

<b>GOVERNANCE ISSUES</b>	
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Contact Officers	Ken Chisholm
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Papers with this report	None
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## SUMMARY

This report is to provide an update on Pension Fund Governance issues. Item 1 on member development was held over from the June Committee.

## RECOMMENDATIONS

- 1. That Members discuss and agree an approach to member development**
- 2. Approve the revisions to the Statement of Investment Principles**

## INFORMATION

### 1. Member Development

In June 2009, Pensions Committee agreed to a proposal on Member development proposed by Cllr Markham to commit to a target of 3 days (21 Hours) per year. A copy of that proposal is attached for reference.

To assist with improving governance and to identify training needs, we purchased a subscription to the Knowledge and Skills Framework, with the aim of members using this framework to assess their knowledge, identify gaps and to feed this back to officers to enable suitable further training and development events to be arranged. Access to the framework is through the website, to which all Members have been given access. The website contains a large store of information on all aspects of the scheme and has been developed by experts to contain all the basic knowledge required to undertake proper governance of the fund.

To date there has been very limited feedback from Members on their use of this site or the identification of any training needs. We are therefore asking that members discuss how they wish to move this forward.

- Have members used the knowledge & skills website? Are there difficulties with the site?
- Would hard copies of the material be more suitable?
- If Members conclude that the Knowledge and Skills Framework is an acceptable vehicle for developing and maintaining member knowledge, a development programme could be produced, which will suggest how to best utilise the Knowledge and Skills Framework between committee meetings, so that feedback can be reported or discussed at the next Pensions Committee meeting.
- Alternatively, if the Knowledge and Skills Framework does not meet Members requirements, then an alternative arrangement would have to be identified and members will need to agree how to progress this.

## 2. Statement of Investment Principles (SoIP) Update

Following the removal of Alliance Bernstein as one of the Fund's managers, amendments were required to be made to the Statement of Investment principles. In addition there were a few other minor changes. The changes to the Statement of Investment Principles are as follows:

- Alliance Bernstein removed throughout the statement
- Adams Street Partners, LGT Capital Partners, M&G Investments and Macquarie Infrastructure added throughout the statement for completeness
- SSgA benchmark amended to accommodate revised index

Committee are asked to approve these revisions and an extract from the Statement of Investment Principles at appendix 2 with changes highlighted in bold.

## 3. Future Training and Development Events

<b>DATE</b>	<b>EVENT</b>	<b>LOCATION</b>
13 October	UBS First Steps	London
9 November	CIPFA Annual Pensions Conference	London
10 November	UBS Second Steps	London
23 November	UBS Third Steps	London
30 Nov – 2 Dec	LAPFF Annual Conference	Bournemouth

If members are interested in attending any of these events please contact Nancy Leroux.

## FINANCIAL IMPLICATIONS

There are no direct financial implications arising directly from the report

## LEGAL IMPLICATIONS

The SoIP report complies with regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 which came into force on 1<sup>st</sup> January 2010.

## **PROPOSAL**

Following a discussion on Member Training and Development at Pensions Committee in March, Cllr Markham has tabled the following proposal for discussion and possible adoption by Committee as a training and development plan.

## **MEMBER DEVELOPMENT**

1. The value of continual enhancement of knowledge about matters relating to their role on the Pensions Committee has been fully accepted by Members.
2. An annual target of three days training (21 hours) per year is considered to be acceptable for committee Members.
3. Substitutes are also expected to enhance their knowledge and a target of one days training (7 hours) per year is considered to be acceptable
4. It will be up to each Member to determine the gaps in their knowledge and the sources they wish to use in developing their skills.
5. The following sources are considered relevant:
  - Attendance at full committee meetings (comparable to 4 hours per meeting)
  - Attendance at briefing meetings with officers, fund managers and other invited speakers (comparable to 2 hours per meeting)
  - Internal seminars on pension related subjects (comparable to 3 hours per meeting)
  - Attendance at relevant external conferences (comparable to 7 hours per day, per event)
  - Relevant reading material i.e. reports from advisors, fund managers and other sources, pension and financial related magazines and conference delegate packs obtained by fellow Members or officers (up to a maximum 12 hours per year)
  - On-line and power point presentations (comparable to 1 hour per presentation)
6. Officers will be responsible for keeping a record of attendance at meetings and conferences. Members should keep them advised as to time spent on other activities.
7. Officers will continue to inform Members as to relevant meetings and events and of relevant reading material held at the Civic Centre and available to Members.

**EXTRACT FROM STATEMENT OF INVESTMENT PRINCIPLES****The expected return on investments**

Investment managers are given target performance standards and their actual performance is measured against these. These targets (gross of fees) are:

<b>Adams Street Partners</b>	- <b>Outperform benchmark</b>
Fauchier Partners	- 5.00% p.a. in excess of benchmark
Goldman Sachs Asset Management	- 0.75% p.a. in excess of benchmark
<b>LGT Capital Partners</b>	- <b>Outperform benchmark</b>
M&G Investments	- 5.00% p.a. in excess of benchmark
Marathon Asset Management	- Outperform benchmark
<b>Macquarie Infrastructure</b>	- <b>Outperform internal rate of return hurdle</b>
Ruffer LLP	- Outperform benchmark
State Street Global Advisors	- Achieve Benchmark
UBS Asset Management	- 2.00% p.a. in excess of benchmark
UBS Asset Management - Property	- 1.00% p.a. in excess of benchmark

Overall, the targets are intended to achieve above average performance, relative to earnings and inflation, without excessive risk, so that the Fund can meet its obligations without excessive levels of employer's contribution.

Performance is monitored quarterly and a formal review to confirm (or otherwise) the continued appointment of existing managers is undertaken annually.

**FEE STRUCTURES**

<b>Adams Street Partners</b>	- <b>Fee based on subscribed capital + performance fee</b>
Fauchier Partners	- Fixed fee + performance fee
Goldman Sachs Asset Management	- Tiered fee based on portfolio value
<b>LGT Capital Partners</b>	- <b>Fee based on subscribed capital + performance fee</b>
M&G Investments	- Fixed fee based on drawn capital
Marathon Asset Management	- Fee based on performance
<b>Macquarie Infrastructure</b>	- <b>Fee based on committed capital + performance fee</b>
Ruffer LLP	- Fixed flat fee based on portfolio value
State Street Global Advisors	- Fixed flat fee based on portfolio value.
UBS Asset Management	- Tiered fee based portfolio value.
UBS Asset Management - Property	- Fixed fee based on portfolio value.
Hymans Robertson LLP	- Price per piece
Scott Jamieson	- Fixed fee

## APPENDIX D

### Investment Structure – Performance Benchmark, Permitted Ranges and Comparative Indices

<b>ADAMS STREET PARTNERS</b>			
Asset Class	Benchmark %	Ranges %	Index
Private Equity	100	n/a	MSCI World
<b>Total</b>	<b>100</b>		

<b>FAUCHIER PARTNERS</b>			
Asset Class	Benchmark %	Ranges %	Index
Fund of Hedge Funds	100	n/a	LIBOR 3 month
<b>Total</b>	<b>100</b>		

<b>GOLDMAN SACHS ASSET MANAGEMENT</b>			
Asset Class	Benchmark %	Ranges %	Index
UK Fixed Interest	70	60-80	iBoxx Sterling Non Gilts
UK Index-Linked (over 5 years)	30	20-40	UK Index Linked Gilts over 5 year
<b>Total</b>	<b>100</b>		

<b>LGT CAPITAL PARTNERS</b>			
Asset Class	Benchmark %	Ranges %	Index
Private Equity	100	n/a	MSCI World
<b>Total</b>	<b>100</b>		

<b>M&amp;G INVESTMENTS</b>			
Asset Class	Benchmark %	Ranges %	Index
Private Placement	100	n/a	LIBOR 3 month
<b>Total</b>	<b>100</b>		

<b>MACQUARIE INFRASTRUCTURE &amp; REAL ASSETS EUROPE</b>			
Asset Class	Benchmark %	Ranges %	Index
Infrastructure	100	n/a	Internal rate of return hurdle

<b>Total</b>	<b>100</b>		
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<b>MARATHON ASSET MANAGEMENT</b>			
Asset Class	Benchmark %	Ranges %	Index
Global Equities	100	n/a	MSCI World
<b>Total</b>	<b>100</b>		

<b>RUFFER LLP</b>			
Asset Class	Benchmark %	Ranges %	Index
Absolute Return	100	n/a	LIBOR 3 month
<b>Total</b>	<b>100</b>		

<b>STATE STREET GLOBAL ADVISORS</b>			
Asset Class	Benchmark %	Ranges %	Index
UK Equity Index sub-Fund	44	<b>Rebalanced Quarterly +/- 10% of Benchmark</b>	FTSE All Share (or similar)
North America Equity Index sub-fund	11		FTSE World North America (or similar)
Europe ex UK Equity Index sub-fund	11		FTSE World Europe ex UK (or similar)
Asia Pacific Equity Index sub-fund	11		FTSE Developed Asia Pacific (or similar)
Emerging Markets Equity Index fund	3		FTSE All-World All Emerging (or similar)
UK Conventional Gilts All Stocks fund	1.5		FTA British Govt Conventional Gilts All Stocks (or similar)
Index-Linked Gilts All-Stocks Index fund	10		FTA British Govt Index Linked Gilts All Stocks (or similar)
Sterling Corporate Bond All Stocks fund	8.5		<b>Barclays Capital Sterling Aggregate (or similar)</b>
<b>Total</b>	<b>100</b>		

<b>STATE STREET GLOBAL ADVISORS - Account 2</b>			
Asset Class	Benchmark %	Ranges %	Index
Sterling Corporate Bond All Stocks Index Fund	50	<b>+/- 10% of Benc</b>	<b>Barclays Capital Sterling Aggregate (or similar)</b>

Sterling Liquidity sub-Fund	50		
<b>Total</b>	<b>100</b>		

<b>UBS GLOBAL ASSET MANAGEMENT – EQUITIES</b>			
Asset Class	Benchmark %	Ranges %	Index
UK Equities	100	40 - 100	FTSE All Share
Cash	0	0 – 10	
<b>Total</b>	<b>100</b>		

<b>UBS GLOBAL ASSET MANAGEMENT - PROPERTY</b>			
Asset Class	Benchmark %	Ranges %	Index
Property	100	+/- 25%	IPD Index
Cash	0	0 - 10	LIBOR 7 Day
<b>Total</b>	<b>100</b>		