

**MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
24 July 2013 (7.30 - 8.50 pm)**

Present:

COUNCILLORS

| | |
|----------------------------------|--|
| Conservative Group | Rebecca Bennett (Chairman), Melvin Wallace (Vice-Chair), Steven Kelly and Roger Ramsey |
| Residents' Group | Ron Ower |
| Admitted/Scheduled Bodies | Marilyn Clay |

Apologies were received for the absence of Councillor Pat Murray, John Giles (UNISON) and Andy Hampshire (GMB).

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

6 INVESTMENT IN LOCAL INFRASTRUCTURE

Further to earlier discussions Officers submitted a further report on the proposed governance arrangements for Investing in Local Infrastructure Asset for the benefit of the Pension Fund. The report included details of the principles taken into consideration by officers in establishing the operational guidelines. These included:

- Investments should comply with the Pension Fund's existing investment strategy with regard to the required rate of return and risk appetite;
- The Investment should not place undue pressure on cash flow;
- The sourcing, execution and management of local investment opportunities should not overburden the Pension Fund's existing resources;
- The Governance arrangements for the portfolio should be clear and well developed; and
- The Pension Fund wishes to benefit from both capital appreciation and income generation

Having discussed the proposed operational guidelines the Committee agreed to adopt the following guidelines:

| Principle | Parameter |
|----------------------------|--|
| Target Sector | <ul style="list-style-type: none">• Housing• Commercial Property Development• Leisure Development• Public sector infrastructure projects |
| Target Return | The target return is 4% pa net of fees in real terms based upon the latest actuarial report and updated on a triennial basis. (i.e. 4% above the prevailing Consumer Price Index rate) The target return will reflect both capital appreciation and income generation. |
| Risk Appetite | The Pension Fund (PF) is willing to consider exposure to the following risks, subject to the appropriate due diligence, risk management techniques and adequacy of return. <ul style="list-style-type: none">• Construction risk• Demand risk• Availability Risk• Counterparty credit Risk |
| Investment Products | The PF is flexible around the type of product it might use. |
| Leverage | Leverage will be factored into the risk assessment and considered on a project by project basis. |
| Time Horizon | Both long term and short term investments. |
| Exclusions | Investments are limited by the target sector and the asset class. Individual projects should be at least £750k in value. No specific products have been excluded |
| Allocation Limits | The initial allocation is 3% of pension fund assets as set out in the statement of investment principles |

7 REVIEW OF STATEMENT OF INVESTMENT PRINCIPLES

If the Pension Fund was to introduce a new Asset Class to permit investment in Local Infrastructure it would need to review its Statement of Investment Principles. The Statement was last reviewed on 26 March 2013 when an interim amendment to the strategy had been adopted. Within that revised strategy was a statement that the Pension Committee would be considering introducing an allocation of assets to infrastructure.

The proposed changes to the Statement of Investment Principles were contained in the Statement attached as Appendix 'A' to the report.. These changes would allow the introduction of a target allocation to an infrastructure asset class. The other classes were reduced to accommodate this change.

The Committee **approved** the revised strategy as submitted.

8 **LOCAL GOVERNMENT PENSION SCHEME - DISCUSSION PAPER ON NEW GOVERNANCE ARRANGEMENT**

The Committee were informed that the Government, through the Department for Communities and Local Government (DCLG) had issued a discussion paper covering the new proposed governance arrangements for the Local Government Pension Scheme (LGPS). Feedback was sought in the form of answers to 26 questions. Responses had to be returned to the DCLG by 30 August, 2013.

Details of the 26 questions were circulated and it was agreed that:

1. Members would provide Debbie Ford with any response they wish to submit for officers to assimilate into a co-ordinated response; and
2. Delegated responsibility for submitting the response to the Group Director, Resources.

9 **EXCLUSION OF THE PUBLIC AND PRESS**

The Committee resolved to excluded the public from the meeting during discussion of the following item on the grounds that if members of the public were present it was likely that, given the nature of the business to be transacted, that there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972 which could reveal information relating to the financial or business affairs of any particular person (including the authority holding that information) and it was not in the public interest to publish this information.

Chairman