

## **Pensions Committee**

### **Minutes of the meeting held on Tuesday 25 February 2014 commencing at 9:30am**

#### **Present:**

Mr S Morphew  
Mr S Aspin  
Mr J Joyce  
Mr D Ramsbotham  
Mr M Storey  
Miss J Virgo  
Mr A Waters

#### **Officers Present:**

Glenn Cossey	Chief Investment Manager
Jo Quarterman (for agenda item 13)	Norfolk Pension Fund Project and Development Manager
Tim Shaw	Committee Officer
Peter Timmins	Interim Head of Finance
Alex Younger	Investment and Actuarial Services Manager

#### **Others Present:**

William Marshall	Investment Adviser, Hymans Robertson
Catherine Howarth (for agenda item 5)	ShareAction
Alistair Dryer	Aviva Investors
Sarah Emberson	Aviva Investors
John Gellatly	Aviva Investors
Kathleen Bacon	HarbourVest
Hannah Tobin	HarbourVest
Stewart Hay	SL Capital Partners
Roger Pim	SL Capital Partners

#### **1. Apologies**

An apology for absence was received from Mr John Fuller. An apology for absence was also received from Nicola Mark, the Head of the Norfolk Pension Fund.

#### **2. Minutes**

The minutes of the previous meeting held on 3 December 2013 were

confirmed as a correct record and signed by the Chairman.

### **3. Declarations of Interest**

The following declarations of interest were received:

- Mr Aspin declared an “other interest” as the Director of Finance for the Norfolk and Suffolk Probation Trust, a scheme employer, and personal membership of the scheme as an employee of a scheme employer.
- Mr Morphew declared an “other interest” in that his wife was in receipt of a pension from the scheme.
- Mr Ramsbotham declared an “other interest” as he had investments of more than £25,000 with Fidelity, who were the fund managers.
- Miss Virgo declared an “other interest” in that she was a beneficiary of a teacher “added years” pension administered through the Fund.
- Mr Waters declared an “other interest” because his wife was a member of the scheme.

### **4. Matters of Urgent Business and Agenda Order**

There were no matters of urgent business.

These minutes have been placed in the order in which the items appear on the agenda so as to allow for easier cross referencing.

### **5. ShareAction-Living Wage Campaign.**

**5.1** The Committee received a presentation by ShareAction Chief Executive, Catherine Howarth, on the initiatives taken nationally to promote and support a Living Wage (LW) Policy by employers

**5.2** The presentation explained how:

- The LW Campaign aimed to make the issue a core element of corporate responsible practice as the living standards debate took centre stage politically.
- 80% of LW employers that had committed to LW believed that it had enhanced the quality of the work undertaken by staff.
- 70% of LW employers felt Living Wage accreditation had increased awareness of their organisation’s commitment to be an ethical employer.
- Employers reported steep falls (up to 25%) in absenteeism among their contractors’ staff following the introduction of LW.

**5.3** Catherine Howarth asked the Committee to consider the following

suggestions:

- Make explicit reference to support for Living Wage accreditation in the Norfolk Pension Fund's Statement of Investment Principles.
- Invite equity fund managers to convey support to companies in the Pension Fund portfolio (including any pooled funds).
- Join other investors writing to FTSE 100 CEOs ahead of 2014 AGMs.
- Select two or three companies with a particular Norfolk connection and lead on a dialogue with these firms.
- Report on the fund's activities in support of Living Wages in the annual report.

**5.4** In reply to questions from Members, Officers said that these suggestions raised a number of complex issues that needed to be carefully considered within the context of the Committees fiduciary duties, its policy on Corporate Governance and shareholder engagement, and its membership of The Local Authority Pension Fund Forum (LAPFF) which existed to promote the investment interests of local authority pension funds. It was pointed out that the Committee already had a well established policy on corporate governance and shareholder engagement that was in line with industry best practice.

**5.5** In response to a question the Chairman confirmed that Norfolk County Council had not currently implemented a LW policy for its own employees.

**5.6 RESOLVED**

That the Committee note the presentation and ask for a report to be presented to their next meeting on ways to support the Living Wage Campaign (within the context on the Committees fiduciary duties and what is already being done to engage with companies within which the Fund invests, and to promote positive responses by these companies to all matters of social responsibility).

That the Committee place on record its thanks to Catherine Howarth, ShareAction Chief Executive, for attending the meeting.

**6. Exclusion of the Public (Agenda Items 7-11 only)**

The Committee was asked to consider excluding the public from the meeting under Section 100A of the Local Government Act 1972 for consideration of the items below on the grounds they involved the likely disclosure of exempt information as defined by paragraph 3 of Part 1 of the Schedule 12A to the Act, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Paragraph 3 stated "information relating to the financial or business affairs of any particular person" (including the Authority holding the

information).

Having applied the "Public Interest Test" it was recommended the Pensions Committee confirm the exclusions listed below:-

#### **6.1 Item 7- Investment Performance Update by Hymans Robertson**

This report contained commercially sensitive information related to the performance of third party individual fund management companies which if in the public domain could have a detrimental impact on the companies' commercial revenue and consequently adverse impact on Pension Fund Performance.

#### **6.2 Item 8- Fund Manager Report and Presentation by Aviva Investors**

This report contained financial, business and commercial information including details about third party company operations, including details of individual stock "buy and sell" activity which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice their interests which might expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

#### **6.3 Item 9- Private Equity**

The Committee received a Joint verbal presentation by HarbourVest Partners and SL Capital Partners

This report contained financial, business and commercial information including details about third party companies operations, business and investment strategies and performance, which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice their interests which may expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

#### **6.4 Item 10- Fund Managers Report and Presentation (Private Equity) by HarbourVest Partners and SL Capital Partners.**

These reports contained financial, business and commercial information including details about third party company operations, including details of individual stock "buy and sell" activity which could significantly weaken their position in a competitive environment by revealing this activity to competitors.

Inappropriate disclosure would or would be likely to prejudice their interests which may expose the Norfolk Pension Fund (Norfolk County Council) to legal action in the future.

## **6.5 RESOLVED**

That the above items be excluded from public disclosure by virtue of paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 and the text applied above, confirming that the public interest in maintaining the exemption out-weighted the public interest in disclosing the information.

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## **Public Summary of the Exempt Minutes (Agenda Items 7-11 only).**

### **7 Investment Performance Update by Hymans Robertson**

Members received a detailed booklet that had been circulated in advance of the meeting. The Investment Advisor summarised the main issues including the investment performance of the previous quarter.

#### **RESOLVED**

That the Committee note the report.

### **8 Fund Manager Report and Presentation**

#### **□ Aviva Investors**

Three representatives from Aviva Investors presented a detailed booklet that had been circulated to Members in advance of the meeting. The representatives from Aviva Investors introduced the booklet, summarised the main issues, and responded to detailed questions by the Members.

The Chairman thanked Aviva Investors for their presentation.

#### **RESOLVED**

To note the presentation by the Fund Manager.

### **9 Private Equity**

#### **9.1 The Committee received joint verbal presentations by HarbourVest Partners and SL Capital Partners**

#### **9.2 Representatives from HarbourVest Partners and SL Capital Partners gave detailed presentations to the Committee about the Fund's private equity investments which Members had requested at the previous meeting. The representatives from HarbourVest Partners and SL Capital Partners placed on the table booklets for Members of the**

Committee, summarised the main issues, and responded to detailed questions by the Members.

**9.3 RESOLVED**

To note the joint the verbal presentation by HarbourVest Partners and SL Capital Partners.

**10 Fund Managers Report and Presentation (Private Equity)**

- HarbourVest Partners
- SL Capital Partners

**10.1** Representatives from HarbourVest Partners and SL Capital Partners presented detailed reports that had been circulated to Members in advance of the meeting. The representatives from HarbourVest Partners and SL Capital Partners introduced the report, summarised the main issues, and responded to detailed questions by the Members.

The Chairman thanked HarbourVest Partners and SL Capital Partners for their presentation.

**10.2 RESOLVED**

To note the presentations by the Fund Managers.

**11 Exempt Minutes of the Previous Meeting**

The exempt minutes of the Pensions Committee meeting held on 3 December 2013 were agreed as a correct record and signed by the Chairman.

**12 Administration Report**

**12.1** The Committee received the annexed report (12) by the Head of Finance and Head of Pensions.

**12.2** The Committee received updates on:

LGPS 2014, Communications, Replacement of Administration Software and Online Services, 2013 Triennial Valuation, Funding Strategy Statement, Collaborative Working / Value for Money, Knowledge and Skills, Freedom of Information Act, Cash Management Strategy, Admission Agreements, Update on Bulk Transfers and Pension Fund Representation.

**12.3 RESOLVED**

A. That the Committee note the contents of the report, in particular:

1. The Admission Agreement in respect of Lafarge Tarmac (paragraph 10 of the report)

2. The update of the Funding Strategy statement (paragraph 6 of the report)

B. That the Committee also approve the 2014-15 Cash Management Strategy, as detailed in paragraphs 12 and 13, including the counterparty and collateralisation arrangements for the dynamic currency hedging programmes managed by Berenberg and Insight.

### **13 Public Sector Pensions Reform**

**13.1** The Committee received a verbal report on behalf of the Head of Finance and Head of Pensions Members which updated the Committee on the latest position with the reform of public sector pensions and specifically the LGPS.

**13.2** It was noted that following on from the Call for Evidence last summer, publication of proposals for further reform of the LGPS was anticipated. These proposals were expected to be made known in March 2014 and it was anticipated that a formal 12 weeks consultation period would follow. This would be the last opportunity to influence the outcome of the review.

**13.3** Members asked to be given an informal opportunity to get together to review the proposals and formulate a response before the end of the consultation period.

**13.4** It was then also pointed out that the Public Sector Pensions Act 2013 had established the requirement for Pensions Boards across all public sector pensions' schemes. It was noted that because of the distinct differences in the current governance arrangements (e.g. local accountability) and the funded nature of the LGPS the Act was not an easy fit with the LGPS as it was currently enacted. The DCLG had issued a discussion paper on how this should be best applied within the LGPS in 2013. A number of key areas remained unclear, e.g. extension of decision making powers to the new Pensions Boards and impact on existing Pensions Committees and Terms of Reference, resource and funding for new Boards.

**13.4** It was noted that Pension Boards would have to be established by April 2015 and that further engagement by DCLG in this area was anticipated to take place shortly.

### **13.5 RESOLVED**

**13.6** That Members' be given an informal opportunity to get together to review the proposals for the reform of public sector pensions and specifically the LGPS and to formulate a response before the end of the consultation period.

### **14 Pension Fund Budget Report**

- 14.1** The Committee received the annexed joint report (14) by Head of Finance & Head of Pensions.
- 14.2** Members asked for the table at paragraph 5.2 of the report to include the out-turn position from the previous year when the budget is next presented to the Committee.

**14.3 RESOLVED**

That the Pensions Committee approves the Pension Fund 2014-2015 budget as set out in the report.

**15 Corporate Governance and Shareholder Engagement**

- 15.1** The Committee received the annexed joint report (15) by the Head of Finance and Head of Pensions.
- 15.2** The report explained the Committee's policy on Corporate Governance, votes cast for UK and overseas companies, engagement with companies in which the Fund invested, including pooled funds, and participation in the Local Authority Pension Fund Forum.
- 15.3** It was noted that all votes cast for UK and overseas companies could be found on the Norfolk Pensions Fund website at [www.norfolkpensionfund.org](http://www.norfolkpensionfund.org).

**15.4 RESOLVED**

That the Pensions Committee notes the contents of the report.

The meeting concluded at 2:20pm

**Chairman**