

**MINUTES OF A MEETING OF THE PENSIONS AND INVESTMENT COMMITTEE
HELD AT COUNTY HALL, LLANDRINDOD WELLS
ON FRIDAY 28TH SEPTEMBER 2012**

PRESENT: County Councillor A.G. Thomas (Chairman)

County Councillors P.J. Ashton, T. Turner, G.P. Vaughan

In attendance: Menento Charinga, Sean Cole and Rachel Hammonds of AON Hewitts.

1.	APOLOGIES	PIC30 – 2012
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Apologies for absence were received from Gareth Jones.

2.	DECLARATIONS OF INTEREST	PIC31 – 2012
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County Councillors P.J. Ashton, A.G. Thomas, T. Turner and G.P. Vaughan declared interests as members of the Local Government Pension Scheme.

3.	MINUTES	PIC32 – 2012
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The Chairman was authorised to sign the minutes of the meetings held on 29 June 2012 as a correct records.

4.	CONFIDENTIAL MATTERS	PIC33 – 2012
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RESOLVED to exclude the public for the following items on the grounds that there would be disclosure to them of exempt information under category 3 of The Local Authorities (Access to Information) (Variation) (Wales) Order 2007).

5.	QUARTERLY INVESTMENT REPORT	PIC34 – 2012
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The Committee received the Aon Hewitt report for the quarter to 30 June 2012 together with an update report which was tabled. It had been a difficult quarter but since it had ended markets had recovered and the current value of the fund was £378.9 m. There were no changes to the Aon Hewitt ratings for any of the fund managers. The fund was currently underweight in property. £500k would be invested from cash currently held. Goldman Sachs had a disappointing quarter but had subsequently turned performance around. There had been a good performance from private equity managers and the Committee discussed how much of the gains were bankable as opposed to values which were only realisable on sale.

6.	MEDIUM TERM ASSET ALLOCATION UPDATE	PIC35 – 2012
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The Committee was advised that the Fund's performance since the inception of the Medium Term Asset Allocation project on 1 March 2011 to the end of August 2012 was 8.1% compared to the benchmark of 8.4%. This meant that no performance fee was due to Aon Hewitt. The main detractor to performance was the underweight performance to fixed gilts. Aon Hewitt were asked if better use could be made of cash ahead of a turnaround in gilts. They conceded that their timing could have been better but felt it was better to have moved too early out of fixed markets than too late.

7.	HEDGE FUND TRAINING: FAUCHIER PARTNERS PRESENTATION AND DISCUSSION	PIC36 – 2012
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The Committee received training on hedge funds.

Dan Higgins, Chief Investment Officer at Fauchier Partners and Alex Dolby, Head of Client Relationships joined the meeting to discuss their poor performance in 2011. They explained that the fund was made up of 35 different hedge funds diversified to generate returns without taking big risks. In 2011 markets were dominated by political events with sentiment rather than fundamentals driving the market. The volatility of the market was too low for Fauchiers to generate good returns. The Committee explored with Fauchiers why other hedge fund managers had done better in this environment and what they were doing to turn performance around. Fauchiers explained that they had increased exposure to funds that thrive on uncertainty and managers who are activists and take big positions. They outlined the scenarios which might pay out and the returns which might be expected. The Committee also asked about BNP Paribas majority shareholding in the company. Fauchiers explained that they had negotiated autonomy with BNP Paribas and they had no influence on their investment process.

Mr Higgins and Mr Dolby left the meeting. The Committee discussed the management of the Hedge Fund of Funds and

RESOLVED that the position be considered in 6 months time but that the Chairman and Vice Chairman be given delegated authority to dismiss Fauchier Partners if circumstances changed.

8.	DISCUSSION ON GOLDMAN SACHS FUNDS	PIC37 – 2012
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A paper from Aon Hewitt was circulated. It was proposed to leave a nominal sum of £300,000 in currency with Goldman Sachs and move the rest to the Goldman Sachs Global Opportunities Hedge Fund. This would avoid having to go through a procurement process.

RESOLVED that £300,000 is kept with Goldman Sachs currency fund and the balance transferred to Goldman Sachs Global Opportunities Hedge Fund.

Next Meeting

The next meeting would be on 6th December. Aon Hewitt were asked to prepare some training for the Committee on options around taking on someone to manage the Fund.

It was noted that the meeting with fund members was taking place on 29 November. In addition to the Chair of the Committee it was agreed that the Vice Chair and Councillor Tom Turner would attend.

A.G. THOMAS
CHAIR