

**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  
24 JUNE 2004**

**MINUTES**

**ATTENDANCE**

**MEMBERS OF THE COMMITTEE**

H G S Banks, N K Brook, D Clayton, B N W Hammond (Vice Chairman in the Chair),  
I H Laidlaw-Dickson, R Mays, N Payne, S J Pile.

Also in attendance :

S Quilty

P Meaton - Unison (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  
24 June 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 P V Goggins, M H T Janes,  
R J Smith and S Taylor.

**1. ELECTION OF CHAIRMAN**

**RESOLVED**

That M H T Janes be elected Chairman of the Investment Committee for the Civic  
Year 2004 / 2005.

**2. ELECTION OF VICE - CHAIRMAN****RESOLVED**

That B N W Hammond be elected Vice - Chairman of the Investment Committee for the Civic Year 2004 / 2005.

**In the absence of the Chairman, M H T Janes (who was in Brussels on County Council business) the Vice Chairman took the Chair for the meeting.**

**MEMBERSHIP OF THE COMMITTEE**

The Chairman for the meeting advised that R Mays had been appointed to replace R J Smith as a Committee Member for this meeting only.

**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 3. to 11. 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.

**3. PENSION FUND – THE WM PENSION FUND SERVICE – REPORT ON 2003**

Graham Wood from WM Company gave a presentation analysing the performance of the Council's Investment Fund Managers during 2003.

He advised that during 2003, the Council's Investment Managers performance against their set benchmarks was as follows : -

Jupiter	+ 1.9%.
Schroder	+ 0.8%
Baillie Gifford	- 0.7%
Capital International	+ 2.1%
Merrill Lynch	- 0.2%
Jupiter [UK Equities Specialist Portfolio]	- 0.7%

**RESOLVED**

That WM Company's report on the performance of the Council's engaged Investment Managers during 2003 be noted.

**4. PENSION FUND - INVESTMENT MANAGER'S REPORT (JUPITER ASSET MANAGEMENT) - PORTFOLIO FOR THE QUARTER ENDING 31 MARCH 2004**

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.

**RESOLVED**

That the report of Jupiter Asset Management be noted.

**5. PENSION FUND - INVESTMENT MANAGER'S REPORT - (SCHRODER INVESTMENT MANAGEMENT) PORTFOLIO FOR THE QUARTER ENDING 31 MARCH 2004**

Charles Crole and Christopher Metcalf from Schroder Investment 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 Schroder Investment Management be noted.

**6. PENSION FUND - INVESTMENT MANAGER'S REPORT (JUPITER ASSET MANAGEMENT) (UK SPECIALIST PORTFOLIO) FOR THE QUARTER ENDING 31 MARCH 2004**

**RESOLVED**

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

**7. PENSION FUND - INVESTMENT MANAGER'S REPORT (BAILLIE GIFFORD) FOR THE QUARTER ENDING 31 MARCH 2004**

**RESOLVED**

That the report of Baillie Gifford be noted.

**8. PENSION FUND - INVESTMENT MANAGER'S REPORT (CAPITAL INTERNATIONAL) FOR THE QUARTER ENDING 31 MARCH 2004****RESOLVED**

That the report of Capital International be noted.

**9. PENSION FUND - INVESTMENT MANAGER'S REPORT (MERRILL LYNCH) FOR THE QUARTER ENDING 31 MARCH 2004****RESOLVED**

That the report of Merrill Lynch be noted.

**10. PENSION FUND - SUMMARY STATEMENT AS AT 31 MARCH 2004**

The Finance Director in response to a question concerning the return on investment in property by the Council during 2003 stated that the current arrangements where this was performed by County officers would be reviewed during 2004 / 2005.

**RESOLVED**

That the report of the Finance Director summarising the investments held at 31 March 2004, which detailed the performance of the Investment Managers during the last financial quarter, year and three year period be noted.

**11. PENSION FUND – INVESTMENT MANAGER STRUCTURE**

Nick Sykes from Mercers attended the meeting and presented a report setting out progress made with changing the balanced portfolios to restrict them to UK equities only. He advised that performance related fees for the revised portfolios were preferable as this would increase the motivation of the Fund managers, which in turn should lead to higher performance 'outperformance' which both managers and Council would benefit from.

The Committee noted the Finance Director had had meetings with the managers concerned to discuss the revised arrangements and the Managers as invited had put forward fees they were prepared to receive for their revised portfolios.

**RESOLVED**

That performance related fees as set out in paragraph 6.3 of the submitted report with Baillie Gifford's based on a core portfolio be made in respect of the UK Equities mandates.

**12. MINUTES**

The Minutes of the meeting of the Investment Committee held on 18 March 2004 were confirmed as an accurate record.

**13. LOCAL GOVERNMENT PENSION SCHEME – STOCKTAKE REVIEW**

The Finance Director submitted a report setting out changes to the Pension scheme that had been implemented and new proposals that had been contained in draft regulations issued by the Office of the Deputy Prime Minister.

The main changes that had been implemented in April 2004 were :-

- Vesting period - length of membership to receive benefit reduced from 2 years to 3 months.
- Funding Strategy Statement – every administering authority must now prepare, maintain and publish a Funding Strategy Statement
- Annual Benefit Statement – all active and deferred scheme members must receive an annual Benefit Statement
- An NHS employer can enter into an admission agreement so that LGPS members transferred to them by virtue of a Partnership can remain in the Scheme.
- The definition of ‘permanently incapable’ for entitlement to ill health benefits now means ‘ the person will more likely than not be incapable, until at the earliest, age 65.’
- The possibility of receiving ill health benefits a second or further time has been removed.
- The provision of a re employed pensioner to elect to combine the membership from the first retirement with that of the second in order to increase the value of benefits has been removed.
- Appeals against Pension decisions taken by the Council will no longer involve the Secretary of State at stage 2.

The Committee were advised that the draft regulations issued by the Office of the Deputy Prime Minister contained the following two main changes to the Local Government Pension Scheme and all pension authorities comments were invited on :-

- i) increasing the earliest age at which benefits may be paid, other than on ill health grounds from 50 to 55 years old [transitional protection will be given to people 50 year olds or more at 31 March 2005]
- ii) removing the 85 year rule and make 65 years old, the earliest retirement age. [transitional protection for those who attain the age of 60 and satisfy the current 85 year rule before 1 April 2013]

All the employers involved with the Hertfordshire Fund have been consulted about the proposals and to date 20 responses on the proposals have been received with the majority in favour of the proposals made.

**RESOLVED**

That the Finance Director advise the Office of the Deputy Prime Minister that the Council supports the pension scheme changes detailed in i) to ii) above.

**Andrew Laycock  
County Secretary**