

Warwickshire Local Pension Board

Investment update

26 January 2021

Recommendation

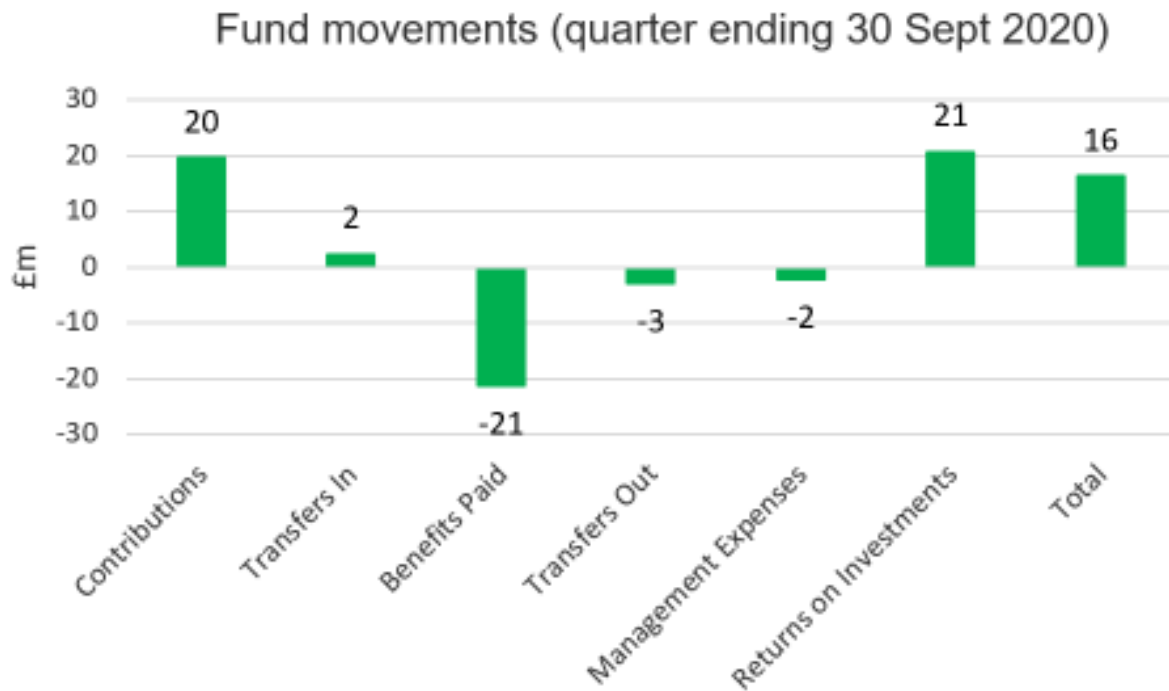
1. That the Local Pension Board notes this report.

1. Executive Summary

- 1.1 This report gives a governance-based overview of the Pension Fund's investment activities. It is the first iteration of this style of report, and so feedback is welcomed.
- 1.2 Officers, consultants and advisors updated the quarterly reporting materials given to Pension Fund Investment Sub-Committee members. The intention is to ensure that information useful to inform and monitor decision-making is included on a timely basis.
- 1.3 The value of the Fund's assets increased from £2.2bn as at 30 June 2020 to £2.3bn as at 30 September 2020. This increase was caused by investment returns over the quarter.
- 1.4 The Fund's cashflow position remains balanced.
- 1.5 The National Knowledge Assessment recently undertaken will inform the contents and ordering of future training for the investment sub-committee.
- 1.6 The Fund issued its compliance statement with the Competition and Markets Authority's requirement to have Investment Consultant Objectives in place. These were agreed in December 2019. These are being reviewed ready for the next round of Committee meetings (March 2021).

2. Pension Fund update

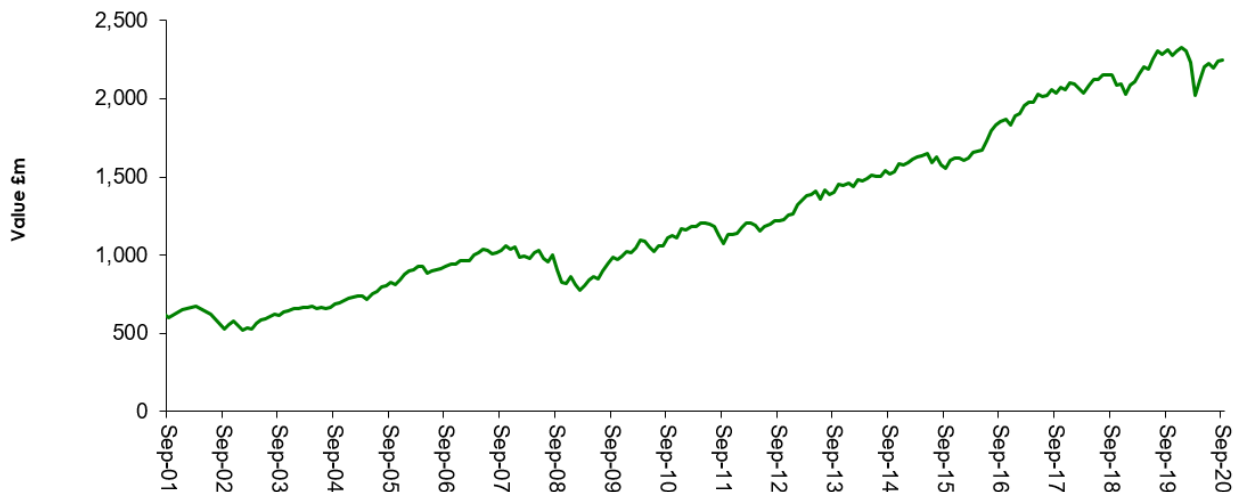
- 2.1 The chart below shows that the Fund's benefit payments roughly equalled contributions received. Therefore, the Fund's cashflow remains balanced, and there was no need to sell assets to meet its pensioner payment obligations.



2.2 The line chart below shows how the size of WPF has increased since 1 September 2001. This is due to a mixture of increased contributions from a larger membership, and net positive investment returns.

2.3

Growth of Total Fund Value (since 30 September 2001)



3. Asset allocation

3.1 This section reviews the nature of Fund investments.

- 3.2 The [Investment Strategy Statement 2020](#) includes a section on ‘Asset classes’ which sets out the ‘Current Strategic Allocation’ (a short-term benchmark), the ‘Asset Allocation Range’ (the control ranges agreed for rebalancing purposes), and the ‘Target Allocation’ (a longer-term direction of intended investment holdings).
- 3.3 The ‘Target Allocation’ is likely to be updated before being reached, as the liabilities, which investments are intended to cover, also evolve. This is useful in suggesting which new opportunities may be worth migrating towards, and the order of drawing liquidity from current holdings.

Asset class	Current Strategic Allocation (%)	Asset Allocation Range (%)	Target Allocation (%)
UK equities	17.0	+/-2.5	13.0
Overseas equities	27.5	+/-2.5	21.5
Fundamental global equity	10.0	+/-2.5	10.0
Private equity	4.0	n/a	4.0
Total Growth	58.5		48.5
Property	10.0	n/a	12.5
Infrastructure	4.0	n/a	7.0
Private debt	5.0	n/a	7.0
Absolute Return Bonds / Multi Asset Credit	7.5	n/a	10.0
Total Income	26.5		36.5
UK corporate bonds	10.0	+/-1.5	10.0
UK index linked bonds	5.0	+/-0.5	5.0
Total Protection	15.0		15.0
Total	100.0		100.0

- 3.4 The diagram below is the Fund's actual asset allocation, against its 'Current Strategic Allocation' (benchmark).

Asset Allocation	Actual	Benchmark
Total Growth	59%	55%
UK Equities	15%	
Global Equities	29%	
Global Fundamental Equities	9%	
Private Equity	6%	
Total Income	17%	22%
Property	10%	
Infrastructure	3%	
Private Debt	4%	
Total Protection	24%	23%
UK Corporate Bonds	11%	
UK Index-Linked Bonds	6%	
Absolute Return Bonds	5%	
Cash	2%	
Total	100%	

* values as at 30 September 2020. Infrastructure, Private Debt and Private Equity values are as at 30 June 2020.

- 3.5 This shows that the Fund is overweight to 'Growth' assets, and underweight 'Income', whilst 'Protection' is broadly in line with the benchmark. However, as most of the 'Income' type assets are illiquid and rely on underlying managers calling on capital committed by the Fund, the appearance of being behind the benchmark is altered if we look at committed capital rather than capital deployed.
- 3.6 The table's format may be altered before next quarter to increase user-friendliness. Feedback on the format is welcomed.

4. Changes in the investment portfolio

- 4.1 As at the time of writing this report (14 January 2021) the Fund can disinvest 2.5% of the portfolio from BCPP's Global Equity Alpha Fund. One of the other partner funds in the BCPP pool is looking to invest a greater amount than our disinvestment in this sub-fund. Therefore, we are looking to 'cross' the transaction to minimise dealing costs, which means that the transaction cost of disinvestment should be significantly lower than originally anticipated.

- 4.2 The Fund has put in place a new Scheme of Delegation, updated its Authorised Signatory List and set up Email Dealing for expedience of transactions. These actions mitigate difficulties such as: clarity on which posts have permission to sign, collecting wet ink signatures when working from home, and postal delays.

5. Stewardship

- 5.1 The Fund's reporting to the Pension Fund Investment Sub-Committee includes information on the previous quarter's voting record for equities held in pooled accounts.
- 5.2 The investment monitoring report includes some information on the Fund's progress against Environmental, Social and Governance objectives. This is an area that is developing and changing at an industry-wide level, and as data availability is not yet good, there is little decision-making impact.
- 5.3 Warwickshire Pension Fund is working with the other Border to Coast Pensions Partnership funds to create a template response to the UK Stewardship Code 2020.
- 5.4 The financial implications of collaborating with other parts of the Local Government Pension Scheme is analysed by Hymans in the 'Pooling Costs Savings Tracker' as part of their quarterly reporting.
- 5.5 If Pension Funds representatives become aware of issues at fund managers with whom the Pension Fund invests assets, the Pension Fund's advisors and/or consultants carry out further enquiries.

6. Training

- 6.1 There was a training day on 28 October 2020. This covered an 'introduction to bonds' by the Fund's manager of Absolute Return Bonds and the National Knowledge Assessment led by Hymans Robertson.
- 6.2 Output from the National Knowledge Assessment will inform the contents and ordering of future training. This should include a mixture of bespoke internal training sessions, externally produced briefing webinars, video content, conferences and individual training sessions.
- 6.3 Officers are working on the infrastructure for a log of members' training exposure in line with the Pension Regulators' requirements.

7. Financial Implications

None – no decisions to be made

8. Environmental Implications

None – no decisions to be made

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Other Members: None