

COUNCIL
17 MAY 2018**REPORTS OF COMMITTEES****(b) SUMMARY OF DECISIONS TAKEN BY THE PENSIONS
COMMITTEE**

Administering Authority – Administration Update

1. The Committee has noted the general update from the Administering Authority in relation to Guaranteed Minimum Pension (GMP) Reconciliation exercise - update, Year end Preparation, Membership, Administration Forum, Data Quality, Government Actuary Department Reporting, and Admissions to the Fund.

Pension Investment Update

2. The Committee has noted the Independent Financial Adviser's fund performance summary and market background.
3. The Committee has noted the update on the Investment Managers placed 'on watch' by the Pension Investment Advisory Panel, namely JP Morgan – Emerging Markets and JP Morgan – Bonds.

Alternatives Investment

4. In order to maintain the Fund's proportion of UK and overseas commitments to infrastructure, the Committee has approved the commitment of £25m to Hermes Fund II, the latest fund launched by Hermes Infrastructure, following the appropriate due diligence undertaken by Bfinance (the Fund's specialist procurement adviser) and sign off by the Pensions Committee Chairman.
5. Bfinance also considered the underweight position in relation to Corporate Bonds and have assessed alternative investment options outside of Bonds given the current interest rate and market environment. Bfinance recommend that in the current market environment, corporate private debt offers an attractive risk adjusted return with strong downside protection and yield.
6. In January/February 2018, BFinance undertook a portfolio design of the proposed investments in terms of style, size and geographic exposure along with analysis of proposals from interested managers and preparation of a report in order to select a short list of suitable specialists capable of managing the mandate successfully. As a result of BFinance's analysis and the subsequent recommendation by the Pension Investment Advisory Panel, the Committee has approved a £65m allocation to a new corporate private debt mandate with EQT (a leading global integrated alternative

investment firm) and associated amendment to the Fund's Investment Strategy Statement.

Equity Protection Strategy

7. River and Mercantile were appointed to implement and manage the static options equity protection strategy and Fund officers have been working with them to design and implement a strategy that optimises the level of downside protection gained from selling returns above 5% p.a. from the Fund's passive UK, U.S. and European equities over an 18 month period.

8. The first few weeks of implementation of the mandate focused on building the collateral pool (through trades aligned with LGIM disinvestments). As that pool builds, the bulk of the trades will start which given the size of the investment will take a couple of weeks as a minimum.

9. The Committee received a presentation from representatives of River and Mercantile who informed members that the Equity Protection Strategy had been implemented according to plan at the appropriate price. In addition, as a result of the volatility of the market, an increased level of downside equity protection had benefited the Fund. The Committee has noted the implementation of the Equity Protection Strategy update.

LGPS Central Update

10. On the 17 January 2018, LGPS Central Limited received FCA authorisation. The Company has been authorised to operate as an Alternative Investment Fund Manager. This allows it to act as the operator of an Authorised Contractual Scheme, and provide a range of discretionary and advisory investment services to its clients. Adverts have been placed for the roles in risk and compliance to support Chief Risk and Compliance Officer (CRCO), finance roles to support Head of Finance and have commenced interviews for the Head of Operations role.

11. In addition to previous appointments, the role of General Counsel and the CRCO has been appointed to, which was a critical role for the FCA application approval. Appointment to the Deputy Chief Investment Officer has taken place and a further two Investment Directors appointed for Fixed Income, and Manager of Managers and Absolute Return. Interviews for the Investment Director of Active Equities role are ongoing but expected to have concluded shortly.

12. The Updated Strategic Plan has been approved by the Shareholders Forum on 20 February. The Shareholders have also approved an operating budget for 2018/19 of £9.1m.

13. The Committee has noted the LGPS Central Update. The Committee has noted an LGPS presentation made by the Non-Executive Chair, Joanne Segars and Chief Executive Officer, Andrew Warwick-Thompson of LGPS Central.

Mr R W Banks
Chairman

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Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report:

Agenda papers for the meeting of the Pensions Committee held on 19 March 2018.