

Local Pension Board of the Warwickshire Pension Fund

27 November 2018

Summary of PFISC Papers

1.0 Introduction

- 1.1 This report introduces the Pension Fund Investment Sub Committee public papers for discussion and note
- 1.2 These papers are in relation to the Committee meeting on 10 September 2018.
- 1.3 The report covers:
- Draft Minutes of the public meeting (Appendix 1)
 - Investment Performance Report for Q1 2018/19 (Appendix 2)
 - Draft Forward Plan (Appendix 3)

Supporting Documents

None.

	Name	Contact Information
Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk 07767003428
Head of Service	John Betts	01926 412441 johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	01926 412564 davidcarter@warwickshire.gov.uk
Portfolio Holder	Councillor Peter Butlin	cllrbutlin@warwickshire.gov.uk

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

Local Member(s): None

Other members: None

**Minutes of the Pension Fund Investment Sub-Committee
meeting held on 10 September 2018**

Present:

Members

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

Officers

Aneeta Dhoot – Senior Finance Officer
Sukhdev Singh – Senior Finance Manager
Chris Norton – Strategic Finance Manager
Michael Nicolaou – Interim Treasury Manager
Shirley Round - Interim Democratic Services Officer

Invitees

Emma Garrett – Hymans Robertson
Peter Jones – Independent Investment Adviser
Paul Potter – Hymans Robertson
Karen Shackleton – Independent Investment Adviser
Richard Warden – Hymans Robertson

Observers

Councillor Keith Bray

1. General

(1) Apologies for absence

Councillor Wallace Redford (substitute Councillor Gilbert)

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

None

(3) Minutes of the previous meetings held on 11 June 2018

The minutes of the meetings held on 11 June 2018 were agreed as true and correct record and were signed by the Chair.

2. Forward Plan

Chris Norton provided the draft forward plan for the Pension Fund Investment Sub-Committee and advised that it would give provide advance notice of items coming up for the committee's consideration. The intention is to use

this as a guide but remain flexible as developments arise. The proposed plan would be presented at each meeting for review and amendment.

Resolved

The Pension Fund Investment Sub-Committee noted the Forward Plan as presented and agreed to it becoming a standard item on the agenda.

3. Investment Performance

Chris Norton – Strategic Finance Manager introduced the report and informed the Sub-Committee that the overall fund value was £2,124.9 as at 30 June 2018 an increase of 4.34% when compared to the previous quarter. The fund had performed well but overall slightly below the benchmark of 4.5%.

The Sub-committee raised concern regarding the potential for a fall in equities and were advised that whilst possible, at this time there was no cause for a change in approach. Discussion also took place in relation to the MFS under performance in the last year this was attributed to market performance rather than management changes at MFS. The committee were advised that pulling funds away from MFS was not being considered in the short term. Although it was acknowledged that performance over the last 12 months was very disappointing MFS were ahead of the benchmark over the three year period. Members were advised that property was a diverse area of investment and portfolios were managed to maximise investments.

Resolved

That the Sub-Committee note the fund value and investment performance for the first quarter of 2018/19 to 30 June 2018.

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’.

The meeting rose at 11.45am

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Chair

Pension Fund Investment Sub Committee

10 September 2018

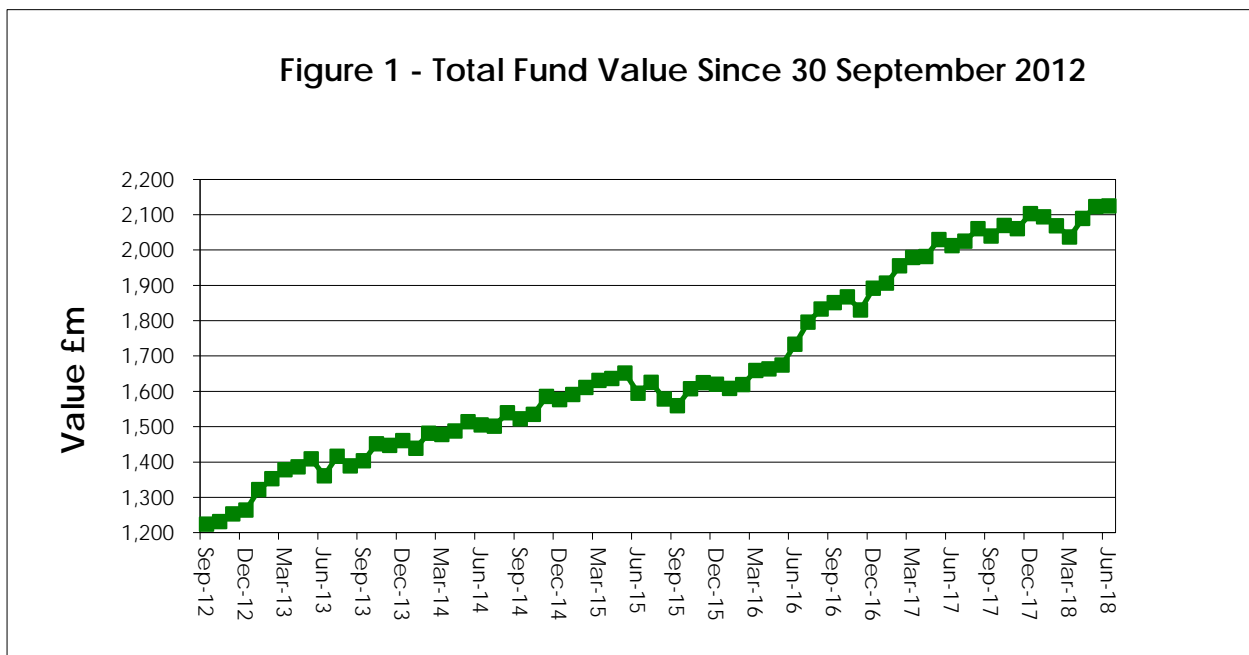
Investment Performance

Recommendation

That the Sub Committee note the fund value and investment performance for the first quarter of 2018/19 to 30th June 2018.

1. Fund Value at 30 June 2018

1.1 The fund value was £2,124.9 at 30 June 2018 an increase of 4.34% against the previous quarter of £2,037.3 at 31st March 2018 as shown in Figure 1.



2. Fund Asset Allocation

2.1 The performance of the Fund against its asset class benchmarks for the quarter ending 30 June 2018 is shown in Table 1.

Table 1: Fund Asset Allocation

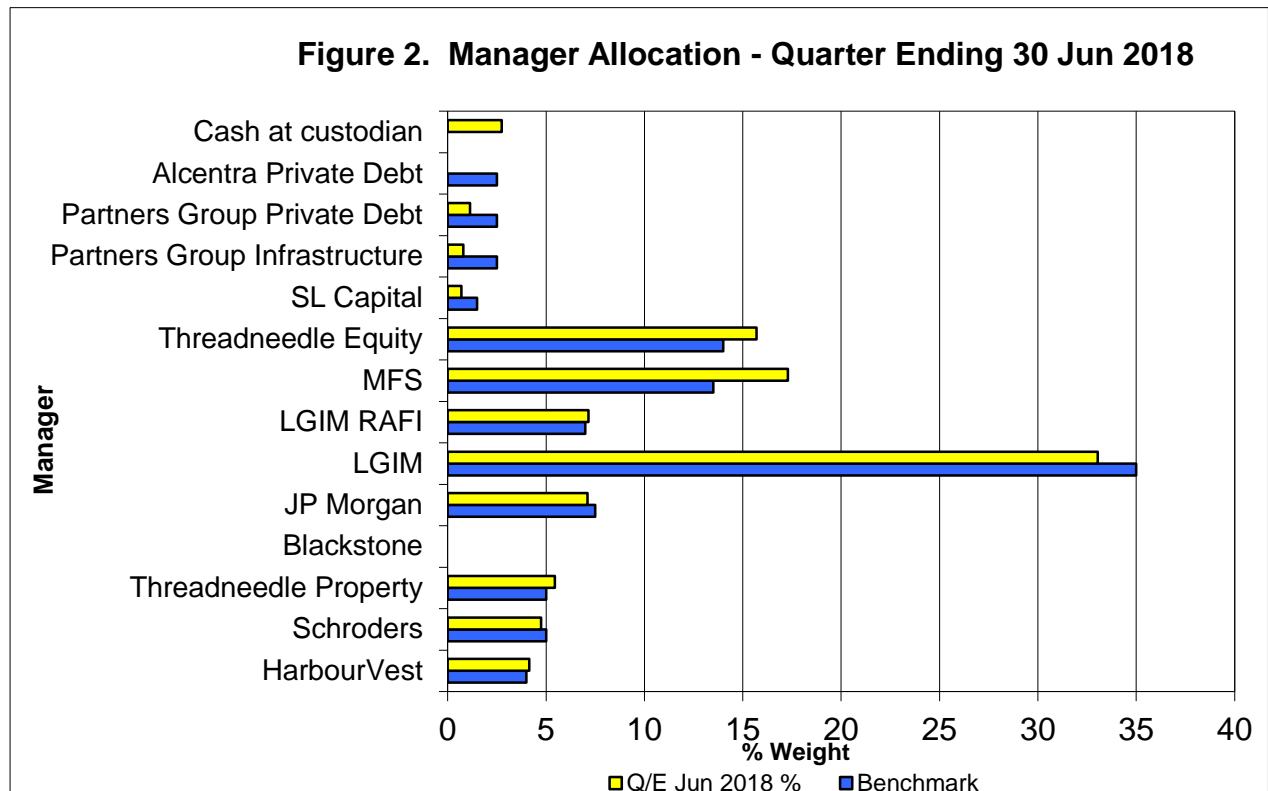
Q/E Mar 2018	Asset Class	Q/E Jun 2018	Variance Jun Qtr to Mar Qtr	Fund policy	Over/under weight
%		%		%	%
56.9	Equity	57.6	0.7	54.5	3.1
22.7	UK	23.1	0.4	21.0	2.1
27.1	Overseas	27.4	0.3	26.5	0.9
7.1	Fundamental Global Equity	7.2	0.1	7.0	0.2
15.7	Fixed Income	15.4	-0.4	15.0	0.4
10.3	UK corporate bonds	10.3	0.0	10.0	0.3
5.4	UK index linked bonds	5.1	-0.3	5.0	0.1
3.8	Private Equity	4.2	0.4	4.0	0.2
10.2	Property	10.1	-0.1	10.0	0.1
7.8	Absolute Return Bonds	7.1	-0.7	7.5	-0.4
1.6	Infrastructure	1.7	0.1	4.0	-2.3
0.0	Private Debt	1.2	1.2	5.0	-3.8
4.0	Cash	2.7	-1.3	0.0	2.7

2.2 The fund managers' asset allocation against the benchmark for the quarter ending 30 June 2018 is shown in Table 2.

Table 2: Fund Asset Allocation by Manager

Q/E Mar 2018 %	Manager	Q/E Jun 2018 %	Variance Jun Qtr to Mar Qtr	Benchmark	Variance Jun to Benchmark
3.8	HarbourVest	4.2	0.4	4.0	0.2
4.9	Schroders	4.8	-0.2	5.0	-0.3
5.6	Threadneedle Property	5.5	-0.1	5.0	0.5
0.2	Blackstone	0.0	-0.2	0.0	0.0
7.7	JP Morgan	7.1	-0.6	7.5	-0.4
33.5	LGIM	33.0	-0.5	35.0	-2.0
7.1	LGIM RAFI	7.2	0.1	7.0	0.2
16.9	MFS	17.3	0.4	13.5	3.8
15.1	Threadneedle Equity	15.7	0.6	14.0	1.7
0.7	SL Capital	0.7	0.0	1.5	-0.8
0.7	Partners Group Infrastructure	0.8	0.1	2.5	-1.7
0.0	Partners Group Private Debt	1.1	1.1	2.5	-1.4
0.0	Alcentra Private Debt	0.0	0.0	2.5	-2.5
4.0	Cash at custodian	2.7	-1.3	0.0	2.7
100.0	Total	100.0	-0.2	100.0	0.0

2.3 Fund asset allocation against each manager is shown in Figure 2.



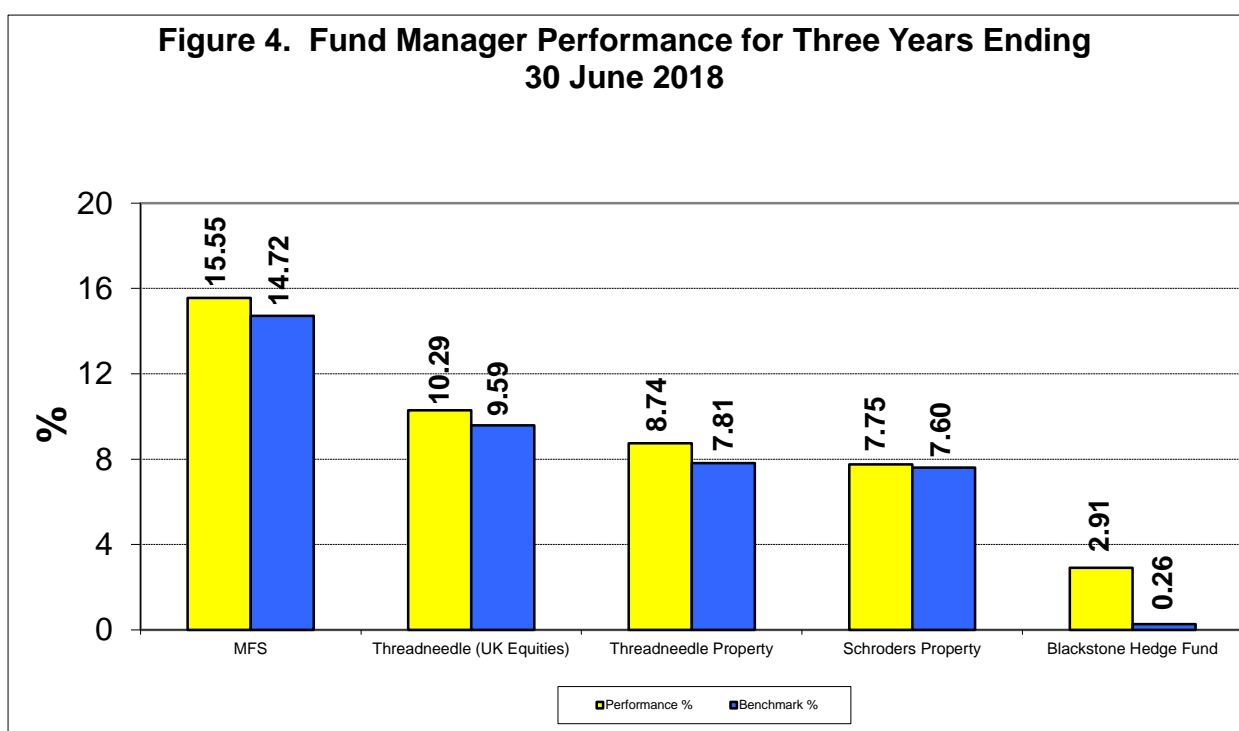
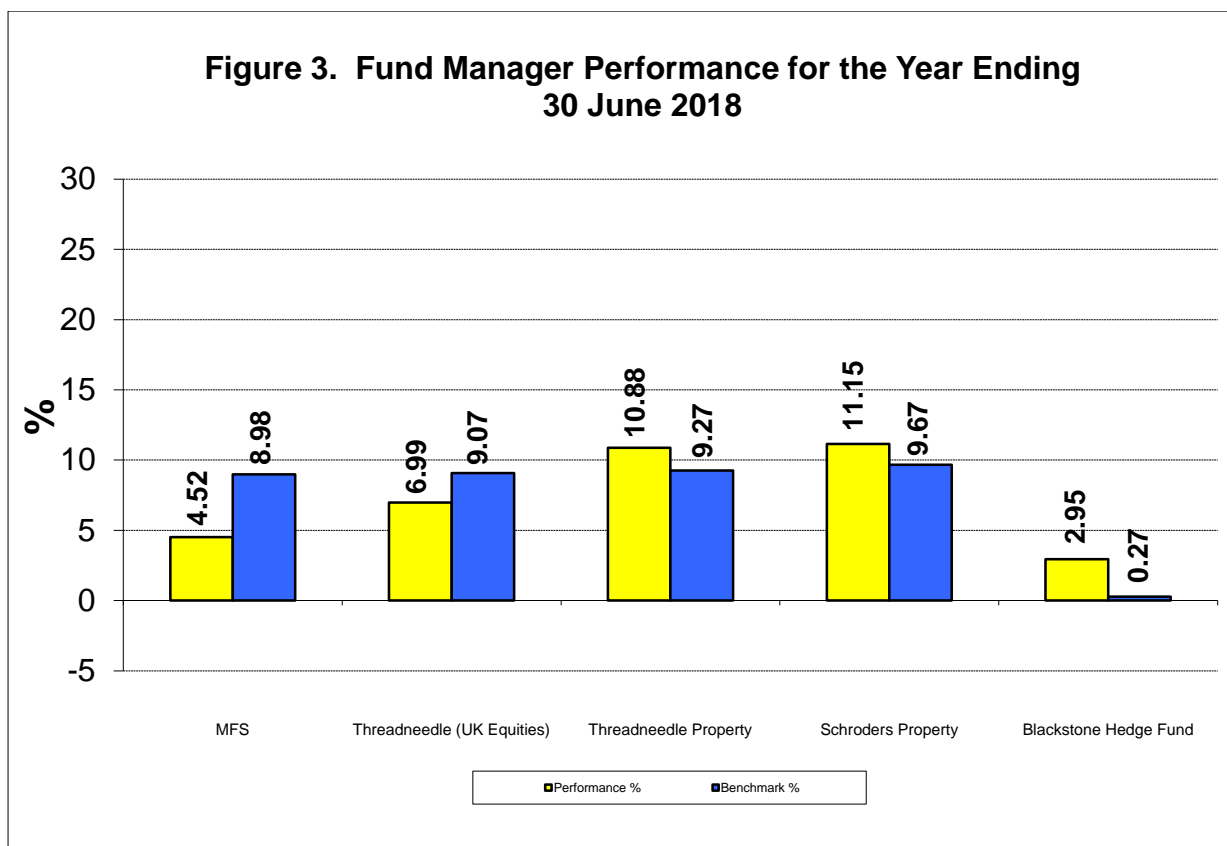
3. Fund Performance

3.1 Overall the fund under-performed its overall benchmark by 0.16%. The performances of managers against their benchmarks for the quarter ending 30 June 2018 were:

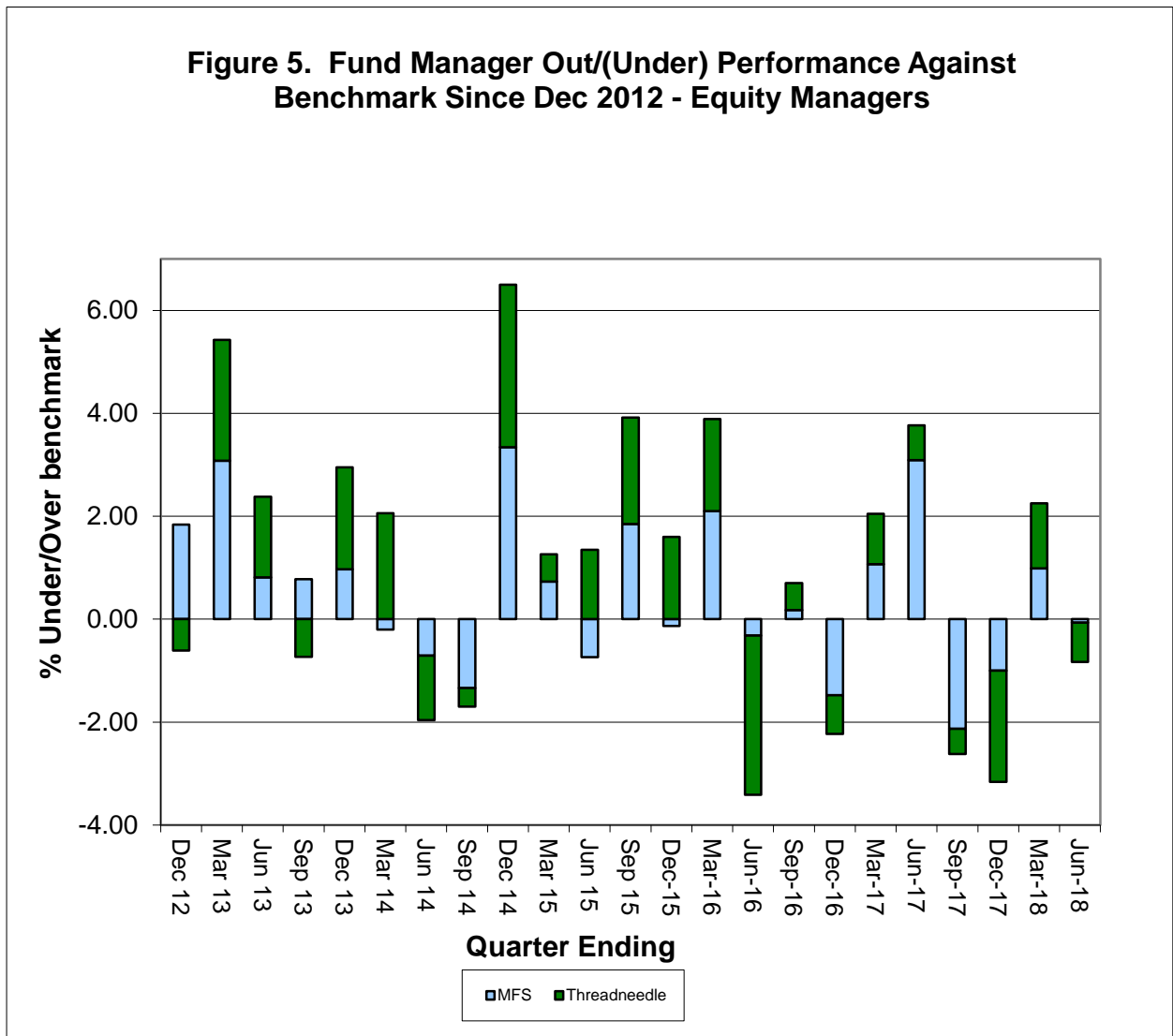
Table 3: Performance by Fund Manager

Manager	Benchmark Measure	Q/E Jun 2018	Benchmark	Variance
		%	%	%
MFS	Global Equity Benchmark	6.74	6.81	-0.07
Threadneedle	FTSE All-Share	8.46	9.22	-0.76
Legal and General (Equities)	LGIM Benchmark	5.04	5.38	-0.34
Legal and General (Fixed Interest)	LGIM Benchmark	-0.48	-0.11	-0.37
Threadneedle Property	Customised Benchmark	1.83	1.85	-0.02
Schroders Property	Customised Benchmark	2.25	1.96	0.29
Blackstone Hedge	Customised Benchmark	0.01	0.09	-0.08
JP Morgan Strategic Bond	Customised Benchmark	-1.03	0.13	-1.16
Total	WCC Total Fund Benchmark	4.34	4.50	-0.16

3.2 Annualised return for the fund managers to 30 June 2018 is summarised in Figure 3. The three year annualised return is summarised in Figure 4.



3.3 Equity Managers performance against their benchmarks are summarised in Figures 5.



Pension Fund Investment Sub Committee

10 September 2018

Forward Plan

Recommendation

That the committee notes and comments on the forward plan

1.0 Introduction

1.4 The purpose of this report is to provide a draft forward plan for the Pension Fund Investment Sub Committee looking forwards a year. This is with the intention of maintaining an up to date programme of forward plan and agenda items which can be reviewed and updated at future meetings.

1.5 In order to assist in this some historical context of the kinds of reports and decisions that have been made by the committee over the last couple of years has also been provided. Appendix 1 provides this historical information and sets out a draft forward plan.

1.6 This is not intended to be rigid or definitive, the intention is that it can be updated and amended on a rolling basis at each meeting after being informed by the latest developments.

Supporting Documents

None

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Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk 07767003428
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Strategic Director	David Carter	01926 412564 davidcarter@warwickshire.gov.uk
Portfolio Holder	Bob Stevens	bobstevens@warwickshire.gov.uk

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Local Member(s): None

Other members: None

Appendix 1

2016/17

17th May	13th June	12th Sept	12th Dec	27th Jan	13th March
	Investment Performance	Investment Performance	Investment Performance		Investment Performance
Election of Chair and Vice Chair	Outcome of Transition – Passive Management (enacting Legal and General as the single passive fund)	Fund Rebalancing (putting on hold Legal and General US equities rebalancing)	The Stewardship Code (approving a code that fund managers are expected to meet)		Investment Verbal Update
	Business Plan	Brexit Implications (briefing report)	2016 Actuarial Valuation (initial Funding Strategy Statement, valuation results, employer rates, etc)		Investment Strategy Statement
	Actuarial Valuation 2016 Initial Planning	Actuarial Valuation 2016 (planning, and detailed modelling assumptions)	Pooling Update		Possible Prepayment of WCC Contributions
	The Future of the LGPS Follow Up (MoU, ToR, etc for BCPP set up)	Investment Update (Hymans)	Presentation from Markham Rae (opportunity to invest in “Trade Finance”)	Trade Finance – Markham Rae Trade Capital Partners I (decision to invest or not)	Rebalancing (lifting the hold on Legal and General US equities rebalancing)
	Presentations from SL Capital and Schroders				Funding Strategy Statement
					Actuarial Update (verbal)
					Business Plan 2017/18

2017/18

23 rd May	12 th June	11 th Sept	18 th December	12 th March
	Investment Performance	Investment Performance	Investment Performance	Investment Performance
Election of Chair and Vice Chair	Cash Flow Report (ensuring adequate cashflow over 3 year horizon)	MIFID 2 (opt up process)	Appointment of Private Debt Manager(s)	Business Plan 2018/19
	2016 Actuarial Valuation (noting the final results)	Actuarial Services (Tendering process for Actuarial Contract)	Investment Guiding Principles	Training Plan 2018/19
	Review of Pension Fund Risk Management		BCPP Responsible Investment and Voting Guidelines	Investment Strategy Statement
	MIFID2 Presentation (Training)	Pooling Verbal Update	Pooling Verbal Update	Presentation by Schroders (UK property)
	Investment Update (review of investment strategy and change of strategic asset allocation)	Investment Update (enacting the changes in strategic asset allocation)	MIFID 2 Verbal Update	Presentation by Analytics (review of active equity manager performance)
	Private Equity Update (Harbourvest HIPEP VIII)	Partners Group Infrastructure Update	Results from Training Survey	Actuarial Services (feed back on award of contract)

2018/19 (*Italics = Draft forward plan*)

15 th May	11 th June	10 th September	10 th December	11 th March
	Investment Performance	Investment Performance	<i>Investment Performance</i>	<i>Investment Performance</i>
Election of Chair and Vice Chair	Revised Voting Policy (ensuring alignment with pool policies)	Hymans Quarterly Funding and Performance Report	<i>Hymans Quarterly Funding and Performance Report</i>	<i>Business Plan 2019/20</i>
	Actuarial Update (funding and performance update, equity protection briefing)	Border to Coast – Budget and Update (budget, decision making policies, general update, UK equity transfer update)	2019 Actuarial Valuation <i>GAD Review of 2016</i> <i>Cost Management Results</i>	2019 Actuarial Valuation <i>Employers Funding Strategy Modelling</i> <i>Investment Risk / Contributions Balance</i>
	Private Equity Update (reinvest or wait for BCPP)	Private Equity (reinvest or wait for BCPP)	<i>BCPP Planning Future Transfers</i> <i>BCPP Monitoring Previous Transfers</i>	<i>BCPP Planning Future Transfers</i> <i>BCPP Monitoring Previous Transfers</i>
	CEM Presentation (detailed 2016/17 performance and costs analysis)	Global Equity (preparations to invest in BCPP)	<i>MIFID 2 (First Year Review)</i>	<i>Investment Strategy Statement Review</i>
	BCPP Implementation Budget	Forward Plan	<i>Forward Plan</i>	<i>Risk Management Review</i>
				<i>Voting, Governance, Responsible Investing Review</i>
				<i>Forward Plan</i>

2019/20 (*Italics = draft forward plan*)

May	June	September	December	March
	<i>Investment Performance</i>	<i>Investment Performance</i>	<i>Investment Performance</i>	<i>Investment Performance</i>
<i>Election of Chair and Vice Chair</i>	<i>BCPP Planning Future Transfers</i> <i>BCPP Monitoring Previous Transfers</i>	<i>BCPP Planning Future Transfers</i> <i>BCPP Monitoring Previous Transfers</i>	<i>BCPP Planning Future Transfers</i> <i>BCPP Monitoring Previous Transfers</i>	<i>BCPP Planning Future Transfers</i> <i>BCPP Monitoring Previous Transfers</i>
	<i>Forward Plan</i>	<i>Forward Plan</i>	<i>Forward Plan</i>	<i>Forward Plan</i>
	<i>Private Markets Annual Review</i> <i>(annual update on private market programmes including decisions on commitments)</i>			<i>Investment Strategy Statement Review</i>
	2019 Actuarial Valuation Detailed Plan Assumptions	2019 Actuarial Valuation Present Whole Fund Results	2019 Actuarial Valuation <i>Agreed Employer Funding Strategies</i> <i>Draft Funding Strategy Statement</i>	2019 Actuarial Valuation <i>Valuation Sign Off</i> <i>Funding Strategy Statement</i>
				<i>Business Plan</i>
				<i>Training Plan</i>
				<i>Risk Management Review</i>