

**Minutes** of the meeting of the **Pension Fund Committee** held on 26 February 2015 at 10.30 a.m. in the Rose Room, Endeavour House, Ipswich.

Present: Councillors Peter Bellfield (**Chairman**), Michael Bond, Bert Poole, John Field, Len Jacklin, Bill Knowles (District Council Representative), Derek Redhead (District Council representative) Andrew Reid (Vice-Chairman) and Richard Smith, MVO.

Also in attendance was Councillor Alan Murray

Supporting officers present: Geoff Dobson (Director of Resource Management), Paul Finbow (Corporate Finance Specialist), Sue Morgan, Head of Democratic Services and clerk for the meeting), Tim Ryder, (Monitoring Officer) and Sharon Tan (Specialist Accountant (Pensions))

Advisers present: Mark Stevens (Independent Professional Advisor)  
Matt Woodman (Hymans Robertson)

### **Public Participation Session**

There were no applications to speak in the Public Participation Session.

#### 1. **Apologies for Absence and Substitutions**

Apologies for absence were received from Councillor Peter Byatt who was substituted by Councillor Len Jacklin, and from Steve Warner (Trade Union Representative).

#### 2. **Declarations of Interests and Dispensations**

The following Councillor's declared a local non-pecuniary interest by virtue of the fact that each was a contributing member of the Local Government Pension Scheme:

Councillor Andrew Reid

Councillor Len Jacklin

Councillor Richard Smith

#### 3. **Minutes of the Previous Meeting**

The minutes of the meeting held on 27 November 2014 were confirmed as a correct record and signed by the Chairman.

#### 4. **Private Equity - Pantheon**

The Committee received a presentation and report at Agenda Item 4 on the private equity investment opportunities currently available with Pantheon.

**Decision:** The Committee agreed to:

- a) note the report, and
- b) invite a representative from Wilshire to attend a future meeting on the same basis as Pantheon.

**Reason for Decision:** Members considered it desirable to hear from another fund manager in order to provide the Committee with some comparative information.

**Alternative options:** There were none considered.

**Declarations of interest:** Declarations of Interest are recorded at Minute No.2 of these minutes.

**Dispensations:** There were none reported.

5. **Investment Advisor's Report**

The Committee received a report at Agenda Item 5 from Matt Woodman of Hymans Robertson on the investment performance of the Pension Fund for the quarter to December 2014.

**Decision:** The Committee agreed to note the report.

**Reason for Decision:** The report contained matters that were relevant to its Terms of Reference.

**Alternative options:** There were none were considered

**Declarations of interest:** Declarations of Interest are recorded at Minute 2 of these minutes.

**Dispensations:** There were none reported.

6. **Information Bulletin: Investment Performance**

The Committee received a report at Agenda Item 6 giving a summary of the investment performance of the Pension Fund Committee for the quarter to December 2014.

**Decision:** The Committee agreed to note the Bulletin.

**Reason for Decision:** The Bulletin contained matters relevant to the Committee under its Terms of Reference.

**Alternative options:** There were none considered.

**Declarations of interest:** Declarations of Interest are recorded at Minute No. 2 of these minutes.

**Dispensations:** There were none reported.

7. **Independent Investment Advisor's Report**

The Committee received a report at Agenda Item 7 from Mark Stevens, Independent Advisor, reviewing the investment markets in relation to the Pension Fund investments.

**Decision:** The Committee agreed to note the report.

**Reason for Decision:** The report contained matters relevant to the Committee under its Terms of Reference.

**Alternative options:** There were none considered.

**Declarations of interest:** Declarations of Interest are recorded at Minute No. 2 of these minutes.

**Dispensations:** There were none reported.

8. **Asset Allocation Review**

The Committee received a report at Agenda Item 8 on the progress of implementing the Asset Allocation Review.

Councillor Reid proposed and Councillor Smith seconded that the Pension Fund Committee should give further consideration to the creation of a Swing mandate in 6 months' time and ask that a shadowing exercise be undertaken to give an indication of the effect the operation of a Swing mandate would have.

**Decision:** The Committee agreed by a majority to:

- a) Note the progress made on changes to the Suffolk Pension Fund's equity portfolio; and
- b) Defer, for approximately 6 months, consideration of the decision in relation to the creation of a Swing fund mandate operated by Legal and General; and
- c) Invite BlackRock and M&G to attend the 23 March 2015 meeting of the Committee to set out their credentials for managing the Fund's bond mandate.

**Reason for Decision:** In respect of b) the Committee wished to give further consideration to the matter and in respect of c) the Committee wanted to get a better understanding of the investment approach and performance of these fund managers.

**Alternative options:** The Committee could have agreed recommendation (b) in the report to consider and decide on the recommendations made in the Appendix to the report, concerning the proposed changes to Bonds and the creation of a Swing mandate operated by Legal and General.

**Declarations of interest:** Declarations of Interest are recorded at Minute No. 2 of these minutes.

**Dispensations:** There were none reported.

9. **Tobacco Investment**

The Committee received a report at Agenda Item 9 setting out the Fund's current holdings of tobacco stocks, and the legal advice that the Suffolk Pension Fund had received from Mr Nigel Giffin QC regarding the Committee's consideration of disinvesting from tobacco.

Members discussed the legal opinion of Mr Nigel Giffin QC referred to in the report and Councillor Jacklin referred to a different legal opinion by Mr J W McNeill QC in respect of Tayside Pension Fund.

With regard to the legal opinion of Mr Nigel Giffin QC, Councillor John Field queried the meaning of the impact on the fund being 'significant' and 'material'. Councillor Field also suggested that tobacco holdings were a relatively small proportion of the Fund and investment could be switched to holdings giving less return but less risk or other stocks which may give better returns but would involve a higher risk. Councillor Bond and Councillor Jacklin referred to the moral question of investment in tobacco industry, with Councillor Jacklin suggesting that the effect of disinvestment should be evaluated with investment managers and Councillor Knowles suggesting that the County Council should consult with other employers.

Councillor Bellfield referred to the expectation that fund managers would be able to sell stocks and shares when they considered it right to do so and that they had not been asked to take account of ethical considerations in the past.

Councillor Alan Murray attended the meeting for this item and, at the invitation of the Chairman, addressed the Committee. Councillor Murray referred to the fact that the Committee had received a legal opinion, not a legal ruling. He went on to refer to a decision taken by the London Borough of Newham to disinvest from tobacco, and commented that their decision had not yet been legally challenged. He also considered that it would be appropriate to seek the views of beneficiaries of the Fund.

The Chairman referred to correspondence from Steve Warner, Unison Representative on the Committee. Mr Warner was unable to attend the meeting, but had written that, in his view, the Committee should abide by Mr Nigel Giffin QC's opinion.

In response to a request, the Monitoring Officer confirmed that he was satisfied with the process that had been used to get the necessary legal advice to the Committee, and that he considered it appropriate that the Committee followed that legal advice.

Further contributions from members referred to the risk adjusted return, availability of comparable investment, potential detriment to the fund and the significance of the investment to the Fund. There was general

support for keeping the matter under review and possibly seeking other opinions. The Committee was reminded that it does review the asset allocation each year and such a review could include investment in tobacco and other stocks with an ethical element.

Councillor Bellfield proposed and Councillor Redhead seconded the following amendment to the recommendation in the report:

*That taking into account the legal opinion that has been received, no change to the Fund's investment policy, which is not to exclude Tobacco investments, can be made at this time, in order to ensure that the Committee's fiduciary duty is not compromised, but that the matter be kept under review as part of the review of the Statement of Investment Principles.*

At the request of members, a recorded vote was taken.

Councillors Bond, Reid, Field, Knowles, Redhead and Bellfield voted for the proposal.

Councillors Poole, Smith and Jacklin voted against the proposal.

**Decision:** The Committee agreed by 6 votes to 3 that, taking into account the legal opinion that has been received, no change to the Fund's investment policy, which is not to exclude Tobacco investments, can be made at this time in order to ensure that the Committee's fiduciary duty is not compromised, but that the matter be kept under review as part of the review of the Statement of Investment principles.

**Reason for Decision:** The Committee wished to give further consideration to the matter at a future time.

**Alternative options:** The Committee could have agreed that taking into account the legal opinion that has been received, no change to the Fund's investment strategy to exclude Tobacco investments can be made, in order to ensure that the Committee's fiduciary duty is not compromised.

**Declarations of interest:** Declarations of Interest are recorded at Minute No. 2 of these minutes.

**Dispensations:** There were none reported.

## 10. **Recent Developments**

The Committee received a report at Agenda Item 9 on Recent Developments referring to the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, an Actuarial Update and Voting of Fund shareholdings for quarter to December 2014.

**Decision:** The Committee agreed note the report.

**Reason for Decision:** The Bulletin contained matters relevant to the Committee under its Terms of Reference.

**Alternative options:** There were none considered.

**Declarations of interest:** Declarations of Interest are recorded at Minute No. 2 of these minutes.

**Dispensations:** There were none reported.

11. **Forward Work Programme**

The Committee received a copy of the Forward Work Programme at Agenda Item 10.

**Decision:** The Committee agreed to include the following in relation to its Forward Work Programme:

- a) Invite representatives of BlackRock and M&G to attend the meeting on 23 March 2015;
- b) Confirm the meeting date of 3 June 2015;
- c) Invite Wilshire to attend the meeting on 3 June 2015;
- d) Invite Pyrford and State Street Investment Analytics to attend the meeting in July 2015;
- e) Add an item on consideration of the Swing mandate proposal by L & G to a meeting in either September or November 2015.

**Reason for Decision:** The Forward Work Programme is a responsibility of the Committee under its Terms of Reference.

**Alternative options:** There were none considered

**Declarations of interest:** Declarations of Interest are recorded at Minute No. 2 of these minutes.

**Dispensations:** There were none reported.

12. **Urgent Business**

There was none reported.

The meeting closed at 1.25 p.m.