

MEMORANDUM

Date 31 March 2004

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

**From: COUNTY SECRETARY'S
DEPARTMENT**
Ask for: Adrian Service
Ext: 25564
Minicom: 6611
My Ref: AS/kp
Your Ref:

**INVESTMENT COMMITTEE
18 MARCH 2004**

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, S Quilty (substitute for D B Lloyd), R J Smith, STaylor.

Also in attendance :

R Mays

S Thornley (Observer)

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
18 March 2004 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 D B Lloyd and N Payne.

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 (BAILLIE GIFFORD) - PORTFOLIO FOR THE QUARTER ENDING 31 DECEMBER 2003

Mark Robertson 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.

Mark Robertson gave a detailed outline on the growth of the Chinese economy, the effects of greater demand for raw commodities and shipping, what future action could follow and the possible knock on effects to western economies.

RESOLVED

That the report of Baillie Gifford be noted.

2. PENSION FUND - INVESTMENT MANAGER'S REPORT (CAPITAL INTERNATIONAL) - PORTFOLIO FOR THE QUARTER ENDING 31 DECEMBER 2003

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 year and informed of the Manager's expectations together with their anticipated policy for the future.

RESOLVED

That the report of Capital International and the out performance of the benchmark target during 2003 is welcomed and be noted.

3. PENSION FUND - INVESTMENT MANAGER'S REPORT (MERRILL LYNCH) FOR THE QUARTER ENDING 31 DECEMBER 2003**RESOLVED**

That the report of Merrill Lynch be noted.

4. PENSION FUND - INVESTMENT MANAGER'S REPORT (SCHRODER INVESTMENT MANAGEMENT) FOR THE QUARTER ENDING 31 DECEMBER 2003**RESOLVED**

That the report of Schroder Investment Management be noted.

5. PENSION FUND - INVESTMENT MANAGER'S REPORT (JUPITER ASSET MANAGEMENT) FOR THE QUARTER ENDING 31 DECEMBER 2003

RESOLVED

That the report of Jupiter Asset Management be noted.

6. PENSION FUND - INVESTMENT MANAGER'S REPORT (JUPITER ASSET MANAGEMENT) (UK SPECIALIST PORTFOLIO) FOR THE QUARTER ENDING 31 DECEMBER 2003

RESOLVED

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

7. PENSION FUND - SUMMARY STATEMENT AS AT 31 DECEMBER 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.

RESOLVED

That the report of the Finance Director summarising the investments held at 31 December 2003, which detailed the performance of the Investment Managers during the last financial quarter, year and three year period be noted.

8. PENSION FUND – MEMBER WORKSHOP SESSION - FOLLOW UP WORK

The Finance Director submitted a report giving details of a proposal formulated at the Member Workshop session on 3 November 2003 aimed at improving performance and the Council's return on pension fund monies invested by implementing a more 'specialist' management structure. He stated that the proposal had been formulated taking into account advice given by the Council's Investment Consultant, Mercers, on the strengths and performance of the Council's existing engaged Investment Managers.

RESOLVED

- That (a) from 1 October 2004, the mandates of the Council's three existing balanced managers, Baillie Gifford, Jupiter and Schroder be varied and restricted to UK equities only
- (b) from 1 October 2004, two specialist Global Equities Investment Managers be engaged each holding 15% of the Council's Total Funds with Capital International being one of the specialist Global Equities Fund managers,
- (c) a second specialist Global Equities Fund manager be appointed,
- (d) from 1 October 2004, Merrill Lynch's portfolio be extended to manage all the Council's Bonds,
- (e) the Finance Director in conjunction with Mercers, discuss with all affected engaged Investment Managers concerning their proposed mandates and submit a report on all arrangements to the next Committee meeting on 24 June 2004,
- (f) the Finance Director be authorised, after taking advice from Mercers, to appoint a transition manager in order to implement these changes, and
- (g) 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 interview and recommend for appointment a second specialist Global Equities Fund Manager.

9. MINUTES

The Minutes of the meeting of the Investment Committee held on 3 December 2003 were confirmed as an accurate record.

10. PENSION FUND EMPLOYERS MEETING – 19 MARCH 2004

The Committee Chairman advised that the annual meeting with Employers would be held tomorrow [19 March 2004] at the Fielder Centre, Hatfield starting at 10 am and welcomed attendance by Committee members at this meeting.

11. FUTURE MEMBER WORKSHOP SESSIONS

In response to a question, the Finance Director stated that it was proposed to continue with member workshop sessions on an annual basis.

**Andrew Laycock
County Secretary**