

MINUTES OF THE PENSIONS INVESTMENT COMMITTEE

Wednesday, 22 September 2021 at 7.00 pm

PRESENT: Councillors Mark Ingleby (Chair), Patrick Codd, Louise Krupski, Stephen Penfold and James Royston

ALSO PRESENT:

Apologies for absence were received from Councillor Chris Best, Councillor Caroline Kalu and Councillor John Muldoon

1. Election of Chair and Vice-Chair

Background information: Councillor Ingleby relinquished his role as Chair of the Pensions Investment Committee on 21 July 2021 at Lewisham Councils Full Council meeting.

The Clerk advised the Committee that it was a requirement to elect a Chair for the next municipal year, before the meeting commenced.

RESOLVED that Councillor Royston be appointed as Chair of the Pensions Investment Committee for the municipal year. The Clerk affirmed Councillor Krupski was Vice-Chair of the Pensions Investment Committee.

2. Declarations of Interest

Councillor Ingleby declared that in addition to no longer being Chair of the Pensions Investment Committee, he was no longer a Councillor elected Director of Lewisham Homes.

Councillor Kalu tried to attend the meeting remotely, alongside the Children and Young People Select Committee (CYP), which commenced at the same time as the Pensions Investment Committee. The arrangement was unworkable, therefore Councillor Kalu apologised and excused herself to attend the CYP. Councillor Kalu is the Vice-Chair of CYP and a Member of the Pensions Investment Committee.

3. Minutes

RESOLVED that the minutes of the meeting of the Pensions Investment Committee held on 24 June 2021 be confirmed and signed as a true record.

4. 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:-

5. Draft Pension Fund Accounts 2020/21 and Audit Update
6. Quarterly Fund Performance Report
7. Low Carbon Equity Mandate
8. General Update

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

RESOLVED that the report be noted.

5. Draft Accounts for 2020/21 and Audit Update

The Director for Corporate Resources presented the quarterly performance report to the Committee. The report noted that the draft accounts for the Pension Fund had been published on the Council's website and that the external audit of these accounts would be ongoing. The Committee were advised that the final accounts were expected to be presented to full Council on the 24 November 2021 and a progress update would be reported back to the committee at the meeting scheduled for 9 November 2021. The Director for Corporate Resources confirmed at the meeting no substantive issues with the accounts had been raised by the auditors, although a few minor amendments to the notes and disclosures had been agreed

Members were assured that Officers had started work on the Fund's 2020/21 Annual Report, with the expectation that the report would be presented to the Committee with the Chair's foreword for adoption at the November meeting.

No questions were put to the Director for Corporate Resources by Members.

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

RESOLVED that the report be noted.

6. Quarterly Fund Performance Report

Hymans Robertson presented the report to the Committee. The performance report appended to this report covered:

- The value of the Fund's assets and movements over the quarter to 30 June 2021
- A performance summary of each manager over the quarter; and
- An assessment of the fund managers and any recommendations for the next quarter.

Hymans Robertson advised the Committee that the Fund assets were valued at £1,692.4m at the end of the period with a 5.9% return over the quarter. Various economic developments and manager-specific details were noted, as well as a

reminder of the need to rebalance certain assets such as private debt closer to their targets.

Members asked questions that were answered by Hymans; some of these were as follows:

- 1 How do you see Schroders' management of the property fund evolving over the coming quarters, in terms of sector allocation??
- 2 To what extent is the Fund exposed to inflation risk?

Hymans Robertson answered the questions raised by Members.

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

RESOLVED that the report be noted.

7. Low Carbon Equity Mandate

The Head of Financial Strategy, Planning and Commercial (HFSPC), gave a summary of the reports that would be presented by Hymans Robertson to the Committee. The HFSPC also outlined Hymans Robertson's recommendations, advising what members were required to consider, when deciding on the recommendations.

The report was presented by Hymans Robertson. The report summarised the work in progress to deliver the low carbon equity strategy agreed at the April 2021 meeting. The strategy proposed was to:

- 1 Continue to support the London Collective Investment Vehicle seed investor group option, and
- 2 Undertake a direct procurement for a mandate to meet this objective.

The report focused on:

- i) The outcome of the direct procurement and selection of Storebrand Global ESG Plus (developed and emerging markets) Funds;
- ii) The London Collective Investment Vehicle (LCIV) selection of the Passive Equity Progressive Paris Aligned Fund ("PEPPA") to be managed by State Street Global Advisors and the due diligence undertaken by the Council's advisors, Hymans Robertson, and
- iii) The proposed allocations between these two mandates.

Recommendation:

The Committee were asked to:

- i) Review the report and attached assurance and implementation advice papers from the Council's advisors, Hymans Robertson;
- ii) Agree the appointment of the London Collective Investment Vehicle Passive Equity Progressive Paris Aligned Fund to manage a portion of the Fund's global equities;

- iii) Agree the appointment of Storebrand Global ESG Plus (developed and emerging markets) to manage a portion of the Fund's global equities;
- iv) Subject to agreement in ii) and iii) above, agree the allocations between the LCIV Passive Equity Progressive Paris Aligned Fund and Storebrand Global ESG Plus (developed and emerging markets) funds noting that the actual level of investment will be aligned to the 2020 strategy (i.e. retaining a total equity target of 50%);
- v) Note the proposed timetable for transition; and
- vi) Delegate authority to the Executive Director for Corporate Resources to: a) appoint a transition manager to complete the necessary transition of equity assets, b) the consolidation of fixed income investments from UBS to Blackrock and c) any subsequent rebalancing needed to ensure that the asset allocation remains aligned to the 2020 strategy review.

Members asked questions that were answered by Hymans Robertson and the Director of Corporate Resources.

Members agreed the recommendations and in relation to the recommendations:

iv) The Members agreed to allocate 60% to the LCIV PEPPA fund, 30% to the Storebrand Global Plus ESG (developed market) Fund and 10% to the Storebrand Global Plus ESG (emerging market) Fund; and

vi) a) The Members approved officers recommendation that the Fund's custodian Northern Trust be appointed as Transition Manager.

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

RESOLVED that the report be noted.

8. General Update

The report was presented by the Director of Corporate Resources. The report provided members with an update on several general pension related matters in the last quarterly period.

Recommendation:

The Committee were asked to:

- Delegate authority to the Executive Director for Corporate Resources to enter into the legal agreements with the LFPA as set out in section 10; and
- Review and note the contents of the report.

Members asked questions that were answered by the Director of Corporate Resources.

Members agreed the recommendations

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

RESOLVED that the report be noted.

The meeting ended at 9.12 pm