

# Pension Fund Investment Sub-Committee

Monday 13 December 2021

## Minutes

### Attendance

#### Committee Members

Councillor John Horner (Chair)  
Councillor Bill Gifford (Vice-Chair)  
Councillor Christopher Kettle  
Councillor Jill Simpson-Vince

#### Officers

Neil Buxton, Technical Specialist - Pension Fund Policy and Governance  
John Cole, Democratic Services Officer  
Jan Cumming, Senior Solicitor and Team Leader (Commercial and Contracts)  
Andrew Felton, Assistant Director - Finance  
Shawn Gladwin, Senior Finance Officer Pensions Investment  
Victoria Moffett, Pensions and Investments Manager  
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk)

#### Others Present

Robert Bilton, Hymans Robertson  
Mark Lyon, Border to Coast Pensions Partnership (for minute no. 11)  
Philip Pearson, Hymans Robertson  
Bob Swarup, Independent Advisor

### 1. General

#### (1) Apologies

Apologies were received from Councillor Sarah Millar.

#### (2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

There were none.

#### (3) Minutes of the previous meeting

#### Resolved:

That the minutes of the meeting held on 13 September 2021 be confirmed as a true and accurate record and signed by the Chair.

There were no matters arising.

## **2. Review of the Minutes of the Local Pension Board Meeting of 20 July 2021**

The minutes of the Local Pension Board meeting of 20 July 2021 were noted.

## **3. Forward Plan**

Neil Buxton (Technical Specialist - Pension Fund Policy and Governance) introduced the report which provided an updated Forward Plan for the Pension Fund Investment Sub-Committee rolled forward to cover the year ahead. He drew members' attention to the upcoming Knowledge Assessment Review which would help to identify areas of focus for future training. He encouraged members to review this material over the Christmas break.

### **Resolved:**

That the Pension Fund Investment Sub-Committee notes the Forward Plan.

## **4. Risk Monitoring**

Chris Norton (Strategy and Commissioning Manager – Treasury, Pension, Audit & Risk) presented this report which provided an update on risks to the Fund and actions taken to manage them.

Chris Norton advised that the format for presentation of the summary of risks had been updated. He drew members' attention to areas where risk scores had been amended since the previous report, stating that long-term investment risk likelihood was higher due to uncertainties around inflation. Investment-related risk associated with COVID-19 had also increased; however, at the time of writing the report, the effect of the Omicron variant was not yet apparent.

In response to Councillor Kettle, Chris Norton advised that the increased risk score for COVID-19 was unlikely to significantly alter the overall risk profile. However, it could introduce some short-term volatility to markets.

Andrew Felton (Assistant Director, Finance) stated that increased levels of staff sickness presented a risk; however, a high proportion of staff had been vaccinated. The level of risk posed by Omicron would be monitored.

In response to Councillor Gifford, Chris Norton advised that cyber security policies had been reviewed with input from ICT colleagues. He reported that testing of systems had not uncovered any previously undetected risks; third party risks assessments were underway to ensure that robust systems were in place.

Councillor Kettle queried whether, in recognition of the Council's declaration of a climate emergency and the importance of the issue, the risk status of climate change should be upgraded from 'probable' to 'very likely'.

The Chair acknowledged the urgency of the climate emergency; however, he emphasised that the Risk Summary was focused on the outlook for investments. For example, investment in technologies that were marketable as an outcome of climate change could stand to benefit the Fund.

Councillor Gifford stated that climate change presented opportunities as well as risks to the Fund. However, he commented that it was important to emphasise that the Authority recognised the validity and seriousness of climate change.

**Resolved:**

That the Pension Fund Investment Sub-Committee notes the report.

**5. Reports Containing Exempt or Confidential Information**

**Resolved:**

That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

**6. General Activity Update**

The Sub-Committee received a confidential update.

**Resolved:**

That the Pension Fund Investment Sub-Committee notes the report.

**7. Team Resourcing**

The Sub-Committee received a confidential update.

**Resolved:**

That the Pension Fund Investment Sub-Committee:

1. Notes the report; and
2. Recognises the need for extra resource to deliver the activities of the Fund and endorses the additional cost of these resources being charged to the Fund.

**8. Funding Update Quarter 2 2021/22**

The Sub-Committee received a confidential update.

**Resolved:**

That the Pension Fund Investment Sub-Committee notes the report.

**9. Investment Monitoring Report Quarter 2 2021/22**

The Sub-Committee received a confidential update.

**Resolved:**

That the Pension Fund Investment Sub-Committee notes the report.

**10.LGPS Pooling Update**

The Sub-Committee received a confidential update.

**Resolved:**

That the Pension Fund Investment Sub-Committee:

1. Notes the report;
2. Approves the Border to Coast Pensions Partnership (BCPP) Responsible Investment Policy;
3. Approves the BCPP Corporate Governance & Voting Guidelines Policy.

**11.Border to Coast Pension Partnership - Presentation**

The Sub-Committee received a confidential update.

**Resolved:**

That the Pension Fund Investment Sub-Committee notes the presentation from Border to Coast Pension Partnership.

**12.Valuation Assumptions**

The Sub-Committee received a confidential update.

**Resolved:**

That the Pension Fund Investment Sub-Committee approves the assumptions to be used in the 2022 Valuation.

**13.Private Markets Update**

The Sub-Committee received a confidential update.

**Resolved:**

That the Pension Fund Investment Sub-Committee:

1. Notes the Report and the outcomes and recommendations arising from the facilitated discussion, provided at Appendix 1 of the Report; and

Noting that the following strategic allocations are recommended but subject to further modelling and evaluation, in particular in terms of their impact on funding level outcomes:

2. That the Private Equity strategic allocation is increased to 6%;
3. That the Private Debt strategic allocation is maintained at 7%, with an interim target of 5%;
4. That the Infrastructure strategic allocation is increased to 10%, subject to further review of the long-term market outlook once the current target of 7% exposure is closer to being achieved.

#### **14.Exempt Minutes of the Previous Meeting**

##### **Resolved:**

That the exempt minutes of the meeting held on 13 September 2021 be confirmed as a true and accurate record and signed by the Chair.

There were no matters arising.

The meeting rose at 13:00.

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Chair