



Financial Investment Board

Date: WEDNESDAY, 11 SEPTEMBER 2013
Time: 1.45pm
Venue: COMMITTEE ROOMS - WEST WING, GUILDHALL

Members: Ray Catt (Chairman)
Deputy Robert Howard (Deputy Chairman)
Deputy Ken Ayers
Roger Chadwick
Henry Colthurst
Simon Duckworth
Tom Hoffman
Clare James
Edward Lord
Andrew McMurtrie
Deputy Henry Pollard
John Scott
Ian Seaton
Philip Woodhouse

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Lunch for Members will be served in the Guildhall Club at 1pm

John Barradell
Town Clerk and Chief Executive

AGENDA

Part 1 - Public Agenda

1. **APOLOGIES**
2. **MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
3. **MINUTES OF THE PREVIOUS MEETING**
To agree the public minutes and non-public summary of the meeting held on 2 July 2013.

For Decision
4. **QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
5. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
6. **EXCLUSION OF THE PUBLIC**
MOTION - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

For Decision
(Pages 1 - 4)

Part 2 - Non-Public Agenda

7. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**
To agree the non-public minutes and of the meeting held on 2 July 2013.

For Decision
(Pages 5 - 12)
8. **INVESTMENTS PERFORMANCE MONITORING TO 30 JUNE 2013**
A report of the Chamberlain (copy attached).

For Decision
(Pages 13 - 20)
9. **QUARTERLY INVESTMENT REPORT AS AT 30 JUNE 2013**
A report of Aon Hewitt (copy attached).

For Decision
(Pages 21 - 64)

10. **PRIVATE EQUITY PACING AND STRUCTURE OPTIONS**

A report of Aon Hewitt (copy attached).

For Decision
(Pages 65 - 74)

11. **BANK LOANS AND ABSOLUTE RETURN BOND STRATEGIES MANAGER SELECTION**

A report of Aon Hewitt (copy attached).

For Decision
(Pages 75 - 136)

12. **INFRASTRUCTURE MANAGER OPTIONS**

A report of Aon Hewitt (copy attached).

For Decision
(Pages 137 - 190)

13. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

14. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

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FINANCIAL INVESTMENT BOARD

Tuesday, 2 July 2013

Minutes of the meeting of the Financial Investment Board held at Guildhall, EC2 on Tuesday, 2 July 2013 at 1.45pm

Present

Members:

Ray Catt (Chairman)
Deputy Robert Howard (Deputy Chairman)
Deputy Ken Ayers
Roger Chadwick
Henry Colthurst
Simon Duckworth
Tom Hoffman
Clare James
Edward Lord
Andrew McMurtrie
Deputy Henry Pollard
John Scott
Ian Seaton

Officers:

Chris Bilsland - Chamberlain
Paul Mathews - Corporate Treasurer
Mark Bryans - Senior Investment Accountant
Daniel Hooper - Policy Officer, Town Clerk's Department
Alistair MacLellan - Town Clerk's Department

Emily Maguire - Aon Hewitt
Gary Allen - Aon Hewitt

- 1. APOLOGIES**
Apologies were received from Philip Woodhouse.
- 2. MEMBERS' DECLARATIONS UNDER THE CODE OF CONDUCT IN RESPECT OF ITEMS ON THE AGENDA**
Henry Pollard declared an interest in INVESCO in relation to the discussion over Item Nine – Investment of Surplus Cash.
- 3. MINUTES OF THE PREVIOUS MEETING**
RESOLVED: That the public minutes and non-public summary of the meeting held on Wednesday 5 June 2013 be agreed as an accurate record.
- 4. QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**
There were no questions.

5. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT**
Pension Reform

At the request of the Chairman the Chamberlain briefed the Board on emerging proposals for the reform of local authority pensions. He noted that the Minister had recently written an article querying whether or not too many local authority pension schemes existed, with too much associated administration. The Chamberlain explained that he had done some work for London Councils on developing an approach which concentrated around the concept of a Collective Investment Vehicle (CIV). He told the Board that there was time for the Corporation to make a formal response to the government consultation, but that he would welcome a decision from the Board at the meeting on whether or not they were content in principle with the CIV. If so, the Chamberlain explained that each local authority would commit up to £25,000 to the design scheme, although he observed that as some London local authorities had already signed up, the figure should be less to the scheme. He said that he was happy with the idea in principle and with the requirement to commit the monies. He concluded by informing the Board it may be likely that either the Corporation or Wandsworth may be requested to act as the lead authority in establishing the CIV.

The Board proceeded to discuss the proposal:

- A member queried the capacity of other London local authorities to participate in the scheme and the administrative burden of a London-wide scheme. He expressed the concern that in the event of the Corporation acting as lead authority, it would quickly become tied down and lose its freedom of action.
- A member said that he was pleased that central government was against a pooled Local Government Pension Scheme as this meant a lack of control.
- A member concurred, welcoming the greater control offered by a CIV.
- The Chairman noted his support for the Chamberlain's recommendations.
- The Chamberlain informed the Board that he had been nominated to the shadow joint local authority-central government board that was due to monitor the new scheme.
- Noting the possibility that the Corporation may be asked to be the lead authority in the new scheme, two members observed that it would be best if the Corporation was seen to be proactive in putting itself forward for the role as this would likely mean the Corporation would have early sight of emerging proposals.
- The Chairman concluded discussion by noting the matter was also before the Policy and Resources Committee.

6. **EXCLUSION OF THE PUBLIC**

RESOLVED - That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part I of the Schedule 12A of the Local Government Act.

Item No.
7-14

Paragraph(s) in Schedule 12A
3

7. **NON-PUBLIC MINUTES OF THE PREVIOUS MEETING**

RESOLVED: That the non-public minutes of the meeting held on Wednesday 5 June be agreed as an accurate record.

Matters Arising

City Corporation Funds

The Corporate Treasurer reported that the City's external tax advisers had concurred that the three City Funds are legally separate entities, but that City Cash and City Fund could be used for group transfers. However the third fund – Bridge House Estate – had to be treated as a charity, and that the Pension Fund as part of the Local Government Pension Scheme was again a separate legal entity.

8. **CHAMBERLAIN'S UPDATE - CURRENT ISSUES**

The Corporate Treasurer introduced the Update on Current Issues and provided summaries on some of the issues arising on the agenda.

RECEIVED

9. **INVESTMENT OF SURPLUS CASH**

The Chamberlain introduced the report of Aon Hewitt on the investment of surplus cash.

10. **INFRASTRUCTURE INVESTMENT MANAGER SELECTION**

The Corporate Treasurer introduced the report on Infrastructure Manager Selection.

11. **STANDARD LIFE CAPITAL PARTNERS**

The Corporate Treasurer introduced the report of Aon Hewitt on Standard Life Capital Partners.

12. **STANDARD LIFE CAPITAL PARTNERS' 'SECONDARY OPPORTUNITIES FUND'**

The Board considered the overview report on Standard Life Capital Partners' 'Secondary Opportunities Fund'.

RECEIVED

13. **PROTECTING AGAINST EQUITY MARKET FALLS**

The Chairman introduced the report on protecting against equity market falls, noting that it had been submitted to the Board in response to its discussions at the meeting on 5 June.

14. **INTRODUCTION TO STRATEGIC RISK REVIEW**

The Board considered the report of Aon Hewitt introducing real yield risk within the context of the pension fund. It was agreed that further consideration should be given to protecting the City against interest rate and inflation risk and a further review of the strategic asset allocation of the pension fund be undertaken following consideration of the results of the March 2013 actuarial review towards the end of the year.

RECEIVED

15. **NON-PUBLIC QUESTIONS ON MATTERS RELATING TO THE WORK OF THE COMMITTEE**

There were no non-public questions.

16. **ANY OTHER BUSINESS THAT THE CHAIRMAN CONSIDERS URGENT AND WHICH THE COMMITTEE AGREE SHOULD BE CONSIDERED WHILST THE PUBLIC ARE EXCLUDED**

There was no other business.

The meeting ended at 3.32pm

Chairman

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Agenda Item 7

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Agenda Item 8

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 9

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of the Local Government Act 1972.

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Agenda Item 10

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Agenda Item 11

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Agenda Item 12

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