Nottinghamshire County Council

Pensions Sub-Committee

Tuesday, 22 July 2014 at 14:00

County Hall, County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

1	Minutes of last meeting held on 8 May 2014	3 - 6
2	Apologies for Absence	
3	Declarations of Interests by Members and Officers:- (see note below) (a) Disclosable Pecuniary Interests (b) Private Interests (pecuniary and non-pecuniary)	
4	Local Government Pension Scheme - Admission Body Status - Approval Process	7 - 10
5	Revisions to Fund Policies	11 - 36
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12 EXCLUSION OF THE PUBLIC

The Committee will be invited to resolve:-

"That the public be excluded for the remainder of the meeting on the grounds that the discussions are likely to involve disclosure of exempt information described in parapraph 3 of the Local Government (Access to Information) (Variation) Order 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information."

Note

If this is agreed, the public will have to leave the meeting during consideration of the following items.

EXEMPT INFORMATION ITEM

13 Working Party Recommendations - Exclusion Appendix

Notes

(1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.

(2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

(3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Keith Ford (Tel. 0115 977 2590) or a colleague in Democratic Services prior to the meeting.

(4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.

(5) This agenda and its associated reports are available to view online via an online calendar - http://www.nottinghamshire.gov.uk/dms/Meetings.aspx

Nottinghamshire County Council

minutes

Meeting	PENSIONS SUB COMMITTEE
Date	Thursday 8 May 2014 at 10.00 am

membership
Persons absent are marked with `A'

COUNCILLORS
S Smedley MBE JP (Chairman)
Ken Rigby (Vice Chairman)

	Reg Adair		Darrell Pulk
	Chris Barnfather		Parry Tsimbiridis
	Mrs Kay Cutts	A	John Wilkinson
	Sheila Place		

Nottingham City Council

Councillor Alan Clark
Councillor Thulani Molife
Councillor Jackie Morris

Nottinghamshire Local Authorities' Association

Executive Mayor Tony Egginton
A Councillor Milan Radulovic MBE

Trades Unions

A Mr J Hall
Mr C King

Scheduled Bodies

Mr N Timms

Pensioners

Mr S Haggerty
Mr T Needham

Officers in Attendance

Simon Cunnington	(Environment & Resources)
Keith Ford	(Policy Planning and Corporate Services)

Ciaran Guilfoyle	(Environment & Resources)
Nigel Stevenson	(Environment & Resources)
Sarah Stevenson	(Environment & Resources)

Other Attendees

Eric Lambert – Independent Advisor

MINUTES

The minutes of the last meeting of the Sub-Committee held on 6 February 2014, having been previously circulated, were confirmed and signed by the Chairman.

APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor John Wilkinson (on other Nottinghamshire County Council business).

DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None

PROXY VOTING

Simon Cunnington introduced the report which informed Members of the voting of equity holdings in the first quarter of 2014.

RESOLVED 2014/008

That the report be noted.

PENSIONS INVESTMENT SUB-COMMITTEE MEETINGS

RESOLVED 2014/009

That the following recommendations regarding meetings of the Pensions Investment Sub-Committee be made to the Nottinghamshire Pension Fund Committee:-

a) that the external meeting for 2014/15 be held on 5 March 2015;

b) that the venue of external meetings continues to be determined by a rota of all of the Fund's main investment managers.

LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING

RESOLVED 2014/010

That the report be noted

CASHFLOW MODELLING

RESOLVED 2014/011

That the report be noted

TRIENNIAL VALUATION – INITIAL RESULTS

Eric Lambert introduced the report which informed Members of the final results of the triennial valuation of the Fund as at 31 March 2013.

During discussions, Members requested that in-house training on this issue be arranged by officers.

RESOLVED 2014/012

That the report be noted.

LOCAL GOVERNMENT PENSION SCHEME – APPLICATION FOR ADMISSION BODY STATUS

RESOLVED 2014/013

That the report be noted.

WORK PROGRAMME

RESOLVED 2014/014

That the Sub-Committee's work programme be noted.

PROPERTY INVESTMENTS

RESOLVED 2014/015

That the report be noted.

EXCLUSION OF THE PUBLIC

RESOLVED: 2014/016

That the public be excluded for the remainder of the meeting on the grounds that the discussions are likely to involve the disclosure of exempt information as described in paragraph 3 of the Local Government (Access to Information) (Variation) Order 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PROPERTY INVESTMENTS – EXEMPT APPENDIX

Simon Cunnington introduced the appendix which outlined the Fund's property investments as at December 2013, current unallocated cash levels and further investment opportunities.

RESOLVED 2014/017

1) That recommendations to the Nottinghamshire Pension Fund Committee be developed on the proposals listed at paragraph 16 of the exempt appendix.

2) That additional investments, as summarised in paragraph 17 of the exempt appendix, be given further consideration by the Pensions Working Party.

The meeting closed at 10.30 am.

CHAIRMAN
M_8May2014

Nottinghamshire County Council

Report to Pensions Sub-Committee

22 July 2014

Agenda Item:4

REPORT OF THE SERVICE DIRECTOR – HUMAN RESOURCES & CUSTOMER SERVICE

LOCAL GOVERNMENT PENSION SCHEME ADMISSION BODY STATUS – APPROVAL PROCESS

1. Purpose of the Report

1.1. The purpose of this report is to inform members of the proposal to modify access processes relating to the admittance of certain types of admission bodies.

2. Information and Advice

2.1. Admission bodies broadly fit into two categories – those which provide a public service otherwise than for the purposes of gain (generally referred to as community admission bodies) and those which provide a service or assets in connection with the exercise of a function of a scheme employer as a result of a transfer of the service or assets by means of a contract or other arrangement (generally referred to as transferee admission bodies).

2.2. Admission of community type bodies is subject to the discretion of Pensions Committee and therefore the process of approval to formalise admission for this type of body should remain unchanged.

2.3. However, for the later type of body commonly seeking admission following a transfer of service by means of a contract, experience had highlighted a need to undertake a procedural review in accordance with the Business Support Centre's continuous improvement philosophy in order to become more responsive to the needs of current employers, potential employers and scheme members. Recent experience has demonstrated that discussions in relation to service contracts and timescales of outsourcing arrangements, which can often be protracted, do not dovetail with scheme access processes and the committee diary. This can leads to delays in formalising the admission and uncertainty for all parties involved.

2.4. Such applicant bodies seek admission to the Nottinghamshire Pension Fund under Schedule 2, part 3 (1d) of the Local Government Pension Scheme Regulations 2013. Applications are brought to this committee for noting purposes. Under Schedule 2 (part 3) (13), the administering authority must admit to the scheme the eligible designated employees of the admission body, provided the admission body undertakes to meet the relevant requirements of the regulations through an admission agreement. Therefore, unlike the community type bodies, as long as the applicant admission body agrees to fulfil its employer obligations, there is no discretion on admission to the fund.

2.5. In light of this, advice has been sought from Legal Services on modifying the admission process of such bodies in accordance with the County Council constitution. Advice received has indicated that admission of such bodies may be deemed an officer decision which does not require the deliberation of committee to reach a decision in that there is only one possible outcome and that is to admit the body in accordance with the pension regulations.

2.6. It is therefore proposed that a modified access process is implemented in accordance with advice from Legal Services to include an approval requirement at group manager level to formalise the application of such admission bodies. Further, it is proposed that a paper be presented on a quarterly basis to ensure committee is fully informed of new employers admitted to the fund on this basis.

3. Statutory and Policy Implications

3.1 This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

4. Recommendation

4.1 The Pensions Sub-Committee is recommended to note the contents of the report and further note it will be presented at the next meeting of the Pensions Committee for approval.

MARJORIE TOWARD
SERVICE DIRECTOR (HUMAN RESOURCES & CUSTOMER SERVICE)

For any enquiries about this report please contact:
Andy Durrant, Technical & Performance Officer on 0115 9775690 or
andy.durrant@nottscc.gov.uk

Human Resources Implications (JP)

As outlined within the body of the report, admission body status will allow transferring staff continued membership eligibility of the LGPS.

Constitutional Comments (KK)

The proposal in this report is within the remit of the Pensions Sub-Committee.

Financial Comments (SC)

There are no financial implications arising directly from this report.

Background Papers

None

Electoral Division(s) and Member(s) Affected

All

Nottinghamshire County Council

Report to Pensions Sub-Committee

22 July 2014

Agenda Item: 5

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT

REVISION OF FUND POLICIES

Purpose of the Report

1. To propose revised versions of the Funding Strategy Statement and Statement of Investment Principles.

Information and Advice

2. Under governing regulations, the Fund is required to 'prepare, maintain and publish' a number of policy statements. These statements must then be kept under review and, if necessary, revised.

3. According to Regulation 58 of the Local Government Pension Scheme Regulations 2013, an administering authority must publish a Funding Strategy Statement (FSS). This has been revised following the latest triennial actuarial valuation and the revised version is attached. This is a largely new statement based on a version prepared by the Fund Actuary.

4. According to Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, an administering authority is required to publish a Statement of Investment Principles (SIP). This has been revised to incorporate changes resulting from the revised FSS and also recent benchmark and portfolio changes. The revised SIP is also attached with changes highlighted in grey.

5. Members are asked to recommend that the revised statements be approved by the Nottinghamshire Pension Fund Committee.

Statutory and Policy Implications

6. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) That the revised FSS and SIP be approved by the Nottinghamshire Pension Fund Committee.

Report Author:
Simon Cunnington
Senior Accountant – Pensions & Treasury Management

For any enquiries about this report please contact: Simon Cunnington

Constitutional Comments (KK 14/7/14)

7. The proposal in this report is within the remit of the Pensions Sub-Committee.

Financial Comments (SRC 11/07/14)

8. There are no direct financial implications arising from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None

FUNDING STRATEGY STATEMENT

Introduction

1. This is the Funding Strategy Statement (FSS) for the Nottinghamshire County Council Pension Fund. It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 ("the Regulations") and describes Nottinghamshire County Council's strategy, in its capacity as Administering Authority, for the funding of the Nottinghamshire County Council Pension Fund ("the Fund").

2. The Statement describes a single strategy for the Fund as a whole. The Fund Actuary, Barnett Waddingham LLP, has been consulted on the contents of this Statement.

Purpose of the Funding Strategy Statement

3. The purpose of this Funding Strategy Statement is to explain the funding objectives of the Fund and in particular:
   - How the costs of the benefits provided under the Local Government Pension Scheme (the "Scheme") are met through the Fund
   - The objectives in setting employer contribution rates
   - The funding strategy that is adopted to meet these objectives.

Purpose of the Fund

4. The purpose of the Fund is to:
   - Pay pensions, lump sums and other benefits provided under the Regulations
   - Meet the costs associated in administering the Fund
   - Receive contributions, transfer values and investment income.

Funding Objectives

5. Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

6. The funding objectives are to:
   - Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund
   - Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

Key Parties

7. The key parties involved in the funding process and their responsibilities are as follows.

The Administering Authority

8. The Administering Authority for the Pension Fund is Nottinghamshire County Council. The main responsibilities of the Administering Authority are to:
    - Collect employee and employer contributions
    - Invest the Fund's assets
    - Pay the benefits due to Scheme members
    - Manage the actuarial valuation process in conjunction with the Fund Actuary
    - Prepare and maintain this FSS and also the Statement of Investment Principles (SIP) after consultation with other interested parties as appropriate
    - Monitor all aspects of the Fund's performance.

Scheme Employers

9. In addition to the Administering Authority, a number of other Scheme Employers, including Admission Bodies, participate in the Fund. The responsibilities of each Scheme Employer that participates in the Fund, including the Administering Authority, are to:
    - Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within the statutory timescales
    - Notify the Administering Authority of any new Scheme members and any other membership changes promptly
    - Exercise any discretions permitted under the Regulations
    - Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures
    - Notify the Administering Authority of significant changes in the employer's structure or membership.

Fund Actuary

10. The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:
    - Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations
    - Advise on other actuarial matters affecting the financial position of the Fund.

Funding Strategy

11. The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

12. The actuarial valuation involves a projection of future cash flows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

Funding Method

13. The key objective in determining employer's contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.

14. The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new staff access to the Fund, or a "closed" employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.

15. For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation date ("future service"). This approach focuses on:
    - The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay for pensions in payment. A funding level in excess of 100 per cent indicates a surplus of assets over liabilities; while a funding level of less than 100 per cent indicates a deficit
    - The future service funding rate which is the level of contributions required from the individual employers which, in combination with employee contributions, is expected to support the cost of benefits accruing in future.

16. The key feature of this method is that, in assessing the future service cost, the contribution rate represents the cost of one year's benefit accrual.

17. For closed employers, the funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over the remaining expected working lifetime of active members.

Valuation Assumptions and Funding Model

18. In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover.

19. The assumptions adopted at the valuation can therefore be considered as:
    - The statistical assumptions which are essentially estimates of the likelihood of benefits and contributions being paid
    - The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value.

20. An explanation of these key assumptions is included in the following paragraphs but further details of all of the assumptions adopted can be found in the latest actuarial valuation report.

Future Price Inflation

21. The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities. This is derived by considering the average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date to provide an estimate of future price inflation as measured by the Retail Price Index (or "RPI").

Future Pay Inflation

22. As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay inflation. Historically, there has been a close link between price and pay inflation with pay increases exceeding price inflation in the longer term.

Future Pension Increases

23. Pension increases are linked to changes in the level of the Consumer Price Index (or "CPI"). Inflation as measured by the CPI has historically been less then RPI due mainly to different calculation methods. An adjustment is therefore made to the RPI assumption to derive the CPI assumption.

Future Investment Returns/Discount Rate

24. To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values. The discount rate that is adopted will depend on the funding target adopted for each employer.

25. For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

26. For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected "termination date"), the employer becomes an exiting employer under Regulation 64. The Fund Actuary will incorporate such an adjustment after consultation with the Administering Authority.

27. The adjustment to the discount rate for closed employers is to set a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a "minimum risk" rather than on an ongoing basis. The aim is to minimise the risk of deficits arising after the termination date.

Asset Valuation

28. For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date.

Statistical Assumptions

29. The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Deficit Recovery/Surplus Amortisation Periods

30. Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different from the value of accrued liabilities, depending on how the actual experience of the Fund differs from the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.

31. Where the actuarial valuation discloses a significant surplus or deficit then the levels of required employers' contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.

32. The period that is adopted for any particular employer will depend on:
    - The significance of the surplus or deficit relative to that employer's liabilities
    - The covenant of the individual employer and any likely limited period of participation in the Fund
    - The implications in terms of stability of future levels of employers' contribution.

Pooling of Individual Employers

33. The general policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

34. However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

35. The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Cessation Valuations

36. On the cessation of an employer's participation in the Scheme, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.

37. In assessing the financial position on termination, the Fund Actuary may adopt a discount rate based on gilt yields and adopt different assumptions from those used at the previous valuation in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

Links with the Statement of Investment Principles

38. The main link between the FSS and the SIP relates to the discount rate that underlies the funding strategy as set out in the FSS, and the rate of investment return which is expected to be achieved by the underlying investment strategy as set out in the SIP.

39. As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and Counter Measures

40. Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

41. The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial Risks

42. The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

43. The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5 per cent per annum in the real discount rate will decrease/increase the valuation of the liabilities by 10 per cent, and decrease/increase the required employer contribution by around 2.5 per cent of payroll.

44. However, the Pensions Investment Sub-Committee regularly monitors the investment returns achieved by the fund managers and receives advice from officers and independent advisers on investment strategy.

45. The Committee may also seek advice from the Fund Actuary on valuation related matters. In addition, the Fund Actuary may provide funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic Risks

46. Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by approximately 1%.

47. The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.

48. The liabilities of the Fund can also increase by more than has been planned as a result of early retirements. However, the Administering Authority monitors the incidence of early retirements and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Regulatory Risks

49. The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central Government. Regulations also place certain limitations on how the assets can be invested. The tax status of the invested assets is also determined by the Government.

50. The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

51. However, the Administering Authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

Employer Risks

52. Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:
    - Structural changes in an individual employer's membership
    - An individual employer deciding to close the Scheme to new employees
    - An employer ceasing to exist without having fully funded their pension liabilities.

53. The Administering Authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

54. In addition, the Administering Authority keeps in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Monitoring and Review

55. This FSS is reviewed formally, in consultation with the key parties as appropriate, at least every three years to tie in with the triennial actuarial valuation process.

56. The Administering Authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Nottinghamshire County Council

Nottinghamshire Pension Fund

July 2014

STATEMENT OF INVESTMENT PRINCIPLES

Introduction

1. The County Council is an administering authority of the Local Government Pension Scheme (the "Scheme") as specified by the Local Government Pension Scheme Regulations 2013 (the LGPS Regulations). It is required by Regulation 53 of the LGPS Regulations to maintain a pension fund for the Scheme.

2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the "Investment Regulations") govern the management of the pension fund and the investment of fund money. According to Regulation 12 of the Investment Regulations an administering authority is required to prepare, maintain and publish a Statement of Investment Principles (SIP).

3. The SIP must cover policy on:
    - the types of investment to be held
    - the balance between different types of investments
    - risk, including the ways in which risks are to be measured and managed
    - the expected return on investments
    - the realisation of investments
    - the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments
    - the exercise of the rights (including voting rights) attaching to investments
    - stock lending.

4. The SIP must also state the extent to which the administering authority complies with relevant guidance given by the Secretary of State, and give reasons for any areas of non-compliance. The relevant guidance is published by CIPFA in the *Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012*. This provides best practice for managing investments and includes a guide to the application of the 2008 *Investment Governance Group Principles* to LGPS funds.

Purpose of the Fund

5. The purpose of the Fund is to:
    - Pay pensions, lump sums and other benefits provided under the LGPS Regulations
    - Meet the costs associated in administering the Fund
    - Receive contributions, transfer values and investment income
    - Invest any Fund money not needed immediately to make payments.

Principles

6. The following principles underpin the Fund's investment activity:
   - The Fund will aim to be sufficient to meet all its obligations on a continuing basis.
   - The Fund will be invested in a diversified range of assets.
   - Proper advice on the suitability of types of investment will be obtained and considered at reasonable intervals.
   - The Fund will aim to conduct its business and to use its influence in a long term responsible way.

Key Parties

7. The key parties involved in the Fund's investments and their responsibilities are as follows.

The Administering Authority

8. The Administering Authority for the Pension Fund is Nottinghamshire County Council. Under the terms of the Council's constitution, the functions of the Council as administering authority are delegated to the Nottinghamshire Pension Fund Committee supported by two Sub-Committees. The full governance arrangements of the Fund are detailed in the Fund's Governance Compliance Statement.

9. The members of the Committees act in a quasi-trustee capacity and are hereafter referred to as "Trustees".

Trustees

10. The Trustees recognise their full responsibility for the oversight of the Fund, and operate to a Code of Conduct. The Trustees shall:
    - Determine the overall investment strategy, and what restrictions, if any, are to be placed on particular types and market locations of investments
    - Determine the type of investment management to be used and appoint and dismiss fund managers
    - Receive quarterly reports on performance from the main fund managers and question them regularly on their performance
    - Receive independent reports on the performance of fund managers on a regular basis
    - Be encouraged to receive suitable training to help them discharge their responsibilities and attend such training courses, conferences and meetings that deliver value for money to the Fund.

Chief Finance Officer

11. Under the Council's constitution, the Service Director (Finance & Procurement) is designated the Council's Chief Finance Officer (also known as the Section 151 Officer). The Group Manager (Financial Strategy & Compliance) is the deputy Section 151 Officer. Financial Regulations specify that the Section 151 Officer is responsible for arranging the investment of the Pension Fund. Operational matters falling under this responsibility are exercised by the Senior Accountant (Pensions & Treasury Management).

12. Authorised signatories for operational matters relating to pension fund investments are:
    - Service Director (Finance & Procurement)
    - Group Manager (Financial Strategy & Compliance)
    - Group Manager (Financial Management)
    - Senior Accountant (Pensions & Treasury Management)
    - Investments Officer

13. Representatives of the Service Director (Finance & Procurement) provide advice to the Trustees and attend meetings of the Pension Fund Committees as required.

Independent Adviser

14. The Fund has an Independent Adviser who attends meetings of the Pensions Investment Sub-Committee, Pensions Sub-Committee and Pensions Working Party as required.

15. The independent adviser is engaged to provide advice on:
    - the objectives and policies of the fund
    - investment strategy and asset allocation
    - the fund's approach to responsible investment
    - choice of benchmarks
    - investment management methods and structures
    - choice of managers and external specialists
    - activity and performance of investment managers and the fund
    - the risks involved with existing or proposed investments
    - the fund's current property portfolio and any proposals for purchases, sales, improvement or development
    - new developments and opportunities in investment theory and practice.

Asset Allocation

16. It is widely recognised that asset allocation is the most important factor in driving long term investment returns. The balance between different asset classes depends largely on the expected returns from each asset class and the target return for the Fund. It is also recognised that investment returns play a significant role in defraying the cost of providing pensions by mitigating the contributions required from employers.

17. Employers' contributions are determined as part of the triennial actuarial valuation of the Fund. The actuarial valuation involves a projection of future cash flows to and from the Fund and its main purpose is to determine the level of employers' contributions that should ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

18. The Fund Actuary estimates the future cash flows which will be paid from the Fund for the benefits relating to service up to the valuation date. They then discount these projected cash flows using the discount rate to get a single figure for the value of the past service liabilities. This figure is the amount of money which, if invested now, would be sufficient to make these payments in future provided that the future investment return was equal to at least the discount rate used.

19. The discount rate is based on the expected long term future investment returns from various asset classes. At the latest valuation, these were as follows:

Asset Class	**Expected Return (pa)**
Equities	6.7%
Gilts	3.3%
Corporate Bonds	3.9%
Property	5.8%
Cash	3.1%
Discount Rate	**6.0%**

20. At the latest valuation, the Fund was assessed to have a deficit of £620m and a funding level of 85%. Deficit recovery contributions have been certified for the majority of employers but any returns in excess of the discount rate will help to recover the Fund to a fully funded position.

21. The agreed asset allocation ranges for the Fund are shown below along with the Fund's strategic benchmark and liability based benchmark.

Asset Class	**Allocation Ranges**	**Strategic Benchmark**	
Equities	55% to 75%	FTSE All World	65.0%
Property	5% to 25%	IPD annual universe	15.0%
Bonds	10% to 25%	FTSE UK Gilt All Stock	17.5%
Cash	0% to 10%	LIBID 7 Day	2.5%

Liability Based Benchmark	FTSE UK Gilts IL > 5 Yrs	100.0%

22. These ranges will be kept under regular review. If it appears likely that these limits might be breached because of market movements, reference will be made to a meeting of the Pensions Working Party for advice. The proportions are those aimed at achieving best returns within acceptable risk parameters. The Fund will vary between the asset classes according to market circumstances, relative performance and cash flow requirements.

23. The asset allocation currently favours "growth assets" (equities and property) over "defensive assets" (bonds and cash) as the former are expected to outperform the latter over the long term. Although net additions from members (contributions received less benefits paid) are now expected to be negative for the foreseeable future, the Fund receives significant investment income and a recent report by the Fund Actuary shows that the Fund is unlikely to need to sell assets to pay benefits for at least 20 years. This allows the Fund to continue to implement a long term investment strategy.

24. As the funding level approaches 100%, the asset allocation will be reviewed to consider whether it is appropriate to change the mix of growth versus defensive assets.

Investment Policy

25. The policy of the Fund will be to treat the equity allocation as a block aimed at maximising the financial returns to the funds (and thus minimising employers' contributions) consonant with an acceptable level of risk. The block of Bonds, Property and Cash is aimed at lowering overall risk (at the cost of anticipated lower return).

26. The Trustees have agreed an allocation to private equity and infrastructure. This will be effected principally through fund of funds arrangements to increase diversification and reduce risk. The allocation is based on *committed* amounts and, owing to the nature of these funds, the actual net investment level will be significantly lower. New investments will be made over time to target a commitment level of 10% of the Fund (within an allocation range up to 15% to allow for movements in market value).

27. Investments, such as private equity and infrastructure, that fall outside the high level asset classes will be included within the most appropriate class for reporting purposes and assessed against the relevant part of the strategic benchmark.

28. Cash will be managed and invested on the Fund's behalf by the County Council in line with its treasury management policy. The policy is to invest surplus funds prudently, giving priority to security and liquidity rather than yield. If losses occur, however, the Fund will bear its share of those losses.

29. Pension fund cash is separately identified each day and specific investment decisions will be made on any surplus cash identified, based on the estimated cash flow requirements of the Fund. As the majority of cash is allocated to individual investment managers and may be called by them for investment at short notice, it is expected that the majority of cash will be placed on call or on short-term fixed deposits. Unallocated balances may be placed directly with the Fund's custodian.

30. Joint investments using a combination of Fund cash and County Council cash may be made where this is in the best interests of the Fund. In considering such investments, guidance issued by the Department for Communities and Local Government will be followed and the Fund will receive its fair share of interest in proportion to the share of cash invested.

31. Other asset classes, such as hedge funds and currency, will be reviewed as part of the regular asset allocation strategy review and, if a decision to invest in other assets is made, the Statement of Investment Principles will be revised accordingly.

Risk Management

32. The Fund has adopted a Risk Management Strategy to:
    a) identify key risks to the achievement of the Fund's objectives
    b) assess the risks for likelihood and impact
    c) identify mitigating controls
    d) allocate responsibility for the mitigating controls
    e) maintain a risk register detailing the risk features in a)-d) above
    f) review and update the risk register on a regular basis
    g) report the outcome of the review to the Nottinghamshire Pension Fund Committee.

33. The Risk Register is a key part of the strategy as it identifies the main risks to the operation of the Fund, prioritising the risks identified and detailing the actions required to further reduce the risks involved.

34. A key part of managing the investment risk is by ensuring an adequate number of suitably qualified investment managers and by requiring managers to hold a diversified spread of assets, which will be reviewed regularly by the Pensions Investment Sub-committee. The level of risk in the equities block will be managed by a balance between passive and active management that may be varied from time to time, according to performance and emerging knowledge and experience of the market.

35. It is believed that active management can add value to the Fund but only over the long term, and decisions to appoint or dismiss fund managers will be given careful consideration. It is accepted that investment performance (particularly from equities) can be volatile but, as a long term investor, the Fund can ride out this volatility as long as projected net cash flow continues to be positive.

36. The correlation between UK and overseas markets has increased significantly over recent time, reflecting the increasing globalisation of the market. The Fund will therefore make no distinction between the relative holdings of UK and overseas equities, but will take into account exchange rate risks when deciding the balance. As a long term investor, the Fund does not undertake currency hedging. Individual managers may hedge currency risks but only with prior approval from the Fund.

37. In addition, the following constraints will apply. These constraints will be reviewed from time to time, and if changes are made, these will be incorporated into a revised Statement of Investment Principles, and amendments will be published.
    - Not more than 10% of the Fund to be invested in unlisted securities.
    - Not more than 10% of the Fund to be invested in a single holding.
    - Not more than 25% of the Fund to be invested in securities which are managed by any one body, i.e. in a unit trust type arrangement.
    - Not more than 15% of the Fund to be invested in partnerships, with not more than 2% in any one partnership.
    - Not to enter into any stock lending arrangements.
    - No underwriting without prior approval.
    - No involvement in derivatives (including currency options) without prior approval.

Other Issues

38. The Fund’s assets are held in custody by a combination of an independent custodian, investment managers and in-house. The performance of fund managers will be measured against individual benchmarks, and the overall fund, including cash returns, against the strategic benchmark. Performance will be measured by an independent agency. The statement of accounts will be audited by the County Council’s external auditors.

39. The Fund has an independent adviser who will be present at meetings of the Sub-Committee along with appropriate officers of the administering authority. This is considered best practice in accordance with the requirements for “proper advice” in the governing regulations.

40. The investment management arrangements of the Fund can be found in the latest annual report (available on the Fund's website, www.nottspf.org.uk). The Fund also publishes details of its holdings on the website on a quarterly basis.

41. This Statement of Investment Principles will be kept under review and will be revised following any material changes in policy.

42. The following appendices are attached:
    - Appendix A – the Fund's Statement on Responsible Investment
    - Appendix B – compliance with the *Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012*.

Nottinghamshire County Council Pension Funds
Statement on Responsible Investment

1. Statement of Principles

1.1 The Nottinghamshire Fund adopts a long term approach to responsible investment. The Trustees recognise their full responsibility for the oversight of the Funds and are charged with determining the overall investment strategy and the type of investment management used. The investment strategy is aimed at achieving best returns whilst minimising risk and overall variability in future employers' contribution rates. Environmental, social and governance (ESG) issues will be taken into account where these are considered likely to impact on returns.

1.2 The Fund supports best practice in corporate governance and adopts the Stewardship Code as recommended by the *Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012*. The Code states that institutional investors should:

- Publicly disclose their policy on how they will discharge their stewardship responsibilities.
- Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.
- Monitor their investee companies.
- Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.
- Be willing to act collectively with other investors where appropriate.
- Have a clear policy on voting and disclosure of voting activity.
- Report periodically on their stewardship and voting activities.

1.3 The Fund has adopted a number of specific policies to implement its approach to long term responsible investment and its responsibilities under the Stewardship Code.

2. Policies Adopted

2.1 The Fund adopts a policy of positive engagement with the companies in which it invests in order to promote high standards of corporate governance. It believes that this will help to raise standards across all markets and that this is in the best long term interests of the Fund, its beneficiaries and other stakeholders.

2.2 Investment performance is monitored on a quarterly basis and the Fund expects investment managers to engage with companies to address concerns affecting performance. The Fund also holds a number of investments that specifically focus on engaging with the management of under-performing companies in order to generate superior returns.

2.3 The Fund believes that the greatest impact on behaviour can be achieved when working together with others. It is a member of the Local Authority Pension Fund Forum (LAPFF) which exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance amongst the companies in which they invest. The Fund actively supports the work of LAPFF and sees this as an important element of its stewardship responsibilities.

2.4 The Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds. The Fund retains responsibility for voting (rather than delegating this to investment managers) and proxy votes are submitted for the majority of its global equity holdings.

2.5 Voting is in line with corporate governance best practice and the Fund subscribes to independent research services for voting advice. Voting activity is reported to the Pensions Sub-Committee and disclosed on the Fund website. In exceptional circumstances the Fund will combine with others on a specific issue but only after appropriate consultation.

2.6 In order to ensure ownership rights can be exercised, the Fund holds and will continue to hold, investments in its own name where possible, rather than in the name of investment managers. It will continue to oppose those processes, such as stock lending, which also deprive the Fund of the ability to meet its corporate governance objectives.

Summary of Compliance with the Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012

Principle	CIPFA Guidance Key Issues	Compliance	Proposed Actions
1. Effective Decision Making a) Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation. b) Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	• Separate Committee responsible for the Pension Fund. • Governance Compliance Statement published. • Roles of Members, officers, external advisors and managers defined. • Committee has specified appropriate skills. • Skills and knowledge audit of Committee's membership occur. • Committee has sub committees or a panel to progress significant areas between meetings of the Committee. • Committee obtains proper advice from officers and external investment managers. • Training plan for Members in place. • Papers and reports should be clear and comprehensive and circulated in advance of meetings. • A medium term business plan for the Pension Fund should be in place.	Generally compliant	1. A training needs assessment will be carried out with members of the Committees.

Principle	CIPFA Guidance Key Issues	Compliance	Proposed Actions
2. Clear Objectives An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.	• In setting objectives, the Committee has considered: ▪ the fund's liabilities ▪ the adequacy of assets ▪ the maturity of the Fund's liabilities ▪ its cashflow and has sought proper advice. • Risk is considered as part of the asset allocation strategy. • Funding levels and employer contribution rates are considered and the advice of the Actuaries sought. • The Committee considers whether to request an Asset Liability Study. • The Committee states the range of investments it is prepared to include in its asset allocation and say why some asset classes may have been excluded. • The Committee takes proper advice, including from specialist independent advisors where appropriate. • Advisors are appointed in open competition and are set performance objectives. • The Committee understands transaction related costs incurred, including commission, and has a strategy for ensuring these costs are properly controlled.	Generally compliant	2. A report is provided to a future Sub-Committee on transaction related costs.

Principle	CIPFA Guidance Key Issues	Compliance	Proposed Actions
3. Risk and Liabilities a) In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. b) These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	• The Committee sets an overall investment objective for the fund that represents its best judgement of what is necessary to meet the fund's liabilities and takes account of the Committee's attitude to risk. • Appropriate performance benchmarks have been set. • The Statement of Investment Principles includes a description of the risk assessment framework used for potential and existing investments. • The triennial valuation includes a risk assessment in relation to the valuation of its liabilities/assets and factors affecting long term performance. • The Committee uses internal and external audit reports to satisfy itself on the fund's internal controls. • The Investment Strategy is suitable for the fund's objectives and takes account of the ability to pay of the employers in the fund. • The Annual Report includes an overall risk assessment in relation to each of the fund's activities.	Generally compliant	3. The triennial valuation report is presented to the Pensions Investment Sub-Committee highlighting key factors such as the need for risk assessments in relation to the Fund's liabilities and assets. 4. Relevant Audit reports be presented to future Sub-Committees as appropriate. 5. Undertake employer risk analysis and consider actions arising to mitigate risks to the Fund.

Principle	CIPFA Guidance Key Issues	Compliance	Proposed Actions
4. Performance Assessment a) Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. b) Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme members.	• The Committee should consider whether existing index benchmarks are appropriate and consider whether active or passive management are appropriate for managing the Fund's assets. • Performance targets in relation to a benchmark should specify clear time periods and risk limits, and monitoring arrangements should include reports on tracking errors. • In addition to overall Fund returns, the return achieved in each asset class should be measured so that the impact of different investment choices can be assessed. • Although returns will be measured quarterly, a longer timeframe (typically 3–7 years) should be used to assess the effectiveness of Fund management arrangements. • Returns should be obtained from specialist performance measurement agencies independent of the fund managers. • Actuarial services should be market tested periodically. • When assessing managers and advisors, the extent to which decisions have been delegated should be considered. • The Committee should set out its expectations of its own performance in its business plan which should be assessed and reported in the fund's Annual Report.	Generally compliant	6. Reports on Fund performance from the Fund's performance measurement agency are presented to the Pensions Sub-Committee. 7. The Fund's strategic and portfolio benchmarks to are kept under regular review. 8. The Sub Committees to consider setting a performance framework to help assess their own performance.

Principle	CIPFA Guidance Key Issues	Compliance	Proposed Actions
5. Responsible Ownership Administering Authorities should:- a) adopt, or ensure their investment managers adopt, the Institutional Shareholders Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents b) include a statement of their policy on responsible ownership in the Statement of Investment Principles c) report periodically on the discharge of such responsibilities.	• Policies regarding responsible ownership must be disclosed in the statement of Investment Principles. • The Committee should ensure that investment managers have an explicit strategy, setting out the circumstances in which they will intervene in a company that is acceptable within the Committee's policy. • Funds should be aware of the ISC Code on the Responsibilities of Institutional Investors and the United Nations Environment Programme Finance Initiative. • Authorities may wish to consider seeking alliances with other pension funds to enhance its influence on environmental, social and governance issues e.g. LAPFF.	Compliant	9. The Statement on Responsible Investment within the Statement of Investment Principles to be updated as necessary to reflect guidance available and presented to the Pensions Sub-Committee as appropriate.

Principle	CIPFA Guidance Key Issues	Compliance	Proposed Actions
6. Transparency and Reporting Administering Authorities should:- a) act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives. b) provide regular communication to scheme members in the form they consider most appropriate.	• The Governance Compliance Statement should be maintained regularly. • The Communication Statement should contain sufficient information. • The Annual Report should be compared to the regulations setting out the required content. • The content of the Statement of Investment Principles, the Funding Strategy Statement and the Governance Compliance Statement should comply with the relevant guidance and requirements.	Compliant	10. The core source documents namely the Statement of Investment Principles, Funding Strategy Statement, Governance Compliance Statement and the Communication Statement continue to be updated as necessary to reflect guidance available and presented to the Pensions Sub-Committee as appropriate.

Nottinghamshire County Council

Report to Pensions Sub-Committee

22 July 2014

Agenda Item: 6

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT

LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING

Purpose of the Report

1. To report on the Local Authority Pension Fund Forum (LAPFF) business meeting held in London on 18 June 2014.

Information and Advice

2. The Local Authority Pension Fund Forum was formed in 1990 to provide an opportunity for the UK's local authority pension funds to discuss investment and shareholder engagement issues. LAPFF currently has 60 members with combined assets of well over £100 billion and is consequently able to exert significant influence over companies in which funds are invested.

3. LAPFF exists 'to promote the long-term investment interests of UK local authority pension funds, and in particular to maximise their influence as investors to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest'. It also:
   a. Provides a forum for information exchange and discussion about investment issues.
   b. Facilitates the commissioning of research and policy analysis of issues in a more effective manner than individual members could achieve.
   c. Provides a forum for consultation on shareholder initiatives.
   d. Provides a forum to consider issues of common interest to all pension fund administrators and councillors.

4. The June 2014 business meeting was attended on behalf of Nottinghamshire Pension Fund by Councillor John Wilkinson and Nigel Stevenson (Group Manager – Financial Strategy and Compliance) and included a presentation on the latest consultation on "*Opportunities for collaboration, cost savings and efficiencies*" within the Local Government Pension Scheme, issued by the Department for Communities and Local Government (DCLG).

5. The presentation session included speakers from the Greater Manchester Pension Fund, the LGA, East Riding Pension Fund, Pensions and Investment Research Consultants (PIRC) and the London Pensions Fund Authority (LPFA). All provided their views on the call for evidence work, the consultation, implications of change and the need the potential for collaboration.

6. This was then followed by the business meeting which received the 2013/14 budget outturn report together with progress and reports on the specific engagement work LAPFF had undertaken in recent months. This mainly comprised:

- International Financial Reporting standards (IFRS) – LAPFF members were updated on the developments with the Financial Reporting Council (FRC) regarding IFRS following LAPFF obtaining legal opinion from Bompass QC (specific to the banking sector, IFRS and Company Law). LAPFF and the FRC are to hold meetings to establish that the FRC agrees with the LAPFF opinion that the 'true and fair view' standard is still confusing (in that is at odds with the Companies Act 2006) and that this confusion has created a risk of an illegal system.

- Leadership – LAPFF has continued to engage with companies on the issue of board diversity. LAPFF has written to Glencore Xstrata, the only FTSE 100 Company with an all-male board, on this issue and addressed a question directly to a board member at an investor meeting. [It was subsequently reported in the press (27 June 2014) that Glencore has appointed its first woman to the board, Patrice Merrin].

- Barclays pay and dividends – this concerned the high pay and bonuses paid to Barclays employees when compared to the dividends it has been able to pass to its shareholders, relative to other large banks. The LAPFF chair attended the Barclays AGM and LAPFF welcomed the replacement of Sir John Sunderland, chair of the remuneration committee, by Crawford Gillies.

- Employment standards – LAPFF has engaged with National Express since 2012 regarding the company's approach to human capital management concerns and unionisation issues in the US. At the most recent meeting in 2014 with the chief executive, it was evident that the company had not implemented previous commitments. Some LAPFF member funds, including the Nottinghamshire Fund, co-filed a shareholder resolution, attended and spoke at the AGM, requesting the company to implement a mechanism to ensure appropriate board oversight and to develop and implement a comprehensive policy based on the International Labour Organisation Declaration.

- Intergovernmental Panel on Climate Change (IPCC) – LAPFF has engaged with companies since 2002 on reporting carbon emissions, setting reduction targets and on their business strategies relating to climate change. LAPFF members were informed of the latest developments from the IPCC who issued a report on assessing options for mitigating climate change with underlying economic, technological and institutional requirements. LAPFF will work with investors and groups to develop a strategic investor position on energy and climate change to guide public policy engagement, company stewardship and asset allocation. In so doing, LAPFF will consider the approach of *'The Trillion*

Tonne Communique' drawn up by the Prince of Wales Corporate Leaders Group.

- UK listing regime changes – LAPFF members were updated on the recent changes to the UK listing regime that are having an influence on decisions made by UK premium listed companies over changing their listing to standard. The transition from premium to standard listed status involves the loss of significant shareholder rights and protections, particularly over the publication of any decision of adherence or divergence from the UK Corporate Governance Code (disclosure regulations).

- Avoidance of new legal limits on executive pay – LAPFF members were updated on the new Capital Requirement Directive regulations which apply to employees of EU headquartered banks. These create limits on executive pay from early 2015. The directive provides for a limit on the ratio between fixed and variable pay for certain employees only. It also creates a shareholder voting right that allows companies to exceed the new limit up to a 200% maximum. While some banks have already turned to this option, others are going further and also reclassifying elements of executive pay to avoid application of the directive, in particular Barclays Bank plc.

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) That the report be noted

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Nottinghamshire County Council

Report to Pensions Sub-Committee

22 July 2014

Agenda Item: 7

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT

NAPF LOCAL AUTHORITY CONFERENCE 2014

Purpose of the Report

1. To report on the NAPF Local Authority Conference 2014 held in the Cotswolds.

Information and Advice

2. The NAPF Conference 2014 was held on 19th to 21st May 2014 at the Cotswold Water Park Four Pillars Hotel in Gloucestershire. In accordance with prior approval and as part of the Fund's commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills; the conference was attended by Councillor Ken Rigby, Councillor Thulani Molife and Mr Nigel Stevenson (Group Manager – Financial Strategy and Compliance). The theme of this year's conference was The Changing Shape of the LGPS.

3. ***Learning Zone 1 – Demystifying Common Investment Vehicles***
The conference commenced with a number of learning zone sessions, which began with Julian Brown, Director of Investment Consulting, JLT Benefit Solutions giving a presentation providing his views of the issues to LPGS investing in common investment vehicles (CIVs). He started by setting out the significance of the investment decisions made by pension funds on financial performance, namely that strategic asset allocation was the most significant with selection of the fund manager being the least significant. He reiterated the Government's consultation documents which showed their drive to pursue CIVs for passive management of listed assets and alternative assets. Julian's view was that at the strategic level the use of CIVs is self-evident best practice. However, the devil is definitely in the detail, including, determining who would run them, how their performance objective would be defined and how flexible will they be. There are a lot of very important details that are missing when considering if CIVs are the best approach and there are definitely some asset classes that are not suited to CIVs, e.g. corporate bonds, listed property. Julian also identified a large number of significant risks with CIVs, in particularly with the 'alternatives' CIV, e.g. liquidity, price volatility, flexibility, governance etc.

4. ***Learning Zone 2 – A case on managing liability risks***
Tracey Milner, AXA Investment Managers, introduced this session with a brief look at the common misconceptions regarding pension risks. Her view was that the common perceived largest risk for pension funds appears to be 'Active' risk;

the risk that a fund or managed portfolio will (or not) beat the returns of the benchmark; followed by 'Asset Mix' risk; the risk of change in total market value of the asset portfolio; and then the 'Liability' risk; the risk of change in total market value of liabilities. Whereas in reality it is the 'Liability' risk which is the greater risk; including interest rate, inflation and longevity risks.

This was followed by a case study presented by Mathew Trebilcock, Pension Investment Manager, Cornwall Pension fund, explaining Cornwall's strategy in trying to manage the liability risk. Recognising that inflation represented a significant risk to the Fund, and attempting to address this risk to limit rises in long-term contribution rates, they decided to hedge inflation independently from hedging interest rate risk. Their plan involves hedging up to 20% of their inflation linked liability risk, initially with £50m. This would involve a complex investment vehicle, known as a Qualifying Investor Fund (QIF), using derivatives in various forward swap arrangements in gilts or other inflationary swap instruments.

Julian Brown then explained JLT Benefit Solutions' role in supporting Members of the Cornwall Fund understand liability risk and suggested the idea of liability hedging.

Jonathan Crowther, Head of UK Liability Driven Investments, AXA Investment Managers, followed to explain AXA's approach in supporting Cornwall to hedge against the CPI risk. This involved deconstructing Cornwall's liability cashflows and, as there is no market for hedging against CPI, an equivalent RPI model had to be agreed upon as well as agreement on the benchmark and timeframe. Jonathan went into the details of the strategy for managing the fund and the strategy for increasing the hedge up to 20% of liabilities.

5. ***Learning Zone 2 – Infrastructure – minimising risk and maximising returns***
Boe Pahari, Managing Director, Head of Europe and the Americas, AMP Capital, led the session focusing on global investment opportunities in infrastructure assets offering low-risk, robust cash yield and capital growth. His presentation began by explaining that 51% of global infrastructure investment deals were in Europe, particularly UK, Nordics, and South & East Europe with the main focuses on transport, utilities and communications. A considerable amount of this infrastructure investment in Europe was by Canadian and Australian Pension Funds. In North America most of the infrastructure investment was in power and energy sectors.

Boe set out the 3 areas of infrastructure investment opportunities:

a) Social – typically housing, education, hospitals, that were small lots, lower risk, a lot of effort but offers poorer returns
b) Economic infrastructure – typically gas distribution, electricity, water, airports, toll-roads, ports, telecoms etc., accessed through pooled funds, with high risks and better returns
c) Greenfield assets – new projects which are approaching or under construction which are very high risks but even better returns.

Boe then explained the approach taken by AMP Capital when investing in infrastructure which included investments in Newcastle Airport, Thames Water and Angel Trains in the UK and Alpha Trains in Continental Europe. His Fund would take a significant equity stake in all investments, typically 40%, that provided at least negative control and board representation. This enables his investment team to pursue an active, hands-on approach to the management of the company. They will appoint board directors with CEO-level industry experience, building in best-in-class management. His Fund placed a strong emphasis on driving efficiencies and implementing strategic growth initiatives that delivered long-term value for investors. His investment team continually reviews the market conditions to maximise investor returns through an optimal exit strategy and timing, through a range of strategies such as negotiated sale, auction of initial public offering (IPO).

He finished his presentation with the hard sell of a 10 year global infrastructure fund offering targeted returns of 12-15%, with a cash yield of 4-6%

6. ***Joanne Segars, Chief Executive, NAPF***
   The main conference began with Joanne Segars welcoming everyone to the 10th annual event and setting the tone from the brief history of the set-up of the LGPS to the vast array of Regulations that has shaped the LGPS. She indicated that we now find ourselves in a period of more rapid change; with the scheme changes implemented in April 2014 (CARE), the proposed changes to governance from April 2015, the work undertaken on the 'call for evidence' and fund mergers review and the recent announcement and consultation on proposed solution to find savings in investment management fees.

7. ***LGPS 2014: a safe delivery?***
   The new scheme was 49 days old and this session concentrated on the issues in preparing for the new scheme.

   David Anthony, Head of Pensions, Wiltshire Pension Fund, provided an insight on Wiltshire's experience of preparing for the new LGPS in the run up to April 2014. In addition to a proper resourced implementation plan the main theme was communication; which began as far back as March 2011. This involved working with Employers, Unions, Councillors and scheme members; providing presentations, roadshows, clinics, newsletters, changes to the website and printed materials. It also became apparent through the question session that although they had an upgrade to their administration system, this had not been as successful as hoped for and a number of manual calculations are required outside of the system. A further upgrade is planned in the summer.

   Mike Allen, London Pensions Fund Authority, echoed the presentation given by David, with a similar tale of the LPFA preparations for the new LGPS. Mike also alluded to the issue of the lateness of the regulations which also caused issues with overall preparation but in particular that for the software suppliers. They too have issues with their administration system and are awaiting fixes. Mike also indicated that there has been an increase in the number of questions raised regarding how the LGPS is addressing deficits which probably records a success as far as the communication strategy is concerned.

During the end-of-session questions both Mike and David were asked about what were the greatest challenges to these changes. This appeared to be getting employers on board regarding providing the information that is now required and training the administration team due to the lateness of the regulations. Both indicated that the implementation of the new regulations had resulted in additional costs both in staff and ICT.

8. ***Costly investments: managing fees in the LGPS***

The UK's biggest fund managers are under increasing pressure to come clean on what they charge to invest their money. This session was a review of what funds should look out for when they invest and how far is it possible to reflect all investment costs.

Jonathan Hunt, Director of Corporate Finance and Investments, Tri-borough (a project between Westminster City Council, Hammersmith and Fulham London Borough Council and the Kensington and Chelsea London Borough Council to combine service provision) began his presentation by explaining the costs likely to be hidden in any external investment management arrangement, such as transaction costs, taxes, trading costs and third party brokerage fees. Identifying them depends on the investment structure, for instance pool funds that straddle countries can be very complex to analyse. Manager fees fall broadly into three categories, fixed amount (which could be linked to an inflation index), performance related and *ad valorem* (Latin for "according to value"). As an investor Funds need to assess what is a fair rate, what is the best way to compare managers' fee arrangements and whether cheaper is better.

Jonathan continued by explaining that there are various pros and cons with any of the fee arrangements which range from flat fees where the Fund benefits from good performance but managers are not penalised for underperformance, through performance related where performance needs to be time bound and what happens if performance is negative, to *ad valorem* that needs the thresholds to be tightly defined. He concluded by putting forward the arguments from research into LGPS that Funds compare well in fee negotiations, although as stated in the recent Government consultation, 10% of the assets account for 40% of the fees. Hence, there is clearly a roll for collective engagement and greater collaboration between Funds.

Nick Horton, Dalton Strategic Partnership, began his presentation with a table showing that with a 10 year investment, with a 5% annual return, a 1% increase in the annual management fee would decrease the return by 25% over the 10 years. He introduced the idea that it would be better for funds to calculate the Total Expense Ratio (TER) as this provided a truer indication and comparator of costs within and between funds. These costs consist primarily of management fees and additional expenses such as trading fees, legal fees, auditor fees and other operational expenses. The total cost of the fund is divided by the fund's total assets to arrive at a percentage amount, which represents the TER:

$$\text{Total Expense Ratio} = \frac{\text{Total Fund Costs}}{\text{Total Fund Assets}}$$

In response to questions both Jonathan and Nick indicated that more can be done to capture and analyse costs; however, they recognised there is an increased cost to do so and this information is not always identifiable. Both emphasised the need for a full statement of fees that would include the hidden and explicit fees, for greater transparency. The issue then would become one of controlling not only the fee structure but also the turnover in transactions in order to keep the costs down; which leads you to more passive fund management arrangements. As an aside it was mentioned that the new transactions levy would inevitably increase costs.

It was later announced by Bob Summers that Cipfa is to publish good practice guides on fee disclosures in the near future.

9. ***Concurrent Sessions***

A number of concurrent sessions were delivered:

a) Engaging with change: employers in the LGPS

Chaired by Helen Forrest, Head of Policy and Advocacy, NAPF, this session looked at the time following the valuations being complete, the new scheme being implemented and increased governance risk management requirements coming into force, how are funds currently engaging with their employers about all this change? And from both sides of the fence, how should this engagement change in the future?

Nigel Thomas, Specialist in Public Sector, Mercer, began his presentation from the historic employer/advisor perspective of engaging with change, i.e. the fund setting the funding strategy, gathering of membership data, setting the investment strategy and agreeing the assessment of funding position with the actuary. He then moved on to the topic of assessment of employer covenant profiling, i.e. each employer's capability of meeting its ongoing pension and deficit payments. He indicated that he thought that the administrating authority owes a fiduciary duty both to the scheme employers and to scheme members. As a consequence there are some flexibilities offered in dealing with employers individually, e.g. the ability to invest each employer's assets differently in order to reduce investment risk. The remainder of his presentation dealt with the potential to notionally manage differing funding strategies for each employer based on the maturity and liability profile of each employer.

b) Distressed opportunities investing

Chaired by Phil Triggs, Strategic Finance Manager, Surrey County Council, this session looked at the sectors of the global economy that in the aftermath of the financial crisis are emerging from operational distress but remain capital starved. So where are the best private equity opportunities in this global distressed landscape and how can pension funds optimise both direct investments and multi-manager structures to capture good risk-adjusted returns from these opportunities? The session also looked at how investors can keep fees under control to create good net-of-fee returns while still being able to access sector specialists to diversify their investment risk and see the best global opportunities.

Marianna Fassinotti, Portfolio Manager, Siguler Guff & Company, LP (a BNY Mellon specialist investment manager), began her presentation by explaining what is meant by distressed investing. This means taking into account either cyclical or episodic moments in the market that for a period increases the perceived risk to investing. This is caused in the capital market when the risk to refinancing or default risk is higher or imbalances exist between demand and supply; or internally to companies when cashflow coverage of fixed costs looks poor or balance sheets look to highly geared; or strategic defaults when external factors such as proposed legislative changes or global issues impact adversely on a market or companies. Her presentation then progressed to alternative strategies and opportunities to maximise returns through distressed investing and gave a few examples that they had taken advantage of, e.g. in banking, shipping and broadcasting.

c) To maximise investment returns above all else
Chaired by Will Pomroy, Policy Lead: Corporate Governance, NAPF, this session looked at how pension scheme investments - such as those in tobacco companies and local infrastructure - often elicit passionate and polarised views. Also, in light of the recent QC advice on fiduciary duty, how should schemes best manage their investments while fulfilling other responsibilities and navigating the associated reputational, ethical and moral factors?

Liz Woodyard, Investments Manager, Avon Pension Fund, began her presentation by explaining Avon Pension Fund's view of what is meant by responsible investing. By understanding its fiduciary duty but also setting out a set of core beliefs on the non-financial risks which can have a significant financial or detrimental impact upon investment returns and to what extent these risks will be managed. The ensuing investment strategy then applies across all asset classes and determines the Funds voting and engagement strategy and approach to collaboration. However, Avon recognises the limitations in applying these beliefs, such as in pooled funds and passive investment strategies, and the need to engage with investment managers and that this is a long term approach. Greater collaboration in common investment vehicles will increase the collaborative role that Members and Officers need to have in order to reduce the potential to invest in the 'Wonga's of this world and to avoid investing in companies that make cluster bombs etc.

Niall Mills, Head of Infrastructure Asset Management, First State Investments, gave a presentation on First State's approach to responsible investment. This included embedding an Environmental, Social and Governance (ESG) approach throughout the investment cycle. When taking positions in companies this would include setting up board-level safety committees, ensuring that risk registers included safety, environment and carbon management risks, and ensuring that various ISO energy management and health and safety management accreditation is retained.

10. ***The Future of the LGPS***
This was the long awaited speech by Brandon Lewis on the future of the LGPS which began with him thanking everyone for implementing the new CARE scheme

but also indicating that there was more work to be done, particularly on governance, the interaction between local and national boards and the cost cap! He moved on to the area of the response to the call for evidence where he indicated that he had listened and that a new consultation for reform had been published. No fund mergers at this time as there was a recognition that the democratic accountability argument had won out. Instead we should pursue common investment vehicles (CIV) to reduce fund manager fees with targeted annual savings of £240 million and a move to more passive management of listed assets with annual saving up to £230 million on fund manager fees, with an additional £190 million annual saving on transaction costs. There should be a move to more coherent and transparent gathering of costs so the LPGS can demonstrate value for money for taxpayers which will be a task for the Shadow Board. Fund deficits nationally are at 20% so innovative measures for managing deficits are required which will be another task for the Shadow Board. He finished by reminding everyone that the consultation finishes on the 17th July.

Mr Lewis defended his position well through the question and answer session. Most of his responses to issues such as active management, differing funds risk appetites, the shortcomings with CIVs, volatility and valuation issues, as well as the call for evidence process and the new consultation were dealt with by his highlighting that these issues were to be expected and should be addressed with evidence in the responses to the new consultation.

It wasn't possible for Mr Lewis to inform anyone now of the timetable for change following the consultation as this will obviously depend on the kind of legislation that needs to be enacted.

Mr Lewis' response to Councillor Rigby's question regarding the withdrawal of councillors from the LGPS stuck to the line that councillors are not employees and so are not entitled to be members of the LGPS. The exchange as reported in the Local Government Chronicle is as follows:

"Ken Rigby (Lib Dem), of Nottinghamshire CC, said: "you have dumped us councillors out of the scheme, and insultingly call us 'volunteers'. My pension will be, after 10 years, £20 per week. In the past 10 years, MPs have enhanced their scheme dramatically. You have put your snout in the trough at the expense of councillors"

Speaking over cheers from the conference floor, Mr Lewis said the prime minister had cut ministerial salaries by 5% and that the ministerial and MP pension schemes "were being reformed".
Mr Lewis added: "Just 16% of the LGPS is councillors, and only 3% of councillors are in the LGPS. I was a councillor; I appreciate what is involved. I know it can be one hour a week after work, or much more."

Mr Lewis suggested that they were still open to councils making the case for executive councillors and leaders maintaining scheme membership. However, a few days later the DCLG subsequently announced that the legislation on councillors' pensions has passed through parliament and councillors' pensions have been abolished, subject to the transitional provisions.

A representative from the North Yorkshire Pension Fund then indicated that active management outperformed passive management and that going passive would have resulted in a loss in investment income. Mr Lewis's response, suggesting that the evidence of scheme deficits would counter this argument, caused the greatest response from the conference floor as unfortunately Mr Lewis demonstrated his misunderstanding of how scheme liabilities and fund deficits are calculated.

11. ***Concurrent Sessions***

A number of concurrent sessions were delivered.

a) Governing LPGS 2014

Chaired by Bob Summers, CIPFA, this session looked at how funds should prepare for the new scheme governance arrangements and gave a chance to hear the latest detail on the regulations and how the Regulator plans to police the new arrangements.

Jeff Houston, Head of Pensions, Local Government Association, began his presentation with a recap of the Public Service Pensions Act 2013 which will see four distinct roles to be performed within each scheme; the Responsible Authority, The Scheme Manager, the Pensions Board and the Scheme Advisory Board. For the LGPS the Responsible Authority is the Secretary of State for Communities and Local Government.

The Act defines a Scheme manager as the organisation named as the administrating authority (e.g. Nottinghamshire County Council). The authority then discharges the function of scheme manager using Local Government Act 1972 section 101/102 to a person, committee or joint committee. The committee is not the scheme manager, merely the vehicle for discharging the function. Pension boards are bodies created by the Act. For the LGPS these will exist at the individual 'fund' level and will therefore be replicated across the LGPS.

Regulations exist currently only in draft form and are not expected until the autumn; however, there is a need to remember that the length of a Parliamentary autumn is longer, with an implementation date of 1 April 2015. As well as the nature of local governance the regulations will also cover the statutory scheme advisory board, timing, funding and reporting requirements.

Bob Scruton, Head of Public Service Pension Scheme, The Pensions Regulator, reminded everyone of The Regulator's role; explicitly regulatory oversight of governance and administration – not funding. When the Regulator calls they will be checking that the legal requirements are being fulfilled by the Scheme manager, such as record keeping, internal controls, and the publication of annual member statements, the internal dispute resolution procedures and conflict of interests of pension board members. They will also be reviewing Pension Board members' level of knowledge and understanding and the scheme whistle-blowing policy and procedures. Their role will firstly be to educate, enable and then enforcement which will be determined by the extent of breaches of pensions legislation.

b) The attractions of ‘unloved’ property
Chaired by Helen Roberts, Policy Lead: Investment, NAPF, this session looked at the ‘flight to safety’ in recent years which has led to substantial investment in UK high quality prime real estate assets, principally in London, consequently, investors have, up to now, shunned lower quality secondary properties but the tide is now turning with potential opportunities opening up for local authority pension schemes to invest.

Nick Vikers, Head of Financial Services, Kent County Council, began his presentation with some facts regarding Kent CC Pension Fund; £4.1 billion fund, 83% funded with 10% allocated to property through DTZ Investment and Asset Management, and moved on to the rationale for holding property which is akin to Nottinghamshire’s view. However, he indicated that there appeared to be a lack of options for increasing their allocation, until secondary property opportunities. This strategy focuses on smaller lot sizes, with higher net initial yield as assets are sourced from ‘distressed’ sellers, with some potential capital uplift.

Phil Clark, Head of Property Investment, Kames Capital, began his presentation with the history of the property cycle, which demonstrated that, although property yields and rental growth have followed the global financial crisis cycle, income returns have remained roughly constant over the same period thereby demonstrating that property offers a stable and reliable income stream. He continued with facts about the history of property investments in the UK. Namely, how Irish money disappeared after the 2008 recession to be replaced now with investments from Asia (mostly China and sovereign wealth funds), and from Japan. It still appears that for international property investors, investing in the UK equals investing in London (representing 76% of all inward investment).

His presentation concluded with his view that, although the gap between prime and secondary property yields was narrowing, the lack of availability of debt finance means there are still opportunities in the secondary market with growth forecasts for 2015 of between 7.8% and 10.7%.

c) Easy wins to increase efficiency in your investment portfolio
Helen Forrest, Head of Policy and Advocacy, NAPF, chaired a panel session exploring various implementation techniques that could help funds be more nimble and cost-effective as they experience changes to their investment strategy, bearing in mind volatile markets and changing regulations affecting LGPS.

Presentations from Tolu Osekita, Northamptonshire and Cambridgeshire Pension Fund and from Klaus Paeslar, Head of Currency and Overlay Strategy for the EMEA Region, Russell Investments, indicated that pension funds should and do spend most of their time determining their strategic asset allocation and that transaction costs and opportunity cost can have a significant impact on a portfolio’s performance. The remainder of the presentation regarded the potential use of a Russell Investments tool/technique to help minimise implementation costs of a fund's asset strategy which would enable asset allocation to switch more quickly or to shift from active to passive.

12. ***Governance: is it time to go our separate ways?***
One of the emerging themes from the call for evidence was the need to review the governance structure of the LGPS. This session looked at the question of whether it is finally time for employers and scheme managers to go their separate ways and how will governance get us through any restructuring of the LGPS.

Joanne Segars, Chair of the Shadow Board, set the basic question as to whether Pension Boards and Scheme Managers should be the same or not? Her presentational argument was that Pension Boards need to oversee the work of the Scheme Manager and so should be separate, otherwise it's like 'marking your own homework'. This also meant Pension Boards will be free to set their own priorities, targets and objectives outside of the Scheme Manager's influence.

Gary Delderfield, partner at Eversheds LLP, gave the legal view indicating that separation of the roles would provide greater transparency and consistency (i.e. not subject to local authority elections). However, there is a need to recognise that the LGPS is different in that it is not a trust-based scheme. It is bound by LGPS Regulations not by choice. That separation of roles can be achieved by delegation to pension committees and boards rather than any messy divorce. Overall the scheme manager has a fiduciary duty to employers and members (and public law) *"the administrating authority's power of investment must be exercised for investment purposes, and not for any wider purposes".*

Nicola Mark, Head of the Norfolk Pension Fund, ran through the history surrounding governance issues particularly those that followed the Hutton Review in 2011. She indicated that we should remember that the Co-op has a democratically elected board to manage its business and see how successful that organisation has been. Nicola's presentation then continued with her experience of complications arising in pension funds when parts of the governance of a pension fund are managed by different parts of the organisation. This can only lead to confusion over responsibility and accountability over scheme management. This mirrored the argument for not splitting any role between scheme manager and pension boards.

In responses to questions Gary argued we should keep it as it is, though it is recognised that the Pensions Regulator should issue common guidance that would be of practical help to manage these two roles.

13. ***The 2013 valuation: a critical year for the LGPS?***
The latest round of valuations was expected to be disappointing – austerity has impacted on cash flow and persistent low bond yields have repressed returns. Now the valuation is complete and the dust has settled, this session looked at what will be the impact on LGPS funds investment strategies.

Jo Holden, partner at Mercer, provided an update on the valuation results so far. The median funding level was 78%, the upper quartile was at 83%. However, as anticipated the review of the data would suggest that if the assumptions on discount rates (modelled on gilt yields) were set nationally for all funds (based on their model of gilt yields) then the results on funding levels would vastly different. This would show some upper-quartile funded funds dropping significantly below the median level. This represents the different risk in the valuations.

Jo continued her presentation with the theory that having taken the benefit of the increase in equities over the last year pension funds should lock these gains in by re-balancing the portfolio with the take-on of more index-linked gilts. She completed her presentation with an example of where Mercer had supported Cheshire Pension Fund in formulating this strategy (a fund with a funding level of 82%).

Unfortunately, in her post presentation response to a question regarding locking in the gains into better performing equities rather than bonds, Jo indicated that this alternative strategy would be just as good, as over time equities have outperformed bonds.

14. ***Changes are going to come***

The economy may be recovering slowly but local authority budgets continue to be stretched, and funds are continuing to deal with the cost implications of the new scheme and impact of wider reforms to the LGPS. This session looked at what impact all this change will have on funds and their members in the short and medium term.

Chris Megainey, Deputy Director for Workforce, Pay and Pensions, DCLG, gave the DCLG view of what they want to do over the coming years. This included the finishing touches to the pension scheme 2014 regulations, the governance regulations for 2015, cost control regulations, fair deal (for people contracted out of local government employment), councillor pensions, potential changes to the investment regulations and completion of the structural reform consultation and any ensuing regulations. They also wanted to look at pension fund data availability and transparency, especially over investment manager's costs etc., and would want to look at other issues including workforce profiles and the number of employers in the scheme.

Brian Strutton, National Secretary for Public Services, Joint Secretary of the National Joint Council for Local Government, GMB, explained the differing national valuation modelling undertaken by HMT and GAD regarding the long-term sustainability target of 19.5% (split 13.0% employers/ 6.5% employees) set by GAD as opposed to the HMT model of 20.5%. Full calculations will not be available until September 2015; however, initial analysis from the 2013 valuations indicates the future service rate is increasing. There is obviously some need to understand why it is increasing to see if this is structural or temporary. Corrective action may result if the scheme basis moves at all and must result if either basis moves by +/- 2%.

Brian concluded his presentation with his initial view of the valuation data. It appears that around a third of actual employer contributions are deficit repayments (recovery); that too many employer contributions are too high a level to be sustainable; and that the debt recovery periods are not reducing (with the average just below 20 years). However, there is still a way to go to understand what is happening with costs and what we should do about struggling funds.

Hugh Grover, Director (policy) Fair Funding, Performance and Procurement, London Councils, gave an update on the progress the London Councils are making on setting up a Collective or Common Investment Vehicle (CIV). Hugh explained the rationale for setting up such a structure and the complications there has been, including the investment regulations, in setting this up. The structure of such a vehicle looked very complicated with the need for one fund manager to be employed to run the 'Authorised Contracted Scheme' (ACS), managing a number of sub-funds based on asset class (but could include numerous managers within a class) and the governance structure that sits around this to ensure all councils participate, manage the ACS and continue to determine their own differing asset investment strategy, allowing them to invest in some or all of the sub-funds to a varying degree. So far 21 of the 33 councils have signed up to the establishment of the CIV and the next step is to establish the company, the various committees and to procure a fund manager/partner for the ACS. Hugh was hopeful that this would be operational in 12 months.

Hugh's concern was that the outcome from the structural reform will influence the work they have been undertaking and was hopeful that amendments to the pension investment regulations may be out in the autumn which may be helpful in overcoming some existing issues. Hugh also indicated that the operator of the ACS would not be able to provide the financial advice so felt a separate investment sub-committee would be required with its own independent financial advice.

It became apparent that the additional governance arrangements and the use of managers within the structure of the ACS would not necessarily provide the savings on costs, nor could it guarantee improved investment performance as originally envisaged.

15. ***The changing face of the LGPS***

There is a wide range of employers in the LGPS and the numbers are increasing. This session looked at how funds manage the changing nature of their employer members, the issues in the actuarial valuation and what are the future governance implications.

Peter Morris, Director, Greater Manchester Pension Fund, concentrated on the history of the GMPF which showed the changes in the fund from 1974, showing the changing make-up of percentage of employees that are from local authorities (shown as Laish in table below) and the large increase in the number of employers, as well as details of the fund;

	1974	1989	2001	2013
Employees	61,000	75,000	94,000	88,000
Deferred Members	198	14,600	34,700	96,000
Pensioners	15,600	42,200	67,000	92,000
% of employees Laish	95		84	73
Employers	37	78	184	342
Assets	£77m or £107m	£2bn or £1.9bn	£6.3bn	£12.6bn
Surplus / deficit	10% of pay	£225m 6.3%	£0.3bn 9.7%	(£1.2bn) 16.4%

As a consequence they have needed to review employer viability and employer asset allocations in planning to reduce investment risk.

Joseph Carr, Policy Leader (Finance), National Housing Federation, began his presentation with an overview of the differing types of pensions in the social housing sector, including LGPS, own defined benefit trusts, defined contribution schemes and the Social Housing Pension Scheme, managed by The Pension Trust. It is already a complicated picture for determining employer contributions and liabilities, which is added to by the differing treatments by LGPS for the NHS members, based on a misunderstanding of the financial challenges facing housing associations' treatment as admitted bodies or unincorporated charities. Joseph's argument was that all LGPS should treat housing associations the same in the valuations or even better if, like the Probation Service, they were all transferred to be administered by one authority.

Steve Simpkins, KPMG, began with the differing determination of discount rates by the main actuaries for the 2013 valuation. He showed a graph showing Hymans Robertson with the lowest rate, and hence potentially higher past service liabilities, to that of Aon Hewitt or Barnet Waddingham. He continued with the theme that there were wide variations between funds for measuring liabilities and recovery periods for admitted bodies to that of schedule bodies. He singled out academies which he asserted should be pooled separately to the original scheduled body. He argued that central guidance should be provided on the treatment of similar employers and would go even further to suggest central pools across all 89 LGPS for employer types akin to the desires portrayed in Joseph Carr's presentation for the treatment of housing associations.

As expected in response to Steve's presentation, representatives from both Aon and Hyman's criticised Steve's simple assertion, arguing instead that it was about covenants and financial backing to the admitted body that resulted in differing rates. It was also pointed out that the LGPS allows all employers a chance to contribute to the debate on asset allocation.

16. **Passive vs active? Internal vs external?**

Now reform is officially on the table this session looked at what change could look like, and whether it is just about deciding the best investment approach.

This was an open debate, chaired by Joanne Segars, and led by a presentation given by John Simmonds, CEM Benchmarking. His presentation began with an explanation of the large number of global defined-benefit pension funds that his company's benchmark data was drawn from; which included 42 UK funds (including 26 LGPS funds). Focusing on LGPS, this indicated that private equity alone represented approximately 4% of the combined LGPS's assets but 25% of its costs. 41% of combined LGPS's private markets assets were in fund-of-funds compared with 16% amongst peers. And performance over the last 5 years would indicate that paying more did not necessarily get you more. Based on a 22 year annual average, this showed the net value added by active management providing only 0.15% returns, net of the strategy return from selecting the asset allocation, above market indices. His message was that the data indicated that internal passive management was by far the most efficient route.

Additional contributions were then given by Mark Chaloner, West Midlands Pension Fund, and Steven Daniels, Tesco, both indicated that from their experience they supported the results from John's analysis. Steven reiterated the point that it is the asset allocation that was most important in investment performance and until he internalised the Tesco fund's investment management it was often the case that one fund manager's decision to sell a stock was normally a trigger for another to buy the same, only leading to additional costs. Tesco strategy has been to internalise the management of the funds and rationalise the fund managers, which he considers has improved investment performance.

Both Tesco and WMPF have reasonable internal passive management of investments. Being a larger fund, Tesco has included internalising not only equities, but also real estate and bonds.

The debate on whether size matters was more mixed, with Mark suggesting that from his experience smaller funds have been as successful in internalising the management of investments, whilst others felt that there was a critical mass. John indicated that the evidence indicates that large funds do outperform smaller funds on performance that is driven by cost differences but was unable to define what was meant by small.

Steven felt that the danger to outsourcing into CIVs was that individual funds would be a small part of very large funds and the danger that fund managers would just lift and shift a strategy that doesn't necessarily fit with local accountability or needs. The main danger of the current debate was that we would find the price of everything but the value of nothing [Oscar Wilde – definition of a cynic].

Statutory and Policy Implications

17. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using

the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

1) That it be noted that attendance at key conferences is part of the Fund's commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills.
2) That the report be noted

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Background Papers
None

Nottinghamshire County Council

Report to Pensions Sub-Committee

22 July 2014

Agenda Item: 8

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT

LGPS TRUSTEES CONFERENCE 2014

Purpose of the Report

1. To report on the 11th Annual LGPS Trustees Conference.

Information and Advice

2. The 11th Annual LGPS Trustees Conference, organised by the Local Government Pensions Committee (LGPC), was held on 19 to 20 June 2014 in Bournemouth. In accordance with prior approval and as part of the Fund's commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills, the conference was attended by Cllr Parry Tsimbiridis, Cllr Reg Adair and Simon Cunnington (Senior Accountant – Pensions & Treasury Management). This is the first time that representatives of the Fund have attended this conference.

3. ***Acts, Bills and all that***
   The first session was presented by Jeff Houston, Head of Pensions at the Local Government Association (LGA), who covered the implications of the Public Service Pensions Act 2013, the Pensions Act 2014, the Pensions Bill 2014 and the draft Institutions for Occupational Retirement Provision (IORP) II Directive. He began by outlining the governance aspects contained within the Public Service Pensions Act 2013 (PSP Act):

Responsible Authority	For the LGPS, the Secretary of State for Communities and Local Government
Scheme Manager	For the LGPS, the organisation named as the administering authority
Pension Board	No detail yet but draft regulations were expected shortly after the conference
Scheme Advisory Board	Currently have a shadow board in operation. The draft regulations will contain further detail on the full board

4. The majority of administering authorities will discharge the function of Scheme Manager through delegation to a committee under section 101 of the Local Government Act 1972. However, the Pension Board is created by the PSP Act and subsequent regulations and is not automatically covered by the normal Local Government powers and restrictions.

5. Jeff outlined the main points likely to feature in the consultation on the draft regulations:
    - Whether the Pension Board could be the same as the existing pensions committee
    - Whether councillors can be members of the Pension Board
    - Whether membership would be prescribed or left to local flexibility.

   The draft regulations have now been issued and discussions have already begun at Nottinghamshire regarding the implications of the likely changes.

6. The Pensions Act 2014 introduces the single tier state pension but also removes contracting out for pension schemes from 1 April 2016. Jeff raised the point that, contrary to popular belief, not everyone would get the full rate of state pension as it was dependent on the number of years of contributions. This is important for LGPS members considering the affordability of retiring. The loss of contracting out will mean that employers (such as the County Council) will face an increased national insurance bill.

7. The Pensions Bill 2014 was introduced following the budget and included the measures to allow members of defined contribution (DC) schemes to take their full pension as a lump sum. This has no direct impact on the LGPS but may have an indirect effect if members choose to transfer their pension into a DC scheme in order to take advantage of the extra flexibility. Banning such transfers from funded schemes is being considered.

8. Finally, Jeff covered the main issues from the draft IORP II directive. These include articles covering annual benefit statements and a "fit and proper" requirement for all who run pension schemes. This is unlikely to be applied to the LGPS but this may face challenge.

9. ***Keeping it local***
   Cllr Kieran Quinn, chair of the Greater Manchester Pension Fund (GMPF), explained how they were investing in the local area. GMPF is the largest LGPS fund in England and Wales with over £13 billion worth of assets and has a long history of investing locally. The fund has recently increased its allocation to local investment to 5% of the fund (approx. £600 million). This is invested through four channels:
    - Greater Manchester Property Venture Fund (GMPVF)
    - Investment alongside Evergreen (a commercial property fund)
    - Residential property (Matrix Homes)
    - Invest for Growth

10. The GMPVF undertakes property development within the North West of England. It targets commercial returns but has a secondary aim of supporting the area through employment and regeneration. Matrix Homes is building around 250 homes in Manchester, half to sell and half to rent, and GMPF is providing the capital to fund the development on land provided by Manchester City Council. Invest for Growth is a collaborative project with other LGPS funds through which £157 million has been committed to 5 investments with the twin aims of commercial returns and positive socio-economic impact. GMPF is considering options for a second phase to be focused locally.

11. ***Four corners of the earth***
    In contrast to the previous session, Linda Selman from Hymans Robertson showed how LGPS funds have progressively been diversifying into overseas investments. Seven years ago, the average LGPS equity allocation had 50% in the UK. This is now 38%, with the main

increase being to global mandates. This still shows a preference for the UK compared to market indices – the UK only makes up 8% of the MSCI ACWI index.

12. The main stated benefit of increasing overseas exposure is diversification from the UK. However, Linda showed that the correlation of the UK market with global equities was 92%. In fact the UK market is quite highly correlated with most overseas markets apart from Japan. An additional risk highlighted was the exposure to other currencies which can increase or decrease returns in sterling terms.

13. ***The Northern Ireland experience***
David Murphy, Chief Executive and Secretary of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) outlined their place within the LGPS and asked whether the rest of the UK could learn from their experience. The NILGOSC fund is about £5 billion with costs of £14.6 million. The fund is overseen by a board with members appointed by the Department of the Environment – five board members are nominated by employers and five by the trades unions; three members, including the chair, are independent.

14. David highlighted what he saw as the strengths of the NILGOSC system. The public appointments process of board members allows appointment against a specific skillset although there can be a problem with a lack of applicants. All board members act in the interests of all scheme members regardless of who nominated them. The board undertakes training and appraisal including an annual training needs assessment, a target of 40 hours training per year and an annual assessment of the board (including the "group dynamic").

15. ***Communication through collaboration***
Mary Lambe, Pensions Adviser at the LGA, ran through the various communication channels that the LGPC has co-ordinated for the LGPS 2014. The LGPC used a communications working group (with representatives from 16 LGPS funds) to adopt a collaborative approach to the communications, with sub-groups focusing on each strand. These strands included a dedicated website, online videos and modellers, leaflets and guides. Additional websites are also available specifically for LGPS funds and employers and the Shadow Scheme Advisory Board.

16. ***Call for evidence***
Sir Merrick Cockell, the outgoing chair of the LGA, gave a quick résumé of the journey to LGPS 2014 via the Hutton reports. This led to the "call for evidence" (which received 133 responses) and the latest consultation on opportunities for collaboration. The LGA does not believe that managing all listed assets passively is the way forward as a small effect on performance could wipe out any cost savings. In any case, there are many different varieties of passive investment and it would be very difficult to specify one as being most suitable.

17. The LGA believe it is better to look into the causes of under or out-performance and to support or intervene where necessary. A "one size fits all" solution is not appropriate. Common Investment Vehicles (CIVs) may be able to reduce fees but they are not the only way to invest on a collaborative basis.

18. ***Responsible Stewardship in 2014***
Deborah Gilshan, Corporate Governance Counsel at RPMI Railpen, began by highlighting the top 10 risks likely to cause an impact on a global scale as identified in the World Economic Forum Global Risks 2014 report:
    1) Fiscal crises in key economies
    2) Structurally high unemployment / under employment
    3) Water crises
    4) Severe income disparity
    5) Failure of climate change mitigation and adaptation
    6) Greater incidence of extreme weather events
    7) Global governance crisis
    8) Food crises
    9) Failure of a major financial mechanism / institution
    10) Profound political and social instability

These mostly have an ESG (Environmental, Social and Governance) connection.

19. Railpen is a long term responsible investor and so the long term performance of investee companies matters. It is therefore active in voting and engagement with companies. The approach is to work in collaboration with its investment managers and also collectively with other asset owners around the world. Deborah listed a number of questions that investors should be asking on stewardship. The Nottinghamshire Fund's existing policies and practices already cover these issues.

20. ***Investment Spotlight***
The spotlight was on Diversified Growth Funds (DGFs), presented by Atul Shinh from Investec Asset Management. Atul initially highlighted how the investment world has changed over the last 20 years, becoming increasingly global and complicated. This, he argued, means that investors need an 'enhanced tool-kit' which of course involves DGFs.

21. DGFs are in many ways similar to the old balanced mandates in which a manager made asset allocation decisions between traditional asset classes of equities, gilts, property and cash. However, DGFs have access to a far wider range of assets including corporate and overseas bonds, currencies, commodities and infrastructure. This gives them more opportunities to generate growth and their structures allow them to move more quickly between asset classes than a whole pension fund could.

22. However, there are a number of risks involved including variable quality of the manager, the complexity of the strategy, fee levels and the fact that DGFs won't perform as well during bull markets. The last point is seen as a benefit in that it reduces the volatility of returns from equities. But, as a long term investor, the Fund is able to accept volatility and would therefore lose return during strong equity markets.

23. ***Keynote Address – LGPS Governance***
The final presentation was given by Joanne Segars OBE, Chief Executive of the National Association of Pension Funds and Chair of the Shadow Scheme Advisory Board. Joanne described the LGPS as a long term game but one that is constantly changing. There has recently been a lot of change, including the new LGPS 2014 scheme, but there is even more to come and it is vital to get the implementation right.

24. The Shadow Scheme Advisory Board has also been busy in its first year of operation. The Board has two objectives:
   - To provide advice to the Secretary of State on the desirability of changes to the scheme
   - To provide advice to scheme managers and pension boards on the effective management and administration of the scheme

25. Much of the Board's activities flow through its sub-committees. Joanne informed the conference of some of these activities.

Sub-Committee	Key Actions
Admin & Communications	Developed guidance on annual benefit statements for the new scheme. Reviewing the three-tier ill-health arrangements.
Governance	Developing guidance for the new LGPS governance arrangements in conjunction with DCLG and the TPR. The board believes that government should explore ways to deliver greater separation between local funds and their administering authorities.
Value for Money & Collaboration	Produced a comprehensive list of current collaboration initiatives.
Cost Management & Contributions	Set employee contribution bands for 2014/15 and agreed the terms of the cost management process to keep within the 19.5% shared cost ceiling.
Investment & Engagement	Secured counsel opinion on the investment aim of the LGPS – there is a fiduciary duty to secure best returns for employers and scheme members but funds can take account of other issues provided there is no material effect on returns.

26. One of the key tasks of the Board has been to compile reliable and consistent data across the scheme. Phase one has been to gather all fund annual reports in one place. Phase two is to aggregate the data at scheme level (this will shortly be completed). Phase three will be to develop a set of financial and non-financial health indicators that will help to compare one fund with another. This is important as it will enable the LGPS to tell its own story rather than allowing others to fill the gap.

27. Joanne then gave the Board's view on the latest consultation on collaboration by reiterating the LGA's view that a "one size fits all" approach is not appropriate. The focus should be on value for money, not just cost and the government should be wary of losing investment returns through "mandation" of passive investment. The greatest opportunity for cost savings without affecting returns is through internal management which the consultation seems to have forgotten. The Board has also been asked to look specifically at measures aimed at reducing deficits and the aim is to provide suggestions to the Minister later in the summer.

28. Joanne finished the conference by sharing her understanding of what was likely to be key elements in the consultation on scheme governance:

- Local pension boards will require a minimum of 4 members (with equal number of employer and scheme member representatives)
- Boards can have “other” members but these may not outnumber the employer and scheme members representatives
- Councillors will only be able to serve as “other” members
- The Pension Board can be the existing Pension Committee but only with permission of the Secretary of State.

Statutory and Policy Implications

29. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) That it be noted that attendance at key conferences is part of the Fund’s commitment to ensuring those charged with decision-making and financial management have effective knowledge and skills.
2) That the report be noted

Report author:
Simon Cunnington
Senior Accountant – Pensions & Treasury Management

For any enquiries about this report please contact: Simon Cunnington

Constitutional Comments

30. Because this report is for noting only, no Constitutional Comments are required.

Financial Comments (SRC 14/07/14)

31. There are no financial implications arising from this report.

Background Papers and Published Documents
Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None

Nottinghamshire County Council

Report to Pensions Sub-Committee

22 July 2014

Agenda Item: 9

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT

PROXY VOTING

Purpose of the Report

1. The Fund is committed to supporting best practice in corporate governance and has adopted the *UK Stewardship Code* as recommended by the CIPFA *Principles for investment decision making and disclosure*. This report is to inform members of the voting of equity holdings in the second quarter of 2014 (calendar year) as part of this ongoing commitment.

Information and Advice

2. The *UK Stewardship Code*, issued in September 2012 by the Financial Reporting Council, highlights the responsibilities that institutional investors have with regard to the "long-term success of companies in such a way that the ultimate providers of capital [in this case, the Nottinghamshire Pension Fund] also prosper". These responsibilities include, among other things, having a clear policy on voting and on the disclosure of voting activity. The *Code* states that investors "should not automatically support the board".

3. Alongside this the CIPFA *Principles for investment decision making and disclosure* require administering authorities to include a statement of their policy on responsible investment in the Statement of Investment Principles and report periodically on the discharge of such responsibilities. The Fund's statement on responsible investment states that "the Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds".

4. The Fund retains responsibility for voting (rather than delegating to its investment managers) and votes the majority of its equity holdings in the UK, Europe, US and Japan. Voting is implemented by Pensions Investment Research Consultants (PIRC). PIRC issue Shareholder Voting Guidelines each year and these are the basis of the voting implemented on behalf of the Fund.

5. An overview of the voting activity and analysis of the key issues during the quarter are shown in the attached report from PIRC. This information will also be available on the Fund's website at: http://www.nottspf.org.uk/pensionfund/voting/.

Statutory and Policy Implications

6. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the

safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

1) That the report be noted.

Report Author:
Simon Cunnington
Senior Accountant – Pensions & Treasury Management

For any enquiries about this report please contact: Simon Cunnington

Constitutional Comments

7. Because this report is for noting only, no Constitutional Comments are required.

Financial Comments (SRC 11/07/14)

8. There are no direct financial implications arising from this report..

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- Financial Reporting Council, The UK Stewardship Code, September 2012.

PIRC

NOTTINGHAMSHIRE QUARTERLY VOTING REPORT

OVERVIEW

1. The Pension Fund received voting recommendations for **9844** resolutions at **646** meetings in the quarter ended **2014-06-30**.
2. The Pension Fund supported **6460** of the resolution (**65.62%**).
3. The Pension Fund voted against on **2178** occasions (**22.13%**).
4. The Pension Fund abstained on **532** occasions (**5.4%**).
5. There were **364** non-voting agenda items (**3.7%**).
6. There were **286** withheld agenda items (**2.91%**).
7. There were **14** not supported agenda items (**0.14%**).

TABLE 1: GEOGRAPHIC VOTING OVERVIEW

Geographic Region	Meeting	Resolutions	For	Oppose	Abstain	Withheld	Say When on Pay	Non-Voting
SOUTH AND CENTRAL AMERICA	1	6	2	4	0	0	0	0
REST OF THE WORLD	0	0	0	0	0	0	0	0
ASIA	0	0	0	0	0	0	0	0
NORTH AMERICA	268	3551	1971	1077	210	286	6	0
UK	127	2375	1908	313	148	0	0	3
EU	182	3084	1865	678	166	0	0	361
JAPAN	68	828	714	106	8	0	0	0

TABLE 2: ANALYSIS OF UK ALLSHARE VOTING RECOMMENDATIONS

Resolution Type	For	Percentage %	Abstain	Percentage %	Oppose	Percentage %	Total
Annual Reports	93	82.3	3	2.65	17	15.04	113
Remuneration Reports	96	84.21	11	9.65	7	6.14	114
Articles of Association	15	71.43	3	14.29	3	14.29	21
Auditors Appointment	43	36.13	43	36.13	33	27.73	119
Directors	918	86.2	60	5.63	87	8.17	1065
Dividend	95	100.0	0	0.0	0	0.0	95
Executive Pay Scheme	3	7.14	2	4.76	37	88.1	42

TABLE 3: SIGNIFICANT OPPOSE VOTES

Company	Date	Type	Proposal	Recommendation	Oppose Percentage
NATIONAL EXPRESS GROUP PLC	2014-05-14	AGM	Shareholder Resolution: That the Board should take steps to develop a robust and transparent oversight for the company's corporate responsibility strategy and policies	For	85.36
KAZAKHMYS PLC	2014-05-08	AGM	To approve the LTIP waiver granted by the takeover panel pursuant to the Vesting of LTIP	For	53.36
ROLLS-ROYCE HOLDINGS PLC	2014-05-01	AGM	Authorise Share Repurchase	For	49.98
ASTRAZENECA PLC	2014-04-24	AGM	Elect Jean-Philippe Courtois	Abstain	42.61
LAMPRELL PLC	2014-06-10	AGM	Approve the Remuneration Report	For	41.56
CARNIVAL CORP/PLC (GBR)	2014-04-17	AGM	Approve Pay Structure	Oppose	41.5
CARNIVAL CORP/PLC (GBR)	2014-04-17	AGM	Approve the Remuneration Report	For	41.28
LAMPRELL PLC	2014-06-10	AGM	Approve the Remuneration Policy	Oppose	41.24
STANDARD CHARTERED PLC	2014-05-08	AGM	Approve Remuneration Policy	Oppose	40.68
LAMPRELL PLC	2014-06-10	AGM	Issue shares for cash	For	40.04
LAMPRELL PLC	2014-06-10	AGM	Issue shares with pre-emption rights	For	40.02
LAMPRELL PLC	2014-06-10	AGM	Amend existing long term incentive plan	Oppose	38.58

ASTRAZENECA PLC	2014-04-24	AGM	Approve the Remuneration Report	For	38.06
CARNIVAL CORP/PLC (GBR)	2014-04-17	AGM	Approve Remuneration Policy	Oppose	37.97
NATIONAL EXPRESS GROUP PLC	2014-05-14	AGM	Approve the Remuneration Report	For	35.51
TULLETT PREBON PLC	2014-05-09	AGM	Approve the Remuneration Report	For	35.16
PEARSON PLC	2014-04-25	AGM	Approve the Remuneration Report	For	33.23
BG GROUP PLC	2014-05-15	AGM	Approve the Remuneration Report	For	32.08
MORRISON (WM) SUPERMARKETS	2014-06-05	AGM	Issue shares with pre-emption rights	For	26.25
RECKITT BENCKISER GROUP PLC	2014-05-07	AGM	Approve the Remuneration Report	For	26.24
MORRISON (WM) SUPERMARKETS	2014-06-05	AGM	Approve Remuneration Policy	Oppose	25.95
MONDI PLC	2014-05-14	AGM	Issue special converting shares with pre-emption rights	For	24.06
BARCLAYS PLC	2014-04-24	AGM	Approve the Remuneration Report	Oppose	23.99
MORRISON (WM) SUPERMARKETS	2014-06-05	AGM	Meeting notification related proposal	For	23.06
MONDI PLC	2014-05-14	AGM	Issue shares with pre-emption rights	For	22.39
PRUDENTIAL PLC	2014-05-15	AGM	Issue shares with pre-emption rights	For	22.02

ITV PLC	2014-05-14	AGM	Approve the Remuneration Report	For	21.58
MONDI PLC	2014-05-14	AGM	General authority to issue shares	For	21.5
MONDI PLC	2014-05-14	AGM	Issue shares for cash	For	20.35
HSBC HLDGS PLC	2014-05-23	AGM	Approve Remuneration Policy	Oppose	20.3

TABLE 4: MEETINGS VOTE / NOT VOTED IN THE QUARTER

Company	Meeting Date	Type	Date Voted	Comment
ABERTIS INFRAESTRUCTURAS SA	2014-04-01	AGM	2014-03-20	Voted
ELISA CORP	2014-04-02	AGM	2014-03-20	Voted
NCC AB	2014-04-02	AGM	2014-03-20	Voted
TELIASONERA AB	2014-04-02	AGM	2014-03-20	Voted
VOLVO AB	2014-04-02	AGM	2014-03-20	Voted
ZURICH INSURANCE GRP AG	2014-04-02	AGM	2014-03-17	Voted
AGEAS NV	2014-04-03	EGM	2014-03-19	Voted
RANDSTAD HOLDINGS NV	2014-04-03	AGM	2014-03-20	Voted
SKANSKA AB	2014-04-03	AGM	2014-03-	Voted

			20	
HENKEL AG & Co KGaA	2014-04-04	AGM	Not Voted	Non voting shares
SOLVAY SA	2014-04-07	EGM	2014-03-21	Voted
BANK OF NEW YORK MELLON CORP.	2014-04-08	AGM	2014-03-24	Voted
HOLMEN AB	2014-04-08	AGM	2014-03-24	Voted
PORVAIR PLC	2014-04-08	AGM	2014-03-24	Voted
SAAB AB	2014-04-08	AGM	2014-03-24	Voted
UPM-KYMMENE OYJ	2014-04-08	AGM	2014-03-24	Voted
DAIMLER AG	2014-04-09	AGM	2014-03-27	Voted
KONINKLIJKE (ROYAL) KPN NV	2014-04-09	AGM	2014-03-24	Voted
LSI CORP	2014-04-09	EGM	2014-03-28	Voted
SCHLUMBERGER LTD	2014-04-09	AGM	2014-03-31	Voted
TNT EXPRESS NV	2014-04-09	AGM	2014-03-27	Voted
VERBUND AG	2014-04-09	AGM	2014-03-25	Voted
ADOBE SYSTEMS INC	2014-04-10	AGM	2014-04-	Voted

			01	
BEKAERT SA/NV	2014-04-10	EGM	2014-03-25	Voted
BP PLC	2014-04-10	AGM	2014-04-04	Voted
CIENA CORP.	2014-04-10	AGM	2014-03-25	Voted
HUSQVARNA AB	2014-04-10	AGM	2014-03-27	Voted
LVMH (MOET HENNESSY - LOUIS VUITTON) SA	2014-04-10	AGM	2014-03-24	Voted
NESTLE SA	2014-04-10	AGM	2014-04-02	Voted
SCA (SVENSKA CELLULOSA) AB	2014-04-10	AGM	2014-03-31	Voted
SMITH & NEPHEW PLC	2014-04-10	AGM	2014-04-01	Voted
WEYERHAEUSER CORP.	2014-04-10	AGM	2014-03-27	Voted
ERICSSON	2014-04-11	AGM	2014-03-28	Voted
GAS NATURAL SDG SA	2014-04-11	AGM	2014-03-28	Voted
SWISS RE	2014-04-11	AGM	2014-03-28	Voted
GOODYEAR TIRE & RUBBER CO	2014-04-14	AGM	2014-04-02	Voted

OUTOKUMPU OY	2014-04-14	AGM	2014-04-01	Voted
ADECCO SA	2014-04-15	AGM	2014-03-31	Voted
ATLANTIA SPA	2014-04-15	AGM	2014-04-01	Voted
CARREFOUR SA	2014-04-15	AGM	2014-04-01	Voted
FIFTH THIRD BANCORP	2014-04-15	AGM	2014-04-02	Voted
MOODYS CORP.	2014-04-15	AGM	2014-04-02	Voted
NORTHERN TRUST CORP.	2014-04-15	AGM	2014-04-02	Voted
PUBLIC SERVICE ENTERPRISE GROUP INC.	2014-04-15	AGM	2014-04-02	Voted
RIO TINTO GROUP (GBP)	2014-04-15	AGM	2014-04-07	Voted
SPECTRA ENERGY CORP.	2014-04-15	AGM	2014-04-02	Voted
STANLEY BLACK & DECKER INC	2014-04-15	AGM	2014-04-02	Voted
US BANCORP	2014-04-15	AGM	2014-04-07	Voted
WHIRLPOOL CORP.	2014-04-15	AGM	2014-04-02	Voted
BABCOCK INTERNATIONAL GROUP PLC	2014-04-16	EGM	2014-04-07	Voted

BUNZL PLC	2014-04-16	AGM	2014-04-07	Voted
GEA GROUP AG	2014-04-16	AGM	2014-04-01	Voted
KONINKLIJKE (ROYAL) AHOLD NV	2014-04-16	AGM	2014-04-01	Voted
LONZA GROUP AG	2014-04-16	AGM	2014-04-04	Voted
PERSIMMON PLC	2014-04-16	AGM	2014-04-07	Voted
POSTNL NV	2014-04-16	AGM	2014-04-01	Voted
RTL GROUP	2014-04-16	AGM	2014-04-02	Voted
RWE AG	2014-04-16	AGM	2014-04-01	Voted
TELECOM ITALIA SPA	2014-04-16	AGM	2014-04-04	Voted
AES CORPORATION	2014-04-17	AGM	2014-04-02	Voted
BEIERSDORF AG	2014-04-17	AGM	2014-04-04	Voted
CARNIVAL CORP.	2014-04-17	AGM	2014-04-02	Voted
CARNIVAL CORP/PLC (GBR)	2014-04-17	AGM	2014-04-08	Voted
LOREAL SA	2014-04-17	AGM	2014-04-01	Voted

PPG INDUSTRIES INC.	2014-04-17	AGM	2014-04-02	Voted
RECORDATI SPA	2014-04-17	AGM	2014-04-04	Voted
TAYLOR WIMPEY PLC	2014-04-17	AGM	2014-04-08	Voted
TEXAS INSTRUMENTS INC.	2014-04-17	AGM	2014-04-07	Voted
AMERICAN ELECTRIC POWER CO INC	2014-04-22	AGM	2014-04-10	Voted
CITIGROUP INC.	2014-04-22	AGM	2014-04-14	Voted
COCA-COLA ENTERPRISES INC.	2014-04-22	AGM	2014-04-14	Voted
CYTEC INDUSTRIES INC	2014-04-22	AGM	2014-04-10	Voted
GROUPE BRUXELLES LAMBERT (GBL)	2014-04-22	AGM	2014-04-04	Voted
HANESBRANDS INC	2014-04-22	AGM	2014-04-09	Voted
METLIFE INC.	2014-04-22	AGM	2014-04-10	Voted
PERKINELMER INC	2014-04-22	AGM	2014-04-09	Voted
PNC FINANCIAL SERVICES GROUP INC	2014-04-22	AGM	2014-04-14	Voted
STRYKER CORP.	2014-04-22	AGM	2014-04-10	Voted

V F CORP	2014-04-22	AGM	2014-04-09	Voted
ANTENA 3 TV	2014-04-23	AGM	2014-04-10	Voted
AXA	2014-04-23	AGM	2014-04-07	Voted
CANADIAN NATIONAL RAILWAY CO	2014-04-23	AGM	2014-04-09	Voted
COCA-COLA CO.	2014-04-23	AGM	2014-04-14	Voted
DRAX GROUP	2014-04-23	AGM	2014-04-10	Voted
E I DUPONT DE NEMOURS & CO	2014-04-23	AGM	2014-04-22	Voted
EATON CORP PLC	2014-04-23	AGM	2014-04-02	Voted
GENERAL ELECTRIC CO	2014-04-23	AGM	2014-04-09	Voted
HAMMERSON PLC	2014-04-23	AGM	2014-04-11	Voted
NEWMONT MINING CORP. (HLDG CO.)	2014-04-23	AGM	2014-04-09	Voted
REED ELSEVIER NV	2014-04-23	AGM	2014-04-08	Voted
SPIRENT COMMUNICATIONS	2014-04-23	AGM	2014-04-11	Voted
STORA ENSO OYJ	2014-04-23	AGM	2014-04-04	Voted

TRELLEBORG AB	2014-04-23	AGM	2014-04-08	Voted
WOLTERS KLUWER NV	2014-04-23	AGM	2014-04-08	Voted
ZON OPTIMUS SGPS SA	2014-04-23	AGM	2014-04-08	Voted
AGGREKO PLC	2014-04-24	EGM	2014-04-11	Voted
AGGREKO PLC	2014-04-24	AGM	2014-04-11	Voted
ANGLO AMERICAN PLC	2014-04-24	AGM	2014-04-11	Voted
ASTRAZENECA PLC	2014-04-24	AGM	2014-04-08	Voted
BALOISE HOLDING	2014-04-24	AGM	2014-04-08	Voted
BARCLAYS PLC	2014-04-24	AGM	2014-04-16	Voted
BERENDSEN PLC	2014-04-24	AGM	2014-04-10	Voted
BOUYGUES SA	2014-04-24	AGM	2014-04-08	Voted
COBHAM PLC	2014-04-24	AGM	2014-04-11	Voted
COLT GROUP SA	2014-04-24	AGM	2014-04-10	Voted
DNB NOR ASA	2014-04-24	AGM	2014-04-04	Voted

EDISON INTERNATIONAL	2014-04-24	AGM	2014-04-09	Voted
ELEMENTIS PLC	2014-04-24	AGM	2014-04-14	Voted
HEINEKEN NV	2014-04-24	AGM	2014-04-08	Voted
JOHNSON & JOHNSON	2014-04-24	AGM	2014-04-14	Voted
KANSAS CITY LIFE INSURANCE CO	2014-04-24	AGM	2014-04-09	Voted
LOCKHEED MARTIN CORP.	2014-04-24	AGM	2014-04-15	Voted
PACE PLC	2014-04-24	AGM	2014-04-15	Voted
PFIZER INC.	2014-04-24	AGM	2014-04-10	Voted
REED ELSEVIER PLC	2014-04-24	AGM	2014-04-11	Voted
SAMPO OYJ	2014-04-24	AGM	2014-04-08	Voted
SEARS CANADA INC	2014-04-24	AGM	2014-04-10	Voted
UCB SA/NV	2014-04-24	AGM	2014-04-07	Voted
ABBOTT LABORATORIES	2014-04-25	AGM	2014-04-09	Voted
ALLEGHANY CORP	2014-04-25	AGM	2014-04-09	Voted

AMERICAN NATIONAL INSURANCE	2014-04-25	AGM	2014-04-10	Voted
AT&T INC.	2014-04-25	AGM	2014-04-17	Voted
FORBO AG	2014-04-25	AGM	2014-04-10	Voted
KELLOGG CO.	2014-04-25	AGM	2014-04-17	Voted
PEARSON PLC	2014-04-25	AGM	2014-04-16	Voted
PEUGEOT SA	2014-04-25	AGM	2014-04-11	Voted
SENIOR PLC	2014-04-25	AGM	2014-04-15	Voted
XL GROUP PLC	2014-04-25	AGM	2014-04-02	Voted
CINCINNATI FINANCIAL CORP.	2014-04-26	AGM	2014-04-10	Voted
HARLEY-DAVIDSON INC	2014-04-26	AGM	2014-04-10	Voted
ASSICURAZIONI GENERALI SPA	2014-04-28	AGM	2014-04-10	Voted
BOEING COMPANY	2014-04-28	AGM	2014-04-22	Voted
FORTUNE BRANDS HOME & SECURITY INC	2014-04-28	AGM	2014-04-23	Voted
GDF SUEZ	2014-04-28	AGM	2014-04-15	Voted

GENUINE PARTS CO.	2014-04-28	AGM	2014-04-22	Voted
HONEYWELL INTERNATIONAL INC.	2014-04-28	AGM	2014-04-22	Voted
MEADWESTVACO CORP	2014-04-28	AGM	2014-04-22	Voted
UNITED TECHNOLOGIES CORP	2014-04-28	AGM	2014-04-25	Voted
ACCOR SA	2014-04-29	AGM	2014-04-10	Voted
AKZO NOBEL NV	2014-04-29	AGM	2014-04-11	Voted
ATLAS COPCO AB	2014-04-29	AGM	2014-04-11	Voted
BAYER AG	2014-04-29	AGM	2014-04-11	Voted
BB&T CORPORATION	2014-04-29	AGM	2014-04-22	Voted
BODYCOTE PLC	2014-04-29	AGM	2014-04-22	Voted
CHUBB CORP.	2014-04-29	AGM	2014-04-22	Voted
CORNING INC.	2014-04-29	AGM	2014-04-23	Voted
DANONE	2014-04-29	AGM	2014-04-14	Voted
DIRECTV Class A	2014-04-29	AGM	2014-04-25	Voted

DUFRY AG	2014-04-29	AGM	2014-04-17	Voted
ESSENTRA PLC	2014-04-29	AGM	2014-04-23	Voted
HENNES & MAURITZ AB (H&M)	2014-04-29	AGM	2014-04-11	Voted
HOLCIM LTD	2014-04-29	AGM	2014-04-10	Voted
INTERNATIONAL BUSINESS MACHINES CORP	2014-04-29	AGM	2014-04-24	Voted
LUFTHANSA AG	2014-04-29	AGM	2014-04-11	Voted
MEDIASET SPA	2014-04-29	AGM	2014-04-14	Voted
PACCAR INC.	2014-04-29	AGM	2014-04-22	Voted
SHIRE PLC	2014-04-29	AGM	2014-04-23	Voted
SOCIETE D EDITION DE CANAL PLUS	2014-04-29	AGM	2014-04-14	Voted
SUNCOR ENERGY INC	2014-04-29	AGM	2014-04-23	Voted
SYNGENTA AG	2014-04-29	AGM	2014-04-11	Voted
UMICORE	2014-04-29	AGM	2014-04-14	Voted
WELLS FARGO & CO	2014-04-29	AGM	2014-04-22	Voted

WIHLBORGS FASTIGHETER AB	2014-04-29	AGM	2014-04-14	Voted
ABB LTD	2014-04-30	AGM	2014-04-11	Voted
AGEAS NV	2014-04-30	AGM	2014-04-14	Voted
AMERIPRISE FINANCIAL INC.	2014-04-30	AGM	2014-04-25	Voted
ANHEUSER-BUSCH INBEV SA	2014-04-30	AGM	2014-04-11	Voted
ASIAN TOTAL RETURN INV COMPANY PLC	2014-04-30	AGM	2014-04-24	Voted
AVIVA PLC	2014-04-30	AGM	2014-04-24	Voted
BALL CORP.	2014-04-30	AGM	2014-04-24	Voted
BARRICK GOLD CORP	2014-04-30	AGM	2014-04-22	Voted
BBGI SICAV S.A.	2014-04-30	AGM	2014-04-24	Voted
BBGI SICAV S.A.	2014-04-30	EGM	2014-04-24	Voted
BRITISH AMERICAN TOBACCO PLC	2014-04-30	AGM	2014-04-24	Voted
CENOVUS ENERGY INC	2014-04-30	AGM	2014-04-22	Voted
E.ON AG	2014-04-30	AGM	2014-04-11	Voted

EMC CORP.	2014-04-30	AGM	2014-04-25	Voted
KBC GROUP SA	2014-04-30	AGM	2014-04-11	Voted
MARATHON OIL CORP.	2014-04-30	AGM	2014-04-25	Voted
MARATHON PETROLEUM CORP	2014-04-30	AGM	2014-04-25	Voted
MUENCHENER RUECK AG (MUNICH RE)	2014-04-30	AGM	2014-04-11	Voted
NEW YORK TIMES CO CL. A	2014-04-30	AGM	2014-04-25	Voted
PORTUGAL TELECOM SGPS SA	2014-04-30	AGM	2014-04-15	Voted
RENAULT SA	2014-04-30	AGM	2014-04-16	Voted
SEGRO PLC	2014-04-30	AGM	2014-04-24	Voted
TULLOW OIL PLC	2014-04-30	AGM	2014-04-24	Voted
ALLEGHENY TECHNOLOGIES INC	2014-05-01	AGM	2014-04-28	Voted
ARCHER DANIELS MIDLAND CO.	2014-05-01	AGM	2014-04-25	Voted
ARM HOLDINGS PLC	2014-05-01	AGM	2014-04-24	Voted
BANQUE CANTONALE VAUDOISE	2014-05-01	AGM	2014-04-17	Voted

CAPITAL ONE FINANCIAL CORP	2014-05-01	AGM	2014-04-28	Voted
DTE ENERGY CO.	2014-05-01	AGM	2014-04-25	Voted
DUKE ENERGY CORP.	2014-05-01	AGM	2014-04-25	Voted
EASTMAN CHEMICAL CO.	2014-05-01	AGM	2014-04-28	Voted
FLUOR CORP.	2014-05-01	AGM	2014-04-25	Voted
GANNETT CO.	2014-05-01	AGM	2014-04-28	Voted
GKN PLC	2014-05-01	AGM	2014-04-24	Voted
KIMBERLY CLARK CORP	2014-05-01	AGM	2014-04-28	Voted
KONINKLIJKE (ROYAL) PHILIPS ELECTRONICS NV	2014-05-01	AGM	2014-04-16	Voted
MANULIFE FINANCIAL CORP	2014-05-01	AGM	2014-04-25	Voted
MILLENNIUM & COPTHORNE HOTELS	2014-05-01	AGM	2014-04-25	Voted
ROLLS-ROYCE HOLDINGS PLC	2014-05-01	AGM	2014-04-24	Voted
ST JUDE MEDICAL INC	2014-05-01	AGM	2014-04-25	Voted
UNISYS CORP	2014-05-01	AGM	2014-04-28	Voted

VALERO ENERGY CORP	2014-05-01	AGM	2014-04-28	Voted
VERIZON COMMUNICATIONS INC	2014-05-01	AGM	2014-04-24	Voted
WEIR GROUP PLC	2014-05-01	AGM	2014-04-24	Voted
YUM! BRANDS INC.	2014-05-01	AGM	2014-04-28	Voted
ALCOA INC.	2014-05-02	AGM	2014-04-28	Voted
BASF SE	2014-05-02	AGM	2014-04-16	Voted
ENTERGY CORP.	2014-05-02	AGM	2014-04-28	Voted
ILLINOIS TOOL WORKS INC.	2014-05-02	AGM	2014-04-28	Voted
INTERCONTINENTAL HOTELS GRP	2014-05-02	AGM	2014-04-25	Voted
JOHN LAING INFRASTRUCTURE FUND LIMITED	2014-05-02	AGM	2014-04-28	Voted
LAIRD PLC	2014-05-02	AGM	2014-04-25	Voted
OCCIDENTAL PETROLEUM CORP.	2014-05-02	AGM	2014-04-28	Voted
REXAM PLC	2014-05-02	AGM	2014-04-25	Voted
BERKSHIRE HATHAWAY	2014-05-03	AGM	2014-04-28	Voted

AFLAC INC.	2014-05-05	AGM	2014-04-28	Voted
LILLY (ELI) & CO	2014-05-05	AGM	2014-04-29	Voted
MOTOROLA SOLUTIONS INC.	2014-05-05	AGM	2014-04-29	Voted
SANOFI	2014-05-05	AGM	2014-04-23	Voted
ALLERGAN INC.	2014-05-06	AGM	2014-04-30	Voted
ARGO GROUP INTL HOLDINGS LTD	2014-05-06	AGM	2014-05-02	Voted
AUTOLIV INC	2014-05-06	AGM	2014-04-22	Voted
AVON PRODUCTS INC	2014-05-06	AGM	2014-04-30	Voted
BAXTER INTERNATIONAL INC.	2014-05-06	AGM	2014-04-30	Voted
BOLIDEN AB	2014-05-06	AGM	2014-04-24	Voted
BOSTON SCIENTIFIC CORP	2014-05-06	AGM	2014-04-30	Voted
BRISTOL-MYERS SQUIBB CO	2014-05-06	AGM	2014-04-30	Voted
CADENCE DESIGN SYSTEMS INC	2014-05-06	AGM	2014-05-02	Voted
DANAHER CORP.	2014-05-06	AGM	2014-04-30	Voted

EXELON CORP.	2014-05-06	AGM	2014-04-29	Voted
INVESTOR AB	2014-05-06	AGM	2014-04-23	Voted
KERING SA	2014-05-06	AGM	2014-04-24	Voted
KRAFT FOODS GROUP INC	2014-05-06	AGM	2014-04-28	Voted
LAGARDERE SCA	2014-05-06	AGM	2014-04-24	Voted
MASCO CORP.	2014-05-06	AGM	2014-04-30	Voted
PARGESA HOLDING SA	2014-05-06	AGM	2014-04-22	Voted
RANDGOLD RESOURCES LTD	2014-05-06	AGM	2014-04-29	Voted
SCHNEIDER ELECTRIC SA	2014-05-06	AGM	2014-04-22	Voted
SEARS HOLDINGS CORP.	2014-05-06	AGM	2014-04-30	Voted
TAKKT AG	2014-05-06	AGM	2014-04-15	Voted
ZIMMER HOLDINGS INC	2014-05-06	AGM	2014-04-30	Voted
ALLIANZ SE	2014-05-07	AGM	2014-04-24	Voted
BAE SYSTEMS PLC	2014-05-07	AGM	2014-04-30	Voted

BBA AVIATION PLC	2014-05-07	AGM	2014-04-30	Voted
CAP GEMINI SA	2014-05-07	AGM	2014-04-25	Voted
CARILLION PLC	2014-05-07	AGM	2014-04-30	Voted
CRH PLC	2014-05-07	AGM	2014-04-30	Voted
CSX CORP.	2014-05-07	AGM	2014-05-01	Voted
DISCOVER FINANCIAL SERVICES	2014-05-07	AGM	2014-05-02	Voted
DOMINION RESOURCES INC	2014-05-07	AGM	2014-05-01	Voted
DUN & BRADSTREET CORP	2014-05-07	AGM	2014-05-01	Voted
ESSILOR INTERNATIONAL SA	2014-05-07	AGM	2014-04-25	Voted
EXPRESS SCRIPTS HOLDINGS CO	2014-05-07	AGM	2014-05-02	Voted
GENERAL DYNAMICS CORP.	2014-05-07	AGM	2014-05-01	Voted
GILEAD SCIENCES INC	2014-05-07	AGM	2014-05-01	Voted
GLAXOSMITHKLINE PLC	2014-05-07	AGM	2014-04-30	Voted
HEIDELBERGCEMENT AG	2014-05-07	AGM	2014-04-28	Voted

HESS CORPORATION	2014-05-07	AGM	2014-05-01	Voted
HOSPIRA INC.	2014-05-07	AGM	2014-05-01	Voted
KEMPER CORP/DE	2014-05-07	AGM	2014-05-02	Voted
KONINKLIJKE (ROYAL) DSM NV	2014-05-07	AGM	2014-04-24	Voted
LADBROKES PLC	2014-05-07	AGM	2014-04-30	Voted
LAFARGE SA	2014-05-07	AGM	2014-04-25	Voted
LEGGETT & PLATT INC.	2014-05-07	AGM	2014-05-01	Voted
PEPSICO INC.	2014-05-07	AGM	2014-05-01	Voted
PHILIP MORRIS INTERNATIONAL INC.	2014-05-07	AGM	2014-05-02	Voted
PHILLIPS 66	2014-05-07	AGM	2014-05-01	Voted
PIPER JAFFRAY COS INC	2014-05-07	AGM	2014-05-02	Voted
RECKITT BENCKISER GROUP PLC	2014-05-07	AGM	2014-04-30	Voted
RIGHTMOVE PLC	2014-05-07	AGM	2014-04-30	Voted
SWEDISH MATCH AB	2014-05-07	AGM	2014-04-24	Voted

UBS AG	2014-05-07	AGM	2014-04-30	Voted
ADIDAS AG	2014-05-08	AGM	2014-04-29	Voted
ADVANCED MICRO DEVICES INC	2014-05-08	AGM	2014-05-06	Voted
BILFINGER BERGER SE	2014-05-08	AGM	2014-04-25	Voted
CHEMTURA CORP	2014-05-08	AGM	2014-05-02	Voted
COMMERZBANK	2014-05-08	AGM	2014-04-29	Voted
CVS CAREMARK CORP	2014-05-08	AGM	2014-05-06	Voted
ENI SPA	2014-05-08	AGM	2014-04-28	Voted
FORD MOTOR CO	2014-05-08	AGM	2014-05-06	Voted
FRIENDS LIFE GROUP LIMITED	2014-05-08	AGM	2014-05-01	Voted
GTECH S.P.A.	2014-05-08	AGM	2014-04-28	Voted
HOWDEN JOINERY GROUP PLC	2014-05-08	AGM	2014-05-01	Voted
IMI PLC	2014-05-08	AGM	2014-05-01	Voted
INTESA SANPAOLO SPA	2014-05-08	AGM	2014-04-28	Voted

KAZAKHMYS PLC	2014-05-08	AGM	2014-05-01	Voted
LAURA ASHLEY HOLDINGS PLC	2014-05-08	AGM	2014-05-01	Voted
NORFOLK SOUTHERN CORP.	2014-05-08	AGM	2014-05-06	Voted
NRG ENERGY INC	2014-05-08	AGM	2014-05-02	Voted
NUCOR CORP.	2014-05-08	AGM	2014-05-06	Voted
SERCO GROUP PLC	2014-05-08	AGM	2014-05-01	Voted
STANDARD CHARTERED PLC	2014-05-08	AGM	2014-04-29	Voted
TENET HEALTHCARE CORP.	2014-05-08	AGM	2014-05-02	Voted
UNITED PARCEL SERVICE INC	2014-05-08	AGM	2014-05-02	Voted
WILLIAM HILL PLC	2014-05-08	AGM	2014-04-29	Voted
ABBVIE INC	2014-05-09	AGM	2014-05-06	Voted
COLGATE-PALMOLIVE CO.	2014-05-09	AGM	2014-05-06	Voted
CREDIT SUISSE GROUP	2014-05-09	AGM	2014-04-30	Voted
MAN GROUP PLC	2014-05-09	AGM	2014-05-02	Voted

MARRIOTT INTERNATIONAL INC.	2014-05-09	AGM	2014-05-06	Voted
MERCK KGAA	2014-05-09	AGM	2014-04-28	Voted
MORGAN ADVANCED MATERIALS PLC	2014-05-09	AGM	2014-05-02	Voted
RSA INSURANCE GROUP PLC	2014-05-09	AGM	2014-05-02	Voted
SEMPRA ENERGY	2014-05-09	AGM	2014-05-06	Voted
TT ELECTRONICS PLC	2014-05-09	AGM	2014-05-02	Voted
TULLETT PREBON PLC	2014-05-09	AGM	2014-05-02	Voted
VULCAN MATERIALS CO.	2014-05-09	AGM	2014-05-06	Voted
AMERICAN EXPRESS CO	2014-05-12	AGM	2014-05-07	Voted
AMERICAN INTERNATIONAL GROUP INC	2014-05-12	AGM	2014-05-07	Voted
CAPITA PLC	2014-05-12	AGM	2014-05-06	Voted
CENTRICA PLC	2014-05-12	AGM	2014-05-06	Voted
ENERGIAS DE PORTUGAL SA (EDP)	2014-05-12	AGM	2014-04-28	Voted
FAIRPOINT COMMUNICATIONS INC	2014-05-12	AGM	Not Voted	No ballot received

INDUSTRIVARDEN AB	2014-05-12	AGM	2014-04-24	Voted
ING GROEP NV	2014-05-12	AGM	2014-05-07	Voted
INTERNATIONAL PAPER CO	2014-05-12	AGM	2014-05-06	Voted
PG&E CORP.	2014-05-12	AGM	2014-05-06	Voted
PITNEY-BOWES INC	2014-05-12	AGM	2014-05-07	Voted
TELE2 AB	2014-05-12	AGM	2014-04-28	Voted
3M COMPANY	2014-05-13	AGM	2014-05-08	Voted
ACCO BRANDS CORP	2014-05-13	AGM	2014-05-12	Voted
BROADCOM CORP.	2014-05-13	AGM	2014-05-06	Voted
CONOCOPHILLIPS	2014-05-13	AGM	2014-05-08	Voted
CUMMINS INC.	2014-05-13	AGM	2014-05-06	Voted
eBAY INC.	2014-05-13	AGM	2014-05-08	Voted
EDENRED SA	2014-05-13	AGM	2014-05-02	Voted
ENCANA CORP	2014-05-13	AGM	2014-05-06	Voted

ESURE GROUP PLC	2014-05-13	AGM	2014-05-07	Voted
HUGO BOSS AG	2014-05-13	AGM	2014-04-29	Voted
LOEWS CORP.	2014-05-13	AGM	2014-05-06	Voted
MELROSE INDUSTRIES PLC	2014-05-13	AGM	2014-05-07	Voted
MORGAN STANLEY	2014-05-13	AGM	2014-05-06	Voted
PRUDENTIAL FINANCIAL INC.	2014-05-13	AGM	2014-05-06	Voted
QINETIQ GROUP	2014-05-13	EGM	2014-05-07	Voted
SANDVIK AB	2014-05-13	AGM	2014-05-02	Voted
SOLVAY SA	2014-05-13	AGM	2014-04-28	Voted
STANDARD LIFE PLC	2014-05-13	AGM	2014-05-07	Voted
VOLKSWAGEN AG	2014-05-13	EGM	2014-04-28	Voted
VOLKSWAGEN AG	2014-05-13	AGM	2014-04-28	Voted
WASTE MANAGEMENT INC	2014-05-13	AGM	2014-05-06	Voted
XCHANGING PLC	2014-05-13	AGM	2014-05-06	Voted

ALTRIA GROUP INC.	2014-05-14	AGM	2014-05-13	Voted
BEKAERT SA/NV	2014-05-14	AGM	2014-05-01	Voted
BEKAERT SA/NV	2014-05-14	EGM	2014-04-29	Voted
BIC SOCIETE	2014-05-14	AGM	2014-05-02	Voted
BNP PARIBAS	2014-05-14	AGM	2014-05-02	Voted
COLFAX CORP	2014-05-14	AGM	2014-05-13	Voted
DEXIA SA	2014-05-14	COMBINED	Not Voted	No ballot received
FRONTIER COMMUNICATIONS CORP	2014-05-14	AGM	2014-05-08	Voted
Google Inc.	2014-05-14	AGM	2014-05-13	Voted
ITV PLC	2014-05-14	AGM	2014-05-08	Voted
MARSHALLS PLC	2014-05-14	AGM	2014-05-08	Voted
MONDI PLC	2014-05-14	AGM	2014-05-08	Voted
NATIONAL EXPRESS GROUP PLC	2014-05-14	AGM	2014-05-08	Voted
PREMIER OIL PLC	2014-05-14	AGM	2014-05-08	Voted

RADIAN GROUP INC	2014-05-14	AGM	2014-05-13	Voted
RENTOKIL INITIAL PLC	2014-05-14	AGM	2014-05-08	Voted
SOUTHWEST AIRLINES CO	2014-05-14	AGM	2014-05-08	Voted
STATE STREET CORP.	2014-05-14	AGM	2014-05-08	Voted
STATOILHYDRO ASA	2014-05-14	AGM	2014-05-01	Voted
SWATCH GROUP AG	2014-05-14	AGM	2014-05-07	Voted
SYMRISE AG	2014-05-14	AGM	2014-05-06	Voted
THALES	2014-05-14	AGM	2014-05-02	Voted
UNILEVER NV	2014-05-14	AGM	2014-05-01	Voted
UNILEVER PLC	2014-05-14	AGM	2014-05-08	Voted
WELLPOINT INC	2014-05-14	AGM	2014-05-08	Voted
WOOD GROUP (JOHN) PLC	2014-05-14	AGM	2014-05-08	Voted
AMGEN INC.	2014-05-15	AGM	2014-05-12	Voted
APACHE CORP.	2014-05-15	AGM	2014-05-12	Voted

ARKEMA	2014-05-15	AGM	2014-05-06	Voted
BALFOUR BEATTY PLC	2014-05-15	AGM	2014-05-09	Voted
BG GROUP PLC	2014-05-15	AGM	2014-05-09	Voted
BMW AG	2014-05-15	EGM	Not Voted	No ballot received
BMW AG	2014-05-15	AGM	Not Voted	No ballot received
CABLE & WIRELESS COMMUNICATIONS PLC	2014-05-15	EGM	2014-05-09	Voted
CHARLES SCHWAB CORP.	2014-05-15	AGM	2014-05-14	Voted
DEUTSCHE BOERSE AG	2014-05-15	AGM	2014-05-02	Voted
DEUTSCHE TELEKOM	2014-05-15	AGM	2014-05-02	Voted
DIRECT LINE INSURANCE GROUP PLC	2014-05-15	AGM	2014-05-09	Voted
DOW CHEMICAL CO	2014-05-15	AGM	2014-05-12	Voted
DR PEPPER SNAPPLE GROUP INC.	2014-05-15	AGM	2014-05-09	Voted
KOHL'S CORP.	2014-05-15	AGM	2014-05-14	Voted
LEAR CORP	2014-05-15	AGM	2014-05-13	Voted
LLOYDS BANKING GROUP PLC	2014-05-15	AGM	2014-05-	Voted

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MARSH & MCLENNAN COMPANIES INC	2014-05-15	AGM	2014-05-12	Voted
MOSAIC CO	2014-05-15	AGM	2014-05-12	Voted
NEXT PLC	2014-05-15	AGM	2014-05-09	Voted
OLD MUTUAL PLC	2014-05-15	AGM	2014-05-02	Voted
PRUDENTIAL PLC	2014-05-15	AGM	2014-05-09	Voted
SEB SA	2014-05-15	AGM	2014-05-26	Voted
SIMON PROPERTY GROUP INC.	2014-05-15	AGM	2014-05-12	Voted
TRINITY MIRROR PLC	2014-05-15	AGM	2014-05-09	Voted
UNION PACIFIC CORP.	2014-05-15	AGM	2014-05-14	Voted
VESUVIUS PLC	2014-05-15	AGM	2014-05-09	Voted
WYNDHAM WORLDWIDE CORP.	2014-05-15	AGM	2014-05-13	Voted
CHESNARA PLC	2014-05-16	AGM	2014-05-12	Voted
DISCOVERY COMMUNICATIONS INC	2014-05-16	AGM	2014-05-14	Voted

GOLDMAN SACHS GROUP	2014-05-16	AGM	2014-05-14	Voted
INCHCAPE PLC	2014-05-16	AGM	2014-05-12	Voted
MACY'S INC.	2014-05-16	AGM	2014-05-14	Voted
MATTEL INC.	2014-05-16	AGM	2014-05-14	Voted
MICHELIN	2014-05-16	AGM	2014-05-07	Voted
PROGRESSIVE CORP.	2014-05-16	AGM	2014-05-14	Voted
SIG PLC	2014-05-16	AGM	2014-05-12	Voted
TOTAL SA	2014-05-16	AGM	2014-05-07	Voted
TRANSOCEAN LTD	2014-05-16	AGM	2014-05-14	Voted
WESTERN UNION CO.	2014-05-16	AGM	2014-05-14	Voted
DILLARDS INC -CL A	2014-05-17	AGM	2014-05-14	Voted
ALENT PLC	2014-05-19	AGM	2014-05-13	Voted
CONSOLIDATED EDISON INC	2014-05-19	AGM	2014-05-14	Voted
ENSCO PLC - CL A	2014-05-19	AGM	2014-05-14	Voted

HSBC HLDGS PLC	2014-05-19	EGM	Not Voted	Information Only Meeting
KINDER MORGAN INC	2014-05-19	AGM	2014-05-14	Voted
AIR FRANCE - KLM	2014-05-20	AGM	2014-05-13	Voted
ALLSTATE CORP.	2014-05-20	AGM	2014-05-14	Voted
AXIALL CORPORATION	2014-05-20	AGM	2014-05-16	Voted
FIRSTENERGY CORP.	2014-05-20	AGM	2014-05-14	Voted
GAP INC	2014-05-20	AGM	2014-05-14	Voted
GLENCORE PLC	2014-05-20	AGM	2014-05-14	Voted
JP MORGAN CHASE & CO	2014-05-20	AGM	2014-05-15	Voted
LINDE AG	2014-05-20	AGM	2014-05-12	Voted
OMNICOM GROUP INC	2014-05-20	AGM	2014-05-14	Voted
PENTAIR LTD	2014-05-20	EGM	Not Voted	Voted
PENTAIR LTD	2014-05-20	AGM	2014-05-16	Voted
ROYAL DUTCH SHELL PLC	2014-05-20	AGM	2014-05-07	Voted

SOCIETE GENERALE SA	2014-05-20	COMBINED	2014-05-09	Voted
SPIRAX-SARCO ENGINEERING PLC	2014-05-20	AGM	2014-05-14	Voted
UBM PLC	2014-05-20	AGM	2014-05-14	Voted
UNUM GROUP.	2014-05-20	AGM	2014-05-15	Voted
US CELLULAR CORP	2014-05-20	AGM	2014-05-15	Voted
AEGON NV	2014-05-21	AGM	2014-05-08	Voted
AMAZON COM INC.	2014-05-21	AGM	2014-05-15	Voted
CME GROUP INC.	2014-05-21	AGM	2014-05-15	Voted
COMCAST CORP	2014-05-21	AGM	2014-05-15	Voted
FOOT LOCKER INC	2014-05-21	AGM	2014-05-16	Voted
HARTFORD FINANCIAL SERVICES GRP	2014-05-21	AGM	2014-05-15	Voted
HCC INSURANCE HOLDINGS INC	2014-05-21	AGM	2014-05-16	Voted
JUNIPER NETWORKS INC	2014-05-21	AGM	2014-05-15	Voted
KATE SPADE & COMPANY	2014-05-21	AGM	2014-05-13	Voted

LEGAL & GENERAL GROUP PLC	2014-05-21	AGM	2014-05-15	Voted
MONDELEZ INTERNATIONAL INC	2014-05-21	AGM	2014-05-14	Voted
NORTHROP GRUMMAN CORP.	2014-05-21	AGM	2014-05-15	Voted
PPL CORP.	2014-05-21	AGM	2014-05-15	Voted
RYOHIN KEIKAKU CO LTD	2014-05-21	AGM	2014-05-16	Voted
SAP AG	2014-05-21	AGM	2014-05-12	Voted
VALEO SA	2014-05-21	AGM	2014-05-12	Voted
ALPHA NATURAL RESOURCES INC	2014-05-22	AGM	2014-05-16	Voted
AOL INC	2014-05-22	AGM	2014-05-16	Voted
ARROW ELECTRONICS INC	2014-05-22	AGM	2014-05-16	Voted
ASCENT CAPITAL GROUP INC	2014-05-22	AGM	2014-05-16	Voted
CBS Corp	2014-05-22	AGM	Not Voted	Non voting shares
DELHAIZE GROUP	2014-05-22	AGM	2014-05-07	Voted
DEUTSCHE BANK AG	2014-05-22	AGM	2014-05-12	Voted

DONNELLEY (R.R.) & SONS	2014-05-22	AGM	2014-05-16	Voted
ENEL SPA	2014-05-22	AGM	2014-05-12	Voted
EXOR SPA	2014-05-22	AGM	2014-05-12	Voted
HASBRO INC.	2014-05-22	AGM	2014-05-16	Voted
HOME DEPOT INC	2014-05-22	AGM	2014-05-16	Voted
INTEL CORP	2014-05-22	AGM	2014-05-16	Voted
INTERPUBLIC GROUP OF COMPANIES INC	2014-05-22	AGM	2014-05-16	Voted
IZUMI CO LTD	2014-05-22	AGM	2014-05-12	Voted
L BRANDS INC	2014-05-22	AGM	2014-05-16	Voted
LANXESS AG	2014-05-22	AGM	2014-05-13	Voted
LINCOLN NATIONAL CORP	2014-05-22	AGM	2014-05-16	Voted
MCDONALD'S CORP.	2014-05-22	AGM	2014-05-16	Voted
NEENAH PAPER INC	2014-05-22	AGM	2014-05-16	Voted
NEXTERA ENERGY INC	2014-05-22	AGM	2014-05-16	Voted

PARTNERSHIP ASSURANCE GROUP PLC	2014-05-22	AGM	2014-05-16	Voted
PHH CORP	2014-05-22	AGM	2014-05-16	Voted
SEVEN & I HOLDINGS CO LTD	2014-05-22	AGM	2014-05-12	Voted
SUEZ ENVIRONNEMENT SA	2014-05-22	AGM	2014-05-13	Voted
THE WILLIAMS COMPANIES INC	2014-05-22	AGM	2014-05-16	Voted
THOMSON-REUTERS CORP	2014-05-22	AGM	2014-05-15	Voted
WMF-WURTTEMBERG METALLWAREN	2014-05-22	AGM	2014-05-14	Voted
WPX ENERGY INC -SPN	2014-05-22	AGM	2014-05-16	Voted
AVIS BUDGET GROUP INC	2014-05-23	AGM	2014-05-16	Voted
COOPER TIRE & RUBBER CO	2014-05-23	AGM	2014-05-16	Voted
HSBC HLDGS PLC	2014-05-23	AGM	2014-05-13	Voted
OLD REPUBLIC INTERNATIONAL CORP	2014-05-23	AGM	2014-05-16	Voted
DASSAULT SYSTEMES SA	2014-05-26	AGM	2014-05-15	Voted
AIRBUS GROUP	2014-05-27	AGM	2014-05-14	Voted

DEUTSCHE POST AG	2014-05-27	AGM	2014-05-14	Voted
LEGRAND SA	2014-05-27	AGM	2014-05-15	Voted
MERCK & CO.	2014-05-27	AGM	2014-05-19	Voted
ORANGE S.A	2014-05-27	AGM	2014-05-16	Voted
PORSCHE AUTOMOBIL HOLDING SE	2014-05-27	AGM	Not Voted	Non voting shares
SAFRAN SA	2014-05-27	AGM	2014-05-16	Voted
SCHRODER INTERNATIONAL SELECTION FUND SICAV JAPAN	2014-05-27	AGM	2014-05-19	Voted
THE TRAVELERS CO'S.	2014-05-27	AGM	2014-05-19	Voted
TUBACEX SA-D E DE TUBOS POR	2014-05-27	AGM	2014-05-19	Voted
ABC-MART INC	2014-05-28	AGM	2014-05-16	Voted
ALCATEL LUCENT SA	2014-05-28	AGM	2014-05-19	Voted
AUTOGRILL SPA	2014-05-28	AGM	2014-05-16	Voted
CENTURYLINK INC	2014-05-28	AGM	2014-05-19	Voted
CHEVRON CORP.	2014-05-28	AGM	2014-05-21	Voted

EXXON MOBIL CORP	2014-05-28	AGM	2014-05-19	Voted
PUBLICIS GROUPE SA	2014-05-28	AGM	2014-05-19	Voted
SOUTHERN CO.	2014-05-28	AGM	2014-05-19	Voted
TRAVIS PERKINS PLC	2014-05-28	AGM	2014-05-13	Voted
VALLOUREC SA	2014-05-28	AGM	2014-05-19	Voted
RAYTHEON CO.	2014-05-29	AGM	2014-05-20	Voted
REXAM PLC	2014-05-29	EGM	2014-05-20	Voted
LOWES COMPANIES INC	2014-05-30	AGM	2014-05-21	Voted
MACERICH CO	2014-05-30	AGM	2014-05-20	Voted
TELEFONICA SA	2014-05-30	AGM	2014-05-21	Voted
STAPLES INC	2014-06-02	AGM	2014-05-21	Voted
UNITEDHEALTH GROUP INC	2014-06-02	AGM	2014-05-21	Voted
MASTERCARD INC	2014-06-03	AGM	2014-05-21	Voted
RADIOSHACK CORP.	2014-06-03	AGM	2014-05-21	Voted

CST BRANDS	2014-06-04	AGM	2014-05-21	Voted
DEVON ENERGY CORP.	2014-06-04	AGM	2014-05-21	Voted
WMI HOLDINGS CORP	2014-06-04	AGM	2014-05-21	Voted
COMPAGNIE DE SAINT GOBAIN	2014-06-05	AGM	2014-05-21	Voted
DIGNITY PLC	2014-06-05	AGM	2014-05-21	Voted
G4S PLC	2014-06-05	AGM	2014-05-23	Voted
INGERSOLL-RAND PLC	2014-06-05	AGM	2014-05-21	Voted
LIVE NATION ENTERTAINMENT	2014-06-05	AGM	2014-05-21	Voted
MORRISON (WM) SUPERMARKETS	2014-06-05	AGM	2014-05-23	Voted
STARZ	2014-06-05	AGM	2014-05-21	Voted
TIME WARNER CABLE INC	2014-06-05	AGM	2014-05-21	Voted
MARRIOTT VACATIONS WORLDWIDE	2014-06-06	AGM	2014-05-23	Voted
WAL MART STORES INC	2014-06-06	AGM	2014-05-21	Voted
WITAN PACIFIC I.T. PLC	2014-06-09	AGM	2014-05-27	Voted

BEST BUY CO INC.	2014-06-10	AGM	2014-05-28	Voted
LAMPRELL PLC	2014-06-10	EGM	2014-05-27	Voted
LAMPRELL PLC	2014-06-10	AGM	2014-05-23	Voted
TJX COS INC	2014-06-10	AGM	2014-05-28	Voted
ALLEGION PLC	2014-06-11	AGM	2014-05-28	Voted
CATERPILLAR INC.	2014-06-11	AGM	2014-05-28	Voted
COMPASS GROUP PLC	2014-06-11	EGM	2014-05-28	Voted
CORP FINANCIERA ALBA	2014-06-11	AGM	2014-05-28	Voted
DEOLEO SA	2014-06-11	AGM	2014-05-28	Voted
TARGET CORP.	2014-06-11	AGM	2014-05-28	Voted
UNITED CONTINENTAL HOLDINGS INC	2014-06-11	AGM	2014-05-28	Voted
BIOGEN IDEC INC.	2014-06-12	AGM	2014-05-28	Voted
EQUITY RESIDENTIAL	2014-06-12	AGM	2014-05-28	Voted
INTERDIGITAL INC	2014-06-12	AGM	2014-05-29	Voted

INTERNATIONAL PUBLIC PARTNERSHIPS LTD	2014-06-12	AGM	2014-05-28	Voted
INVESTMENT TECHNOLOGY GROUP INC	2014-06-12	AGM	2014-05-29	Voted
KINGFISHER PLC	2014-06-12	AGM	2014-06-02	Voted
PIRELLI & CO	2014-06-12	AGM	2014-05-28	Voted
SACYR VALLEHERMOSO SA	2014-06-12	AGM	2014-05-28	Voted
CHESAPEAKE ENERGY CORP.	2014-06-13	AGM	2014-05-28	Voted
HONDA MOTOR CO LTD	2014-06-13	AGM	2014-05-27	Voted
SOCO INTERNATIONAL PLC	2014-06-13	AGM	2014-05-30	Voted
STMICROELECTRONICS NV	2014-06-13	AGM	2014-05-30	Voted
TIME WARNER INC.	2014-06-13	AGM	2014-05-30	Voted
TOYOTA INDUSTRIES CORP	2014-06-13	AGM	2014-06-02	Voted
OUTOKUMPU OY	2014-06-16	EGM	2014-05-30	Voted
WEATHERFORD INTL LTD	2014-06-16	EGM	2014-06-12	Voted
FOREST LABORATORIES, INC.	2014-06-17	EGM	2014-06-03	Voted

FREEPORT MCMORAN COPPER & GOLD INC	2014-06-17	AGM	2014-06-03	Voted
INTERNATIONAL CONSOLIDATED AIRLINES GROUP SA	2014-06-17	AGM	2014-06-03	Voted
NOKIA OYJ	2014-06-17	AGM	2014-06-03	Voted
PREMIER FARNELL PLC	2014-06-17	AGM	2014-06-10	Voted
SONOVA HOLDING AG	2014-06-17	AGM	2014-06-02	Voted
STO AG	2014-06-17	AGM	Not Voted	Non voting shares
TOYOTA MOTOR CORP	2014-06-17	AGM	2014-05-30	Voted
WHITBREAD PLC	2014-06-17	AGM	2014-06-04	Voted
AISIN SEIKI CO LTD	2014-06-18	AGM	2014-06-05	Voted
ASTELLAS PHARMA INC	2014-06-18	AGM	2014-06-02	Voted
CELGENE CORPORATION	2014-06-18	AGM	2014-06-09	Voted
ITOCHU TECHNO-SOLUTIONS CORP	2014-06-18	AGM	2014-06-03	Voted
JAPAN AIRLINES CO LTD	2014-06-18	AGM	2014-06-09	Voted
KDDI CORP	2014-06-18	AGM	2014-06-06	Voted

KOMATSU LTD	2014-06-18	AGM	2014-06-03	Voted
MARTIN CURRIE GLOBAL PORTFOLIO TRUST PLC	2014-06-18	AGM	2014-06-03	Voted
AEON FINANCIAL SERVICE CO (JP)	2014-06-19	AGM	2014-06-09	Voted
ALLIED IRISH BANKS	2014-06-19	EGM	2014-06-09	Voted
ALLIED IRISH BANKS	2014-06-19	AGM	2014-06-09	Voted
CENTURY TOKYO LEASING CORP	2014-06-19	AGM	Not Voted	No ballot received
HITACHI HIGH-TECHNOLOGIES	2014-06-19	AGM	2014-06-04	Voted
RITE AID CORP	2014-06-19	AGM	2014-06-09	Voted
SANDISK CORP	2014-06-19	AGM	2014-06-09	Voted
HIKARI TSUSHIN INC	2014-06-20	AGM	2014-06-09	Voted
HITACHI LTD	2014-06-20	AGM	2014-06-09	Voted
ITOCHU CORP	2014-06-20	AGM	2014-06-09	Voted
MITSUI & CO LTD	2014-06-20	AGM	2014-06-09	Voted
NICHI-IKO PHARMACEUTICAL CO	2014-06-20	AGM	2014-06-09	Voted

NOMURA RESEARCH INSTITUTE	2014-06-20	AGM	2014-06-05	Voted
NS SOLUTIONS CORP	2014-06-20	AGM	2014-06-09	Voted
RICOH CO LTD	2014-06-20	AGM	2014-06-09	Voted
SOFTBANK CORP	2014-06-20	AGM	2014-06-02	Voted
ZON OPTIMUS SGPS SA	2014-06-20	EGM	2014-06-09	Voted
DENA CO LTD	2014-06-21	AGM	Not Voted	No ballot received
APPLIED MATERIALS INC	2014-06-23	EGM	2014-06-17	Voted
TOKIO MARINE HOLDINGS INC	2014-06-23	AGM	2014-06-09	Voted
DISCO CORP	2014-06-24	AGM	2014-06-09	Voted
EAST JAPAN RAILWAY CO	2014-06-24	AGM	2014-06-09	Voted
JAPAN TOBACCO INC	2014-06-24	AGM	2014-06-09	Voted
KYOWA EXEO CORP	2014-06-24	AGM	2014-06-09	Voted
NABTESCO CORP	2014-06-24	AGM	2014-06-10	Voted
OMRON CORP	2014-06-24	AGM	2014-06-09	Voted

ORIX CORP	2014-06-24	AGM	2014-06-11	Voted
SEIKO EPSON CORP	2014-06-24	AGM	2014-06-10	Voted
SURUGA BANK	2014-06-24	AGM	2014-06-09	Voted
VIVENDI SA	2014-06-24	AGM	2014-06-10	Voted
EAGLE INDUSTRY CO LTD	2014-06-25	AGM	Not Voted	No ballot received
IBJ LEASING CO LTD	2014-06-25	AGM	2014-06-10	Voted
MITSUBISHI GAS CHEMICAL CO	2014-06-25	AGM	2014-06-10	Voted
QIAGEN NV	2014-06-25	AGM	2014-06-10	Voted
ROYAL BANK OF SCOTLAND GROUP	2014-06-25	EGM	2014-06-17	Voted
ROYAL BANK OF SCOTLAND GROUP	2014-06-25	EGM	2014-06-17	Voted
ROYAL BANK OF SCOTLAND GROUP	2014-06-25	AGM	2014-06-18	Voted
SANTEN PHARMACEUTICAL	2014-06-25	AGM	2014-06-10	Voted
SEQUANA	2014-06-25	AGM	2014-06-11	Voted
SLM CORP	2014-06-25	AGM	2014-06-24	Voted

TOSHIBA CORP	2014-06-25	AGM	2014-06-11	Voted
WPP PLC	2014-06-25	AGM	2014-06-17	Voted
YAHOO INC.	2014-06-25	AGM	2014-06-19	Voted
AMADEUS IT HLDGS	2014-06-26	AGM	2014-06-17	Voted
ANRITSU CORP	2014-06-26	AGM	2014-06-11	Voted
AOZORA BANK LTD	2014-06-26	AGM	2014-06-16	Voted
CITIZEN HOLDINGS CO LTD	2014-06-26	AGM	2014-06-11	Voted
DAITO TRUST CONSTRUCTION CO	2014-06-26	AGM	2014-06-17	Voted
DUFRY AG	2014-06-26	EGM	2014-06-17	Voted
JX HOLDINGS INC	2014-06-26	AGM	2014-06-16	Voted
KROGER CO.	2014-06-26	AGM	2014-06-17	Voted
K`S HOLDINGS CORP	2014-06-26	AGM	2014-06-17	Voted
LIBERTY GLOBAL PLC	2014-06-26	AGM	2014-06-17	Voted
NIHON UNISYS LTD	2014-06-26	AGM	2014-06-17	Voted

NIPPON TELEGRAPH & TELEPHONE	2014-06-26	AGM	2014-06-16	Voted
SEKISUI CHEMICAL CO LTD	2014-06-26	AGM	2014-06-17	Voted
SUMITOMO ELECTRIC INDS LTD	2014-06-26	AGM	2014-06-16	Voted
T&D HLDGS INC	2014-06-26	AGM	2014-06-16	Voted
AOKI HOLDINGS INC	2014-06-27	AGM	2014-06-17	Voted
HASEKO CORP	2014-06-27	AGM	Not Voted	No ballot received
ISUZU MOTORS LTD	2014-06-27	AGM	2014-06-17	Voted
KAMIGUMI CO LTD	2014-06-27	AGM	2014-06-16	Voted
KISSEI PHARMACEUTICAL CO LTD	2014-06-27	AGM	2014-06-16	Voted
MITSUBISHI ELECTRIC CORP	2014-06-27	AGM	2014-06-17	Voted
MITSUBISHI UFJ FINANCIAL GRP	2014-06-27	AGM	2014-06-17	Voted
MITSUI FUDOSAN CO LTD	2014-06-27	AGM	2014-06-17	Voted
NISHI-NIPPON CITY BANK LTD	2014-06-27	AGM	2014-06-16	Voted
NOMURA REAL ESTATE HLDGS INC	2014-06-27	AGM	2014-06-17	Voted

OSAKA GAS CO LTD	2014-06-27	AGM	2014-06-16	Voted
SUMITOMO MITSUI FINANCIAL GR	2014-06-27	AGM	2014-06-17	Voted
TAIKISHA LTD	2014-06-27	AGM	2014-06-17	Voted
TESCO PLC	2014-06-27	AGM	2014-06-19	Voted
TOKAI TOKYO FINL HLDGS INC	2014-06-27	AGM	2014-06-17	Voted
TOSHIBA TEC CORP	2014-06-27	AGM	2014-06-17	Voted
ZEON CORP	2014-06-27	AGM	2014-06-16	Voted
INTERCONTINENTAL HOTELS GRP	2014-06-30	EGM	2014-06-19	Voted

TABLE 5: GEOGRAPHICAL COUNT OF ALL SUPPORTED MEETINGS

SOUTH AND CENTRAL AMERICA			
Meetings	Count All For	AGM	EGM
1	0	0	0
REST OF THE WORLD			
Meetings	Count All For	AGM	EGM
0	0	0	0
ASIA			
Meetings	Count All For	AGM	EGM
0	0	0	0

NORTH AMERICA			
Meetings	Count All For	AGM	EGM
268	3	2	1
UK			
Meetings	Count All For	AGM	EGM
127	10	0	10
EU			
Meetings	Count All For	AGM	EGM
182	8	5	3
JAPAN			
Meetings	Count All For	AGM	EGM
68	16	16	0

Vote Rejections

GLOBAL CUSTODIAN A/C	VOTED SHARES	ISIN	ISSUER NAME	MEETING DATE	MEETING TYPE	REJECTION REASON
2CM5	22579	CH0023405456	DUFRY AG BASEL NAMEN-AKT.	26/06/2014	EGM	No registration
2CM7	29800	SE0000667891	SANDVIK AB SANDVIKEN SHS	13/05/2014	AGM	No POA
2CM5	300400	SE0000667891	SANDVIK AB SANDVIKEN SHS	13/05/2014	AGM	No POA
2CM5	238913	SE0005190238	TELE2 AB STOCKHOLM SHS -B-	12/05/2014	AGM	No POA
2CM7	420	CH0015251710	BANQUE CANTONALE VAUDOISE LAU ACT.NOM.	01/05/2014	AGM	No registration
2CM5	215978	SE0000107203	INDUSTRIVAERDEN AB SHS -C-	06/05/2014	AGM	No POA
2CM7	15000	SE0000107401	INVESTOR AB STOCKHOLM SHS -A-	06/05/2014	AGM	No POA
2CM7	50000	SE0000869646	BOLIDEN AB STOCKHOLM SHS	06/05/2014	AGM	No POA
2CM5	109720	SE0000310336	SWEDISH MATCH AB STOCKHOLM SHS	07/05/2014	AGM	No POA
2CM7	21800	SE0000310336	SWEDISH MATCH AB STOCKHOLM SHS	07/05/2014	AGM	No POA
2CM7	3000	SE0000382335	AUTOLIV INC SHS SWEDISH DEPOSITORY RECEIPT	06/05/2014	AGM	No POA
2CM7	72000	SE0000101032	ATLAS COPCO AB NACKA SHS -A-	29/04/2014	AGM	No POA
2CM7	76800	SE0001413600	WIHLBORGS FASTIGHETER AB MALM SHS	29/04/2014	AGM	No POA
2CM7	74	CH0011037469	SYNGENTA AG BASEL NAMEN-AKT.	29/04/2014	AGM	No POA
2CM7	40000	SE0000106270	H & M HENNES & MAURITZ AB STO SHS -B-	29/04/2014	AGM	No POA
2CM5	110374	DE0006602006	GEA GROUP AG, BOCHUM	16/04/2014	AGM	Late Vote

2CM7	22289	CH0012221716	ABB LTD ZUERICH NAMEN-AKT.	30/04/2014	AGM	No POA
2CM7	17700	SE0000114837	TRELLEBORG AB TRELLEBORG SHS -B-	23/04/2014	AGM	No POA
2CM5	32296	LU0061462528	RTL GROUP SA, LUXEMBOURG	16/04/2014	AGM	Proxy voting service not offered
2CM7	3000	GB0009895292	ASTRAZENECA PLC LONDON SHS	24/04/2014	AGM	No POA
2CM7	14513	FI0009007611	STORA ENSO OYJ HELSINKI SHS	23/04/2014	AGM	No POA
2CM7	116663	SE0000108656	TELEFON AB L.M.ERICSSON KISTA SHS -B-	11/04/2014	AGM	No POA
2CM7	11250	SE0001662222	HUSQVARNA AB HUSKVARNA SHS -A-	10/04/2014	AGM	No POA
2CM7	37500	SE0001662230	HUSQVARNA AB HUSKVARNA SHS -B-	10/04/2014	AGM	No POA
2CM7	12000	SE0000112724	SVENSKA CELLULOSA SCA AB STOC SHS -B-	10/04/2014	AGM	No POA
2CM7	179300	SE0000667925	TELIASONERA AB STOCKHOLM SHS	02/04/2014	AGM	Nordea does not provide representation for this meeting
2CM7	1500	SE0000109290	HOLMEN AB STOCKHOLM SHS -B-	08/04/2014	AGM	No POA
2CM7	45000	SE0000112385	SAAB AB LINKOPING SHS -B-	08/04/2014	AGM	No POA

Vote Changes

PIRC was not notified of any client vote changes during the quarter.

UK

Rio Tinto Group (GBP)

AGM 15TH APRIL 2014 London

Dividend policy and remuneration were the major issues at this British-Australian multinational metals and mining corporation.

Annual Report: It is a concern that shareholders have no say on the dividend policy which goes against best practice

Remuneration Policy: Overall disclosure was acceptable. The maximum potential award for the Executives can be up to 640% of base salary which is considered to be excessive. The company does not disclose the ratio of CEO pay to average employee pay. However, this ratio has been estimated and is also deemed to be disproportionate. The total CEO pay awarded compared to TSR performance over the last five years is thought to be excessive. Moreover, there is no evidence of schemes available to enable all employees to benefit from business success without subscription.

The recruitment practices for Executives leave much to be desired. The Company's recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers with an initial notice period of 24 months, reducing to 12 months after two years. Regarding termination payments, there is evidence that upside discretion can be used when determining severance payments. In addition, it appears that some legacy contracts will remain in place after the adoption of the new policy. Finally, it is noted that under normal circumstances, the outstanding PSP awards will not lapse and will vest at the scheduling date depending on the achievement of the performance conditions. If the executive leaves the Group during the first 36 months from the date of grant of the award, the number of shares that can vest will be reduced pro rata over that 36-month period. The overall balance of Incentives and Rewards is uneven and that the recruitment policies were not within best practice.

Remuneration Report: The Company has disclosed the amounts payable to each director for all aspects of their remuneration. Realised awards during the year under review were considered excessive as the CEO's variable remuneration amounted to approximately 315% of his base salary. In addition, the 'other benefits' payments allowed by the current policy and which were made to the CEO and the Finance Director during the year, also raised concerns and are contrary to best practice.

Approval of potential termination payments: The conditions under which these payments are awarded as set out in the Remuneration Policy. It is considered inappropriate for Executives who leave the Company to retain their outstanding awards, which depend on performance conditions that they will not influence.

Board of Directors: Simon Thompson, Robert Brown, Jan Du Plessis (Chairman), Michael Fitzpatrick, Ann Godbehere, Paul Tellier, John Varley are considered to be independent non-executive directors. Lord Kerr and Richard Goodmanson are not considered to be independent as they have been on the Board for more than nine years.

There were concerns regarding Anne Lauvergeon as a newly appointed independent non-executive director due to concerns over her aggregate time commitments. The only executive position put to a vote is for the Finance Director, Chris Lynch.

Barclays PLC

AGM

24th April 2014

Barclays' accounting concerns and challenges to its business model over executive pay are issues at this year's annual meeting, as well as concerns over individual directors.

Annual Report: Barclays PLC had a £5.8bn rights issue in the year following a review by the Prudential Regulation Authority of the capital position of banks, in particular the leverage ratio. PIRC has consistently argued that profits and net assets (shareholders funds) are systemically overstated by the IFRS incurred loss model (not booking likely losses). The PRA review of Spring 2013 identified this problem and its resolution has followed a similar approach by taking a forward view of losses for the leverage ratio calculation and capital adequacy. The net effect in the case of Barclays is a 13.6% overstatement of reported IFRS capital. This includes £5.6bn of >12 month expected losses and £1.8bn of unbooked deferred bonuses. Barclay's leverage ratio, with new capital from the rights issue is 3% - the minimum amount required by the PRA. This 3% requirement together with the foregoing explains why Barclays needed a rights issue. Barclays has not disclosed a comparative figure. However, the rights issue announcement disclosed the PRA adjusted figure as 2.2%. The Salz Review recognised that Barclays accounting - whilst probably compliant with accounting standards - was aggressive such as with the Protium vehicle.

Moreover, Barclays' dividend per share stands at 6.5p. It is noted that no dividend vote has been put forward for shareholder approval. This was an omission of a fundamental share right.

Remuneration Report: The Remuneration report had good disclosure and has attempted to explain every aspect of the monies paid to executive directors. It was noted that no LTIP awards will vest, with respect to the performance period ending FY 2013. Moreover, the CEO has decided to waive his bonus in light of the Rights Issue, restructuring costs and costs associated with legacy issues. However, there remained concerns relating to several aspects of the pay in 2013, mainly regarding the £1.2m bonus given to the new Finance Director, the use of the Role Based Pay (RBP) to circumvent the spirit of the CRD IV regulations and the increase in bonus pool, given the relatively lower financial performance of the Bank.

Remuneration Policy: There were several concerns with Barclays' remuneration policy. The most significant one related to the way the Bank has circumvented the spirit of the CRD IV regulations by creating another fixed component of the remuneration package, named the Role Based Pay (RBP). This has the effect of increasing the fixed portion and therefore mitigating the reduction in bonuses envisaged by the EU regulations. Also noted was the creation of a Remuneration Review Panel which provides recommendations to the Board Remuneration Committee. Barclays claimed that this panel is independent of the business and comprises Risk, Compliance, Internal Audit and HR representation. The Remuneration Committee should not be influenced by such interests, irrespective of their function within the company.

Approval for a fixed to variable remuneration ratio of 1:2 for Remuneration Code Staff: Barclays is requested shareholder approval for an increase in the limit to the annual Bonus from 100% to 200% of fixed pay. Approval of this resolution will result in the variable cap being some four times base salary, which is considered excessive. Also, given that the intent of the bank is to ignore the spirit of the new CRD IV cap, this was considered to be unacceptable.

To elect Mike Ashley: The company wished to appoint Mr Ashley as Independent Non-Executive Director. However, Barclays has a record of aggressive accounting and it is noted that Mr Ashley was senior Risk Partner at KPMG, which audited several banks which failed. Mr Ashley is in effect replacing another former KPMG partner and given his own direct involvement in accounting standard setting and his endorsement of accounting standards that can accommodate or require aggressive accounting, issues surround his election. This is particularly relevant given that aggressive accounting techniques have been associated with high levels of executive pay, which the Barclays Board does not appear to have mitigated.

To re-elect Sir John Sunderland: Sir John is an Independent Non-Executive Director. However, in his evidence to the Parliamentary Commission on Banking Standards, Sir John declared no regrets about the bonus paid to Mr Diamond in 2011/12. It is noted that he also recommended a bonus pool of some £2.4bn for FY 2013 (up by 10% from 2012), despite acknowledging in his opening statement as Chairman of the Remuneration Committee that profits were down in that same year. This raised concerns over pay, in particular in comparison to the dividend and the rights issue in the year.

Reckitt Benckiser Group plc

AGM 7TH May UK

Independence, remuneration policy and female board representation figured as the main governance issues at this FTSE100 health, hygiene and home products company.

Election of Directors: Non Executive Directors Mr Peter Harf, Mr Kenneth Hydon and Ms Judith Spreiser are not considered independent and the board lacked independent representation. Mr Adrian Bellamy is Chair of the company. No target for female representation on the Board by 2015 was disclosed. Current representation stood at 10% (One director). As Mr Bellamy is Chair of the Nomination Committee as well as chairman of the board this dual role could lead to inappropriate influence on the committee's deliberations for succession planning.

Remuneration Policy; Maximum potential payouts under all incentive schemes for the Executives were considered excessive. There was no maximum cap disclosed as a percentage of base salary for the LTIP awards. The ratio of CEO pay compared to average employee pay was disclosed and was estimated to be 160:1 which is considered excessive. The LTIP uses three-year earnings growth as the sole performance measure, however best practice is to use at least two performance criteria in a concurrent fashion. The three-year performance period, without further holding requirement is also not considered sufficiently long-term. The recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers, which is an inappropriate practice. Provision for upside discretion existed in determining severance payments.

PIRC Initial Analysis–LGPS Proposals Announcement by Minister of State

Sword of Damocles – Sheathed!

Government U-Turn on Local Government Pension Scheme mergers, but pooled investments now proposed.

In a long awaited response to the interminable consultation process on Local Government Pension Scheme (LGPS) merger proposals, Minister of State Brandon Lewis announced on 1st May that he had hit a roadblock and announced that his previous merger plans were not to be pursued.

After a lengthy consultation exercise had not produced the results wanted, and before the final deadline had been reached, the Minister commenced a short tender for studies around three of his objectives for change in LGPS arrangements.

Hymans Robertson won that tender and their report has now also been publicly released by the Minister on the same day, reportedly having been completed 5 months previously and held back until May.

A further consultation was launched, focussing on reducing asset management costs and further savings, drawing heavily on the Hymans Report. The document proposes two new universal asset pools for each LGPS fund in England and Wales to use in order to take advantage of asset managers who can provide indexed strategies and to reduce procurement costs. In addition, it is also proposed that each fund continues to make its own asset allocation plans in using these pools.

Initial analysis seems to indicate that the report appears to rely on limited/sample data and assumptions in order to create a total LGPS ‘fund’ from which to do the modelling. The impact on each fund in terms of savings and returns does not appear to be addressed.

Overall savings across the sector indicate less than 3% savings on the investment administration costs of a £170 billion asset pool. It is possible that if all funds have to use the collective investment vehicles, some funds will have an increase in costs and/or reduced return, with some funds ‘subsidising’ others.

The structure and operating arrangements of the collective investment vehicles are yet to be determined and considerable work will be involved in their set up and operation. Crucially the assumed costs of running such vehicles can only be superficially accurate. Moreover, of course the question remains open over who will be paying for the set up costs.

The consultation document has no mention of discharging appropriate stewardship responsibilities (in which the LGPS is a leader) and governance of the underlying investments receives no mention. How will company engagement and proxy voting operate and at what level, the fund level, a collective investment board or at operating manger level?

Of course, a number of LGPS funds have been very careful about full indexation in some markets, such as emerging markets due to the unacceptable governance of some companies and for some by deciding to avoid being an investor in many high ESG risk-rated companies.

LGPS funds do not want to find themselves in a similar position to the Church of England with portfolios holding the infamous ‘pay-day-lender’ stocks.

Finally, the consultation document concedes that LGPS funds offer better value for money (VFM), in comparison with private sector funds, with lower fees being achieved without detriment to returns.

There is much to review and continue to analyse in both documents, and as a spicy topic for all funds to reflect on in their response, the Hymans Report (pp 104 para 8.5) provides an assessment of the various legal challenges with the pooled funds proposals by the Squire Sanders law firm that says in part:

‘In conclusion, although it would be possible, subject to the constitutional framework under which a common investment vehicle was established under options 1 and 2, for the trustees of occupational pension schemes to participate in such a vehicle, there is no mechanism by which trustees could be forced to do so. The fact that the trustees of the schemes under question are responsible for discharging liabilities that may in the past have stemmed from public sector schemes does not alter this analysis.’

Clearly passive management, in a number of significant markets can be a better option than active management for some funds. In addition, by working together and creating scale in some investment areas, some funds get better value for money. Do these two points justify compulsion being applied to all funds, even if it will not improve the position of some funds? A ‘comply or explain’ approach could be a more sensible option.

When pension fund consultants advising funds see this report, will they be making recommendations to their clients now to end active management and do themselves out of some fee income?

EU

Swatch Group AG

AGM 14th May G Switzerland

Board and compensation committee independence were the chief issues at this FTSE EuroFirst high visibility timepiece and accessories maker.

Financial Statements and Statutory Reports: There were concerns around the executive representation on both the audit and remuneration committees which was considered contrary to best practice. In addition, no separate vote on remuneration was made available to shareholders.

Board Composition was also an issue. The re-election of Ms Nayla Hayek, (Non Executive Chair) Ms Esther Grether, Mr Ernst Tanner and Mr Claude Nicollier raises questions of independence. Ms. Hayek is the daughter of the founder of Swatch Group. In addition and since 2007 has had an executive function within the Hayek Group, the controlling shareholder. Where there is either a majority or controlling shareholder it is considered best practice for the Board Chairman to be independent of that shareholder to ensure that minority shareholder rights are protected.

Ms Grether has served on the board for more than nine years and holds 7.1% of the companies voting rights. Both Mr Tanner and Mr Nicoller have served on the board for more than nine years.

Compensation Committee: Best practice is for such a committee to consist solely of independent non-executive directors. The appointments of Ms Nayla Hayek, Ms Esther Grether, Mr Ernst Tanner and Mr Claude Nicollier did not meet this standard in dependence. Mr Georges N. Hayek was also not considered independent and as an executive director also has an interest in matters to be determined by the committee.

EU Audit Reforms Approved

The EU statutory audit market took a sizeable step towards reform, when the European Parliament endorsed new audit regulations in a plenary vote in Brussels on 3 April.

Under the new regulations, it will be mandatory for European companies to rotate their auditors at 10-year intervals, though this can be extended to 24 years if companies tender their audit contract at the decade mark or appoint another audit firm to do a joint-audit.

Audit firms will also be prohibited from providing financial and investment counselling, tax advice, and non-audit services to the companies they audit. These changes are focused on “limiting risk of conflicts of interest” that can develop when auditors are involved in making decisions affecting management of the companies they audit, according to an EU press release.

Other changes are aimed at improving the content and informational value of the statutory Auditor’s report. For instance, “requiring the inclusion of key areas of risk of material misstatement of the annual or consolidated financial statements,” the EU press release states.

The push for reform has partly ridden on the sentiment following the financial crisis; the fact that numerous financial institutions revealed huge losses in the wake of the financial crisis despite the public appearance of clean audit reports. This led many to question whether more could be done to help reduce the ‘expectation gap’ between the perceptions of what auditors should be delivering and what they are bound to deliver.

One of the key advocates for change to the Company Auditor relationship was the European Internal Market and Services Commissioner, Michael Barnier. “These new measures will reduce risks of excessive familiarity between statutory auditors and their clients, encourage fresh thinking, and limit conflicts of interest.”

Once formally adopted into European Law later this year, Member States will have two years to adopt and publish the provisions necessary to comply with the majority of the regulatory requirements.

The alterations to the audit market are already in line with changes suggested by the UK Competition Commission back in October 2013.

No need for Code breaking

Committee decides that the Belgian code doesn’t need to change

In a refreshingly brief and to the point statement, the Belgian Corporate Governance Committee last week announced that it had decided to do nothing.

The Belgian Governance Code was produced in 2009 and four years on, a monitoring committee evaluated the need for changes. In a statement the Belgian Corporate Governance Committee says, “On the basis of a study from Allen & Overy which discusses several specific themes and places the 2009 Code in comparison to the codes of several neighbouring countries, and a private meeting with the chairmen and CEOs of the listed companies, the Commission has decided that there is (yet) no need to adapt the Code 2009.”

The Allen & Overy study referred to in the statement carries a surprising admission. The report states that “The Belgian 2009 Code includes recommendations that are sometimes more stringent and sometimes weaker than the law.” Surely, shoring up any existing recommendations that are below legal standards would be a logical starting point?

When the committee next evaluates whether changes to the code are needed it might wish to take the radical step of dropping recommendations which encourage companies to behave in a way that is not tolerated by legislation.

USA

Boeing Company

AGM 28th Apr

Separation of Chair & CEO roles, remuneration, transparency of political activity and shareholder rights were the key issues at this global S&P500 aerospace, defence and commercial aircraft conglomerate.

Board Composition: Mr W James McNerney Jr., the current Chairman, is also President and Chief Executive Officer. It is considered best practice for the Chair and CEO role to be separated.

Pay Structure: The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The performance targets that determine the award of annual bonuses were disclosed for the year under review but not the forthcoming year. The performance targets attached to the annual bonus and other performance-based awards were not considered challenging. There is potential for excessive awards as a result of a change-in-control.

Annual Share Incentive Plan: The Board sought approval to amend and restate The Boeing Company 2003 Incentive Stock Plan. The Company did not provide details of the performance criteria for vesting of performance shares or units, or restrictive stock or units. Stock options have no performance criteria beyond time-based vesting and the compensation committee retains discretion over when they are exercisable. In addition, resulting payments were considered excessive, with potential maximum payments of $94,590,000 for the CEO and $37,836,000 for any other participant.

Shareholder Resolution, Disclose Lobbying: The company faced a shareholder resolution calling for disclosure of all political lobbying activity by the company and all donations to lobbying groups and peak bodies. Boeing was one of many major US companies to face similar resolutions at the AGM. It was not considered that not all lobbying activity by the company, as defined by the proponent, had been disclosed and that all shareholder funds were accounted for. The amounts of shareholder funds mentioned were considered to be material and that this figure may not include grassroots lobbying to directly influence legislation by mobilizing public support or opposition. The annual report was considered be a reasonable vehicle for disclosure. The Board opposed the resolution.

Shareholder Resolution, Written Consent: The proponents are requesting that the board of directors undertake such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting.

The Board acknowledges that there are limited circumstances in which shareholder action by written consent may be in the long-term interest of Boeing's shareholders. As a result, Boeing's governing documents already permit shareholder action by written consent on the prior recommendation of the Board. The sanctioning of communication in writing with Directors as an option for shareholders when seeking to protect their interests in the Company would constitute an improvement in shareholder rights.

Shareholder Resolution, Independent Chairman: The proponent is requesting that the Board of Directors adopt a policy, and amend other governing documents as necessary to reflect this policy, to require the Chair of our Board of Directors to be an independent member of our Board. This independence requirement shall apply prospectively so as not to violate any contractual obligation at the time this resolution is adopted. The Board was against the proposal. The separation of roles is supported as best practice in corporate governance.

Approval of Pay Structure: As a result of SEC legislation that has entered into force (Section 951 of The 'Dodd-Frank' Act), the company had submitted a proposal for shareholder ratification of its executive compensation policy and practices. It was noted that total CEO Compensation has risen by over 31% to USD $15.74m despite a fall in diluted EPS by almost two-thirds from USD $1.66 to USD $0.56. In 2013, the vote against the Executive Compensation was 18.71%.

Bank of America Corporation

AGM 7TH May Charlotte, North Carolina

Executive compensation, shareholder director nominations, climate risk and disclosure of political lobbying were the key governance matters before the AGM of this S&P500 banking conglomerate.

Board Composition: Overall, it was considered that the Board has sufficient independent representation.

Advisory Vote on executive compensation: The Company submitted a proposal for shareholder ratification of its executive compensation policy and practices. Specific performance targets for the annual bonus are not disclosed. The committee does not provide material disclosures to assure shareholders that targets are challenging. There was a concern over the Compensation Committee having discretion in awarding additional bonuses. Only 50% of long term awards have performance based vesting.

Approval of Amendment to the Series T Preferred Stock: The Company was seeking shareholder approval of the amendment to the certificate of designations for the 6% Cumulative Perpetual Preferred Stock, Series T (the Series T Preferred Stock).The Series T Preferred Stock currently does not qualify as Tier 1 capital. If shareholders were to approve the Amendment at the annual meeting, the Tier 1 capital would increase by approximately $2.9 billion, which will benefit the Tier 1 capital and leverage ratios, each of which is an important measure of the Company's regulatory capital adequacy.

Berkshire Hathaway Inc. and its affiliates are the holders of 100% of the outstanding shares of Series T Preferred Stock and have agreed to allow Bank of America as an irrevocable proxy to vote their shares of Series T Preferred Stock in favour of the Amendment. There are concerns regarding the Board's ability to tailor the vote as deemed appropriate by the Board. Additionally it is considered that the amended terms of this series of preferred stock will not benefit all shareholders equally.

Shareholder Resolution, Introduce cumulative voting; The proponent was requesting that the Board of Directors take the necessary steps to provide for cumulative voting in the election of directors, which means each shareholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate, or any two or more of them as he or she may see fit. The Board are against this proposal and argue that cumulative voting could be used by special interest groups to elect one or more directors sharing those groups' narrow interests, and that it could interfere with a diverse, balanced and effective Board. Cumulative voting systems are not supported as they can potentially allow small shareholder groups to have a disproportionate influence over the election of directors. The principle of "one share, one vote" is supported as best practice.

Shareholder Resolution, Proxy Access: The proponent requested the Board, to amend the governing documents to allow shareholders or groups of shareholders to make direct board nominations according to specified criteria around disclosure, stock holdings and eligibility periods with distribution of information relating to candidates and associated legal requirements distributed to all stockholder prior to elections for board positions. The Board opposed the resolution. The move, which would strengthen shareholder democracy and the requested threshold for holding requirement for nominators, is considered sufficient. In addition, the nomination of new Board members may assist independence in the oversight of the company. (Note: a similar proposal at the 2013 AGM received **For Vote** of 8.7 %.)

Shareholder Resolution, Climate Change Report: The proponents requested that the Board report to shareholders by September 2014, at reasonable cost and omitting proprietary information, Bank of America's assessment of the greenhouse gas emissions resulting from its financing portfolio and its exposure to climate change risk in its lending, investing, and financing activities. The Board believe that the company already provides publicly available information on the greenhouse gas emissions attributed to one of its most carbon-intensive business portfolios and the associated company policies and procedures to address related risks and opportunities. The proponent requests that the board publicly report on the company's indirect GHG exposure via its financing activities and its portfolio exposure to climate change risks. The company currently reports an estimate of its overall exposure to carbon emissions from its financing relationships with electric utilities. However, this reporting is only partial and does not address emissions from the company's clients in other industries. It is considered a reasonable practice that the board should commit to reporting on how climate change issues are integrated within its direct and indirect financing activities and its overall portfolio exposure.

Shareholder Resolution, **Lobbying Report:** The proponent had requested that the Board authorize the preparation of a report, updated annually, disclosing all political lobbying activity. The Board were against the proposal. It is viewed that not all lobbying activity by the company, as defined by the proponent, has been disclosed and that all shareholder funds should be accounted for as the amounts of shareholder funds mentioned are considered to be material, inclusion in the annual report is considered be a reasonable request for disclosure.

PIRC Global

Moscow revamps listing rules

New rules focus on governance and reporting   The Moscow Exchange has introduced new listing rules with an increased focus on governance and IFRS results. The rules came into effect on 9th June with a revised list of securities admitted to trading. The list has been split into three sections, Level 1 and Level 2, both of which are quotation lists and Level 3 which is a non-quotation list.

Level 1 is compiled of securities that were previously on the A1 and A2 quotation lists. Level 2 is made up of former constituents of the B, V and I quotation lists. Level 3 includes securities that had been in the ‘Unlisted’ and ‘Admitted to placement’ sections. Reporting standards have become stricter with companies now having to provide three years of IFRS results as opposed to just one before. Free float has now also become a factor in determining on which level a security should be placed. Following the introduction of the new Russian corporate governance code, in order to be included in Level 1 at least 20% and no less than three directors on a board must be independent. Additionally boards are required to create majority non-executive audit, nomination and remuneration committees.

‘The listing reform broadens opportunities for conservative institutional investors, while also increasing requirements for issuers, including in corporate governance’, said Equity and Bond Market Managing Director Anna Kuznetsova.

As a result of the changes, the top tier of securities has increased from 478 to 535. The number of stocks has risen from 38 to 65. New rules have also been introduced in order for bonds to be issued at Level 1. It is required that the issuer, guarantor, or issue must have a credit rating, with the minimum rating having been increased by two notches. Mutual funds must also now meet minimum NAV and liquidity requirements to be listed. To be included in Level 1 a mutual fund must have a NAV of at least 1 billion roubles, for Level 2, 300 million roubles and 150 million for Level Asia.

London Stock Exchange Joins Sustainable Stock Exchange Initiative

LSE Group adds weight to global initiative pushing for improved ESG disclosure and standards amongst publicly listed companies. The LSE Group has joined nine other global exchanges participating in the United Nation Sustainable Stock Exchanges Initiative (SSE) in which listing authorities commit to encouraging sustainable investment and corporate transparency on environmental, social and corporate governance issues.

The 2nd July announcement sees the LSE join with partner exchanges across the developed world and emerging markets including Brazil, India, South Africa, the NYSE Euronext and NASDAQ.

Originally launched in 2009 by Ban Ki-moon, the addition of the London Exchange is seen as a breakthrough for the SSE which is backed by a group of international sustainability heavyweights including UNCTAD, the UN Finance Initiative and the Principles for Responsible Investment (PRI).

‘Stock exchanges have a crucial role to play in enhancing both the quality and quantity of environmental, social and corporate governance reporting by companies listed on their exchanges, and we are pleased to welcome the London Stock Exchange to the UN SSE initiative.’

‘Only 3 percent of the world’s largest companies currently disclose information about their ESG performance.’

‘Better disclosure will improve the usefulness and comparability of information being reported in each market, enabling institutional investors to better manage risk and make more informed investment decisions.’

‘Those companies that improve their internal ESG measurement and subsequent disclosure around emerging common global standards are the companies that will be best positioned for tomorrow, to attract and retain support from decision makers and asset owners looking for sustainable returns’ Fiona Reynolds, CEO Principles for Responsible Investment said.

‘Given our role at the heart of global financial markets, we are in a unique and privileged position to promote sustainability and corporate responsibility’ Mark Makepeace from the LSE Group commented.

According to an October 2013 benchmarking report into global stock exchanges by Canadian sustainability research and advisory firm CK Capital, the London Exchange sat just outside of the Top 10, at No 11, the ASX at 17, Hong Kong at 23 and New York down the list at 33.

Further developments on this initiative are expected to be discussed by global stock exchanges at their Sustainability Working Group later this year and members of the SSE will also be meeting as part of UNCTADS 4TH World Investment Forum in early October.

Aussie Rules – Three steps forward, five steps back

Rule changes see a mix of setbacks and advances for shareholder rights in one of the Southern Hemisphere’s biggest exchanges. The Australian Stock Exchange (ASX) released the final version of its proposed governance-related amendments to the ASX Listing Rules on 6 May 2014. The changes follow a consultation process commenced in August 2013, with a further round of comments sought in February 2014.

The changes are not all for the best.

It is disappointing to note that some information which must currently be disclosed in the Annual Report will no longer be required. For example, listed entities will no longer be required to include their Corporate Governance Statement disclosing the extent to which it has followed the Principals and Recommendations in the Annual Report. Publication of a simple link to the corporate website will suffice. The changes switch responsibilities from companies to investors creating obstacles to effective stewardship.

Of particular concern is the impetus this change gives to the gradual weakening of the link between voting rights and the disclosures which inform those rights.

Although, the online corporate governance statement still has to state a date at which the information posted is current, Australian boards still need not sign off on governance arrangements at the same date as signing off on financial statements. In confirmation of a worrying trend for shareholders the ASX have now added a note to the rules confirming that where employee incentive schemes allow participation by external consultants and contractors this does not prevent them from being an employee incentive scheme for the purposes of Listing Rules. Most new schemes in the US and Australia now allow share awards to consultants.

Higher dilution limits for truly all-employee schemes are usually waved through by shareholders but in general, employee share schemes should be just that. Increased participation by consultants with short-term interests and with remuneration that typically compensates for relative lack of employment security should now make shareholders think twice about tolerating higher levels of dilution.

In another regressive step, the proposed rules now rule out disclosure to the ASX of provisions in directors' contracts which indemnify them from liability. This is surely an area of legitimate shareholder interest. Shareholders should take no comfort from the caveat that provisions which don't comply with laws in the jurisdiction where an entity is established still need to be disclosed. It seems highly unlikely that there will be any exceptional disclosures.

A related change redefines 'related entity' away from the legal definition contained in Section 9 of the Corporations Act. Currently a CEO's contractual agreement with an entity related to the company must be disclosed. This seems sensible. The new rules only require such disclosure where the entity is a 'child' to the company. The narrower definition creates a disclosure loophole. Elsewhere in the proposed changes, the ASX abandons the Corporations Act definition of 'associate' in favour of its own definition. This unhelpful divergence from legal definitions muddies the regulatory waters and tends towards regulation by bodies which are themselves less accountable to the public interest than legislators.

In a surprising move away from the principle of subjecting board pay to shareholder approval the proposed change to the rule dealing with directors' fees sets up the possibility that direct shareholder approval will no longer be needed for a proportion of fees. Any 'special exertion' fees and out-of-pocket expenses are not included in the aggregate limit to be approved by shareholders. This new 'special exertion' definition strangely includes attendance at certain board committee meetings. 'Out of pocket' expenses are no longer limited to those relating to attendance at board or committee meetings. Shareholders can expect the proportion of unapproved board fees to rise.

Not all of the changes are negative. Some helpful clarifications have been added to the existing rules. In future there should be no confusion over the validity of an instruction to abstain in the Australian market.

Even where there is no abstention tick box on the proxy form the new rules make clear that proxy forms may include a general statement that a proxy is authorised to abstain at their discretion.

It is also pleasing to see that the ASX has resisted corporate lobbying which sought to defer shareholder approval of option grants until the company had decided to satisfy the grant by issuing new shares rather than acquiring them on-market.

Finally, some help is on its way for hard pressed governance researchers struggling to locate each of the governance disclosures required by the ASX Corporate Governance Council Recommendations. The current rules only prescribe a location for disclosure of non-compliance. Companies will now be required to complete a new Appendix 4G for the ASX which is far more prescriptive about location of the information needed to judge compliance with the ASX recommendations.

Subject to receipt of the necessary regulatory approvals under the Corporations Act, the changes to the Listing Rules will come into effect from 1 July 2014.

PRI Powers On

Global ESG body adds signatories and substance. In a further sign of the mainstreaming by asset owners of governance and sustainability issues the Principles for Responsible Investment (PRI) have announced total signatory assets under management has topped $US45 trillion as at April 2014, with a record sign-up rate in the last year seeing signatory numbers rise to 1265.

‘The updated figures come after analysis of the most rigorous data set on global responsible investment activity ever collected by the PRI. The closure of the first reporting round under our new framework saw more than 800 investors disclose how they are implementing the PRI’s six Principles across their portfolios to help create a more sustainable financial system’ PRI CEO Fiona Reynolds said.

New signatories include the high profile Harvard University Endowment with US financial sector participants now comprising 22 asset owners, 139 asset managers, and 33 professional service partners. The Green Investment Bank, Unilever Pension Fund and Greater Manchester Pension Fund are amongst new UK and European based members.

SRI and Social Media

Twitter accounts each tell their own story. Inveterate responsible investment blogger Mondrosi has compiled a handy list of almost 200 SRI related Twitter accounts. While not definitive (it is yet to include @lapfforum) it's a very handily categorised listing of SRI & ESG research analysts, ratings and advisory agencies, advocacy networks, asset managers, companies and some asset owners who are active in this space. If nothing else, the growing list demonstrates the diversity of SRI based news, analysis and information now constantly circulating in this arm of social media. Anyone who dips in and out of the #esg, #sri, #csr, #corpgov, #sustainability and related hashtags know that much of what appears on Twitter today often ends up in more conventional outlets.

For best results, simply follow any individual or organisation on the list that looks interesting.

UK, Europe & US

New accounting rule a boost for investors

Investors will find it easier to compare the performance of companies around the world following the culmination of a 12-year project to bring together US and international revenue reporting. Accounting regulators in the US and Europe published a joint standard on how companies report revenue from contracts with customers. Eliminating the differences in reporting makes it easier for investors to compare companies in different countries and also removes the risk that some companies are exploiting the varied rules to flatter their bottom lines.

Christoph Hütten, chief accounting officer at German computer software company SAP, called the initiative a “crown jewel of the effort of global standards”.

A company’s revenue, known as its top line, is the amount of money that it receives during a specific period. Costs are taken off the revenue figure to determine a company’s net income.

Companies in the telecoms, construction, real estate and software industries are likely to be the most affected by the new standard. Many sell packages of goods or services, such as a car dealer selling a vehicle with extended warranties and insurance, or a telecoms company selling a mobile phone package on a fixed-period contract. The amount of revenue recognised should not change, but when a company is allowed to recognise it will.

Peter Elwin, head of accounting research at JPMorgan, said: “The joint standard should give more consistency within sectors and provide greater granularity of revenue components in sectors such as telecoms.”

Since the process of converging US and European accounting standards began a decade ago, revenue recognition has been seen as a priority. Regulators have become increasingly vigilant over the ways that companies book sales in the wake of the financial crisis. They are concerned that companies may be tempted to be optimistic and report sales earlier than they should.

Under the current approach to revenue recognition, US companies are overseen by the Generally Accepted Accounting Principles and face a more prescriptive regime with specific guidance for different sectors.

In Europe, accounts are supervised by the International Financial Reporting Standards, which revolves around principles rather than rules.

Dr Nigel Sleigh-Johnson, head of the financial reporting faculty at ICAEW, the UK accountancy body, said implementing the new standard could be a challenge. “This will involve assessing the impact of the standard on all the company’s revenue streams and determining what customers pay for each element of goods and services sold as packages. This can be a complicated task.”

It may also raise questions about executive pay, which some companies link to revenue.

The global standard will take effect in 2017 and is subject to endorsement by individual jurisdictions.

Japan

GPIF gets behind governance reform

Japans largest pension fund the lead in supporting new Stewardship Code

The decision by GPIF, the $1.3t national pension fund to sign the newly minted Japanese Stewardship Code is a welcome development in the push to reform aspects of the Japanese economy and improve corporate governance.

GPIF occupies a dominant position amongst local institutional investors and signing onto the code will place increasing pressure on its traditionally moribund outsourced asset managers to become more active around engagement and share voting issues.

The Financial Services Authority (FSA) released a draft Stewardship Code in January built around seven core governance principles designed to 'promote sustainable growth of the investee company and enhance the medium and long term investment return of clients and beneficiaries.'

Modelled in part on the 'comply or explain' regime of the UK Code, asset owners and managers are being encouraged by the FSA to undertake 'purposeful dialogue' with underlying companies.

Given the recent interim report of the 'Ito Review' from the Ministry of Economy, Trade and Industry (METI) concluded that only 200 of 1600 domestic companies surveyed had exhibited positive returns (including dividends) in the last 20 years, the exhortation for 'purposeful dialogue' is more than reasonable.

The US based Council of Institutional Investors has added their support with a letter direct to PM Shinzo Abe supporting governance reform.

The Governance challenge for Japan

Corporate reform is a key factor for future growth.

Reforming corporate governance practices is now acknowledged as one of the underlying challenges Japan faces in implementing the 'third arrow' of the Abenomics agenda.

January saw the release of a draft Stewardship Code by the Financial Services Authority (PIRC Alerts Jan 22nd) and now a Panel set up by the Tokyo Stock Exchange to examine options to revitalise markets has released its own recommendations, adding pressure for changes to corporate decision making.

Amongst its key recommendations are proposals to ‘foster an environment that leads to better corporate governance.’ These Include establishment of the Corporate Governance Code and follow-up on the development of and promote the Japanese Stewardship Code.

The Report also calls for lower cross-shareholding; a major challenge to the structure of Japanese companies is that they consist of cross-shareholdings among banks, insurance companies and other enterprises.

Governance has also been identified by international investors as the vehicle to put pressure on Japan to improve overall corporate performance, with recent analysis by the Ministry of Economy Trade and Industry via the ‘Ito Review’ confirming very indifferent long-term returns.

The Japanese Stock Exchange pleads to have learned the lesson. The ambition of Prime Minister Mr. Abe is to make Japan Asia’s preferred financial centre. A less-than-adequate governance system continues to undermine the confidence of international investors in local markets.

International investors seem to have united with Mr. Abe on a two-fold challenge to the corporate governance of Japanese companies that sees ownership structures being dominated by large conglomerates, complex webs of cross holdings, directorships and commercial relationships.

The presence of independent directors on the board of Japanese companies is an issue by itself. In 2013, almost 600 of the largest listed Japanese firms (approximately 43%) had no outside (independent) directors on their board.

Other major regional economies including South Korea, China and India require at least some presence of independent directors on the board of listed companies. It is fair to acknowledge that significant governance issues exist in all three countries particularly China and India.

Where independent board representation does exist, it is not always effective. Part of the high profile 2011 Olympus accounting scandal was attributed to the absence of any effective challenge moved to the management from its three independent directors.

It remains to be seen whether the TSE will adopt a governance code at all, and under what conditions. At the moment, there does not seem to be consensus among Japanese listed companies.

The Japan Business Federation (Keidanren) is trying to give demonstrate that its companies can regulate themselves without law-imposed rules.

In early 2014, it announced that it will prepare its own corporate governance code, although it was widely seen as inadequate, leaving out requirements to ‘comply’ to a standard where companies would merely need to explain their current practices.

For domestic savers and foreign investors, another successful bid to thwart reform will be regarded not only as a blow to the prospects of Abenomics, but as an own goal by a business lobby that believes the global trend for better governance can be resisted indefinitely.

Tokyo Electric Power Company Inc

AGM 26TH June

Transparency of information and shareholder accountability were the key governance issues at this high profile electric utility.

Board Representation: There was support for newly nominated Executive Directors Mr Anegawa Takafumi and Mr Sano Toshihiro, as well as for newly nominated Independent Non-Executive Outside Director, Mr Kunii Hideko, as well as support for Mr Sudou Masahiko and Mr Masuda Hiroya; forKobayashi Mitsuyoshi**,** Independent Non-Executive Outside Director, Representative Director and Independent Non-Executive Outside Directors Fujimori Yoshiaki and Mr Sudo Fumio and for Executive Directors Shimada Takashi, Naitou Yoshihiro and Hirose Naomi

Shareholder Proposals: The English version of the supporting material has not been made available to shareholders on any of the Shareholder Proposals. This is considered to be a frustration of shareholder accountability. The topics of these resolutions were diverse and included the following: Election of Kawai Hiroyuki, Koga Shogaku and Lida Tetsuya as alternative directors; Amendment to the Articles of Incorporation (Plan business without relying on nuclear generation); Amendment to the Articles of Incorporation (Close Kashiwabara-Kariba Nuclear Station); Amendment to the Articles of Incorporation (Close Fukushima II Nuclear Station); Amendment to the Articles of Incorporation (Appropriate Treatment of employee working in nuclear plants; Amendment to the Articles of Incorporation (Adoption of quality criteria in selecting suppliers); Amendment to the Articles of Incorporation (End re-use of nuclear fuels); Amendment to the Articles of Incorporation (Stop construction of Totsu Nuclear Station); Amendment to the Articles of Incorporation (Stop contamination in affected area); and Amendment to the Articles of Incorporation (Maintenance of neutral position in case of derivative action against directors).

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Nottinghamshire County Council

Report to Pensions Sub-Committee

22 July 2014

Agenda Item: 10

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT

WORKING PARTY RECOMMENDATIONS

Purpose of the Report

1. To seek agreement to the recommendations of the Pensions Working Party in respect of additional investments in property.

Information and Advice

2. This report is to inform the Sub-Committee of the recommendations of the Pensions Working Party. Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972. Having regard to the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because divulging the information would significantly damage the Council's commercial position in relation to the Pension Fund. The exempt information is set out in the exempt appendix.

3. A meeting of the Pensions Working Party was held on 9 July 2014 to discuss proposals for additional investment in property. The following members of the Sub-Committee attended:

Councillor Stella Smedley	County Councillor
Councillor Ken Rigby	County Councillor
Councillor Reg Adair	County Councillor
Councillor Darrell Pulk	County Councillor
Mr C King	Trade Union Representative
Mr Eric Lambert	Fund Independent Adviser

4. The Working Party agreed to recommend additional allocations to the Fund's direct property portfolio and also to pooled property funds managed by the Fund's existing managers. These are detailed in the exempt appendix.

Statutory and Policy Implications

5. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) That the recommendations detailed in the exempt appendix be put forward to the Pensions Fund Committee for approval.

Report Author:
Simon Cunnington
Senior Accountant – Pensions & Treasury Management

For any enquiries about this report please contact: Simon Cunnington

Constitutional Comments (KK 14.7.14)

6. The proposal in this report is within the remit of the Pensions Sub-Committee.

Financial Comments (SRC 11/07/14)

7. The amounts to be invested are detailed in the exempt appendix. These additional allocations can be funded from cash or from a reduction in the Fund's allocation to equities.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None

Nottinghamshire County Council

Report to Pensions Sub- Committee

22 July 2014

Agenda Item:11

REPORT OF CORPORATE DIRECTOR, POLICY, PLANNING AND CORPORATE SERVICES

WORK PROGRAMME

Purpose of the Report

1. To consider the Sub-Committee's work programme.

Information and Advice

2. The County Council requires each sub-committee to maintain a work programme. The work programme will assist the management of the sub-committee's agenda, the scheduling of the sub-committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and sub-committee meeting. Any member of the sub-committee is able to suggest items for possible inclusion.

3. The attached work programme has been drafted in consultation with the Chairman and Vice-Chairman, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.

Other Options Considered

4. None.

Reason/s for Recommendation/s

5. To assist the sub-committee in preparing its work programme.

Statutory and Policy Implications

6. This report has been compiled after consideration of implications in respect of finance, public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

1) That the sub-committee's work programme be noted, and consideration be given to any changes which the sub-committee wishes to make.

Jayne Francis-Ward
Corporate Director, Policy, Planning and Corporate Services

For any enquiries about this report please contact:
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E-mail: **keith.ford@nottscc.gov.uk** Tel: 0115 9772590

Constitutional Comments

7. The Sub-Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments

8. There are no financial implications arising directly from this report.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None

Electoral Division(s) and Member(s) Affected

All

Nottinghamshire Pension Fund Committees
Work Programme

Date	Report Title	Brief summary of agenda item	For Decision or Information ?	Lead Officer
22-Jul-14	Updates to policies	Review of fund policies and recommendation of amendments	Decision recommendation	Simon Cunnington
	Proxy Voting - Q2 2014	Summary of voting activity during quarter 2 of 2014	Information	Simon Cunnington
	LAPFF Business Meeting	Report from LAPFF Business Meeting on 18/06/14	Information	Nigel Stevenson
	NAPF Local Authority Conference 2014	Report from the NAPF Local Authority Conference at the Cotswolds Water Park	Information	Simon Cunnington
	LGE LGPS Trustees Conference 2014	Report from the LGE LGPS Trustees Conference in Bournemouth	Information	Simon Cunnington
	New Admission/Transferee bodies	Standing item to give details of any new employers within the Fund	Information	Sarah Stevenson
06-Nov-14	Pension Fund Branding	Background and update on changes to pension fund branding	Information	Sarah Stevenson
	Proxy Voting - Q3 2014	Summary of voting activity during quarter 3 of 2014	Information	Simon Cunnington
05-Feb-15	Civica UPM	Update on new Civica UPM pensions admin system	Information	Jon Clewes
	Proxy Voting - Q4 2014	Summary of voting activity during quarter 4 of 2014	Information	Simon Cunnington