

MINUTES OF THE PENSIONS INVESTMENT COMMITTEE

Thursday 1 October 2020 at 7.05 pm

Present: Councillor Ingleby (Chair), Councillor Krupski (Vice-Chair), Councillor Best, Councillor Kalu, Councillor Maslin, Councillor Muldoon and Councillor Penfold.

Also present: Steven Law (Actuary, Hymans Robertson), Nick Jellema (Senior Investment Consultant, Hymans Robertson), Sean Lintott-White (Investment Analyst, Hymans Robertson), David Austin (Acting Chief Finance Officer), Robert Browning (Principal Accountant), Stephanie Fleck (Principal Solicitor), Claudette Minott (Clerk).

Apologies: Councillor Codd.

1. Declarations of Interest

Councillor Ingleby (Chair), declared a personal interest as a Councillor elected Director of Lewisham Homes not in receipt of pension.

Councillor Kalu declared a personal interest as a board member of Lewisham Homes.

Councillor Muldoon declared a personal non pecuniary interest that he had a client opposite a site that he had visited, that was connected to the Residential Property Procurement report (item 8).

2. Minutes

RESOLVED that the minutes of the meeting of the Pensions Investment Committee held on 23 July 2020 be confirmed and signed as a true record.

3. 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:-

4. Private Minutes
5. Actuarial Update
6. Quarterly Performance Update
7. General Update
8. Residential Property Procurement

4. Private Minutes

The minutes of the last meeting to be amended as below:

On page:

- 11, the reference to 'Southwark' to be removed.

- 15, the reference to '31 November' to be amended to '30 November'.

RESOLVED that the minutes of the meeting of the Pensions Investment Committee held on 23 July 2020 be confirmed and signed as a true record

5. Actuarial Update

The report was presented by Hymans Robertson who advised the Committee of funding and administration issues raised by regulatory changes following the: McCloud judgement with regard to transitional protections from the 2008 LGPS final salary scheme; cost management valuations for 2016 and 2020; consultation on the £95k exit payment cap; and the Goodwin ruling regarding equality of survivor benefits.

It was advised that the Fund's actuary expected the impact of the McCloud case, to add approximately 0.9% to the value of overall Fund liabilities, or around £15m at current valuations. However, the impact at individual employer level would be far greater, some employers would see liabilities increase by as much as 5-10%. The impact of the Goodwin case was expected to increase Lewisham's liabilities by 0.3%, or around £5m at current valuations. However, as with McCloud, allowances were made for the Goodwin changes in the 2019 triennial valuation, and as such the impact on funding and employer contribution rates would be negligible.

Following Members questions, Hymans advised that ill-health did not form part of the criteria for early retirement. The estimated cost of administration was discussed and it was advised that the first step would be to assess the size of the project, as there would be substantial costs, which would be of interest to the Pensions Board. It was agreed that the Pensions Investment Committee would receive an update on cost implications at the next Committee meeting.

RESOLVED that the report be noted.

6. Quarterly Performance Update

The report was presented by Hymans Robertson. The Hymans Robertson quarterly performance report appended to this report covered: the value of the Fund's assets and movements over the quarter to 30 June 2020; a performance summary of each manager over the quarter; and an assessment of the fund managers and any recommendations for the next quarter.

RESOLVED that the report be noted.

7. General Update

The report was presented by Hymans Robertson who provided an update on a number of general pension related issues from the previous quarter relevant to the Fund. This included an update on the London CIV (LCIV), the progress of the implementation of the investment strategy and, training opportunities.

Officers confirmed that a verbal update would be provided at the November 2020 meeting with regard to the performance of the Fund to cover the period up to the end of September 2020.

Following Member enquiries, Hymans informed the Committee that the Cash Plus Benchmarks for the DGF, and Private Debt mandates was an important consideration when assessing the performance of managers. It was advised that fund managers expected that over the funds full term of 3 years, cash plus a 4-5% return would be expected from the DGF and Private Debt investments. Members were advised there would be periods of under or outperformance when assessing short-term performance periods of less than 3 years.

Hymans informed the Committee that they had reviewed their highly-rated Private Debt managers over the March, April and May period and concluded that fund manager Pemberton held a resilient, non-cyclical portfolio of loans.

RESOLVED that the report be noted.

8. Residential Property Procurement

The report was presented by Hymans Robertson. The report outlined and followed on discussions from previous Committee meetings where the new Investment Strategy was agreed following the 2019 triennial valuation, and discussions on its implementation have led to follow-up considerations regarding residential property as an alternative to Environmental, Social and Governance (ESG) credit, as part of the Fund's target allocation to income generating assets. The report presents a number of recommendations for Members to consider in agreeing a route forward for the procurement of a residential property fund. The report was supplemented with verbal commentary provided by the Fund's advisers. Following Members' enquiries, Hymans advised that broader residential property funds had been in existence for 6-8 years, and by comparison niche, co-living investment funds were currently in their infancy. Members were advised to opt for long-running established residential property funds, as these would give greater confidence of delivering the returns required.

Following recommendations made to Members, the Committee agreed to:

- Hold a short residential property training session immediately before the Committee meeting on 30 November 2020;
- Pursue the procurement of a residential property fund outside of the pooling regime, having considered the alternatives offered by the London Collective Investment Vehicle (LCIV);
- Proceed with an investment in a Private Rented Sector (PRS) fund, having agreed to recommendation 2; and
- Choose its preferred method of procurement and instruct the Fund's advisers accordingly.

RESOLVED that the report be noted.

The meeting ended at 8.56 pm