

AGENDA

Meeting: Investment Sub-Committee

Place: [Online meeting](#)

Date: Thursday 2 September 2021

Time: 10.00 am

Please direct any enquiries on this Agenda to Kieran Elliott of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718504 or email kieran.elliott@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225) 713114/713115.

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

Membership:

Cllr Steve Heyes
Cllr Richard Britton (Chairman)

Cllr Gordon King
Vacant

Substitutes:

Cllr Pauline Church
Cllr Sarah Gibson
Cllr Gavin Grant
Cllr Jonathon Seed

Cllr Carole King
Cllr Ian Thorn
Cllr Robert Yuill
Cllr Elizabeth Threlfall

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AGENDA

Part 1

Items to be considered when the meeting is open to the public

1 **Apologies**

To receive any apologies for absence or substitutions for the meeting.

2 **Minutes** (Pages 5 - 8)

To approve and sign as a true and correct record the Part I (public) minutes of the previous meeting held on 10 June 2021.

3 **Declarations of Interest**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

4 **Chairman's Announcements**

To receive any announcements through the Chairman.

5 **Public Participation**

The Council welcomes contributions from members of the public. During the ongoing COVID-19 situation the Council is operating revised procedures and the public are able participate in meetings online after registering with the officer named on this agenda, and in accordance with the deadlines below.

[Guidance on how to participate in this meeting online.](#)

Statements

Members of the public who wish to submit a statement in relation to an item on this agenda should submit this electronically to the officer named on this agenda no later than 5pm on 27 August 2021.

Statements should:

- State whom the statement is from (including if representing another person or organisation)
- Clearly state the key points
- If read aloud, be readable in approximately 3 minutes

Up to three speakers are allowed for each item on the agenda.

Questions

Those wishing to ask questions are required to give notice of any such questions electronically to the officer named on the front of this agenda no later

than 5pm on 25 August 2021 in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than 5pm on 27 August 2021.

Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent. Details of any questions received will be circulated to members prior to the meeting and made available at the meeting and on the Council's website; they will be taken as read at the meeting.

6 **Responsible Investment Update Report** (*Pages 9 - 14*)

To receive a report from the Head of Pension Fund Investments.

7 **Urgent Items**

Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.

8 **Exclusion of the Public**

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 9 onwards because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

Part 2

Items during consideration of which it is recommended that the public should be excluded because of the *likelihood* that exempt information would be disclosed.

9 **Listed Infrastructure Update**

To receive an update from Magellan.

10 **Investment Quarterly Progress Report** (*Pages 15 - 84*)

To receive a report from the Head of Pension Fund Investments.

11 **Protections Assets Review** (*Pages 85 - 130*)

To receive a report from the Head of Pension Fund Investments.

12 **Minutes** (*Pages 131 - 136*)

To approve and sign as a true and correct record the Part II (private) minutes of the previous meeting held on

Investment Sub-Committee

PART I (PUBLIC) MINUTES OF THE INVESTMENT SUB-COMMITTEE MEETING HELD ON 10 JUNE 2021 AT ONLINE MEETING .

Present:

Cllr Steve Heyes, Cllr Richard Britton (Chairman), Cllr Gordon King and Cllr Elizabeth Threlfall (Substitute)

Also Present:

Anthony Fletcher, Andy Brown, Joshua Caughy, Kieran Harkin, Rod Lauder, Marlene Corbey, Chris Moore, Mike Pankiewicz, Liam Robson, Richard Bullen, Andy Cunningham, Jennifer Devine, Cllr Pauline Church and Cllr Christopher Newbury

1 Membership

Following the elections on 6 May 2021 and appointments to committees, Councillors Richard Britton, Edward Kirk and Steve Heyes were added as new members of the Investment Sub-Committee.

2 Apologies

Apologies were received from Councillor Edward Kirk, who was substituted by Councillor Elizabeth Threlfall.

3 Minutes

The Part I (Public) minutes of the meeting held on 25 February 2021 were received for consideration, and it was,

Resolved:

To approve and sign the minutes as a true and correct record.

4 Declarations of Interest

There were no declarations.

5 Chairman's Announcements

Subject to consideration of the formal status of the Sub-Committee, the possibility of an amendment to the name of the Sub-Committee was raised.

6 Public Participation and Councillor Questions

No questions or statements were received.

7 **Responsible Investment Update and Progress Report**

Jennifer Devine, Head of Pension Fund Investments, presented a progress report on responsible investment issues, including the Responsible Investment Plan 2021/22.

Details were provided of recent actions and recommendations including commissioning of a report from Mercers on the Fund achieving net zero carbon by 2050 and annual carbon footprint analysis. It was agreed that there should be an update on responsible investment at quarterly intervals and noted the Committee's resolved support for the current approach. Members sought detail on the achievability of the plan, which was confirmed by officers to have been set to be achievable, and a legal memorandum in respect of fiduciary duty.

At the conclusion of discussion, it was,

Resolved:

To note the report and the progress that is being made towards implementing responsible investment related issues.

To approve the Responsible Investment Plan 2021/22, and the actions and costs noted therein.

8 **Date of Next Meeting**

The date of the next meeting was confirmed as 2 September 2021.

9 **Urgent Items**

There were no urgent items.

10 **Exclusion of the Public**

It was,

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 11-16 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

11 **Private Markets Progress Report**

Jennifer Devine, Head of Pension Fund Investments, introduced the report on the Private Markets Portfolios managed by Brunel.

It was then,

Resolved:

To recommend the Committee:

- 1) To note the report, and use it as a basis to ask questions of Brunel;**
- 2) To approve that progress on the private markets portfolios is reported to the ISC every six months;**
- 3) To approve that Brunel are invited to present on these portfolios again in February 2022**

12 Sustainable Equities

Jennifer Devine, Head of Pension Fund Investments, introduced the report providing members with information regarding Brunel's Sustainable Equities portfolio.

It was then,

Resolved:

To recommend the Committee:

- 1) make a strategic allocation to sustainable equities, of 8% of the Fund in the interim, and 5% long term;**
- 2) approve that this allocation is implemented via the Brunel sustainable equities portfolio;**
- 3) approve that the sustainable equities portfolio is funded by transferring funds from the Brunel Global High Alpha portfolio**

13 Private Markets Portfolio

Richard Fanshaw and Chris Crozier delivered a presentation on the Private Markets Portfolio.

14 Listed Markets

David Cox delivered a presentation on the Listed Markets Portfolio.

15 Investment Quarterly Progress Report

Jennifer Devine, Head of Pension Fund Investments, introduced a report in relation to the Fund's investment performance to 31 March 2021.

It was then,

Resolved:

To recommend the Committee:

- 1) note the investment reports and the update provided by officers and advisers at the meeting;**
- 2) approve that officers begin work with Brunel on assurance for the property transition, and bring back a plan for transitioning the property portfolio to Brunel for the September 2021 ISC meeting.**

16 **Minutes**

The Part II (Private) minutes of the meeting held on 25 February 2021 were presented for consideration, and it was,

Resolved:

To approve and sign the minutes as a true and correct record.

(Duration of meeting: 10.00 am - 12.50 pm)

The Officer who has produced these minutes is Kieran Elliott of Democratic Services, direct line 01225 718504, e-mail kieran.elliott@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND INVESTMENT SUB COMMITTEE
2 September 2021

RESPONSIBLE INVESTMENT UPDATE REPORT

Purpose of the Report

1. The purpose of this report is to update members on responsible investment issues.

Key Considerations for Committee

Progress against recent decisions and the actions in the Responsible Investment Plan 2021/22

2. Actions from the recent Committee meetings are as follows:

Recommendation	Action
Members agreed...	
That the Fund should adopt the recommendations of the Task force on Climate related Financial Disclosures (TCFD)	The TCFD reporting has been published online and in the Fund's Annual Report for 2020/21. The TCFD reporting can be found here: https://www.wiltshirepensionfund.org.uk/Responsible-investment
That the Fund should aim to sign up to the 2020 Stewardship Code during 2021	Fund officers have reviewed a gap analysis report prepared by Minerva, which looks at the current Fund publications and highlights the additional reporting which is required by the 2020 Stewardship Code. Officers are preparing a plan and will be reporting against the requirements of the code via a Stewardship Policy and Outcomes report in early 2022.
That officers will further explore commissioning Mercer to advise on a road map for the Fund to achieve net zero by 2050	Mercer's work is well underway. The findings will form part of the Fund's Responsible Investment Policy. Both the policy and Mercer's full report will be presented to the Committee at the meeting on 30 September 2021.
To make a strategic allocation to sustainable equities, of 8% of the Fund in the interim, and 5% long term, to approve that this allocation is implemented via the Brunel sustainable equities portfolio, and to approve that the sustainable equities portfolio is funded by transferring funds from the Brunel Global High Alpha portfolio.	Officers are working with Brunel on the transition to sustainable equities. This is anticipated to take place in late September or early October 2021.

Recommendation	Action
Members agreed...	
To approve the Responsible Investment Plan 2021/22, and the actions and costs noted therein.	Progress against the actions in the Responsible Investment Plan is shown below.

3. The road map from the Responsible Investment Plan 2021/22 is shown on the following page. Progress against actions for Q2 2021 (and Q3 to date) is as follows:
4. **Investments and strategy:**
- The decision on sustainable equities has been made, and the transition is underway.
 - Proposals for protection assets are elsewhere on this agenda.
 - The Responsible Investment Policy is in the process of being drafted, and will be brought to the Committee meeting on 30 September 2021 for approval.
 - Mercer’s work on a net zero by 2050 road map is underway, and will be included in a climate statement and action plan as part of the Responsible Investment Policy.
5. **Reporting and disclosure:**
- The TCFD reporting has been published online and in the Annual Report 2020/21. This sets out how the Fund manages climate change risk, from the perspective of governance, strategy, risk management and metrics.
 - Officers are developing plans for reporting in line with the 2020 Stewardship Code. This requirement will be met by an annual Stewardship Policy and Outcomes Report, which will be published for the first time in early 2022.
6. **Training and engagement:**
- A Committee training session on impact investing and affordable housing was held on 8 July 2021. Officers have collected feedback from attendees via an online survey. Feedback was positive – members reported that they found the training very useful, particularly on impact investing, and that both sessions were pitched at the right level.
 - One attendee fed back that they felt the Committee would benefit from the follow-on session on impact investing which had been mentioned in the training. Officers have followed this up with Pension for Purpose, and this training could be delivered for a fee of £1,700. This would cover a more in depth look at the Fund’s portfolios and show how the current investments can be mapped to the UN sustainable development goals. This would tie in with one of the actions for Q4 2021, which is to review other asset classes with respect to climate change and sustainability. Officers have also started work in this area to report back to the Committee. It is therefore recommended that this follow-on session should be arranged.
7. **Responsible Investment Plan 2021/22 progress summary:** The Plan is on track to be achieved – all actions scheduled for Q2 2021 have been completed, and actions for Q3 2021 are well underway. Some preparatory work has begun on actions for Q4 2021.

Responsible Investment Road Map

Q2 2021 -

Investments and strategy: decision on sustainable equities

Reporting and disclosure: TCFD reporting

Training and engagement: Training on impact investing and affordable housing

Q3 2021 -

Investments and strategy: proposals for protection assets, develop and publish Responsible Investment Policy, including climate statement and action plan

Reporting and disclosure: Develop plan for Stewardship Code reporting

Q4 2021 -

Investments and strategy: begin work to implement proposals for protection assets, begin reviewing potential work on other asset classes with respect to climate change and sustainability

Reporting and disclosure: sign up to wider initiatives

Training and engagement: hold membership webinars and develop the information shared on the Fund's website

Q1 2022 -

Investments and strategy: update Investment Strategy Statement

Reporting and disclosure: develop plans for reporting the year's progress in the Annual Report

Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report

8. The IPCC report, published on 9 August, was widely reported and commented on by the international, national and pension press and media. The full report could be summarised by the following points:
 - Global surface temperature was 1.09C higher in the decade between 2011-2020 than between 1850-1900.
 - The past five years have been the hottest on record since 1850
 - The recent rate of sea level rise has nearly tripled compared with 1901-1971
 - Human influence is "very likely" (90%) the main driver of the global retreat of glaciers since the 1990s and the decrease in Arctic sea-ice
 - It is "virtually certain" that hot extremes including heatwaves have become more frequent and more intense since the 1950s, while cold events have become less frequent and less severe
9. **How is this report different from previous reports (1 to 5)?**

One of the key differences is the increased certainty and understanding of climate change compared with when the IPCC started. The first IPCC report, published in 1990, concluded that human-caused climate change would soon become evident, but could not confirm that it was already happening. Today, the evidence is overwhelming that the climate has indeed changed since the pre-industrial era and that human activities are the principal cause of that change.
10. With the approach of COP26 and increasing government, investor and consumer impetus to take action, it is possible that political action and more aggressive steps to combat emissions will be taken, with the associated financial risks to markets and corporations.
11. **What does this mean for pension funds and institutional investors?**

Earlier this year, the Department for Business, Energy & Industrial Strategy reported that [a third of the UK's biggest companies have made commitments to net zero](#) and according to the Energy & Climate Intelligence Unit, [a fifth of the world's largest companies have committed to net zero targets](#).
12. As major shareholders of public companies, pension funds can exert pressure, via the development of policies and net zero targets, to influence transition plans and monitor progress against them.
13. **What does this mean for Wiltshire Pension Fund?**

In any scenario of the report, temperatures will rise to 1.5C in the 2030s. The result of lag between emissions and temperature rises mean action now will only be apparent in the later part of this century.
14. Following on from the modelling work, the Committee debated and agreed the new investment belief: "In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of 2°C or lower, and states an ambition to achieve net zero carbon emissions across all investment portfolios by 2050."
15. In order to achieve this target, the objective must carry through the investment chain and across the portfolio. As progress against this is regularly monitored, there may be scope to review these targets.

Training

16. Following on from the impact investing and affordable housing training sessions in July 2021, the next training session will be a re-run of Mercer's climate change scenario modelling, on 14 September 2021, 2-4pm. Officers will also explain background and context, and subsequent actions. This training will be held on Teams. Members are all encouraged to attend, particularly new members who were appointed after the modelling was completed.
17. It is recommended that the follow-on session with Pensions for Purpose is held towards the end of 2021 – a date will be circulated shortly if members wish to proceed with this session.
18. Another topic which could be included in the same session as Pension for Purpose could be on the new Paris-aligned benchmarks, a topic which is covered in detail elsewhere on this agenda. If the decision is made to allocate to this portfolio, a training session going into more detail about how the portfolio is constructed etc, with examples, could be very interesting.

Member and Employer Engagement Activity

19. Following the publication of the Annual Report 2020/21, officers publicised the report in a variety of different ways:
 - Producing a one-page summary of the Annual Report, "Our Year in Review", which contains key facts and figures about the Fund. This can be found on the Fund's website: <https://www.wiltshirepensionfund.org.uk/Annual-report-and-accounts>
 - Circulating the Annual Report to all employers, along with the one-page summary, for onward distribution to scheme members.
 - Creating a publicity campaign to email all members who have signed up to MSS (the online self-service tool), as well as all pensioners who have signed up for e-payslips. This reached 17.7k individuals, and generated 1.5k clicks through to download the Annual Report or one-page summary.
20. Officers have been working with the scheme employer representatives on the Pension Fund Committee to begin improving the way that strategic issues (including responsible investment) are communicated to employers, as well as how their views are fed back to the Committee. There is already a very active engagement with employers on more operational issues. The first step has been an employer survey. This has been targeted at heads of finance or heads of the organisation. The survey is still active at the time of despatch, so full feedback will be provided to the Committee meeting on 30 September 2021.

Environmental Impacts of the Proposals

21. This report includes information on actions and policies which directly deal with addressing climate change risk.

Safeguarding Considerations/Public Health Implications/Equalities Impact

22. There are no known implications at this time.

Proposals

23. The Committee is asked to

- use the report as a basis for monitoring the progress that is being made towards implementing responsible investment related issues;
- note the progress made against the Responsible Investment Plan 2021/22 actions and discuss whether any additional actions are needed at the current time;
- approve that Pensions for Purpose be invited to deliver a follow-on session on impact investing, at a cost of £1,700 (not included in the budget);
- pending decision elsewhere on this agenda, approve that Brunel are invited to deliver a training session on the new Paris-aligned benchmark.

Report Author: Jennifer Devine (Head of Pension Fund Investments)

Unpublished documents relied upon in the production of this report: NONE

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