

## Minutes of the Pensions Panel Meeting held on 3 March 2015

Present: Philip Atkins (Chairman)

Attendance	
Stephen Sweeney	Shelagh McKiernan
Derek Davis, OBE	Robert Marshall

**Also in attendance:** Carolan Dobson (Independent Advisor), Graeme Johnston (Hymans Robertson) and David Thomas (Independent Advisor).

### PART ONE

#### 35. Declarations of Interest in accordance with Standing Order 16.5

There were no declarations of interest on this occasion.

#### 36. Minutes of meeting held on 2 December 2014

**RESOLVED** – That the minutes of Meeting of the Pensions Panel held on 2 December 2014 be confirmed and signed by the Chairman.

#### 37. Pension Fund Performance and Portfolio of Investments as at 31 December 2014

The Director of Finance and Resources submitted a summary of the performance of the Pension Fund together with a portfolio of the Fund's investments as at 31 December 2014.

The Panel were informed that Global equities were broadly positive over the fourth quarter of the year with the MSCI World and MSCI All Countries World Indices rising by +3.25% and +2.91% respectively, in local currency terms. Oil prices fell sharply during the quarter which resulted in poor performances by the Energy and Commodity sectors. Russia was particularly badly affected by falling oil prices, with a significant depreciation in the rouble, to which the Russian government responded by raising interest rates. In the UK, November saw the Consumer Price Index (CPI) fall to 1%, its lowest level in 12 years. GDP continued to increase, with a rise of 0.7% for Q3. Post quarter end the first estimate of Q4 growth was announced at 0.5% prompting fears the UK recovery was beginning to soften.

The Panel also noted that, at £3.56 billion, the market value of the Fund at 31 December 2014 was the highest market value of the Fund reported to date. The Fund generated a positive return of 3.4% over the quarter, slightly behind the benchmark return of 3.5%. Over the year to date, the Fund had returned 7.7%, which was above the return assumptions made by the Actuary in their 2013 valuation, and continued to be in line with the longer term Fund returns of 7.7% per annum.

**RESOLVED** – That the Pension Fund performance and portfolio of investments for the quarter ended 31 December 2014 be noted.

### **38. Approved Investment Strategy for Pension Fund Cash 2015/16**

The Director of Finance and Resources informed the Panel that it was a regulatory requirement for the Fund to have an Annual Investment Strategy (AIS) for the day to day management of the cash it held. The Pension Fund currently had a small strategic asset allocation to cash of 1%, recognising that cash balances were needed for the day to day management of the Fund.

In response to a question from Ms. McKiernan, the Director explained that the main objectives for the AIS were to -

- a) provide security of capital (i.e. ensure the return of the money and interest);
- b) provide liquidity (i.e. pay the bills as they fell due and ensure funds were available for reinvestment when needed); and
- c) earn interest (i.e. obtain a reasonable return within the constraints outlined at a) and b) above).

The Panel noted that the main circumstances where a revised strategy would be prepared include a change in:

- the Fund's strategic asset allocation;
- the economic environment;
- the financial risk environment; and
- the regulatory environment.

The Panel also noted that whilst they would be responsible for approving any revised strategy, it may be necessary for action to be taken quickly. It was proposed, therefore, that the responsibility for assessing the circumstances above should rest with the Director of Finance and Resources.

Mr Marshall referred to the very low interest rate environment which threatened the ongoing continuity of Money Market Funds (MMF) as each MMF charged a fee and this could mean that interest earned became negative after the fee had been deducted. He enquired as to whether this point had been reached in the Staffordshire Pension Fund. In response, the Director of Finance indicated that, after fee deductions, MMFs were currently paying in the region of 35 - 45 basis points. If the problem of negative interest arose then it would be a matter of moving funds to an alternative class of investment.

The Panel noted that the MMF's proposed for use by the Pension Fund would be 'AAA' rated, the highest possible credit rating and they would have the following attributes:

- Diversified – MMF's are diversified across many different investments, far more than the Pension Fund could hope to achieve on its own account.
- Same day liquidity – this means that funds can be accessed on a daily basis.
- Ring-fenced assets – the investments are owned by the investors and not the fund management company.
- Custodian – the investments are also managed by an independent custodian, who operates at arms-length from the fund management company.

The Panel were also informed that the new banker for the Pension Fund, Lloyds Bank, had been transitioned in successfully and was now fully operational.

**RESOLVED** – (a) That the proposed Annual Investment Strategy (AIS) for the Staffordshire Pension Fund, for the investment of internally managed Pension Fund cash, be approved.

(b) That the Director of Finance and Resources be authorised to take any necessary urgent action to amend the Annual Investment Strategy as a result of changes to the Fund's strategic asset allocation, the economic environment, the financial risk environment, the regulatory environment or any other relevant factor.

### **39. Dates of Future Meetings**

16 March 2015 (Special Meeting)  
9 June 2015  
21 July 2015 (Managers' Day)  
8 September 2015  
1 December 2015  
1 March 2016

All meetings are scheduled to start at 9.30am at County Buildings, Stafford.

### **40. Exclusion of the Public**

**RESOLVED** - That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

The Panel then proceeded to consider reports on the following issues:

**41. Exempt Minutes of the Meeting held on 2 December 2014**  
(exemption paragraph 3)

**42. Property - Confirmation of the action of the Director of Finance and Resources**  
(exemption Paragraph 3)

**43. Private Equity - Review of position at 31 December 2014**  
(exemption paragraph 3)

**44. Strategic Benchmark Review and Monitoring**  
(exemption Paragraph 3)

- a) Economic and Market Update
- b) Review of Position as at 31 January 2015

**45. Pension Fund Performance and Manager Monitoring for the quarter ended 31 December 2014**

(exemption paragraph 3)

**46. Corporate Governance and Socially Responsible Investment Report Quarter 4 2014**

(exemption paragraph 3)

**47. Investing in Property**

(exemption paragraph 3)

**48. Manager Presentation**

(exemption paragraph 3)

**Chairman**