

MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

THURSDAY 19 JANUARY 2023

Link to Live stream: <https://youtu.be/ECRzieboxFo>

- Councillors Present:** Councillor Kam Adams in the Chair
Cllr Ian Rathbone, Cllr Robert Chapman (Vice-Chair),
Cllr Margaret Gordon and Cllr Joe Walker
- Co- Optees joined virtually:** Jonathan Malins-Smith
Henry Colthurst
- Apologies:** Councillor Grace Adebayo, Councillor M Can
Ozsen, Councillor Ben Hayhurst and Councillor
Lynne Troughton
- Councillors joining the meeting virtually:** Cllr Grace Adebayo
Cllr Ben Hayhurst
Cllr M Can Ozsen
Cllr Lynne Troughton
- Officers in Attendance:** Ian Williams (Group Director of Finance & Corporate
Resources), Rachel Cowburn (Head of Pension Fund
Investment and Actuarial), Michael Honeysett,
(Head of Pensions), Georgia Lazari (Solicitor - Team
Leader), Jackie Moylan (Director of Financial
Management) and Rabiya Khatun (Governance
Officer)
- Also in Attendance:** Jill Davys, Anastasia Guha & Sam Yeandle
(Redington Investment Consultants)
Karen McWilliam (Governance Consultant, Aon).
Cll Alastair Binnie-Lubbock

1 Apologies For Absence

- 1.1 Apologies for absence were received from Cllrs Adebayo, Ozsen, Hayhurst and Troughton as they joined the meeting virtually.
- 1.2 Apologies for lateness were received from Cllr Walker (Attended the meeting at 7.38pm).

2 Declarations of Interest - Members to declare as appropriate

- 2.1 Councillor Troughton previously declared that she was a member of the LGPS.

2.2 Councillor Adam previously declared that his partner was a member of the LGPS.

3 Consideration of The Minutes of The Previous Meeting

RESOLVED: That the public minutes of the Pensions Committee meeting held on 22 November 2022 were approved as a correct record.

Matters arising

Question

The Chair asked Councillor Binnie-Lubbock to ask his question regarding investments in carbon emitting companies within the Pension Fund.

Councillor Binnie-Lubbock asked how the Pension Fund could achieve real economy decarbonisation while retaining investments in fossil fuel and aviation/aerospace companies.

The Head of Pension Fund Investment and Actuarial responded that the Fund retained some exposure to fossil fuel extraction companies, which was approximately 2% of the Pension Fund's portfolio and that some of these energy companies were already working towards moving into the real world as they transitioned their business from pure fossil fuel extraction to biofuel. The focus on high emitting companies was not intended to be limited to fossil fuel extraction and aviation companies as they were not necessarily but much wider looking at the biggest contributors of emissions, not necessarily fossil fuel companies but from other sectors such as materials, industrial and hotel companies. The Committee would need to review in the longer term the Fund's investment strategy but the current approach taken had been not to remove companies from the portfolio simply due their high emissions. In the longer term the Committee would need to determine which of these companies were unsuitable to retain within the portfolio. It was noted that a more detailed response would be provided to Cllr Binnie-Lubbock's questions.

The Committee highlighted that as members they were responsible to the pensions scheme members and that Hackney's Pension Fund could be proud of its record as the first council to set a target to reduce fossil fuel exposure by 50% over a six year period in 2016 and exceeding this target by achieving over 90% reduction in 2022 and being held publicly accountable throughout the process of achieving net zero.

ACTION: The Head of Pension Fund Investment and Actuarial to provide a full written response to Cllr Binnie-Lubbock's submitted questions.

4 Training – Investment Strategy & Carbon Targets

4.1 Rachel Cowburn, Head of Pension Fund Investment and Actuarial, introduced the report. Jill Davys, Anastasia Guha, Sam Yeandle, representatives from Redington Investment Consultants delivered a training session on the key considerations when setting the Fund's investment strategy including the Committee's fiduciary duties in setting the investment strategy and cover how these principles apply to the setting of climate targets.

4.2 The training was delivered during the private session of the meeting.

RESOLVED:

To note the report.

5 Responsible Investment - Carbon Targets discussion and timetable

5.1 Rachel Cowburn, Head of Pension Fund Investment and Actuarial, introduced the discussion paper setting out the different approaches that could be taken before setting a new climate target for the Fund in March 2023.

5.2 The exempt appendices were considered during the private session of the meeting.

RESOLVED to:

- 1. Agree the objectives, as set out in Appendix 1, for the Fund's investment consultant during 2023;**
- 2. Note the assessment of the performance against the objectives set as set out in the supplementary appendix; and**
- 3. Approve the submission of a compliance statement to the CMA.**

6 Competition and Markets Authority's (CMA) Objectives

6.1 Rachel Cowburn, Head Pension Fund Investment and Actuarial, introduced the report and advised that Appendix 2 - matrix had been circulated as further information.

6.2 It was reported that compliance approval was due by January every year but CMA had granted an exemption to end of this week for submission of the compliance statement

RESOLVED:

To note the report.

7 Quarterly Update Report

7.1 Michael Honeysett, Head of Pensions introduced the report providing an update on key quarterly performance measures, including an update on the funding position, investment performance, responsible investment, administration performance and reporting of breaches. It also provided information on the position of the Fund between July and September 2022.

7.2 The Head of Pensions reported that the funding level in the March 2022 valuation was 106% and as at 30 September 2022 it had increased to 122%. This had resulted from the reduction in asset value due to market volatility and a fall in liabilities of £400m as a result of the turbulence in the bond market and stronger yields. Since September 2022 there had been further movements in the markets, which would have further impacted on the asset value and liabilities.

7.3 A member requested training on the link between the bond market on liabilities and the funding level. **ACTION:** The Head Pensions to arrange training on the link between the bond market on the Pension Fund's liabilities and funding level.

RESOLVED:

To note the report.

8 Knowledge and Skills Policy - Training Needs Analysis

8.1 Karen McWilliam, Aon Consultant, introduced the report on setting out the Fund's plans to undertake a training needs analysis in line with its Knowledge and Skills Policy.

8.2 An online questionnaire would be circulated in January 2023 and members were asked to complete the form. The form would be used to identify and develop a training plan to deliver training in the future and to comply with legal requirements. The Aon Consultant stated that she could go through the questionnaire with individual members if required.

8.3 The Chair emphasised that he had discussed having a training portal or Hub to include training videos and useful information as well as face to face and online training. The Aon Consultant also advised that training would be identified for individuals or groups to attend.

RESOLVED:

To note the report.

9 TPR - New single code Update/ Introduction

9.1 Karen McWilliam, Aon Consultant, introduced the report providing an update on the New Code expected to come into force in Spring 2023 and Once in force, the New Code would replace Code of Practice 14: Governance and Administration of Public Service Pension Schemes (COP14).

9.2 The Aon Consultant responded that there would be financial implications as a result of the New Code such as administration costs involved in investigating risks and putting in place appropriate controls to ensure adherence to this code. The costs would be relatively small but evidence of adherence would be available.

RESOLVED:

To note the report.

10 Any Other Business Which in The Opinion Of The Chair Is Urgent

10.1 There was no other urgent business.

11 Exclusion of The Press And Public

RESOLVED:

THAT the press and public be excluded from the proceedings of the Committee during consideration of Exempt Items 4, 5 (exempt appendices) and 12 on the agenda on the grounds that it is likely, in view of the nature of the business to be transacted, that were members of the public to be present, there would be a disclosure of exempt business as defined in paragraph 3 of Part 1 of schedule 12A of the Local Government Act 1972, as amended.

Thursday 19 January 2023

12 Consideration of the Exempt Minutes of the Previous Meeting

RESOLVED:

That the exempt minutes of the meeting of Pensions Committee held on 22 November 2022 were approved as a correct record.

Duration of the meeting: 6.30 – 9.08pm

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