

PUBLIC

MINUTES of a meeting of the **PENSIONS AND INVESTMENT COMMITTEE** held at County Hall, Matlock on 12 December 2017

PRESENT

Councillor N Atkin (in the Chair)

Derbyshire County Council

Councillors R Ashton, P Makin, S Marshall-Clarke, R Mihaly and G Wharmby (substitute member)

Derby City Council

Councillor M Carr

Investment Advisor

Mr A Fletcher

Apologies for absence were submitted on behalf of Councillors A Fox, J Perkins and B Ridgway and M Wilson (Derbyshire County Unison)

58/17 COMMITTEE MEMBERSHIP The Chairman announced that Councillor Alison Fox would be replacing Councillor Tony King on the Committee with immediate effect.

59/17 MINUTES RESOLVED that the minutes of the meeting held on 1 November 2017 be confirmed as a correct record and signed by the Chairman.

60/17 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, Conventional Bonds, Index Linked Bonds, Corporate 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 31 October 2017, 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 31 October 2017 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 £250m at 31 October 2017. The In-house Investment Fund Manager Team believed that these were likely to occur over the next 18-24 months.

The Fund's investment assets had increased by £119.1m between 31 July 2017 and 31 October 2017. Over the twelve months to 31 October 2017, the Fund's investment assets had risen by £482.3m, reflecting strong equity market returns. A copy of the latest portfolio was presented.

A summary of world equities, UK fixed income and index linked bond performance between 23 November 2016 and 22 November 2017 was given. Equity markets had continued the strong rally started in November 2016 when the election of Donald Trump boosted expectations of higher economic growth and lighter regulation. Bond returns had traded sideways for over the last 12 months, strengthening at the end of Q1 2017 and weakening at the end of Q2 2017. In terms of asset class valuations, many global stock markets were now trading at all-time highs and it was noted that the asset class returns over the last 12 months were well in excess of long term averages.

Details were given on the Fund's performance over 1, 3, 5 and 10 years to 30 September 2017. The Fund had outperformed the benchmark over each of the periods.

Members raised the question of potential investment opportunities that could be available in the renewable energy sector. It was reported that renewable energy investments were already being actively sought, within the infrastructure sector, in particular, although finding attractively priced opportunities remained a challenge.

The Chairman thanked Mr Fletcher for his very comprehensive report.

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;

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

(4) that investment opportunities in the renewable energy sector continue to be actively sought.

61/17 VOTING ACTIVITY Details of the Fund's UK voting activity for the period 17 August 2017 to 22 November 2017 were presented, along with votes against management proposals. In each case, a "for" vote was carried with the exception of the Redrow plc resolution which was rejected by the shareholders. The resolution related to a waiver which would have allowed the majority shareholder to gain greater control of the company without the payment of a premium to other shareholders.

At the last meeting of the Pensions and Investment Committee, Members asked to see comparable voting activity information in respect of the Fund's US equities which were managed through a segregated mandate with an external manager. Discussions had taken place with the manager and this information would form part of the quarterly report from March 2018 onwards.

RESOLVED that the report be noted.

62/17 LGPS – ADJUDICATION OF DISAGREEMENTS PROCEDURE Following detailed discussions, it was agreed that this report be deferred until the meeting of the Committee in January 2018, to allow further information to be provided.

63/17 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 1 November 2017 (contains exempt information)
2. To consider the exempt reports of the Director of Finance and ICT on:-
 - a) Stage 2 Appeal under the LGPS Application for Adjudication of Disagreement Procedure – MM
 - b) Stage 2 Appeal under the LGPS Application for Adjudication of Disagreement Procedure – JG
 - c) Stage 2 Appeal under the LGPS Application for Adjudication of Disagreement Procedure – LM(contains information relating to any individual)