

# Pension Fund Investment Sub-Committee

Monday 12 June 2023

## Minutes

### Attendance

#### Committee Members

Councillor Christopher Kettle (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  
Andy Felton, Director of 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, Head of Investments, Audit and Risk  
Steve Smith, Director of Commissioning Support Unit

#### Others Present

Rob Bilton, Hymans Robertson  
Anthony Fletcher, Independent Advisor  
James Glasgow, Hymans Robertson  
Milo Kerr, Border to Coast Pensions Partnership  
Dave Knight, Border to Coast Pensions Partnership  
Philip Pearson, Hymans Robertson  
Bob Swarup, Independent Advisor

### 1. Appointment of Chair

Councillor Sarah Millar proposed that Councillor Christopher Kettle be Chair of the Sub-Committee and was seconded by Councillor Mandy Tromans.

There were no other nominations.

#### Resolved:

That Councillor Christopher Kettle be appointed Chair of the Pension Fund Investment Sub-Committee for the ensuing municipal year.

## 2. Appointment of Vice Chair

The Chair proposed that Councillor Bill Gifford be Vice Chair of the Sub-Committee and was seconded by Councillor Sarah Millar.

There were no other nominations.

### Resolved:

That Councillor Bill Gifford be appointed Vice Chair of the Pension Fund Investment Sub-Committee for the ensuing municipal year.

## 3. General

### (1) Apologies

Apologies were received from Councillor Bill Gifford.

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

There was none.

### (3) Minutes of the Previous Meetings

#### Resolved:

That the minutes of the meetings held on 6 March 2023 and 16 May 2023 be approved as a correct record and signed by the Chair.

There were no matters arising.

## 4. Review of the Minutes of the Warwickshire Local Pension Board Meeting of 31 January 2023

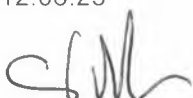
### Resolved:

That the Pension Fund Investment Sub-Committee notes the minutes of the Local Pension Board meeting of 31 January 2023.

## 5. 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. The report also included details of the revised Investment Strategy Statement (ISS) which had been reviewed and updated by Hymans Robertson. The Sub-Committee was asked to consider and approve the revised ISS.

Martin Griffiths highlighted the commentary in the report relating to the Training Plan. He asked members to contact him if they had any specific training requirements that should be added to the



Plan. He highlighted the 'Fundamentals' online training course and requested that members confirm if they had completed this training.

In response to the Chair, Martin Griffith advised that the Risk Register (appendix 5 of the report) included some formatting errors meaning that risk scores had been omitted in two categories. A revised version would be provided following the meeting.

In response to Councillor Millar, Martin Griffiths stated that Artificial Intelligence (AI) constituted an emerging risk. The Council's Information Governance Team provided quarterly advice to the Pension Fund which included an assessment of risks associated with AI. There was an awareness of developing concerns in this area.

In response to the Chair, Victoria Moffett (Lead Commissioner – Pensions and Investment) advised that the steps taken to mitigate risk under the category of 'long term asset values do not meet expectations' had been judged to be sufficiently robust to warrant an impact rating of four (rather than five). The measures in place meant that it would be possible to anticipate problems prior to there being any serious impact on the Fund.

In respect of the risk category 'short term asset values do not meet expectations', Victoria Moffett advised that a risk likelihood rating of five had been set due to ongoing geopolitical risks and economic uncertainty. For the category of 'liabilities cannot be met', an impact rating of four had been determined as it was considered that robust measures to mitigate risk were in place.

The Chair expressed confidence in the risk ratings and the explanations provided by officers. He sought the Sub-Committee's views on the updated ISS.

In response to Councillor Hammersley, Victoria Moffett advised that a triennial cycle was in place to review the Investment Strategy. However, annual reviews were also undertaken as part of this process.

Councillor Hammersley highlighted that statement within the ISS that the "Committee is aware that the Fund has a need to take investment risk to help it achieve its funding objectives". As the Fund had performed well in recent times, he queried whether there was a need to take on additional risk.

Victoria Moffett advised that the Fund continued to accept new members which created a requirement to continue to accrue benefits to ensure that the Fund would be able to meet future obligations.

In response to the Chair, members unanimously agreed to approve the recommendations of the report.

**Resolved:**

That the Pension Fund Investment Sub-Committee:

1. Notes the items contained within the Governance Report.
2. Approves the revised Investment Strategy Statement provided by Hymans Robertson (appendix 6 of the report).



## 6. Climate Risk Report

James Glasgow (Hymans Robertson) introduced the report which provided details of the Fund's exposure to Climate Risk. He highlighted that climate data was only available for 52% of the Fund's assets. This was the proportion of listed or public assets. The report did not include data for private assets funds. However, it was expected that private asset funds' reporting would improve over time. He stated that the report was based upon latest data from December 2022. However, for metrics that were only reported annually, it had been necessary to refer to data from March 2022. He advised that fund managers provided reporting data in different formats which made making a clear comparison between funds more difficult. It was expected that there would be improved consistency across managers' reporting in future.

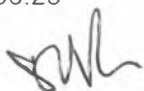
James Glasgow drew members' attention to the chart on page 4 of the Hymans Robertson report which showed emissions intensity against Assets Under Management (AUM) for which reporting data was available. Emerging markets produced the highest levels of carbon emissions; however, they constituted a small proportion of the overall Fund. The largest contributor was the Legal and General Investment Management (LGIM) RAFI Fund. He suggested that decarbonisation of this fund be prioritised. The Border to Coast Pensions Partnership (BCPP) Global Equity Alpha Fund also showed high carbon emissions. However, it was noted that the manager had made good progress in reducing emissions intensity.

Referring to BCPP funds, James Glasgow highlighted the comparative data provided on page 5 of the report. It was promising that UK Listed Equity Alpha metrics showed a reduction in Weighted Average Carbon Intensity (WACI) from 81 in March 2021 to 61 in March 2022. However, there had been a 4% increase in portfolios with ties to fossil fuels. There was a need to focus on this area to achieve a reduction. For BCPP Global Equity Alpha metrics, there had been an uplift in the percentage of portfolios owning clean technology solutions, and a reduction in the percentage of portfolios with ties to fossil fuels.

James Glasgow advised that climate risk analysis for LGIM funds showed a mixed picture. Emerging Markets funds accounted for the highest WACI exposure. However, there was a need to view this proportionately across the entirety of the LGIM Fund. The LGIM UK Equity fund was found to have a higher carbon impact than its comparable benchmark. He emphasised that the benchmark data shown on page 10 of the report was for illustration only, some of the differences between the fund and the benchmark shown could be attributed to differences in underlying assets rather than a drift away from the benchmark. LGIM had been asked to provide clarification.

Councillor Millar praised the quality of the report and the work that had gone into preparing it. She emphasised that as the report covered only 52% of the Fund's assets, there was a large proportion of the Fund for which climate data was not known. She suggested that efforts be made to apply pressure to private asset funds to encourage improved reporting. She emphasised the need for engagement with LGIM to achieve a reduction in carbon impacts and highlighted growing public interest in the Fund's Divestment Policy.

Philip Pearson (Hymans Robertson) highlighted the requirement for LGIM to hold assets across the whole of the market which impeded its scope to reduce carbon impacts. However, LGIM's Climate Impact Pledge allowed it to engage with companies and potentially divest if insufficient progress to reduce emissions had been made. There was evidence to suggest that this approach



had been effective. However, there was a need to liaise with LGIM to analyse the findings of the Climate Risk report in more detail.

Milo Kerr (Border to Coast Pensions Partnership) highlighted that 2020 had been an atypical year for carbon emissions because of lockdown restrictions. For this reason, it was not realistic to make a comparison between recent years' emissions and those of 2020.

In response to the Chair, Philip Pearson advised that fund managers generally recalculated carbon metrics once a year. To produce the report, a cut-off date had been set for receipt of climate data from fund managers. In future, it was proposed to set a later deadline to ensure that the most up-to-date information could be included.

Councillor Hammersley stated that data covering just 52% of the Fund's assets provided an incomplete picture. He emphasised that much depended on the honesty and integrity of companies to provide accurate information. He asked how monitoring of companies' reporting was undertaken.

Milo Kerr advised that the standard of integrity of reporting by companies was improving. However, there was a need to continue to focus on private markets and multi-asset credit where there were occasionally inconsistencies in reporting. BCPP was committed to achieving an improvement in data quality.

Philip Pearson advised that consideration had been given to producing a whole Fund estimate of carbon exposure. To do so, it would be necessary to secure consistency in reporting data from managers within a common timeframe. Progress would also need to be made to obtain emissions data for private markets.

Councillor Millar stated that action was being taken by the United Nations to promote improved reporting of carbon impacts. In time, this would encompass reporting of scope 3 emissions. There was a need to focus on the scale and speed of this transition. She stated that consideration should also be given to the point at which action by fund managers was required when companies showed signs of being unwilling to follow-up on their green commitments.

The Chair highlighted the complexity of the data within the report, stating that members of the Sub-Committee were frequently contacted by members of the public on matters relating to carbon impacts and divestment. It would be helpful for data to be presented in a more easily communicable format to enable a response to be given to concerned members of the public.

There was discussion of metrics utilised to assess carbon impacts. BCPP metrics were more stringent than some other fund managers. It was considered that to achieve the ideal level of consistency, fund managers would each need to adopt the BCPP reporting methodology. In practice, this would be difficult to achieve. However, Hymans Robertson could make a calculation independently to ensure that performance could be more easily compared.

There was agreement among members of the Sub-Committee that a more direct comparison of performance would be helpful. Philip Pearson advised that efforts were being made to make this possible. There was evidence of improved private markets reporting which would be captured in the March 2024 data.

**Resolved:**

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

**7. 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.

**8. Engagement Report**

The Sub-Committee held a confidential discussion.

**9. Passive Tilted Global Equity Review Report**

The Sub-Committee held a confidential discussion.

**10. Funding Update**

The Sub-Committee held a confidential discussion.

**11. Quarterly Investment Monitoring Report Q1 2023**

The Sub-Committee held a confidential discussion.

**12. General Activity Update**

The Sub-Committee held a confidential discussion.

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

**Resolved:**

That the exempt minutes of the meeting held on 6 March 2023 be approved as an accurate record and signed by the Chair.

There were no matters arising.

The meeting rose at 13:02.

.....  
Chair



Pension Fund Investment Sub-Committee