



Investment Advisory Sub-Committee

Minutes – 11 December 2013

Attendance

Members of the Sub-Committee

Cllr Bert Turner(chair)
Cllr Peter Bilson
Cllr Mike Heap
Cllr Zahid Shah

District Members

Cllr Muhammad Afzal (Birmingham CCI)
Cllr Rachel Harris (Dudley MBC)

Trade Union Observers

Ian Smith – Unite (retired)

Staff

Geik Drever	Director of Pensions
Mark Chaloner	Assistant Director-Investments
Mike Hardwick	Portfolio Manager
Tom Powell	Investment Analyst
Mark Taylor	Assistant Director - Finance
John Wright	Democratic Support Manager

Advisors

John Fender	Consultant – John Fender Consultancy
William Marshall	Consultant – Hyman Robertson

Observers

Councillor Tersaim Singh

Part 1 – items open to the press and public

<i>Item No.</i>	<i>Title</i>	<i>Action</i>
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BUSINESS ITEMS

1. **Apologies for Absence**

Apologies for absence were submitted on behalf of Cllr Damian Gannon (Coventry CC) Cllr Alan Martin (Solihull MBC) Cllr Vic Silvester (Sandwell MBC), Malcolm Cantello (Unison) and Martin Clift (Unite) and (Advisor)

2. **Substitute members**

None

3. **Declarations of interest**

No interests were declared.

4. **Minutes**

Resolved:

That the minutes of the meeting held on 17 September 2013 be approved as a correct record.

5. **Matters Arising**

None.

EXCLUSION OF PRESS AND PUBLIC

6. **Exclusion of press and public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the remaining items of business as they involve the likely disclosure of exempt information falling within the paragraph 3 of Schedule 12A of the Act.

Part 2 – exempt items, closed to the press and public

DECISION ITEMS

7. **Presentation**

The Sub-Committee received a presentation from Kristy Barr and Jeff Chowdry of Foreign and Colonial, on investing in emerging markets and on the newly set up emerging markets mandate they managed.

Following a period of questions, the Chair thanked the representatives for their attendance at the meeting and they withdrew.

Resolved:

That the presentation be received.

8. **Investment management activity – 1 July – 30 September 2013**

The Sub Committee received a report on investment management activity for the period 1 July – 30 September 2013. The report detailed the position of each portfolio at the end of the reporting

period.

It was noted that performance relating to private equity and infrastructure, over the quarter, appeared to be below the benchmark and the Sub Committee enquired about remedial action being taken to address this. They were informed that there was a time lag in valuation and if no valuation had taken place no benefit would be shown. Investments in these areas should be assessed over long term time horizons and that the shorter term picture was less important.

Resolved:

That the performance and investment activity in the quarter ended 30 September 2013 be received.

9. **Transaction list 1 July – 30 September 2013**

Details of the Investment Management Activity between 1 July – 30 September 2013 were circulated.

Resolved:

That the Transaction list 1 July – 30 September 2013 be received.

10. **Strategic Investment Allocation Benchmark (SIAB) Update Review**

The Sub Committee received an update report on the Strategic Investment Allocation Benchmark. The report detailed activity on equities, fixed interest, private equity, agriculture/commodities, absolute returns and property.

Resolved:

That the report be received

11. **Tactical Asset Allocation**

A report was submitted on the decision by the Pensions Committee to cease the use of tactical asset allocation and to replace it with the Strategic Investment Allocation Benchmark methodology. The report detailed the benefits of the change of approach.

Resolved:

That the decision by the Pensions Committee to cease the use of Tactical Asset Allocation and to replace it with the Strategic Investment Allocation Benchmark methodology be received.

12 Property Management Services

A report was submitted on the arrangements planned for the new property services contract.

The current contract for advisory property management services was due to expire in October 2014 and this would be replaced by the discretionary service arrangement. Councillors were reminded that at the previous meeting of the Sub Committee it was reported that an opportunity to collaborate on a tendering framework with another Local Government Pension Scheme fund was being considered in order to expedite the tendering process. The Sub Committee was informed that it has not been possible to take this further due to the different requirements and timescales of each pension fund. The timescales for the tender process were detailed in the report.

Resolved:

That the arrangements for the tendering process for the contract for discretionary property management services be received.

13 Pensions Infrastructure Platform

The Sub Committee received a report on the progress to date of the National Association of Pension Funds infrastructure initiative. The Fund was a founder member of the Pensions Infrastructure Platform (PIP).

Six parties had been interviewed to act on behalf of the PIP and one company had received the support of the founding investors to manage the equity element. Due diligence was being carried out prior to formal appointment.

Resolved

- (i) That the near completion of the due diligence process be noted
- (ii) That the amendments to the Investment Regulations to satisfy the legal threshold in the 2009 Regulations had been met
- (iii) That it be noted that the Terms and Conditions were yet to be finalised but once agreed with the Fund's officers they would be met but that if the Fund's officers were unable to fully agree the terms, the investment would not be made.
- (iv) That the Strategic Investment Allocation Benchmark be

amended to increase allocation to infrastructure by 1% to 4% to satisfy the asset allocation criteria, (with a 1% decrease in the allocation to fixed interest).

14 **Finance Birmingham – Mezzanine Loan Fund**

The Sub Committee received a report on the progress to date of the Fund's discussions with Finance Birmingham regarding to a potential investment in a mezzanine loan investment. The purpose of the loan investment would be to provide capital to businesses located within the West Midlands region.

The Sub Committee welcomed the initiative

Resolved:

That the report be received.

15 **Responsible Investing**

A report was submitted on the issues raised by and the responses to recent enquiries regarding the Fund's approach to responsible investing. The report detailed concerns raised regarding investments in aerospace, defence and tobacco. The report also addressed construction companies that had been part of compiling a labour "black list" and the issue of encouraging companies in which the Fund had invested to adopt the living wage.

Resolved:

That the report be received.