

Minutes of the Pensions Committee Meeting held on 16 June 2017

Present: Robert Marshall (Chairman)

Attendance

Ben Adams	Sue Insull (Co-opted Member)
Ann Edgeller (Vice-Chairman)	Mike Sutherland
Colin Greatorex	Stephen Sweeney

Also in attendance: Nick Kent (Portfolio Evaluation Ltd) and Ian Jenkinson (Pensions Board Member).

Apologies: Philip Atkins, OBE, Derek Davis, OBE, Geoff Locke (Co-opted Member), Peter Noskiw (Co-opted Member) and Martyn Tittley.

PART ONE

1. Fatal Fire at Grenfell Tower, London

The Committee observed a one minute's silence in memory of the residents of Grenfell Tower in London who had lost their lives during the fatal fire on 14 June 2017.

2. Declarations of Interest

There were no declarations of interest on this occasion.

3. Minutes of the meeting held on 17 March 2017

The Director of Finance and Resources referred to minute no, 54 relating to the Investment Strategy Statement and informed the Committee that no comments had been received during the consultation with interested parties and that, in accordance with the Committee's decision, the Director of Finance and Resources in consultation with the Chair of the Pensions Committee had approved the final version of the Statement for publication.

RESOLVED – That the minutes of the meeting of the Pensions Committee held on 17 March 2017 be confirmed and signed by the Chairman.

4. Appointment of Pensions Panel

RESOLVED – That the following members be appointed to serve on the Pensions Panel for the 2017/18 municipal year:

P.E.B Atkins OBE, D.J. Davis OBE, R. Marshall, S. Sweeney and M. Sutherland.

5. Minutes of the Pensions Panel held on 6 June 2017

RESOLVED – That the minutes of the meeting of the Pensions Panel held on 6 June 2017 be noted.

6. Pension Fund Performance 2016/17

The Committee received a presentation by Nick Kent from Portfolio Evaluation Limited (PEL) on the Staffordshire Pension Fund investment performance for 2016/17.

The Committee noted the following:

For the year ended 31 March 2017 –

- The Fund achieved a return of 22.9%, out-performing its strategic benchmark by 0.9%.
- There were high returns across markets generally, due to global economic growth and Brexit and the subsequent Sterling depreciation.
- The loose monetary policy was good for markets but bad for savers.
- Quantitative Easing (QE) was beginning to end and should result in increasing bond yields.
- There were divergent results regionally and between sectors, however there were increasing signs of convergence.
- Market risk increased in 2016 but had plateaued recently.

For Three Years Ended March 2017 -

- The Fund achieved a return of 11.8% per annum, out-performing its strategic benchmark by 0.1%.
- There was strong performance from the majority of markets.
- The depreciation of Sterling was a significant generator of returns.
- The impact of QE was beneficial from a returns perspective.

For five Years Ended March 2017 -

- The Fund achieved a return of 11.5% per annum, out-performing its strategic benchmark by 0.7%.

In summary:

- The Fund had outperformed its strategic benchmark over the one, three and five year periods.
- Markets had provided high returns over the one, three and five year periods due to, in part, Sterling depreciation, Brexit, global economic growth and QE.
- Mandates with Sarasin and Aberdeen were terminated in 2016/17 and the assets invested in a Global Equity portfolio and Emerging Markets Equity portfolio managed by LGIM on a passive basis. Additionally, the DGF portfolios managed by Schroders and Morgan Stanley were terminated. And, a Private Debt portfolio had been seeded.
- The Fund had underperformed the average for the PEL Local Authority Average but it had less risk than the average.

- The outperformance in 2016/17 was due to the Private Equity, Property and Bond portfolios outperforming their individual benchmarks. Equity performance was a drag on excess return primarily due to Sarasin and Aberdeen. Asset allocation was neutral.
- Total risk remained low and active risk was at a level which was consistent with the structure of the Fund. Risk had remained stable over the year.

In response to a question from Mr Greateorex relating to how benchmarks were established, Mr Kent indicated that they were based on the relevant market indices.

In response to a question from Mr Sutherland in relation to the commodities markets, Mr Kent expressed the view that, if the economy continued to grow, commodities on the whole were likely to do well although oil prices were likely to remain volatile. He added that Brexit could have an adverse impact on food prices and that it was likely that interest rates would begin to rise.

Ms Insull referred to the poor performance of Sarasin and Aberdeen and enquired whether the removal of the Managers, in the context of pooling, had caused any issues for the Fund. In response, the Director of Finance and Resources indicated that the assets invested by Sarasin and Aberdeen were now invested in a Global Equity portfolio and emerging markets portfolio managed by LGIM on a passive basis pending the appointment by LGPS Central of an active manager, whereas ordinarily, a search for new managers would have been conducted immediately.

In response to a question from Mr Greateorex about how “churn” in the Fund’s equity portfolio was assessed, Mr Kent indicated that this was examined on a quarterly basis and that a 20% “churn” per annum was considered to be the norm.

Mr Adams enquired about what action the Committee may take if they were not in agreement with the decisions taken by the Pensions Panel. In response, the Director of Strategy, Governance and Change indicated that since it was a matter for the Committee to appoint the Members of the Pensions Panel, the Committee could change that membership if it had any concerns. He added that the Committee received copies of the minutes of the Panel’s meetings and were therefore kept informed as to the decisions the Panel were making. The Director of Finance and Resources added that it was also a matter for the Committee to approve the Fund’s Strategic Asset Allocation.

RESOLVED – That the presentation on Pension Fund investment performance 2016/17 be noted.

7. 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 paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972 indicated below

PART TWO

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

8. Exempt minutes of the meeting held on 17 March 2017
(Exemption paragraph 3)

9. Exempt minutes of the Pensions Panel held on 6 June 2017
(Exemption paragraph 3)

10. The Local Government Pension Scheme Administration - Breaches - Update
(Exemption paragraph 3)

11. Pensions Administration - Admitted Bodies
(Exemption paragraph 3)

12. Pooling of LGPS Investments
(Exemption paragraph 3)

Chairman