

# Pension Fund Committee

## Agenda

Monday 31 July 2023 at 7.00 pm  
Room 9 (1st Floor)- 3 Shortlands, Hammersmith, W6 8DA

### MEMBERSHIP

Administration	Opposition
Councillor Ross Melton (Chair) Councillor Florian Chevoppe-Verdier Councillor Laura Janes Councillor Adam Peter Lang	Councillor Adrian Pascu-Tulbure
Co-optee	
Michael Adam Iain Cassidy	

**CONTACT OFFICER:** Amrita White  
Committee Coordinator  
Governance and Scrutiny  
☎: 07776 672945  
E-mail: Amrita.White@lbhf.gov.uk

Reports on the open agenda are available on the Council's website:  
[www.lbhf.gov.uk/committees](http://www.lbhf.gov.uk/committees)

Members of the public are welcome to attend and the building has disabled access.

Date Issued: 20 July 2023

# Pension Fund Committee Agenda

<u>Item</u>		<u>Pages</u>
<b>1. APOLOGIES FOR ABSENCE</b>		
<b>2. DECLARATIONS OF INTEREST</b>		
	<p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.</p>	
<b>3. RENEWABLE INFRASTRUCTURE AND FIXED INCOME MANAGERS</b>		4 - 6
	<p>This report presents an overview of the background to the decisions to be made following the Pension Fund committee meeting 13 June 2023.</p> <p>This item includes appendices that contain exempt information. Discussion of the appendices will require passing the proposed resolution at the end of the agenda to exclude members of the public and press.</p>	
<b>4. DATE OF THE NEXT MEETING</b>		
	<p>The next meeting will take place on 19<sup>th</sup> September 2023.</p>	
<b>5. EXCLUSION OF THE PUBLIC AND PRESS</b>		
	<p>The Committee is invited to resolve, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the</p>	

meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

# Agenda Item 3

LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 31 July 2023

**Subject:** Renewable Infrastructure and Fixed Income Managers

**Report author:** Siân Cogley, Pension Fund Manager

**Responsible Director:** Phil Triggs, Tri-Borough Director of Treasury and Pensions

---

## SUMMARY

This report presents an overview of the background to the decisions to be made following the Pension Fund committee meeting 13 June 2023.

## RECOMMENDATIONS

1. The committee is requested to note and apply the principles of the renewable energy infrastructure, and buy and maintain bonds, training to the manager selection exercise.
2. The committee is requested to consider one of the three options presented for a renewable infrastructure product.
3. The committee is requested to consider one of the three options presented for a Buy and Maintain bonds product.

**Wards Affected:** None

---

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Being ruthlessly financially efficient	Manager selection for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council taxpayer.

## Financial Impact

None.

## Legal Implications

None.

## **DETAILED ANALYSIS**

### **Background**

At the 28 February 2023 Pension Fund committee meeting, the committee agreed to progress the following actions:

- 1) Inflation protection: invest an additional 2.5% in commercial ground rents as part of the inflation protection portfolio, to be funded from Ruffer.
- 2) Renewable infrastructure: select the replacement for the Aviva infrastructure income mandate and increase the strategic asset allocation to 3.5%.
- 3) De-risk: transfer 5% from the Fund's strategic global equity allocation to bonds.

The first action was applied in May 2023, with an additional £37m invested into the Alpha Real Capital Index Linked Income Fund.

With regard to the second item, Isio provided a report on renewable infrastructure managers to the committee at the 13 June 2023 meeting. Based on the information provided in this paper, the Committee decided that a shortlist would be considered for the renewable infrastructure income mandate, to be decided at an extraordinary meeting of the Pension Fund committee on 25 July 2023. This meeting was then rescheduled to 31 July 2023.

At the 13 June 2023 committee meeting, it was agreed that the 5% de-risking transition would be funded from the equity portfolio such that the new 40% strategic global equity allocation maintains the current 1/3rd:2/3rd split, i.e., 13% allocation to LCIV Global Equity Quality and 27% allocation to LGIM MSCI World Low Carbon Target Index.

In addition, the committee agreed that the bonds mandate should be moved into a typical buy and maintain credit strategy.

### **Renewable Infrastructure**

1. The proposed strategic allocation to renewable infrastructure is 3.5% of the Fund's total assets (circa £45m based on the Fund's total assets as at 31 May 2023).
2. Appendix 2 provides a summary of the shortlisted managers and strategies that were considered as part of the renewable energy infrastructure manager selection exercise. These managers are summarised against eight key factors: complexity, team and process, fund structure, liquidity and timing, cashflows, green field/brown field, regional focus, fees, and leverage.

### **Fixed Income**

1. The proposed strategic allocation to buy and maintain credit is 15% of the Fund's total assets (circa £191m based on the Fund's total assets as at 31 May 2023).
2. Appendix 2 provides a summary of the shortlisted managers and strategies that were considered as part of the buy and maintain manager selection exercise. These managers are summarised against nine key criteria: fund

inception, fund size / seed capital, liquidity, modified duration, number of issuers, yield, default rate, weighted average carbon intensity metrics, and fees.

## **LIST OF APPENDICES**

Appendix 1: (EXEMPT) Report on Renewable Infrastructure and Fixed Income Managers

Appendix 2: (EXEMPT) Renewable Infrastructure and Buy and Maintain Training

Appendix 3: (EXEMPT) Renewable Infrastructure and Buy and Maintain Selection