



Investment Advisory Sub-Committee

Minutes – 26 March 2014

Attendance

Members of the Sub-Committee

Cllr Bert Turner (Chair)
Cllr Mike Heap

District Members:
Cllr Damian Gannon (Coventry CC)
Cllr Rachel Harris (Dudley MBC)
Cllr Alan Martin (Solihull MBC)
Cllr Vic Silvester (Sandwell MBC)

Trade Union Observers
Malcolm Cantello (UNISON)
Ian Smith – Unite (retired)

Staff

Geik Drever	Director of Pensions
Mark Chaloner	Assistant Director-Investments
Kevin Dervey	Portfolio Manager
Mike Hardwick	Portfolio Manager
Carl Craney	Democratic Support Manager

Advisors:

Mike Daggett	CBREGI
Mick Roulit	CBREGI
Graeme Johnston	Consultant – Hyman Robertson

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 Muhammad Afzal (Birmingham CC), Cllr Peter Bilson (Wolverhampton CC), Martin Clift (UNITE), John Fender (John Fender Consultancy) and Mark Taylor (Assistant Director, Finance, Wolverhampton City Council).
- Substitute members**
None

3. **Declarations of interest**

No declarations of interest were made in relation to items under consideration at the meeting.

4. **Minutes**

Resolved:

That the minutes of the meeting held on 11 December 2013 be approved as a correct record and signed by the Chair.

5. **Matters Arising**

There were no matters arising from the minutes of the meeting held on 11 December 2013.

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. **Investment management activity – 1 October – 31 December 2013**

The Sub Committee received a report on investment management activity for the period 1 October – 31 December 2013. The report detailed the position of each portfolio at the end of the reporting period.

In response to a question by Malcolm Cantello with regard to the difference in the figures referred to in paragraph 6.9.1 of the report Geik Drever acknowledged a typographical error.

Resolved:

That the performance and investment activity in the quarter ended 31 December 2013 be noted.

8. **Investment Management Activity – 1 October – 31 December**

2013

Details of the Investment Management Activity between 1 October – 31 December 2013 were made available for consideration

Resolved:

That the Investment Management Activity 1 October – 31 December 2013 be received and any matters arising therefrom be referred to the Director of Pensions for response.

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

The Sub Committee received an update report on the Strategic Investment Allocation Benchmark and its implementation.

In response to a question from Malcolm Cantello, Geik Drever explained the different mixes in the equities markets which included private equity.

Resolved:

1. That the report be received;
2. That the proposals for the modifications to the strategic ranges proposed in Section 2.1 of the report, which would lead to an increase in the ranges for equities (to 50 – 70% of the Fund from 40 – 60%) and to a lowering of the ranges for alternative investments (to 15 – 25% from 20 – 30 %) be approved.

10. **Emerging Markets Equities mandates transition**

Geik Drever presented a report on the transition of the Fund's Emerging Markets equity portfolio.

Resolved:

That the report be received and noted.

11 **Pensions Infrastructure Platform (PIP)**

Geik Drever presented an update report on the progress to date of the National Association of Pension Funds (NAPF) infrastructure initiative. She reminded the Sub Committee that it had agreed previously to support becoming a founder member of the PIP subject to certain conditions being met and reported on the progress to date in meeting those conditions and on future work still to be undertaken.

She responded to several questions posed on the proposals for the next stage.

Resolved:

That the first investment be noted, the next build stage of the PIP, with a further loan facility of £0.7m to £1.0m, subject to satisfactory due diligence, conditions to be agreed by the Sub Committee and a further report on the final agreed proposal.

12 **Responsible investing**

Mark Chaloner presented a report on a number of current issues related to corporate governance and responsible investing. The Chair, Cllr Bert Turner, referred to a number of letters he had received from the Coventry area in connection with the investments made by the Fund in companies associated with armaments.

Mark Chaloner referred to a particular letter received from an individual and explained that this gave rise to a number of issues including the role and responsibilities of the Fund and its Trustees. Cllr Damian Gannon suggested that the Local Authority Pensions Fund Forum should be approached to incorporate the armaments issue in its engagement programme. This view was supported by a number of members, many of whom referred to the responsibilities of the Trustees.

Resolved:

1. That the Fund continue with its current approach to responsible investment, with its focus on engagement with investee companies, and that investment exclusion should not be adopted;
2. That the Local Authority Pensions Fund Forum be approached to incorporate the armaments issue in its investment programme;
3. That a response setting out the Committee's stance be sent to the individuals who had written in detail with regard to the armaments issue.

13. **Finance Birmingham**

Mark Chaloner presented a report on the progress to date of the Fund's discussions with Finance Birmingham and on a further development since the production of the report. He explained the manner in which the latest development would be structured and responded to questions on the current position.

Resolved:

That the report be received and noted including approval to progressing the further development now reported.

14 **Economic and Market update – December 2013**

Graeme Johnston, Senior Investment Consultant, Hymans Robertson LLP presented an economic and market commentary covering the period from 30 September 2013.

Resolved:

That the report be received.

- **Kevin Dervey – Portfolio Manager**

The Chair, Cllr Bert Turner that this would be the last meeting of the Sub Committee attended by Kevin Dervey, Portfolio Manager, as he would be leaving the Council shortly to take up a position with the East Riding Pension Fund. On behalf of the Sub Committee he offered his thanks for his service and wished him success in his new position.

DRAFT