

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
24 June 2014 (7.30 - 9.10 pm)**

Present:

COUNCILLORS

Conservative Group	John Crowder (Chairman) and Roger Westwood
Residents' Group	Clarence Barrett (In place of John Mylod), Linda Hawthorn and Stephanie Nunn (In place of Ron Ower)
UKIP Group	David Johnson (Vice-Chair)
Trade Union Observers	John Giles (UNISON)
Admitted/Scheduled Bodies Representative	Heather Foster-Byron

Apologies were received for the absence of Councillors John Mylod and Ron Ower and Andy Hampshire (GMB).

The Chairman reminded Members of the action to be taken in an emergency.

1 MINUTES OF THE MEETING

The minutes of the meeting of the Committee held on 25 March, 2014 were agreed as a correct record and signed by the Chairman.

2 PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDING 31 MARCH, 2014

Officers advised the Committee that the net return on the Fund's investments for the quarter to 31 March, 2014 was 1.2%. This represented an out performance of 0.1% against the combined tactical benchmark and an under performance of -2.8% against the strategic benchmark.

The overall net return for the year to 31 March, 2014 was 7.0%. This represented an out performance of 1.5% against the annual tactical combined benchmark and an out performance of 7.0% against the annual strategic benchmark.

1. Hymans Robertson (HR)

Market Summary

- The domestic recovery continued afoot with the UK economy growing by 0.8% over the opening quarter of 2014. Continued improvements in the domestic outlook led the IMF to revise upwards its forecast for the UK economy, predicting that UK economic growth over 2014 would reach 2.9%. The IMF also updated growth predictions, predicting the global economy would grow by 3.6% over 2014.
- Over the quarter, Sterling had appreciated against the US Dollar and Euro but depreciated against the Yen. In Sterling terms, Europe ex-UK was the best performing region for equities (3.0%), followed by North America (1.2%) and Pacific ex-Japan (1.0%) The UK, Emerging Market and Japanese markets lagged behind at -0.6%, -0.8% and -6.0% respectively.
- Conventional and index-linked gilts had moved back into positive territory over the quarter as interest rates fell, returning 2.2% and 3.6% respectively. Credit spreads were broadly unchanged over the quarter with corporate bonds returning 2.4% for the period.

Fund Performance

- Assets were valued at £504.1m as at 31 March 2014, an increase of £21.5m over the quarter. The total return on the Fund's assets over the quarter was calculated to have been 1.2%.
- Performance from the Fund's Multi-asset mandates was weak over the course of Q1 2014 as Barings DAAF and Baillie Gifford DGF underperformed their targets, whilst the Ruffer Absolute return mandate only matched its target. Performance from bond and equity mandates were however strong.

Investment Management changes

- UBS had published the recommendations arising from its governance review of the UBS Triton Property Fund. This proposed the introduction of an independent supervisory board and changes to the redemption provisions.

Asset Allocation

- As at the quarter end, the Fund's direct allocation to equity assets was slightly overweight target at 26.5%. On a look-through basis, the allocation to equity assets was 45%.
- A contribution of £11.5m had been invested into the SSgA Liquidity Fund during the quarter, pending allocation to a local infrastructure project.

2. Baillie Gifford (BG)

We welcomed James Mowat and Chris Murphy to discuss the Fund's investments in Baillie Gifford's Pooled Global Equity Fund and Diversified Growth Fund (Multi-asset). Over the quarter ending 31 March 2014 the Global Alpha Fund had out-performed the benchmark by 1.7%. This continued the good level of performance since the mandate was awarded. They did advise that they could not guarantee this level of performance all the time, but over a rolling 5 year period expected to meet or better their target.

BG advised that the Diversified growth Fund was now closed to all but routine contributions. This would enable Baillie Gifford to continue to manage the Fund in the same manner as they had done since it was launched. There had been positive performance over the period since inception and longer term performance for the Fund remained strong, with low volatility.

We have **noted** the report and thanked James and Chris for their presentation.

3. Ruffer LLP (R)

David Balance, Investment Director and Tom Saville, Investment Associate presented on behalf of Ruffer LLP. Ruffer has \$16.6 billion of assets under management, £5.3bn for UK pension schemes. The fund has been closed to new UK pension scheme clients since the end of 2010.

The fund has a single investment approach: absolute return.

- *Capital preservation*: not to lose money on a rolling 12 month basis;
- *Consistent positive returns*: grow funds at a higher rate than would be achieved by depositing them in cash.

As at 31 May 2014 the Fund had £64,975,147 invested with Ruffer. In the first quarter the fund had generated a return of -0.3% as investor uncertainty over secular unrest in Ukraine and Syria, as well as mixed macroeconomic outlooks for China, Europe and the USA contributed to increased volatility across equity, currency, commodity and fixed income markets.

We noted the report and thanked David and Tom for their presentation.

3 LOCAL GOVERNMENT PENSION SCHEME EMPLOYER DISCRETIONS

As a result of the changes in the Local Government Pension Scheme Regulations (LGPS) 2013 and the Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014, Scheme employers participating in the LGPS in England and Wales would have to formulate,

publish and keep under review a Statement of Policy on certain discretions which they have the power to exercise in relation to members of the Career Average Revalued Earnings (CARE) Scheme.

Having considered the report we have:

1. **Noted** the changes to the Pensions Regulations with effect from 1 April, 2014;
2. **Agreed** to delegate to the Group Director, Resources, the Director of Human Resources and Organisational Development, and the Council's Monitoring Officer, acting jointly, the responsibility to set the discretion decisions and produce the Policy Statement;
3. **Noted** that the final discretion decisions and Policy Statement will be brought back for our information;
4. **Agreed** to delegate to the Pension Panel the power to review and make the necessary discretion changes between valuations in response to regulatory change as they arise;
5. **Noted** that any major discretionary decisions made on our behalf would be reported to us for information on a regular basis; and
6. **Noted** that the discretions will be brought to us for review following the next triennial review.

Chairman