



Buckinghamshire County Council

Minutes

PENSION FUND COMMITTEE

MINUTES OF THE MEETING OF THE PENSION FUND COMMITTEE HELD ON THURSDAY 29 MAY 2008, IN MEZZANINE ROOM 3, COUNTY HALL, AYLESBURY, COMMENCING AT 9.30 AM AND CONCLUDING AT 11.55 AM.

MEMBERS PRESENT

Mr P Hardy (Vice-Chairman), Mr C Jones, Mr D Meacock, Mr D Phillips and Mr S Crooks

OFFICERS PRESENT

Julie Edwards, Treasury Manager (Finance)
Keith Neale, Independent Adviser
Clive Palfreyman, Assistant Head of Finance (Corporate Financial Services)
Harriet Anthony, Mercer Investment Consulting
Jacqueline Yates, Head of Finance
Maureen Keyworth, Democratic Services Officer
Claire Perry, Principal Pensions Officer

AGENDA ITEM

1. ELECTION OF CHAIRMAN

RESOLVED

That Mr F Downes be elected Chairman of the Committee for the ensuing year.

2. APPOINTMENT OF VICE CHAIRMAN

RESOLVED

That Mr P Hardy be appointed Vice-Chairman of the Committee for the ensuing year.

3. APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Frank Downes and Trevor Egleton.

In the absence of Mr Downes, Mr Hardy in the Chair.

In light of the recent local elections in Milton Keynes, the Chairman requested that the Clerk write to the Head of Democratic Services at MKC to ascertain whether there will be a change to their Representative on the Pension Fund Committee.

4. DECLARATIONS OF INTEREST

None.

5. MINUTES

The minutes of the meeting held on 17 April 2008 were confirmed.

6. FUND MANAGERS' PERFORMANCE FOR THE FIRST QUARTER OF 2008

Members received the report of the Treasury Manager, the purpose of which was to present the performance of the Pension Fund's managers for the first quarter of 2008.

The Committee was informed that the first quarter of 2008 had been difficult in light of the market downturn. The market value of the fund had decreased from £1,284m to £1,207m. However the market had now begun to recover.

In the quarter to 31 March 2008 LGIM-Bonds, Morley, Pantheon and Standard Life had outperformed their benchmarks, and Alliance Bernstein, BlackRock, Blackstone and Mirabaud had underperformed their benchmarks. The Capital International Global Equity, the LGIM-bonds, LGIM-passive, Mirabaud UK equity and the Morley property mandate have been in place for more than 3 years; over the previous 3 year period, Morley and Mirabaud had outperformed their benchmarks. The value of the property portfolio has decreased in both the quarter and year to 31 March 2008. However, in this context, Morley has consistently and continues to outperform its benchmark.

In the WM local authority universe the Buckinghamshire Pension Fund was in the 52nd percentile for the first quarter 2008, and over the past 12 months was ranked 28th. The Fund's five year average is 23rd which placed it in the top quartile for the first time, measured over a long term timescale.

The Committee discussed the value of having quarterly reports, when Fund Manager performance is generally based on a three to five year horizon. Quarterly variations were acceptable to assist establishing a direction of travel in support of monitoring the overall position. With regard to current performance, members noted that the market is recovering and, to date Alliance Bernstein are ahead of their benchmark. There was a need to be cautious in placing emphasis on short term performance and some Local Government Pension Schemes have stopped reporting quarterly figures.

Members noted that most statistics for Fund Managers did show the net position rather than gross performance, but the consolidated net position for Bucks Pension Fund Managers to date is not available.

Officers agreed on the need to give timely information for the Committee to make informed decisions. However, receiving reports from the Custodian, and submitting reports to Committee takes up to four weeks from quarter end and Committee meetings are two weeks after this date. There are no Committee meetings during August; the end of June quarterly figures would therefore be presented to the September meeting. The Assistant Head of Finance confirmed he was happy to provide as much information as possible, but did not want to overload the Committee, given the volume of data that is received from various sources.

A member requested that the Treasury Manger's report be extended to cover a section on managers who may be under 'special measures' i.e. those causing the most concern over a particular period of time.

In monitoring performance of Fund Managers, the Committee has set guidelines which are triggered by either four quarters underperformance or one year's underperformance. Managers are regularly called in to account for their performance and Officers and Mercers also monitor performance and make visits. However, it was noted that many Fund Managers, other than those in the Buckinghamshire County Council Pension Fund have struggled in recent periods because of the current market situation.

There is evidence to show that the Committee has challenged poor performing Managers and this is reflected in the fact that the Authority is shortly undergoing three tendering processes for Fund Managers. Members also noted that visits are also being made in the Autumn to the top performing authorities. Given the information and support, the Committee makes the best informed decision on each of its Managers.

The Committee NOTED the report and made comments as appropriate.

7. PRESENTATION FROM GOLDMAN SACHS ASSET MANAGEMENT - CURRENCY

The Chairman welcomed to the meeting Blair Reed and Tim Bird from Goldman Sachs, who gave a presentation on Currency Management. Goldman Sachs currently has about 21 LGPS clients in its scheme. The presentation covered active and passive currency management.

Carry trading was discussed which is the difference in interest rates between countries and involves borrowing at the lowest rate and investing at higher interest rates. This strategy works well in a low volatility market.

The fees for currency management are variable. However, generally a base fee is charged with an additional performance fee.

In terms of allocation of funds, 2.5% to 3% was suggested, with the alternative of having more than one manager to give a comparison of performance.

The Chairman thanked the officers from Goldman Sachs for their presentation and they left the meeting.

Members discussed the presentation. They agreed that currency management would provide diversification of investment in terms of the portfolio, with the opportunity for significant returns for minor investment, which could be increased over time if necessary.

The suggestion of having two fund managers would provide a comparison on performance. These suggestions would be considered during the tendering process along with other asset classes that have been considered in recent meetings.

Hedging funds was discussed and members noted that this had been part of the strategic review. If the existing currency risk was passively hedged, it would reduce the risk but not change the return. It has been agreed that L&G overseas equities would be passively hedged. Discussions were also taking place with Alliance Bernstein, following their presentation at the April meeting.

8. TRAINING PLAN 2008

Members received the report of the Assistant Head of Finance.

With regard to training which has already taken place, the Assistant Head of Finance requested that information obtained at training sessions be passed back to him for circulation and that members should provide a verbal update on the training undertaken, at the committee meeting following the training session.

The Governance documentation requires training which can be in various forms:

- Individual sessions
- Manager presentations
- Training days

Members were asked to note that two training sessions had been arranged on the following dates:

10 October 2008 – Morley Fund Management, London
12 November 2008 – Blackstone Management, London

As a result of the outcome of the training needs analysis, training on Pension Law and Additional Voluntary Contributions remained outstanding.

Members agreed the two sessions suggested for 10 October and 12 November but asked that Far Eastern Markets and the relative value of asset classes be included. It was agreed that Pensions Law would be covered on 10 October and AVCs, Far Eastern Markets and Asset Classes be covered on 12 November.

Mr Phillips also agreed to give verbal feedback to the next meeting on his training session with Hendersons.

Members AGREED the member training plan for 2008, subject to the amendments, and NOTED the dates of the planned training sessions.

9. DATE OF NEXT MEETING

The next meeting of the Committee will be held on Thursday 11 September, 2008.

Dates of future meetings:

2008	2009
23 October	5 March
20 November	2 April

Training days

10 October 2008 at Morley Fund Management, London
12 November 2008 at Blackstone Management, London.

Prior to leaving the meeting, Mr Neale said how much he had enjoyed working with the Committee over the last six years. The Chairman thanked Mr Neale for the work he had undertaken for the Pension Fund and noted that he would be re-tendering.

Mr Neale left the meeting.

10. 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)

11. CONFIDENTIAL MINUTES

The confidential minutes of the meeting held on 17 April 2008 were confirmed.

12. PENSION FUND COMMITTEE MEMBER ADVISOR

The Assistant Head of Finance presented the report on the Pension Fund Committee Member Advisor and asked for members' comments regarding the role specification and the type of person and background they were looking for.

Members discussed the following:

- Length of contract. It was agreed it would be a three year fixed term contract with a break clause, to be reviewed on an annual basis.
- Committee Involvement: Although it was suggested that each candidate should make a presentation to the Committee, the need to have an advisor in place by the next meeting was emphasised. It was also suggested that the Committee should have greater involvement in the shortlisting and interview process. Therefore, it was agreed that Mr Don Phillips should join the Chairman, the Head of Finance and Assistant Head of Finance in the shortlisting and interview process.

The Job Specification was agreed with following amendments.

- The Advisor should be responsible to the Committee as a whole, rather than to the Chairman of the Pension Fund Committee.
- Paragraph 2: Insert the word 'induction', after 'Provide..'
- Paragraph 3 final bullet point: insert 'i.e. possible need for more training' at the end of the sentence.
- Paragraph 4 insert 'and recommended options' after '.....Fund investments'

CHAIRMAN