

To: All Members of the
Investment Committee

From: COUNTY SECRETARY'S
DEPARTMENT

Ask for: Adrian Service

Ext: 25564

Minicom: 6611

My Ref: AS/kp

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**INVESTMENT COMMITTEE
5 SEPTEMBER 2002**

MINUTES

ATTENDANCE

MEMBERS OF THE COMMITTEE

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

Also in attendance: R Mays

Officers in Attendance

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

Upon consideration of the Agenda for the Investment Committee meeting on 5 September 2002 as circulated, copy annexed, action was taken or decisions were reached on individual items as recorded below:-

APOLOGIES

Apologies for absence were submitted on behalf of I H Laidlaw-Dickson and S Quilty.

1. MINUTES

The Minutes of the meeting of the Investment Committee held on 20 June 2002 were confirmed as an accurate record.

2. INVESTMENT MANAGERS REPORTS

The Finance Director submitted a report based on the discussion at the last Investment Committee on the future content of Investment Managers Reports, in particular to have precise, consistent and easily comparable data within the reports.

RESOLVED

That the Finance Director approach Investment Managers and request them to prepare a summary report for each quarter containing precise, consistent and easily comparable data on market background, portfolio valuation, asset allocation, significant transactions, overall performance, performance in each Asset Class (i.e. overseas equities), performance attribution, market outlook and exception reporting, when significant crisis/events require.

3. VOTING REVIEW

The Finance Director submitted a report outlining the voting by the Council's engaged Investment Managers, at large companies AGMs or EGMs, where the Hertfordshire Pension Fund had been invested, during the period June 2001 till June 2002. He stated that the Investment Managers had cause to vote 205 times where the Council's investment was concerned and had followed the advice given by PIRC (Pension Investment Research Consultants) on how to vote on 203 occasions. The two occasions where they had not followed the voting advice given by the Council's engaged Consultants this was due to errors.

He stated that a review had also been undertaken of the pension voting services including that provided by PIRC. As a consequence of the review, NAPF (National Association of Pension Funds) voting services had been identified as being more accessible and had been appointed for the next 12 months with a resultant saving to the Fund of £4,640.

RESOLVED

That the Committee notes that

- (a) the Hertfordshire Fund is following best practice as witnessed by compliance with the recommendations of the Committee of Inquiry into UK voting.
- (b) the Hertfordshire Fund Investment Managers had voted in accordance with PIRC guidelines during the period July 2001 till June 2002 in 203 out of 205 occasions.
- (c) NAPF (National Association of Pension Funds) Voting Issues Services had been appointed from 1 September 2002 for 12 months.

4. PENSIONS DISCRETIONS - POLICY REVIEW

The Finance Director stated that as a consequence of an appeal case against the Pension Fund concerning abatement after re-employment, it was suggested that the Council's policy (A14 and B1) should be re worded to make the Council's intentions and policy more precise.

RESOLVED

That the working of articles A14 and B1 of the policy for exercising discretions in respect of pensions of its employees and other authorities staff within the Hertfordshire scheme read as follows:-

Appendix A

EMPLOYING AUTHORITY DISCRETIONS: Hertfordshire County Council		
A14	Abatement of compensatory added years pension on re-employment	<p>When a pensioner who has been awarded Compensatory Added Years (CAY) is re-employed by a Local Government Pension Scheme employer then the annual CAY is reduced by the following amount:</p> <p>Annual rate of new pay + LGPS pension + annual CAY sum <u>less</u> Annual pay of former job + inflation</p> <p>When the pensioner leaves the second (or subsequent) period of employment, the CAY are reduced by the following amount:</p> <p>Total pensionable service from first employment + number of CAY awarded + period of re-employment <u>less</u> Total service which individual would have achieved if he/she had stayed in first employment to age 65</p>

Appendix B

ADMINISTERING AUTHORITY DISCRETIONS		
B1	Abatement of pension on re-employment	Abatement of pension should continue as under the 1995 regulations i.e. if the rate of pay in the new employment when added to the rate of pension from the former employment exceeds the rate of pay of the former post, then the pension is reduced by the excess.

5. PENSION FUND ANNUAL REPORT AND ACCOUNTS 2001 / 2002

The Finance Director outlined the procedure for putting forward the Pension Fund's Annual Report and Accounts for 2001/2002 to external Auditors for approval prior to publishing the finalised Accounts and Report and circulating them to pension scheme members.

It was noted that the graph of page 11 detailing the change in membership over 5 years needs to differentiate between contributors / deferred beneficiaries by different marking i.e. cross hatching/shaded.

In response to a query concerning the increased cost of Administration and processing, the Finance Director stated he would circulate a note detailing the reasons for the increased cost to all Investment Committee members

RESOLVED

That the draft unaudited Pension Fund and Accounts for 2001/2002 be noted.

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.

6. PENSION FUND - SUMMARY STATEMENT AS AT 30 JUNE 2002**RESOLVED**

That the report of the Finance Director summarising the investments held at 30 June 2002, which detailed the performance of the Investment Managers during the last financial quarter, year and three year period be noted.

7. PENSION FUND - INVESTMENT MANAGER'S REPORT (BAILLIE GIFFORD) - PORTFOLIO FOR THE QUARTER ENDING 30 JUNE 2002

Lynn 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.

8. PENSION FUND - INVESTMENT MANAGER'S REPORT (MERRILL LYNCH) - PORTFOLIO FOR THE QUARTER ENDING 30 JUNE 2002

Rosemary Easton and Theresa Holland from Merrill Lynch 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 Merrill Lynch be noted.

9. PENSION FUND - INVESTMENT MANAGER'S REPORT (CAPITAL INTERNATIONAL) FOR THE QUARTER ENDING 30 JUNE 2002

RESOLVED

That the report of Capital International be noted.

10. PENSION FUND - INVESTMENT MANAGER'S REPORT (JUPITER ASSET MANAGEMENT) FOR THE QUARTER ENDING 30 JUNE 2002

RESOLVED

That the report of Jupiter Asset Management be noted.

11. PENSION FUND - INVESTMENT MANAGER'S REPORT (JUPITER ASSET MANAGEMENT) (UK SPECIALIST PORTFOLIO) FOR THE QUARTER ENDING 30 JUNE 2002

RESOLVED

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

12. PENSION FUND - INVESTMENT MANAGER'S REPORT (SCHRODER INVESTMENT MANAGEMENT) FOR THE QUARTER ENDING 30 JUNE 2002

RESOLVED

That the report of Schroder Investment Management be noted.

13. ANNUAL WORKSHOP

Jill Digby stated that it was proposed to hold a Workshop session for Committee Members in November 2002 and asked Committee Members for dates/days wished to be avoided. Those present stated that Wednesdays or Thursdays were preferred and Tuesdays should be avoided.

Andrew Laycock
County Secretary