

MINUTES OF THE PENSIONS INVESTMENT COMMITTEE

Wednesday 28 April 2021 at 7.00 pm

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

Also present: Nick Jellema (Hymans Robertson), Ross MacLeod (Hymans Robertson),
David Austin (Director of Corporate Resources) and Claudette Minott (Clerk)

Apologies: Councillor Maslin

1. Declarations of Interest

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

2. Minutes

RESOLVED that the minutes of the meeting of the Pensions Investment Committee held on 17 February 2021 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. Training – Hymans
5. LCIV discussion
6. Seed Investor Group decisions

4. Training – Hymans

Hymans presented two reports, which provided training materials to guide the committee through the progress toward the agreement of a procurement route for investing in a passive like low carbon equities mandate(s).

The first report outlined the training guidance from Hymans Robertson. The second report outlined a recent London Collective Investment Vehicle Seed Investor Group update, which included Hymans evaluation of potential investment indices.

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

RESOLVED that the report be noted.

5. LCIV discussion

London Collective Investment Vehicle (LCIV) gave a presentation to the Committee.

The LCIV presentation summarised the current mandates that were held by the LCIV for the Lewisham Fund to consider, in terms of pooling options. The current status and timeline for investing the new Renewables mandate was also discussed. An update was also given to Members regarding the seed investor group discussion, in respect of a possible low cost low carbon equities mandate procurement

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

Members asked questions that were answered by LCIV.

RESOLVED that the report be noted.

6. Seed Investor Group decisions

Two reports were presented by Hymans to the Committee regarding the current status and next steps in relation to the two London Collective Investment Vehicle (LCIV) Seed Investor Group (SIG) procurement options. Hymans discussed the two SIG options, which were:

- 1) Renewable Infrastructure fund, and
- 2) Low Carbon Equities.

The first report discussed the due diligence from Hymans Robertson with regard to the Renewable Infrastructure investments. The second report discussed the LCIV presentation from February 2021 and set out the structure of the mandate.

The Committee also received a verbal update from the Chair, regarding the LCIV February meeting,

The Committee were asked to:

1. Review and note the contents of the report and supporting appendices;
2. Approve the investment of 6% of the Fund (estimate £90-95m) into the LCIV Renewable Infrastructure fund;
3. Delegate the completion of the work to make the investment in the LCIV Renewable Infrastructure fund, funded from the sale of equities in the UBS passive mandate, to the Director for Corporate Services;
4. Confirm their preferred procurement option – a) continue with the LCIV SIG process, or b) move to progress with a direct procurement of a low carbon equities mandate; and
5. Instruct officers to continue with the necessary work to prepare the procurement of a low carbon equity mandate in line with the agreed option and bring this back to a future committee meeting for decision.

Members asked questions that were answered by Hymans.

The Committee agreed the recommendations.

RESOLVED that the report be noted.

During the member discussion, the Chair advised the Committee, as below:

- “The Committee commenced by reaffirming its commitment to reinvesting c. £800m of passively managed (market capitalisation) global equities into lower carbon solutions. The style of management would retain a degree of consistency with the

current approach, in that the new solution will also be managed in a manner consistent with approaches 1 or 2 in the training pack.

- In light of regulatory and moral concerns, and the excellent progress we have made in influencing the LCIV to create a fund that meets the majority of our objectives, Lewisham intends to commit a substantial amount of capital at fund launch. The LCIV platform allows us to potentially drive further aggregation and scale of Climate Transition/ Low Carbon opportunities in the LGPS sector AFTER we have joined. Withdrawing from the project now would be counterproductive and cause the launch to be cancelled; or, at best substantially delayed. Around 16 other Boroughs have been quietly observing from the back – we should not be blind to the consequences of abandoning the leadership role that we have played up to now.
- The recent emphasis in index discussions by LCIV on forward-looking metrics for the index for the proposed mandate, especially in relation to Paris/Glasgow, leads us to see their ultimate product perhaps being flexible and innovative going forwards.
- Although there is much that the Committee finds attractive concerning the current progress of the SIG – and recently they have moved forwards faster than we might have expected two months ago – it is still not entirely the product that our climate objectives and research with Hymans since mid-2019 might have led us towards.
- As such, in order to exercise good fiduciary responsibility, the Committee intends to complement investment into the LCIV solution with investment into other forms of low carbon equity, particularly where we see opportunity to meet any additional objectives which the LCIV fund may not entirely meet. There are many existing low carbon equity solutions in the market. By splitting this at a ratio (TBC) deemed not to jeopardise the foundational investment levels required for the potential launch of a LCIV Low Carbon Passive Equities Fund in the autumn and by doing an independent procurement this June/July, we can still seek the more tailored Low Carbon fund that we might like, to which Local Authority procurement frameworks provide a relatively easy way for other Boroughs or LGPS to aggregate with us in the future, prior, in any case, to such a fund being moored up to the Exempt Unauthorised Unit Trust (or similar) of LCIV as part of unavoidable pooling requirements.
- Our independent procurement process of a Low Carbon Passive-like (i.e. approaches 1 or 2 in the training pack) Equity Fund will also provide good training and Governance experience for PIC Members as we further negotiate and oversee the LCIV mandate development process in this asset class over the summer. Should the latter collapse, we would still have our independent mandate as the basis for aggregation and ultimate pooling as described above.
- Therefore 2 (or 3) Passive Mandates/Strategies in combination - almost no LGPS Fund relies on one mandate alone in this asset class - would meet the majority of our climate objectives as well as providing the necessary fiduciary diversification for the protection of our members' pensions.”

The meeting ended at 9.16 pm