

# INVESTMENT COMMITTEE

---

## MINUTES

**Date:** Monday 2 October 2023  
**Time:** 10.00 - 12.00  
**Location:** 169 Union Street, room G04 and MS Teams

**Present:**

Rita Bajaj	Committee Member
Belinda Howell	Committee Member
Sophia Morrell*	Committee Member
Tamlyn Nall	Committee Chair

**In attendance:**

Robert Branagh	LPFA CEO
Jill Davys	Redington (Item 6)
Paul Hewitt	LPFA Responsible Investment Manager
Julia French	LPPI Responsible Investment Manager
Jason McKenzie	LPFA Interim Governance Manager (Minutes)
Sarah Morris	LPPI Actuary, Actuarial and Funding Risk
Edina Molnar	Redington (Item 6)
Joe Peach	LPPI Head of Client Management
Richard Tomlinson	LPPI Chief Investment Officer
Max Townshend	LPPI Head of Investment Strategy
Lana Watson	LPFA Funding and Investment Director

**Apologies:** Chris Rule

\* Joined via MS Teams

---

### 1. IC53 INTRODUCTORY MATTERS

1.1. The Chair confirmed a quorum was present and the meeting was opened.

Declarations of interest

1.2. No new interests were declared.

Decisions made by email

1.3. It was confirmed the Committee had not taken any decisions by email since the previous meeting.

Minutes and actions

1.4. The Committee considered the minutes of the previous meeting held on 12 June 2023, noting Belinda Howell provided comments in advance of this meeting.

1.5. The Committee were satisfied with the status of the actions reflected as completed or in progress.

1.6. The Committee **RESOLVED** to:

1. **APPROVE** the minutes of the meeting held on 12 June 2023, subject to the insertion of Belinda Howell's comments, and agree for these to be signed as a true and accurate record;
2. **APPROVE** the signing of the minutes using the Chair's electronic signature; and
3. **NOTE** the progress made on the action points and confirm that the Committee is content with the status of the actions from previous meetings.

### 2. IC44 Triennial Review of Strategic Asset Allocation

2.1. LPPI presented the paper which was taken as read and provided a summary of the approach to recommend a proposed Strategic Asset Allocation (SAA) which the Committee noted.

### Discussion

- 2.2. The Committee asked to understand in further detail how the proposed Diversifying Strategy (DS) was fundamentally different to the current version. LPPI confirmed that they had considered if the 2.5% target was worth including. LPPI confirmed that the current DS is particularly complex, originally comprised of 14 fund managers, several mandates, liquidity constraints and different reporting routes and therefore the overall benefit to the fund was difficult to assess.
- 2.3. The proposed DS is a simplified trend following strategy, with daily liquidity and a focus on a single return objective. One fund manager would be appointed initially, increasing to two and potentially to three, dependant on finding appropriate managers.
- 2.4. The Committee discussed LCC involvement, noting their allocation to DS has not changed. LPPI confirmed LCC are aware of the proposed new DS and had voiced no objection in it fundamentally changing.
- 2.5. The Committee discussed the implications of investing in a new DS, particularly as the fund is a pool the potential lack of influence in its construction (as is LCC's position) and whether, for such a small allocation, it was worth increasing the complexity of LPFA's asset allocation.
- 2.6. The Committee discussed the need for clear guidelines for the investment in the proposed DS fund. The proposal includes a fundamental rewrite of the fund mandate.
- 2.7. The Committee stated the need to be able to describe the differences between the current and proposed DS fund, the rationale for the mandate and confidence needs to be established in the approach of selecting the fund manager.
- 2.8. The Committee questioned if commodity trading in natural resources will expose the organisation in terms of adhering to the Responsible Investment (RI) Policy. LPPI advised the committee they have daily exposure monitoring in place and the research of this mandate is included in the paper. The Committee agreed investment in minerals would be satisfactory. The IC flagged the risk of inadvertent fossil fuel investments and needs to be reassured that the construction of the Fund would be consistent with LPFA's RI approach.
- 2.9. The Committee queried if alternative 1 is the second-best option to the proposed; noting this is dependent on the strategic concerns, private equity has a slightly higher allocation which is then offset against the infrastructure allocation. The Committee also discussed the remaining alternative options.
- 2.10. The Committee discussed other factors affecting the sector and inflation including the observation that geopolitical risks are increasingly challenging. LPPI commented the best approach is to increase participation in asset classes which perform well in volatile markets.
- 2.11. The investment targets were discussed noting the strategy will be reviewed in three-years which allows flexibility.
- 2.12. The Chair summarised the discussion and outlined to LPPI what the Committee needs to be confident of the proposed SAA before recommending to the Board.
- 2.13. The key actions for revising the proposal are to provide additional information on the Trend Following DS, including:
  - a. Clarity on the strategy name which would give a better understanding of its aims (noting a preference for it not to be called diversifying strategy).
  - b. Inflation participation to lead the structure but not forgetting the underlying objective of the Fund to ensure stable employer contributions.
  - c. Clearly defined objective and mandate.
  - d. Defined constraints.
  - e. Acknowledgement from LCC that they were content with the proposed strategy.
  - f. Defined approach to fund manager selection; and an outline of the potential managers.
  - g. Outline the quantum of exposure, the asset classes with more preference on liquidity.
- 2.14. The Committee confirmed that no decision would be made at this meeting. The revised proposal would be reviewed at the next Committee meeting on 28 November with potential recommendation to the Board at the 12 December meeting.

2.15. The Committee thanked LPPI for providing well written papers and being clearly prepared.

### 3. IC55 LPPI INVESTMENT REPORTING

3.1. LPPI took the papers as read and directed the Committee that pg70 (full pack) which summarises the investment performance over Q2 2023 and provided a verbal update on activity to the end of Q3 2023. LPPI are monitoring underweight positions and are moving closer towards targets and will be reported at the next meeting.

#### Discussion

3.2. The Committee held robust discussion on the report including inflation and factors effecting other global markets and agreed all asset classes are working.

3.3. The Committee discussed that no asset class holds excess cash reserves except Real Estate which is held with NatWest and has a slightly more complex structure. The total cash levels are £148m outside of pools.

3.4. The Committee noted the Global Equity external fund manager will be changing.

3.5. The Committee **NOTED** the updates provided in the report.

### 4. IC56 RESPONSIBLE INVESTMENT

4.1. The Responsible Investment Manager took the report as read and provided an overview of the highlights.

#### Discussion

4.2. The Committee discussed how heavy industry has responded significantly to Net Zero and carbon performance has improved, though better data is needed to obtain sub-industry assessments. Data improvement is expected early next year to form a better evaluation of performance against 1.5 degrees.

4.3. The Committee discussed LPPI's engagement with external fund managers in progressing Net Zero reporting with more detail needed. Whilst some managers have broad RI expectations, a continued programme of engagement with fund managers is required to manage high impact companies.

4.4. The Committee **NOTED** the updates provided in the reports.

### 5. IC57 RESPONSIBLE INVESTMENT POLICY REVIEW

5.1. The Responsible Investment Manager introduced the policy review which follows the outcomes of the recent Board Away Day and includes amendments to the narrative and includes links to key issues. This policy requires approval in order to recommend to the Board for approval at the October meeting.

5.2. The Committee agreed that the four pillars were a good starting point as each could easily be measured and represented a material financial risk to LPFA's current portfolio. The omission of biodiversity as a risk was highlighted.

5.3. The Committee held a robust discussion on whether biodiversity should be a dedicated key area within the policy and considered the practicalities of measuring biodiversity risks within the portfolio.

5.4. The Committee considered if omitting areas such as land use and deforestation in all suppliers is an issue.

5.5. The Committee discussed if gender representation is adequately expressed in the policy. It was then discussed that such metrics can be included in the implementation phase.

5.6. The Committee Chair summarised the discussion by stating the presented policy represents the outcomes of the Board Away Day collective consultation which was the approach agreed at previous IC meetings.

5.7. The Committee **RESOLVED** to:

1. **AGREE** recommendation to the Board that the current version should be approved; and
2. **NOTED** that one member felt strongly that biodiversity should be a key theme.

## 6. IC58 NET ZERO

*Jill Davys and Edina Molnar joined the meeting.*

- 6.1. The Chair welcomed Redington to the meeting. Redington provided an overview of the Real Estate (RE) and Fixed Income classes noting the broader work focussing on RE as agreed at the last meeting.

### Discussion

- 6.2. For Fixed Income, the Committee noted the high portfolio turnover and concentration of emissions; with ten companies responsible for 91% of the total emissions.
- 6.3. For Real Estate, buildings with the highest emissions are a smaller proportion of the portfolio. The Committee agreed that LPPI must influence those assets which are wholly owned. Assets owned in funds pose a different problem where LPPI must use its ability to influence the asset managers. In particular it was noted that the highest emitting assets were in the USA where LPPI's ability to influence was more testing.
- 6.4. The Committee noted Redington and LPPI are working closely together to set RE targets.
- 6.5. The Committee noted the intensity emissions rating is based on data supplied by asset managers which needs to be on an individual asset basis which can prove challenging to obtain especially from foreign asset managers.
- 6.6. The Committee noted the Carbon CRREM tool provides pathway to decarbonise the asset forecast (Slide 27) is based on the asset level data. LPPI are mapping each asset on this pathway. Target setting will be aligned with LPPI and Redington using this data collection model.
- 6.7. The Committee noted the RE fund uses baseline data obtained from the 2022 tenant engagement survey, to forecast the decarbonisation target; and discussed the challenges to reach these targets by 2030.
- 6.8. Redington anticipate providing further detail on targets at the next meeting, including data collection and asset manager engagement strategies, and retrospective refurbishment of wholly owned assets to meet these targets; and part-owned asset analysis will include the percentage of holdings.
- 6.9. The Committee **RESOLVED** to:
1. **AGREE** the metrics without alteration.
  2. **NOTE** the progress to date; and
  3. **AGREE** the proposed approach.

*Jill Davys and Edina Molnar left the meeting.*

## 7. IC59 LPPI INVESTMENT RISK REPORTING

- 7.1. Due to time constraints the paper was taken as read and no questions were raised. The Chair recommended any detailed questions to be directed to the Funding and Investment Director.

## 8. AOB

- 8.1. The Committee noted that deep dive sessions will be included on the forward agenda.
- 8.2. The next meeting is scheduled for Tuesday 28 November 2023, followed by a deep dive session.
- 8.3. There being no further business, the Chair declared the meeting closed at 12:17.

**Signed as an accurate record of the meeting:**

Tamlyn Nall  
**Investment Committee Chair**

**Date:** 28 November 2023