

**Minutes of a meeting of the Pension Fund Management Board held at County Hall, Glenfield on Friday, 13 November 2009.**

**PRESENT:**

Leicestershire County Council

Mr. M. B. Page CC (Chairman)  
Mr. J. G. Coxon CC  
Mr. M. Griffiths CC

Mr. K. W. P. Lynch CC  
Mr. J. T. Orson JP CC

Leicester City Council

Cllr M Johnson  
Cllr M Sood

Staff Representatives

Miss L Bateman  
Mr R Bone  
Mr M Boonham

Mr. B. Bunn  
Mr. F. Byrne

Independent Advisers and Managers

Mr. J. Hastings  
Mr. S. Jamieson  
Mr. M. Hole  
Mr. P. Winston  
Mr. M. Gonzalo

Hymans Robertson  
Independent Investment Adviser  
Capital International  
Capital International  
Adams Street Partners

**27. Mr Alistair Swatridge**

The Chairman reported that Mr. Alistair Swatridge had resigned as the Leader and a Member of Harborough District Council. The District Councils had appointed Cllr Peter Osborne (Charnwood Borough Council) to succeed Mr Swatridge on the Board.

Members joined the Chairman in paying tribute to the work which Mr Swatridge had carried out during his membership of the Board.

**28. Minutes.**

The minutes of the meeting held on 18 September 2009 were taken as read, confirmed and signed.

**29. Question Time.**

The Chief Executive reported that no questions had been received under Standing Order 35.

**30. Questions asked by members under Standing Order 7(3) and 7(5).**

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

**31. Urgent Items.**

There were no urgent items for consideration.

**32. Declarations of Interest.**

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

**33. Summary Valuation of Pension Fund Investments.**

The Board considered a report of the Director of Corporate Resources concerning a summary valuation of the Fund's investments at 30 September 2009. A copy of the report marked 'B' is filed with these minutes.

RESOLVED

That the report be noted.

**34. Pension Fund Management Board Meetings Dates 2010.**

The Board considered a report of the Director of Corporate Resources concerning proposed dates of Board meetings during 2010. A copy of the report marked 'C' is filed with these minutes.

RESOLVED:

That meetings of the Board be held on the following dates during 2010, commencing at 9.30am:

Friday 22 January – Annual Strategic meeting.

Friday 19 February – Review of December 2009 quarter.

Friday 21 May – Review of Annual Investment Performance/Review of March 2010 quarter.

Friday 10 September – Review of June 2010 quarter.

Friday 19 November – Review of September 2010 quarter.

### **35. Closure of Passive Hedge Using Delegated Powers.**

The Board considered a report of the Director of Corporate Resources regarding action taken by the Chief Executive since the Board's previous meeting to close the passive hedge. A copy of the report marked 'D' is filed with these minutes.

RESOLVED:

That the action taken to close the passive hedge be noted.

### **36. Environmental, Social and Governance (ESG) Issues.**

The Board considered a report by the Director of Corporate Resource setting out the policies of the Fund's equity managers in respect of corporate governance and socially responsible investment. A copy of the report marked 'E' is filed with these minutes.

During discussion the following main points were made:

- Governance issues were referred to in the reports which Fund Managers submitted to each Board meeting. Policies seemed to be reasonable although implementation of those policies was not scrutinised by the Board since there was insufficient time during meetings to cover such issues.
- It would be inappropriate for the Board to be party to the United Nations Principles of Responsible Investment (Appendix F), that was a matter for individual Fund Managers.
- The passive hedge manager (Legal and General) had approached the UN to ascertain whether the wording of the UN Principles could be amended to enable Legal and General to sign up to it. No such amendment was possible.
- Consideration was being given to restructuring the Board. One aim of the proposal was to give members more time to consider corporate governance issues in greater depth that was presently possible.
- The Board's prime responsibility was to invest the pension fund in ways that would yield the best financial return, taking into account investment risks.
- That some other local authority funds had felt able to sign up to the UN Principles.

RESOLVED:

That the report of the Director of Corporate Resources be noted.

### **37. Report of the Auditor 2008/09.**

The Board considered a letter from the Auditor, PricewaterhouseCoopers (PWC) LLP, dated 4 November 2009 setting out its audit of the Pension Fund for 2008/09. A copy of the letter marked 'F' is filed with these minutes.

Members were pleased to note that PWC had submitted an unqualified audit opinion.

The Director of Corporate Resources reported a breach of the law by two employing bodies. Both the bodies were small organisations and consistently missed the deadline for payment of contributions. Despite regular reminders the bodies performance had not improved. The County Council had reported the issue to the Pensions Regulator, who had, disappointingly, decided not to act.

RESOLVED:

- (a) That the report of the Auditor be noted;
- (b) That a letter be sent by the Director of Corporate Resources to the bodies referred to in his oral report advising them of the Board's concern about their combined poor performance and that the Board would pursue the matter;
- (c) That a letter be sent to the Minister for Work and Pensions advising him of the circumstances referred to in the oral report of the Director of Corporate Resources.

### **38. "Navigator".**

The Board considered a report by the Actuarial Adviser, illustrating the development of the funding position of the Pension Fund at 30 September 2009. A copy of the report marked 'G' is filed with these minutes.

RESOLVED:

That the report be noted.

### 39. Exclusion of the Public.

That under Section 100(A) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12(A) of the Act:

<u>Item</u>	<u>Exempt Under Paragraph:</u>
Report of the Independent Consultant	3 and 10
Report of the Investment Consultant	3 and 10
Capital International – Valuation and Report	3 and 10
Adams Street Partners – Valuation and Report	3 and 10
UBS Global Asset Management – Valuation and Report	3 and 10
Standard Life Investments – Valuation and Report	3 and 10
Aviva Investments – Valuation and Report	3 and 10
Fauchier Partners – Valuation and Report	3 and 10
Legal and General Investment Management – Valuation and Report	3 and 10
Ruffer LLP – Valuation and Report	3 and 10
Pictet Asset Management – Valuation and Report	3 and 10
BNY Mellon Global Investments – Valuation and Report	3 and 10
Millennium Global Investments – Valuation and Report	3 and 10

### 40. Report of the Independent Consultant.

The Board considered a report of the Independent Consultant concerning a review of the performance of the fund for the second quarter of 2009. A copy of the report marked 'H' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

- (a) That the report be noted;
- (b) That a report be presented to the Board at its meeting on the risks associated with 'stagflation' and the measures which could be taken to minimise those risks.

### 41. Report of the Investment Consultant.

The Board considered a report of the Investment Consultant concerning a review of the performance of the respective Investment Managers for the second quarter of 2009. A copy of the report marked 'I' is filed with these minutes. The report was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

*At this point representatives of Capital International joined the meeting.*

**42. Capital International - Valuation and Report.**

The Board considered the investment report of Capital International. A copy of the report marked 'J' is filed with these minutes. The report was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

*At this point representatives of Capital International withdrew from the meeting and a representative of Adams Street Partners joined the meeting.*

**43. Adams Street Partners - Valuation and Report.**

The Board considered the investment report of Adams Street Partners. A copy of the report marked 'K' is filed with these minutes. The report was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

*At this point the representative of Adams Street Partners withdrew from the meeting.*

**44. UBS Global Asset Management - Valuation and Report.**

The Board considered the investment report of UBS Global Asset Management. A copy of the report marked 'L' is filed with these minutes. The report was not for publication by virtue of paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

**45. Standard Life - Valuation and Report.**

The Board considered the investment report of Standard Life Investments. A copy of the report marked 'M' is filed with these minutes. The report was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

**46. Aviva Investments - Valuation and Report.**

The Board considered the investment report of Aviva Investments. A copy of the report marked 'N' is filed with these minutes. The report was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

**47. Fauchier Partners - Valuation and Report.**

The Board considered the investment report of Fauchier Partners. A copy of the report marked 'O' is filed with these minutes. The report was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

**48. Legal and General Investment Management - Valuation and Report.**

The Board considered the investment report of Legal and General Investment Management. A copy of the report marked 'P' is filed with these minutes. The report was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

**49. Ruffer LLP - Valuation and Report.**

The Board considered the investment report of Ruffer LLP. A copy of the report marked 'Q' is filed with these minutes. The report was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

**50. Pictet Asset Management - Valuation and Report.**

The Board considered the investment report of Pictet Asset Management. A copy of the report marked 'R' is filed with these minutes. The report was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

**51. BNY Mellon Asset Management - Valuation and Report.**

The Board considered the investment report of BNY Mellon Global Investments. A copy of the report marked 'S' is filed with these minutes. The report was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.

**52. Millennium Global Investments - Valuation and Report.**

The Board considered the investment report of Millennium Global Investments. A copy of the report marked 'T' is filed with these minutes. The report was not for publication by virtue of Paragraphs 3 and 10 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

RESOLVED:

That the report be noted.



