



AGENDA

PENSIONS INVESTMENT COMMITTEE

Date: THURSDAY, 24 JUNE 2021 at 7.00 pm

Location: Council Chamber
Civic Suite
Catford Road
London SE6 4RU

Enquiries to: Claudette Minott
Email: claudette.minott@lewisham.gov.uk

COUNCILLORS

Councillor Mark Ingleby (Chair)
Councillor Chris Best
Councillor Patrick Codd
Councillor Caroline Kalu
Councillor Louise Krupski
Councillor John Muldoon
Councillor Stephen Penfold
Councillor James Royston

Observers

Independent

Officers

David Austin, Director of Corporate Services

Members are summoned to attend this meeting

Kim Wright
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: Tuesday, 15 June 2021



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.

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Agenda Item 2

PENSIONS INVESTMENT COMMITTEE		
Report Title	DECLARATIONS OF INTERESTS	
Key Decision	No	Item No. 1
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 24 June 2021

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 3

PENSIONS INVESTMENT COMMITTEE		
Report Title	MINUTES	
Key Decision	No	Item No. 2
Ward	All	
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 24 June 2021

Recommendation

That the Minutes of the meeting of the Committee, held on 28 April 2021 be confirmed and signed.

MINUTES OF THE PENSIONS INVESTMENT COMMITTEE

Wednesday 28 April 2021 at 7.00 pm

Present: Councillor Ingleby (Chair), Councillor Krupski (Vice-Chair), Councillor Best
Councillor Codd, Councillor Kalu, Councillor Muldoon and Councillor Penfold.

Also present: Nick Jellema (Hymans Robertson), Ross MacLeod (Hymans Robertson),
David Austin (Director of Corporate Resources) and Claudette Minott (Clerk)

Apologies: Councillor Maslin

1. Declarations of Interest

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

2. Minutes

RESOLVED that the minutes of the meeting of the Pensions Investment Committee held on 17 February 2021 be confirmed and signed as a true record.

3. Exclusion of the Press and Public

RESOLVED that under that under Section 100(A) (4) of the Local Government Act 1972, the public be excluded from the meeting during discussion of this item because it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act as set out below and the public interest in maintaining the exemption outweighs the public interest in disclosing the information:-

4. Training – Hymans
5. LCIV discussion
6. Seed Investor Group decisions

4. Training – Hymans

Hymans presented two reports, which provided training materials to guide the committee through the progress toward the agreement of a procurement route for investing in a passive like low carbon equities mandate(s).

The first report outlined the training guidance from Hymans Robertson. The second report outlined a recent London Collective Investment Vehicle Seed Investor Group update, which included Hymans evaluation of potential investment indices.

The Committee are asked to review and note the contents of the report.

RESOLVED that the report be noted.

5. LCIV discussion

London Collective Investment Vehicle (LCIV) gave a presentation to the Committee.

The LCIV presentation summarised the current mandates that were held by the LCIV for the Lewisham Fund to consider, in terms of pooling options. The current status and timeline for investing the new Renewables mandate was also discussed. An update was also given to Members regarding the seed investor group discussion, in respect of a possible low cost low carbon equities mandate procurement

The Committee were asked to note the contents of the report.

Members asked questions that were answered by LCIV.

RESOLVED that the report be noted.

6. Seed Investor Group decisions

Two reports were presented by Hymans to the Committee regarding the current status and next steps in relation to the two London Collective Investment Vehicle (LCIV) Seed Investor Group (SIG) procurement options. Hymans discussed the two SIG options, which were:

- 1) Renewable Infrastructure fund, and
- 2) Low Carbon Equities.

The first report discussed the due diligence from Hymans Robertson with regard to the Renewable Infrastructure investments. The second report discussed the LCIV presentation from February 2021 and set out the structure of the mandate.

The Committee also received a verbal update from the Chair, regarding the LCIV February meeting,

The Committee were asked to:

1. Review and note the contents of the report and supporting appendices;
2. Approve the investment of 6% of the Fund (estimate £90-95m) into the LCIV Renewable Infrastructure fund;
3. Delegate the completion of the work to make the investment in the LCIV Renewable Infrastructure fund, funded from the sale of equities in the UBS passive mandate, to the Director for Corporate Services;
4. Confirm their preferred procurement option – a) continue with the LCIV SIG process, or b) move to progress with a direct procurement of a low carbon equities mandate; and
5. Instruct officers to continue with the necessary work to prepare the procurement of a low carbon equity mandate in line with the agreed option and bring this back to a future committee meeting for decision.

Members asked questions that were answered by Hymans.

The Committee agreed the recommendations.

RESOLVED that the report be noted.

During the member discussion, the Chair advised the Committee, as below:

- “The Committee commenced by reaffirming its commitment to reinvesting c. £800m of passively managed (market capitalisation) global equities into lower carbon solutions. The style of management would retain a degree of consistency with the

current approach, in that the new solution will also be managed in a manner consistent with approaches 1 or 2 in the training pack.

- In light of regulatory and moral concerns, and the excellent progress we have made in influencing the LCIV to create a fund that meets the majority of our objectives, Lewisham intends to commit a substantial amount of capital at fund launch. The LCIV platform allows us to potentially drive further aggregation and scale of Climate Transition/ Low Carbon opportunities in the LGPS sector AFTER we have joined. Withdrawing from the project now would be counterproductive and cause the launch to be cancelled; or, at best substantially delayed. Around 16 other Boroughs have been quietly observing from the back – we should not be blind to the consequences of abandoning the leadership role that we have played up to now.
- The recent emphasis in index discussions by LCIV on forward-looking metrics for the index for the proposed mandate, especially in relation to Paris/Glasgow, leads us to see their ultimate product perhaps being flexible and innovative going forwards.
- Although there is much that the Committee finds attractive concerning the current progress of the SIG – and recently they have moved forwards faster than we might have expected two months ago – it is still not entirely the product that our climate objectives and research with Hymans since mid-2019 might have led us towards.
- As such, in order to exercise good fiduciary responsibility, the Committee intends to complement investment into the LCIV solution with investment into other forms of low carbon equity, particularly where we see opportunity to meet any additional objectives which the LCIV fund may not entirely meet. There are many existing low carbon equity solutions in the market. By splitting this at a ratio (TBC) deemed not to jeopardise the foundational investment levels required for the potential launch of a LCIV Low Carbon Passive Equities Fund in the autumn and by doing an independent procurement this June/July, we can still seek the more tailored Low Carbon fund that we might like, to which Local Authority procurement frameworks provide a relatively easy way for other Boroughs or LGPS to aggregate with us in the future, prior, in any case, to such a fund being moored up to the Exempt Unauthorised Unit Trust (or similar) of LCIV as part of unavoidable pooling requirements.
- Our independent procurement process of a Low Carbon Passive-like (i.e. approaches 1 or 2 in the training pack) Equity Fund will also provide good training and Governance experience for PIC Members as we further negotiate and oversee the LCIV mandate development process in this asset class over the summer. Should the latter collapse, we would still have our independent mandate as the basis for aggregation and ultimate pooling as described above.
- Therefore 2 (or 3) Passive Mandates/Strategies in combination - almost no LGPS Fund relies on one mandate alone in this asset class - would meet the majority of our climate objectives as well as providing the necessary fiduciary diversification for the protection of our members' pensions.”

The meeting ended at 9.16 pm

Agenda Item 4

PENSION INVESTMENT COMMITTEE		
Report Title	Exclusion of the Press and Public	
Key Decision		Item No. 4
Ward		
Contributors	Chief Executive	
Class	Part 2	Date: 24 June 2021

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:-

5. Fund performance report
6. Low Carbon Equity Mandate
7. General update

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

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