



Investment Advisory Sub-Committee

26 March 2014

Time 10.30am **Public meeting?** Yes **Type of meeting** Oversight

Venue Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Room Committee Room 3 (3rd floor)

A buffet lunch will be provided for members of the Sub-Committee and the Pensions Committee from 12.30pm.

Arrangements have been made for the Sub Committee to receive a presentation from HSBC on "Introduction to Asset Custody and Security" following the meeting

Membership

Chair Cllr Bert Turner (Lab)
Vice-chair Vacancy

Labour
Cllr Peter Bilson

Conservative

Liberal Democrat
Cllr Mike Heap

District members

Cllr Muhammad Afzal (Birmingham City Council)
Cllr Zahid Ali (Walsall Metropolitan Borough Council)
Cllr Damian Gannon (Coventry City Council)
Cllr Rachel Harris (Dudley Metropolitan Borough Council)
Cllr Allan Martin (Solihull Metropolitan Borough Council)
Cllr Vic Silvester (Sandwell Metropolitan Borough Council)

Trade union observers

Mr Malcolm Cantello
Mr Martin Clift
Mr Ian Smith

Quorum for this meeting will be two Councillors

Information for the Public

If you have any queries about this meeting, please contact the democratic support team:

Contact Carl Craney
Tel 01902 555046
Email carl.craney@wolverhampton.gov.uk
Address Democratic Support, Civic Centre, 2nd floor, St Peter's Square, Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

Website <http://wolverhampton.cmis.uk.com/decisionmaking>
Email democratic.support@wolverhampton.gov.uk
Tel 01902 555046

Some items are discussed in private because of their confidential or commercial nature. These reports are not available to the public.

Agenda

Part 1 – items open to the press and public

Item No. *Title*

MEETING BUSINESS ITEMS:

1. **Apologies for absence**
2. **Substitute members**
3. **Declarations of interest**
4. **Minutes**
Investment advisory sub-committee – 11 December 2013
[for approval]
5. **Matters arising**
[To consider any matters arising from the minutes]

EXCLUSION OF PRESS AND PUBLIC

6. **Exclusion of press and public**
[To pass the following resolution:

That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information on the grounds shown below.]

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

<i>Item No.</i>	<i>Title</i>	<i>Grounds for exemption</i>	<i>Applicable paragraph</i>
7.	Investment Activity – 1 October 2013 – 31 December 2013 [To note the performance and investment activity in the quarter ended 31 December 2013]	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
8.	Investment Management Activity – 1 October – 31 December 2013 [To review and note investment management activity for the period - the list will be available for inspection at the meeting]	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
9.	Strategic Investment Allocation Benchmark (SIAB) update review [To receive an update on the implementation of the SIAB]	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
10.	Emerging Markets Equities mandates transition [To receive information on the transition of the Fund's Emerging Markets equity portfolio]	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
11.	Pensions Infrastructure Platform (PIP) [To note progress on the initiative and to agree the changes to infrastructure to permit the proposed investment]	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
12.	Responsible investing [To note responses to recent enquiries about the Fund's approach to responsible investing]	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3

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| 13. | Finance Birmingham
[To note progress on the Fund's discussions] | Information relating to the financial or business affairs of any particular person (including the authority holding the information). | 3 |
| 14. | Economic and Market Update
[To note the global market and economic update paper prepared by the Fund's advisor, Hymans Robertson] | Information relating to the financial or business affairs of any particular person (including the authority holding the information). | 3 |



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

- 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)
- 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.