

Pension Fund Investment Sub-Committee

Monday, 9 September 2019

Minutes

Attendance

Committee Members

Councillor Richard Chattaway
Councillor Bill Gifford
Councillor John Horner
Councillor Wallace Redford
Councillor Bob Stevens

Officers

Others Present

1. General

(1) Apologies

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

None

(3) Minutes of the previous meeting held on 10 June 2019

Rob Powell was added to the attendance record for the meeting held on 10 June 2019. The minutes of the meeting held on 10 June 2019 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising

2. Forward Plan

Chris Norton, Strategic Finance Manager presented the report to the sub-committee which highlights the rolling plan of work for the next 12 months. The report presented outlined work until September 2020.

The sub-committee noted and welcomed the addition of the minutes from the last Local Pension Board meeting for the sub-committee to review, if appropriate.

The sub-committee agreed that the forward plan is a useful item to have at meetings..

3. Investment Performance

Chris Norton, presented the report to the sub-committee. It was confirmed that the report related to the total value of the fund and not individual parts of it.

The report confirms that –

- Property funds continue to struggle due to the uncertainties of Brexit
- Equity funds are performing very well

It was noted that the performance information shows rolling target information as well as benchmark performance information. Councillor John Horner requested that future reports included historical information in order to identify any trends in performance.

Resolved

That the Pension Fund Investment Sub-Committee notes the fund value and investment performance for the first quarter of 2019 up to 30 June 2019.

4. Reports Containing Confidential or Exempt Information

The sub-committee moved 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

5. Exempt minutes of the previous meetings held on 10 June 2019

It was agreed to amend the following sentence on page 2 of the exempt minutes in relation to Section 4, Investment Performance –

Update the third bullet point and remove the following section of the sentence; “*and there was reassurance that the fund will not decline*”. The sentence now reads as follow –

- Central banks, led by banks in the USA, work to keep the global economy growing.

Taking account of the change to page 2, the exempt minutes of the meeting held on 10 June 2019 were agreed as a true and accurate record and were signed by the Chair. There were no matters arising.

6. Quarterly Funding and Performance Report

Emma Garrett, Associate Investment Consultant, Hymans Robertson presented the report to the sub-committee confirming that the report refers to the funds overall funding position.

The following points were noted by the sub-committee

- The majority of returns posted during the previous quarter have been positive.
- Global banks have been more accommodating to their economies monetary policy whereas the UK banks have been more reserved in regards to their policies and are likely to remain so until the uncertainty of Brexit is resolved.
- Yields on bonds fell sharply in August 2019 reflecting the uncertainty in the market.
- With regard to UK property investments; there has been some fall in capital values but there have been some positive returns. In general, overall property performance had been as expected.
- With reference to asset allocation it was confirmed to the sub-committee that growth was in line with the strategy.
- The sub-committee noted that the Pooling Costs Savings Tracker showed an overall saving of £1.2 million since it was introduced. This includes £100,000 savings in management costs.

7. Voting and Stewardship Policy

Michael Nicolaou, Interim Treasury and Pension Fund Manager, presented the report to the sub-committee providing an update on the policy stating that the review was required to ensure that it better aligns with the policy of Border to Coast.

In reference to points 7.3 and 7.4 of the report, Councillor Richard Chattaway commented that investment managers should be aware of the reputation of investment companies in relation to health and safety and poor employment practices and that companies should be aware that poor reputations will affect whether or not Warwickshire's pension fund chooses to invest in them.

Resolved

That the Pension Fund Investment Sub-Committee notes the revised Voting and Stewardship Policy.

8. Border to Coast Update

Andrew Stone, Customer Relationship Manager for Border to Coast gave a presentation to the sub-committee. It was noted that the capability launch timetable was progressing as expected.

With reference to Investment Grade Credit; lending money to the more secure companies in the market, members noted the proposed structure and the launch date of Q1 2020.

Councillor John Horner requested a more detailed explanation on some of the information included in the presentation such as “conservative approach” and “low turnover”. Paul Potter, Hymans Robertson confirmed that the information would be quantified in the near future but in some cases, the details are still being looked at.

The sub-committee noted the credentials of the monitoring team and that there had been a thorough scoring process before interviews had been offered.

Karen Shackleton, Independent Investment Adviser raised a concern in relation to why low performing funds continue to be held by managers.

The sub-committee noted that uncertainties around Brexit continues to have an impact on markets.

Consideration is to be given to inviting an investment manager to a future meeting following concerns raised at the level of information in the presentation.

Resolved

That the Pension Fund Investment sub-committee notes the Border to Coast Pension Partnership update.

9. Border to Coast Investment Update

Michael Nicolaou, presented the report to the sub-committee which request delegated authority from the sub-committee to invest in the Investment Grade Credit Sub-fund.

Paul Potter, Hymans Robertson confirmed that this would be a sensible investment; the fund is an actively managed, corporate bond fund which is suitably low risk and low turnover. The recommendation from Hymans Robertson would be to invest in the Investment Grade Credit Sub-fund.

Peter Jones, Independent Investment Adviser wished it to be noted that he had some concerns about the move from MFS to BCCP. However, it was noted that the move had been made in response to the requirement to pool funds and to reduce the fees paid to fund managers. The sub-committee received information about all options before making the decision to move to BCCP. Karen Shackleton, stated that she recalled that at the time the decision was made to move away from MFS they were not in as strong a position.

Resolved

That the Pension Fund Investment Sub-Committee notes the Border to Coast Pension Investment update.

10. Valuation Update

Richard Warden, Hymans Robertson presented the valuation update to the sub-committee confirming that the data had been finalised on Friday 6 September 2019. The sub-committee was updated on progress made against the timeline and a summary of membership.

The fund has continued to grow in size, which is a national trend. It was noted that some young members of the fund would still be receiving benefits from the fund in 75-80 years' time.

The sub-committee noted the table on page 10 of the report which highlights the changes to the It was also noted that there had been a genuine return in the whole fund funding position in comparison to 2016.

Page 12 of the report shows a review of the funding strategy for precepting employers. The review had also taken into consideration other factors such as the risk from climate change and Brexit.

The following points were also made –

- The current funding strategy is consistent with peers
- Generally positive news from employers compared to the previous three valuations
- There are two clear stages in the investment strategy
 - Stage 1- high level decision
 - Stage 2 – detailed allocations/mandates
- There is likely to be an ambition to reduce contribution rates from current levels

Following a discussion in relation to the valuation assumptions it was agreed that officer will clarify some of the information. The sub-committee commented that the valuation was conservative but gave the fund some breathing space which was useful in view of the McCloud judgement, Brexit and other unknowns.

Resolved

That the Pension Fund Investment Sub-Committee notes the Border to Coast Pension Investment update

11. Any other items

None