

PRESENT: COUNCILLOR M G ALLAN (CHAIRMAN)

Councillors R J Phillips (Vice-Chairman), N I Jackson, B W Keimach, C E D Mair, Mrs S Rawlins and A H Turner MBE JP

Co-Opted Members: Mr A N Antcliff (Employee Representative), M G Leaning (District Councils Representative) and Mr J Grant (Non-District Council Employers Representative)

Officers in attendance:-

Jo Ray (Pensions and Treasury Manager), Nick Rouse (Investment Manager) and Catherine Wilman (Democratic Services Officer)

34 APOLOGIES FOR ABSENCE/REPLACEMENT COUNCILLORS

None

35 DECLARATIONS OF MEMBERS' INTERESTS

Councillor M G Allan requested that a note be made in the minutes that he was currently a contributing member of the Pension Fund as a North Kesteven District Councillor and as a County Councillor.

Mr A Antcliff requested that a note be made in the minutes that he was currently a contributing member of the Pension Fund as an employee of Lincolnshire County Council.

Councillor M Leaning stated he was now a pensioner and in receipt of a pension from the fund.

Councillor R J Phillips declared a personal interest in all items on the agenda as a member of the Upper Witham Internal Drainage Board and as a contributing member of the Pension Fund.

36 MINUTES FROM PREVIOUS MEETINGS OF THE PENSIONS COMMITTEE

(a) Minutes of the meeting held on 24 July 2014

RESOLVED

PENSIONS COMMITTEE
11 DECEMBER 2014

That the minutes from 24 July 2014 be approved as a correct record and signed by the Chairman.

(b) Minutes of the meeting held on 9 October 2014

RESOLVED

That the minutes be approved and signed by the Chairman as a correct record, subject to a minor amendment.

37 MANAGER PRESENTATION - THREADNEEDLE - GLOBAL EQUITIES

The Investment Manager introduced a presentation from Threadneedle, who managed an active portfolio of Global Equities for the Fund.

Threadneedle was originally appointed in August 2006 to manage an active global equity portfolio with a performance target of 2% per annum (before the deduction of fees). They were reappointed in 2010.

The opinion from Hymans Robertson was that although they had outperformed the benchmark, it was only by a small margin. The early to mid 2000s had seen some strong performance from Threadneedle, however since then certain senior members of the team had moved on. A new team had been in place since 2011, which appeared to be stable.

The Committee received a presentation by representatives from Threadneedle which covered the performance of the portfolio in the year to date.

Although the portfolio had outperformed its benchmark over the long term; performance against target was disappointing, particularly when considered net of fees. Threadneedle were aware that performance had been poor in the eight years since appointment but believed that their investment process could still deliver target performance for the Fund.

In the discussion that followed the presentation, the Committee felt that Threadneedle could add value to the fund in the future.

RESOLVED

That the report be noted.

38 MANAGER PRESENTATION - NEPTUNE INVESTMENT MANAGEMENT - GLOBAL EQUITIES

The Committee considered a report which introduced a presentation from Neptune Investment Management who managed an active portfolio of Global Equities for the Fund.

Neptune was originally appointed in April 2010 to manage an active global equity portfolio with a performance target of 4% per annum. As high conviction managers,

the Committee had appointed them to complement the management styles of the other active global equity managers appointed.

Hyman Robertson's view was that Neptune's long term record was good, However, the company was dependent on a particular member of the firm. Hymans was not fully convinced that the high conviction management style was effective. However they were not a manager that they followed closely. It was requested that as the Fund's investment consultant, Hymans visit Neptune in the near future.

Representatives from Neptune made a presentation on the portfolio's performance in 2014. The portfolio was very overweight in Japan and India. The change in political and economic direction in both Japan and India had made these markets very attractive. With their high conviction approach and beliefs in the Japanese, Indian and Chinese markets, managers believed that with the current strategy there was a good chance the portfolio could be 4% ahead of the benchmark by mid 2015.

During the discussion following the presentation, the Committee expressed its concern that being overweight in certain markets was risky and having a portion of funds in the UK and European markets would reduce that risk slightly. Officers were keen to highlight that Neptune had been appointed as a high conviction manager, and therefore would have large over and underweights when compared to the benchmark, and that they only managed 5% of the Fund.

Neptune had been engaged by the Fund for four years which was not sufficient time for them to demonstrate their performance fully. The Committee was advised to continue with Neptune.

RESOLVED

That the report be noted.

39 MANAGER PRESENTATION - SCHRODER INVESTMENT MANAGEMENT - GLOBAL EQUITIES

Consideration was given to a report which introduced a presentation from Schroder Investment Management who managed an active portfolio of Global Equities for the Fund.

Schroders were appointed in April 2010 to manage an active global equity portfolio with a performance target of 3% per annum, before fees.

Hymans Robertson were optimistic about the team at Schroders which had recently been finalised following several personnel changes.

The Committee received a presentation by representatives of Schroders on the portfolio's performance during 2014. The portfolio had not met the 3% outperformance target since appointment.

PENSIONS COMMITTEE
11 DECEMBER 2014

Following the departure of the portfolios manager last year, a number of the investment team had been approached to join her new company. There had been two further departures from the team. However, the current portfolio manager did not see any further changes to the remaining team.

When asked about their views on the Japanese market, the Schroders' representatives felt that certain companies were doing well, while other domestic companies were struggling. Wages were not increasing and the Yen was decreasing in value. They felt there was medium to long term growth in Japanese exporter companies.

Officers questioned whether enough risk was being taken, given that performance, excluding the very difficult year of 2011, had only been around 1% above benchmark per annum, against the target of 3% per annum. Schroders felt there was enough risk in the portfolio to meet the required return, and it was about selecting the best ideas and working within the more disciplined purchase and sales process that had been introduced following the departure of the previous manager. Schroders were confident that with the morale within the existing team, 2015 was looking promising for the portfolio.

Following the presentation, Officers and the Committee agreed that four years was not sufficient time for them to demonstrate their performance fully, particularly given recent team changes.

Discussion took place regarding the possibility of Officers providing more in-house investment management services. However, it was felt there were insufficient resources to increase the amount of internal management undertaken, particularly for an active mandate, and it would be difficult to recruit within the existing Council pay framework.

RESOLVED

That the report be noted.

The meeting closed at 1.15 pm