

To: All Members of the
Investment Committee

From: COUNTY SECRETARY'S
DEPARTMENT

Ask for: Adrian Service

Ext: 5564

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My Ref: AS/kp

Your Ref:

INVESTMENT COMMITTEE
6 MARCH 2002

MINUTES

ATTENDANCE

MEMBERS OF THE COMMITTEE

H G S Banks, N Brook, D Clayton, F Escott, P V Goggins, B N W Hammond, M Janes (Chairman), I H Laidlaw-Dickson, N Payne, S Quilty (substitute), S Taylor, G F Wenham (substitute for R J Smith).

Officers in Attendance

- C Sweeney - Finance Director
- J Digby - Corporate Services
- N Webb - Corporate Services
- A Service - Committee Administrator

Upon consideration of the Agenda for the Investment Committee meeting on 6 March 2002 as circulated, copy annexed, action was taken or decisions were reached on individual items as recorded below:-

1. ELECTION OF CHAIRMAN

RESOLVED

That M H T Janes be elected Chairman of the Investment Committee.

2. MINUTES

The Minutes of the meeting of the former Investment Panel held on 29 November 2001 were confirmed as an accurate record and noted

3. MEMBERSHIP

RESOLVED

That the Membership of the Committee be noted.

4. INVESTMENT COMMITTEE REMIT

The Finance Director highlighted the terms of reference of the Investment Committee, in particular how it differed to that of the former Investment Panel.

He stated that the main differences were as follows:-

- (a) The remit had been expanded to include responsibility for formulating and reviewing discretions policy
- (b) Fire Services Pensions were now included and delegated to the Finance Director
- (c) The Committee had delegated powers to determine pension issues without reference to the Cabinet or full Council meetings.

RESOLVED

That (a) the remit be noted

- (b) Councillors S Quilty and G F Wenham appointment as substitute Members be recognised.

5. TIMETABLE OF WORK**RESOLVED**

That (a) the timetable of work be as follows:-

Quarterly

- Pension Fund Summary report - to include cash management, stock lending and commission recapture from June 2002
- Pensions issues, where there are significant issues to report

Half yearly

- Presentations by Balanced Fund Managers

Baillie Gifford	March, September
Jupiter	June, December
Schroders	June, December

Annually

- Presentations by Specialist Fund Managers

Capital Intl	March
Merrill Lynch	September
Jupiter UK	December
- Presentation by The WM Company on performance June
- Annual Report & Accounts September
- Voting Review September

- Costs of Investment Management December
- Discretions Policy Review June
- Statement of Investment Principles review March
- Private Equity Performance
- Investment in Property
- Investment Workshop

Every 3 years

- Actuarial valuation results March
- AVC Providers review

- John Morrell risk analysis - ad hoc as requested by the Committee

- (b) future meetings of the Committee ideally be held on Thursday mornings commencing at 10 am in June, September, December and March.

6. ACTUARIAL VALUATION

The Finance Director advised the Committee of the triennial valuation of the Pension Fund as at 31 March 2001. He stated that two principle factors would have an impact on the Fund in this valuation, namely reduced future investment returns and increased mortality rates. It was noted that contribution rates for most employers would continue to increase over the next three years.

RESOLVED

That the contribution rates to fund the Hertfordshire Pension Fund as set out in Appendix 'A' of the submitted report be approved.

7. EQUITABLE LIFE UPDATE

The Finance Director advised on recent developments with Equitable Life in particular with additional voluntary contributions pensions. He stated that the offer made by Equitable Life for employers to transfer groups of policy holders away from them, at preferential rates as part of "bulk transfers", had now been withdrawn.

The Finance Director stated that the County Council's involvement in this matter was to inform pension contributors of financial companies who could provide additional voluntary contribution pensions, one of whom was Equitable Life. However, the decision as to which financial company would provide an AVC to each and every person who choose to supplement their pension, was their decision.

RESOLVED

That the Equitable Life Scheme be left in place and that individuals who had expressed an interest in the bulk transfer option, be notified that the option had been withdrawn and that their transfer will take place on the terms available for an individual transfer.

EXCLUSION OF PRESS AND PUBLIC

That under Section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 7 of Part I of Schedule 12 to the said Act.

8. PENSION FUND - SUMMARY STATEMENT AS AT 31 DECEMBER 2001**RESOLVED**

That the report of the Finance Director summarising the investments held at 31 December 2001, which detailed the performance of the Investment Managers during the last financial quarter, year and three year period be noted.

9. PENSION FUND - INVESTMENT MANAGER'S REPORT (BAILLIE GIFFORD) - PORTFOLIO FOR THE QUARTER ENDING 31 DECEMBER 2001

Lyn Dewar and Anthony Tait from Baillie Gifford attended the meeting and advised of the activities undertaken on behalf of the Pension Fund during the past quarter and informed of the Manager's expectations together with their anticipated policy for the future.

RESOLVED

That the report of Baillie Gifford be noted.

10. PENSION FUND - INVESTMENT MANAGER'S REPORT (CAPITAL INTERNATIONAL) FOR THE QUARTER ENDING 31 DECEMBER 2001

Keith Baker and Philip Winston from Capital International attended the meeting, and advised of the activities undertaken on behalf of the Pension Fund during the past quarter and informed of the manager's expectations together with their anticipated policy for the future.

RESOLVED

That the report of Capital International be noted.

11. PENSION FUND - INVESTMENT MANAGER'S REPORT (SCHRODER INVESTMENT MANAGEMENT) FOR THE QUARTER ENDING 31 DECEMBER 2001**RESOLVED**

That the report of Schroder Investment Management be noted.

12. PENSION FUND - INVESTMENT MANGER'S REPORT (JUPITER ASSET MANAGEMENT) FOR THE QUARTER ENDING 31 DECEMBER 2001**RESOLVED**

That the report of Jupiter Asset Management be noted.

13. PENSION FUND - INVESTMENT MANAGER'S REPORT (JUPITER ASSET MANAGEMENT) UK SPECIALIST PORTFOLIO FOR THE QUARTER ENDING 31 DECEMBER 2001**RESOLVED**

That the report of Jupiter Asset Management on the UK Specialist Portfolio be noted.

14. PENSION FUND - INVESTMENT MANAGER'S REPORT (MERRILL LYNCH) FOR THE QUARTER ENDING 31 DECEMBER 2001**RESOLVED**

That the report of Merrill Lynch be noted.

15. BENCHMARK AND INVESTMENT STRATEGY

The Finance Director outlined the proposed investment strategy and benchmark changes that had been discussed and put forward at the Investment Committee Members workshop held on 30 January 2002. A note setting out the conclusions of the workshop had been circulated to Investment Committee Members and substitutes.

He stated that in respect of establishing a new benchmark, advice had been sought from Hymans Robertson and it was proposed to report back findings to the next meeting.

RESOLVED

- That (a) the Financial Director to consult Hymans Robertson and the Fund Managers on the composition and timescale for introducing a specific benchmark as set out in Appendices A and B of the submitted report and in the tolerance and risk levels to be applied, with a report being submitted to the next meeting;
- (b) work be undertaken with the Fund Managers and custodian to bring the current holdings of Property Unit Trusts (PUTs) in house, and develop a plan to increase the level of these holdings over the next 12 months utilising the cash currently held by Jupiter Asset Management;

- (c) a Private Equity placement agent be engaged to place an additional £11 million per annum, in a diversified P.E portfolio over the next five years and that tenders be sought from interested parties;
- (d) a Sub-Committee of four members comprising of B N W Hammond, M H T Janes, I H Laidlaw-Dickson and N Payne be appointed to assist the Finance Director with the selection process to engage an Investment Consultant for the Pension Fund;
- (e) Jupiter Asset Management be asked to implement a planned reduction in their small and mid cap UK Equity holdings to levels consistent with the current benchmark;
- (f) the Finance Director review with Hymans Robertson, the current Jupiter Asset Management position and identify any further action needed to be undertaken to minimise the risk to the Fund. The outcome of the review be reported to the June Committee Meeting, unless urgent action is required, in which case, action will be undertaken following consultation with the Committee Chairman and Spokesman.

16. ANY OTHER BUSINESS

Meeting with Employers

B N W Hammond reported that the meeting with Employers held on 1 March 2002 had been well attended and successful. It was noted that the lack of questions put to Itnet Representatives present, suggested that their administration of the pension system was relatively satisfactory.

Andrew Laycock
County Secretary