



AGENDA

PENSIONS INVESTMENT COMMITTEE

Date: THURSDAY, 9 FEBRUARY 2023 at 7.00 pm

**Committee Rooms 1 & 2
Civic Suite
Catford Road
London SE6 4RU**

**Enquiries to: Sarah Assibey
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COUNCILLORS

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

Observers

Independent

Officers

David Austin, Director of Corporate Services
Mark Adu-Brobbey
Gary Cummins, Strategy and Policy Officer

Members are summoned to attend this meeting

**Jeremy Chambers
Director of Law, Governance and Elections
Lewisham Town Hall
Catford
London SE6 4RU
Date: Tuesday, 31 January 2023**



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	MINUTES	
Key Decision	No	Item No. 1
Ward	All	
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 9 February 2023

Recommendation

That the Minutes of the meeting of the Committee, held on 8 November 2022 be confirmed and signed.

MINUTES OF THE PENSIONS INVESTMENT COMMITTEE

Tuesday 8 November 2022 at 7.00 pm

Members Present:

In Person: Councillor Eiles (Chair), Councillor Jackson, Councillor Krupski, Councillor Muldoon

Virtually: Councillor Best, Councillor Ingleby (Vice-Chair), Councillor Anifowose, Councillor Royston

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)), David Austin (Director of Finance (DF)), Kathy Freeman (Executive Director Corporate Resources (EDCR)), Katharine Nidd (Head of Financial Strategy, Planning and Commercial (HFSPC)), Chris Flower (Treasury and Investments Manager), Claudette Minott (Clerk), Steven Law (Hymans), Ross MacLeod (Hymans)

Apologies: N/A

1. Minutes

RESOLVED that the minutes of the meeting of the Pensions Investment Committee held on 6 September 2022 be agreed.

2. Declarations of Interest

None

3. Draft Pension Fund Annual Report

3.1 The HFSPC gave a verbal overview of the LBL Pension Fund 2021/22 Annual Report. The HFSPC discussed the scheme and the following topics, as outlined in the report: Management, Asset Pooling, 4. Scheme Management, Risk and Budget, Scheme Management and Administration, Risk Management, Financial Performance, Investment Strategy and Performance, Investment Strategy, UK Stewardship Code, Application of CIPFA Principles for Investment Decision Making, Investment Performance, Scheme Administration, Scheme Administration/Pension Admin and Assurance, Internal Dispute Resolution Procedure, Actuarial Report on Fund, Member Training and the Report from the Local Pension Board.

3.2 A Member noted an error on page 38 of the report. The HFSPC noted the error and advised it would be amended.

3.3 The Vice-Chair noted that the report advised he was the Chair of the Pensions Investment Committee in September 2021, when it should have been recorded as Councillor Royston. The HFSPC noted the error and advised it would be corrected.

4. General Update Report

4.1 The paper provided the Committee with an update on several general pension fund related matters in the last quarterly period.

4.2 Recommendation:

The Committee were asked to:

1. Review and note the contents of the report;
2. Agree that the Chair, in discussion with officers, submit the annual statement of compliance in accordance with Part 7 of the Competition and Markets Authority (CMA) 2019 Order before the deadline expected in January 2023.

4.3 A Member advised the other Members that they were happy with the work that had been done by the Committee.

4.4 Another Member requested that training for Members commence at 7pm due to constraints on Members ability to attend on time. The Member also requested that independent members also be included into the Committee membership.

4.5 The HFSPC acknowledged the Members recommendations and advised invitations would be extended to trade unions to also attend the meetings. In addition the meetings would be publicised to attract further membership.

4.6 The Members were informed by the HFSPC that invitation to the Pensions Investment Committee was also open to the Pension Board members.

4.7 The Committee agreed the recommendations.

4.8 RESOLVED that the report be noted.

5. Exclusion of the Press and Public

It was 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:-

6. Meet the Manager Session: Storebrand
7. Quarterly Investment Performance Report
8. Initial results of the 2022 valuation and Investment Strategy Review
9. General Update Report
10. Risk Management Policy and Risk Register

5.1 The Committee were asked to review and agree to the Exclusion of the Press and Public Notice, in order for the meeting to move into the Part 2, closed session.

5.2 RESOLVED that the Exclusion of the Press and Public Notice be agreed

by the Committee and the meeting then moved into the Part 2, closed session.

6. Meet the Manager Session: Storebrand

6.1 Storebrand gave a detailed presentation setting out how the Global ESG Plus fund operates, in particular their approach to sustainability – supported by strong engagement with investee companies. The Storebrand team set out the definitions of scope 1, 2 and 3 emissions, and how the fund seeks to reduce these over time. Part of the portfolio (up to 10%) is dedicated to “pure play” green revenues, which may require investing outside the MSCI World Index.

6.2 Following the presentation Members, alongside Hymans Robertson, asked questions that were answered by Storebrand.

6.3 RESOLVED that the report be noted.

7. Quarterly Investment Performance Report

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

7.2 The Hymans Robertson quarterly performance report covered matters from the last quarterly period (i.e. to 30th September 2022) in particular, as well as considering longer-term aspects. Also covered were topical investment market and economic developments, including persistent inflation and a global economic slowdown.

7.3 Members asked questions that were answered by Hymans and the HFSPC. Some of these questions included:

- Whether LBL should broaden the scope of their investment and at what point should LBL be concerned with regard to the performance of their bonds investment? On this it was noted by Hymans Robertson that the Fund’s bond investments (managed by BlackRock) are index-tracking investments that performed in line with their benchmarks. As with all investments, these should be considered long-term holdings and performance would continue to be monitored closely, however there was no immediate action required.
- Would LCIV’s net zero goals for its own funds assist LBL achieve its own net zero investment goals? Hymans Robertson noted that the LCIV Passive Equity Progressive Paris Aligned Fund (“PEPPA”) has a net zero target, so would support any net zero target the Fund itself wished to set.

7.4 Hymans answered the Members questions.

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

7.6 RESOLVED that the presentation be noted.

8. Initial Results Of The 2022 Valuation And Investment Strategy Review - Hymans Robertson Presentation

- 8.1 The Fund Actuary noted that preliminary results indicate a substantial funding improvement over the 3-year period to 31st March 2022, driven primarily by investment returns exceeding expectations over the period.
- 8.2 Members asked a number of questions on a variety of topics discussed during the presentation (e.g. sustainability), which were addressed by Hymans.
- 8.3 Recommendation:
- 8.4 The Committee were asked to note the contents of the presentation.
- 8.5 RESOLVED that the presentation content be noted.

9. General Update Report

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.

9.1 Recommendation:

The Committee were asked to:

- 9.2 review and note the contents of the report;
- 9.3 Members asked questions that were answered by the HFSPC.
- 9.4 RESOLVED that:
- The report be noted.

10. Risk Management Policy and Risk Register

- 10.1 The paper was presented by the HFSPC and included the proposed Risk Management Policy and updated Risk Register.
- 10.2 The HFSPC highlighted that the Risk Management Policy had previously been approved in 2019 and was therefore due to be reviewed and approved by the Committee. The draft form of the Policy had been reviewed by the Pension Board in October and the Pension Board's comments had been considered by officers and incorporated as appropriate. Similarly the Pension Board had reviewed and discussed the Risk Register and their comments incorporated into the revisions to the Risk Register presented to the Committee.
- 10.3 Members asked questions that were answered by the HFSPC.
- 10.4 Recommendation:**
- 10.5 The Committee is recommended to:
- Review and approve the Risk Management Policy;

- Review the risk register and suggest any amendments as necessary.

10.6 RESOLVED that the Risk Management Policy be approved and the risk register reviewed and noted.

The meeting ended at 9.32pm

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

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 your 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.



Pension Investment Committee

General Update

Date: 9 February 2023

Key decision: No.

Class: Part 1.

Ward(s) affected: None specifically

Outline:

This paper provides the Committee with an update on several general pension fund related matters in the last quarterly period.

Recommendation:

The Committee are asked to:

1. review and note the contents of the report;
2. note the changes to the Statement of Accounts 2021/22 as presented to Council on the 18 January 2023;
3. note that Council has delegated to the Section 151 Officer the approval and agreement of the final Statement of Accounts for 2021/22;
4. agree that the Chair will, in consultation with officers, agree the final Pension Fund Annual Report 2021/22 for publication;
5. agree that officers proceed with the procurement of actuarial and investment advisory services using the National Framework for LGPS Procurement, using Lots 1 – 3 on the Actuarial Benefits and Governance Framework and Lots 1 – 2 on the Investment Management Framework, and delegate to the Executive Director for Corporate Resources the award of the relevant advisory support contracts.

Timeline of engagement and decision-making

This report is one of the regular quarterly reports prepared for the Pensions Investment Committee to enable them to fulfil their terms of reference.

1. Summary

- 1.1. This report sets out a number of general matters to ensure the Committee are appraised on the work ongoing in respect of the Fund.

2. Recommendations

- 2.1. The Committee are asked to:
- 2.2. review and note the contents of the report;
- 2.3. note the changes to the Statement of Accounts 2021/22 as presented to Council on the 18 January 2023;
- 2.4. note that Council has delegated to the Section 151 Officer the approval and agreement of the final Statement of Accounts for 2021/22;
- 2.5. agree that the Chair will, in consultation with officers, agree the final Pension Fund Annual Report 2021/22 for publication;
- 2.6. agree that officers proceed with the procurement of actuarial and investment advisory services using the National Framework for LGPS Procurement, using Lots 1 – 3 on the Actuarial Benefits and Governance Framework and Lots 1 – 2 on the Investment Management Framework, and delegate to the Executive Director for Corporate Resources the award of the relevant advisory support contracts.

3. Policy Context

- 3.1. The overriding policy context for the Pension Investment Committee are the pension regulations and Members fiduciary duty to the beneficiaries of the Fund.

4. Background

- 4.1. This briefing will provide a summary of current topics relating to the Pension Fund and pensions in general, and address standing items on the agenda, following on from actions requested in previous meetings.

5. 2021/22 Statement of Accounts and Annual Report

- 5.1. The draft Pension Fund Statement of Accounts and Annual Report for the year 2021/22 were presented to the Committee at the November 2022 meeting. The audit of these had commenced, but had not yet concluded at that point.
- 5.2. On the 18 January 2023 the draft 2021/22 Statement of Accounts and Annual Report were tabled at Full Council, with the recommendation that Council approve delegation to the Section 151 Officer, in consultation with the Chair of the Audit Panel, to agree any changes to agreed audit adjustments included within the addendum, and to agree the final Statement of Accounts for publication.
- 5.3. The draft Statement of Accounts as presented to Council had been amended from those presented to the Committee in November and the main changes were the following:
 - The valuation of the fund has increased by £2.5m from £1,747m to £1,750m due to an adjustment to the valuation of the funds.
 - The employer contributions were overstated by £9m and this was compensated by the transfers out being overstated by £9m. Therefore there was a net change in dealings with members of £9k.
 - The above changes have been recognised in the changes to the relevant notes throughout the accounts.
- 5.4. The audit is nearing completion and it is not expected that there will be substantive amendments made to the draft accounts tabled at Council. Therefore the Committee is asked to i) note these changes from November 2022, ii) note that Council has delegated to the Section 151 Officer the approval and agreement of the final Statement of Accounts for 2021/22, and iii) agree that the Chair will, in consultation with officers, agree the final Pension Fund Annual Report 2021/22 for publication.

6. Retendering advisory and actuarial services

- 6.1. This activity had been placed on hold due to the triennial valuation and the detailed work being undertaken by the actuary. This work is concluding and it is intended that officers will begin the process of procuring new advisory and actuarial services contracts. It is intended that the new contract will be in place to support the detailed planning and delivery of the implementation of the new investment strategy and principles which are in the process of being developed.
- 6.2. An assessment of procurement options has been undertaken and these, and the preferred option is set out below.
Option 1: Do Nothing
- 6.3. The current contract has now expired and can no longer be further extended. 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, and therefore a new contract must be properly procured and put in place in order to comply with the Regulations.

Option 2: Council led procurement

- 6.4. The Council has a central procurement service who would be able to support officers to undertake a Council led tender process. However, the specialist nature of these services, and the requirement to run a procurement process compliant with UK legislation (given the value of the procurement) which would take approximately 6 – 9 months means that this would be more resource intensive and costly than the use of an existing compliant framework.

Option 3: Use of Compliant Framework

- 6.5. There are a number of established frameworks which are available to the Council, and which have been established via a Public Contracts Regulations 2015 compliant process which has already demonstrated value for money.
- 6.6. Officers have reviewed a number of these and determined that the preferred framework is the National Framework for LGPS Procurement. This framework has been established by 13 LGPS funds (the founding authorities); including the London Borough of Hackney, and is a not-for-profit enterprise established to support LGPS funds secure high-quality, value for money independent expert advisors. Contracts awarded under this framework can have a contract length of up to 7 years for investment support and 10 years for actuarial support, but also contain a 'no fault' break clause enabling termination with 3 months notice.
- 6.7. Officers consider that Lots 1 - 3 on the Actuarial Benefits and Governance Framework and Lots 1 – 2 on the Investment Management Framework would provide the range of services required by the Fund. A further benefit of the framework is that it allows for either two tenders for each of actuarial and advisory services, or the potential to indicate that you wish to appoint a single provider for both. Procurement will be via a mini tender competition estimated to take approximately 4 – 6 weeks.
- 6.8. Whilst the Framework is a not-for-profit enterprise there is a once off fee payable upon use of the Framework to cover the costs of establishing and administering it, and these would be £3k for actuarial and £5k for investments, however the efficiency gained via the use of an established framework with competitively tendered pricing structures justifies the fee payable.
- 6.9. There are a number of reputable providers on each relevant framework Lot, for Lots 1 – 3 on the Actuarial Benefits and Governance Framework this includes: Aon Solutions UK Limited, Barnett Waddingham LLP, Hymans Robertson and Mercer Limited. For Lots 1 – 2 on the Investment Management Framework this includes: Aon Solutions UK Limited, Barnett Waddingham LLP, Hymans Robertson LLP, Bfinance, Isio, Mercer Limited and Redington.
- 6.10. The Committee are asked to agree that officers proceed with the procurement of actuarial and investment advisory services using the National Framework for LGPS Procurement, using Lots 1 – 3 on the Actuarial

Benefits and Governance Framework and Lots 1 – 2 on the Investment Management Framework, and delegate to the Executive Director for Corporate Resources the award of the relevant advisory support contracts.

7. Net Zero Target Setting

- 7.1. The draft Responsible Investor Beliefs statement for consideration by the Committee includes the statement that “Fund believes that it is necessary and desirable to set a net-zero investment emissions target. It will prioritise this activity to ensure a credible plan for the delivery of an agreed net zero objective is constructed.”
- 7.2. The setting of a net-zero target, as with the agreement of any key target or strategic aim, is not to be undertaken lightly. It is important that in setting this target the Committee has both the requisite level of understanding of the complexities within this area, as well as the relevant level of data in order to be able to make a considered and informed decision.
- 7.3. Therefore, officers and Hymans Robertsons, recommend that over the next 3 – 6 months the following main tasks are undertaken.
- 7.4. **Training and Discussion (March – April 2023).** A specific session or workshop on “Net Zero considerations” is held with Hymans, which includes consideration of the following:
 - the difference between possible target dates;
 - reliance on offsets if the Fund chooses a very early commitment (i.e.2030);
 - availability of net zero investment options;
 - the difference between the Council’s net zero commitment versus the net zero commitment from the Pension Fund (focusing specifically on control and geography amongst other considerations).
- 7.5. **Carbon Baseline (February – May 2023).** The Fund has not undertaken a carbon baseline assessment for a number of years, and not since the completion of the key objective of achieving the transfer of equities into low carbon mandates. It is vital that in setting a net zero target the Committee understand what the current carbon baseline is in order to understand what a challenging, but achievable target date might be. Officers are seeking to instruct this carbon baseline, which will be undertaken on the Funds assets as at the 31 March 2023, and is expected to be available for the Committee’s consideration in the May or June meeting.
- 7.6. The results of the carbon baseline should be available for presentation to the Committee at its next meeting for discussion. Importantly this will also set out what assets the report includes, the listed assets, and what assets are either excluded or for which assumptions and extrapolation has been required, being the private market mandates.
- 7.7. At this point it is considered that the Committee will have both the enhanced level of understanding and knowledge, coupled with the updated relevant data to enable it to set the Fund’s net zero target.

8. Pension Board

- 8.1. The Pension Board has a full membership of two employee representatives

and two employers' representatives and an independent Chair. A clerk has also been appointed to support the board. There has been a change of one of the employer representatives. Salena Mulhere (Assistant Chief Executive) has been replaced by Sherene Russell-Alexander, Director of People and Organisational Development.

- 8.2. The Pension Board held a meeting on 14 December 2022 and has quarterly meeting dates booked for 2023/24. The date of the next meeting is 16 March 2023.
- 8.3. The Chair has outlined his expectations of the board and it has agreed a work programme for the year which will be reviewed on a quarterly basis.
- 8.4. The board members have agreed a training programme for each individual member, including the Pension Regulator's Toolkit of online training, as well as having training sessions in the hour before each meeting.
- 8.5. The workplan and the initial priority actions have been programmed in the context of the AON review from 2019 to ensure that those areas of weakness are addressed in addition to the expected cycle of work for the Board.
- 8.6. The minutes from the 14 December 2022 Pension Board and its work programme for the next 12 months have been appended to this report as Appendix 1 for the Committee's information.

9. Training

- 9.1. A selection of conferences, workshops and seminars continue to be shared with Members. Should members find any of the sessions of interest, or have identified other training they would like to attend, please can they keep the Governance Team informed. Members' training records are published annually in the Annual Report, to be finalised by November each year.
- 9.2. The recommended sessions form part of the main training offer to Members; other sessions arranged by fund managers or the Fund's advisors will also form part of regular Committee business. It is vital that Members develop and maintain their knowledge of the overall sector, and in particular the LGPS, for preserving our professional client status under MiFID II regulations. Should Fund Managers deem the Committee to be lacking in knowledge or ability, it is within their powers to withdraw their services.
- 9.3. Officers continue to recommend the excellent training tools available via the Pensions Regulator at: <http://www.thepensionsregulator.gov.uk/public-serviceschemes/learn-about-managing-public-service-schemes.aspx>. However, please note that the focus of the toolkit is on the administration and governance of the scheme and not on fund investment. Other useful sources include the free to attend SPS conferences at www.spsconferences.com or specific training can be arranged on selected topics as needed.
- 9.4. At the November 2022 meeting Hymans Hymans delivered Asset Liability Modelling Training. In January 2022 Hymans lead an Investment beliefs session for members so that they could prepare the Beliefs Statement.
- 9.5. Meet the Manager for the February meeting was Schrodgers and they covered

the following investment performance, changes they've made to the portfolio (in particular any tilt towards sustainability-focused property investments), and a general outlook for property;

- 9.6. It is suggested that a further session be held to brief the Committee on the Taskforce on Climate-related Financial Disclosures (TCFD) framework, which has introduced reporting requirements from the end of 2023/24).
- 9.7. Net Zero: as in section 7 above suggest that this is undertaken in March or April to cover the elements set out in 7.4 above.
- 9.8. Additional training sessions separate to the meeting cycle will be offered.

10. Financial implications

- 10.1. The costs of the actuarial and investment advisory services are charged back to the Pension Fund or to the Employers within the Fund as appropriate. The costs of these services in 2020/21 was circa £270k, and £370k in 2021/22. The annual value will vary depending on the level of advice and support required, and specifically where in the valuation cycle the Fund is.
- 10.2. The schedule of rates within the National Framework for LGPS Procurement have been competitively tendered and deemed to be value for money as part of the establishment of the Framework. It is therefore assumed that the costs of the new actuarial and advisory contracts would be similar to those under the existing arrangements.

11. Legal implications

- 11.1. In line with the Council's Constitution and the Committee's Terms of Reference within, as the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.
- 11.2. 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.

12. Equalities implications

- 12.1. There are no direct equalities implications arising from this report.

13. Climate change and environmental implications

- 13.1. There are no direct climate or environmental implications arising from this report.

14. Crime and disorder implications

14.1. There are no direct crime and disorder implications arising from this report.

15. Health and wellbeing implications

15.1. There are no direct health and wellbeing implications arising from this report.

16. Background papers

16.1. None.

17. Report author and contact

17.1. David Austin, Finance Director

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Pension Investment Committee

Responsible Investor Beliefs Statement

Date: 9 February 2023

Key decision: No.

Class: Part 1.

Ward(s) affected: None specifically

Outline:

This paper provides the Committee with a draft Responsible Investor Beliefs Statement for consideration and adoption.

Recommendation:

The Committee are asked to:

1. review and comment on the draft Responsible Investor Beliefs Statement;
2. agree that the draft statement, amended as required by the Committee, be agreed and adopted.

Timeline of engagement and decision-making

- November 2022: survey of Responsible Investor Beliefs;
- 25 January 2023: Responsible Investor Beliefs Workshop

1. Summary

- 1.1. This report provides the Committee with a draft Responsible Investor Beliefs Statement for consideration and adoption.

2. Recommendations

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- 2.1. The Committee are asked to:
- 2.2. review and comment on the draft Responsible Investor Beliefs Statement;
- 2.3. agree that the draft statement, amended as required by the Committee, be agreed and adopted.

3. Policy Context

- 3.1. The overriding policy context for the Pension Investment Committee are the pension regulations and Members fiduciary duty to the beneficiaries of the Fund.

4. Background

- 4.1. The Committee have been building their responsible investment knowledge and activities over recent years, receiving training on various key topics. At the end of 2022, the Committee was asked to respond to a survey discussing a wide range of responsible investment (“RI”) statements. These statements would form the basis for a discussion into potential RI beliefs, from which a RI policy (to be included within the Fund’s Investment Strategy Statement) could be constructed.

5. Responsible Investor Beliefs Statement

- 5.1. The Committee members responded anonymously to the survey issued in November 2022, the results were aggregated and each statement was given an average score out of 5, with anything above 4 deemed to have sufficient interest to warrant inclusion as a belief. Anything above 3.5 was debated in further detail at the meeting as a “potential” inclusion, and anything below 3.5 was excluded by virtue of clear lack of collective support. It was agreed that the results of the survey, would be used to support the creation of the draft RI Beliefs appended to this report.
- 5.2. The Funds advisors, Hymans Robertson, have used the outcomes from the survey and the subsequent discussion from the workshop on the 25 January 2023 to prepare the draft Responsible Investment Beliefs appended to this report and confirm whether this draft can be considered final, or provide feedback on any required amendments.
- 5.3. Following approval, the Committee may wish to publish this on the Funds website as standalone document, or include within an updated Investment Strategy Statement via a formalised Responsible Investment Policy.

6. Financial implications

There are no financial implications arising directly from this report.

7. Legal implications

Is this report easy to understand?

Please give us feedback so we can improve.

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- 7.1. 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.

8. Equalities implications

- 8.1. There are no direct equalities implications arising from this report.

9. Climate change and environmental implications

- 9.1. There are no direct climate or environmental implications arising from this report.

10. Crime and disorder implications

- 10.1. There are no direct crime and disorder implications arising from this report.

11. Health and wellbeing implications

- 11.1. There are no direct health and wellbeing implications arising from this report.

12. Background papers

- 12.1. None.

13. Report author and contact

- 13.1. Katharine Nidd, Head of Strategic Finance, Planning and Commercial,
katharine.nidd@lewisham.gov.uk

London Borough of Lewisham Pension Fund – Draft Responsible Investment Beliefs Statement

Introduction

This paper is addressed to the Pensions Investment Committee (“PIC”) of the London Borough of Lewisham Pension Fund (“Lewisham”; “the Fund”). The purpose of the note is to provide members with a proposed draft Responsible Investment Beliefs statement, for discussion, feedback, and subsequent ratification.

It should not be used for any other purpose and it should not be released to any third party except as required by law or without our prior written consent, in which case it should be released in its entirety. We cannot be held liable for any loss incurred by a third party relying on this report without such permission.

Background

The Committee have been building their responsible investment knowledge and activities over recent years, receiving training on various key topics. At the end of 2022, the PIC was asked to respond to a survey discussing a wide range of responsible investment (“RI”) statements. These statements would form the basis for a discussion into potential RI beliefs, from which a RI policy (to be included within the Fund’s Investment Strategy Statement) could be constructed.

PIC members responded anonymously to the survey, the results were aggregated and each statement was given an average score out of 5, with anything above 4 deemed to have sufficient interest to warrant inclusion as a belief. Anything above 3.5 was debated in further detail at the meeting as a “potential” inclusion, and anything below 3.5 was excluded by virtue of clear lack of collective support. It was agreed that the results of the survey, would be used to support the creation of the draft RI Beliefs that follows below.

Next steps

The **PIC is asked to review the draft Responsible Investment Beliefs** and confirm whether this draft can be considered final, or provide feedback on any required amendments. Following approval, the PIC may wish to publish this on their website as standalone document, or include within an updated Investment Strategy Statement via a formalised Responsible Investment Policy.

Nick Jellema, Senior Investment consultant
Ross MacLeod, Investment consultant
Priyam Jain, Investment Analyst

February 2023
For and on behalf of Hymans Robertson LLP

London Borough of Lewisham Pension Fund - Responsible Investment Beliefs Statement

Alongside the objectives set out in the Fund's Investment Strategy Statement, the Pension Investment Committee believe that:

1. The Fund recognises the primacy of its fiduciary duties, but believes that it can still exercise these while investing responsibly, and securing the required investment returns to ensure the financial sustainability of the Fund.
2. Responsible Investment issues (including Environmental, Social and Governance factors, and particularly climate risk) can have a material impact on the long-term performance of the Fund's investments and the Fund's reputation.
3. Climate change and the expected transition to a low carbon economy is an area of significant financial risk and opportunity to the Fund, and therefore the Fund will seek to proactively manage risks and pursue long-term investment opportunities arising from this.
4. The sustainability of investment returns over the long-term, even beyond the expected investment horizon of the Fund, is important.
5. The Fund's investment managers and its Pool (the London Collective Investment Vehicle ("LCIV")) should demonstrate their commitment to responsible investment by being signatories to the Principles for Responsible Investment and UK Stewardship Code.
6. The LCIV is a key component of the Fund successfully delivering on its RI objectives and any climate-related targets set. The Fund will actively engage with, and monitor, LCIV and expects it to provide leadership in helping Funds address the potential risks associated with ESG, and particularly climate change.
7. The Fund should ensure that LCIV exercises robust stewardship of its assets, with underlying managers expected to deliver consistent votes (except for in limited exceptional circumstances) on common company resolutions.
8. The Fund recognises its responsibility to proactively monitor investment managers' integration of ESG analysis, and voting and engagement activities regularly, and hold managers accountable for their decisions.
9. Investment managers are best placed to implement policy on ESG matters. They should embed ESG and RI considerations throughout their processes, be responsible for engaging with investee companies and issuers on ESG factors and take responsibility for voting (where relevant), disclosing to the Fund on all such activities.
10. Responsible ownership of companies benefits long-term asset owners. Companies that manage their business responsibly are expected to outperform companies that do not, over the longer term.
11. The Fund should be aware of, and monitor, financially material ESG-related risks, and issues (including voting and engagement activity) through its investment managers and will consider regular reporting (annual) on these areas.
12. Divestment on ESG grounds can be a mechanism for managing ESG risks and should be considered if engagement with individual companies proves unsuccessful, or is unlikely to have impact. The Fund will consider mandate constraints and wider practicalities prior to any divestment taking place.

13. Appropriate disclosure of the Fund's responsible investment activities is a priority for the Fund to ensure accountability, and the Fund will also seek to collaborate with other institutional investors on RI issues to deliver greater impact than it could achieve individually.
14. The Fund believes that it is necessary and desirable to set a net-zero investment emissions target. It will prioritise this activity to ensure a credible plan for the delivery of an agreed net zero objective is constructed.

DRAFT

Agenda Item 5

PENSION INVESTMENT COMMITTEE		
Report Title	Exclusion of the Press and Public	
Key Decision		Item No. 5
Ward		
Contributors	Chief Executive	
Class	Part 1	Date: 9 February 2023

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:-

6. Meet the Manager Session: Storebrand
7. Quarterly Investment Performance Report
8. Initial results of the 2022 valuation and Investment Strategy Review
9. General Update Report
10. Risk Management Policy and Risk Register

Agenda Item 6

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Agenda Item 9

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