

DRAFT MINUTES

Meeting ID	219
Committee	Pension Fund Investment Sub-Committee
Date	09/12/2019
Attendees	Councillor Richard Chattaway (Committee Member) Councillor Bill Gifford (Committee Member) Councillor John Horner (Committee Member) Councillor Wallace Redford (Committee Member) Councillor Bob Stevens (Committee Member) Michael Nicalaou (Officer) Sukhdev Singh (Officer) Aneeta Dhoot (Officer) Councillor Neil Dirveiks (Committee Member) Chris Norton (Officer) Jane Pollard (Officer) Rob Powell (Officer) Helen Barnsley (Secretary)

Item ID	755
Item Title	General
Summary	

Item ID	756
Item Title	Members' Disclosures of Pecuniary and Non-Pecuniary Interests
Summary	None

Item ID	758
Item Title	Minutes of the previous meeting
Summary	The minutes were agreed as a true and accurate record. There were no matters arising.

Item ID	1007
Item Title	Forward Plan
Summary	<p>Chris Norton, Strategy and Commissioning Manager presented the report to the Sub-Sub-Committee giving a short summary of the forward plan.</p> <p>In addition to the information provided it was agreed that presentations at the Sub-Sub-Committee by existing fund managers outside of the pool are added to the plan to ensure that all funds have enough oversight.</p>

	<p>Resolved</p> <p>That the Sub-Committee notes the content of the report.</p>
--	---------------------------------------------------------------------------------------

Item ID	1008
Item Title	Minutes of the Special Meeting of the Local Pension Board - 19 October 2019
Summary	<p>With reference to the minutes from the Local Pension Board, the Chair reminded the Sub-Committee that this was a form of scrutiny; although the Sub-Committee will only have access to public minutes.</p> <p>It was also noted that the Local Pension Board will have access to the public minutes of the Pension Fund Investment Sub-Committee.</p> <p>The Sub-Committee noted the minutes of the Special Meeting of the Local Pension Board held on 19 October 2019.</p>

Item ID	1009
Item Title	Minutes of the Local Pension Board Meeting - 14 November 2019
Summary	The Sub-Committee noted the minutes of the Local Pension Board held on 14 November 2019.

Item ID	1010
Item Title	Reports Containing Confidential of Exempt Items
Summary	The Sub-Committee 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'.

Item ID	1011
Item Title	Exempt Minutes of the PFISC meeting - 9 September 2019
Summary	<p>In relation to the Valuation Update (Item 10), it was noted that the minutes should read that it was Rob Bilton who presented the report and not Richard Warden.</p> <p>The Sub-Committee noted the exempt minutes of the PFISC meeting held on 9 September 2019. There were no matters arising</p>

Item ID	1012
Item Title	Investment Performance
Summary	<p>Chris Norton, Strategy and Commissioning Manager presented the report to the Sub-Committee highlighting the fund value and investment performance for the first quarter of 2019/20.</p> <p>The Sub-Committee noted the following points –</p> <ul style="list-style-type: none"> • In terms of asset allocation, Equity and Fixed Income were overweight. • Absolute return bonds, Infrastructure, Private Debt and Cash were all underweight. • Moving forward officers will bring more transparency to the Sub-Sub-Committee in terms of benchmark performance in the report. • In relation to the performance by fund managers; Threadneedle Property and Schroders Property are short of their target and not exceeding the benchmark figure. <p>Resolved</p> <p>That the Sub-Committee notes the content of the report.</p>

Item ID	1013
Item Title	Investment Fund Performance
Summary	<p>Michael Nicolaou, Treasury and Pension Fund Manager introduced the report confirming that a new investment funding level was currently under discussion so the data for 2019 would be provided at a future meeting.</p> <p>Paul Potter from Hymans Robertson confirmed to the Sub-Sub-Committee that the performance targets are set over a three-year rolling period. The following points were noted by the Sub-Committee</p> <ul style="list-style-type: none"> • In relation to the pooling costs savings, a global mandate will be included in the report moving forward following MFF Accountancy's move to Border to Coast. • World markets were reported to be subdued but steady; with the US economy slowing down sharply. • Markets overall were weaker – in part due to the continued Brexit uncertainty and the different possible outcomes. • Diverse performance for blended return markets have been volatile so hard to predict, but Hymans Robertson has no concerns. • In relation to manager ratings; a new appointment has now been made at Schroders, Sarah Coburn who brings 21 years-experience to the role. The appointment is very positive.

	<p>Councillor John Horner requested that moving forward the report included trend line information on the graphs which would help to identify any emerging patterns.</p> <p>Resolved</p> <p>That the Sub-Committee notes the content of the report.</p>
--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Item ID	1014
---------	------

Item Title	Border to Coast Pension Partnership
------------	-------------------------------------

Summary	
---------	--

Andrew Stone from Border to Coast presented an update to the Sub-Sub-Committee which included the following highlights;

- Product development Timetable and updates
- Joint Sub-Sub-Committee Members and BCPP Non-Executive Directors
- Partner Funds Merger
- Property Sub-fund Development Funding

In relation to the BCPP Responsible Investment (RI) Policy, it was confirmed that there has been strong engagement with companies identified by the Climate Action 100+ group as being some of the highest carbon emission producers. Moving forward, working with these companies seems hopeful in relation to investments.

Ryan Boothroyd from Border to Coast presented the Sub-Committee with information in relation to Multi Asset Credit (MAC); showing what investments, from Border to Coast, are available to Warwickshire. Key areas for MAC were noted as follows;

- High Yield Bonds
- Loans
- Emerging Market Debts
- Securitised Specialist Bonds

Following a question from Councillor Neil Dirveiks, it was confirmed that PIMCO, marginal asset manager, went through an extensive recruitment process and everything in their portfolio is visible to Border to Coast. There are also monthly and quarterly performance meetings.

The Sub-Committee noted that for Quarter Two, the pension fund had underperformed by 2% but since inception has outperformed the benchmark of 2.5%.

	<p>Resolved</p> <p>That the Sub-Committee s notes the content of the report.</p>
--	-----------------------------------------------------------------------------------------

Item ID	1015
Item Title	Pooling Update
Summary	<p>Michael Nicolaou, Treasury and Pension Fund Manager presented the report to the Sub-Committee in relation to the performance of the Border to Coast sub-funds during Quarter Three.</p> <p>Following a comment from Councillor Neil Dirveiks it was agreed that the figures in the report will also be presented in GBP, rather than just US\$. It was noted that these figures would be based on the assumption of the exchange rate but that they would act as a helpful guideline for the Sub-Committee.</p> <p>In reference to point 5.2 of the report, clarification was given that the “small extra cost” was approximately £15k which was paid in relation to getting out of certain investments. Full details will be confirmed to the Sub-Committee.</p> <p>Resolved</p> <p>That the Sub-Committee s notes the content of the report.</p>

Item ID	1016
Item Title	Investment Strategy Review
Summary	<p>Chris Norton, Strategy and Commissioning Manager introduced Paul Potter from Hymans Robertson who presented the report to the Sub-Committee. It was confirmed that the Warwickshire Pension Fund Strategy is due for final sign off in March 2020 and will be presented at the next Sub-Committee meeting.</p> <p>With reference to growth allocation it was confirmed that not many changes have been proposed in the new strategy.</p> <p>The Sub-Committee noted that equities are performing well and that the average lifetime of a fund is 12 to 15 years. It was also noted that there is a continued commitment to private equity; with profits coming through previous investments.</p> <p>With reference to income assets; property prices have stabilised and are providing good returns. Peter Jones, Independent Investment Adviser was pleased to see that there had been no increase in protection assets.</p>

	<p>The conclusion of the report included the following points;</p> <ul style="list-style-type: none"> • The current investment strategy provides a good chance of meeting the long-term funding objective • There has been more economic activity in private markets and a reduction in activity on the stock exchange. • The strategy makes more commitment to private market funds <p>Resolved</p> <p>That the Sub-Committee notes the content of the report.</p>
--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Item ID	1017
Item Title	2019 Valuation Update
Summary	<p>Rob Bilton, Hymans Robertson presented the report which included a review of the funding strategy. Regarding the recent valuation, the outcome showed that there had not been much change. There had been two main changes;</p> <ul style="list-style-type: none"> • In relation to the McCloud case, guidance from the SAB was for the valuation for contribution rates to be made at the current rate • In May 2018, MCLHG regulations were amended to allow employers to claim back any surplus they had paid at the time of exiting the fund. Any payment would be made on the same terms as they entered the fund. <p>The Sub-Committee noted that a draft revised funding strategy has been sent out for consultation and that the results will be presented at the next Sub-Committee meeting.</p> <p>Resolved</p> <p>That the Sub-Committee notes the content of the report.</p>

Item ID	1018
Item Title	Investment Benchmarking
Summary	<p>John Smith from CEM benchmarking presented the report to the Sub-Committee confirming that the report includes a detailed comparative analysis of the costs associated with the pension fund and looks at the performance of the fund and risks associated with the costs.</p> <p>The benchmarking exercise involved a comparison of LGPS funds and funds outside the LGPS. It was noted that there are currently 35 funds working with CEM and that all Border to Coast funds are involved.</p>

	<p>Warwickshire’s pension fund has a cautious strategy in comparison to other funds, but active management decisions have been rewarded by a value-added increase of 0.5%. The Sub-committee noted that the LGPS medium for added value was 0.0%.</p> <p>The elimination of the hedge fund programme in 2016/17 had been a material influence in the reduction of costs</p> <p>The Sub-committee was presented with the key takeaway points of the report (page 20 of the report) and pleased to see that the report reflected a positive story for the fund.</p> <p>Resolved</p> <p>That the Sub-committee notes the content of the report.</p>
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Item ID	1019
Item Title	Setting Consultant Objectives
Summary	The Sub-Committee accepts the proposed objectives for its investment consultants. The objectives will be regularly reviewed by the Sub-Committee.

Item ID	1020
Item Title	Training Plan 2020
Summary	<p>Karen Shackleton, Independent Investment Adviser presented the results of a training needs analysis completed by members of the Pension Fund Investment Sub Committee.</p> <p>Common themes in the training needs of members include –</p> <ul style="list-style-type: none"> • Pension Accounting • Knowledge around Pooling • Pension Markets and Products <p>It was agreed that there will be internal training days, scheduled on a regular basis and full induction training for any new members of the Sub-Committee.</p> <p>Resolved</p> <p>That the Sub-Committee s notes the content of the report.</p>

This page is intentionally left blank