

AGENDA ITEM 6

THE HIGHLAND COUNCIL INVESTMENT SUB COMMITTEE

Minutes of Meeting of the Investment Sub Committee held in Council Headquarters, Glenurquhart Road, Inverness on Friday, 27 November, 2015 at 10.30 a.m.

PRESENT

Mrs H Carmichael
Mr R Laird
Mr B Lobban

Mr K MacLeod
Mr E Macniven (representative from trade unions)

Officials in attendance:-

Mr D Robertson, Head of Corporate Finance, Finance Service
Mrs M Grigor, Finance Manager (Corporate Budgeting, Treasury and Taxation)
Mr D Haas, Inverness City Area Manager
Mr A MacInnes, Administrative Assistant, Corporate Development Service

Also in attendance -

Ms L Leonard, Pension Board representative
Mr D Macdonald, Pension Board representative
Mr K Ettles, AON Hewitt, Investment Consultant
Mr P Simons, Head of Portfolio Management, Pyrford International Ltd (item 7 only)
Mr L Nielsen, Senior Product Specialist, Pyrford International Ltd (item 7 only)

Interim Chair

In the absence of the Chair, Mr B Lobban was unanimously appointed as interim Chair for this meeting.

1. Apologies for Absence

An apology for absence was intimated on behalf of Mr A MacKinnon.

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of Last Meeting

The Minutes of the last meeting of the Sub Committee held on 21 August, 2015, were circulated and **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

a) Investment Activity Update Report

There was circulated to Members only Report No INV/11/15 by the Director of Finance which provided an update on Pension Fund investment matters for the quarter to 30 September, 2015, and any significant events since that date.

The report provided details on the following matters:- Private Equity funding draw-down; Investment Strategy Review; Investment Manager Fees; Securities Lending and Training.

It was advised that since the report was written, a further £1.1m was to be drawn down to the Partners Global Value 2011 private equity fund, making a total commitment to date of £33.2m.

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

b) Quarterly Performance Report to 30 September, 2015

There was circulated to Members only Report No. INV/12/15 by the Fund's Investment Advisor setting out Pension Fund investment performance for the quarter to 30 September, 2015.

It was reported that the combined Fund's longer term performance had been relatively strong, outperforming the benchmark over the 1, 3 and 5 year periods to 30 September, 2015. Over the shorter term the Fund had also outperformed the benchmark, although absolute performance was negative during the quarter which was a difficult period for equities in particular.

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.

In response to queries, it would be clarified at the next meeting if Fidelity had repositioned their portfolio in response to the S&P decision to downgrade Brazil's credit rating to non-investment grade. Also, Members questioned the effect, if any, of the Chancellor's Autumn Statement may have on the Fund's investments. In this respect, it was advised that the markets had not reacted adversely to the Autumn Statement.

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/13/15 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, 2015. Adam & Company's investment performances, measured against their respective strategic benchmarks, were also provided.

It was noted that the Inverness Benevolent Fund's performance over the one, three and five year period had been strong and had delivered returns ahead of benchmark. The Inverness Common Good Fund and Inverness Burial Grounds Commutation Fund were behind benchmark for the one and three year periods, but ahead of benchmark over the five year period. In terms of the below benchmark returns, Members were advised of the reasons for this and that performance would be closely monitored.

In relation to the difference in performance of the various Funds, it was advised that this was down to investment decisions made by the Investment Managers over the years.

In relation to the draw down of funds from the Inverness Common Good Fund for the refurbishment of the Town House, it was explained that the funds were drawn down when needed. It was advised that the spend on the Town House refurbishment was on budget and going to plan

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

7. Presentation

The Chairman welcomed Mr Paul Simons and Mr Lars Nielsen from Pырford International Ltd who gave a presentation about Pырford and its performance, 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 Paul Simons and Mr Lars Nielsen for their very informative presentation.

8. Passive Equities Allocation

There was circulated to Members only Report No. INV/14/15 by the Investment Advisor, which set out advice on changes to the benchmark for the Fund's passive equities allocation.

In summary, the report set out the reasons to change the equity benchmark and recommended that the long term strategic allocation to UK equities is reduced by reducing the passively managed UK equities allocation. Also, on a medium term view basis it was recommended that the allocations to Japanese, European and Emerging Market equities should be over-weighted as it was felt that these markets offered better return potential over the next 3 to 5 years.

Members generally supported the proposals and it was noted that a further report would be submitted to a future meeting with a recommended way forward.

Following consideration, the Sub-Committee **NOTED** the report for information

and that a further report would be submitted to a future meeting with a recommended approach to be taken.

9. Dates for Meetings in 2016

The Sub-Committee **APPROVED** the undernoted dates for meetings of the Investment Sub Committee in 2016:-

Friday, 4 March – 10.30a.m
Friday, 3 June – 10.30a.m.
Friday, 2 September – 10.30a.m.
Friday, 2 December – 10.30a.m

The meeting ended at 12.20pm

Next Meeting Date – Friday, 4 March, 2016 at 10.30a.m.