

Pension Fund Investment Sub-Committee

Monday 11 September 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
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

Others Present

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

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 June 2023 be approved as an accurate record and signed by the Chair.

There were no matters arising.

2. Review of the Minutes of the Warwickshire Local Pension Board Meeting of 25 April 2023

Resolved:

That the Pension Fund Investment Sub-Committee notes the minutes of the Local Pension Board meeting of 25 April 2023.

3. Pension Fund Governance Report

Martin Griffiths (Technical Specialist – Pension Fund Policy and Governance) introduced the report which provided updated governance information including details of Warwickshire Pension Fund's forward plan, risk monitoring, policies, and training. He advised that risks were reviewed on a quarterly basis. The full Risk Register would be presented annually to the Sub-Committee each June. He directed the Sub-Committee's attention to the three 'red' risks of climate change, long term market risk, and cyber security. He advised that commentary in the Risk Register had been updated to reflect issues affecting recruitment to staff vacancies, but this had not altered any of the risk scores. A Workforce Planning Strategy was being developed by officers which would help to mitigate risks associated with recruitment and retention of staff.

In response to the Chair, Victoria Moffett (Lead Commissioner – Pensions and Investment) stated that the Risk Register was presented to the Fund's advisors each quarter for external scrutiny to seek an independent view of emerging risks.

In response to the Chair, Andy Felton (Director of Finance) advised that, in circumstances when a local authority issued a Section 114 Notice, this did not freeze all spending. Local authorities were legally obliged to continue to make pension contributions. In these circumstances, there were more severe impacts on other costs than for pension payments.

In response to Councillor Millar, Martin Griffiths advised that attention had been given to the difficulties experienced by pension funds nationally to recruit administrative staff. The Local Government Association (LGA) was examining the causes of recruitment challenges in this area. It would be a focus of the Workforce Planning Strategy to ensure that measures were in place to mitigate risk.

Councillor Gifford highlighted the risk to the Fund posed by changes to government legislation, stating that it was possible that any future government irrespective of political party could seek to make changes to Local Government Pension Scheme rules to support other priorities.

Andy Felton advised that there was a need to examine the broader context of the prospect of legislative changes by the Government. These could impact on other risk categories, such as the Fund's ability to meet its liabilities.

There was discussion of the scenario of an academy becoming insolvent and the measures in place to mitigate any risk this presented to the Fund.

Richard Warden (Hymans Robertson) advised that if an academy became insolvent, the Fund could make a claim to the Department for Education. There had been very few instances of total financial failure by academies, as larger academy trusts tended to pick up academies that were failing. Additionally, market conditions had improved, making deficits less severe.

Resolved:

That the Pension Fund Investment Sub-Committee notes the items contained within the report.

4. Carbon Transition Update

Victoria Moffett (Lead Commissioner – Pensions and Investment) introduced the report, stating that it had been included to provide assurance that the Fund was committed to achieving carbon transition.

The Chair stated that the report was intended to make a clear public statement that the Sub-Committee recognised the risk of climate change and the need for decarbonisation. Often, it was necessary to discuss the relevant issues privately due to the need to maintain financial confidentiality. However, it was hoped that there would be opportunities in future to publicly demonstrate the Fund's progress towards decarbonisation.

Councillor Millar highlighted that decarbonisation of the Fund was an area that attracted considerable public interest. She emphasised that the issue was treated with seriousness by the Sub-Committee.

Councillor Gifford agreed, stating that climate impacts were regularly discussed and treated as a priority. He emphasised the complexity of work in this area.

Resolved:

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

5. 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.

There was discussion of the cost implications of work to achieve net zero carbon. Bob Swarup stated that geopolitically there were signs of a more fractured approach to climate change; there was little evidence of coherent action on a global level. He highlighted that adaptation was also a



core consideration which would require investment. There were also implications for insurance (due to increased flooding, for example).

Councillor Gifford commented that this demonstrated the complexity of responding to climate change and the impact that it had on markets.

Councillor Millar stated that the costs of net zero had been widely reported, including by the Stern Review which highlighted that the benefits of strong early action on climate change far outweighed the costs of not acting. In context, it was considered that investment of 1% of global GDP per annum was required to avoid the worst effects of climate change. She emphasised that the cost of not acting would be considerably higher.

Resolved:

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

6. 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.

7. 30 June 2023 Quarterly Monitoring Report

The Sub-Committee held a confidential discussion.

8. Global Equity Allocation and Suitability Notes

The Sub-Committee held a confidential discussion.

9. General Activity Investment Update Report

The Sub-Committee held a confidential discussion.

10. Exempt Minutes of the Previous Meeting

Resolved:

That the exempt minutes of the meeting held on 12 June 2023 be approved as an accurate record and signed by the Chair.

There were no matters arising.

The meeting rose at 12.55.

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Chair

