



AGENDA

PENSIONS INVESTMENT COMMITTEE

Date: WEDNESDAY, 28 MARCH 2018 at 6.30 pm

**Committee Rooms 1
Civic Suite
Catford Road
London SE6 4RU**

**Enquiries to: Sarah Assibey
Telephone: 020 8314 48975 (direct line)
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COUNCILLORS

Councillor Chris Best
Councillor Liz Johnston-Franklin
Councillor Simon Hooks
Councillor Mark Ingleby
Councillor Paul Maslin
Councillor Jamie Milne
Councillor John Muldoon
Councillor Olurotimi Ogunbadewa

Observers

Independent

Officers

David Austin, Head of Corporate Resources
Janet Senior, Acting Chief Executive and
Executive Director for Resources &
Regeneration

**This is an open meeting and all items in the open agenda may be Audio recorded
and/or filmed**

Members are summoned to attend this meeting

**Barry Quirk
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: Tuesday, 20 March 2018**



INVESTOR IN PEOPLE

The public are welcome to attend our committee meetings, however occasionally committees may have to consider some business in private. Copies of reports can be made available in additional formats on request.

ORDER OF BUSINESS – PART 1 AGENDA

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Agenda Item 1

PENSIONS INVESTMENT COMMITTEE		
Report Title	DECLARATIONS OF INTERESTS	
Key Decision	No	Item No. 1
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 28 March 2018

Declaration of interests

Members are asked to declare any personal interest they have in any item on the agenda.

Personal interests

There are two types of personal interest :-

- (a) an interest which you must enter in the Register of Members' Interests*
- (b) an interest where the wellbeing or financial position of you, (or a "relevant person") is likely to be affected by a matter more than it would affect the majority of inhabitants of the ward or electoral division affected by the decision.

*Full details of registerable interests appear on the Council's website.

("Relevant" person includes you, a member of your family, a close associate, and their employer, a firm in which they are a partner, a company where they are a director, any body in which they have securities with a nominal value of £25,000 and (i) any body of which they are a member, or in a position of general control or management to which they were appointed or nominated by the Council, and (ii) any body exercising functions of a public nature, or directed to charitable purposes or one of whose principal purpose includes the influence of public opinion or policy, including any trade union or political party) where they hold a position of general management or control,

If you have a personal interest you must declare the nature and extent of it before the matter is discussed or as soon as it becomes apparent, except in limited circumstances. Even if the interest is in the Register of Interests, you must declare it in meetings where matters relating to it are under discussion, unless an exemption applies.

Exemptions to the need to declare personal interest to the meeting

You do not need to declare a personal interest where it arises solely from membership of, or position of control or management on:

- (a) any other body to which you were appointed or nominated by the Council
- (b) any other body exercising functions of a public nature.

In these exceptional cases, unless your interest is also prejudicial, you only need to declare your interest if and when you speak on the matter .

Sensitive information

If the entry of a personal interest in the Register of Interests would lead to the disclosure of information whose availability for inspection creates or is likely to create a serious risk of violence to you or a person living with you, the interest need not be entered in the Register of Interests, provided the Monitoring Officer accepts that the information is sensitive. Where this is the case, if such an interest arises at a meeting, it must be declared but you need not disclose the sensitive information.

Prejudicial interests

Your personal interest will also be prejudicial if all of the following conditions are met:

- (a) it does not fall into an exempt category (see below)
- (b) the matter affects either your financial interests or relates to regulatory matters - the determining of any consent, approval, licence, permission or registration
- (c) a member of the public who knows the relevant facts would reasonably think your personal interest so significant that it is likely to prejudice your judgement of the public interest.

Categories exempt from being prejudicial interest

- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
- (b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor;
- (c) Statutory sick pay; if you are in receipt
- (d) Allowances, payment or indemnity for members
- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception)

Effect of having a prejudicial interest

If your personal interest is also prejudicial, you must not speak on the matter. Subject to the exception below, you must leave the room when it is being discussed and not seek to influence the decision improperly in any way.

Exception

The exception to this general rule applies to allow a member to act as a community advocate notwithstanding the existence of a prejudicial interest. It only applies where members of the public also have a right to attend to make representation, give evidence or answer questions about the matter. Where this is the case, the member with a prejudicial interest may also attend the meeting for that purpose. However the member must still declare the prejudicial interest, and must leave the room once they

have finished making representations, or when the meeting decides they have finished, if that is earlier. The member cannot vote on the matter, nor remain in the public gallery to observe the vote.

Prejudicial interests and overview and scrutiny

In addition, members also have a prejudicial interest in any matter before an Overview and Scrutiny body where the business relates to a decision by the Executive or by a committee or sub committee of the Council if at the time the decision was made the member was on the Executive/Council committee or sub-committee and was present when the decision was taken. In short, members are not allowed to scrutinise decisions to which they were party.

Agenda Item 2

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Infrastructure Manager Selection		
KEY DECISION	No	Item No:	2
WARD	N/A		
CONTRIBUTORS	Head of Corporate Resources		
CLASS	Part 1	Date:	28 March 2018

1. PURPOSE

- 1.1. The purpose of this report is to provide a procurement pack for the interview and selection of an infrastructure fund manager, based on discussions held at previous meetings of the Committee and on the shortlist of managers presented to the Committee at the February 2018 meeting.

2. RECOMMENDATIONS

- 2.1. The Committee is asked to note the contents of the report and, as per its authority under the Constitution:
 - 2.1.1. interview the shortlisted infrastructure fund managers;
 - 2.1.2. score each manager using the scoring sheets in the attached report, and;
 - 2.1.3. agree to appoint at least one manager with which to invest the Fund's allocation to infrastructure.

3. BACKGROUND

- 3.1. The London Borough of Lewisham Pension Fund is set up under the Superannuation Act 1972, requiring the Council to maintain a Pension Fund for its employees and those admitted to the Fund under an admission agreement. The Council has established the Pensions Investment Committee (PIC) and delegated full authority to make investment decisions, including the appointment of fund managers, as per its Terms of Reference in the Constitution.
- 3.2. At a meeting of the PIC in February 2017 it was agreed that approximately 20-25% of the Fund's equity holdings would be sold in two phases, and the cash invested in more diversified and income based mandates; the objective is to de-risk the Fund by reducing its exposure to the volatility inherent in equities whilst improving the diversification of the Fund's portfolio.
- 3.3. The first phase of the disinvestment is complete, and saw 12% of the Fund's equities sold, with half invested in a new Diversified Growth Fund and half committed to two new Multi Asset Credit managers.
- 3.4. The second phase will see an additional 11-12% of equities sold to fund a 6% allocation to infrastructure and an increased allocation to alternative credit.

4. INFRASTRUCTURE SELECTION

4.1. The attached procurement report prepared by the Fund's advisors Hymans Robertson includes the following:

- Manager presentation details
- Recap of the proposed investment
- Infrastructure characteristics
- Recommended investment managers and summaries
- Suggested interview questions
- Manager scoring sheets

4.2. Members are asked to review the report and appoint at least one infrastructure manager as per the recommendations set out in Section 2 above.

5. FINANCIAL IMPLICATIONS

5.1. The decision has been made to disinvest from equities and seek a more diversified portfolio, to reduce the concentration risk inherent to an equity weighted Fund where underperformance relative to expectations would impact heavily on the Fund's value and ability to meet its funding obligations. Although equity earnings have grown in recent months, the advice from the Fund's advisors remains that the scope for strong earnings growth is limited and that the fundamental drivers for growth still point to low long-term returns.

5.2. The financial risks inherent to an investment in infrastructure are explained in more detail in the accompanying report, but include currency risks, liquidity risks, construction risks and regulatory risks.

5.3. The Fund will incur transaction costs when selling equities, as well as minimal fees to hold sales proceeds in a cash account with the Fund's custodian. An approach to the sale of equities is yet to be agreed by Members, but may include a staggered approach in line with the capital drawdowns issued by the chosen infrastructure manager, or the advance selling of equities equal to the total committed amount in order to reduce the risk of continued exposure to equity markets.

6. LEGAL IMPLICATIONS

6.1. It is within the powers of this Committee to make strategic investment decisions, including the review from time to time of the appointment of fund managers, and to delegate the transactions relating to these decisions to the Executive Director for Resources and Regeneration.

6.2. The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisors in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

7. CRIME AND DISORDER IMPLICATIONS

7.1. There are no crime and disorder implications directly arising from this report.

8. EQUALITIES IMPLICATIONS

8.1. There are no equalities implications directly arising from this report.

9. ENVIRONMENTAL IMPLICATIONS

9.1. There are no environmental implications directly arising from this report.

APPENDICES

The full procurement report is attached for Members only. Representatives from the Council's appointed advisors Hymans Robertson will provide a recap of the process to be followed.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin, Head of Corporate Resources on 020 8314 9114 or at david.austin@lewisham.gov.uk

Robert Browning, Principal Accountant – Treasury & Pensions on 020 8314 6274 or at robert.browning@lewisham.gov.uk

PENSION INVESTMENT COMMITTEE		
Report Title	Exclusion of the Press and Public	
Key Decision		Item No. 3
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 28 March 2018

Recommendation

It is recommended that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3, 4 and 5 of Part 1 of Schedule 12(A) of the Act, as amended by the Local Authorities (Executive Arrangements) (Access to Information) (Amendments) (England) Regulations 2006:-

4. Infrastructure Manager Selection

Agenda Item 4

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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