

AT A MEETING of the PENSION FUND PANEL of the County Council held at The Castle, Winchester on Friday 27 September 2013.

Chairman:
p Councillor M.N. Kemp-Gee

Councillors:

p C. Carter	a P. Latham
p C. Connor	p T. Rolt
a A. Gibson	p B. Tennent
p A. Joy	p T. Thacker

Co-opted members:

p Councillor P. Giddings (Test Valley Borough Council)
p Councillor J. Leek (Basingstoke and Deane Borough Council)
a Councillor D. Jones (Portsmouth City Council)
p Councillor S. Barnes-Andrews (Southampton City Council)
a Dr C. Allen (pensioners' representative)
p Mr P. Reynolds (employee representative)

Independent Adviser:

p C. Dobson

23 **APOLOGIES FOR ABSENCE**

Councillors A. Gibson, P. Latham, D. Jones and Dr C. Allen gave their apologies.

24 **DECLARATIONS OF INTEREST**

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

25 **CONFIRMATION OF MINUTES**

The minutes of the meeting held on 12 July 2013 were confirmed and signed by the Chairman.

26 **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman reported that Councillor A. Dowden had been replaced as a member of the Pension Fund Panel by Councillor P. Latham. The Panel paid tribute to Councillor Dowden in appreciation of his service to the Panel over the last eight years.

The Chairman invited Councillors C. Carter and B. Tennent to report on the conferences they had attended since the last meeting of the Panel.

27 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED:

That the public be excluded from the meeting during the following items of business, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during these items there would be disclosure to them of exempt information within Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons set out in the reports.

28 **INVESTMENT UPDATE INCLUDING RECENT PERFORMANCE RETURNS**

The Panel noted an exempt report from the Director of Corporate Resources (Item 6 in the Minute Book) updating the Panel on the progress of the Pension Fund's investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

29 **ALTERNATIVE INVESTMENTS PORTFOLIO - UPDATE**

The Panel considered an exempt report from the Director of Corporate Resources (Item 7 in the Minute Book) updating the Panel on the Pension Fund's alternative investments. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

30 **GOVERNANCE FOR OWNERS EUROPEAN FOCUS FUND - UPDATE**

The Panel considered an exempt report from the Director of Corporate Resources (Item 8 in the Minute Book) updating the Panel on the progress of the Pension Fund's investment in the Governance for Owners European Focus Fund. [SUMMARY OF A MINUTE WHICH CONTAINS EXEMPT INFORMATION]

THE FOLLOWING ITEM WAS DEALT WITH AND THE PRESS AND PUBLIC WERE NOT ENTITLED TO BE PRESENT

28 INVESTMENT UPDATE INCLUDING RECENT PERFORMANCE RETURNS

The Panel considered an exempt report from the Director of Corporate Resources (Item 6 in the Minute Book) updating the Panel on the progress of the Pension Fund's investments since the Panel's last meeting.

The valuation of the Pension Fund at 31 July 2013 was £4,380m. This was an increase of 16.0% over the value 12 months earlier at 31 July 2012. The report included an update on developments on the tactical asset allocation and property portfolios.

The performance of Aberdeen's global equities portfolio continued to be a matter of concern. The Panel discussed whether Aberdeen should be asked to attend one of the Panel's meetings later in the year to report on their progress.

RESOLVED:

- (a) That Aberdeen be asked to attend the Panel's meeting on 20 December 2013 to report on the global equities portfolio.
- (b) That the remainder of the report be noted.

29 ALTERNATIVE INVESTMENTS PORTFOLIO - UPDATE

The Panel considered an exempt report from the Director of Corporate Resources (Item 7 in the Minute Book) updating the Panel on the Pension Fund's alternative investments.

Since the last meeting at which the Panel considered the portfolio, the adviser on alternative investments, Aberdeen Asset Managers, had recommended a number of changes to the portfolio. These changes had been agreed by the Director of Corporate Resources, under delegated powers, following consultation with the Chairman and Independent Adviser.

The value of the portfolio at 30 June 2013 was £323.3m, compared with a target size of £350m. The portfolio, excluding the investment in the Aberdeen Private Equity Fund Ltd and two real estate funds, had achieved a return of 9.9% per annum since its inception, which was in line with the target for the portfolio of 8% to 11% per annum.

Representatives of Aberdeen attended the meeting to report on their recent activities on the portfolio and to answer the Panel's questions.

The Panel considered the infrastructure investments within the alternative investments portfolio and Aberdeen's views about the scope for investing further in infrastructure, including a proposal to increase the allocation to infrastructure from 10.5% of the portfolio to 15%.

The Director of Corporate Resources reported that the passive currency hedge had been removed from the hedge fund portfolio at 31 July 2013.

The Panel considered whether to increase the target size for the alternative investments portfolio. The percentage target for the portfolio was 10% of the total Pension Fund. At £350m, the current portfolio target size represented 8.3% of the total Pension Fund. An increase to £375m (8.8%) could be implemented now so that Aberdeen could continue to invest in new opportunities. The target could then be considered again in the first half of 2014 when the forthcoming review of the Pension Fund's investment strategy would be completed.

RESOLVED:

- (a) That the actions taken by the Director of Corporate Resources in consultation with the Chairman of the Panel in response to recommendations from Aberdeen on additional investments and redemptions for the portfolio be noted.
- (b) That the allocation to infrastructure be increased from 10.5% of the alternative investments portfolio to 15%.
- (c) That the target for the alternative investments portfolio be increased from £350m to £375m.
- (d) That the remainder of the report be noted.

30 **GOVERNANCE FOR OWNERS EUROPEAN FOCUS FUND - UPDATE**

The Panel considered an exempt report from the Director of Corporate Resources (Item 8 in the Minute Book) updating the Panel on the progress of the Pension Fund's investment in the Governance for Owners European Focus Fund.

The European Focus Fund had underperformed significantly since the Pension Fund originally invested €20m in July 2007, although it had improved to some extent over the last 12 months. The investment was valued at €14.1m (£12.3m) at 31 July 2013.

Representatives of Governance for Owners attended the meeting to report on the prospects for the European Focus Fund. They reported that one of the Fund's major US investors, CalPERS, had decided in the last few days to redeem their investment at 31 December 2013. This

followed the earlier decision of the New York City Pension Fund to redeem at the same date. Governance for Owners were considering how their business could be reformulated with much lower levels of assets under management

In the light of these developments and the European Focus Fund's overall investment record, the Panel considered whether to redeem the Pension Fund's investment at the next opportunity of 31 December 2013.

The Panel was mindful that if there were any legal complications (or for instance the need for distribution in specie) then discretion should be given to the Director of Corporate Resources, in consultation with the Chairman of the Panel and the Independent Advisor, to make the appropriate arrangements and report back to the Panel in due course.

RESOLVED:

- (a) That notice be given to redeem the Pension Fund's investment in the Governance for Owners European Focus Fund at 31 December 2013.
- (b) That the Director of Corporate Resources be authorised to make the appropriate arrangements concerning the redemption, in consultation with the Chairman of the Panel and the Independent Advisor.