

Pension Fund Committee Minutes 24 November 2021

Present:

Chair: Councillor Nitin Parekh

Councillors: Keith Ferry Bharat Thakker
Norman Stevenson

**Co-optee
(Non-voting):** Howard Bluston

**Independent
Advisers:** Mr C Robertson Independent
Honorary Alderman Adviser
R Romain Independent
Adviser

**Apologies
received:** Pamela Belgrave GMB

182. Attendance by Reserve Members

RESOLVED: To note that there were no Reserve Members in attendance.

183. Declarations of Interest

RESOLVED: To note that the declaration of interests, which had been published on the Council website, be taken as read and that in the course of the meeting.

- (1) the Declarations of Interests published in advance of the meeting on the Council's website were taken as read;
- (2) Members and Advisers who had declared interests remained in the virtual meeting whilst the matters were considered and voted upon.

184. Minutes

RESOLVED: That the minutes of the meeting held on 13 September 2021 be taken as read and signed as a correct record.

185. Public Questions *

RESOLVED: To note that no public questions had been received.

186. Petitions

RESOLVED: To note that no petitions had been received.

187. Deputations

RESOLVED: To note that no deputations were received at the meeting.

Resolved Items

188. Performance Dashboard and Update on Regular Items

The report updated the Committee on regular items as follows: Draft work programme; the investment and management performance dashboard report which summarised key fund performance and risk indicators and PIRC Performance Indicators; fund performance to 30th September and 31st October 2021 and an update on the Pension Board.

The officer introduced the report to the Committee in brief, it was noted that:

- The investment dashboard shows the Pension Fund's estimated Investment Funding Level of 104% as of 30 September 2021 and the fund assets (£1,020m) and liabilities (£985m). These were past service liabilities only and not the liabilities that would arise in respect of future service.
- The dashboard found in Appendix 1 also showed the performance data for the various managers.
- Appendix 2, an update from PIRC, had an error which included that there could not be 3 years or more of data from CQS as they had only been appointed in 2019. This had been raised to PIRC. It was pointed out that the one-year figures were ahead of the benchmark but the 3 and 5-year figures were behind the benchmark and Paragraph 11 of the report should be revised accordingly.
- The Fund's investments had increased in value in October – the valuation at 31st October 2021 was £1,038.2m. Details were shown in Appendix 5. Circa 68% had been invested in LCIV or in passive funds which count as being "pooled". These figures also reflected the changes made during October 2021, which included: completion of the fixed income realignment, further drawdowns from the LCIV infrastructure and renewables infrastructure funds. There was to be a

further drawdown to the LCIV renewable infrastructure fund in November 2021.

A number of questions were raised and answered by the officers as follows:

- An Independent Adviser raised concern over the quality of PIRC's performance figures and told the Committee that how much of the fund's performance is due to asset allocation and how much to managers' performance are basic performance statistics and should be presented in their report.
- An Independent Adviser requested an update on LaSalle, to which an officer noted that representatives from Aon had continued talks with LPPI in respect to the Berkshire fund as Harrow and Berkshire made up 80-85% of that fund.
- The officer added that LCIV were carrying out a survey to assess the extent to which Boroughs were interested in property investments and consequently whether property should be a priority for LCIV.
- An Independent Adviser highlighted that LCIV were interested to do something with property investments but noted that it was likely to be focused on new money as opposed to existing portfolios.
- An Aon representative also noted the lack of pace with LaSalle but added that the dealing costs with property were high and that saving in costs should be a key consideration.

RESOLVED: That the report be noted and that the draft work programme for the remainder of 2021/22 be approved.

189. Environmental, Social and Governance (ESG) Reporting - Update

The report concerned the development of ESG reporting for the LBH Pension Fund and outlined voting options available for the Fund's passive equity investments managed by Blackrock.

The officer introduced the report to the Committee in brief, it was noted that:

- Aon produced a draft ESG dashboard which gave the Committee an idea of how the dashboard would look. An Aon representative explained that it was a service developed to help clients understand the different ESG factors in their portfolio and that this dashboard should help towards more informed decision making.
- Blackrock had communicated options that LBH might have in terms of voting in respect of share holdings within the pooled passive equities that were held by LBH.
- An Aon representative explained that Blackrock had provided options based on their corporate voting and engagement policy. This had been

delegated to Blackrock and Aon had vetted their processes and policy and had seen sign off as part of Aon's diligence on Blackrock. These options were: for LBH to vote on its own behalf, however Aon believed that LBH would not have the infrastructure and processes for this to be done and therefore suggested it was a non-viable option. The second option was that Blackrock had found and vetted organisations that they were willing to work with. Aon advised that they had not looked into these organisations and that these organisations could potentially have their own policies and views which LBH would need to consider. Therefore, it was advised to remain with the Blackrock policy that had been used by a number of investors.

A number of questions were raised and answered by the officers as follows:

- A Member asked if it would be expected that a specific report on this stewardship should be presented to the Committee as ESG became a bigger part of the pension Fund. A representative from Aon explained that within corporate structures reports were mandated in 2020 and though this regulation had not travelled to the LGPS it could be something that Aon could prepare.
- An Independent Adviser raised if it could be a possibility for a sub-committee for engagement and responses to be set up. An officer explained that there was limited capacity within Harrow to operate the suggested sub-committee and that a significant number of resources would be needed and also that the proportionality of the Blackrock fund should be considered.
- A Member agreed there was not the capacity for a sub-committee but asked if Harrow's ability to engage could be reviewed once a year, to which an Aon representative explained that a report would allow for engagement and could be produced.

RESOLVED: That the report be noted and that the Committee expressed that their preference for the Blackrock Low Carbon ACS Fund would be to not opt-in to the third party voting policies and for BlackRock Investment Stewardship (BIS) to continue to represent the Fund's long-term economic interests, casting proxy votes in line with BlackRock's voting policy using BlackRock's voting infrastructure.

190. London Collective Investment Vehicle - Amendments to Shareholder Agreement and Articles of Association

The report sought agreement to changes to the Articles and Shareholder Agreement for London CIV following notification by the Financial Conduct Authority (FCA) that the current capital had not met the definition of regulatory capital used by the FCA. This would not require London CIV to raise further capital or for Boroughs to contribute further capital. It was however necessary for the key constitutional documents to be amended to ensure that existing capital falls within the definition set out in regulations.

A number of questions were raised and answered by the officers as follows:

- An Independent Adviser raised concern over the wording and noted that in the event of an exit from the LCIV that there would be more capital required with the new structuring of the shares. An officer noted that the report had been cleared by the Society of London Treasurers after review by another Borough's legal team, and had also been reviewed and cleared by Harrow's legal team.

RESOLVED: That the report be noted and for the changes set out in the report to the London CIV's Articles of Association and Shareholder Agreement in principle be approved and for the Director of Finance and Assurance to be authorised to sign the amended Articles of Association and Shareholder Agreement.

191. Appointment of Independent Advisors

This report proposed arrangements to carry out a procurement for Independent Advisors, as the current contracts were due to be expired on 31 March 2022.

RESOLVED: That the report be noted and for further discussion to be taken place in part 2 of the Pension Fund Committee meeting.

192. Exclusion of the Press Public

RESOLVED: That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) for the reasons set out below:

| Agenda Item No. | Title | Description of Exempt Information |
|-----------------|--|--|
| 10. | Appointment of Independent Advisors | Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) |
| 13. | Performance Dashboard and Update on Regular Items (Appendices 3 and 4) | Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) |
| 14. | Environmental, Social and Governance (ESG) Reporting – Update (Appendix 2) | Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business |

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| | | affairs of any particular person (including the authority holding that information) |
| 15. | Investment Strategy – Follow-up Actions from Manager Day | Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) |

193. Appointment of Advisers

This report proposed arrangements to carry out a procurement for Independent Advisers, as the current contracts were due to be expired on 31 March 2022. The current Independent Advisers had left the meeting which allowed the Committee to discuss the recommendations, the officer undertook to answer questions raised during the discussion.

RESOLVED: The Committee agreed:

1. That the job description for the advisers as set out in Appendix 1, and the remuneration of £15,000 per annum per advisor be approved.
2. That it wished to continue to have two Independent Advisers
3. That authority to the Director of Finance and Assurance be delegated to carry out a recruitment process for the appointments as set out in paragraphs 6 and 7 of this report and make recommendations on the appointment to the Committee's next meeting in March 2022.
4. Which Members would be involved in the interview process.

194. Performance Dashboard and Update on Regular Items

The Committee received confidential appendices to the Performance Dashboard and Update on Regular Items report. The officer undertook to answer questions raised during the discussion.

RESOLVED: That the appendices be noted and that the draft work programme for the remainder of 2021/22 be approved.

195. Environmental, Social and Governance (ESG) Reporting - Update

The Committee received confidential appendices to the Environmental, Social and Governance (ESG) report. The officer undertook to answer questions raised during the discussion.

RESOLVED: For the appendices to be noted.

196. Investment Strategy - Follow-up Actions from Manager Day

The Committee received a confidential report for the investment strategy - follow-up actions from Manager Day. Two items were considered in detail.

Officers from the London CIV attended to answer questions regarding their review of the LCIV Global Equity Focus Fund (of which the underlying manager is Longview). The Committee questioned the LCIV officers in detail and ensured that they were made aware of Harrow's current view of the manager.

In the light of the continuing disappointing performance of the Emerging Markets equity portfolio managed by GMO, the Committee considered a report from its investment consultants, Aon, and agreed to carry out a review of this mandate. A meeting to consider the matter in more detail, was to be arranged for late January or early February, with a view to a further report being brought to the next meeting of the Committee on 9 March 2022.

RESOLVED: For the report to be noted, and that an additional meeting to consider Emerging Market equities in more detail be arranged for late January or early February.

(Note: The meeting, having commenced at 6.31 pm, closed at 8.10 pm).

(Signed) Councillor Nitin Parekh
Chair