

Pension Fund Investment Sub-Committee

Date: Monday 14 June 2021
Time: 10.00 am
Venue: Shire Hall, Warwick - Shire Hall

Membership

Councillor John Horner (Chair)
Councillor Bill Gifford (Vice-Chair)
Councillor Christopher Kettle
Councillor Sarah Millar
Councillor Jill Simpson-Vince

Items on the agenda: -

(3) Minutes of the Previous Meetings

3 - 8

The minutes of the previous meeting were agreed as a true and accurate record. There were no matters arising.

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

This page is intentionally left blank

Pension Fund Investment Sub-Committee

Monday 14 June 2021

Minutes

Attendance

Committee Members

Councillor John Horner (Chair)
Councillor Bill Gifford (Vice-Chair)
Councillor Christopher Kettle
Councillor Sarah Millar
Councillor Jill Simpson-Vince

Officers

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance
Aneeta Dhoot, Senior Finance Officer
Andrew Felton, Assistant Director - Finance
Shawn Gladwin, Senior Finance Officer Pensions Investment
Victoria Moffett, Pensions and Investments Manager
Neil Buxton, Technical Specialist - Pension Fund Policy and Governance
Aneeta Dhoot, Senior Finance Officer
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)
Andrew Felton, Assistant Director - Finance
Nichola Vine, Strategy & Commissioning Manager

Others Present

Moira Gorman, Columbia Threadneedle (for minute no. 13)
Robin Jones, Columbia Threadneedle (for minute no. 13)
Mark Lyon, Border to Coast Pensions Partnership (for minute no. 15)
Philip Pearson, Hymans Robertson
Andy Stone, Border to Coast Pensions Partnership (for minute no. 15)
Bob Swarup, Independent Advisor
Richard Warden, Hymans Robertson

1. General

(1) Apologies

None.

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

None.

(3) Minutes of the Previous Meetings

The minutes of the previous meeting were agreed as a true and accurate record. There were no matters arising.

2. Review of the Minutes of the Local Pension Board meeting 26 January 2021

The minutes of the Local Pension Board meeting of 26 January 2021 were noted.

3. Forward Plan

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance, presented this report which provided an updated forward plan for the Pension Fund Investment Sub Committee, rolled forward to cover the year ahead. A schedule of policy review and activity at the Staff and Pensions Committee was provided to provide a complete picture of policy activity.

Reflecting on the included training plan, Councillor Gifford suggested that items scheduled for December 2021 be brought forward and this was agreed. It was noted that the training plan had been based on the National Knowledge Assessment.

Resolved

That the Pension Fund Investment Sub-Committee noted the forward plan.

4. Risk Monitoring

Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) presented this report which provided an update on the risks to the Fund and actions taken to manage them. Further actions relating to risks in the register were housed either within the Business Plan's Single Action Plan, or business as usual activities. A draft risk appetite classification was included in the report and it was noted that a risk workshop in June/July would provide training to support the establishment of a risk appetite going forward.

Members discussed the format and content of the register, in particular seeking clarification on the expectations of the Sub-Committee in terms of setting the risk appetite, and the benefits of a single risk register. Members welcomed the inclusion of cyber security.

Chris Norton confirmed that further discussion was planned on the risk appetite including a workshop for Members. He also noted that the risk register had previously been separated into Covid Risks and General Risks but it had been agreed that it was strategically more beneficial to have a single register. The register was also presented to Staff and Pensions Committee and he recommended that the current holistic approach was retained over a compartmentalisation of the fund's business.

The Sub-Committee's independent advisors also offered some guidance on risk appetite, noting that the planned session would provide an opportunity to explore risk management in a strategic sense and provide challenge on the relative importance of risks and narrow the focus on more sensitive risks, for example, in relation to inflation, longevity of investments, or cyber security and other key operational matters.

In response to a question from Councillor Kettle regarding the impact of Brexit, Victoria Moffett advised that the risks were low due to the low exposure to UK equity funds and how they were constituted. Philip Pearson (Hymans Robertson) advised that the Fund was somewhat overweight to UK equity relative to global markets, and whilst over the years the allocation to UK equity had been reduced and was set to continue to reduce, further changes would be subject to the outcome of the strategy review that would lead into the following year's valuation. He expressed the view that the known risks of Brexit were reflected in asset prices which were reflected in the long term returns expected from UK equities. This was reviewed quarterly and a further two to three reviews would be undertaken before the new strategy was approved. It was noted that more discussion of risk factors would take place over the coming months as part of the investment strategy review.

Resolved

1. That the Pension Fund Investment Sub Committee noted the risk register attached to the report at Appendix B.
2. That the Pension Fund Investment Sub Committee noted the Risk Appetite statement attached to the report at Appendix A.

5. Voting Policy

Victoria Moffett, Pensions and Investments Manager presented this report which provided an updated Voting and Stewardship Policy that continued to align with that of Border to Coast Pensions Partnership (BCPP). A tracked change copy of the Fund's Voting and Stewardship Policy was included at appendix A and it was highlighted that a key change was that the Fund no longer had any segregated mandates with investment managers, all portfolios were indirectly managed by BCPP or Legal and General Investment Management.

Councillor Bill Gifford commented on the strength of the BCPP Voting Policy in comparison to that of the Warwickshire Pension Fund and particularly highlighted recent voting decisions rooted in climate change policy which he had been pleased to note.

Resolved

1. That the Pension Fund Investment Sub-Committee noted the report
2. That the Pension Fund Investment Sub-Committee approved The Warwickshire Pension Fund Stewardship & Voting Policy
3. That the Pension Fund Investment Sub-Committee approved the Border to Coast Pensions Partnership Corporate Governance and Voting Guidelines

6. Responsible Investment Policy

Victoria Moffett, Pensions and Investments Manager introduced this report which set out the Responsible Investment Policy and a Climate Risk Policy, as originally drafted by the Fund's investment consultant, Hymans Robertson. No material changes were proposed but the policies were expected to develop with input from the Sub-Committee. Philip Pearson noted that the

policies should be reviewed during the strategy review and one of the areas of focus should be on whether or not the Fund should adopt any goals on climate change and the management of associated risks.

Resolved

1. That the Pension Fund Investment Sub-Committee noted and approved the Responsible Investment Policy
2. That the Pension Fund Investment Sub-Committee noted and approved the Climate Risk Policy

7. General Investment Activity Update

Victoria Moffett, Pensions and Investments Manager, presented this report which provided a general update on investment related activity, and was complimentary to the investment and funding performance report also considered at the meeting.

In response to a question from the Chair regarding employer engagement, Victoria Moffett advised that the scheme consisted of just over 200 employers in total, a figure which fluctuated as employers joined and left the scheme. She was not aware of which employers had attended the engagement day and noted the response rate to the polls. Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) noted that a key feature of the scheme was the small number of large employers that had joined.

Resolved

That the Pension Fund Investment Sub-Committee noted the report.

8. Funding Strategy Statement

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance presented this report, explaining that following an amendment to the Local Government Pension Scheme Regulations, a review had been undertaken of the Funding Strategy Statement and subsequent amendments were recommended to provide additional flexibilities to manage the financial impact of certain pension fund issues on employers such as flexibilities in the making of exit payments and the facility to amend contribution in between valuations. Whilst the flexibilities were optional for employers, the Fund retained discretion over their use. Since publication of the report, information had been received about the outcome of a court case which involved the challenge of a scheme manager's approach to a funding strategy statement and the Local Government Association had recommended all Funds review the wording of their statements going forward.

Members noted that the changes were not significant and, in response to questions, Neil Buxton advised that the funding strategy statement needed to be reviewed annually and that deferment would occur when there were triggers for leaving the scheme, for instance a contractor at the end of their contract or a community organisation with no members.

Resolved

That the Pension Fund Investment Sub-Committee noted the report.

9. Reports Containing Exempt or Confidential Information

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.

The meeting was adjourned at 10.52am and reconvened at 11.08am.

10. Funding and Investment Performance

Resolved

1. That the Pension Fund Investment Sub-Committee noted the report.
2. That the Pension Fund Investment Sub-Committee agreed to de-risking the portfolio by removing the overweight to overseas equities.
3. That the Pension Fund Investment Sub-Committee agreed to delegate authority to the Strategic Director for Resources to make final changes regarding investing the holdings that were released from resolution 2 in PIMCO DIF.

11. Strategy Framework

Resolved

That the Pension Fund Investment Sub-Committee noted the report.

12. Funding Update

Resolved

That the Pension Fund Investment Sub-Committee noted the report.

13. Columbia Threadneedle Property Manager Presentation

Resolved

That the Pension Fund Investment Sub Committee noted the presentation.

14. LGPS Pooling Update

Resolved

That the Pension Fund Investment Sub-Committee noted the report.

15. Pooled Fund Manager Presentation

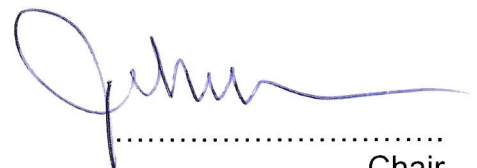
Resolved

That the Pension Fund Investment Sub Committee noted the presentation.

16. Exempt Minutes of the Previous Meeting

The exempt minutes of the previous meeting were agreed as a true and accurate record. There were no matters arising.

The meeting rose at 1.19pm



Chair

This page is intentionally left blank