

**THE HIGHLAND COUNCIL
PENSIONS COMMITTEE
INVESTMENT SUB COMMITTEE**

Minutes of Meeting of the Investment Sub Committee held in Council Headquarters, Glenurquhart Road, Inverness on Thursday, 21 February, 2013 at 10.30a.m.

PRESENT

Mr C Macaulay
Mr D Fallows (substitute)
Mr T MacLennan (substitute)

Officials in attendance:-

Mr D Robertson, Head of Accounting and Budgeting, Finance Service
Mr B Porter, Finance Manager (Corporate Budgeting, Taxation & Treasury), Finance Service
Ms C Stachan, Accountant, Finance Service
Mr A MacInnes, Administrative Assistant, Chief Executive's Service

Also in attendance -

Mr P Potter, Investment Consultant, Hymans Robertson
Ms M Bruce, Senior Audit Manager, Audit Scotland
Mr J Wheeler, Client Relationship Manager, Legal and General Investment Management (item 7 only)

Mr C Macaulay in the Chair

1. Apologies for Absence

Apologies for absence were intimated on behalf of Mrs H Carmichael, Mr J Ford, Mr B Lobban, Mr A MacKinnon, Mr K MacLeod, Mrs C Wilson and Ms E Ward (representative for the other Employers).

2. Declaration of Interest -

The Sub Committee **NOTED** that there were no declarations of interest expressed.

3. Minutes of Last Meeting

There was circulated for information, the Minutes of the last meeting of the Sub Committee held on 8 November, 2013, the terms of which were **NOTED**.

4. Exclusion of the Public

The Sub-Committee **RESOLVED** that, under Section 50A(4) of the Local Government (Scotland) Act 1973, the public be excluded from the meeting for

the following items on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 6 of Part I of Schedule 7A of the Act.

5. Investment Activity Update and Performance Report

There had been circulated to Members only Report No INV/1/13 by the Director of Finance which provided an update on Pension Fund investment matters and set out Investment Performance reports for the quarter to 31 December, 2012.

The report provided details on the following matters:- Transition of Assets; Private Equity funding draw-down; Tender for Investment Advisor; Member Training and Tax issues. It was also reported that the investment performance of the Combined Fund for the fourth quarter of 2012 showed an outperformance to the benchmark return +2.59% versus +2.39%. Over the one year period the fund outperformed the benchmark by +1.15% in relative terms, and over the last three years the Fund outperformed the benchmark by +0.83% per annum.

Following consideration, the Sub-Committee **NOTED** the terms of the report and the Pension Fund investment performance for the quarter to 31 December, 2012.

6. Inverness Common Good Fund and Associated Funds Investment Report

There had been circulated to Members only Report No INV/2/13 by the Director of Finance which highlighted the diversification of Inverness Common Good and associated Funds under the management of Adam & Company for the quarter ended 31 December, 2012. Adam & Company's investment performances, measured against their respective strategic benchmarks, were also provided. Overall, it was noted that performance of the Funds in this quarter had not been as good as in previous quarters, but that performance over the one and three year period was still very positive.

It was advised that the Inverness Benevolent Fund and the Inverness 2nd Benevolent Fund were merged during October, 2012. It was hoped that the merger of these funds would result in improved efficiencies and reduced costs due to economies of scale.

The Sub-Committee **NOTED** the terms of the report.

7. Presentation by Legal and General Investment Management

The Chairman welcomed Mr James Wheeler, Client Relationship Manager from Legal and General Investment Management to the meeting and the Sub-Committee were given a presentation on the background to Legal and General, their total funds under management and product range; the Highland Council Pension Fund's assets under the Management of Legal and General and performance of the fund; Corporate governance and responsible investment policy and market outlook.

Following a question and answer session, the Chairman thanked Mr Wheeler for his presentation.

8. Investment Strategy Presentation

Mr Paul Potter, Hymans Robertson, the Fund's Investment Manager, gave a presentation on the principles of Investment Strategy, the current investment strategy arrangements and information on investment manager mandates. The presentation also highlighted a number of relevant issues for the Fund that it was felt the Sub-Committee should consider over the next year.

Members welcomed the presentation which was very informative. Given that all Members of the Council were trustees of the Pension Fund it was felt that they should all be given an overview of the Investment strategy for the Pension Fund at a future meeting of The Highland Council.

The Chairman thanked Mr Potter for his presentation, and the Sub-Committee **NOTED** the main issues for consideration over the next year

The meeting ended at 1.30p.m.