

# Local Pension Board

2 February 2022

## Investment Update

### Recommendation

That the Local Pension Board (LPB) notes and comments on this report

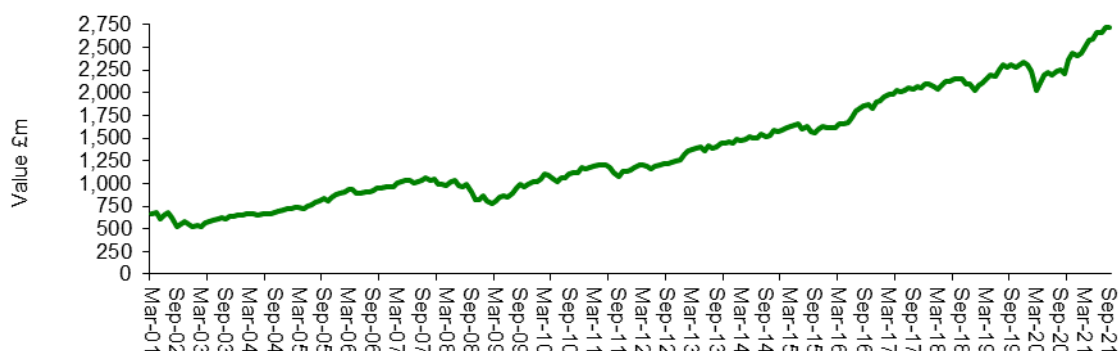
### 1 Executive Summary

- 1.1 This report provides a general update on investment related activity.
- 1.2 The funding level improved over the quarter ending 30 September 2021. The main drivers of underlying asset and liability movements are described.
- 1.3 The report also summarises activities that have taken place over this quarter to ensure that the Fund is well-governed.

### 2. Fund Update

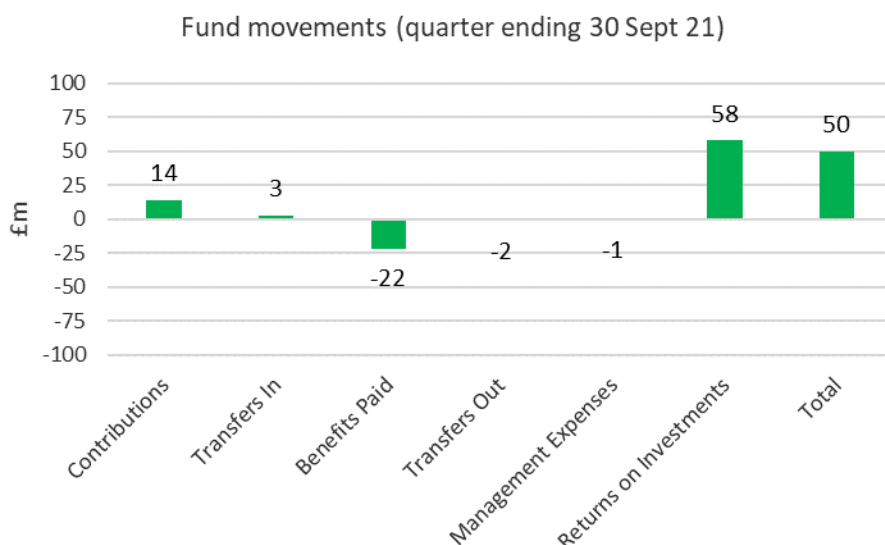
- 2.1 The funding level improved over the quarter ending 30 September 2021 to c106%.
- 2.2 As at 30 September 2021, the value of the Fund stood at £2.7bn (its highest absolute value since inception) as shown in the long-term chart below.

Total Fund Value Since 31 March 2001



- 2.3 The total value of the Fund's assets increased by 2.1% over the quarter ending 30 September 2021.

2.4 This increase was driven by equity and property gains. The chart below summarises the main cashflow changes.



2.5 Over the quarter under review the value of benefits paid out exceeded the value of contributions paid in (by £8m) for the second quarter.

2.6 More detailed analysis of investment performance and a summary of the overall funding level are set out in a separate report in the meeting agenda.

### 3 Long Term Performance

3.1 Appendix 1 shows performance since inception vs target for all funds currently invested in. This helps to provide a long-term view.

### 4 Portfolio Commentary

#### Alternatives

4.1 A key issue for the Fund remains building up investments in alternatives, this continues to occur and the current overall picture for alternatives allocations is that 49% of the total amount committed has been called by investment managers to date. Appendix 2 illustrates the breakdown of this between the different funds.

Alternatives	Amount invested by fund managers (£m)	Amount still to be called (£m)	Total
£'m	321	340	661
% of Total	49%	51%	100%

## Cash

- 4.2 Cash balances as at the end of September were £75.8m. £60.3m is held in the custodian investment account (Blackrock – this account is used to meet capital calls and take investment distributions), and £15.5m is held in the Fund’s operating account (Lloyds - to manage transactions such as receiving employer contributions and paying member benefits). The total balance remains high (2.8% of the Fund) due to the intention to protect the Fund from the risk of having to sell assets under distress to service cash flow, and in anticipation of the move to the Border to Coast Multi-Asset Credit Fund, which happened after quarter end.

## Multi-Asset Credit Fund Transfer

- 4.3 In the December 2019 PFISC the decision was made to allocate 10% of the Pension Fund to the Multi-Asset Credit Fund (MAC) once it became available.
- 4.4 The transfer of assets from legacy managers and cash took place between 14 October and 12 November 2021.

## 5 Voting

- 5.1 The Fund holds actively managed equities through funds within the Border to Coast Pensions Partnership, and passive equities managed through funds held with Legal and General Investment Management (LGIM). These equities carry voting rights.
- 5.2 The table below summarises voting activity in the previous quarter in respect of funds held with Border to Coast:

### Border to Coast equity funds

Voting Direction	UK Alpha	Global Alpha	UK Alpha	Global Alpha
	Vote Count		% of Total	
For	500	197	90%	90%
Against	57	23	10%	10%
Other	0	0	0%	0%
Total	557	220	100%	100%

- 5.3 Border to Coast provide published reports on their website in respect of voting (and engagement) activity, and the link is included here:  
<https://www.bordertocoast.org.uk/our-investments/>
- 5.4 The table below summarises voting activity in the previous quarter in respect of funds held with LGIM:

## LGIM equity funds

Voting Direction	UK	Rest of World	UK	Rest of World
	Vote Count	Vote Count	% of Total	% of Total
For	2,495	4,075	94%	79%
Against	154	1,007	6%	19%
Other	0	90	0%	2%
Total	2,649	5,172	100%	100%

- 5.5 LGIM's Investment Stewardship team direct the assets managed on our behalf. Their Environment, Social and Governance (ESG) Impact Report sets out voting (and engagement) activity, and the link is included here: [https://www.lgim.com/landg-assets/lgim/document-library/esg/q2-2021\\_esg-impact-report-uk\\_europe-final.pdf](https://www.lgim.com/landg-assets/lgim/document-library/esg/q2-2021_esg-impact-report-uk_europe-final.pdf)

## 6 Annual Report and Accounts

- 6.1 The Pension Fund's Accounts were signed off at Council on 14 December.
- 6.2 The [Annual Report and Financial Statements 2020-2021](#) is available on the Warwickshire Pension Fund [website](#), and was published ahead of the 1 December required publication deadline. This document was updated and republished once the Accounts were signed off.
- 6.3 The external audit concluded with no material issues, however there are a few areas which officers will update for next year.

## 7 Annual General Meeting

- 7.1 The Fund's Annual General Meeting took place virtually on 26 November. The initial attendance report indicated limited Employer participation. The content is available as a recording should people wish to watch at a more convenient time.

## 8 Advisers

- 8.1 The tendering process for a second Independent Pensions Specialist Adviser has completed. The post will be in place ahead of the March Pension Fund Investment Sub-Committee.
- 8.2 The Fund conducted a survey gathering feedback on Hymans Robertson as an Investment Consultant and Camdor's Bob Swarup as an Independent Adviser ahead of completing the Competition and Markets Authority (CMA) Investment Consultant Objectives Compliance Statement.

## **9 Border to Coast Pensions Partnership**

- 9.1 The Chief Investment Officer (CIO), Daniel Booth, and the Head of Real Estate, Tim Sankey, handed in their notice toward the end of 2021. John Harrison is going to be the Interim-CIO before a replacement is found.

## **10 UK Stewardship Code**

- 10.1 The first draft of this report is now ready, and the expectation is that the Fund's application will be ready for the next submission deadline (30 April 2022).

## **11 Climate Change**

- 11.1 Signing up to the 2020 UK Stewardship Code will assist in promoting activity and transparency around climate change, and once that priority has been addressed, it is intended for the Fund to look at the requirements relating to the Task Force on Climate Related Financial Disclosures (TCFD).

## **12 Training**

- 12.1 Since September, Committee members, Board members and officers have had access to several tailored workshops, all of which are available as recordings:
- Investment Beliefs and Objectives (6 September)
  - High-Level Strategic Asset Allocation Training (20 September)
  - Business Continuity Training (13 October)
- 12.2 In addition to the identification of appropriate training, it is important to ensure that all training is logged and recorded. This assists with ensuring that training is not duplicated and is also necessary in order to provide evidence in submissions to fund managers when the Fund opts up to investor status. The Fund has created 'logs' which can be used by each member (either PFISC or Local Pension Board) to maintain their records. Please do let the Governance Officer (Neil Buxton/Martin Griffiths) know if you have attended additional external training.
- 12.3 The Fund has also provided Committee members, Board members and officers with access to Hymans' LGPS Online Learning portal.

## **13 Financial Implications**

- 13.1 None for this Board

## **14 Environmental Implications**

14.1 Climate risk is a key issue facing the Fund in the longer term. This has been a feature of training this year and a set of actions which are being converted into a plan for 2021/22.

## 15 Supporting Information

15.1 None.

## 16 Timescales Associated with Next Steps

16.1 None.

## Appendices

- Appendix 1 – Performance since inception
- Appendix 2 – Alternatives Funds Commitments

## Background Papers

None

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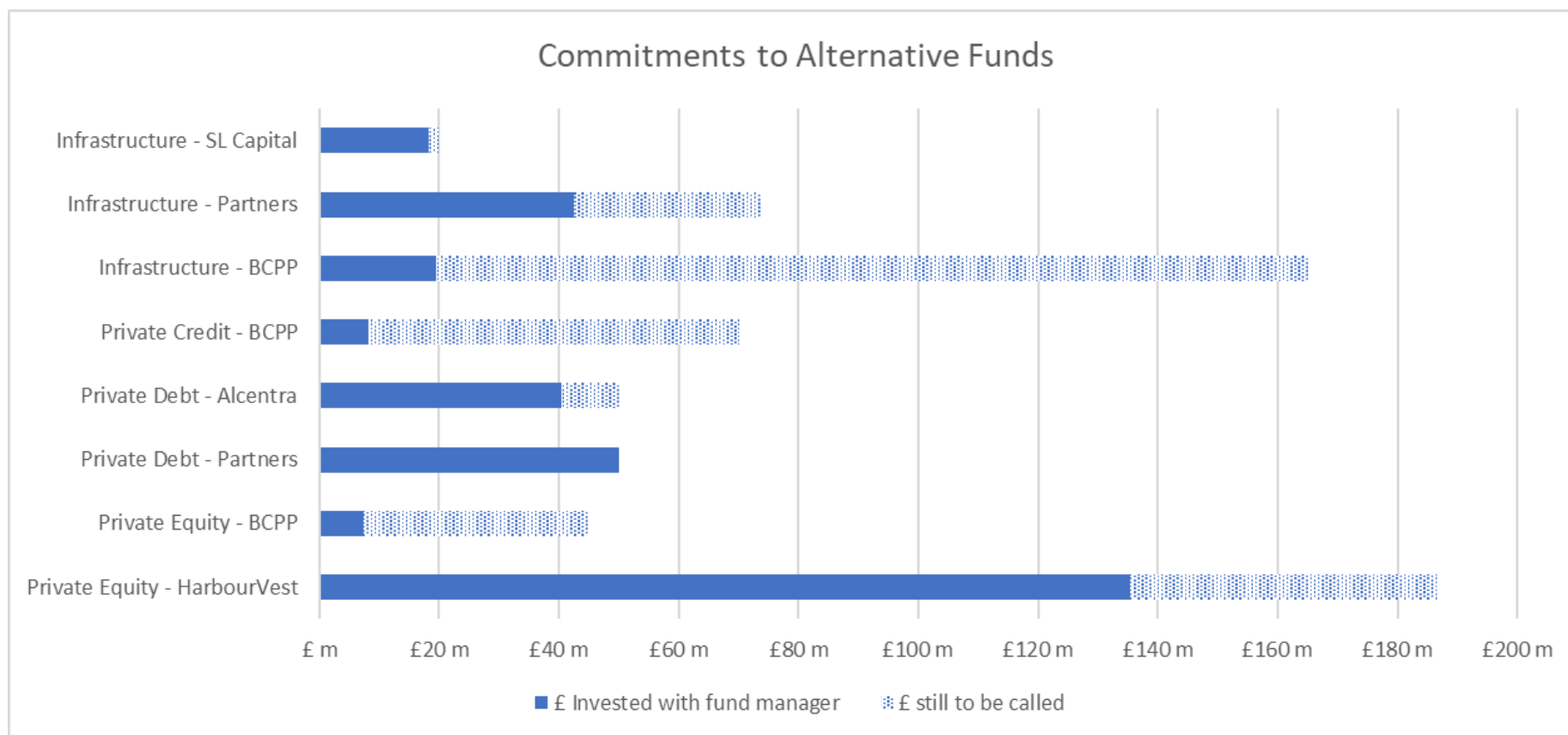
The report was circulated to the following members prior to publication:

Local Member(s): None

Other members:

## Appendix 1

Structure	Inception to 30/9/21	Inception Date
Total Consolidation	8.56	01/Jul/04
WWS - Reflex BM Total Fund		01/Jul/04
Alcentra	9.55	01/Nov/18
Alcentra BM	5.00	01/Nov/18
BCPP UK EQ RK	8.14	01/Dec/18
BCPP UK EQUITY BENCHMARK	5.85	01/Dec/18
BCPP UK EQUITY + 2%	7.90	01/Dec/18
Harbour Vest	15.38	01/Apr/11
Harbour Vest Benchmark	12.62	01/Apr/11
JP Morgan	2.90	01/Feb/13
JP Morgan Benchmark	0.43	01/Feb/13
JP Morgan Benchmark + 3%		01/Feb/13
LGIM Bond	6.50	01/Nov/08
LGIM Bonds	6.10	01/Nov/08
LGIM Equity	10.91	01/Nov/08
LGIM Equity BM	10.85	01/Nov/08
Partners Group	8.83	01/Jan/16
Partners Group BM	7.00	01/Jan/16
Partners Group II	4.54	01/Apr/18
Partners Group II BM	5.00	01/Apr/18
Schroders Property	3.05	01/Apr/07
Schroders Property BM	3.18	01/Apr/07
SL Capital	7.10	01/Jun/15
SL Capital	7.01	01/Jun/15
Threadneedle Property	4.50	01/Apr/07
Threadneedle Property BM	3.91	01/Apr/07
WARKS - PIMCO DIF	1.58	01/Mar/21
WARKS-BCPP GE	13.44	01/Oct/19
BCPP GE Benchmark	13.42	01/Oct/19
BCPP GE + 2%	15.42	01/Oct/19
WARKS-BCPP IG CR	2.30	01/Feb/20
BCPP IG CR Benchmark	0.81	01/Feb/20
WARKS-BCPP INFRA	-7.63	01/Oct/19
BCPP INFRA Benchmark	7.00	01/Oct/19
WARKS-BCPP PE	12.63	01/Jul/19
BCPP PE Benchmark	14.81	01/Jul/19
WARKS-BCPP PR CR	3.63	01/May/20
BCPP PR CR Benchmark	5.00	01/May/20



Note that this chart only shows the extent to which capital has been invested, it does not show the planned investment profile and therefore is not an indicator of the performance of fund managers in getting capital invested.