

Minutes of the Pensions Panel Meeting held on 7 March 2017

Present:

Attendance

Derek Davis, OBE	Robert Marshall
Mike Lawrence (In the Chair)	Shelagh McKiernan

Also in attendance: Carolan Dobson and Graeme Johnston and Ian Jenkinson (Pension Board, Observer)

Apologies: Philip Atkins, OBE and David Thomas

PART ONE

43. Declarations of Interest

There were no declarations of interest on this occasion.

44. Minutes of meeting held on 6 December 2016

RESOLVED – that the minutes of the meeting of the Pensions Panel held on 6 December 2016 be confirmed and signed by the Chairman.

45. Pension Fund Investment Performance 2016/17 and Portfolio of Investments as at 31 December 2016

The Panel received a summary of the performance of the Pension Fund, together with a portfolio of the Fund's investments as at 31 December 2016.

For Quarter 4 the Fund had achieved a 4% absolute return, giving a 17.8% absolute return for the year to date, against the respective benchmarks of 4.1% and 17.2%. Relative Performance was therefore positive at 0.5% as at 31 December 2016.

The various national and global events which had affected the performance of markets throughout Quarter 4 were detailed. Whilst there was ongoing uncertainty about the processes for Britain's exit from the European Union, there remained a positive attitude towards UK economic growth. In the USA the election of President Trump and the anticipated reduction in tax rates and increased government spending had resulted in the Dow Jones index reaching an all-time high. Interest rates had been increased to combat an expected rise in inflation. Emerging Markets had been affected by the rise in the value of the Dollar coupled with uncertainty around President Trump's policies on trade. Markets in Europe had been affected by a number of issues including the resignation of the Italian Prime Minister.

The Fund was reported to have a Market Value of £4.38bn. Given that the Book value was reported as £3.43bn the Panel discussed the limited relevance that the actual

valuation had on determining the Fund's overall position. The Funding Level (ie the extent to which the Fund can meet it's liabilities) was the key factor. That Funding Level was reported to be 78% compared to 72% at the last triennial review.

RESOLVED – That the Pension Fund investment performance and the portfolio of investments for the quarter ended 31 December 2016 be noted.

46. Annual Investment Strategy for Pension Fund Cash 2017/18

The Director of Finance and Resources reported that revisions in Pensions Regulations no longer specifically required the Fund to have an Annual Investment Strategy (AIS) for the investment of internally managed Fund Cash however as good practice it was proposed to continue to publish such a Strategy.

The Director submitted a draft strategy which initially proposed management arrangements for the cash held in line with the 1% Strategic Asset Allocation, in order to meet day to day liabilities, but also catered for circumstances such as were currently being experienced where surplus cash was being held pending investment in other asset classes (eg Property and Private Debt).

He reported that the proposed strategy followed the CIPFA principles for investment namely: Security, Liquidity and Yield. He also detailed the way in which the strategy complied with regulatory requirements for both short and longer term deposits explaining the credit rating system for financial institutions and submitted an Approved Lending List for the Fund.

The Director reported on the proposed continued investment of 'day to day ' cash reserves in overnight short term accounts with the excess currently held, pending investment in other asset classes, Money Market Funds (MMFs). As part of advance payment arrangements with employer members of the Pension Fund, an additional £90m cash would be received at the beginning of the 23017/18 financial year which would need to be invested pending longer term allocation to other asset classes. For these additional monies the Director proposed the extension of investment limits on existing MMFs or the opening of an additional MMF depending on which option offered the most favourable terms.

Given that the level of cash held considerably exceeded the long established 1% allocation in the overall Strategic Asset Allocation Panel members queried the acceptable/maximum amount which the Fund should hold expressing concern at the potential loss of investment opportunities. In reply the Director explained that the need to be able to draw on the cash at short notice, the difficulty in finding value across the investment spectrum and the cost of transferring the cash to a Fund manager in the short term, meant that MMFs offered the best option. He acknowledged the need to closely monitor the level and return on cash held.

RESOLVED – That the Annual Investment Strategy (AIS) for the Staffordshire Pension Fund for the investment of internally managed Pension Fund cash be approved.

47. Investment Strategy Statement.

The Director of Finance and Resources reported on the new regulatory requirement on the Fund to publish an Investment Strategy Statement (ISS) setting out how the Funds investment strategy is determined and implemented. He explained that whilst the new ISS contents were less prescribed than those of its predecessor, the Statement of Investment Principles, as good practice he favoured a detailed document providing an accessible source of information on the Fund's objectives, beliefs, considerations when determining asset allocation, and other considerations such as governance, Responsible Investment and stewardship. In addition the ISS addressed the future pooling of investments.

The Director submitted a draft ISS on which interested parties were being consulted and commented on his wish to amend that draft to include reference to Infrastructure and the investment return assumptions agreed at each triennial review,.

The Director also reported on the UK Stewardship Code which Funds were now required to subscribe to, proposing that the Fund subscribe in early 2017/18 once all documentation, such as the ISS, is completed to enable the Fund to evidence compliance with the 7 key principles of the Code.

RESOLVED – That the Investment Strategy Statement for the Staffordshire Pension Fund be approved and the intention to become a signatory of the UK Stewardship Code in 2017 be noted.

48. Dates of Future Meetings

Proposed dates of future meetings were agreed as follows:

- 6 June 2017 (AM only – 2 Global Managers to attend)
- 25 July 2017 – Training Day
- 5 September 2017
- 5 December 2017
- 6 March 2018

49. Exclusion of the Public

RESOLVED -, That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraph of Part One of Schedule 12A of the Local Government Act 1972 (as amended) indicated below.

The Panel then proceeded to consider reports on the following issues:

50. Exempt Minutes of the Meeting held on 6 December 2016

51. Pooling of LGPS Investments

52. Strategic Benchmark Review and Monitoring

- a) Market Update
- b) Review of Position as at 31 January 2017

53. Pension Fund Performance and Manager Monitoring for the quarter ended 31 December 2016

54. Responsible Investment Report (RI) Quarter 4 2016

55. Property

- a) Confirmation of action taken by the Director of Finance and Resources
- b) Property Investment Strategy for the year commencing 1 April 2017

56. Managers Presentation - Insight Investments - Corporate Bond Portfolio (exemption paragraph 3)

Chairman