

Pensions Advisory Panel

MINUTES of the OPEN section of the Pensions Advisory Panel held on Wednesday 29 September 2021 at 3.00 pm at Meeting Room 225 - 160 Tooley Street, London SE1 2QH

PRESENT: Councillor Rebecca Lury (Chair)
Councillor Eliza Mann
Duncan Whitfield
Caroline Watson
Barry Berkengoff
Tim Jones
Chris Cooper
Julie Timbrell
Derrick Bennett
Colin Cartwright
David Cullinan
Mike Ellsmore
James Gilliland
Jack Emery
Andrew Weir

1. APOLOGIES

There were no apologies for absence.

2. CONFIRMATION OF VOTING MEMBERS

Councillor Rebecca Lury, Caroline Watson and Barry Berkengoff were confirmed as voting members at the beginning of the meeting. Councillor Eliza Mann was confirmed as a voting member also, on her arrival at 3.20pm.

3. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

There were none.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

RESOLVED:

That the minutes of the meeting held on 23 June 2021 be agreed as a correct record.

At this point the chair agreed to vary the order of business to hear items 7 and 13 first.

6. NEWTON PRESENTATION

The pensions advisory panel received a presentation from Newton.

It was noted that Newton had outperformed the market in seven of the last ten years but had not met their long term performance target. Newton advised that they took a thematic approach to investing and took a long term view to add value for their clients.

Duncan Whitfield advised that Newton was an active manager with high targets. He thanked Newton for responding to the pension fund's low carbon objectives.

David Cullinan asked Newton to provide data on the mandate's performance against the markets. It was confirmed that this would be provided by email.

RESOLVED:

That the presentation from Newton be noted.

7. ASSET ALLOCATION

James Gilliland, Divisional Accountant, presented the report on the asset allocation of the Fund.

It was noted that the value of the pension fund had increased by £89 million since the previous quarter.

RESOLVED:

That the Fund's asset allocation at 30 June 2021 be noted.

8. CARBON FOOTPRINT UPDATE

Jack Emery, CIPFA Trainee, presented the report on the carbon footprint update.

It was noted that the fund has reduced its weighted carbon exposure by 44% since September 2017. This is predominantly driven by the movement of the holdings in passive developed market equities to low carbon funds.

The panel noted the infographic that had been produced in order to demonstrate the changes in the composition of the fund in terms of carbon emissions against the reduction of the carbon footprint over time. The graph was intended for use as a way of easily displaying the fund's progress towards net zero and would be easy to update over time.

The chair added that the availability of suitable products on the market were difficult to find as the fund was ahead of the market.

David Cullinan commented that this was a very good piece of work. He noted that the fund needed to invest in products that matched the direction of the fund's liabilities.

RESOLVED:

That the fund's carbon footprint at 30 June 2021 be noted.

9. DRAFT UPDATED INVESTMENT STRATEGY

Caroline Watson presented the report.

It was noted that there was a series of short, medium and long term targets in order to reach net zero by 2030.

Julie Timbrell requested that members of the fund were consulted on the strategy. Duncan Whitfield advised that it would be published and members would be consulted. She also asked if there would be another scheme member survey. It was agreed that this would be added to the revised investment strategy.

Mike Ellsmore asked whether we would be consulting with scheme employers. It was confirmed that the Investment Strategy Statement would be sent to all scheme employers as part of a formal consultation.

RESOLVED:

1. That the updated Investment Strategy Statement was considered and noted.
2. That the draft updated investment strategy was considered and noted.

10. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PRIORITY ALLOCATION

Caroline Watson presented the report. She advised that a range of available illiquid investment funds were considered for the ESG priority allocation. It is recognised that investment opportunities in this area vary in strategy, fund structure and the degree of ESG integration and impact.

Attendees at the assessments were:

- PAP Voting Members – Cllr Rebecca Lury, Cllr Eliza Mann, Caroline Watson, and Barry Berkengoff
- Officers - Duncan Whitfield, Tim Jones
- Investment Advisors – Colin Cartwright, Jonathan Taylor, David Cullinan.

She advised that voting members of the pensions advisory panel were being asked to agree the recommended selection.

Duncan Whitfield advised that the recommendation was a recommendation from the panel to him, in his role as strategic director of finance and governance.

RESOLVED:

1. That it be noted that at the manager assessment sessions held on 28 July and 22 September 2021, Blackstone Capital Holdings GP Stakes Fund II; BTG Pactual Open Ended Core US Timberland Fund; and Darwin Bereavement Services Fund were considered the most suitable investment opportunities for the new ESG priority allocation.
2. That it be noted that the Temporis Impact Fund V was also identified as an investment opportunity to continue the pipeline in the 5% allocation to the sustainable infrastructure portion of the fund's agreed strategic asset allocation.
3. That it be recommended that the fund makes commitments within the ranges set out below to each of the above investments, subject to legal due diligence:
 - i. Blackstone Capital Holdings GP Stakes Fund II (£50-£60m)
 - ii. BTG Pactual Open Ended Core US Timberland Fund (£25-30m)
 - iii. Darwin Bereavement Services Fund (£20m)
 - iv. Temporis Impact Fund V (£20-40m)

11. QUARTERLY INVESTMENT UPDATES

David Cullinan updated the panel. He advised that the Fund had performed well in the June quarter. It was noted that the Fund was in the top quartile of local

authority pension funds.

He advised that it had been a challenging six months but the fund was moving in the right direction and that the investment strategy was good.

Colin Cartwright from Aon addressed the panel. He advised that the markets had performed well but warned that inflation could lead to more volatility. He added that overall the fund was well positioned.

RESOLVED:

That the quarterly investment updates be noted.

12. QUARTERLY ACTUARIAL FUNDING UPDATE

Caroline Watson presented the report. She advised that the funding level at 30 June 2021 was 114% (111% at 31 March 2021). The surplus had increased by £68 million in the quarter to June 2021. This improvement is due to a greater than expected return on the assets.

Duncan Whitfield advised that this was a very good position to be in.

RESOLVED:

That the updated funding position at 30 June 2021 be noted.

13. LOCAL PENSION BOARD UPDATE

Mike Ellsmore updated the pensions advisory panel on the last meeting of the local pension board.

He advised that at the last pension board meeting an update was provided on the progress to date in implementing the COP14 action plan. A draft conflicts of interest policy for the LPB was also tabled. This may need to be amended in future to cover the whole pension fund.

It was also recommended that the pensions advisory panel commence preparing a fund-specific conflicts of interest policy as recommended in the good governance project.

There were no questions.

RESOLVED:

That the update from the local pension board (LPB) meeting of 21 July 2021 be noted.

14. PENSION SERVICES UPDATE

Barry Berkengoff, Pensions Manager, presented a brief report (as time was short) and updated the panel on the performance of the pension services team and on a number of the team's initiatives.

He advised that the first contact officer interviews had now taken place resulting in two appointments being made. The First Contact resource team service went live on 22 September 2021 and deals with all member and employer enquiries.

He informed the panel that Civica had delivered the first UPM test environment with member data from Altair, and that the Data/Systems team had begun testing and would work with Civica to resolve any data issues.

It was noted that recruitment to key roles in the pensions team was now complete. Two apprentice roles would form the final stage of pensions recruitment.

Finally, it was noted that there were no serious complaints from members of the pension fund to report.

Duncan Whitfield thanked Barry and his team for all of their hard work.

RESOLVED:

That the update on the pensions administration function be noted.

15. ANY OTHER BUSINESS

There was none.

The meeting ended at 4.34pm.

CHAIR:

DATED: