

Pension Fund Investment Sub-Committee

Friday 3 February 2023

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
Jan Cumming, Senior Solicitor and Team Leader, Commercial and Contracts
Jane Farrell, Technical Expert Senior Solicitor, Commercial and Regulatory
Andy Felton, Assistant Director, Finance
Victoria Moffett, Lead Commissioner – Pensions and Investment
Chris Norton, Strategy and Commissioning Manager (Treasury, Pension, Audit and Risk)

Others Present

Anthony Fletcher, Independent Advisor
James Glasgow, Hymans Robertson
Philip Pearson, Hymans Robertson
Bob Swarup, Independent Advisor

1. General

(1) Apologies

There were no apologies.

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

There was none.

(3) Minutes of the Previous Meeting

Resolved:

That the minutes of the meeting held on 12 December 2022 be approved as a correct record and signed by the Chair.

There were no matters arising.

2. Macroeconomic Update

Bob Swarup (Independent Advisor to the Sub-Committee) presented this report which provided a six-monthly update on the wider factors influencing the performance of the Pension Fund from a macroeconomic perspective.

Councillor Millar highlighted the commentary in the report relating to property considerations including pressures resulting from reduced occupier demand and rises in rates. These were areas that the Fund should demonstrate an awareness of. She highlighted the commentary relating to risks to private equity returns presented by protectionism, stating that a shift towards supply chain sovereignty would present a serious concern.

In response to the Chair, Bob Swarup stated that capital value and rent expectations had decreased across property categories over the three months to October 2022, including Prime Industrial. In recent years there had been some speculative building activity. However, the decision by Amazon to close some of its warehouses was an indicator that a saturation point had been reached.

In response to Councillor Hammersley, Bob Swarup advised that changing consumer dynamics had impacted on industrial property values and rent expectations. Rising interest rates had also had an effect.

The Chair highlighted the commentary in the report showing projected global greenhouse gas emissions under different scenarios. The implications for climate change were stark.

Bob Swarup stated that the long-term outlook for climate change remained unclear. For example, a reversal of green commitments had been seen in recent months in Germany. He commented that internationally there was evidence of longer-term objectives to address climate change being curtailed in response to the cost-of-living crisis.

There was discussion of the investment requirements to achieve a global transformation to a low-carbon economy. Bob Swarup advised that the implications for energy supply of Russia's war with Ukraine had prompted many nations to focus more seriously on renewable energy and Environmental, Social, and Governance (ESG) factors. He stated that a more pronounced shift towards electrification and reduced energy consumption was anticipated, particularly in housing.

There was discussion of the trend of continued investment in hydrocarbons. Opportunities continued to be sought in this area despite progress towards net zero carbon. Bob Swarup highlighted the phenomenon of 'green hushing' where companies chose not to publicise details of their carbon targets to avoid scrutiny.

Anthony Fletcher (Independent Advisor to the Sub-Committee) commented that it was likely that central banks would continue to raise interest rates. Inflation at around 3% to 4% was anticipated in 2023/24. He stated that the increased willingness to hold hydrocarbon assets was consistent with decisions taken globally over the past 12 months to retain some emissions-producing energy infrastructure in response to the war in Ukraine.

Resolved:

That the Pension Fund Investment Sub-Committee (PFISC) notes the report.

3. 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.

4. Liquidity Fund Selection

The Sub-Committee received a confidential briefing.

5. Infrastructure Manager Selection

The Sub-Committee received a confidential briefing.

6. Protection Assets Review

The Sub-Committee received a confidential briefing.

7. AVC Review

The Sub-Committee received a confidential briefing.

8. Exempt Minutes of the Previous Meeting

Resolved:

That the exempt minutes of the meeting held on 12 December 2022 be confirmed as an accurate record and signed by the Chair.

There were no matters arising.

The meeting rose at 13:04.

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Chair