

# Pension Fund Investment Sub-Committee

Monday 12 December 2022

## Minutes

### Attendance

#### Committee Members

Councillor Christopher Kettle (Chair)  
Councillor Bill Gifford (Vice-Chair)  
Councillor Brian Hammersley  
Councillor Sarah Millar  
Councillor Mandy Tromans

#### Officers

John Cole, Senior Democratic Services Officer  
Jane Farrell, Technical Expert Senior Solicitor, Commercial and Regulatory  
Andy Felton, Assistant Director, Finance  
Martin Griffiths, Technical Specialist – Pension Fund Policy and Governance  
Paul Higginbotham, Investment Analyst, Pensions and Investment  
Victoria Moffett, Lead Commissioner – Pensions and Investment  
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit and Risk)  
Max Taylor, Graduate Management Trainee  
Nic Vine, Strategy and Commissioning Manager (Legal and Democratic)

#### Others Present

Rob Bilton, Hymans Robertson  
Anthony Fletcher, Independent Advisor  
Philip Pearson, Hymans Robertson  
Bob Swarup, Independent Advisor

### 1. General

The Chair thanked members of the Sub-Committee for agreeing to reschedule the time of the meeting.

#### (1) Apologies

Apologies were received from Viktoria Bachtler (Hymans Robertson).

#### (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 14 October 2022 be approved as a correct record and signed by the Chair.

There were no matters arising.

### **2. Review of the Minutes of the Warwickshire Local Pension Board Meeting of 12 July 2022**

#### **Resolved:**

That the Pension Fund Investment Sub-Committee notes the minutes of the Local Pension Board meeting of 12 July 2022.

### **3. Governance Report**

Martin Griffiths (Technical Specialist – Pension Fund Policy and Governance) introduced the report which provided updated governance information relating to Warwickshire Pension Fund’s forward plan, risk monitoring, training, and policy. He requested that the Sub-Committee give specific attention to the Funding Strategy Statement (FSS) which had been issued to employers and members of the Fund as part of an official consultation. He highlighted the changes that had been made to the Risk Monitoring Chart, including an increased residual impact score for climate change. He advised that the Climate Policy was currently being reviewed by Hymans Robertson following a workshop held with officers and advisors. It would be presented to the Sub-Committee for approval in March 2023.

Rob Bilton (Hymans Robertson) provided a summary of the FSS which set out the strategy objectives of the Fund, including measures to secure long-term solvency. The role of Hymans Robertson as the Fund’s actuary was to recommend changes to the FSS where appropriate. He advised that very few changes to the funding strategy had been made following the recent valuation. The principal revision was to introduce a corridor approach for academy schools. This would lead to greater stability of contribution rates. He advised that other material changes to content could be viewed in appendix C, including details of how the Fund would manage climate change risks and appendix D, where the underlying actuarial assumptions have been updated. He stated that it was positive that very few changes to the content of the FSS had been required. The layout of the document had been overhauled to improve its accessibility for stakeholders.

Rob Bilton advised that the appendices to the FSS provided details of specific policies, such as the Fund’s approach for payment of exit credits. He advised that the consultation had been launched at the Fund’s Annual General Meeting in November 2022. Employers and members of the Fund had been asked to submit comments by the end of January 2023. Feedback would be reviewed prior to bringing a finalised version of the FSS to the Sub-Committee in March 2023.

In response to the Chair, Anthony Fletcher (Independent Advisor to the Sub-Committee) advised that he had no specific concerns in relation to the Risk Register. He stated that the Fund had enacted measures to mitigate the harms caused by climate change. However, it was questionable

whether net zero carbon by 2050 would be achieved internationally. This would be an area for continued scrutiny and discussion.

Bob Swarup (Independent Advisor to the Sub-Committee) stated that climate change was a key policy consideration. He suggested that risks be set out as clearly and succinctly as possible to limit the likelihood of any risks being overlooked.

*Councillor Millar left the meeting at 15.00.*

In response to the Chair, Victoria Moffett (Lead Commissioner – Pensions and Investment) advised that the Risk Register was updated on a quarterly basis. It was informed by a review of the Risk Appetite which took place annually. The risk scores determined how the Fund's resources should be allocated to address specific risks.

In response to the Chair, Victoria Moffett advised that the Carbon Footprint Report, reviewed by the Sub-Committee in June 2022, outlined the ways in which climate change could place the Fund at risk. Since then, the risk status for climate change had been upgraded. It was difficult to quantify the extent of the risk presented by climate change; however, it would be monitored closely.

Councillor Hammersley underlined the importance of continued monitoring of climate risks.

Philip Pearson (Hymans Robertson) stated that the Carbon Footprint report provided a key tool for monitoring of the level of risk posed by climate change. He emphasised the significance of transition risk, where a company that is reluctant to act on climate change is eventually forced out of business by regulatory changes.

In response to Councillor Hammersley, Philip Pearson stated that climate change reporting was a developing area. There were parts of the portfolio, such as private markets, where data was quite limited. Companies had a responsibility to declare their carbon emissions. Companies' reports were now being scrutinised by independent organisations to call out companies that made spurious declarations.

The Chair acknowledged that it was difficult to quantify risks associated with climate change. However, he suggested that it would be helpful to include a summary alongside the Risk Register identifying the implications of specific risks. This would provide assurance to members of the Pension Scheme, allowing them to gauge the impact of changes to the Risk Register.

Bob Swarup stated that this was a governance and transparency consideration. He suggested that, following a review of the Risk Appetite, a commentary be provided to give an idea of whether a specific risk was within acceptable parameters or moving towards the threshold of becoming a serious concern. This would capture a sense of the direction of travel and whether, from a fiduciary perspective, the Fund was comfortable with the level of risk.

The Chair queried whether the diversity of the portfolio would suffer if a resolution was made to reduce the Fund's exposure to certain high-risk areas, leading to lower returns.

Bob Swarup advised that higher risk investments did not always signify higher returns. There was a fundamental balance; the Fund should strive to reduce risk and increase its return on investments.

In response to Councillor Hammersley, Victoria Moffett advised that within a diverse portfolio there were different levels of risk. Different asset types had different types of risk. However, measures were in place to ensure that the risk to members of the Scheme was extremely low; the Fund would be able to honour its commitments.

Councillor Gifford queried whether there were risks associated with a move by the Fund to mitigate specific risks. For example, by withdrawing from fossil fuels in favour of environmentally sustainable assets (which also attracted other responsible investors), there could be danger of entering a sellers' market, leading to escalating prices.

Andy Felton (Assistant Director, Finance) advised that there was a range of actions that the Fund could take to mitigate specific risks. However, there were also external factors that could increase risk. Climate change was an area which presented a wide range of potential actions. There was scope for officers to supply a more detailed commentary to provide improved context for members.

In response to Councillor Hammersley, Anthony Fletcher advised that investment should be targeted at companies that were looking sustainably at the future. This brought longevity; responsible investment was not limited to green technologies.

In response to the Chair, Rob Bilton advised that Hymans Robertson had met with officers to undertake a line-by-line assessment of employers of the Fund to determine funding positions. Engagement was undertaken with high-risk employers to mitigate the risk of deficits being incurred if they choose to leave the Fund. He offered to liaise with officers to look at how information could be presented to support members' understanding of the profile of sub-funds.

*Councillor Millar re-joined the meeting at 15.40.*

#### **Resolved:**

That the Pension Fund Investment Sub-Committee:

1. Notes the items contained within the Governance Paper.
2. Notes the Funding Strategy Statement (FSS) that was previously issued to employers and members in an official consultation.

#### **4. 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 Part 1 of Schedule 12A of the Local Government Act 1972.

#### **5. Liquidity Fund Selection**

The Sub-Committee resolved to defer this item for future consideration.

**6. Infrastructure Fund Recommendation**

The Sub-Committee resolved to defer this item for future consideration.

**7. Liability Benchmark**

The Sub-Committee resolved to defer this item for future consideration.

**8. AVC Review**

The Sub-Committee resolved to defer this item for future consideration.

**9. Quarterly Investment Monitoring Report**

The Sub-Committee received a confidential briefing.

**10. General Activity Update**

The Sub-Committee received a confidential briefing.

**11. Exempt Minutes of the Previous Meeting**

**Resolved:**

That the exempt minutes of the meeting held on 14 October 2022 be confirmed as an accurate record and signed by the Chair.

There were no matters arising.

The meeting rose at 16.55.

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Chair

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