

# Local Pension Board of the Warwickshire Pension Fund

10 July 2018

## Agenda

The Warwickshire Local Pension Board will meet in **Committee Room 2, Shire Hall, Warwick** on **Tuesday 10 July 2018 @ 2pm**

1. **Introductions and General business**
  - i) **Apologies**
  - ii) **Board Members' Disclosures of Interests** (as stipulated by the Public Sector Pensions Act 2013 and set out in Annex A of the Agreed Board Terms of Reference).
  - iii) **Minutes of the meeting held on 26 February 2018**
2. **Pension Fund Administration Update**
3. **Annual Report of the Chair of the Board**
4. **Border to Coast Pension Partnership Update (Verbal Update)**
5. **Local Pension Board Training**
6. **Work Plan**
7. **Review of the Minutes of the Pension Fund investment Sub-Committee meeting held on 12 March 2018, 15 May 2018 and 11 June 2018**
8. **Any other business**

David Carter  
Joint Managing Director  
Shire Hall  
Warwick

### Membership of the Local Pension Board

Keith Bray (Chair), Chris Blundell, Keith Francis, Alan Kidner,  
Councillor Parminder Singh Birdi and Councillor Dave Parsons

For general enquiries please contact Ben Patel-Sadler  
Tel: 01926 736118  
Email: [benpatelsadler@warwickshire.gov.uk](mailto:benpatelsadler@warwickshire.gov.uk)



**Minutes of the meeting of the  
Local Pension Board of Warwickshire Pension Fund  
held on 26 February 2018**

**Present:**

**Members**

Keith Bray (Chair), Keith Francis, Alan Kidner, Councillor Dave Parsons and Councillor Jill Simpson-Vince

**Officers**

Helen Barnsley, Democratic Services Officer  
Neil Buxton, Pensions Manager  
Gary Dalton, Employment Solicitor  
Mathew Dawson, Treasury and Pension Fund Manager  
Chris Norton, Strategic Finance Manager

**1. Introductions and General business**

**(1) Apologies**

Andy Crump and Jeff Carruthers

Chris Blundell was welcomed to the Local Pension Board. The Board noted that Mr Blundell was a replacement for Jeff Carruthers

**(2) Board Members' Disclosures of Interests**

Chris Blundell stated that he has a son who attends a free school in Rugby and that the school was a member of the Warwickshire Pension Fund. It was recognised that this was unlikely to present any issues but still worthy of recording.

**(3) Minutes of the meeting held on 24 November 2017**

With regards the accuracy of the minutes, Alan Kidner noted that Jeff Carruthers should have been included in the attendance. This was duly amended.

On page two of the minutes, paragraph four, the minutes were amended to state that "Gary Dalton was able to confirm that the Local Authority Insurance Company *are proposing to* indemnify any board members up to the value of £1 million."

This led to a discussion regarding the current provision of insurance, members of the board concluded that the current situation was nowhere near adequate. Alan Kidner raised concerns that the policy seems very limited in scope and excludes the required liability.

The Chair confirmed that current legal opinion is that the Local Pension Board is not a committee of Warwickshire County Council so is therefore not covered by normal committee insurance; the options available are for the current insurance to be extended to cover the Board or for the Board to seek their own independent cover. The Board wished it to be recorded that they have grave concerns regarding the significant delay in arranging suitable cover for the Board and wish for a representative from the insurance company should be present to answer questions and concerns.

Gary Dalton, Employment Solicitor, confirmed that a representative had been invited to the meeting but had been unable to attend. The Board felt strongly that, at the next meeting of the Board in July, there should be someone present. It was agreed that a paper should be circulated before the July meeting in order for members to prepare any questions that they have.

Following a discussion regarding the creation and development of a work plan for the Board, it was agreed that a revised fund business plan would be circulated as soon as possible to members of the Board and that it would also be added to the agenda for the July meeting.

## **2. Review of Risk Register**

Mathew Dawson, Treasury and Pension Fund Manager, presented the report which summarises the impact and likelihood of risks to the Local Pension Board. It was noted that having a risk register enables better decision making, it is a useful tool for any committee to have. Consultants, actuaries and advisors all have an input in the discussions that lead to the creation of the final register. Confirmation was given to the Board that the register had been reviewed and approved by the Pension Fund Investment Sub-Committee. In response to a question regarding the scale of the scores used, it was noted that Hymans run modelling for actuarial risks but it is more judgement than science.

Following a questions regarding the process of establishing a risk register, it was confirmed that there is no set process. The risk register is an evolving document that is under constant review. The Board agreed that the document should be shared with other groups, such as the pension officer group, in order to identify best practice.

The following points from the report were highlighted to the Board –

- Strategic asset allocation and actuarial valuations are key requirements so carry higher risks
- With regards to the long term investment strategy regular reviews are essential and fresh look is required at least every three years.
- Low interest rates can lead to higher fund liabilities.

### **3. Pension Fund Administration Update**

Neil Buxton, Pensions Manager presented the report to the Board and highlighted the following points -

With reference to the breaches register it was confirmed that work was underway to ensure that good practice was picked up from similar organisations in order to ensure that all breaches were correctly reported. It was noted that information relating to breaches will be available on the website.

With reference to the concerns regarding the location of the website, the Board was informed that there has been communication with the web team regarding the unacceptable service received. The web team believed that the information related only to Warwickshire County Council staff but acknowledged that there had been no consultation.

Regarding Internal Dispute Resolution Procedures – the Board was informed that there are approximately two per year however they are dealt with through the -- employer rather than the Board.

With reference to data accuracy, the Fund undertook a compliance review which is now complete. The final report highlighted some areas to improve; further details will be provided to the Board in future reports.

Concerns were raised regarding the Fund's performance regarding the accuracy of address data. The Board was reassured that work is currently underway to ensure that the performance improves; this includes working with tracing agencies.

The Chair confirmed that moving forward an administration update will be provided at every schedule meeting of the Board.

### **4. Pooling – verbal update**

Mathew Dawson provided a verbal update to the Board with the following points –

Border to Coast has submitted an FCA application and the first queries have just been returned. The deadline is June 2018 and although this is a tight deadline things are currently on track.

Warwickshire have sold the hedge fund investment in favour of private debt transactions as these are considered a better fit for the pension fund under pooling.

### **5. MIFID II – verbal update**

Mathew Dawson provided a verbal update to the Board. In particular, attention was drawn to the need for a formal training plan. Members were asked to consider where they felt they would benefit from training.

Hymans Robertson presented their annual training plan to the Pension Fund Sub Committee at the last meeting in December 2017 and will present an updated version on 12 March 2018.

**6. Review of the Minutes of the Pension Fund Investment Sub-Committee for 18 December 2017**

The Board reviewed the minutes.

Under matters arising, following a question from the Board it was agreed that Mathew Dawson would send through further information regarding the costs and fees involved with private debt management.

It was agreed that the Board would be kept informed of all training offered to the Pension Fund Sub Committee. The Board was reminded that they are able to request any training that they think will benefit them in their role. The Chair will re-circulate the training needs analysis form to all members.

**7. Any other business**

Alan Kidner raised concerns about the proposed takeover of GKN by Melrose Plc and asked the Board for support by instructing the asset managers to vote against the takeover.

The Chair agreed that the points Alan Kidner had raised were all valid but that as a Board they were unable to advise the investment committee on how to vote. If members of the Board, collectively or individually, were agreeable then the concerns could be shared with the committee.

Following a discussion it was agreed that the majority of the Local Pension Board of Warwickshire Pension Fund supported the concerns raised by Alan Kidner and that Mathew Dawson would pass this onto the committee.

- 7.1** The Board was informed that Mathew Dawson would be leaving his position at Warwickshire County Council in May 2018 to take up a position at Borders to Coast as Client Director. The Board wished it to be placed on record their thanks for all the hard work and support Mathew had given since being part of the Local Pension Board of Warwickshire Pension Fund. The Board passed on their congratulations and good wishes to Mathew on his new role.

The board rose at 12:30

.....  
Chair

## Local Pension Board of the Warwickshire

### Pension Fund

10 July 2018

### Administration update

#### Recommendation

That the Local Pension Board of the Warwickshire Pension Fund notes and comments on the report.

#### 1.0 Introduction

1.1 This report seeks to update the Board on a number of different areas relating to the administration of the Warwickshire Pension Fund. Board members are requested to note the report and comment on any areas of interest or concern.

#### 2.0 Matters arising from the meeting of 26 February 2018

2.1 **Website;** The administration team has appointed a local company; Edge of the Web to assist with construction and formatting of the Fund's website. The hope is to have the new website fully available from the end of September / early October.

2.2 **Review of Risk Register;** The Fund is discussing with Hymans the provision of an online tool for the ongoing review of the Risk Register.

#### 3.0 Benchmarking

3.1 The Fund will again register for the CIPFA Benchmarking Club.

#### 4.0 New Employers

4.1 Below is a list of employers approved by the Staff and Pensions Committee since February 2018:

- Arden Forest MAT (Coughton)
- Arden Forest MAT (Temple Grafton)
- Fenny Compton PC
- Rowington PC
- South Warwickshire MAT (Welcombe Hills)

- South Warwickshire MAT (Riverhouse)
- Tenon FM (Trinity School cleaning contract)

## **5.0 Cessations**

- 5.1 The Fund is also dealing with several cessations.
- 5.2 **Stratford upon Avon College** regarding the transfer of all members to the West Midlands Pension Fund (WMPF). All records have been successfully transferred and WMPF took on full control of the members records from April 2018. It is anticipated that the financial transfer will be completed by the end of June 2018.
- 5.3 **Community Admission Bodies** the Fund is continuing to discuss an exit with several employers.

## **6.0 General Data Protection Regulations**

- 6.1 With the assistance of the County Council's Information Management Team and Legal Team, the Fund has completed its GDPR audit. The Memorandum of Understanding is being finalised and will be available on the website.
- 6.2 All staff received training in the requirement of GDPR and who to report any breaches to.
- 6.3 All members of the pension fund will be informed of our obligations under GDPR by way of newsletters and updated information sheets.



## 7.0 Pension Administration Performance Indicators

Indicator	Target	2016 / 2017	2017 / 2018
Letter detailing transfer in quote	10 days	80%	86.%
Letter detailing transfer out quote	10 days	94%	93.%
Process refund and issue payment voucher	5 days	88%	95%
Letter notifying estimate of retirement benefits	10 days	96%	96%
Letter notifying actual retirement benefits	5 days	83%	76%
Letter notifying amount of dependant benefits	5 days	91%	98%
Calculate and notify deferred benefits	10 days	80%	92%

## 8.0 Background Papers

None

	Name	Contact Information
Report Author	Neil Buxton	<a href="mailto:neilbuxton@warwickshire.gov.uk">neilbuxton@warwickshire.gov.uk</a>
Head of Service	John Betts	<a href="mailto:johnbetts@warwickshire.gov.uk">johnbetts@warwickshire.gov.uk</a>
Strategic Director	David Carter	<a href="mailto:davidcarter@warwickshire.gov.uk">davidcarter@warwickshire.gov.uk</a>



# Local Pension Board of Warwickshire Pension Fund

## Annual Report 2017-18

The Public Services Pensions Act 2013 requires the Administering Authority for each Local Authority Pension Scheme (LGPS) fund in England and Wales to establish a Local Pension Board

The role of local pension boards is to assist the Administering Authority to secure compliance with LGPS Scheme Regulations and other legislation relating to the governance and administration of the Fund, together with any requirements imposed by the Pensions Regulator. In short, the Board's role is to ensure the effective and efficient governance and administration of the Warwickshire Fund

The Regulations also require the membership of the Board to be made up of equal numbers of employer and employee representatives with a minimum of four members i.e. at least two employer representatives and two employee representatives. The employer representatives on the Board must be independent of the Fund - that is to say they must have no involvement with the day to day management of the Fund. The Warwickshire Board has three employee representatives and three employer representatives

The Warwickshire Board was established as required by the 2013 Act and met three times during 2017/18. The membership of the Board during 2017/18 has been as follows:-

### **Employer representatives**

Councillor Jill Simpson-Vince (Warwickshire County Council)

Mr Keith Francis (The Citizens Advice Bureaux Service)

Mr Jeff Carruthers (Warwickshire Police and West Mercia Police) until 26 February 2018

Mr Chris Blundell (Rugby District Council) from 26 February 2018

### **Employee Representatives**

Mr Andy Crump (Unison)

Mr Alan Kidner (Unison)

Councillor Matt Western (Warwickshire County Council) until 24 November 2017

Councillor Dave Parsons (Warwickshire County Council) from 24 November 2017

### **Independent Chairman (Non- voting)**

Mr Keith Bray (formerly Director of Financial Services at the City and County of Cardiff)

The Board met on three occasions during 2017/18

11 July 2017 – Mr Jeff Carruthers and Councillor Matt Weston tendered their apologies for their absence

24 November 2017 – Full attendance

26 February 2018 – Mr Andy Crump tendered his apologies for his absence

The Board will meet again on 10 July 2018

During the year the Board's work programme has covered the following areas to ensure the effective and efficient governance and administration of the Warwickshire Fund:-

- **The role of the Pensions Regulator**

At the July meeting the Board received a presentation from Mr Ian Colvin of Hymans Robertson the Fund's actuary.

- **Monitoring and review of administration of the Fund**

Seeking to ensure that they are fulfilling their responsibilities the members of the Board have received updates on the administration of the Fund including benchmarking results, complaints, breaches and collaboration with other funds.

Collaboration with other funds over the production of annual benefits statements has resulted in significant savings.

Board members also spent a considerable amount of time reviewing the Fund's Annual Report and other supporting documents and made suggestions for some amendments which were accepted.

- **Monitoring and review of the Pension Fund Investment Sub Committee meetings on**

- |                 |   |   |
|-----------------|---|---|
| 27 January 2017 | ) | a) The Fund's officers were asked to provide details of the |
| 13 March 2017   | ) | governance arrangements for the Borders to Coast Pool       |
| 12 June 2017    | ) | b) It was noted that the proposed prepayment of employer    |
|                 | ) | contributions had been shelved.                             |
|                 | ) | c) It was agreed that the Fund's actuary be invited to      |
|                 | ) | present to the November Board meeting on the                |
|                 | ) | effect of increases in employer contributions               |
|                 | ) | d) It was agreed that a report on the Markets in Financial  |
|                 | ) | Instruments Directive (MIFID II) be brought to the          |
|                 | ) | November meeting  |

11 September 2017            There were no matters arising

18 December 2017           It was agreed that the Board would be kept informed of all training offered to Committee members

At the February meeting Mr Kidner raised concerns about the proposed takeover of GKN by Melrose PLC and asked that the Board advise the Committee to instruct the Fund's asset managers to vote against the takeover.

The Chair advised that the Board was not empowered to advise the Committee how to vote but it was agreed that the Board's majority view regarding concerns about the takeover would be communicated to the Committee.

- **Monitoring and Review of Progress with regard to the pooling of LGPS funds in England and Wales.**

During the year the Board has monitored the Fund's progress in this context and received regular reports on progress from the Fund's officer, Mr Mat Dawson. As previously reported the Fund has joined the Borders to Coast Pool. There are thirteen funds in this Pool with assets of more than £35bn, the Pool has more than 900,000 scheme members and more than 2000 employers.

The Pool had appointed a Chief Executive and other senior staff and has acquired a Head Quarters building in Leeds.

The Board will continue to monitor progress.

- **Monitoring and review of the triennial actuarial valuation conducted by Hymans Robertson.**

At the meeting on 24 November 2017 the Board received an update on progress with the valuation from Mr Richard Warden and Ms Natalie Edelstein of Hyman Robertson the Fund's actuary. It was noted that the Hymans Robertson Triennial Valuation Report recorded that as at 31 March 2016 the Fund was 82% funded i.e. the Fund's assets covered 82% of the Fund's liabilities as at 31 March 2016

It was also noted that if the different actuarial assumptions used by the Government Actuary's Department in comparing Local Government Pension Funds on a standard basis were used, the Warwickshire Fund was more than 100% funded

- **MIFID II – The Markets in Financial Instruments Directive**

This EU Directive is designed to protect investors. It has however created a significant challenge for local authority funds because under the terms of the Directive they are automatically classified as 'retail, rather than 'professional institutional' investors and their professional asset managers would not therefore be allowed to continue to make investments in certain categories of investment as has been the case for many years. The Fund therefore has been forced to follow a complex procedure to 'opt up' to professional status with each individual asset manager with whom it has a relationship

- The Board was pleased to note that, with assistance from the Local Authority Association's Scheme Advisory Board, the Fund has successfully 'opted up' with all its asset managers.

Finally the members of the Board would wish to express their thanks and appreciation to the officers of the Fund for the assistance they have provided during the year and in particular express their thanks to Mr Mat Dawson for his support and wish him well in his new role as Client Relationship Manager at the Borders to Coast Pool

Keith Bray

Independent Chairman

June 2018



# Local Pension Board of the Warwickshire

## Pension Fund

10 July 2018

### Training

#### Recommendation

That the Local Pension Board discuss and identify training needs for the Board.

#### 1 Introduction

- 1.1 The local pension board meeting of 26 February, attention was drawn to the need for a formal training plan and board members were asked to consider where they felt they would benefit from training.
- 1.2 Examples of frameworks for assessing training needs have been circulated to the Board, which can be used to assist in promoting a discussion.
- 1.3 Where training needs are identified and agreed an appropriate plan will be put in place to meet them.

#### 2 Background Papers

- 2.1 None

	Name	Contact Information
Report Author	Chris Norton	<a href="mailto:chrisnorton@warwickshire.gov.uk">chrisnorton@warwickshire.gov.uk</a>
Head of Service	John Betts	<a href="mailto:johnbetts@warwickshire.gov.uk">johnbetts@warwickshire.gov.uk</a>
Strategic Director	David Carter	<a href="mailto:davidcarter@warwickshire.gov.uk">davidcarter@warwickshire.gov.uk</a>





**Local Pension Board of the Warwickshire  
Pension Fund  
10 July 2018  
Work Plan**

## **Recommendation**

That the Local Pension Board discuss and identify a forward work plan.

### **1 Introduction**

- 1.1 The Local Pension Board meeting of 26 February discussed the creation and development of a forward work plan, and requested that this issue be added to the agenda for the July meeting.
- 1.2 To help to inform a discussion about a work plan, the 2018/19 Warwickshire Pension Fund Business Plan and Actions report is included at Appendix A.

### **2 Background Papers**

- 2.1 None

	<b>Name</b>	<b>Contact Information</b>
Report Author	Chris Norton	<a href="mailto:chrisnorton@warwickshire.gov.uk">chrisnorton@warwickshire.gov.uk</a>
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk



**Warwickshire County Council Pension Fund  
Business Plan and Actions for 2018/19**

**STRATEGIC FINANCE MANAGER Appendix A**

<b>Administration</b>				
Objective(s)				
<ul style="list-style-type: none"> <li>- to ensure scheme is run in accordance with the rules; agreed service standards and compliantly</li> <li>- to deal with and rectify any errors and complaints in a timely way</li> </ul>				
<b>Action</b>	<b>Description</b>	<b>Timescale</b>	<b>Primary Responsibility</b>	<b>Committee</b>
1	Head of Finance to receive Finance BU performance measures on a quarterly basis	Quarterly Reports	Strategic Finance Manager	Local Pension Board
2	Completion of Pension Fund Annual Report	September 2018	Treasury and Pension Fund Manager	Local Pension Board
3	Review of any complaints and how they have been dealt with by Director of Resources	Ongoing	Treasury and Pension Fund Manager/Pension Services Manager	Local Pension Board
4	Further pension fund website development	July 2018	Pension Services Manager	Staff and Pensions
5	Investigate Member Self Service functionality options and progress developments if/ as appropriate.	March 2019	Pension Services Manager	Staff and Pensions
6	Identify and implement improvements in employer data transfer and data quality functionality	March 2019	Pension Services Manager	Local Pensions Board
7	Ensure administration arrangements are GDPR compliant	May 2018	Pension Services Manager	Local Pension Board
8	Support Local Pension Board in meeting their training needs	Ongoing	Strategic Finance Manager/Treasury and	Local Pension Board

			Pension Fund Manager/Pension Services Manager	
--	--	--	---	--

<b>Communication</b>				
----------------------	--	--	--	--

-	Objective(s) <ul style="list-style-type: none"> <li>- to convey the security of the Scheme</li> <li>- to ensure members understand and appreciate the value of their benefits</li> </ul>			
---	---	--	--	--

Action	Description	Timescale	Primary Responsibility	Committee
1	Timely production of minimum one annual pensioners' newsletter	At least one per annum	Pension Services Manager	Local Pension Board
2	Timely production of benefit statements	Active members Aug 2018 Preserved members June 2018 Councillors May 2018	Pension Services Manager	Local Pension Board
3	Prepare and implement Pension Fund Annual Meeting (Nov) and Employers' Forum (as and when deemed necessary)	At least one each per annum	Treasury and Pension Fund Manager /Pension Services Manager	Staff and Pensions

<b>Actuarial/Funding</b>				
Objective(s)				
<ul style="list-style-type: none"> <li>- to monitor the funding level of the Scheme including formal valuation every 3 years</li> <li>- to monitor contribution payments to the Scheme by the contributors</li> <li>- to understand legislative changes which will impact on funding</li> </ul>				
<b>Action</b>	<b>Description</b>	<b>Timescale</b>	<b>Primary Responsibility</b>	<b>Committee</b>
1	Planning for 2019 Revaluation	May 2018	Strategic Finance Manager/Treasury and Pension Fund Manager	Pension Fund Investment Sub-Committee
2	Receive annual accounting updates	March 2018, July 2018 and August 2018	Treasury and Pension Fund Manager	Pension Fund Investment Sub-Committee
3	Receive contribution monitoring schedule from Treasury Team and monitor	Ongoing	Treasury and Pension Fund Manager	Local Pension Board
4	Review approach to covenants and risk management for non-statutory employers	October 2018	Strategic Finance Manager/Pension Services Manager	Staff and Pensions

<b>Pension Fund Investment Sub-committee Members</b>				
Objective(s)				
<ul style="list-style-type: none"> <li>- to train and develop all members to enable them to perform duties effectively</li> <li>- to meet quarterly and to include investment advisor and independent advisors as required</li> <li>- to run meetings efficiently and to ensure decisions are made clearly and effectively</li> </ul>				
<b>Action</b>	<b>Description</b>	<b>Timescale</b>	<b>Primary Responsibility</b>	<b>Committee</b>
1	Review governance and decision making processes to ensure they align with BCPP requirements	Ongoing	Pension Fund Investment Sub-committee	Local Pension Board
2	Member training covering current issues and sufficient to meet MIFID 2 requirements	Ongoing	Treasury and Pension Fund Manager	Pension Fund Investment Sub-Committee
3	Review of compliance with investment principles	October 2018	Treasury and Pension Fund Manager	Pension Fund Investment Sub-Committee

<b>Financial &amp; Risk Management</b>				
Objective(s)				-
<ul style="list-style-type: none"> <li>- To properly record financial transactions to and from the Scheme and produce annual accounts within 6 months of year end</li> <li>- Manage advisers fees against budgets</li> <li>- Assess the risk associated with the management of the Scheme</li> </ul>				
<b>Action</b>	<b>Description</b>	<b>Timescale</b>	<b>Primary Responsibility</b>	<b>Committee</b>
1	Monitor pension fund expenses for next financial year	Ongoing	Treasury and Pension Fund Manager	Pension Fund Investment Sub-Committee
2	Produce Draft Statement of Accounts	May 2018	Treasury and Pension Fund Manager	Staff and Pensions
3	Produce Pension Fund Annual Report	September 2018	Treasury and Pension Fund Manager	Local Pension Board
4	Carry out risk assessment of scheme	June 2018	Strategic Finance Manager	Pension Fund Investment Sub-Committee
5	To identify and document a disaster recovery/business continuity plan for use in the event of major disaster	July 2018	Strategic Finance Manager/Pension Services Manager/Treasury and Pension Fund Manager	Local Pension Board
6	Oversee and approve employers joining and leaving the Fund	Ongoing	Pension Services Manager	Staff and Pensions



<b>Investment</b>				
Objective(s)				
<ul style="list-style-type: none"> <li>- Periodically review investment strategy and benchmarks</li> <li>- Monitor performance against benchmarks</li> <li>- Meet with investment managers to discuss performance</li> </ul>				
<b>Action</b>	<b>Description</b>	<b>Timescale</b>	<b>Primary Responsibility</b>	<b>Committee</b>
1	Transition of assets to private market fund managers (Infrastructure, Private Equity, and Private Debt)	Ongoing	Treasury and Pension Fund Manager	Pension Fund Investment Sub-Committee
2	Work with Border to Coast Pensions Partnership to ensure the pool is operational by June 2018.	Ongoing	Treasury and Pension Fund Manager	Pension Fund Investment Sub-Committee
3	Identify appropriate BCPP sub funds to transition into when BCPP sub funds are open	December 2018	Treasury and Pension Fund Manager	Pension Fund Investment Sub-Committee
4	Meet with all active investment managers	At least annually	Treasury and Pension Fund Manager	Pension Fund Investment Sub-Committee
5	Draft new Investment Strategy Statement	March 2018	Treasury and Pension Fund Manager	Pension Fund Investment Sub-Committee
6	Sub-committee to receive quarterly monitoring reports	Quarterly	Treasury and Pension Fund Manager	Pension Fund Investment Sub-Committee



**Minutes of the Pension Fund Investment Sub-Committee  
meeting held on 12 March 2018**

**Present:**

**Members**

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

**Officers**

John Betts – Head of Finance  
Mathew Dawson - Treasury and Pension Fund Manager  
Aneeta Dhoot – Senior Finance Officer  
Chris Norton – Strategic Finance Manager  
Jane Pollard – Legal Services Manager  
Ben Patel-Sadler - Democratic Services Officer

**Invitees**

Lyndon Bolton - Schroders  
Ben Farmer – Hymans Robertson  
Emma Garrett – Hymans Robertson  
Naomi Green - Schroders  
Peter Jones – Independent Investment Adviser  
Sandro Lunghi - Inalytics  
Graeme Rutter – Schroders  
Karen Shackleton – Independent Investment Adviser  
Richard Warden – Hymans Robertson

**Observers**

Alan Kidner (Warwickshire Local Pension Board)

**1. General**

**(1) Apologies for absence**

None

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

None

**(3) Minutes of the previous meeting held on 18 December 2017**

Members requested that the following be noted in relation to the minutes:

On page two of the minutes, members noted that MJ Hudson had carried out legal and operational due diligence work in relation to the appointment of the private debt managers.

The minutes of the meeting held on 18 December 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 members that performance in the third quarter of 2017/18 to 31<sup>st</sup> December 2017 had been good.

Members noted that the fund had increased in value by 3.12% on the previous quarter and stood at a current value of over £2 billion.

Mathew Dawson highlighted recent asset allocation changes which included the strategic asset allocation to Fundamental Global Equity increasing by 2%.

Members noted that the fund had now sold out of UK gilts and had sold the hedge fund investment with Blackstone. In relation to the withdrawal of the fund's hedge fund investments, members noted that 95% of this investment had been returned in cash, with the remaining 5% expected to be paid out in summer 2018. This cash return had been used to top up the JP Morgan Unconstrained Global Bond Fund.

The Sub-Committee expressed a view that the decision to withdraw from hedge funds had been a prudent one given future pooling requirements.

Members noted that the balancing of the fund's Asset Classes was on ongoing exercise.

Mathew Dawson informed the Sub-Committee that the fund was currently holding a total of 5% cash, which was slightly high, but was not a cause for concern as this cash would be used to fund the two new private debt mandates.

The Sub-Committee noted that the fund's managers were performing well.

Although the fund had under-performed its overall benchmark by 0.31% for this quarter, medium and long-term performance had been good. An analysis of three year performance had shown that fund managers had outperformed their respective benchmark.

The Sub-Committee noted that the fund had a blended benchmark – market returns determined an appropriate benchmark which performance was then measured against.

Mathew Dawson informed the Sub-Committee that the underperformance of Threadneedle in this quarter had been attributed to an underweight position in the oil sector and other normal market cycles, so this was not an undue cause for concern.

Members noted that in relation to the fund's investments in property, managers had reverted to bid-pricing after Brexit in order to protect investments in this sector.

Ben Farmer – Hymans Robertson provided a brief verbal update to the Sub-Committee.

Members noted that there had been a great deal of movement in the markets since the end of December 2017. Strong economic data from the United States in February 2018 had led to a fear of interest rate rises which had a negative impact on equity markets. The Sub-Committee noted that these market fluctuations needed to be judged in context – the falls in February 2018 had only resulted in the markets falling to September 2017 levels. Members noted that the markets were now steadily recovering. The equity market fluctuations should be classed as ‘corrections’ and not a crash.

Peter Jones – Independent Investment Adviser informed the Sub-Committee that the US markets had tripled since 2009/10.

### **Resolved**

That the Sub-Committee notes the fund value and investment performance for the third quarter of 2017/18 to 31 December 2017.

The Sub-Committee requested that information relating to the four stocks around the 1% mark be provided.

### **3. Business Plan**

Chris Norton – Strategic Finance Manager introduced the report and informed the Sub-Committee that the Business Plan encompassed key activities that needed to happen during the year and which officers and committees are responsible for. These were outlined at 2.1 of the covering report.

In relation to the work of the Pension Fund Investment Sub-Committee, there were 12 actions attributed which were outlined in the appendix to the covering report.

Members noted that it was important for the Sub-Committee to undertake all relevant training in relation to the functions which it must perform. Correct completion of training for members would ensure that the Sub-Committee remained compliant with MIFID II regulations.

In relation to the forthcoming entry of the fund into the Border to Coast Partnership, members noted that the new code would ensure that all fees were transparent. The Sub-Committee noted that some fund managers had begun to lower their fees to ensure that they would remain competitive with the lower fees being offered by Border to Coast.

Karen Shackleton – Independent Investment Adviser informed the Sub-Committee that in relation to the transparency code, the templates had been completed for some Border to Coast Asset Classes. Karen Shackleton advised the Sub-Committee that it would be important for a standing agenda item in relation to pooling to be considered at each meeting once Border to Coast had gone live.

Discussions took place to determine the feasibility of members being provided with a forecast of current and future fund liabilities and revenue streams. Members felt that this would enable them to have an overview of any potential future funding risks.

Members of staff from Hymans Robertson informed members that short and long-term fund forecasting could be completed on request.

### **Resolved**

That the Sub-Committee approves the proposed Business Plan as outlined in Appendix A of the report and;

- 1.) The Sub-Committee requested that a briefing note be provided to summarise how much the fund costs to administer internally and;
- 2.) The Sub-Committee requested a copy of the CIPFA benchmarking report which would indicate the costs of running other comparable funds.
- 3.) The Sub-Committee agreed that pooling would become a standard agenda item once Border to Coast had gone live.

## **4. Training Plan 2018-19**

Emma Garrett – Hymans Robertson introduced the report and informed members that they would be required to undertake appropriate training in order to maintain their professional investor status. This training would need to be documented upon completion. The attached document outlined the proposed training plan for members.

Members expressed a view that the proposed training day in May 2018 was appropriate in terms of its content and format and agreed with the proposals for future training as outlined in the appendix to the report.

The Sub-Committee expressed a view that training topics should be prioritised so that the most important and relevant topics were covered.

Mathew Dawson informed the Sub-Committee that risk management should always be considered at every meeting as it remained the most important part of the role as a Sub-Committee member.

Members noted that future training would be tailored to MIFID II requirements.

### **Resolved**

That the Sub-Committee approves the training plan as outlined in Appendix A of the report.

## **5. Investment Strategy Statement**

Mathew Dawson - Treasury and Pension Fund Manager introduced the report and informed members that this was the second draft of the Investment Strategy Statement. Essentially, this document was a high level guide in relation to the fund's Asset Allocations.

Members noted that a 30 page review of Asset Allocations had been completed to formulate the attached document.

Members were directed to the Asset Class table which was the most significant part of the document. The table showed that the strategic allocation to private debt was 5% and that there were no current investments in the hedge funds sector.

In relation to fund managers, members noted that Blackstone was no longer employed by the fund.

Members noted that the investment guiding principles were now attached as an appendix to the Strategy.

The Sub-Committee noted that the investment decisions taken by the fund managers could be justified by members referring to the investment principles as outlined in the appendix to the report.

John Betts – Head of Finance informed members that the Sub-Committee did undertake practical work on a periodic basis which included the scrutiny of individual investment decisions and investment strategy decisions. This formed part of the three year investment strategy.

## **Resolved**

That the Sub-Committee approves the revised Investment Strategy Statement as outlined in Appendix A of the report and;

1.) Requested that further work be undertaken with Hymans Robertson to consider periodic summaries of the fund to be provided to the Sub-Committee so that members are able to gauge the financial health of the fund on a regular basis.

## **6. UK Property - presentation by Schroders**

Officers from Schroders provided a presentation to the Sub-Committee where the following points were noted by members:

- Schroder Real Estate Capital Partners (SRECaP) had £3.7 billion in real estate mandates under management as at 31 December 2017.
- This was a long term Schroders strategy which had been operating since 1997.
- There were seven SRECaP Partnership funds controlled by Schroders.
- The total returns of the SRECaP Partnership funds to end December 2017 had all outscored their benchmarks. Multi-Let Industrial funds had not achieved their benchmark – this was due to the initial set up costs in this sector.

- The long term performance of investments in this area was good.
- Funds invested in Greater London property had performed well.
- Funds invested in property in the UK but outside of London had performed well. This was in part due to significant overseas investors choosing to invest outside of the capital.
- There had been an increase in rents charged due to the reduction in available retail space.
- A growth in the online retail sector had resulted in an increased demand for industrial (distribution space). The rental sector in this area was strong.
- Average returns on investments in this real estate sector were between 4%-5%.
- Warwickshire County Council's portfolio valuation currently stood at £100,885,093 (17 investments in total). 3.3% (£3,286,785) of the portfolio was held in cash.
- Alternative real estate investments had been made in the UNITE UK Student Accommodation Fund and the Local Retail Fund in anticipation of good investment returns.
- Schrodgers were looking at investing in the real estate debt sector as it presented attractive risk adjusted returns.

Members noted that cash drag was a feature of all investment portfolios, but attempts were always made to hold as little of the investment as possible in cash (due to poor returns).

The Sub-Committee noted that land owners would on average, hold land for a period of 8-10 years before selling it on. New investment strategies found benefit in acquiring land and then selling on to developers in a much shorter period of time (around 30 months) in order to maximise return (in relation to Residential Land Partnership investments).

Residential Land Partnership investments were completed on a deal by deal basis with a preference of completing sales in a single transaction.

An increase in development in London had resulted in an excess of office space. High London property purchase prices and rents were resulting in investors and clients moving to locations outside of the capital.



Mathew Dawson informed the Sub-Committee that real estate was complex with regards to future pooling and that the transition to a BCPP sub-fund would take time and would be a gradual exercise.

Members noted that overall, the success of real estate investment was attributed to decisions made as to when to buy and sell.

Karen Shackleton – Independent Investment Adviser informed the Sub-Committee that the performance benchmarks being used by Schrodgers were acceptable.

## **Resolved**

That the Pension Fund Investment Sub-Committee notes the content of the presentation.

## **7. Equity Managers Performance - presentation by Inalytics**

Sandro Lunghi – Inalytics provided a presentation to the Sub-Committee in relation to the investment analysis services provided to the Warwickshire Pension Fund.

Members noted the following points during the presentation:

- Quantitative assessments of investments made on behalf of the fund could be analysed to determine if investment decisions had been successful.
- The number of buys and sells undertaken by fund managers were measured against investment returns to determine if they had been profitable overall.
- Threadneedle for example, had a low turnover of investments
- Inalytics would assess investments held for long periods of time to determine if they were providing a return, stagnating or depreciating in value. If stagnant investments were being held by managers for long periods then this needed to be questioned.
- Fund managers would hold a portfolio of investments – some would be profitable and some would not. The key to successful investment was for the profitable investments to secure acceptable returns (over and above the less successful investments in the portfolio).
- Traditionally, selling stock was rarely as profitable as securing investment in a profitable venture. Selling stock, even at a loss, was usually undertaken in order to release cash to invest in a potentially more profitable sector/company.

- The work undertaken by Inalytics could identify underperforming fund managers.

## **Resolved**

That the Pension Fund Investment Sub-Committee notes the content of the presentation.

## **8. Any other items**

John Betts – Head of Finance informed the Sub-Committee that Mathew Dawson - Treasury and Pension Fund Manager would shortly be leaving the authority to take up a position with the Border to Coast Partnership. Although Mathew would be returning periodically to Warwickshire as part of his role with Border to Coast, he would be missed greatly by officers and members. John Betts wished to place on record his thanks to Mathew for all of the work he had undertaken on behalf of the Pension Fund. The success of the fund could be attributed to the work of Mathew and his team. Councillor Bob Stevens (Chair) also wished to place on record his thanks to Mathew for all of the work he had undertaken for the Sub-Committee recently and over previous years.

## **9. 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’.

## **10. Exempt Minutes of the Meeting held on 18 December 2017**

The exempt minutes were agreed as a true and accurate record for signing by the Chair.

## **11. Actuarial Services**

Mathew Dawson updated the Sub-Committee on the outcome of the Actuarial Services tender process that had been recently completed. Details of this update are set out in the exempt minute.

The meeting rose at 12.45 pm

.....  
Chair

**Minutes of the Pension Fund Investment Sub-Committee  
meeting held on 15 May 2018**

**Present:**

**Members of the Pension Fund Investment Sub-Committee**

Councillors Wallace Redford, Bob Stevens and Alan Webb

**Other members present:**

Councillors Jo Barker, Margaret Bell, Parminder Singh Birdi, Sarah Boad, Mike Brain, Peter Butlin, Les Caborn, Mark Cargill, Richard Chattaway, Jonathan Chilvers, Jeff Clarke, Alan Cockburn, John Cooke, Andy Crump, Yousef Dahmash, Corinne Davies, Nicola Davies, Neil Dirveiks, Judy Falp, Jenny Fradgley, Pete Gilbert, Dan Gissane, Clare Golby, Seb Gran, Colin Hayfield, John Holland, Andy Jenns, Kam Kaur, Keith Kondakor, Keith Lloyd, Jeff Morgan, Bill Olnor, Maggie O'Rourke, Bhagwant Singh Pandher, Anne Parry, Dave Parsons, Caroline Phillips, David Reilly, Clive Rickhards, Howard Roberts, Kate Rolfe, Jerry Roodhouse, Andy Sargeant, Dave Shilton, Jill Simpson-Vince, Izzi Seccombe, Heather Timms, Adrian Warwick, Chris Williams and Andy Wright.

The Chair of Council opened the meeting.

**1. General**

**(1) Apologies for absence**

Councillors Bill Gifford and John Horner

**(2) Members' Disclosures of pecuniary and non-pecuniary interests**

None

**2. Election of Chair**

Councillor Wallace Redford proposed that Councillor Bob Stevens be Chair of the Sub-Committee and was seconded by Councillor Alan Webb.

There were no other nominations

**Resolved**

That Councillor Bob Stevens be elected Chair of the Pension Fund Investment Sub-Committee.

### 3. Election of Vice Chair

Councillor Bob Stevens proposed that Councillor Bill Gifford be Vice Chair of the Committee and was seconded by Councillor Alan Webb.

There were no other nominations.

#### **Resolved**

That Councillor Bill Gifford be elected as Vice Chair of the Pension Fund Investment Sub Committee.

.....  
Chair

The meeting rose at 12.49 pm.

## **Minutes of the Pension Fund Investment Sub-Committee meeting held on 11 June 2018**

### **Present:**

#### **Members**

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

#### **Officers**

John Betts – Head of Finance  
Aneeta Dhoot – Senior Finance Officer  
Chris Norton – Strategic Finance Manager  
Jane Pollard – Legal Services Manager  
Ben Patel-Sadler - Democratic Services Officer

#### **Invitees**

Tej Dosanjh – CEM Benchmarking  
Rachel Elwell – CEO Border to Coast Pensions Partnership  
Emma Garrett – Hymans Robertson  
Peter Jones – Independent Investment Adviser  
Paul Potter – Hymans Robertson  
Karen Shackleton – Independent Investment Adviser  
John Simmons – CEM Benchmarking  
Richard Warden – Hymans Robertson

#### **Observers**

None

### **1. General**

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

None

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

None

#### **(3) Minutes of the previous meetings held on 12 March 2018 and 15 May 2018**

The Chair wished to place on record that the recent training session provided to members of the Sub-Committee by Hymans Robertson had been extremely informative and useful. The training had been tailored to impart the necessary knowledge required by members.

The minutes of the meetings held on 12 March 2018 and 15 May 2018 were agreed as true and correct records and were signed by the Chair.

## **2. Investment Performance**

Chris Norton – Strategic Finance Manager introduced the report and informed the Sub-Committee that the overall fund value had decreased by 3.11% when compared to the previous quarter - but this was ahead of the benchmark which was a decrease of the 3.3%. Members noted that this decrease was due partly to stock market fluctuations which were now beginning to stabilise.

Paul Potter – Hymans Robertson informed the Sub-Committee that the investment performance in relation to equities had shown a rally at the end of March 2018.

Members noted that the fund was currently holding 4% of funds as cash which would be allocated to the Private Debt and Infrastructure asset classes.

Chris Norton informed the Sub-Committee that the Fund's cash held at the bank by the custodian would generate a small return before it was allocated to specific asset classes.

Chris Norton informed the Sub-Committee that Threadneedle Equity had shown a positive variance of 1.26% paid to benchmark for the quarter ending 31<sup>st</sup> March 2018. Active UK equities would be discussed further later on in the meeting.

Members noted that although some Fund Managers had shown a negative performance in relation to equities investments, the fund had over-performed its overall benchmark by 0.19%.

In relation to the MFS Fund Manager, members noted that although they had shown an underperformance at the quarter ending 31<sup>st</sup> March 2018, their overall performance was good. The Sub-Committee noted that MFS had undertaken a change in managers at the organisation in order to reflect current market characteristics.

The Sub-Committee queried how the fund's liabilities could continue to be paid if the amounts being paid into the fund by employees continued to decrease. Members requested that they be provided with details of the current net inflow to the fund. Members noted that future liabilities would be met via the returns being generated on current and future investments.

### **Resolved**

That the Sub-Committee notes the fund value and investment performance for the last quarter of 2017/18 to 31 March 2018.

## **3. Share Voting**

Chris Norton – Strategic Finance Manager introduced the report and informed the Sub-Committee that the proposed changes were seeking to reflect recent changes in corporate governance best practice. Members noted that the adoption of this revised policy would also serve to assist the transition to the Border to Coast Pool

(specifically the alignment of Warwickshire's current voting policy to the Border to Coast voting guidelines).

### **Resolved**

That the Sub-Committee approves the Voting Policy, as outlined in Appendix A of the report.

#### **4. Any other items**

None

#### **5. 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 Meeting held on 12 March 2018**

The exempt minutes were agreed as a true and accurate record for signing by the Chair.

#### **7. Actuarial Update (Hymans)**

The Sub-Committee were provided with a revised actuarial update that was presented with revised content and style after members had provided feedback at a previous meeting. This report included additional information from the actuarial team at Hymans which had previously been requested by the Sub-Committee.

#### **8. Private Equity Update**

The Sub-Committee were provided with additional information around private equity and infrastructure investments and how they differed from other 'traditional' asset classes.

#### **9. CEM Presentation - Warwickshire Investment Benchmarking Report**

Members considered a presentation from CEM Benchmarking which outlined the process of comparing pension funds and their associated investment costs.

**10. Borders to Coast Pension Partnership Implementation Costs and Regulatory Capital**

Members received an update around the current and potential future Border to Coast Pension Partnership implementation costs.

**11. Border to Coast Pension Partnership Update**

The Sub-Committee received a verbal update from Rachel Elwell – CEO Border to Coast Pensions Partnership in relation to the progress being made at Border to Coast.

The meeting rose at 13.20 pm

.....  
Chair