

**Minutes of the Pension Fund Investment Sub-Committee
meeting held on 11 September 2017**

Present:

Members

Councillors Bill Gifford (Vice Chair), Bob Stevens (Chair), Wallace Redford and Alan Webb

Officers

John Betts – Head of Finance

Neil Buxton – Pensions Manager

Mathew Dawson - Treasury and Pension Fund Manager

Aneeta Dhoot – Senior Finance Officer

Chris Norton – Strategic Finance Manager

Ben Patel-Sadler - Democratic Services Officer

Jane Pollard – Legal Services Manager

Sukhdev Singh – Senior Finance Officer

Invitees

Peter Jones – Independent Investment Adviser

Paul Potter – Hymans Robertson

Karen Shackleton – Independent Investment Adviser

Richard Warden – Hymans Robertson

Observers

Councillor Jill Simpson-Vince

No members of the public attended.

1. General

(1) Apologies for absence

Councillor John Horner

(2) Members Disclosures of Pecuniary and Non-Pecuniary Interests

None

(3) Minutes of the previous meeting held on 12 June 2017

At page two of the minutes, members noted that checks had been made to ensure that the correct legal agreements were in place between the Fund and Legal and General.

The minutes of the meeting held on 12 June 2017 were agreed as true and correct records and were signed by the Chair.

2. Investment Performance

Mathew Dawson - Treasury and Pension Fund Manager introduced the report and informed the Sub-Committee that at the present time, the fund value was just over £2billion – a 1.74% increase on the previous quarter.

The Sub-Committee noted that the Equity asset class was currently 3.3% overweight.

Mathew Dawson informed the Sub-Committee that draw downs in the Private Equity asset class would bring it closer to the target figure.

Members noted that between 1 and 1.5 percent of the total fund value was currently held in cash. The Sub-Committee noted that cash was not a specified asset class – the fund was always seeking to hold the correct amount of the fund's total value in cash. Officers were satisfied that the current amount of cash held was within the correct target range. Members noted an interim plan was in place whereby any drawn down cash would be reinvested appropriately.

Karen Shackleton – Independent Investment Adviser informed the Sub-Committee that the potential rebalancing of the fund (by asset class) would be looked at in December 2017.

The Sub-Committee noted that for the quarter ending 30 June 2017, MFS and Threadneedle had performed well.

The Sub-Committee noted that Legal and General were shown to have underperformed in relation to their benchmark targets. Mathew Dawson informed members that Legal and General had not underperformed overall – the data was represented in this way because of how Legal and General measured their own performance. In terms of the Warwickshire fund, Legal and General had performed well.

Mathew Dawson informed the Sub-Committee that the active fund managers had been consistently outperforming their benchmark targets.

Resolved:

The Sub-Committee noted the fund value and investment performance for the first quarter of 2017/18 to 30 June 2017.

3. MIFID II

Karen Shackleton – Independent Investment Adviser introduced the report and informed the Sub-Committee that the MIFID II changes were currently set to take effect from 3 January 2018. There was therefore some urgency for the Sub-Committee to delegate to the Head of Finance the MIFID II “opt up” process.

The Sub-Committee noted that by not electing to “opt up”, investors would be automatically classified as retail investors by asset managers. This would have a significant impact on the pension fund, as certain types of more sophisticated investments could not be offered to the retail market.

Members noted that 1.8 of the attached report outlined the Local Government Association's (LGA) flow chart for a UK Local Authority Client Opt-Up Process. Members noted that each investment firm employed a compliance officer to whom the decision over opt-up was delegated.

Karen Shackleton informed the Sub-Committee that the Warwickshire County Pension Fund met the requirements of the quantitative test. Members noted that the Warwickshire County Pension Fund would meet the requirements in relation to the three tests outlined at 2.4 of the attached report. The Sub-Committee noted that the Warwickshire County Pension Fund would likely meet the qualitative assessment criteria as outlined at 2.5 of the attached report, although there were some points to consider at section 4 of the attached report.

The Sub-Committee noted it was a requirement for Warwickshire to "opt-up" to MIFID II – the short time frame to complete the process would be aided by the production of the standard template questionnaire (produced after joint working by the LGA, the investment community, LGPS funds and the FCA).

Karen Shackleton informed the Sub-Committee that certain protections that would be lost by opting up were outlined at 3. of the report.

The opting up process would have implications for members of the Pension Fund Investment Sub-Committee which were outlined at 4. of the report. Karen Shackleton drew particular attention to the recommendation for officers to log the number of hours of training completed by members.

Mathew Dawson - Treasury and Pension Fund Manager informed the Sub-Committee that he would provide guidance to members in terms of which conferences and training events would be suitable for them to attend in order that it would further their knowledge and understanding around relevant issues.

Members expressed a view that they had found the training sessions held at Shire Hall to be extremely useful. Members agreed that attendance at future conferences and training sessions would be shared equally amongst the Sub-Committee in order that knowledge around several different areas could be obtained.

Mathew Dawson informed members that a training questionnaire would be circulated for them to complete. This would identify any areas of training need which could then be addressed by member attendance at specific training events/conferences. Another training option for members would be to visit fund managers to get experience of the entire investment process. Fund managers and investors could also be invited to attend briefing sessions at the Council.

The next steps of the opting up process were outlined at 6. of the report. Karen Shackleton recommended that the Sub-Committee agreed to these steps in order that officers could commence the process in readiness for the January 2018 deadline.

Mathew Dawson informed the Sub-Committee that the MIFID II "opt up" process had been added to the Risk Register.

Resolved:

The Sub-Committee agreed to delegate to the Head of Finance the MIFID II “opt up” process with each fund manager as appropriate, to ensure that professional status is achieved by 3 January 2018.

4. Actuarial Services

Mathew Dawson - Treasury and Pension Fund Manager introduced the report and informed the Committee that Hymans Robertson had been appointed as the fund's actuary in October 2011 following a full tender process. Members noted that the fund now needed to re-tender for this work for the forthcoming 2019 and 2022 actuarial valuations.

The Sub-Committee noted that the National LGPS Framework had been introduced which provided LGPS funds with a streamlined tender process that gave each fund the access to the best providers whilst ensuring value for money. The other option was to run a full OJEU tender process, which was likely to cost more and be more time consuming than using the National LGPS Framework.

The Sub-Committee noted that four potential actuary providers had been identified after officers had begun the process to tender using the LGPS Framework – each approached their actuary in different ways, although all had been identified as being able to fulfil the role to the required standard.

The Sub-Committee agreed that it would be important to interview/meet the recommended provider to ensure that they would work well with the Sub-Committee and with the Council's officers.

Resolved:

The Sub-Committee approved the tendering exercise for actuarial services through the LGPS National Framework and that the preferred provider should be interviewed by the Sub-Committee prior to appointment.

5. BCPP Pooling Update

Mathew Dawson – Treasury and Pension Fund Manager provided the Sub-Committee with a verbal update in relation to the progress being made by the Border to Coast Pension Pool (BCPP). The following points were noted by the Sub-Committee:

- A Chief Executive Officer had been appointed.
- Recruitment of the Executive Committee would be taking place in October 2017.
- Interviews for the positions of Non-Executive members would take place towards the end of September 2017.
- A Joint Committee vote for the proposed BCPP budget would take place in October 2017.
- An application from BCPP to the FCA was yet to be submitted.

- It was likely that a third party administration support team would be recruited during January 2018, with ICT in place in March 2018.
- The BCPP staffing structure would be submitted to the Joint Committee for approval.
- The BCPP offices would be located in Leeds.
- BCPP was signed up to CEM benchmarking, as were all of the other pools. This would result in the performance of pools being easily measurable.
- Members noted the proposed salaries of certain BCPP positions were being reviewed (to determine what packages were reasonable in the current economic climate).
- The BCPP would become active in June 2018.

Resolved:

The Sub-Committee noted the verbal update.

6. Any other items

None

7. Reports Containing Confidential or Exempt Information

To consider passing the following resolution:

‘That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972’

The meeting rose at 12.15 pm

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Chair