

Aberdeen City Council

Aberdeen 22 May 2009

Minute of the Meeting of the Joint Investment Advisory Committee.

Present: Councillor J Kiddie, Councillor A Milne, Councillor Crockett, Councillor S Coull, Councillor R Thomas, Councillor Watt, Mr G Morrice, Mr R Duncan & Mr Millican. In Attendance, Ms Susan Cooper, City Chamberlain, Mrs J Hope, Pensions Manager, Miss C Mann, Pensions Officer.

As Cllr Fletcher was unable to attend Cllr Kiddie chaired the meeting.

Cllr Kiddie opened the meeting by advising that this was Mr Morrice's last meeting and wished to express the committee's appreciation for his service and to wish him well for the future.

Apologies for Absence

1. Apologies for absence were intimated on behalf of, Councillor G McDonald & Councillor Bews.

Minute of the Previous Meeting dated 05/06 Mar 2009

2. The Committee had before them and approved as a correct record, the Minute of the Joint Investment Advisory Committee of 05/06 Mar 2009.

Minute of the Special Pensions Panel Meeting dated 03 Dec 2008

3. The Committee noted the Minute of the Pensions Panel of 03 Dec 2008

Matters Arising

4. Mrs Hope advised that the only matter arising was that of Private Equity and that would be incorporated in item 7 of today's business.

Investment Report to 31 March 2009 - Report by the City Chamberlain

5. Mrs Hope highlighted the following issues:
 - **New Local Government Pensions Scheme** – Administering Authority Discretions, Employer Discretions, Employer Bulletins/Employer Seminar, England & Wales already reviewing sustainability of the scheme longer term.

- **2008 Actuarial Valuation** – Funding lever at 83%, Deficit £372.3 million, Future service accrual 15% of Pensionable Payroll, Employer Contribution Rate 19.3% of Pensionable Payroll, Stepped increases in contributions, Two employers have set employer contribution rates.
- **Investment Report** – Poor investment returns were to be found in all areas for the 3 months to Mar 09 but there has been a small recovery in period up to the date of the meeting.
 - Blackrock and Baillie Gifford had strong performances both well ahead of their benchmarks;
 - Capital however had just managed a small improvement in a market that should be ideal for them.
 - Again Barings had outperformed Rogge in the bond market.
 - The property manager had following the quarter end, bought a property in Nottingham for £10.3 million.
 - Transport Fund had performed broadly in line with benchmark.

Cllr Coull thought that it would be a good time to invest the Pension Funds Cash holding. Mrs Hope advised that Joanne Holden would discuss cash in the Asset Liability presentation.

Cllr Kiddie wanted to make sure that Scotland was being represented in the English & Welsh review into the sustainability of the scheme long term. Mrs Hope advised that the review would not include Scottish views as they were separate pension schemes and that it would be up to the Scottish ministers to get more involved in changes to the Scottish scheme.

Cllr Kiddie was very concerned that the outcome of the English review would just be rubber stamped in Scotland, and that Local Authority Pension Funds in Scotland would not be involved in any discussion about changes in the pension scheme.

Ms Cooper advised that COSLA have representatives from Dundee & Edinburgh Council's in its group. They are looking at cost sharing, and the long term sustainability of the pension scheme.

The committee asked that Ms Cooper report back to the committee to clarify the remit of the COSLA group.

Management Costs for Year Ended 31 March 09

6. Mrs Hope went over the Costs pointing out that the total paid in Managers Fees was £3.2m with an additional amount of £1.2m paid in Performance Fees.

Cllr Crockett asked if there was any scope to reduce Management Fees.

Mrs Hope advised that there was no scope, and that our present manager's fees are lower than we would obtain if a new manager was appointed.

Ms Cooper and Mrs Hope advised that a national initiative called Pathfinder was gathering information on the costs associated with administering the LGPS by the various administering authorities. A report is expected at the end of June looking at whether further discussion should take place regarding the possibilities of amalgamating or reducing the number of schemes.

The committee resolved: to wait for the pathfinder report to be published.

Cash Flow for Private Equity Managers – Report by Mrs Joanne Hope

7. Mrs Hope advised that the fund had £85m invested in Private Equity which amounted to 5/6% of the Fund. It was quite difficult to get a handle on the underlying valuations of the investments; however the fund should expect to see cash distributions between 2010 and 2015.

The committee resolved: to note the Report

Corporate Social Responsibility and Corporate Governance – Mrs Joanne Hope

8. Mrs Hope advised that the pension Fund did not have a Policy on this issue and was looking for a recommendation from the committee. A presentation was then given by Mrs Hope on the following topics
 - What is Corporate social responsibility and corporate governance
 - Shareholder Activism – duties of a Local Government Pension Scheme
 - What does the pension Fund currently do
 - Role of the Local Authority Pension Fund Forum (LAPFF)
 - What other Local Authority Pension Fund's do
 - Framework for a Corporate Social Responsibility and Corporate Governance Policy.

A Discussion then followed about the content of the proposed policy.

Cllr Coull, Cllr Thomas & Mr Millican thought that good governance and voting were the areas the policy should focus on.

Cllr Crockett, Mr Duncan had a preference for good governance, voting and to a lesser extent social responsibility.

Cllr Kiddie wanted a strong focus on ethical and social responsibility.

Mr Morrice suggested that Mrs Hope come back to the committee with a report on the issues raised by the committee.

The committee resolved: To hand the voting of the Pension Fund back to the Fund Managers.

For Mrs Hope to submit a report to the next JIAC meeting on Corporate Social Responsibility and Corporate Governance.

At this point Cllr Crockett, Cllr Watt and Mr Morrice intimated their apologies for the rest of the meeting. Cllr Kiddie also advised that he would have to leave during the next presentation.

Presentation on Asset Liability Modelling – Joanne Holden, Mercer

Joanne Holden gave a presentation on the following topics

- Investment Strategy Reviews
- What is Asset Liability Modelling
- What is Investment Risk
- Decisions regarding level of risk and asset allocation
- Dynamic Asset Allocation

A discussion followed on the various strategies available to the committee and the effect changing the Funds asset allocation has on its risk and volatility levels.

The committee resolved:

To undertake an asset/liability study through Mercer's and for the results to be available at the next JIAC Meeting

To recommend to the Pension panel that they look at the options available for the Funds Cash holding.

Cllr Milne brought the meeting to a close and thanked everyone for their attendance.

Convenor Councillor J Kiddie