

Warwickshire Local Pension Board

18 October 2022

Investment update

Recommendation

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

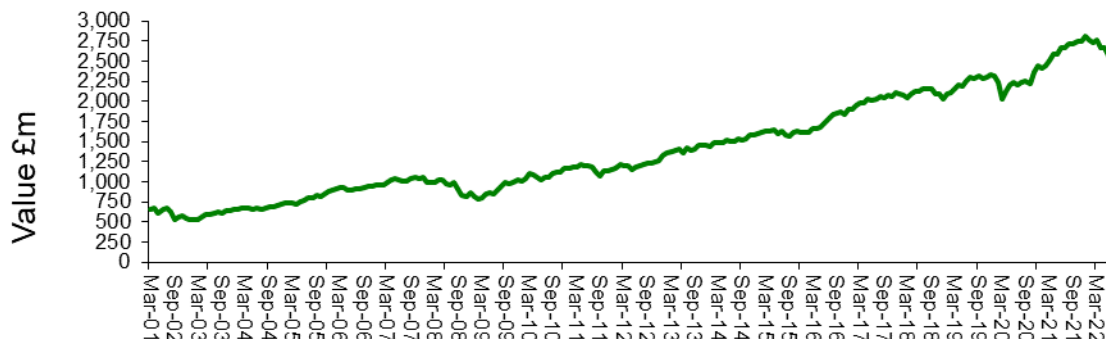
1. Executive Summary

- 1.1 This report provides a general update on investment related activity.
- 1.2 The funding level increased significantly over the quarter ending 30 June 2022, from c.104% to c.122%. This is due to falling long-term inflation expectations and rising interest rate expectations.
- 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 As at 30 June 2022, the value of the Fund stood at £2.6bn. The value of the Fund since inception is shown in the long-term chart below.

Total Fund Value Since March 2001

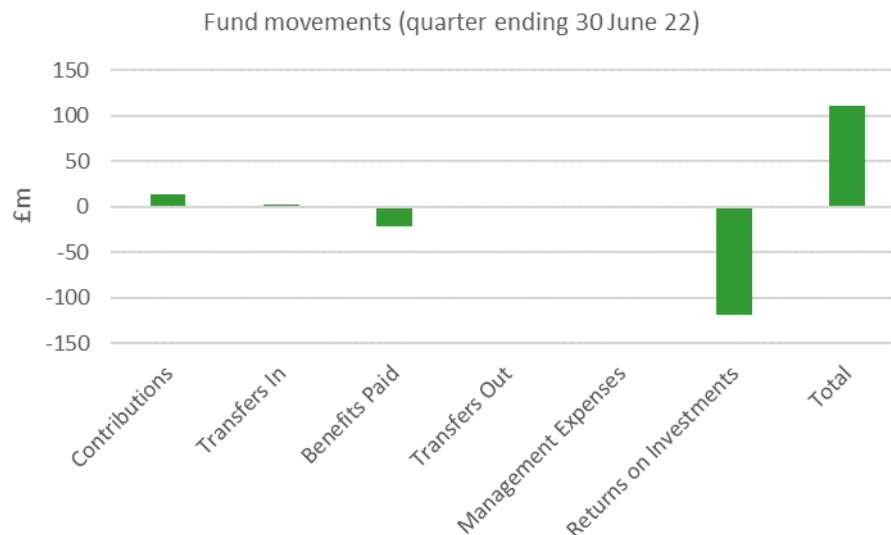


- 2.2 The total value of the Fund's assets decreased by 4.4% over the quarter ending 30 June 2022.

- 2.3 This decrease was driven by equity market falls, affected by events such as the war in Ukraine, and bond market falls, affected by increasing short-term inflation and interest rate expectations.

Cashflow

- 2.4 The chart below summarises the main cashflow changes. It indicates that the value of contributions in (£14m) exceeded the benefits paid out (£22m) and therefore the Fund was cashflow positive.



Performance

- 2.5 Detailed analysis of investment performance and the funding level were set out in the PFISC's private meeting agenda.
- 2.6 Appendix 1 shows performance since inception (8.0%p.a.) versus targets for all funds in which Warwickshire currently invests (7.5% p.a.). This helps to provide a long-term view.

3. Portfolio Commentary

- 3.1 At the June PFISC, the Committee agreed to restructure the Fund's equity portfolio in line with advice from the Fund's Investment Consultant, Hymans Robertson. Part of this recommendation was to delegate implementation to Officers, with the PFISC to have oversight of how the process is being carried out.
- 3.2 The LGIM RA Fundamental Index to BCPP Investment Grade Credit Fund rebalancing took place in early August. This was agreed to at the June PFISC, for a value of 1.5% of the Fund.
- 3.3 Cash balances as at the end of June 2022 were £50.4m. This total represents 1.9% of the Fund's value. (£16.2m Lloyds – to manage transactions such as receiving employer contributions and paying member benefits and £34.2m

BlackRock – this account is used to meet capital movements). The PFISC agreed a Cashflow Management approach at the June PFISC and implementing this has been taken forward by Officers since.

4. Voting and Stewardship

- 4.1 The PFISC received voting information on its active and passive equity portfolios which are managed by Border to Coast Pensions Partnership and Legal and General Investment Management respectively. These equities carry voting rights and are voted in line with each manager's voting (and engagement) policy.

5. Accounting

- 5.1 The main audit is being carried out by Grant Thornton, and the team has serviced requests to date.
- 5.2 The draft Annual Report and Accounts has been prepared – many thanks to the Team for their hard work with this.

6. Other activities

- 6.1 The Fund's Annual General Meeting is scheduled for the morning of 4th November 2022. The intention is to hold it in-person at Northgate House.

7. Team

- 7.1 The pensions and investment team wish to thank Sukhdev Singh for his hard work and commitment as the Senior Pension Fund Accountant, and Senior Finance Officer before that. We wish him the best in his next endeavour.

8. Financial Implications

- 8.1 None for this Board.

9. Environmental Implications

- 9.1 Climate risk is a key issue facing the Fund in the longer term. Appropriate governance of this risk is managed through the annual climate risk report, as well as through the risk register.

10. Supporting Information

- 10.1 None

11. Timescales associated with the decision and next steps

11.1 None

Appendices

1. Appendix 1 – Performance since inception

| | Name | Contact Information |
|--------------------|-----------------------------------|--|
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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 30/6/22 | Inception Date |
|----------------------------|-------------------------|-------------------|
| Total Consolidation | 7.99 | 01/Jul/04 |
| WWS - Reflex BM Total Fund | 7.52 | 01/Oct/04 |
| Alcentra | 8.50 | 01/Nov/18 |
| Alcentra BM | 5.00 | 01/Nov/18 |
| BCPP UK EQ RK | 2.07 | 01/Dec/18 |
| BCPP UK EQUITY + 2% | 6.47 | 01/Dec/18 |
| Harbour Vest | 14.82 | 01/Apr/11 |
| Harbour Vest Benchmark | 11.27 | 01/Apr/11 |
| LGIM Bond | 4.76 | 01/Nov/08 |
| LGIM Bonds | 4.40 | 01/Nov/08 |
| LGIM Equity | 9.99 | 01/Nov/08 |
| LGIM Equity BM | 9.80 | 01/Nov/08 |
| Partners Group | 10.29 | 01/Jan/16 |
| Partners Group BM | 7.00 | 01/Jan/16 |
| Partners Group II | 4.97 | 01/Apr/18 |
| Partners Group II BM | 5.00 | 01/Apr/18 |
| Schroders Property | 4.00 | 01/Apr/07 |
| Schroders Property BM | 3.96 | 01/Apr/07 |
| SL Capital | 6.94 | 01/Jun/15 |
| SL Capital | 7.00 | 01/Jun/15 |
| Threadneedle Property | 5.51 | 01/Apr/07 |
| Threadneedle Property BM | 4.84 | 01/Apr/07 |
| WARKS-BCPP GE | 6.09 | 01/Oct/19 |
| BCPP GE + 2% | 9.39 | 01/Oct/19 |
| WARKS-BCPP IG CR | -3.58 | 01/Feb/20 |
| BCPP IG CR Benchmark | -4.74 | 01/Feb/20 |
| WARKS-BCPP INFRA 1A | 6.34 | 01/Apr/22 |
| BCPP INFRA Benchmark | 7.00 | 01/Oct/19 |
| WARKS-BCPP INFRA 1B | 4.27 | 01/Apr/22 |
| BCPP INFRA Benchmark | 7.00 | 01/Oct/19 |
| WARKS-BCPP INFRA 1C | 7.61 | 01/Apr/22 |
| BCPP INFRA Benchmark | 7.00 | 01/Oct/19 |
| WARKS-BCPP MA CR | -12.39 | 01/Oct/21 |
| WARKS-BCPP MA CR BM | 0.33 | 01/Oct/21 |
| WARKS-BCPP PE 1A | 3.84 | 01/Apr/22 |
| BCPP PE Benchmark | 9.21 | 01/Jul/19 |
| WARKS-BCPP PE 1B | 6.19 | 01/Apr/22 |
| BCPP PE Benchmark | 9.21 | 01/Jul/19 |
| WARKS-BCPP PE 1C | 17.62 | 01/Apr/22 |
| BCPP PE Benchmark | 9.21 | 01/Jul/19 |
| WARKS-BCPP PR CR 1A | 7.01 | 01/Apr/22 |
| BCPP PR CR Bmk | 5.00 | 01/May/20 |
| WARKS-BCPP PR CR 1C | 6.71 | 01/Apr/22 |
| BCPP PR CR Bmk | 5.00 | 01/May/20 |

