



AGENDA

PENSIONS INVESTMENT COMMITTEE

Date: TUESDAY, 14 JUNE 2022 at 7.30 pm

**Council Chamber
Civic Suite
Catford Road
London SE6 4RU**

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

COUNCILLORS

Councillor Eiles (Chair)
Councillor Anifowose
Councillor Jackson
Councillor Chris Best
Councillor Mark Ingleby
Councillor Louise Krupski
Councillor John Muldoon
Councillor James Royston

Observers

Independent

Officers

David Austin, Director of Finance

Members are summoned to attend this meeting

**Kim Wright
Chief Executive
Lewisham Town Hall
Catford
London SE6 4RU
Date: Monday, 6 June 2022**



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: 14 June 2022

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: 14 June 2022

Recommendation

That the Minutes of the meeting of the Committee, held on 10 February 2022 be confirmed and signed.

MINUTES OF THE PENSIONS INVESTMENT COMMITTEE

Thursday 10 February 2022 at 7.05 pm

Members Present:

In Person: Councillor Royston (Chair), Councillor Krupski (Vice-Chair), Councillor Codd, Councillor Ingleby, Councillor Muldoon

Remotely: Councillor Best, Councillor Kalu and Councillor Penfold

NB: Those Councillors listed as joining virtually were not in attendance for the purposes of the meeting being quorate, any decisions taken, or to satisfy the requirements of s85 Local Government Act 1972.

Also present: Nick Jellema (Hymans Robertson (Hymans)), Ross MacLeod (Hymans Robertson), David Austin (Director of Finance (DF)), Katharine Nidd (Head of Financial Strategy, Planning and Commercial (HFSPC)), David Phillips (Northern Trust), Chris Flower (Treasury and Investments Manager), Claudette Minott (Clerk)

Apologies: N/A

1. Declarations of Interest

None

2. Minutes

RESOLVED that the minutes of the meeting of the Pensions Investment Committee held on 9 November 2021 be confirmed and signed as a true record.

Councillor Ingleby noted that the UK Stewardship Code (2020) training, offered by Finance at the last meeting, as detailed in the minutes, had not been provided. The HFSPC acknowledged the fact and advised the training would be included in the next scheduled training programme.

3. Annual Pension Fund Report Update

The report re-presented the London Borough of Lewisham's Pension Fund Annual Report following the consideration by the Audit Panel, of the supporting financial statements and the presentation to full Council, with the annual statement of accounts on the 24 November 2021. Members were advised that the Annual Report had been reviewed by the Council's external auditors Grant Thornton who provided a consistency opinion on the presentation of the financial statements in the Annual Report. The statutory deadline for publication of the Annual Report was the 1 December, this deadline was met.

As part of finalising the accounts post review by the Committee on the 9 November 2021 the external auditors required a few amendments to the Pension Fund accounts and Annual Report and these were made and the report had been brought back to the Pensions Investment Committee to be noted.

Recommendation:

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

RESOLVED that the report be noted.

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. Quarterly Performance Report
6. Low Carbon Passive Equities Update
7. Private Debt Investment
8. Quarterly General Update

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

RESOLVED that the report be noted.

5. Quarterly Performance Report

The HFSPC provided Members with an introduction to the report. Hymans then gave a presentation of the report to the Committee.

The report detailed the quarterly performance of the Pension Fund investment portfolio. The report covered the:

- The value of the Fund's assets and movements over the quarter to 31 December 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 advised the Committee that the value of the Fund's assets rose by c. £76m over the quarter, a return of 4.5% which was circa 0.4% less than the benchmark. All mandates (other than emerging markets), had delivered positive absolute returns over the quarter, with Harbourvest delivering particularly strong returns and outperforming the benchmark by 1.9%.

Members asked questions that were answered primarily by Hymans. Some of these were in regard to:

- Investment strategy proposed.
- Reporting system, such as does information to Hymans come directly from LCIV?
- Funding position, for instance would the funding position improve, so that employer contributions would not change for the next period?

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

RESOLVED that the report be noted.

6. Low Carbon Passive Equities Update

The report was presented by HFSPC. It outlined the progress to date, of the transition of 100% of the Funds passive equity allocation into:

- retention of 20% (10% of the Fund) for reinvestment into non-equity mandates in line with strategic investment rebalancing plans;
- the London Collective Investment Vehicle (LCIV) Passive Equity Progressive Paris Aligned Fund (PEPPA) (60% of equities holding); and
- the Storebrand Global ESG Plus (developed and emerging markets – 30% and 10% respectively of equity holdings) funds,

This follows and is consistent with the decision by the Committee to invest in these funds, at its meeting on the 22 September 2021. The report noted that circa 50% of the current equities balance had been transferred in 2021, being the redemption of the Blackrock developed market equities and the funding of the LCIV PEPPA fund, with the redemption of UBS developed market equities and the funding of the Storebrand Global ESG Plus (developed an emerging markets) funds, plus the final funding of LCIV PEPPA to follow.

Members asked questions that were answered by Hymans, Northern Trust, HFSPC and the DF. The Indian market exposure situation (whereby the emerging markets version of the Storebrand fund will not be able to invest in the Indian market for a period of time (pending the completion of documentation) was discussed. Three main options were presented to the PIC, and it was decided that an update would be provided at the next committee meeting with a possible decision on these options in the event that the Indian market was still not open to the Storebrand Global ESG Plus emerging market fund at that point.

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

RESOLVED that the report be noted.

7. Private Debt Investment

The HFSPC provided an introduction to the report. The report was then presented by Hymans, which was unchanged from that presented in November 2021. The report summarised the current allocation to Private Debt and notes that it is below the target allocation of 6%, proposes two options for the further investment of circa £85m required to maintain the target allocation, and recommends the preferred option to invest in the LCIV Private Debt Fund.

Recommendation:

The Committee were asked to:

- i) Review the report and supporting reports appended;
- ii) Discuss the two main options proposed;
- iii) Note the recommendation that the investment is made into the LCIV Private Debt Fund;
- iv) Note the likely investment quantum of £85m; and
- v) Agree the private debt mandate and allocation amount.

Members asked questions that were answered by Hymans and the HFSPC.

Members agreed the recommendations, with Officers to liaise with LCIV to complete the required documentation.

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

RESOLVED that the report be noted.

8. Quarterly General Update

The paper was presented by the HFSPC and provided the Committee with an update on several general pension related matters, from the last quarterly period.

This paper provided members with an update on several general pension related matters in the last quarterly period.

Recommendation:

The Committee are asked to:

- note and approve the Chair's action to agree to the proposed changes to the London Collective Investment Vehicle's (LCIV) Articles of Association and Shareholder Agreement, as considered by the Committee at the November 2021 meeting;
- note and approve the Chair's action to submit the annual statement of compliance with Part 7 of the Competition and Markets Authority (CMA) 2019 Order by the 7 January 2022;
- agree and delegate to the Director of Finance to vote in favour of the proposed amendments to the Schroders' property multi-manager business RECap fund as set out in section 9; and
- review and note the contents of the report.

Members asked questions that were answered by the Director of Finance.

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 9.00 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: 14 June 2022

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. Quarterly investment performance report
6. Investment Strategy Statement
7. Risk Register
8. Quarterly Update

Agenda Item 5

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

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Agenda Item 6

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