

# Pension Fund Investment Sub-Committee

10 June 2019

## Agenda

The Pension Fund Investment Sub-Committee will meet in **Committee Room 2, Shire Hall, Warwick** on Monday, 10 June 2019 at **10.00 a.m.**

### 1. General

#### (1) Apologies

#### (2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests.

Members are required to register their disclosable pecuniary interests within 28 days of their election or appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the Code of Conduct. These should be declared at the commencement of the meeting.

#### (2) Minutes of the previous meetings held on 13 March 2019

### 2. Forward Plan

#### 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'.

3. **Exempt minutes of the previous meetings held on 13 March 2019**
4. **Investment performance**
5. **Funding level and investment update**
6. **Border to Coast - general business update**
7. **Border to Coast – proposed investments**
8. **Border to Coast – presentation/verbal update**
9. **Actuarial Update - including 2019 Valuation**
10. **Any other items**

Which in the view of the Chair, require urgent consideration

Monica Fogarty  
Chief Executive  
Shire Hall  
Warwick

### **Membership of the Pension Fund Investment Sub-Committee**

Councillor Bill Gifford (Vice-Chair)  
Councillor John Horner  
Councillor Bob Stevens (Chair)  
Councillor Wallace Redford  
Councillor Alan Webb

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## **Minutes of the Pension Fund Investment Sub-Committee meeting held on 13 March 2019**

### **Present:**

#### **Members**

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

#### **Officers**

Aneeta Dhoot – Senior Finance Officer

Chris Norton – Strategic Finance Manager

Paul Williams - Democratic Services Team Leader

Jane Pollard – Legal Service Manager

Michael Nicolaou – Interim Treasury and Pension Fund Manager

Sukhdev Singh – Senior Finance Manager

#### **Invitees**

Karen Shackleton – Independent Investment Adviser

Emma Garrett – Hymans Robertson

Paul Potter – Hymans Robertson

Peter Jones – Independent Investment Adviser

Richard Warden – Hymans Robertson

### **1. General**

#### **(1) Apologies for absence**

Lis Kitto – Interim Assistant Director of Finance and ICT tendered her apologies.

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

Regarding agenda item 8, Affordable Housing Investment, Karen Shackleton declared an interest as Non-Executive Director of Resonance Limited and a founder and Director of Pensions for Purpose.

#### **(3) Minutes of the previous meeting held on 10 December 2018**

Referencing item 3 “Investment Performance” in the minutes, Chris Norton (Strategic Finance Manager) stated that the sentence, “The Committee was asked to note that the report for Quarter Three will feature money moved across into the Global Equity Fund.” Should say at the end, “UK Equity Fund”.

With that change in mind the minutes of the meeting held on 10 December 2018 were agreed and signed by the Chair.

## 2. Forward Plan

Chris Norton explained the basis of the forward plan adding that two changes had been made. The first change was that the March actuarial update regarding employer funding strategy modelling was to be deferred to June 2019 with work around revaluation assumptions being brought forward to March. The second change involved moving the Voting, Governance and Responsible Investing review to June to align it with anticipated Border to Coast policy updates.

Members asked that a representative from Border to Coast be invited to attend a meeting of the committee with a view to giving a progress update. It was suggested and agreed that officers will liaise with Border to Coast regarding the best person to invite and incorporate attendance into the forward plan of relevant agenda items

A printed copy of a development programme for Border to Coast was provided to the Chair. Michael Nicolaou (Interim Treasury and Pension Fund Manager) agreed to make this available to the rest of the committee.

### **Resolved**

That the Sub-Committee notes the forward plan.

## 3. Business Plan

Chris Norton explained that feedback from the 2018 Business Plan revealed a sense that it was simply a list of tasks. For 2019 enhancements have been made by providing the context behind the actions proposed to be undertaken. Members' attention was particularly drawn to sections 2 and 3, Objectives and Context.

The Business Plan has been considered by the Local Pension Board.

Councillor John Horner observed that in theory it is possible, as Precepting Authority for the County Council to direct Council Tax payments into the Pension Fund to help meet its commitment. This, he added, would be inappropriate but he did suggest that the aim of the fund's management should be stated as being the meeting of pension commitments at the lowest cost to scheduled bodies.

In response to a question from Peter Jones (Independent adviser) the meeting was informed that in recent years the Warwickshire Pension Fund has seen a significant increase in employers and members. This has placed an additional burden on those responsible for its management. Officers are looking at the issue of whether additional resources are required if the Pension Fund is to continue to be operated effectively.

Councillor Alan Webb noted that a recent meeting of the Staff and Pensions Committee had addressed the issue of fund members who had been transferred to third party companies. Chris Norton stated that in these instance the management of their pensions may become more straightforward if more if contracting organisations use the "pass through" arrangement.

### **Resolved**

That the Sub-Committee approves the Business Plan, as outlined in Appendix A of the report.

#### **4. Investment Performance**

Drawing members' attention to figure 1 in the report Chris Norton explained that in recent months the total fund value had dropped.

Particular attention was drawn to Fund Manager performance as set out in table 3. It was explained that the Threadneedle UK Equity quarter 3 return figure is distorted due to cash movements made to move into the new Border to Coast Equity Alpha Fund. The amount of income and interest earned over the quarter is based upon that generated by the whole fund available through the period, but the denominator is the closing balance of the fund at the end of the quarter after the transfer out, which was less than £1m. Nevertheless, both Karen Shackleton and Peter Jones were of the opinion that to avoid confusion the Threadneedle figures should simply have been left out of the table.

Referencing table 1, Councillor John Horner noted that some asset classes make only small contributions to the pension fund. He asked the committee whether they were worth pursuing. In response the committee was informed that the smaller assets serve to take advantage of the illiquidity premium and diversify risk. Some small asset classes may grow in future with changes in strategy and it can be sensible to start small and develop a good understanding of a class before potentially growing the allocation.

Councillor Alan Webb observed that the target for private debt was 5.0% but the allocation was at 2.8%. He asked if the 5.0% was aspirational only. Paul Potter (Hymans Robertson) explained that the private debt category had only been adopted for use in the last 12 months and that it needed time to establish itself. It may take another 12 months to develop an accurate picture. It is also the case that the underweight allocations to some of the smaller funds are driven in part by the success of the equity funds which drive the total fund value up and therefore drive the proportion of the smaller allocations downwards.

Councillor Bill Gifford observed that infrastructure is another category that is slow to make progress. The meeting was informed that nationally infrastructure investments had performed very well. The Warwickshire fund had invested too little in this area and returns were correspondingly low. Border to Coast will look for annual commitments regarding infrastructure investment from constituent funds.

Councillor John Horner suggested that there is a move away from publicly driven funds with investors looking to buy into private companies. In other words, there is a shift away from the stock market.

#### **Resolved**

That the Sub-Committee notes the fund value and investment performance for the first quarter of 2018-19 to 31 December 2018.

#### **5. Any other items**

None

#### **Reports Containing Confidential or Exempt Information**

**Resolved:**

‘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’.

**6. Exempt Minutes of the previous meeting held on 10 December 2018**

Following minor changes, the exempt minutes of the meeting held on 10 September 2018 were agreed as true and correct record and were signed by the Chair.

**7. Quarterly Funding and Performance Update**

**Resolved**

That the Sub-Committee agree to the recommendations as set out within the exempt minutes.

**8. Housing Investments**

**Resolved**

That the Sub-Committee agree to the recommendations as set out within the exempt minutes.

**9. Actuarial Update**

**Resolved**

That the Sub-Committee agree to the recommendations as set out within the exempt minutes.

**10. Global Equities Fund Update**

**Resolved**

That the Sub-Committee agree to the recommendations as set out within the exempt minutes.

**11. Border to Coast Update**

**Resolved**

That the Sub-Committee agreed to the recommendations as set out within the exempt minutes.

**12. Updated Investment Strategy Statement**

**Resolved**

That the Sub-Committee agreed to the recommendations as set out within the exempt minutes.

**13. MHCLG Draft Pooling Consultation**

**Resolved**

That the Sub-Committee agreed to the recommendations as set out within the exempt minutes.

**14. Private Equity**

**Resolved**

That the Sub-Committee agreed to the recommendations as set out within the exempt minutes.

The meeting rose at 12.21

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Chair

## Pension Fund Investment Sub Committee

10 June 2019

### Forward Plan

#### Recommendation

That the Sub Committee notes and comments on the forward plan.

#### 1.0 Introduction

- 1.1 The purpose of this report is to provide an updated forward plan for the Pension Fund Investment Sub Committee rolled forward to cover the year ahead. The plan is set out at Appendix A.
- 1.2 The agenda for June has a significant amount of specific fund development decisions and discussions therefore the responsible investment / voting item has been put back to a later meeting.
- 1.3 In September or December an item looking at investment strategy modelling has been added, and can be considered alongside contribution strategies.

#### Background papers

None

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The report was circulated to the following members prior to publication:

Local Member(s):

Other members:



<b>September 2019</b>	<b>December 2019</b>	<b>March 2020</b>	<b>May 2020</b>	<b>June 2020</b>
Investment Performance	Investment Performance	Investment Performance		Investment Performance
BCPP Planning Future Transfers	BCPP Planning Future Transfers	BCPP Planning Future Transfers	Election of Chair and Vice Chair	BCPP Planning Future Transfers
BCPP Monitoring Previous Transfers	BCPP Monitoring Previous Transfers	BCPP Monitoring Previous Transfers		BCPP Monitoring Previous Transfers
Forward Plan	Forward Plan	Forward Plan		Forward Plan
Investment Strategy Modelling (September or December)		Investment Strategy Statement Review		
2019 Actuarial Valuation	2019 Actuarial Valuation	2019 Actuarial Valuation		
Present Whole Fund Results	Agreed Employer Funding Strategies  Draft Funding Strategy Statement	Valuation Sign Off  Funding Strategy Statement		
Responsible investing / voting	Business Plan			
	Training Plan			
	Risk Management Review			