

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 Schrodgers' 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