



Buckinghamshire County Council

Minutes

PENSION FUND COMMITTEE

MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON THURSDAY 17 APRIL 2008, IN MEZZANINE ROOM 3, COUNTY HALL, AYLESBURY, COMMENCING AT 9.30 AM AND CONCLUDING AT 11.45 AM.

MEMBERS PRESENT

Mr F Downes (Chairman), Mr P Hardy (Vice-Chairman), Mr T Egleton, Mr Q Ings-Chambers, Mr C Jones, Mr D Meacock and Mr D Phillips

OFFICERS PRESENT

Julie Edwards, Treasury Manager (Finance)
Keith Neale, Independent Adviser
Anwen Owens, Mercer Investment Consulting
Clive Palfreyman, Assistant Head of Finance (Corporate Financial Services)
Harriet Anthony, Mercer Investment Consulting
Clive Parker, Democratic Services Manager
Liz Boakes, Senior Pensions Officer

AGENDA ITEM

1. APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies for absence were received from Mr S Crooks.

It was reported that Mr T Egleton was a permanent replacement for Julia Wassell.

2. DECLARATIONS OF INTEREST

Mr Q Ings-Chambers informed the Committee that he would shortly be taking up a position with Barings.

3. MINUTES

The minutes of the meeting of the Committee held on 28 February 2008 were confirmed subject to :-

- the amendment of paragraph two in item 5 on page 2 to read "The market value of the fund increased from £1,268m to £1,285m during the three months ending 31 December 2007"
- the insertion of a comma after the word "liquidity" in paragraph 6 of item 5 on page 2

4. PENSION FUND CONSULTATIVE GROUP - UPDATE

The Committee received the minutes of the Pension Fund Consultative Group (PFCG) and an update from Clive Palfreyman, Assistant Head of Finance. This Consultative Group meeting had not been particularly well attended but Clive had asked for feedback. The Committee noted the PFCG minutes.

5. RISK REGISTER - UPDATE

The Committee received a report from Julie Edwards, Treasury Manager, on the Pension Fund Risk Register. The Risk Register identifies the key risks to the Pension Fund and is reviewed by the Pension Fund Committee at six monthly intervals; the last review had taken place on 29 November 2007. Since the previous review the Risk Register has been updated to include the risk associated with the administration of the Fund in addition to the investment risks.

The Committee considered Appendix 1, which listed P1 – 26 and discussed each one of these Risks. Members agreed the list subject to the following changes:-

P2 - Impact to rise from 2 to 3 and to Red.

P12 - Probability to rise from 3 to 4.

6. SOCIETY OF COUNTY TREASURERS (SCT) VALUATION BENCHMARKING

The Committee received the Assistant Head of Finance's report on Valuation Benchmarking. Following the recent Valuation, the Society of County Treasurers (SCT) had undertaken a benchmarking exercise involving 18 LGPS Administering Authorities regarding the valuation outcome and asset allocation. Members noted the key issues arising for the Buckinghamshire Fund. Although the outcomes listed were indicative, and for information only, the Committee were very pleased with the positive performance of the Buckinghamshire Fund. It was suggested that a newsletter should be circulated outlining the positive position. It was agreed however, that Clive Palfreyman be asked to obtain, and circulate to members, the full SCT survey.

7. CURRENCY RISK

The Committee received a presentation from representatives of Alliance Bernstein on Currency Risk. Graeme Griffiths, Senior Portfolio Manager – Global Value Equities, Les Komaromy, Director – Client Services, and Jenny Segal, Director – Client Services, gave members a detailed insight into Currency Management. In summary, Alliance Bernstein, emphasised that if unmanaged, currency can significantly add to or detract from equity returns. Currency risk should be managed to reduce volatility. The representatives told the Committee that there are several ways to address currency risk exposure:-

- Do nothing
- Eliminate part or all of the exposure (“passive hedging”)
- Selectively reduce exposure when appropriate (“active hedging overlay”)
- Selectively reduce exposure when appropriate and add to exposure when appropriate to add alpha (“alpha seeking overlay”)
- Add currency as a stand alone investment option (“pure currency alpha”)

Of these options the Alliance Bernstein preference was for “active hedging overlay”. Les Komaromy would come back to the officers with a proposal which was currently being developed. The Committee thanked the Alliance Bernstein representatives for

their presentation and they left the meeting.

The Committee discussed the Presentation and options for the future. It was agreed that before making any decision, more information was needed. Alliance Bernstein's proposal would be considered but members agreed, before any decision is made, that a Standalone Currency Manager should be invited to make a presentation to the Committee's next meeting in May. It was suggested that the speaker should be asked to direct his/her presentation towards the current structure of the Buckinghamshire Fund. After the Committee have received this presentation and received and considered the proposal from Alliance Bernstein they would then agree a way forward.

8. DATE OF NEXT MEETING

The next meeting of the Committee will be held on Thursday 29 May 2008 at 9.30am in Mezzanine Room 3.

9. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded for the following item which is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

10. CONFIDENTIAL MINUTES

The confidential minutes of the meeting of the Committee held on 28 February 2008 were confirmed

11. PENSION FUND INVESTMENT STRATEGY

The Committee had a discussion about the extent to which social, environmental or ethical considerations are taken into account in the selection and retention and realisation of investments. Members agreed that this should be reviewed from time to time.

12. PENSION FUND ADVISOR STRUCTURE AND STRATEGY

The Committee discussed the effectiveness of the current arrangements and options for the future.

CHAIRMAN