

# Investment Advisory Sub-Committee

22 June 2016

**Time** 1.30 pm      **Public Meeting?** YES      **Type of meeting** Pensions  
**Venue** Council Chamber, 4th Floor - Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

## Membership

**Chair**  
**Vice-chair**

### Labour

Cllr Ian Brookfield  
Cllr Keith Inston

### Conservative

### Liberal Democrat

### District Members

Cllr Muhammad Afzal (Birmingham City Council)  
Cllr Keith Chambers (Walsall Metropolitan Borough Council)  
Cllr Sandra Hevican (Sandwell Metropolitan Borough Council)  
Cllr John Mutton (Coventry City Council)  
Cllr Angela Sandison (Solihull Metropolitan Borough Council)  
Cllr David Sparks (Dudley Metropolitan Borough Council)

### Trade union observers

Mr Malcolm Cantello  
Mr Martin Clift  
Mr Alan Phillips  
Mr Ian Smith

Quorum for this meeting is two Councillors.

## Information for the Public

If you have any queries about this meeting, please contact the democratic support team:

**Contact** Dereck Francis  
**Tel/Email** 01902 555835 or dereck.francis@wolverhampton.gov.uk  
**Address** Democratic Support, Civic Centre, 1<sup>st</sup> floor, St Peter's Square,  
Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

**Website** <http://wolverhamptonintranet.modern.gov.co.uk>  
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**Tel** 01902 555043

Please take note of the protocol for filming, recording, and use of social media in meetings, copies of which are displayed in the meeting room.

Some items are discussed in private because of their confidential or commercial nature. These reports are not available to the public.

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# Agenda

## Part 1 – items open to the press and public

*Item No.*    *Title*

1            **Apologies for absence (if any)**

2            **Substitute members**

3            **Declarations of interest (if any)**

4            **Minutes of last meeting - 16 March 2016** (Pages 5 - 8)  
[For approval]

5            **Matters arising**  
[To consider any matters arising from the minutes of previous meeting]

6            **Exclusion of the press and public**  
[To pass the following resolution:

That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information on the grounds shown below]

## PART 2 - EXEMPT ITEMS, CLOSED TO THE PUBLIC AND PRESS

7            **The future of global markets in three and five years**    Information relating to the  
[To receive a presentation from Baillie Gifford]            financial or business affairs of  
any particular person (including  
the authority holding that  
information) Para (3)

8            **Economic and market update - June 2016** (Pages 9    Information relating to the  
- 16)            financial or business affairs of  
any particular person (including  
the authority holding that  
information) Para (3)  
[To review conditions in the global economy and  
investment markets]

9            **Annual report on the Investment Advisory Panel            Information relating to the  
and West Midlands Integrated Transport Authority            financial or business affairs of  
(WMITA) Investment Strategy Panel** (Pages 17 - 28)            any particular person (including  
the authority holding that  
information) Para (3)  
[To report on the activities of the Investment Advisory  
Panel (IAP) and the WMITA Investment Strategy Panel  
during 2015/16 and to re-appoint Hymans Robertson  
as investment consultant and Scott Jamieson as  
Independent Adviser]

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|----|---|---|
| 10 | <p><b>Emerging Market Debt review</b> (Pages 29 - 32)<br/>[To receive an overview of the restructure of the Fund's emerging market debt portfolio]</p>  | <p>Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)</p> |
| 11 | <p><b>Asset allocation and investment performance - quarter one - 1 January - 31 March 2016</b> (Pages 33 - 60)<br/>[To consider the performance report]</p>  | <p>Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)</p> |
| 12 | <p><b>West Midlands Integrated Transport Authority (WMITA) Pension Fund asset allocation and investment monitoring report - 31 March 2016</b> (Pages 61 - 72)<br/>[To review the monitoring report]</p> | <p>Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)</p> |

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## Attendance

### Members of the Investment Advisory Sub-Committee

Cllr Jasbir Jaspal (Chair)  
Cllr Peter Bilson  
Cllr Mohammed Arif (Walsall MBC)  
Cllr Sandra Hevican (Sandwell MBC)  
Cllr David Sparks (Dudley MBC)

### Trade Union observers

Malcolm Cantello (Unison)  
Martin Cliff (Unite)  
Ian Smith (Unite)

### Employees

Geik Drever	Strategic Director - Pension Fund
Mark Taylor	Director of Finance
Rachel Brothwood	Assistant Director, Actuarial and Pensions
Dereck Francis	Democratic Support Officer
Rachel Howe	Head of Governance - West Midlands Pension Fund
David Kane	Head of Finance - West Midlands Pension Fund

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## Part 1 – items open to the press and public

*Item No.*    *Title*

- 1 Apologies for absence (if any)**  
Apologies for absence were submitted on behalf of Cllrs Ian Brookfield and Tersaim Singh (City of Wolverhampton Council), Cllr Mohammad Afzal (Birmingham City Council); Cllr Damian Gannon (Coventry City Council); Cllr Angela Sandison (Solihull Metropolitan Borough Council) and Mr Victor Silvester (Trade Union observer).
- 2 Substitute members**  
No notifications of substitutes were received for the meeting.
- 3 Declarations of interest (if any)**  
No declarations of interests were made.
- 4 Minutes of last meeting (9 December 2015)**  
Resolved:  
That the minutes of the meeting held on 9 December 2015 be approved as a correct record signed by the Chair.

5 **Matters arising**

With reference to Minute 10, 'The Markets in Financial Investments Directive (MiFID) II', Geik Drever, Strategic Director of Pensions reported that the implementation of MiFID II had been postponed to January 2018. She also informed the Sub Committee that the proposed Directive had been run with three Fund Managers to determine whether the West Midlands Pension Fund would be reclassified as a professional client under the Directive.

6 **Exclusion of the press and public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information falling within the paragraph 3 of Schedule 12A of the Act.

7 **Asset Allocation and Investment Performance Quarter Four 2015 - West Midlands Pensions Fund**

Geik Drever, Strategic Director of Pensions summarised the key elements of the quarterly asset allocation and investment monitoring report for the Fund. In doing so she also responded to the Sub-Committee's questions on performance during the quarter of the equities portfolio, real assets and infrastructure and private equity; and opportunities for investments.

Councillor Peter Bilson commented that on performance, the issue was how the Fund performed against the benchmark and in that respect he was reasonable confident about the performance. In terms of investment opportunities, he reported that there would be significant opportunities for investment around the West Midlands region; the Fund would have to take a view on the opportunities the regions provides.

The Strategic Director added that the Sub Committee should take a longer term view of performance of the illiquid assets eg private equity because the Fund was committed to these investments for twelve years.

Cllr David Sparks recalled from his previous experience on the Sub Committee the level of detailed information it had previously received on equity and property investments and that the Sub Committee regularly looked at its properties and received presentations from its property advisors. He asked whether the Sub Committee still received this information and if not, he suggested that it should be available for meetings of the Sub-Committee.

The Strategic Director reported that there was a property list/ list of the Fund's other investment portfolio, however, it was a bulky document and it had previously been agreed by the Committee to no longer print it for each meeting, but instead to make it available to Trustees at the Fund offices. She suggested that any member of the Sub Committee could view the investment portfolio document by visiting the Pension Fund office. She also confirmed that the Sub Committee had recently received a presentation from its property advisors, Messrs Clifford-Brown, Daggett and Roul (CBRE) and had also received presentations from its other advisors such as Pensions Infrastructure Platform (PIP) Royal London Asset Management. A Property tour was also arranged for the members in the last two years. The next Trustee training sessions on 21 – 23 March feature a number of our global and emerging markets managers and RI lawyers, as well as a property manager on the programme

Cllr Sparks added that he did not feel that looking at property once a year was satisfactory and he expressed his concern that the Sub Committee could not now say it was discharging its responsibilities when it was receiving less information on shares, property and regular reports from the its investment managers than it had in the recent past. He asked that the Chair of the Sub Committee find a satisfactory way to say that the Sub Committee had looked at the Fund's property investments. In terms of the Fund's shareholdings, he also asked for a broad indication of the companies the Fund invested in.

On this latter point the Strategic Director reported that the information was on the Fund's website. She asked the Head of Governance to provide members with the link to the information. The Strategic Director also informed the Sub Committee that every year the Fund published a list of all investments it held. She could arranged to print the transaction list if members so wished. She also advised the Sub Committee that property was 7% of the Fund's business and the Sub Committee needed to cover all the spectrum of its asset classes.

Cllr Peter Bilson acknowledged that the Sub Committee had received more information in the past and confirmed that the Sub Committee had received presentations from its advisors CBRE amongst others. He suggested that in future the Sub Committee received a presentation on property twice a year and that the information in the investment portfolio be made available to those members who want it.

Cllr Sparks suggested that a link be included on the website so that members of the Sub Committee who want to see the detail without burdening other members.

Resolved:

1. That the contents of the asset allocation and investment monitoring report for the quarter ended 30 December 2015 be noted.
2. The Fund's Property Manager be invited to update the Sub Committee on property investments every six months.
3. Members of the Sub Committee contact the Head of Governance if they wish to view the Fund's investment portfolio /property list.

8 **Asset Allocation and Investment Monitoring report - Quarter Four 2015 - West Midlands Integrated Transport Authority**

Geik Drever, Strategic Director of Pensions summarised the key elements of the quarterly asset allocation and investment monitoring report for the Fund.

Resolved:

That the contents of the asset allocation and investment monitoring report for the quarter ended 30 June 2015 be noted.

9 **Economic and Market Update - March 2016**

The Sub Committee received a report which summarised the key elements of the review of the global economy and investment markets produced by the Fund's Investment Advisers Hymans, Robertson.

In response to the Sub Committee's questions on the percentage total of the asset class outlook, Geik Drever, Strategic Director of Pensions reported that the asset classes were broad and did not cover all the asset classes in which the Fund invests. Consequently the tables of asset classes did not add up to 100%. The Strategic Director of Pensions also responded to a question on the target weight for the property asset class in the light of a comment she had made during the discussion on item 7 above where a different percentage weighting was reported.

Resolved:

That the global economic and market update paper prepared by the Fund's adviser, Hymans Robertson be noted.



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