

PENSIONS COMMITTEE

Wednesday 20 November 2019 at 6.30 pm

MINUTES

PRESENT: Councillor Mary Atkins, Councillor Anna Birley (Deputy Chair),
Councillor Pete Elliott and Councillor Peter Ely
Co-Opted Members: Peter Woodward (Trade Union
Representative)

APOLOGIES: Councillor Iain Simpson
Co-Opted Members: Desmond Farry (Pensioner Representative)

ALSO PRESENT:

*Action
required by*

1. **DECLARATION OF PECUNIARY INTERESTS**

There were no declarations of interest.

2. **MINUTES OF THE PREVIOUS MEETING**

Councillor Ian Simpson had raised a query on page 6 of the minutes regarding the Liability Driven Investment (**LDI**) benchmark investments. Andrien Meyers advised that under the London CIV, Legal & General Investment Management Limited (**LGIM**) had been asked to clarify what investments were held.

RESOLVED:

That the minutes of the meeting held on 18 September 2019 were agreed as a correct record and signed.

It was noted that the print size on meeting paper packs had been increased for certain members as had previously been requested.

3. **INVESTMENT PERFORMANCE REPORT**

Steven Law (Hymans Robertson), Tony English (Mercer Investment Consulting), Sandy Dickson (Mercer Investment Consulting) and Andrien Meyers, Head of Treasury and Pensions; presented the report and answered questions as below:

- Andrien Meyers reported that over the period, the value of the Fund had increased by £10 million. This level of performance was not up-to-par. Furthermore, the report showed a 6% growth over the 3-year period, which was 0.5% below the benchmark. This further highlighted the shortage of the investment manager performance.
- European markets had fallen.
- Global equities had increased.
- Benchmark underperformance is likely to be due to fixed issues rather than the markets.

- The current benchmarks were challenging in the current climate.

A query was raised on what was challenging about the current conditions.

- Mercer advised that 8% achieved over the long term, makes it harder to achieve over short term. The main difficulty lies with determining benchmark figures for Property and DGF. Managers were facing significant challenges in the current climate, which had not existed at the time that the benchmarks were proposed and agreed by the investment managers.

Andrien Meyers advised that the Lambeth Pension Fund had two DGF's with LCIV, namely Ruffer and Pyrford, and as an asset class, DGF had underperformed. This was something that the Lambeth Pension Fund are taking into account in the strategy review. This matter was also being looked into by other London Pension Funds.

A query was raised on what exactly were Senior Loans?

- Andrien Meyers advised that Senior Loans are private debt allocations to Permira and Churchill and were deemed as a relatively safe risk. £75-80m commitment circa only 10million actually invested.

A further query was raised on why performance had been so low for the quarter. It was thought that it might be a common issue in the market, but it may have also reflected the long-term risk level of the investments.

Andrien Meyers advised that the Fund's fossil fuel exposure was currently 1.6% of assets (as noted in the papers) section 2.23, page 39, which also gave the breakdown of fossil fuel holdings by investment manager. Members enquired if there is a breakdown of the fossil fuel holdings of each investment manager. Members were advised that this list exists and is with the officers.

Andrien Meyers advised the Committee hasn't specifically stated that it has a policy on fossil fuels, even though the Chair advised on carbon neutrality during the previous meeting. Committee approved to be fossil fuel free on the equity portion of the fund and that they were happy to move to fossil fuel free.

It was noted that at a previous meeting, a declaration of no investments in fossil fuels had been made. However, this class may have been confused with the category of 'carbon neutral', which did not necessarily equate to fossil fuel free. Clarity / consistency in reporting was requested.

A request was made by the Committee for future reports to contain trend graphs.

Mercer to provide bar chart format.

The Committee noted that the bar in the gilts graph could be seen as high. Mercers reminded the Committee that when interest rates went down, gilt performance went up as a result of Quantitative Easing (QE).

RESOLVED:

1. That the report, together with the information in the accompanying exempt from disclosure report, be noted.

4. INVESTMENT PERFORMANCE MANAGER REPORT (PART II)

Exclusion of the press and public and summary of part II proceedings.

RESOLVED:

That under section 100A-H of the Local Government Act 1972, the press and public be excluded from the remainder of the meeting on the grounds that, for the item of business summarised below, it was likely that exempt information, as defined by Section 1001 and Schedule 12a of the Local Government Act 1972 and as specified by reference to the appropriate paragraph thereof, would be disclosed to them:

1. Information relating to the financial or business affairs of any particular person including the authority holding that information.

5. LONDON CIV UPDATE (PART II)

Exclusion of the press and public and summary of part II proceedings.

RESOLVED:

That under section 100A-H of the Local Government Act 1972, the press and public be excluded from the remainder of the meeting on the grounds that, for the item of business summarised below, it was likely that exempt information, as defined by Section 1001 and Schedule 12a of the Local Government Act 1972 and as specified by reference to the appropriate paragraph thereof, would be disclosed to them:

1. Information relating to the financial or business affairs of any particular person including the authority holding that information.

6. TRIENNIAL VALUATION 2019 (PART II)

Exclusion of the press and public and summary of part II proceedings.

RESOLVED:

That under section 100A-H of the Local Government Act 1972, the press and public be excluded from the remainder of the meeting on the grounds that, for the item of business summarised below, it was likely that exempt information, as defined by Section 1001 and Schedule 12a of the Local Government Act 1972 and as specified by reference to the appropriate paragraph thereof, would be disclosed to them:

1. Information relating to the financial or business affairs of any particular person including the authority holding that information.

7. LDI IMPLEMENTATION STRATEGY (PART II)

Exclusion of the press and public and summary of part II proceedings.

RESOLVED:

That under section 100A-H of the Local Government Act 1972, the press and public be excluded from the remainder of the meeting on the grounds that, for the item of business summarised below, it was likely that exempt information, as defined by Section 1001 and Schedule 12a of the Local Government Act 1972 and as specified by reference to the appropriate paragraph thereof, would be disclosed to them:

1. Information relating to the financial or business affairs of any particular person including the authority holding that information.

8. **ACTION LOG AND WORK PROGRAMME**

During the discussion of this item, the guillotine fell at 8.30pm.

It was MOVED by the Chair, and, RESOLVED, that the meeting continue for a period not exceeding 30 minutes.”

RESOLVED:

That in accordance with Standing Order 9.5-9.7, the meeting continue for a further period of up to 30 minutes.

- LDI Training to be added to action log as soon as consultation has been concluded.
- Training on investment strategies also to be added to action log.

CLOSE OF MEETING

The meeting ended at Time Not Specified

CHAIR

Date of Despatch: Thursday 28 November 2019

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The action column is for officers' use only and does not form a part of the formal record.