

**MINUTES** of a meeting of the **PENSIONS AND INVESTMENT COMMITTEE** held at County Hall, Matlock on 13 June 2018

**PRESENT**

Councillor J Perkins (in the Chair)

**Derbyshire County Council**

Councillors R Ashton, N Atkin, C Dale (substitute Member), A Fox, P Makin, R Mihaly and B Ridgway

**Derby City Council**

Councillor M Carr

**Derbyshire County Unison**

Mr M Wilson

Apologies for absence were received on behalf of Councillor S Marshall-Clarke

**31/18**      **COLLIERS CAPITAL** Tim Kidd, Adrian Payne and Nick Parsons from Colliers Capital, the Pension Fund's Direct Property managers, attended the meeting to provide Members with an update on current holdings, new acquisitions, performance and property management.

On behalf of the Committee, the Chairman thanked Mr Kidd, Mr Payne and Mr Parsons for their very informative presentation.

**32/18**      **MINUTES RESOLVED** that the minutes of the meeting held on 25 April 2018 be confirmed as a correct record and signed by the Chairman.

**33/18**      **MATTERS ARISING – Derbyshire Pension Fund Identity and Website (Minute No.26/18)** The first phase of the project had been completed on schedule and it was proposed to provide a presentation to the Committee at the meeting in August, or as soon as possible thereafter.

**34/18**      **INVESTMENT REPORT** Mr Anthony Fletcher the external adviser from AllenbridgeEpic Investment Advisers Limited, attended the meeting and presented his report to the Committee. The report incorporated Mr Fletcher's view on the global economic position, information on global market returns, the performance of the Derbyshire Fund, and his latest recommendations on investment strategy and asset allocation.

Details were provided of Mr Fletcher's investment recommendations in UK Equities, North American Equities, European Equities, Japan, Asia/Pacific, Emerging Markets, Bonds, Multi-Asset Credit, Property, Alternatives, Infrastructure, Private Equity and Cash, along with those of the Derbyshire Pension Fund In-House Fund Management Team.

The Fund's latest asset allocation, as at 30 April 2018, and the recommendations of the Director of Finance and ICT and the Fund's Independent Adviser in relation to the Pension Fund's benchmark were reported. Relative to the benchmark, the Fund as at 30 April 2018 was overweight in equities and cash, but underweight in bonds, property and alternative investments. Details were also provided of the recommendations of the Director of Finance and ICT which had been adjusted to reflect the impact of future investment commitments. These commitments largely related to alternatives, multi-asset credit and property, and totalled around £265m at 30 April 2018. The In-house Investment Fund Manager Team believed that these were likely to occur over the next 18 to 36 months.

The value of the Fund's investment assets had fallen by £16.4m between 31 January 2018 and 30 April 2018. Over the twelve months to 30 April 2018, the Fund's investment assets had risen by £319.8m, reflecting strong equity market returns. A copy of the latest portfolio was presented.

A summary of world equities, UK fixed income and UK index linked bond performance between 31 May 2017 and 30 May 2018 was given. Equity markets had continued to climb higher throughout 2017, with growth being supported by accommodative monetary policy, modest inflation expectations, low unemployment and steady and synchronised global economic growth. However, some of the benefit for Sterling investors was offset by a recovery in the value of Sterling, after the sharp devaluation in the pound in 2016-17 following the EU Referendum. UK Equity returns in 2017 were lower than other regional equity returns, affected by the on-going uncertainty following the EU Referendum. Global Equity markets weakened in the first quarter of 2018, experiencing increased volatility, as investors became concerned about the path of interest rates, US protectionism and growing barriers to global trade. Markets recovered strongly in April and May 2018, reflecting robust US earnings growth and some easing in the trade tensions between the US and China. Returns for Sterling investors also benefited from a stronger US\$.

UK bonds had largely traded sideways for much of the last 12 months. Yields rose in April 2018, following the rise in US bond yields which was driven by higher US rate expectations. Whilst yields had subsequently fallen, reflecting a more dovish tone from the Bank of England, some softening in the oil price and a general flight to safety, rates had been volatile towards the back-end of May 2018 caused by increased political uncertainty in Europe.

In terms of asset class valuations, many global stock markets were still trading at, or close to, all-time highs and it was noted that recent asset class returns were well in excess of long term averages.

It was reported that the Fund's investment in the PIP Multi Strategy Infrastructure Fund had been written down by £2m to reflect PIP's write down of the carrying value of the equity in The Royal Liverpool University Hospital project following the liquidation of Carillion. Councillor Ridgway asked for it to be noted that this write down was unfortunate.

Details were given on the Fund's performance over 1, 3, 5 and 10 years to 31 March 2018. The Fund had outperformed the benchmark over each of the periods.

**RESOLVED** that (1) the report of the external advisor, Mr Fletcher, be noted;

(2) the asset allocations, total assets and long term performance analysis in the report of the Director of Finance and ICT be noted; and

(3) the strategy outlined in the report of the Director of Finance and ICT be approved.

**35/18      VOTING ACTIVITY** Details of the Fund's voting activity for the period 23 February 2018 to 30 May 2018 were presented, along with votes against management proposals. The resolution in respect of John Wood Group plc was subsequently withdrawn by the company. In all other cases, the resolutions were passed.

**RESOLVED** that the report be noted.

**36/18      EXCLUSION OF THE PUBLIC RESOLVED** that the public be excluded from the meeting during the Committee's consideration of the remaining items on the agenda to avoid the disclosure of the kind of information detailed in the following summary of proceedings:-

**SUMMARY OF PROCEEDINGS CONDUCTED AFTER THE PUBLIC HAD BEEN EXCLUDED FROM THE MEETING**

1. To confirm the exempt minutes of the meeting held on 25 April 2018 (contains exempt information)
2. To consider the exempt report of the Director of Finance and ICT on Stage 2 Appeal under the LGPS Application for Adjudication of Disagreement Procedure – PCD (contains information relating to any individual)