

**To: All Members of the
Investment Committee**

**From: COUNTY SECRETARY'S
DEPARTMENT**

Ask for: Adrian Service

Ext: 25564

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My Ref: AS/kp

Your Ref:

**INVESTMENT COMMITTEE
3 DECEMBER 2003**

MINUTES

ATTENDANCE

MEMBERS OF THE COMMITTEE

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

Officers in Attendance

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

Upon consideration of the Agenda for the Investment Committee meeting on
3 December 2003 as circulated, copy annexed, action was taken or decisions were
reached on individual items as recorded below:-

DEATH OF FRANK ESCOTT

The Committee Chairman advised of the death of Frank Escott and on behalf of the
Committee paid tribute to the work he had undertaken as a member of the Committee.

The Chairman advised that D B Lloyd had been appointed to fill the vacancy on the
Committee created by the death of F J Escott.

APOLOGIES

Apologies for absence were submitted on behalf of D B Lloyd and S Taylor.

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 items of business in 1. to 8. below 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.

1. PENSION FUND - INVESTMENT MANAGER'S REPORT (SCHRODER INVESTMENT MANAGEMENT) - PORTFOLIO FOR THE QUARTER ENDING 30 SEPTEMBER 2003

Charles Crole and Christopher Metcalf from Schroder's 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.

The Managers outlined which countries were included in their classification of Pacific basin countries.

RESOLVED

That the report of Schroder Investment Management be noted.

2. PENSION FUND - INVESTMENT MANAGER'S REPORT (JUPITER ASSET MANAGEMENT) - PORTFOLIO FOR THE QUARTER ENDING 30 SEPTEMBER 2003

Ken Cliff and Justin Seager from Jupiter Asset Management 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.

Ken Cliff introduced Justin Seager to the Committee who had taken over the Council's UK Account to address the situation of 12 months of under performance in investing in UK Equities.

It was noted that the issue of countries changing demographics would need to be taken account of in the future.

RESOLVED

That the report of Jupiter Asset Management be noted.

3. PENSION FUND - INVESTMENT MANAGER'S REPORT (JUPITER ASSET MANAGEMENT) (UK SPECIALIST PORTFOLIO) FOR THE QUARTER ENDING 30 SEPTEMBER 2003

Ken Cliff and Paul Sheehan from Jupiter Asset Management 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 Jupiter Asset Management on the UK Specialist Portfolio be noted.

4. PENSION FUND - INVESTMENT MANAGER'S REPORT (BAILLIE GIFFORD) FOR THE QUARTER ENDING 30 SEPTEMBER 2003

RESOLVED

That the report of Baillie Gifford be noted.

5. PENSION FUND - INVESTMENT MANAGER'S REPORT (MERRILL LYNCH) FOR THE QUARTER ENDING 30 SEPTEMBER 2003

RESOLVED

That the report of Merrill Lynch be noted.

6. PENSION FUND - INVESTMENT MANAGER'S REPORT (CAPITAL INTERNATIONAL) FOR THE QUARTER ENDING 30 SEPTEMBER 2003

RESOLVED

That the report of Capital International be noted.

7. PENSION FUND - SUMMARY STATEMENT AS AT 30 SEPTEMBER 2003

The Finance Director reminded the Committee of the Audit Commission's advice on monitoring the effectiveness of investment managers engaged and recording action taken when managers were not meeting the benchmark targets set for them over successive quarters of the year. He stated that whilst the Council continually monitored the performance of managers, action would normally only be considered in response to a three year period of under performance on a rolling basis, if the manager had taken no action to rectify the situation.

In response to questions on countries demographic changes he viewed that Investment managers would take this into account in determining where pension fund monies would be invested.

The Finance Director stated that based on the discussions at the recent Members Investment Workshop session held on 3 November 2003 he would submit a report to the next meeting containing possible options to re balance the Council's Pension Funds and engage more specialist managers.

RESOLVED

That the report of the Finance Director summarising the investments held at 30 September 2003, which detailed the performance of the Investment Managers during the last financial quarter, year and three year period be noted. The Committee, in particular noted that Jupiter had replaced the Manager responsible for the UK Equities Specialist portfolio following failure to meet their benchmark target.

8. PENSION FUND – COST OF INVESTMENT MANAGEMENT

The Finance Director submitted a report giving a breakdown of all costs involved with investment management of the Hertfordshire Pension Fund during 2002 / 2003

It was observed that the largest net fee paid for managing one of the Council's Pension Fund Accounts was to Jupiter Asset Management but this Account was the biggest Account being 30% of the Council's total Pension Fund proceeds.

The effect of a discount reflecting Managers performance against benchmark targets on total 2002 / 2003 costs was noted.

RESOLVED

That the report on all costs involved with the investment management of the Hertfordshire Pension Fund during 2002 / 2003 be noted.

9. MINUTES

The Minutes of the meeting of the Investment Committee held on 4 September 2003 were confirmed as an accurate record.

10. SIGNING OFF LOCAL AUTHORITIES AUDITED ACCOUNTS

Cllr Payne advised that Hertfordshire District / Borough Council's audited accounts for 2002 /2003 had not yet signed off by the District Auditor due to a national issue on the accounting standard for pensions [FRS 17], which the Audit Commission were now considering.

It was reported that the County Council's Accounts for 2002 / 2003 were due to be considered by the Council's Audit Committee on 11 December 2003.

**Andrew Laycock
County Secretary**