

AVON PENSION FUND COMMITTEE - INVESTMENT PANEL

Minutes of the Meeting held

Wednesday, 12th January, 2011, 9.30 am

Members: Councillor David Bellotti (Chair), Councillor Gabriel Batt, Councillor Gordon Wood, Ann Berresford, Councillor Mary Blatchford and Andy Riggs (In place of Bill Marshall)

Advisors: Tony Earnshaw (Independent Advisor), Dave Lyons (JLT Benefit Solutions) and Jignesh Sheth (JLT Benefit Solutions)

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

28 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

29 DECLARATIONS OF INTEREST

There were none.

30 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Bill Marshall, for whom Andy Riggs substituted.

31 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

33 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

34 MINUTES: 11 NOVEMBER 2010

These were approved as a correct record and signed by the Chair, subject to the following amendment:

at the end of items 24 and 25 after "presenting to the Panel" add

"and noted that the Panel's comments on the managers would feed into the Hedge Fund Committee Workshop on 2 March 2011."

35 RECAP ON HEDGE FUND MANAGERS PAPER

The Chair commented that, while there was a great deal of information about each of the hedge fund managers in the report, it was very difficult to make direct comparisons between them. For example, the first sentence of paragraph 5.6 of the covering report spoke about Gottex, Signet and Stenham, whereas the second sentence stated that “Stenham...are not reliant on leverage to enhance returns”, which left open the question of leverage in Gottex and Signet. The same applied to diversification. He suggested that officers should produce a table collating basic information about each of the hedge fund managers, including columns about leverage and diversification, for example.

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 the discussion about appendix 1 of the report and for the following three items of business.

Mr Lyons distributed and commented on an update to appendix 1.

RESOLVED to identify issues with the individual hedge fund managers to be incorporated into the review of the Fund’s hedge fund investments.

36 PRESENTATION BY SIGNET - CLOSED SESSION

Seymour Banks (Director of Client Relations) and Robert Marquardt (Chairman & Co-Head of Investment Management) of Signet Group presented to the Panel. Copies of their presentation were distributed to Members.

The presentation covered the following:

- (i) investment philosophy and process;
- (ii) allocation to investment strategies and how they have actively managed the allocations;
- (iii) investment performance over the last 3 years;
- (iv) management of operational processes;
- (v) changes introduced to investment and operational processes to manage the challenges of the last 3 years.

The Chair thanked the team from Signet Group for presenting to the panel and noted that the Panel’s comments on the managers would feed into the Hedge Fund Committee Workshop on 2 March 2011.

37 PRESENTATION BY STENHAM - CLOSED SESSION

Kevin Arenson (Chief Investment Officer) and Harry Wulfsohn (Director Business Development) of Stenham Asset Management presented to the Panel. Copies of their presentation were distributed to Members.

The presentation covered the following:

- (i) investment philosophy and process;

- (ii) allocation to investment strategies and how they have actively managed the allocations;
- (iii) investment performance over the last 3 years;
- (iv) management of operational processes;
- (v) changes introduced to investment and operational processes to manage the challenges of the last 3 years.

The Chair thanked the team from Stenham for presenting to the panel and noted that the Panel's comments on the managers would feed into the Hedge Fund Committee Workshop on 2 March 2011.

38 PRESENTATION BY LYSTER WATSON - CLOSED SESSION

Robert Watson (Chief Investment Officer) of Lyster Watson & Company presented to the Panel. Copies of his presentation were distributed to Members.

The presentation covered the following:

- (i) investment philosophy and process;
- (ii) allocation to investment strategies and how they have actively managed the allocations;
- (iii) investment performance over the last 3 years;
- (iv) management of operational processes;
- (v) changes introduced to investment and operational processes to manage the challenges of the last 3 years.

The Chair thanked Mr Watson for presenting to the panel and noted that the Panel's comments on the managers would feed into the Hedge Fund Committee Workshop on 2 March 2011.

39 SUMMARISE CONCLUSIONS - CLOSED SESSION

The Panel discussed the presentations made by the fund managers and their responses to questions from Members, and considered the format for the hedge fund workshop scheduled for 2nd March 2011, to which all Members of the Avon Pension Fund Committee had been invited.

The Chair asked officers to ensure that the briefing material for the workshop be distributed to Committee members as early as possible as it was important that Members should be able to give it full consideration before the workshop. He suggested that there should be no presentations at the workshop, because they would take up valuable time that should be spent on discussion. He also advised that no fresh information should be presented at the workshop unless circulated beforehand, as Members would have no time to absorb it. The Chair was concerned that Members of the Committee who were not Members of the Panel should be able to participate fully, and requested that an executive summary of the Panel's discussions about the managers should be prepared. In addition Members of the Committee should be invited to submit questions before the workshop having received the background papers. It was agreed that Panel Members would give a verbal summary to the workshop of the Panel's work on hedge funds.

The workshop would need to review its original decision to invest in hedge funds and the allocation between managers and strategies, given the changes that had taken place since the portfolio was established.

The Investments Manager said that a comparative table for the five hedge fund managers would be prepared, giving information on leverage, diversification, performance etc.

It was agreed that the conclusions of the workshop would be on the agenda of the meeting of the Committee scheduled for 18 March 2011.

40 AGREE BRIEF FOR SRI REVIEW

The Panel returned to open session.

The Investments Manager presented the report on the draft brief for the review of the Fund's policy on socially responsible investment (SRI).

The Chair suggested that the date for the workshop should be mid-July, rather than 24 June as suggested in report. The Investments Manager advised that the SRI workshop would be a Committee event and that the Committee would need to agree the date.

A Member thought the brief was well-structured. She suggested it would be helpful if examples were given of other pension funds' policies on SRI to illustrate the full spectrum of approaches, from funds which fully integrated SRI into their investment strategy, those which pursued it as a separate goal and those which ignored it altogether. She also suggested that there should be a gap analysis of where the Fund was in relation to SRI and how it might progress to its agreed goals. The Panel agreed.

RESOLVED to recommend to the Avon Pension Fund Committee the brief for the SRI review as amended.

The meeting ended at 1.39 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services