

MINUTES of a meeting of the **PENSIONS AND INVESTMENT COMMITTEE** held at County Hall, Matlock on 11 June 2019

PRESENT

Councillor J Perkins (in the Chair)

Derbyshire County Council

Councillors R Ashton, N Atkin, J Boulton, P Makin, R Mihaly and M Wall (substitute Member)

Derby City Council

Councillor M Carr

Derbyshire County Unison

Mr M Wilson

Also in attendance – D Kinley, P Peat and N Smith

Apologies for absence were received on behalf of Councillors S Marshall-Clarke and B Ridgway

36/19 **COLLIERS CAPITAL** Tim Kidd, Adrian Payne and Nick Parsons from Colliers Capital, the Pension Fund's Direct Property managers, attended the meeting to provide Members with an update on current holdings, new acquisitions, performance and property management and the strategy for the forthcoming year.

Members had the opportunity to ask questions which were duly answered.

On behalf of the Committee, the Chairman thanked Mr Kidd, Mr Payne and Mr Parsons for their very informative presentation.

37/19 **MINUTES RESOLVED** that the minutes of the meeting held on 8 May 2019 be confirmed as a correct record and signed by the Chairman.

38/19 **INVESTMENT REPORT** Mr Anthony Fletcher the external adviser from MJHudson-Allenbridge Investment Advisers Limited, attended the meeting and presented his report to the Committee. The report incorporated Mr

Fletcher's view on the global economic position, information on global market returns, the performance of the Derbyshire Fund, and his latest recommendations on investment strategy and asset allocation.

Mr Fletcher presented the Derbyshire Pension Fund Benchmark Returns and highlighted the influence that the strength of sterling had on World markets and how it affected performances.

Details were provided of Mr Fletcher's investment recommendations in UK Equities, North American Equities, European Equities, Japan, Asia/Pacific, Infrastructure, Private Equity and Cash, along with those of the Derbyshire Pension Fund In-House Fund Management Team.

The Fund's latest asset allocation, as at 30 April 2019, and the recommendations of the Director of Finance and ICT and the Fund's Independent Adviser in relation to the Pension Fund's new strategic asset allocation benchmark were reported. Relative to the new benchmark, the Fund as at 30 April 2019 was overweight in growth assets and cash, and underweight in income assets and protection assets. Details were also provided of the recommendations of the Director of Finance and ICT, which had been adjusted to reflect the impact of future investment commitments. These commitments largely related to private equity, multi-asset credit, property and infrastructure and totalled around £356m. Whilst the timing of drawdowns would be difficult to predict, the In-house Investment Fund Manager Team believed that these were likely to occur over the next 18 to 36 months.

The value of the Fund's investment assets had risen by £253.5m between 31 January 2019 and 30 April 2019. Over the twelve months to 30 April 2019, the value of the Fund's investment asset had risen by £249.2m, comprising a non-cash market gain of around £135m, an unexpected advanced contribution payment of £25m and cash inflows from dealing with members and investment income of around £90m. A copy of the latest portfolio was presented at Appendix 2 to the report.

A summary of global equities in sterling and the US dollar, UK equities, UK fixed income and UK index linked bonds for the twelve months to 22 May 2019 was given. Equity markets had generally risen between May and August 2018, reflecting robust US earnings growth and some easing in the trade tensions between the US and China, with returns for Sterling investors also benefiting from a stronger US\$. Global Equity markets then sold-off sharply in Q4 2018, with the quarter recording a 10.5% fall in sterling terms. Investor confidence was impacted by a number of factors, including concerns over the sustainability of US economic growth; an indication from the US Federal Reserve that there was scope for further interest rate rises; worries over a slowdown in China; and fears of a global trade war. Equity markets had subsequently recovered strongly in Q1 2019. Whilst global economic data

moderated in the quarter, optimism that trade relations between the US and China might improve, together with a more dovish tone from the US Federal Reserve, lifted equity markets. Although this optimism continued in April 2019, equity markets had been weaker in May 2019 as concerns about US-China trade relations resurfaced.

Bonds had generally traded sideways between May and September 2018 before yields fell in Q4 2018, prompted by a general 'risk-off' environment. In the UK, government bond yields also fell sharply in March 2019 in response to the Brexit impasse. UK index-linked bond yields were briefly impacted by uncertainty around the implications of a House of Lords inquiry into the way that the retail price was calculated and index extensions, but the lack of progress on Brexit and in world trade talks dominated sentiment towards the asset class.

In terms of asset class valuations, many global stock markets were still trading close to all-time highs, despite the recent weakness in May 2019, and it was noted that recent asset class returns remained well in excess of long term averages. Details were given on the Fund's performance over 1, 3, 5 and 10 years to 31 March 2019. The Fund had performed in line with the benchmark over the last twelve months, and out-performed the benchmark over all other time periods.

RESOLVED that (1) the report of the external advisor, Mr Fletcher, be noted;

(2) the asset allocations, total assets and long term performance analysis in the report of the Director of Finance and ICT be noted; and

(3) the strategy outlined in the report of the Director of Finance and ICT be approved.

39/19 **VOTING ACTIVITY** Details of the Fund's voting activity for the period 28 February to 24 May 2019 were presented. The Fund's votes against management proposals were shown in Appendix 2 to the report and the total shareholder votes for these proposals were provided.

With the exception of the Micro Focus International Plc resolution and the two Informa Plc resolutions, each of the resolutions set out in Appendix 2 were subsequently passed.

RESOLVED that the report be noted.

40/19 **EXCLUSION OF THE PUBLIC** **RESOLVED** that the public be excluded from the meeting during the Committee's consideration of the remaining items on the agenda to avoid the disclosure of the kind of information detailed in the following summary of proceedings:-

SUMMARY OF PROCEEDINGS CONDUCTED AFTER THE PUBLIC HAD BEEN EXCLUDED FROM THE MEETING

1. To confirm the exempt minutes of the meeting held on 8 May 2019 (contains exempt information)
2. To receive a presentation and update from LGPS Central Limited (contains information relating to the financial or business affairs of any particular person (including the Authority holding that information))