

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