

# Aberdeen City Council

Aberdeen 10 November 2008 Minute of the Meeting of the Joint Investment Advisory Committee.

Present: Councillor N Fletcher Convener, Councillor B Crockett, Councillor J Kiddie, Councillor S Coull, Councillor M Watt. In Attendance, Mrs J Hope, Pensions Manager, Miss C Mann, Pensions Officer – Investments, Mrs L Goodchild, Principal Pensions Officer

Councillor Fletcher advised the committee that the Pension Fund had won the LGC Finance Award for the performance of the Transport Funds - Property Fund.

## Apologies for Absence

1. Apologies for absence were intimated on behalf of Councillor R Thomas, Councillor A Milne, Councillor A Bews, Mr Morrice, Mr Millican, and Ms S Cooper.

## Verbal Update on Market Conditions

2. Mrs Hope advised that the Pension Fund had gone through a dramatic time, and that the total value of the fund had fallen from £1.7 billion at the end of March 08 to £1.5 billion at the end of Oct 08. A discussion followed on the Funds investment strategy and the volatility of the markets and its impact on the Actuarial Valuation and the scheme employer's contribution rates.

## Capital's Mandate

3. It was agreed at the JIAC meeting of the 28 Aug 2008 to put the Global Equity Ex UK Equity Mandate out to tender Mrs Hope reviewed the following options available to the committee. In respect of the mandate.
  - Global Equity Ex UK Equity Mandate +2% out performance target (Core Mandate)
  - Global Equity Ex UK Equity Mandate +4% out performance target (High Alpha)
  - Global Equity Ex UK Equity Mandate Absolute Return benchmarked against cash plus 5%.

The costs of going out to tender were also discussed and the committee were given the choice of remaining with Mercers who charge for the selection process or go with Bfinance who charge the winning Fund Manager.

### **The Committee resolved:**

To tender for a Global Equity Ex UK Equity Mandate with +2% /+4% out performance target.

To appoint Bfinance to carry out the tender exercise.

### Statestreet Benchmark

4. As requested by the committee at the last JIAC meeting of the 28 Aug 2008, Mrs Hope gave a report on the composition of the StateStreet passive equity mandate benchmark and exposure within that benchmark to emerging markets. Mrs hope advised that the indexed returns of four other strategies over the mandates lifetime was very similar to the return we had achieved with the current mandate, and since the last meeting emerging markets had been performing badly.

#### **The Committee resolved:**

To leave the mandate as it is at present and look at it again in the spring.

### Alternatives Allocation

5. Glen Dickin from Mercer gave a presentation on Alternative Investments Fund of Funds. He covered the various strategies available and the corresponding risks. A number of questions were raised by elected members regarding Alternatives, the costs, risks and nature of the investments, and if now was an appropriate time to invest in such a fund especially at such a volatile time in the markets.

Cllr Watt asked it to be noted that he did not agree with investing in Alternatives, as the risks were too high.

Mrs Hope advised that Alternatives were only one option for the committee, they could put the cash into bonds, private equity, or equities.

#### **The Committee resolved:**

In view of the volatility in the markets it was decided to defer the decision on Alternatives till the JIAC Meeting in March 2009.

Councillor N Fletcher - Convener