

**THE HIGHLAND COUNCIL
INVESTMENT SUB COMMITTEE**

Minutes of Meeting of the Investment Sub Committee held in Council Headquarters, Glenurquhart Road, Inverness on Friday, 14 November, 2014 at 11.30 a.m.

PRESENT

Mr C Macaulay
Mrs H Carmichael
Mr J Ford

Mr A MacKinnon
Mr K MacLeod

Non Members also present:

Mr D Fallows
Mr T MacLennan

Officials in attendance:-

Mr D Robertson, Head of Corporate Finance, Finance Service
Ms M Grigor, Finance Manager (Corporate Budgeting, Taxation & Treasury), Finance Service
Mr D Haas, Inverness City Manager, Chief Executive's Office
Mr A MacInnes, Administrative Assistant, Corporate Development Service

Also in attendance -

Mr K Ettles, AON Hewitt, Investment Consultant

Ms J Murray and Mr L Bolton, Schroders (item 7 only)
Mr L Nielsen, Mr D McDonagh and Mr P Simons, PwC (item 7 only)

Mr C Macaulay in the Chair

1. Apologies for Absence

Apologies for absence were intimated on behalf of Mr R Laird and Mr B Thompson.

2. Declarations of Interest

Mr A Mackinnon declared a non-financial interest on the items to be discussed at the meeting on the grounds that his spouse was an employee of the Council but, having applied the test outlined in Paragraphs 5.2 and 5.3 of the Councillors' Code of Conduct, concluded that his interest did not preclude him from taking part in the discussion.

3. Minutes of Last Meeting

The Minutes of the last meeting of the Sub Committee held on 14 August, 2014, were approved by the Pensions Committee at their meeting held on 14 November, 2014.

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

a) Investment Activity Update Report

There was circulated to Members only Report No INV/15/14 by the Director of Finance which provided an update on Pension Fund investment matters for the quarter to 30 September, 2014, and any significant events since that date.

The report provided details on the following matters:- Private Equity funding draw-down; Legal and General Investment Management Disinvestments; Staff changes; Member training and Tax.

The report also provided an update in relation to the Investment Strategy review and in particular moving gilts into cash, the timing of which would be decided following discussions with the Investment Adviser and the Investment Manager. In order that a decision on this could be made quickly, Members were content with delegating authority to the Director of Finance in consultation with the Chair to determine the timing and value of any move from gilts to cash.

Information was also provided on the performance review of the Custodian's fees and euro balances; a change to the benchmark of Investment Managers Schroders; and details of Investment Adviser fees.

The Sub-Committee:-

i **AGREED** to delegate powers to the Director of Finance in consultation with the Chair to determine the timing and value of any move from gilts to cash; and

ii **NOTED** the remainder of the report.

b) Performance Report

There was circulated to Members only Report No. INV/16/14 by the Fund's Investment Advisor setting out Pension Fund investment performance for the quarter to 30 September, 2014.

It was reported that the investment performance of the Combined Fund for the third quarter of 2014 was an underperformance of 0.4% to the benchmark return. Over the three and five year periods the Fund's performance had been strong as it had outperformed the benchmark return. The report also detailed a Market summary, Fund asset allocation, Strategic asset allocation and all the managers investment performances. Members welcomed that performance for the overall fund was good.

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

6. Inverness Common Good and Associated Funds Investment Report

There had been circulated to Members only Report No INV/17/14 by the Fund's Investment Advisor which highlighted the diversification of Inverness Common Good and associated Funds under the management of Adam & Company for the quarter ended 30 September, 2014. Adam & Company's investment performances, measured against their respective strategic benchmarks, were also provided. Overall, it was noted that the Funds' performance over the one, three and five year period had been strong.

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

7. Presentations

Schroders

The Chairman welcomed Ms J Murray, Property Fund Manager and Mr L Bolton, Client Director to the meeting and the Sub-Committee were given a presentation in regard to Schroders investment performance and portfolio in respect of the Pension Fund and the market outlook. During the presentation Members were provided with an overview of investment activity, portfolio valuation and investment strategy for the Fund.

Following a question and answer session, the Chairman thanked Ms J Murray and Mr L Bolton for the presentation.

At this point the meeting was adjourned for a lunch break and the meeting resumed at 1.35p.m.

Pyrford

The Chairman welcomed Mr L Neilson, Product Specialist, Mr D McDonagh, Head of UK and Europe Portfolio Management and Mr P Simons, Head of Asia Portfolio Management from Pyrford to the meeting and the Sub-Committee were given a presentation in regard to Pyrford's history of working with Local Government Pension Funds; their investment team and environmental, social and corporate governance approach. During the presentation Members were provided an overview of their investment strategy, the Highland Pension Fund portfolio and returns. They also provided a summary of the market outlook.

Following a question and answer session, the Chairman thanked Mr L Neilson, Mr D McDonagh and Mr P Simons for their presentation.

8. **Dates for Meetings in 2015**

The Sub-Committee **APPROVED** the undernoted dates for meetings of the Investment Sub Committee in 2015:-

Thursday, 19 February – 2.30p.m.

Friday, 29 May – 10.30a.m.

Friday, 21 August – 10.30a.m

Friday, 27 November – 10.30a.m.

The meeting ended at 2.35p.m.