

MINUTES OF THE PENSIONS INVESTMENT COMMITTEE

Tuesday, 10 September 2019 at 7.00 pm

PRESENT: Councillors Mark Ingleby (Chair), Louise Krupski (Vice-Chair), Chris Best, John Muldoon and Stephen Penfold

ALSO PRESENT:

Apologies for absence were received from Councillor Patrick Codd, Councillor Paul Maslin and Councillor Sakina Sheikh

1. Declarations of Interest

Councillor Ingleby (Chair), declared a personal interest as a Councillor elected Director of Lewisham Homes not in receipt of pension.

The Chair proposed a variation of the meeting Agenda detailing the rearrangement of items to be discussed.

2. Minutes

The minutes of the last meeting were amended as follows:

- In para 4.2, reference to spelling error of company name 'Harbour Vest' to be corrected to read as 'HarbourVest'.

RESOLVED that the minutes of the meeting of the Pensions Investment Committee held on 27 June 2019 be confirmed and signed as a true record, subject to the above amendment.

3. Investment Monitoring Report

3 and 8. Investment Monitoring Report

Simon Jones presented the report. The report provided information regarding:

- The value of the Fund's assets and movements over the quarter to 30 June 2019.
- Performance summaries of each manager over the quarter.
- An assessment of the fund managers and any recommendations for the next quarter.

Simon Jones referenced the recent news on Southern Water, which was one of the underlying investments in the Fund's JPM infrastructure mandate. The underweight allocation to property was also acknowledged, and Nick Jellema reconfirmed Hymans' recent advice to consider further investment in property once

the LCIV property sub-funds were in operation. It was concluded that whilst we live in 'interesting economic times' the last quarter overall gave no cause for concern.

RESOLVED that the report be noted.

4. Pensions Investment Committee - General Update

4 and 9. General Update

Rob Browning and David Austin presented the report. The report discussed LCIV announcement of their intention to review the changes it had made to its LGPS pension scheme. Questionnaires had been sent out to shareholders to obtain feedback.

Nick Jellema (Hymans) then gave a verbal update on London Collective Investment Vehicle (LCIV) with contributions from the Chair. The update covered the following areas:

- General Update
- Low Carbon Transition
- Climate Change Policy
- Audit
- Triennial Valuation
- Retendering of Actuarial and Advisory Services
- CMA Order Regarding Objective Setting for Investment Consultants
- Pension Board
- Training

Nick Jellema discussed previous actions proposed and updated on the progress of those actions. Simon Jones provided clarifications to queries raised by the committee members.

Discussion was focused on best investment strategies that were future proofed and intelligent. Attention was also given to companies that invest in companies that place emphasis on sustainability.

Chair discussed the CMA report. Nick Jellema discussed the contents of the report. He explained the objectives set out and the deadlines (10 December 2019) for the objectives were also discussed. He outlined obligations against objectives set. Hymans will provide a draft set of objectives which can then be finalised by the Officers and Chairman ahead of the required deadline.

Hymans left the meeting, so the committee could discuss actuarial and investment tenders, which is not open to their involvement.

Rob Browning gave an overview of the tenders to be discussed. Committee members raised queries which Rob Browning answered. Legal issues were discussed, and guidance given. The Chair set actions to be taken.

Hymans re-entered the meeting. The Chair confirmed the end of the General Update presentation then adjourned the meeting for 20 minutes.

RESOLVED the report is noted.

5. Pemberton Presentation

5 and 10. Pemberton Presentation

Mark Hickey, Portfolio Manager and James Ankerson, Business Development from Pemberton gave an illustrative presentation. The presentation covered the following areas:

- General overview of Pemberton
- Direct Lending
- Market Overview
- Funds
- Returns
- Asset profiles

Pemberton provided clarifications and answered queries raised by committee members during the course of the presentation. Pemberton also mentioned the upcoming fundraising for their direct lending strategy, and Hymans will consider the timing and necessity of any further commitment in light of the Fund's strategy and Actuarial Valuation

The Chair thanked Pemberton for their attendance.

RESOLVED that the presentation from Pemberton be received.

6. Carbon Footprint Analysis

The Chair advised the proper Carbon Footprint Analysis would take place at the next meeting. A progress report was invited by the Chair from Rob Browning. The Chair also updated the Committee about ongoing discussions with the LCIV and fellow London Chairs around a possible renewable infrastructure mandate and the need to engage with LCIV and make it known that demand for such a mandate exists.

Nick Jellema (Hymans) presented an overview of the Carbon Footprint Analysis. The final reports were received in early September 2019. Officers will work with the Fund's advisors to interpret and fully evaluate the results, which will be used to direct the Committee's next steps in transitioning existing assets into low carbon passive equity funds. Hymans will present advice on this topic at the November PIC meeting. Following this advice, the Fund's formal climate policy will be finalised in Q1/Q2 2020, using some of the analysis carried out.

The climate policy would then also be combined with the Fund's ISS which would be in need of update by that point. Nick Jellema also flagged that the Fund's Statement of Investment Beliefs could also now be updated to reflect the Committee's beliefs on climate risk and its work during Q1/Q2 2019. The proposed actions regarding investment strategies and risks were outlined to Committee members; based on the results of the carbon footprint exercise, and pending the results of the triennial valuation, the Committee expects to have transitioned existing assets into a low carbon passive equity fund by the end of Q1 2020. Simon Jones provided clarification and response on the actions proposed.

RESOLVED that the report be noted.

7. Exclusion of Press and Public

RESOLVED that the report be noted.

8. General Pensions Update

Discussion on this item is shown in the Part 1 minutes No.4

RESOLVED that the report be noted.

9. Appendix 1 - Quarterly Performance Report Q2 2019

Discussion on this item is shown in the Part 1 minutes No.3

RESOLVED that the report be noted.

10. Pemberton Presentation

Discussion on this item is shown in the Part 1 minutes No.5

RESOLVED that the report be noted.

The meeting ended at 8.43 pm