

## MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

**THURSDAY 30 MARCH 2023**

Link to live stream: <https://youtu.be/wJFQ9f9t7es>

<b>Councillors Present:</b>	<b>Councillor Kam Adams in the Chair</b> <b>Cllr Grace Adebayo and Cllr Ian Rathbone</b>
<b>Co- Optees:</b>	<b>Jonathan Malins-Smith</b> <b>Henry Colthurst</b>
<b>Apologies:</b>	<b>Cllr Robert Chapman, Cllr M Can Ozsen, Cllr Margaret Gordon, Cllr Ben Hayhurst, Cllr Lynne Troughton and Cllr Joe Walker</b>
<b>Councillors joining the meeting virtually:</b>	Cllr Robert Chapman, Cllr M Can Ozsen, Cllr Ben Hayhurst and Cllr Margaret Gordon
<b>Officers in Attendance:</b>	Rachel Cowburn (Head of Pension Fund Investment and Actuarial), Jackie Moylan (Director of Financial Management), Angelie Walker (Senior Lawyer), and Rabiya Khatun (Governance Officer)
<b>Also in Attendance:</b>	Jill Davys, Sam Yeandle, Edwin Whitehead and Edina Molnar (Redington Investment Consultancy) Catherine Pearce (Governance Consultant, Aon).

### 1 **Apologies For Absence**

- 1.1 Apologies for absence were received from Cllrs Chapman, Gordon, Hayhurst, Troughton, Ozsen and Walker.
- 1.2 Cllrs Chapman, Gordon, Hayhurst and Ozsen joined the meeting virtually.

### 2 **Declarations of Interest - Members to declare as appropriate**

- 2.1 Cllr Chapman previously declared that he was a pensioner in receipt of the LGPS.
- 2.2 Councillor Adam previously declared that his partner was a member of the LGPS.
- 2.3 Henry Colthurst declared an interest as chair of the Mossbourne Federation.

### 3 Consideration of The Minutes of The Previous Meeting

**RESOLVED: That the public minutes of the Pensions Committee meeting held on 19 January 2023 were approved as a correct record.**

The Chair advised that agenda items 4 and 6 would be considered together at the meeting.

### 4 Investment Strategy Training - To be delivered by Redington Investment Consultants

4.1 Rachel Cowburn, Head of Pension Fund Investment and Actuarial, introduced the report.

4.2 Jill Davys and Sam Yeandle, Redington Investment Consultancy, delivered training on Investment Strategy and a brief summary is provided below:

- What are you trying to achieving
- What time is your regulatory responsibilities
- why do you need to invest
- Where is the Fund today: Funding and Your current SAA positioning
- Asset class overview
- What can we invest in
- Characterising assets by the role they play in a portfolio
- Equity vs Fixed Income
- Liquid vs Illiquid
- Why invest in different asset classes
- What does your current strategy look like
- **Equity**
- What is public equity
- How can you invest in public equity
- What is private equity
- **Fixed Income**
- What is fixed income
- Corporate vs Government
- Types of Bonds
- **Real Assets**
- The opportunity set in property
- The opportunity set in infrastructure
- Real asset vs Inflation

4.3 A member asked about the Liability Derived Investment (LDI) and where it would fit in the portfolio. Sam Yeandle responded that LDIs were unsuitable for the Pension Fund's portfolio due to LGPS Funds having a different actuarial methodology than private pensions schemes. It was explained that the LDI was a liability driven investment mostly used in the private sector pension schemes and that issues could arise from the use of leverage.

4.4 In response to questions from members, Sam Yeandle provided examples of active and constrained Global Credit, emphasised that the investment manager had more flexibility and discretion around portfolio decisions, infrastructure investments

could range from hospitals, airports, wind and solar farms which were physical assets with a return stream linked to inflation, and that the current levels of high inflation were bad for the portfolio even if the portfolio had inflation protection.

**RESOLVED:**

**5 Responsible Investment - Climate Target Setting (Part Exempt)**

5.1 Jackie Moylan, Director of Financial Management introduced the report outlining the Committee's ambition for the Fund to achieve net zero emissions by 2040 and proposing three shorter term interim targets designed to assist the Fund in achieving its ambition and monitor progress as well as encouraging both portfolio and real world decarbonisation.

5.2 The presentation was considered during the private session of the meeting and would be available in the exempt minutes of the meeting.

**RESOLVED to:**

- 1. Set a decarbonisation target on the fund's carbon footprint:**
  - **50% reduction in carbon footprint (scope 1&2) by 2030 compared to 2023 carbon footprint as the baseline.**
- 2. Adopt implied temperature rise as a forward looking metric that contributes to real world decarbonisation:**
  - **Target a 2C portfolio by 2030 with a 1.5C goal for 2040.**
- 3. Set a climate solutions allocation target as follows:**
  - **Allocate no less than 10% of Fund assets to climate solutions over the next 5 years in line with the Strategic Asset Allocation (SAA) changes subject to fiduciary duties.**

**6 Strategic Asset Allocation Review - Introduction (Part Exempt)**

6.1 Rachel Cowburn, Head of Pension Fund Investment and Actuarial, introduced the report outlining the initial proposals for a review of the Fund's Strategic Asset Allocation following the 2022 actuarial valuation. A number of proposals and recommendations were for discussion to help the Fund achieve its climate targets, meet its cashflow needs and meet levelling up requirements.

6.2 Members were advised that an additional meeting would be scheduled in April 2023 to make decisions on the Fund's strategic asset allocation.

6.3 The presentation and exempt appendix were considered during the private session of the meeting and would be available in the exempt minutes.

**RESOLVED: Consider the proposals set out in the discussion paper, in particular the recommended revised strategic asset allocation presented in Appendix 1 ("Strawman 1", Page 16).**

**7 Business Plan 2023 - 2026**

7.1 Members noted the supplementary papers.

7.2 Jackie Moylan, Director of Financial Management introduced the Pension Fund Business Plan for the period covering 2023/24 to 2025/26, as well as the proposed

Fund budget for 2023/24. The plan sets out the key actions the Fund needed to undertake to fulfil its strategic objectives for the next 3 years, which included a draft plan of work for the Pensions Committee and a communications plan for the financial year 2023/24.

7.3 It was noted that the timing and some activities for the next financial year could be subject to change as issues emerged throughout the year and that the year 2024/25 within the recommendation be amended to 2025/26.

**RESOLVED:**

**To approve the Business Plan for 2023/24 to 2025/26 including the 2023/24 budget.**

**8 Actuarial Valuation 2022 - Final Valuation Report and Funding Strategy Statement**

8.1 Members noted the supplementary papers including the signed actuarial valuation.

8.2 Rachel Cowburn, Head of Pension Fund Investment and Actuarial introduced the report seeking approval of the final 2022 Valuation Report and Funding Strategy Statement. It summarised both the assumptions used to determine the funding level, the process used to set contribution rates and the agreed employer contribution rates.

8.3 It was highlighted that the Valuation Report showed the liabilities and funding level calculated across a range of different investment returns and that the funding level was 106% in 2022 compared to 92% in 2019. Since 31 March 2023, the funding level had been fluctuating from 150% to 106% with higher than expected investment returns and strong investment performance resulting in a positive contribution to the funding level in 2022. It was explained that the employer contribution rate was made up of two components and that there had been a significant increase in the primary rate as a result of rising inflation in the 2022 valuation which was making it more expensive for employers to fund future benefit payments linked to the Consumer Price Index. The secondary rate covering past benefits had considerably decreased, which had allowed the overall contribution payments to be reduced.

8.4 The Head of Pension Fund Investment and Actuarial stated that the secondary rate could vary for each employer over the three years and confirmed that the rate for Mossbourne Community Academy would be 19.3% for the next three years. She clarified the nil rate and indicated that the Fund had to also pay exit credits to employers and especially small employers that had built up a surplus.

8.5 It was noted that the Funding Strategy Statement remained unchanged since the employer consultation exercise in September 2022.

**RESOLVED to:**

- 1. Approve the 2022 Valuation Report.**
- 2. Approve the post-consultation Funding Strategy Statement.**

**9 Pension Fund Quarterly Update Report**

**Thursday 30 March 2023**

9.1 Rachel Cowburn, Head of Pension Fund Investment and Actuarial introduced the report providing an update on key quarterly performance measures between October and December 2022, including an update on the funding position, investment performance, responsible investment, administration performance and reporting of breaches. It also included a performance report from Redington Investment Consultancy.

**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 5 (Exempt Appendices) & 6 (Exempt Appendices) & 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.**

**12 Consideration of the Exempt Minutes of the Previous Meeting**

**RESOLVED: That the exempt minutes of the meeting of Pensions Committee held on 19 January 2023 were approved as a correct record.**

**Duration of the meeting: 6.30- 9.10pm**

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