1. to note the information as set out in the reports;

2. that there were no issues to report to the Committee.

29 WORKPLAN

The Investment Manager presented the report.

RESOLVED to note the workplan.

The meeting ended at 3.32 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services