

minutes



Meeting PENSIONS INVESTMENT SUB-COMMITTEE

Date Friday, 29th September 2006 (commencing at 10.30 am)

membership

Persons absent are marked with `A`

COUNCILLORS

Chris Baron (Chair)
Darrell Pulk (Vice-Chair)

A	John Carter	A	Sheila Place
	M J Cox		Ken Rigby
	Mrs Kay Cutts	A	Stella Smedley
	Jim O' Riordan		John Stocks
	Thomas A Pettengell		David Taylor

Nottingham City Council

A Councillor A Clark
Councillor Michael Cowan
A Councillor B Parbutt

Nottinghamshire Local Authorities' Association

A Executive Mayor Tony Egginton
A Councillor Milan Radulovic

Trades Unions

Mr J Dunstan
Mr J Hall

Scheduled Bodies

Mr N Timms

ALSO IN ATTENDANCE

Mr J M Corlett - Independent Advisor

Mr P Butler)
Mr S Brown) Governance for Owners
Mr R Hindle-Fisher)

Mr D Gibbins)
Mr G Hardie) Arlington

MINUTES

The Minutes of the last meeting of the Sub-Committee held on 28th July 2006, having been circulated previously, were confirmed and signed by the Chair.

APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors John Carter, Sheila Place and Stella Smedley.

DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

There were no declarations of interest made by Members or Officers.

PETER HURFORD

The Chair reported that Peter Hurford had now retired from employment with the Council and, in the circumstances, he wished to formally record the Sub-Committee's appreciation of Mr Hurford's hard work and dedication over many years which had brought immense benefits to the position of the Pension Fund. It was agreed that an appropriate letter of thanks should be sent to Mr Hurford.

LGC PUBLIC SECTOR PENSION FUND INVESTMENT SEMINAR HELD ON 31ST AUGUST IN SOUTHAMPTON – REPORT BACK

RESOLVED: 2006/053

That the report be noted.

PENSION FUND INVESTMENT STRATEGY

The Chair referred to discussions which had taken place in the Pensions Working Party culminating in the proposed variations to the Statement of Investment Principles and the Funding Strategy Statement set out in the report before the meeting.

Some minor reservations were raised on the general thrust of the proposals. In strategic terms these concerned the credibility of the strategy and, within any ranges for asset classes adopted, a concern that positions should not be adopted which appeared to “bet” on the market. With regard to the proposed ranges themselves, it was suggested that the equities range of 55% to 75% was somewhat large and that the range of property of 5% to 20% extended

the range to a more extreme position. Those Members that had sat on the Pensions Working Party assured other Members that the type of mild reservations raised had been thoroughly discussed and that it was felt that, on balance, the proposals now made were reasonable ones to take going forward.

Following full discussion and on a motion by the Chair, duly seconded, it was:-

RESOLVED: 2006/054

That the Pensions Committee be recommended to approve:-

1. the revised ranges of asset classes for inclusion in a revision to the Statement of Investment Principles and the Funding Strategy Statement;
2. the provision of further information and training on the potential investment areas set out in the report and
3. an annual review of the Investment Strategy being undertaken.

HERMES SMALL COMPANIES FOCUS FUND PLUS

RESOLVED: 2006/055

That the Pensions Committee be recommended to approve:-

1. as an existing Limited Partner, to consent to the establishment of the "Focus Fund Plus" in the Hermes UK Small Companies Focus Fund Limited Partnership and
2. an investment of £7 million in the "Focus Fund Plus" in the Hermes UK Small Companies Focus Fund Limited Partnership.

EXCLUSION OF THE PUBLIC

RESOLVED: 2006/056

That the public be excluded from 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.

With regard to the position of those persons in attendance at the meeting, it was further:-

RESOLVED: 2006/057

That, arising from the above, Mr J M Corlett be authorised to remain in the meeting in his capacity as Independent Advisor to the Sub-Committee and

that Fund Managers be authorised to attend the meeting when dealing with their respective reports.

EXEMPT INFORMATION ITEMS

EXEMPT MINUTES – APPENDIX TO THE MINUTES OF THE MEETING HELD ON 28TH JULY 2006

RESOLVED: 2006/058

That the Exempt Appendix to the Minutes of the meeting held on 28th July 2006 be confirmed and signed by the Chair.

GOVERNANCE FOR OWNERS (GO)

Representatives of GO attended the meeting and spoke to the papers circulated with the agenda for the meeting which set out the issues around investing in the GO European Focus Fund. The Fund was a product at the riskier end of investments involving the Pension Fund being prepared to take a higher level of risk for a higher rate of return. The approach of GO replicated the Hermes approach (with which Sub-Committee was familiar) but brought with it a more independent perspective. In essence the investment was about picking the right stock and then adding value through the engagement process reported. Typically the Fund would hold a small amount of stocks, with six currently being held with the majority being in Europe (with one in the UK) as it was considered there were better opportunities in Europe.

Members had questions in relation to the role of the GO Advisory Board, the level of investment required, the difference in approach from private equity investment and the volatility of the product and these were dealt with by GO representatives.

Representatives were thanked for their presentation and left the meeting.

Following discussion of the issues arising from the presentation and on a motion by the Chair, duly seconded, it was:-

RESOLVED: 2006/059

That the Pensions Committee be recommended to approve an investment of £20 million in the GO European Focus Fund.

RESIDENTIAL PROPERTY INVESTMENT

Arlington's representatives attended the meeting and presented further information on the benefits and opportunities afforded by investing in residential property. Representatives commented on the characteristics of such investment and on methods and examples of how the residential sector might be accessed; through the options of property unit trusts, direct investment or property company shares. Members raised issues around the

regulation of off-shore companies and the risks for the market, particularly in terms of the demand for student accommodation and key-worker accommodation. Representatives commented on the issues raised.

The Chair thanked representatives of Arlington for their presentation and advised that the Sub-Committee would be considering other presentations on investment in this area of activity.

RESOLVED: 2006/60

That the information presented by Arlington be received.

The meeting closed at 12.30 pm.

CHAIR

M_29Sept06