



LONDON BOROUGH OF BRENT

MINUTES OF THE BRENT PENSION FUND SUB-COMMITTEE Held as an online meeting on Wednesday 24 February 2021 at 6.00 pm

PRESENT (in remote attendance): Councillor S Choudhary (Chair) and Councillors Daly, Donnelly-Jackson, Perrin and Elizabeth Bankole (Co-Opted Member)

Also present: Councillor McLennan (Deputy Leader & Lead Member for Resources)

Apologies for absence were received from: Councillor W Mitchell Murray

1. Declarations of personal and prejudicial interests

None declared.

2. Minutes of the previous meeting

RESOLVED:-

that the minutes of the previous meeting held on 6th October 2020 be approved as an accurate record of the meeting.

3. Matters arising

None.

4. Deputations

None.

5. London CIV Responsible Investment Update

The purpose of this report was to update the Sub-Committee on recent developments within the London CIV (LCIV) regarding Responsible Investment and Engagement. The Sub-Committee welcomed Jacqueline Jackson (Head of Responsible Investment at London CIV). Ms Jackson gave a slide presentation updating Members regarding key priorities for 2021 with respect to Climate Change, Stewardship, Fund Launches and its policy on Responsible Investment and Engagement.

As part of the presentation, Ms Jackson informed Members that the London CIV aimed to make responsible investment a core part of its investment process across all asset classes and investment mandates, a policy based on the following three clear objectives:

- To support the company's investment objectives.
- To lead by example and raise the bar on responsible investment throughout the industry.
- To add value to clients through improved services.

She gave an overview on how LCIV designed, researched, reviewed and implemented the policy objectives across all operations including investment portfolio selection and stewardship activities. Ms Jackson then provided an update on the following 6 key priority areas:

- Climate Policy supported by robust, forward looking climate foot printing.
- Stewardship Policy complemented by a dedicated voting provision.
- Product Offering driven by clear investment beliefs and rigorous strategy.
- Capacity to Deliver and move towards best practice.
- Culture at the London CIV, which supports the delivery of the Responsible Investment strategy.
- Communications, which ensure a Responsible Investment strategy and associated priorities are disclosed with increased transparency.

Ms Jackson also gave a breakdown of the Funds that LCIV would launch and the initiatives that London CIV had committed to.

In the ensuing discussions, members raised a number of questions including the following:

- The number of companies or fund managers within the LCIV remit that invested in or were owned by BAME groups and women.
- How technological companies with good returns and low level of employees may be seen to be not paying a fair level of tax, how that fitted in and reconciled with the concept of responsible investment.
- Whether the focus was on social responsibility or payment of pensions to members.
- With pressure ever increasing where divestment would fit into planning and whether there were potential dates for achieving targets for fossil free.
- Mr Ravinder Jassar (Deputy Director of Finance) enquired as to when information on carbon and climate risk analytics would be available to the Sub-Committee.

In responding to the above, Ms Jackson stated that diversity was now a key issue for the corporate sector which LCIV had made it a priority in the year 2021. The process had started with an extensive questionnaire developed for fund managers. LCIV would collate the information received and then set achievable targets with stewardship a priority objective. LCIV main focus was on financial returns for its members although social responsibility was equally a priority area. She continued that LCIV would always seek to make an impact through certain engagements with companies and although no date for achieving net zero strategy had been set, LCIV would consider any investment adding value by collaborating with others. Ms Jackson added that the information on carbon and climate risk analytics would be available to the Sub-Committee by May 2021.

The Board thanked Ms Jackson for the informative presentation.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the report be noted.

6. H2 2020 Investment Monitoring Report

Mr Kenneth Taylor (Investment Consultant) and Mr Kameel Kapitan, Associate (Consultant) of Hymans Robertson presented the investment monitoring report for the quarter. In presenting the performance summary Mr Taylor informed the Sub-Committee that the assets combined to return 7.6% over this period, outperforming the aggregate target return over the second half of 2020. Risk assets continued their recovery during the second half of 2020, albeit with continued volatility. Q4 saw renewed vigour after a more subdued Q3, attributable to the positive vaccine news and the removal of some political uncertainty with a Brexit deal struck and clarity over the US election result.

Performance was also strong within credit markets - high yield outperformed investment grade. Conversely, UK government bonds returns were negative over the 6 months. The slight recovery in Q4 was not enough to offset losses in Q3 stemming from the weak economic outlook. He gave a summary of each manager's performance and rating and highlighted the following key points implemented following agreed transitions in Q4:

- 3% from UK equities to Global equities.
- 3% from UK equities to Ruffer.
- 3% cash investment in BlackRock Low Carbon Fund.

Mr Taylor then set out the following key points of the quarter:

- The Fund posted strong returns over the past 6 months, crossing the £1bn mark to end 2020 with a valuation of £1,010.5m (up from 934.9m at the end of Q2 2020).
- The Fund's Growth holdings were the main drivers of returns, while the Diversifiers also contributed. Within equities, the JP Morgan Emerging Market fund with the LCIV was the standout performer.
- The Fund's Protection assets proved useful earlier in the year, gaining while other areas struggled, thereby reducing volatility.
- During Q4, £13m was sold from the UK Equity fund, with the proceeds split equally between the Global Equity fund and the Ruffer Multi-asset fund.
- The Fund was currently holding more cash than usual. The Fund's upcoming investment in Low Carbon equities and capital calls for the private markets mandates would be funded from cash.
- The residual holding in the Aviva property fund was sold over the period.

In the ensuing discussions, members queried whether bitcoins were environmentally friendly, taking into account their carbon intensity. Concerns were also expressed about the poor performance of Capital Dynamics. Mr Taylor confirmed that whilst bitcoins were carbon intensive, the Fund's holding was less than 5% and that this could be reduced via conversations with Ruffer.

The performance of Capital Dynamics performance was attributable to one particular fund. Sawan Shah noted the benefits of diversification via LCIV, which

allowed investment in different sectors and thus by gaining broader benefits including broadband, utilities smart meters could reverse that trend.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That investment monitoring report be noted.

7. **Investment update**

The report provided the Sub-Committee with an update on the Fund's investments. Sawan Shah (Senior Finance Analyst) in introducing the report reminded members of the Sub-Committee's decision in February 2020 to continue significant allocations to diversifiers and, as part of this review, to introduce an allocation to Private Debt; an income focussed asset with a shorter-term focus than infrastructure. The strategic rationale for doing this was to deliver an absolute return, meaningfully higher than might be achieved investing in cash or short-term high-quality bonds.

As part of pooling, it was expected that any new investments would only be made through London CIV, in line with the Fund's investment strategy. In light of this and the Fund's long-term objective to invest 5% of its strategic allocation to Private Debt this would represent an investment of £50m. It is expected that, initially, capital calls would be funded using the Fund's existing cash holdings. He added that officers would be proceeding with this allocation to Private Debt through the London CIV offering, subject to further due diligence, which was in line with the previously agreed strategic allocation to the asset class.

Mr Shah continued the investment update adding as part of the intention to reduce the allocation of UK equities to the interim target allocation a total of £26m was sold in tranche 1 in December 2020 and £30m from LGIM UK equity in February 2021. The proceeds were invested equally between LGIM global equity and Ruffer. In addition to this, the Committee also approved an initial investment of c£28m into the BlackRock passive low carbon equity fund on 16 July 2020. Members heard that with a committed £50 million to London CIV's infrastructure fund, in October 2019, the total commitments to the fund stand at £399 million therefore London Borough of Brent's investment represents 12.5% of the Fund.

The Brent Pension Fund currently had a number of private equity holdings with Capital Dynamics that were entered into between 2004 and 2006 and were at the end of their expected life. However, these investments had not been fully wound down and Capital Dynamics had proposed that unrealised holdings in 4 investments be sold as a block to a single investor ("Project Phoenix"). Capital Dynamics asked the Fund, together with other investors, to vote on the sale proposal, which required 50.01% of investors to consent in order to pass. Following advice from Hymans Robertson on this transaction, the Fund voted in favour of the transaction and elected for the cash redemption. Officers requested approval of this decision from the Chair of the Committee and the Director of Finance prior to the deadline of 04 February 2021. Officers were awaiting the outcome of the vote.

Members welcomed the report and with no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

- (i) That the overall report including the investment update and Capital Dynamics proposal be noted.
- (ii) To note that officers would be proceeding with the allocation to Private Debt through the London CIV offering, subject to further due diligence, in line with the previously agreed strategic allocation to the asset class.

8. **LAPFF Engagement Report**

This report presented members with an update on the engagement activity undertaken by LAPFF (the Local Authority Pension Fund Forum) on behalf of the Fund. The Fund's membership of LAPFF and its work had demonstrated its commitment to Responsible Investment and engagement as a way to achieve the Fund's objectives.

Mr Saagar Raithatha (Finance Analyst) informed the Sub-Committee that LAPFF (the Local Authority Pension Fund Forum) had 81 members, 6 pools and combined assets of £300bn. With investments widespread in many of the sectors, LAPFF's aim was to act together with the majority of the UK's local authority pension funds and pool companies to promote the highest standards of corporate governance in order to protect the long-term value of local authority pension funds.

He continued that in October 2019, the Pension Sub-committee approved Brent Pension Fund's membership into LAPFF. Members of the Pension Fund Sub-Committee were welcomed to attend meetings of the Forum. As a member of LAPFF, Brent Pension Fund were entitled to contribute to and participate in the work plan organised by the Forum around issues of common concern. He gave updates on the work done by LAPFF and then drew Members' attention to the appendix attached to the report that set out the engagement work by LAPFF

In discussing the report, members sought further assurance about the work undertaken by LAPFF adding that there could be a degree of overlap with the work of LCIV. The Assistant Director of Finance assured members that officers would look into that assess the situation and report back to a future meeting at which members could take a decision on continued membership.

With no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

The report on LAPFF be noted.

9. **Any other urgent business**

Joe Kwateng.

The Chair informed the Sub-Committee that this was the last meeting that Mr Kwateng would be servicing as he would be retiring after 38 years of service with Brent Council. Members were unanimous in paying tribute to Mr Kwateng for his long and committed service to the Council and in particular, Brent Pension Fund Sub-Committee and wished him a long and happy retirement.

In reciprocating, Mr Kwateng thanked both Members and officers for their assistance during his tenure servicing the Sub-Committee.

10. **Minutes of Pension Board - 3 November 2020**

The Sub-Committee welcomed Mr David Ewart (Independent Chair, Pension Fund) to the meeting to give an overview of the Board's last meeting. Mr Ewart informed the Sub-Committee that there had been a noticeable improvement in the provision of pension services since LPP took over its administration. A focussed exercise with a dedicated resource was being carried out to clear historical unprocessed leavers with anticipated completion by March 2021. The Board also received reports including actuarial update, Covid-19, regulatory changes, pay cap which had now been revoked by the government and the annual accounts that were considered quite impressive. In conclusion, Mr Ewart thanked officers for their support.

RESOLVED

The minutes of the Pension Board be noted.

11. **Exclusion of Press and Public**

RESOLVED:

That the press and public will be excluded from the remainder of the meeting as the reports and appendices to be considered contained the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Access to Information Act 1972, namely;

"Information relating to the financial or business affairs of any particular person (including the Authority holding that information)."

12. **London CIV Investment Review**

The purpose of this report was to update the committee on recent developments regarding Brent Pension Fund investments held within the London CIV (LCIV).

Ms Silvia Knott-Martin (Client Relations Manager) gave a detailed presentation on LCIV performance since inception and each fund manager's performance on the funds under LCIV's and answered Members' questions. These included emerging market, diversified growth funds (DGFs), Multi Asset Credit (MAC) and infrastructure funds.

The Sub-Committee thanked Ms Silvia Knott-Martin for the presentation.

With no further issues raised, the Chair confirmed that all members had followed the discussions and thanked members and officers for their contribution. It was RESOLVED:

That the investment update provided by London CIV be noted.

The meeting closed at 8.00 pm

S CHOUDHARY
Chair