

Local Pension Board

5 March 2019

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 December 2018.
- 1.3 The report covers:
- Draft Minutes of the public meeting (Appendix 1)
 - Investment Performance Report for Q2 2018/19 (Appendix 2)
 - Draft Forward Plan (Appendix 3)

Background papers

None.

	Name	Contact Information
Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk 07767003428
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Strategic Director	David Carter	01926 412564 davidcarter@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 December 2018**

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
Helen Barnsley - Democratic Services Officer
Jane Pollard – Legal Service Manager
Michael Nicolaou – Interim Treasury Manager
Sukhdev Singh – Senior Finance Manager

Invitees

Daniel Booth – Chief Investment Officer – Border to Coast Pensions Partnership
Karen Shackleton – Independent Investment Adviser
Mathew Dawson – Client Relationship Manager, Border to Coast Pensions Partnership
Paul Potter – Hymans Robertson
Peter Jones – Independent Investment Adviser
Richard Warden – Hymans Robertson

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 10 September 2018

The minutes of the meeting held on 10 September 2018 were agreed as true and correct record and were signed by the Chair.

2. Forward Plan

Chris Norton, Strategic Finance Manager presented an updated version of the report to the Committee. It was noted that the Committee can add additional items as required. Following a review of the work programme in early 2019, a decision will be taken regarding holding an extra meeting.

Resolved

That the Sub-Committee notes the forward plan

3. Investment Performance

Chris Norton, Strategic Finance Manager presented the report regarding the fund value and investment performance for the second quarter of 2018/19. The Committee was asked to note that the report for Quarter Three will feature money moved across into the Global Equity Fund.

It was noted by the Committee that the fund manager report showed performance that was better than the benchmark, which itself is performing well. MFS Investment Management (MFS) also performed better in the second quarter (covered later in the agenda) and consideration was given to the Committee inviting them to a future meeting.

Resolved

That the Sub-Committee notes the fund value and investment performance for the second quarter of 2018-19 to 30 September 2018

4. Markets in Financial Instruments Directive 2 (MIFID) update

Chris Norton, Strategic Finance Manager presented the report to the Committee which gave an update on the MIFID framework.

Successful training sessions had been held for members of the Committee which received positive feedback from attendees. It was agreed that there was no action required following the report but that Chris Norton would arrange for a further two training sessions in 2019.

Resolved

That the Sub-Committee notes and comment on the report

5. Border to Coast RI Policy

Michael Nicolaou, Interim Treasury Manager presented the report highlighting Border to Coast responsible investment policies. The policies were approved by the Pensions Joint Committee on 21 November 2018.

The Committee was asked to note point 8.2 of Appendix A; the underlying principles of the policies need to be agreed rather than each individual investment. The Committee agreed to the principles of the policies and acknowledged that the policy could be reviewed at the request of the Committee at any future meeting.

Resolved

That the Sub-Committee:

- 1) Notes and comments on the Border to Coast Pension Partnership revised Responsible Investment policies; and
- 2) Resolves that the WCC Pension Fund adopts the principles of the Border to Coast Pension Partnership revised Responsible Investment policies.

6. Any other items

Councillor John Horner asked for officer's views on pension funds investing in social and affordable housing. It was acknowledged that geographical considerations could not be taken into account – i.e. the fund could not invest only in Warwickshire based schemes. Karen Shackleton, Independent Investment Adviser confirmed that there are advantages of pension fund investment pools in social and affordable housing. There are diversified returns that would include returns on local investments. Paul Potter, Hymans Robertson advised that the Committee should tread carefully and ensure that the risk and return is balanced.

Peter Jones, Independent Investment Adviser requested that it be noted in the minutes that he is a Director of Halliwell Housing in East Anglia. This would not be recorded as a Declaration of Interest.

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’.

7. Risk Register

Resolved:

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

8. Quarterly Funding and Performance Update

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. Border to Coast Chief Investment Officer Briefing

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. Global Equities Fund Update

Resolved:

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

13. Scheme of Delegation

Resolved:

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

14. Property Debt

Resolved:

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

15. Exempt minutes of the meeting held on 10 September 2018

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

The meeting rose at 12:52pm

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Chair

Pension Fund Investment Sub Committee

10 December 2018

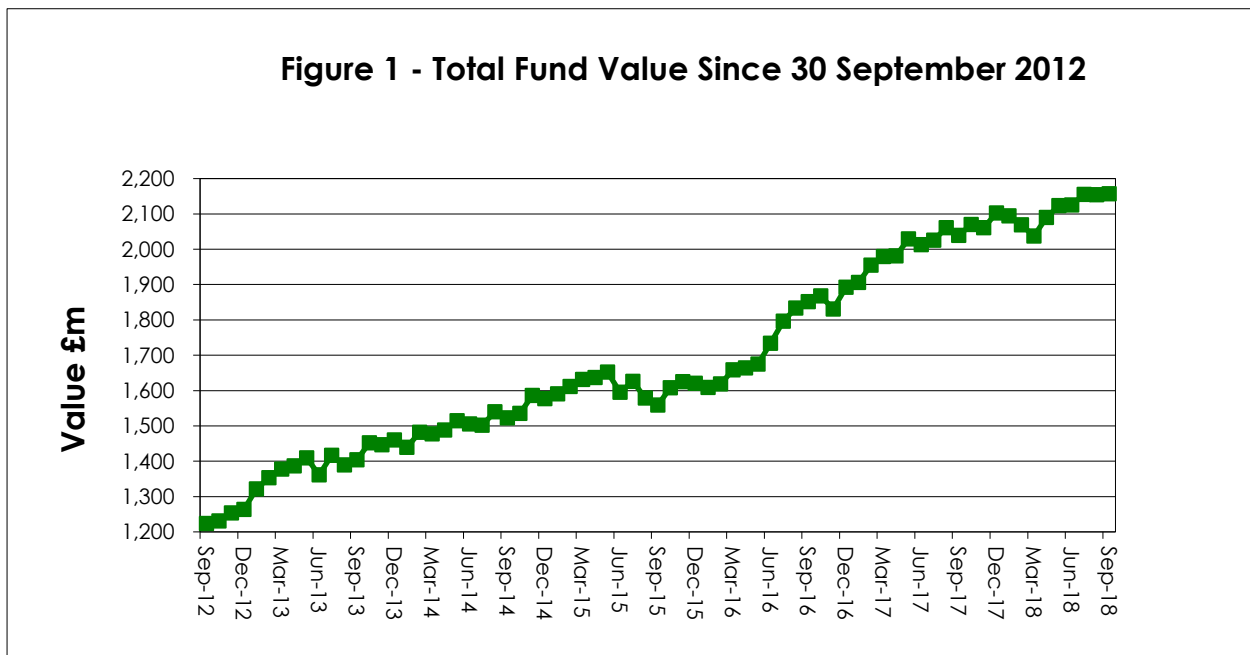
Investment Performance

Recommendation

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

1. Fund Value at 30th September 2018

- 1.1 The fund value was £2,157.1m at 30th September 2018 an increase of 1.51% against the previous quarter of £2,124.9m at 31st June 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 30th September 2018 is shown in Table 1.

Table 1: Fund Asset Allocation

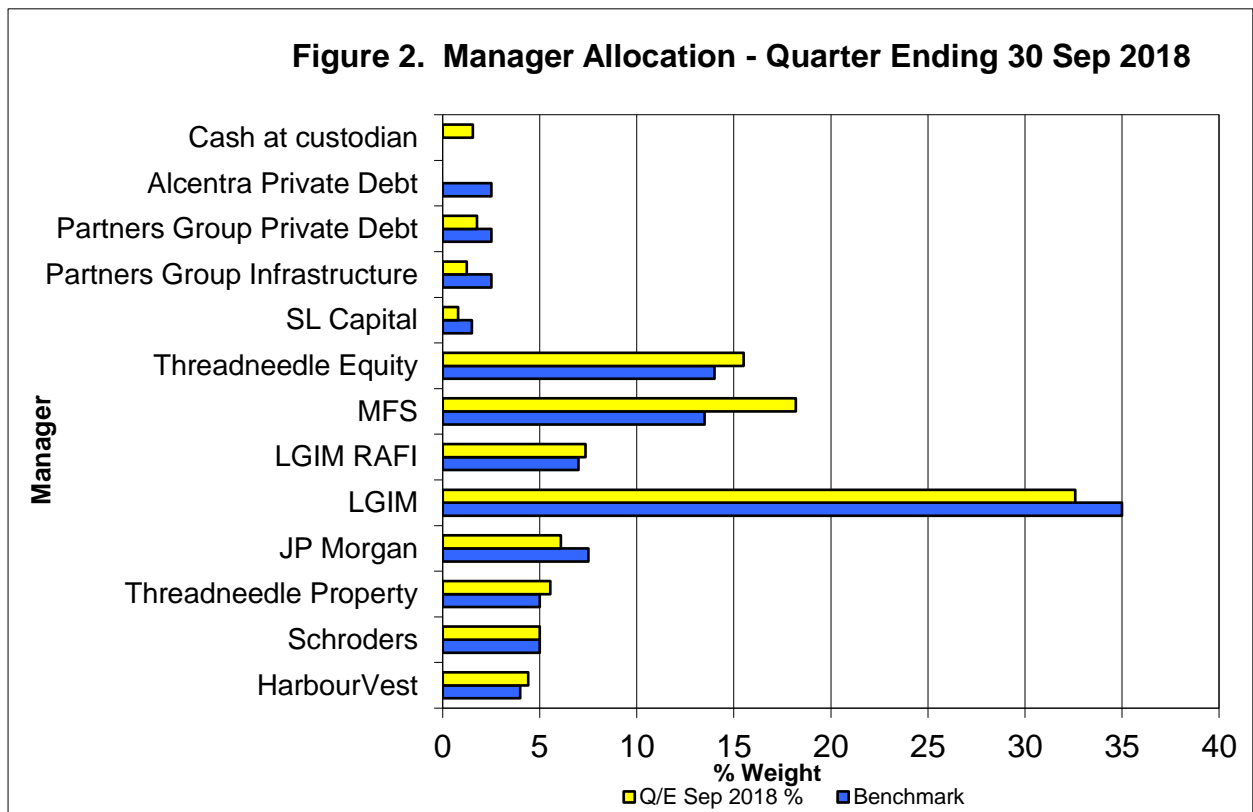
Table 1: Fund Asset Allocation		Q/E Jun 2018	Q/E Sep 2018	Variance Sep Qtr to Jun Qtr	Fund policy	Over/under weight
Asset Class		%	%		%	%
Equity		57.6	58.3	0.7	54.5	3.8
	UK	23.1	22.8	-0.2	20.0	2.8
	Overseas	27.4	28.1	0.7	27.5	0.6
	Fundamental Global Equity	7.2	7.4	0.2	7.0	0.4
Fixed Income		15.4	15.5	0.1	15.0	0.5
	UK corporate bonds	10.3	10.4	0.1	10.0	0.4
	UK index linked bonds	5.1	5.1	0.0	5.0	0.0
Private Equity		4.2	4.4	0.2	4.0	0.4
Property		10.1	10.3	0.2	10.0	0.3
Absolute Return Bonds		7.1	6.1	-1.0	7.5	-1.4
Infrastructure		1.7	2.0	0.3	4.0	-2.0
Private Debt		1.2	1.8	0.6	5.0	-3.2
Cash		2.7	1.6	-1.1	0.0	1.6

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

Table 2: Fund Asset Allocation by Manager

Manager	Q/E Jun 2018 %	Q/E Sep 2018 %	Variance Sep Qtr to Jun Qtr	Benchmark	Variance Sep to Benchmark
HarbourVest	4.2	4.4	0.3	4.0	0.4
Schroders	4.8	5.0	0.3	5.0	0.0
Threadneedle Property	5.5	5.5	0.1	5.0	0.5
JP Morgan	7.1	6.1	-1.0	7.5	-1.4
LGIM	33.0	32.6	-0.4	35.0	-2.4
LGIM RAFI	7.2	7.4	0.2	7.0	0.4
MFS	17.3	18.2	0.9	13.5	4.7
Threadneedle Equity	15.7	15.5	-0.2	14.0	1.5
SL Capital	0.7	0.8	0.1	1.5	-0.7
Partners Group Infrastructure	0.8	1.2	0.4	2.5	-1.3
Partners Group Private Debt	1.1	1.8	0.6	2.5	-0.7
Alcentra Private Debt	0.0	0.0	0.0	2.5	-2.5
Cash at custodian	2.7	1.6	-1.2	0.0	1.6
Total	100.0	100.0	0.0	100.0	0.0

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



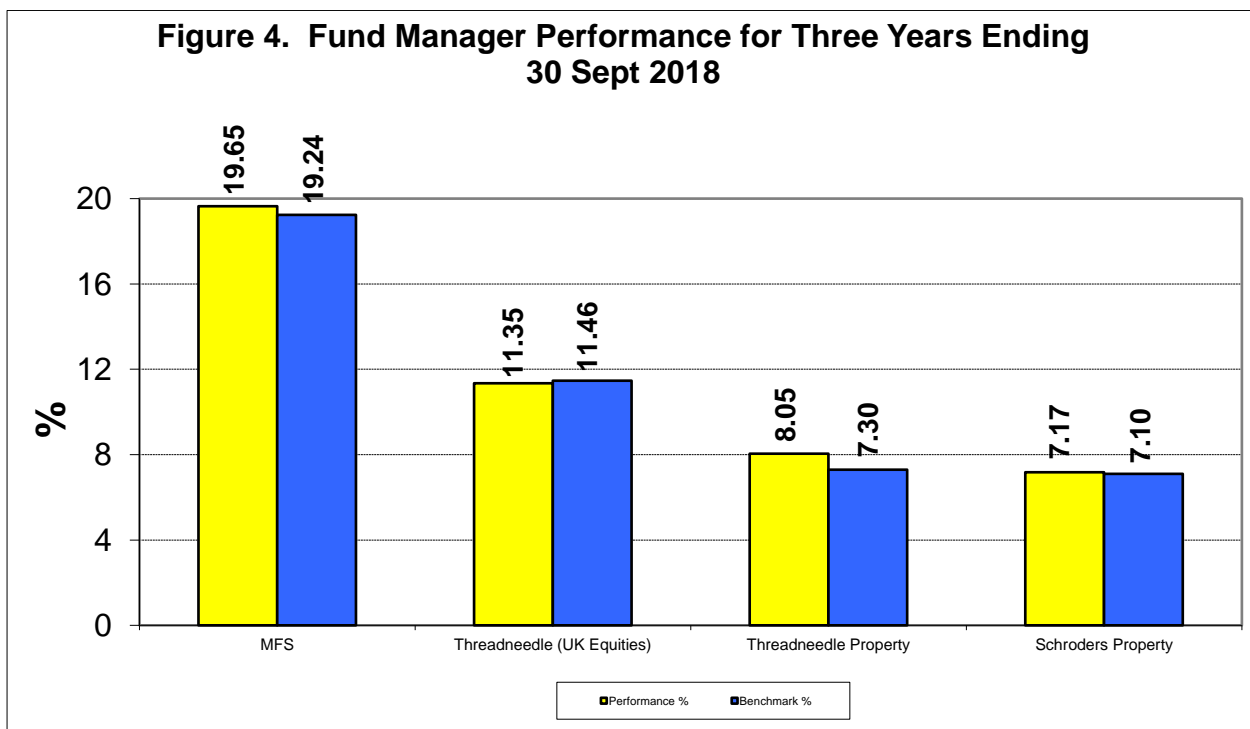
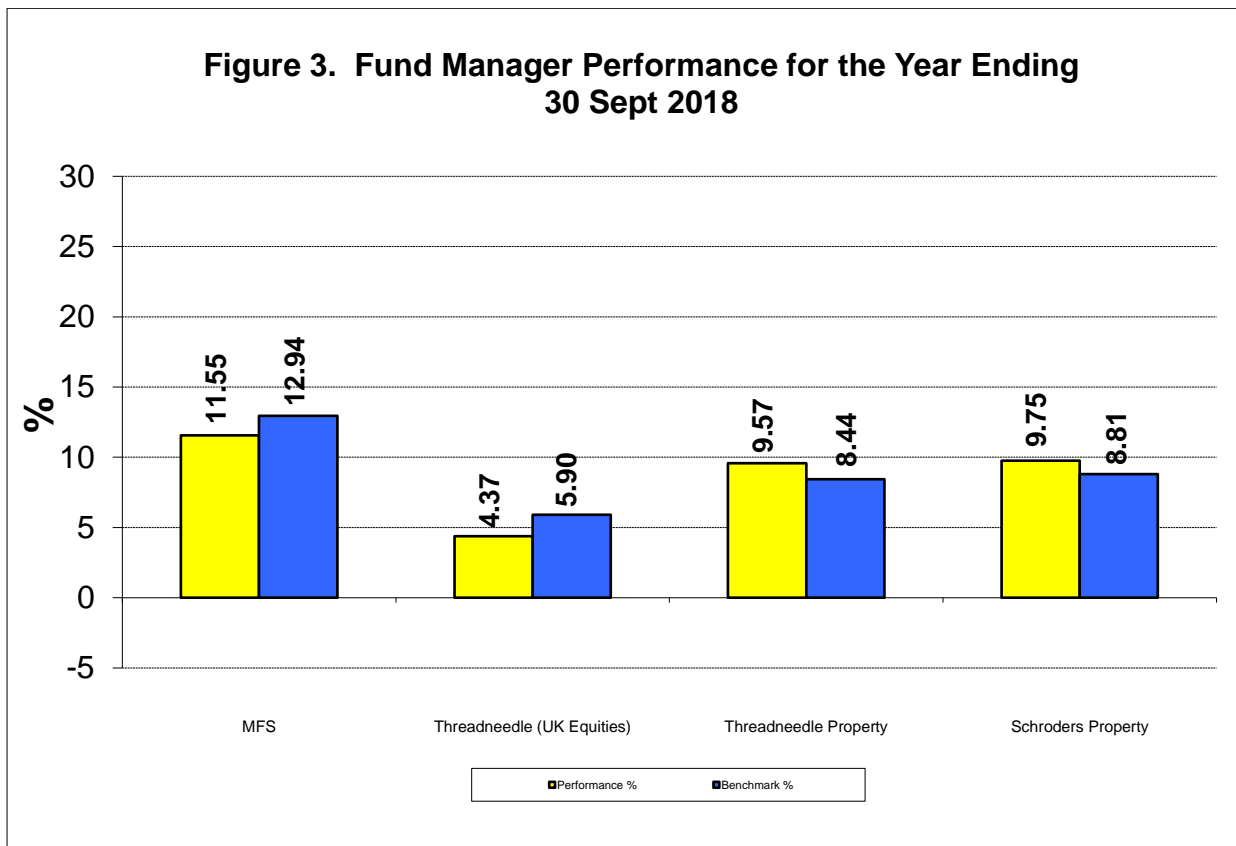
3. Fund Performance

3.1 Overall the fund outperformed its overall benchmark by 0.50%. The performances of managers against their benchmarks for the quarter ending 30th September 2018 were:

Table 3: Performance by Fund Manager

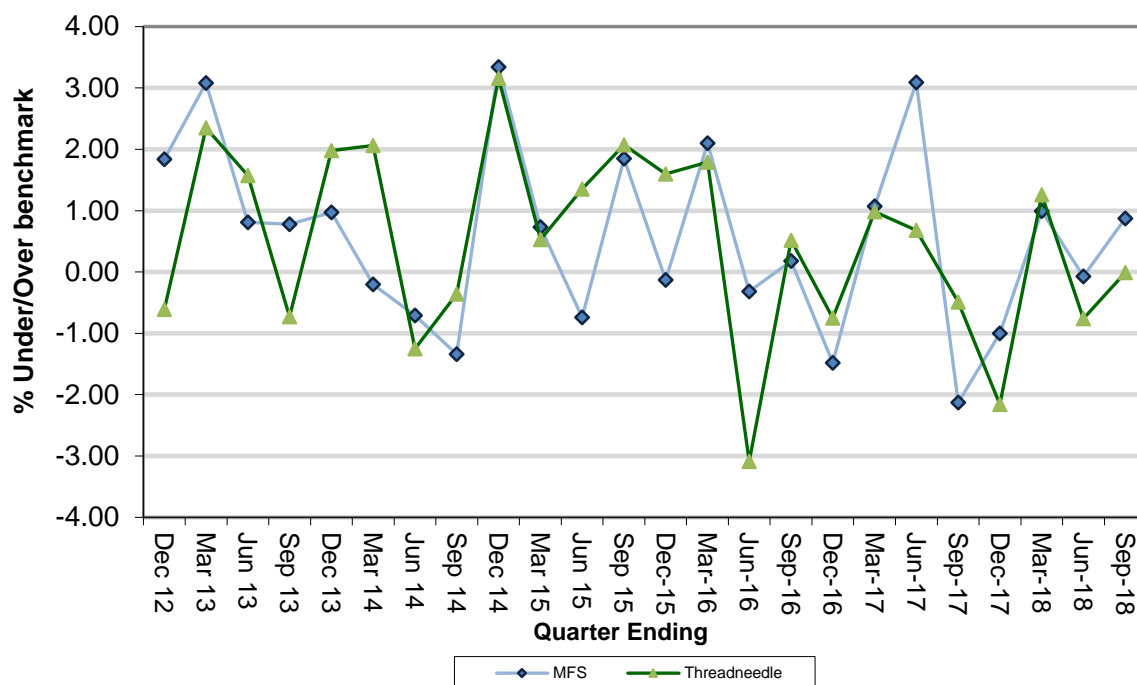
Manager	Benchmark Measure	Q/E Jun 2018	Benchmark	Variance
		%	%	%
MFS	Global Equity Benchmark	6.44	5.57	0.87
Threadneedle	FTSE All-Share	8.46	9.22	-0.76
Legal and General (Global Equities)	LGIM Benchmark	2.42	1.29	1.13
Legal and General (Fixed Interest)	LGIM Benchmark	-0.67	-0.63	-0.04
Threadneedle Property	Customised Benchmark	1.44	1.54	-0.10
Schroders Property	Customised Benchmark	1.82	1.57	0.25
JP Morgan Strategic Bond	Customised Benchmark	1.32	0.16	1.16
Total	WCC Total Fund Benchmark	2.19	1.69	0.50

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



3.3 Active equity managers performance against their benchmarks are summarised in Figures 5.

Figure 5. Fund Manager Out/(Under) Performance Against Benchmark Since Dec 2012 - Equity Managers



1. Background papers

1. None.

	Name	Contact Information
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The report was circulated to the following members prior to publication:

Local Member(s): None
Other members: None

Pension Fund Investment Sub Committee 10th 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 an updated forward plan for the Pension Fund Investment Sub Committee rolled forward to cover the year ahead.
- 1.5** A first forward plan was brought to the last sub-committee meeting which included the history for context in order to inform the creation of a forward plan. This report takes that starting point and rolls the plan on to maintain coverage one year ahead. Appendix 1 provides the updated forward plan.
- 1.6** The plan is intended to be used as a guide to assist with planning but which can also be amended as appropriate. The agenda for the 10th December meeting is as per the forward plan with the following adjustments.
- 1.6.1** The risk register review has been brought forward from March 2019 to December 2018.
- 1.6.2** An additional paper in respect of delegated authority for funding switches has been added.

Background papers

None.

	Name	Contact Information
Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk 07767003428
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The report was circulated to the following members prior to publication:

Local Member(s):

Other members:

2018/19 (*Italics = Forward Plan*)

15th May	11th June	10th September	10th December	11th March
	Investment Performance	Investment Performance	Investment Performance	<i>Investment Performance</i>
Election of Chair and Vice Chair	Revised Voting Policy (ensuring alignment with pool policies)	Hymans Quarterly Funding and Performance Report	Hymans Quarterly Funding and Performance Report	<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 Revaluation and Actuarial Update	<i>2019 Actuarial Valuation Employers Funding Strategy Modelling Investment Risk / Contributions Balance</i>
	Private Equity Update (reinvest or wait for BCPP)	Private Equity (reinvest or wait for BCPP)	BCPP Chief Officer Briefing BCPP General Update BCPP Global Equity Alpha Fund	<i>BCPP Planning Future Transfers BCPP Monitoring Previous Transfers</i>
	CEM Presentation (detailed 2016/17 performance and costs analysis)	Global Equity (preparations to invest in BCPP)	MIFID 2 (First Year Review)	<i>Investment Strategy Statement Review</i>
	BCPP Implementation Budget	Forward Plan	Forward Plan	<i>Voting, Governance, Responsible Investing Review</i>
			Scheme of Delegation for Fund Switches	<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>
	<i>2019 Actuarial Valuation</i> <i>Detailed Plan</i> <i>Assumptions</i>	<i>2019 Actuarial Valuation</i> <i>Present Whole Fund Results</i>	<i>2019 Actuarial Valuation</i> <i>Agreed Employer Funding Strategies</i> <i>Draft Funding Strategy Statement</i>	<i>2019 Actuarial Valuation</i> <i>Valuation Sign Off</i> <i>Funding Strategy Statement</i>
				<i>Business Plan</i>
				<i>Training Plan</i>
				<i>Risk Management Review</i>