

**PENSIONS INVESTMENT SUB COMMITTEE
12 JUNE 2019****LGPS CENTRAL ACTIVE BONDS AND UPDATE ON LGPS
CENTRAL INVESTMENT OPPORTUNITIES**

Recommendation

1. **The Chief Financial Officer recommends that the Pensions Investment Sub Committee:**
 - a) **Note and agree the attached LGPS Central Active Bonds due diligence update and outcome attached as an Appendix;**
 - b) **Recommends to the Pensions Committee the transition of the existing Active Bonds mandate with JPMorgan to LGPSC Active Bond mandate; and**
 - c) **Note and comment on the other LGPSC investment opportunities available detailed as part of the Appendix.**

Background

2. As part of the Pensions Investment update to Pensions Committee on the 19 March 2019, it was highlighted that the potential next transition is likely to be the existing active corporate bonds mandate currently with JP Morgan with an existing value as at March 2019 of £145.8m. The mandate being proposed by LGPS Central is a 'Global active Investment Grade Corporate Bond Fund. The Pensions Investment Advisory Panel had been provided with the proposal by Gordon Ross the LGPSC Investment Director on the 17 September 2018.
3. A rigorous process similar to that of the GEMS detailed within the report to the Pensions Investment Sub Committee on the 11 June 2019 has been conducted to appoint 2 fund managers being Fidelity IL Pension Management and Neuberger Berman (Europe) Limited.
4. Detailed at the Appendix is an LGPSC presentation that shows the journey that was undertaken to agree the mandate with partners, the next steps to search for the Corporate Bond Managers and the outcome.
5. Slide 22 and 23 of the presentation provides a performance comparison of the appointed LGPSC fund managers to our existing manager JPMorgan and Slide 26 shows the comparative manage fees.

Due Diligence

6. As part of the necessary due diligence all partner funds also had the opportunity to meet and interview the 2 fund managers at a Partner Fund Investment Working Group on the 16 May 2019. Our Independent Investment Advisor also attended.

7. Based on the evidence provided in the presentation and the meetings with the 2 fund managers with all partner funds and their advisors it is recommended that the Pensions Investment Sub Committee agree to the transition of the existing Active Bonds mandate with JPMorgan to LGPSC Active Bond mandate and that this be forwarded to the Pensions Committee on the 21 June for final consideration and agreement.
8. LGPS Central are to arrange a product information day in order that Committee members can understand more about the proposed investment and ask questions directly to the appointed fund managers.
9. Other Investment products are being taken forward by LGPSC such as Multi Asset Credit and Global Emerging Market Debt and although the Worcestershire Pension Fund does not have existing investments in these areas, it is useful to provide an update and overview on these particular areas.
10. **Please note that the Appendix contains exempt information (on salmon pages) and should members wish to discuss the information included in the Appendix they would need to consider passing the appropriate resolution and moving into exempt session.**

Supporting Information

Appendix – LGPS Central process for appointment of GEMS fund managers and due Diligence interviews with LGPS Central Investment Director and with Fidelity IL Pension Management and Neuberger Berman (Europe) Limited appointed Active Bonds managers (**Exempt – Salmon pages**)

Contact Points

County Council Contact Points

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Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the Pensions Investment update report to Pensions Committee on the 19 March 2019 provides the background to the subject matter of this report.