

Minutes of the Pensions Panel Meeting held on 9 March 2016

Present:

Attendance	
Philip Atkins (Chairman)	Shelagh McKiernan
Derek Davis, OBE	Stephen Sweeney

Also in attendance: Carolan Dobson (Independent Adviser) and Graeme Johnston (Hymans Robertson).

Apologies: Robert Marshall and David Thomas (Independent Adviser).

PART ONE

44. Declarations of Interest

There were no declarations of interest on this occasion.

45. Minutes of meeting held on 1 December 2015

RESOLVED – That the minutes of Meeting of the Pensions Panel held on 1 December 2015 be confirmed and signed by the Chairman.

46. Pension Fund Performance and Portfolio of Investments as at 31 December 2015

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 2015.

The Panel were informed that the fourth quarter of 2015 saw a rebound from the weakness of the previous quarter with the MSCI All Countries World Index rising 5.76%. Whilst the US modestly outperformed global markets, Japan was the best performing market, rising 9.83% in local currency terms.

Q4 was a positive period for both UK equities and European equities as they enjoyed a strong start to the period. However, European equities suffered in December when Mario Draghi's announcement of further stimulus failed to meet investor expectations and markets fell sharply as a result.

During the quarter China continued to show signs of an economic slowdown, with the effect spilling over into the price of global commodities, particularly oil, which continued to see its price fall. The Chinese authorities responded by easing monetary policy again.

Global equities made up the ground they lost in Q3 and returned 7.4% in Q4, whilst bonds were the poorest performing asset class for the period, returning -1.2%.

The Panel noted that the Fund returned 4.8% this quarter albeit it marginally underperformed its benchmark by 0.1%. The Fund value stood at £3.7 billion at 31 December 2015. Over the longer term the Fund continued to outperform its strategic benchmark and had generated absolute returns of 9.9% and 7.9% per annum in the 3 and 5 year time periods respectively.

RESOLVED – That the Pension Fund performance and portfolio of investments for the quarter ended 31 December 2015 be noted.

47. Annual Investment Strategy for Pension Fund Cash 2016/17

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.

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.

The Panel noted that the Money Market Funds (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.

In order to ensure diversification, it was proposed that the maximum investment limit for AAA rated diversified MMF's which were, by default, already invested across a larger number of counterparties, was the lower of 50% of total cash or £25m, per MMF. Cash plus and short bond funds would also be subject to these limits. This approach was considered reasonable for the Pension Fund's risk profile; taking into account that cash was only one asset class and the Fund already had diversification across other asset classes.

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.

48. Dates of Future Meetings

- 7 June 2016
- 19 July 2016 (Managers' Day)
- 8 September 2016
- 6 December 2016
- 7 March 2017

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

49. 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:

50. Exempt Minutes of the Meeting held on 1 December 2015 (Exemption paragraph 3)

51. Confirmation of action taken by Director of Finance and Resources in relation to Property Purchases and Sales (Exemption paragraph 3)

52. Pooling of LGPS Investments

53. Strategic Benchmark Review and Monitoring (Exemption paragraph 3)

a) Economic and Market Update

b) Review of Position as at 31 January 2016

54. Pension Fund Performance and Manager Monitoring for the quarter ended 31 December 2015

(Exemption paragraph 3)

55. Corporate Governance and Socially Responsible Investment Report Quarter 4 2015

(Exemption paragraph 3)

56. Investing in Alternative Credit

(Exemption paragraph 3)

Chairman