

Aberdeen City Council

Aberdeen 27 January 2009 Minute of the Meeting of the Joint Investment Advisory Committee.

Present: Councillor N Fletcher Convener, Councillor B Crockett, Councillor J Kiddie, Councillor Milne, Councillor S Coull, Councillor R Thomas, Councillor G McDonald. In Attendance, Mr Gordon Edwards, Corporate Director, Mrs J Hope, Pensions Manager, Miss C Mann, Pensions Officer – Investments, Mrs L Goodchild, Principal Pensions Officer

Apologies for Absence

1. Apologies for absence were intimated on behalf of Cllr Watt, Cllr Bews, Mr Morrice, Susan Cooper and Mr Millican and for Cllr Milne for the first part of the meeting. Apologies for previous meeting on 21 Nov 08 for Cllr Thomas & Cllr Kiddie.

Minute of previous meeting dated 10 November 2008

2. The Committee had before them and approved as a correct record, the Minute of the Joint Investment Advisory Committee of 21 November 2008.

Minute of the Pensions Panel meeting of 10 Sep 2008

3. The Committee noted the Minute of the Pensions Panel of 10 Sep 2008

Minute of the Special Pensions Panel meeting of 10 Nov 2008

4. The Committee noted the Minute of the Pensions Panel of 10 Nov 2008

Matters Arising

5. From the JIAC meeting of the 21 Nov Mrs Hope advised the following.
 - Substitutes are not allowed on the JIAC committee because they would not have received appropriate training.
 - Rogge re performance - HSBC think there is a mismatch between Rogge and our mandate, Mercer still rate them highly. Rogge themselves claim they have no problem with our mandate but there performance gives a different story. Mrs Hope will be meeting a researcher next week to further investigate this issue.
 - TAA - The committee had requested that Eric Lambert report back to them on the subject of tactical asset allocation (TAA). Mrs Hope advised that Mr Lambert had noted the following - TAA is a useful tool in managing fund assets however he did not believe that a TAA decision should be made at this time with the fund's cash balances in the current volatile market.

Mrs Hope gave a market update as at 27th Jan 09.

- The Market Value of the Fund has held steady since 31 Oct 08 at £1,506m. No market is performing well, with property and equities both returning negative returns.
- The quarterly performance of the fund managers was also looked at.

Cllr Kiddie asked if we should be deserting Capital at this time as they had begun to turn things around and performed better this quarter.

Mrs Hope advised that as part of the tender process Capital can apply for the mandate and if they continue to improve the committee can reconsider their appointment.

Cllr Milne joined the meeting at this point.

Actuarial Valuation - Paul Middleman Pension Fund Actuary

6. Paul Middleman gave a presentation on the 2008 Actuarial Valuation the key issues discussed with the committee being.
 - Analysis of changes from 2005 valuation
 - Methodology of actuarial assumptions.
 - Recovery period
 - FRS17 - Potential Impact

A number of questions were raised by elected members specifically regarding the actuarial assumptions, FRS17 and the options available regarding the recovery period.

Gordon Edwards suggested that as this issue effects all Scottish Valuations this matter should be raised with COSLA.

The Committee resolved:

That Mrs Hope liaise with CIPFA to have a media strategy in place to cover the valuation and FRS17. This should also coincide with internal communication on these issues.

To advise the Pension Panel that they recommend the recovery period be 25 years.

Presentation on Private Equity - Laura Goodchild

7. Laura Goochild gave an overview on the Funds current Private Equity Holdings. And the current vehicle's on offer from Harbourvest in Emerging Markets and Standard life in European Strategic Partners 2008.

The Committee resolved:

To wait until they had an opportunity to discuss both vehicles directly with the Fund Managers at the March JIAC meeting, before deciding about any further investments.

Any Other Competent Business

8. Mr Morrice has advised that he has a new candidate to replace himself on the committee, Mr Robert Duncan who is a governor of RGU. He has requested that Mr Duncan be invited to attend the next JIAC meeting in an observer role.

Stock Lending - The Fund had suspended its stock lending when the FSA was investigating the issue of short selling. The FSA has now announced that stock lending has no effect on the markets.

Mrs Hope requested that the committee approve the reinstatement of stock lending.

Cllr Kiddie also wished to advise the committee that the LAPFF conference he attended in Dec was very worthwhile. He also requested that a list of this years conferences be put before the Pension Panel.

Cllr Fletcher also wished to add that in his role on the Executive of the LAPFF he is finding it an excellent organisation for communication with other pension funds, on a wide range of topics. One of the hot topics being discussed at the moment is the way actuarial valuations are calculated.

The Committee resolved:

To invite Robert Duncan to the JIAC meeting of the 5-6th March as an observer

To advise the Pension Panel that they recommend that Stock Lending should be reinstated.

Councillor N Fletcher - Convener