

Investment Advisory Sub-Committee

Minutes - 22 March 2017

Attendance

Members of the Investment Advisory Sub-Committee

Cllr Ian Brookfield (Chair)
Cllr Keith Inston (Vice-Chair)
Cllr Peter Bilson
Cllr Tersaim Singh
Cllr Keith Chambers (Walsall MBC)
Cllr Sandra Hevican (Sandwell MBC)
Cllr John Mutton (Coventry City Council)
Cllr Angela Sandison (Solihull MBC)
Cllr David Sparks (Dudley MBC)

Trade Union Observers

Malcolm Cantello (Unison)
Martin Clift (Unite)

Employees

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| Geik Drever | Strategic Director of Pensions - West Midlands Pension Fund |
| Mark Taylor | Director of Finance and S151 Officer |
| Rachel Brothwood | Director of Pensions - West Midlands Pension Fund |
| Jason Fletcher | Chief Investment Officer - West Midlands Pension Fund |
| Dereck Francis | Democratic Services Officer |
| Rachel Howe | Head of Governance - West Midlands Pension Fund |
| David Kane | Head of Finance - West Midlands Pension Fund |

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 Cllr Changese Khan (Birmingham City Council), Ian Smith (Unite) and Alan Phillips (GMB).
- 2 Substitute members**
No notifications of substitute members were received for the meeting.
- 3 Declarations of interests (if any)**
Cllrs Tersaim Singh (City of Wolverhampton Council) and Keith Chambers (Walsall Metropolitan Borough Council) both declared disclosable non pecuniary interests in any matters on the agenda relating to the West Midlands Combined Authority (CA) in so far as they are members of the CA Audit Committee.
- 4 Minutes of last meeting - 7 December 2016**
Resolved:
That the minutes of the previous meeting held on 7 December 2016 be approved as a correct record and signed by the Chair.

5 **Matters arising**

With reference to Minute 11 (Implementation of Index Futures Trading), Malcom Cantello asked when the report mentioned in the minute on the use of index futures would be submitted to the Sub Committee. Rachel Brothwood, Director of Pensions advised that an update would be made during consideration of reports on the agenda for the Pensions Committee later on in the day.

With reference to Minute 10 (Cleveland Panning Application update), Rachel Brothwood reported that a decision on the planning application was anticipated for the end of May 2017.

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

Part 2 - exempt items, closed to the press and public

7 **Economic and Market Update - March 2017**

Jason Fletcher, Chief Investment Officer, presented the report which summarised the key elements of the review of the global economy and investment markets produced by the Fund's Investment Adviser Hymans Robertson.

Resolved:

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

8 **Asset Allocation and Investment Performance Quarter Four - 1 October to 31 December 2016 - West Midlands Pension Fund**

Jason Fletcher, Chief Investment Officer, summarised the key elements of the quarterly asset allocation and investment monitoring report.

Cllr Ian Brookfield (Chair) noted the positive impact and the performance from internal equity fund and private equities funds had on the overall Fund return.

Chief Investment Officer responded to the Sub Committee's questions relating performance during the quarter; and the Funds definition of 'real assets and infrastructure'. On the latter point the Sub Committee was advised that it was primarily physical objects such as property; things that you could touch that are not equity or private equity. Under this portfolio class the Fund was would be looking to invest in both projects and Funds in the future.

Resolved:

That the contents of the asset allocation and investment monitoring report for the quarter ended 31 December 2016 and longer term be noted.

- 9 **Asset Allocation and Investment Performance Quarter Four- 1 October to 31 December 2016 - West Midlands Integrated Transport Authority Pension Fund**
Jason Fletcher, Chief Investment Officer, summarised the key elements of the quarterly asset allocation and investment monitoring report for the WMITA Pension Fund.

Resolved:

That the contents of the asset allocation and investment monitoring report for the quarter ended 31 December 2016 and longer term be noted.

- 10 **Deployment of April 2017 Cash Contributions**
Jason Fletcher, Chief Investment Officer presented the report which outlined the plans Fund officers were putting in place to invest the increased level of cash contributions expected in April 2017 following completion of the 2016 Actuarial Valuation.

Cllr Angela Sanderson asked whether employers would receive a discount for paying their contributions in advance. Rachel Brothwood, Director of Pensions advised that early payment improved the funding position and provided an opportunity to generate additional returns on the monies received. The discount presented a share of the expected return with participating employers and take up had increased relative to the 2013 actuarial valuation.

Resolved:

1. That the temporary extension to the medium-term strategic range allocated to growth assets within the Fund's Statement of Investment Principles/Investment Strategy Statement, if required be approved subject to notification to the Chair.
2. That plans to invest the cash contributions expected in April 2017 be noted.

- 11 **Summary Findings of Private Equity Strategy Report**
Jason Fletcher, Chief Investment Officer presented the report which summarised and evaluated the findings of the Hymans Robertson paper on the Fund's Private Equity portfolio and investment programme. The report also outlined how the in-house investment team were developing the implementation of this strategy.

The officers responded to the Sub Committee's questions on the content of the report about the ability of the Pensions Committee and the Sub Committee to make decisions on investment strategy post implementation of investment pooling arrangements and LGPS Central going live; and on the Fund's ambitions to reduce costs associated with asset classes.

Resolved:

1. That the findings of the recent Hymans report on the Fund's private equity programme be noted
2. That the Investment Manager's plan as to how the recommendations be implemented be noted.