

**STRATHCLYDE PENSION FUND
BOARD'S MINUTES.**

Glasgow, 29th May 2019.

Strathclyde Pension Fund Board.

Item 2

5th June 2019

Present: Andy Thompson, GMB (Chair); James Corry, UNISON; Alison Fettes, Scottish Water; Councillor Tom Fisher, North Lanarkshire Council; Stephen Kelly, UNISON; and. Councillor Collette Stevenson, South Lanarkshire Council.

Apology: Mark Dickson, Scottish Water.

Attending: A Wyber (Clerk); R McIndoe, Director of Strathclyde Pension Fund; and J Gillies and I Jamison (Strathclyde Pension Fund Office).

Register of Interests noted.

1 The Board noted that there were no new interests to register.

Register of Interests noted etc.

2 There was submitted a report by the Director of Strathclyde Pension Fund advising of the rules, policies and procedures relating to declaration and registration of Board members' interest and detailing the completed registration of Board members' interests for 2019/20.

After consideration, the Board noted

- (1) the rules, policies and procedures relating to members' interests; and
- (2) the Register of Interests for 2019/20, as detailed in the report, subject to the inclusion of further interests which had been intimated at this meeting.

Training etc noted.

3 The Director of Strathclyde Pension Fund reported on a number of training issues for members of this Board.

After consideration, the Board

- (1) noted that
 - (a) the Public Services Toolkit was available at <http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>;

- (b) LGC would be holding a 2 day Scottish conference in Edinburgh on 24th and 25th October 2019 and that the Director of Strathclyde Pension Fund would circulate to members of this Board further details once they became available; and
 - (c) an Investment Governance Group training day would be taking place at COSLA's office in Edinburgh on 3rd September 2019 and that the Director of Strathclyde Pension Fund would circulate to members of this Board further details once they became available; and
- (2) agreed that the Director of Strathclyde Pension Fund would submit to the next meeting a report on the progress in relation to the pension implications of the equal pay settlement, particularly in relation to the effect on the administrative function of Strathclyde Pension Fund.

Oak Hill Advisors – Proposed presentation noted.

4 The Board noted that the Oak Hill Advisors would make a short training presentation on Credit Markets to Strathclyde Pension Fund Committee on 5th June 2019.

Minutes of previous meeting noted etc.

5 The minutes of the meeting of 27th February 2019 were submitted and noted, subject to paragraph 9, section (1) being amended to read:-

“James Corry expressed concerns regarding Strathclyde Pension Fund’s continued investments in DXC a company who appear to be in breach of International Law by carrying out corporate activities in disputed territories. He noted that despite GES initial engagement with this company, their recent refusal to reply to GES emails or phone calls surely brings into question our continued investment in this company alongside a need to reconsider Strathclyde Pension Fund’s engagement strategy options when these scenarios arise”.

Strathclyde Pension Fund Committee Sounding Board – Proposed membership noted.

6 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding proposals in relation to the membership of Strathclyde Pension Fund Committee Sounding Board, advising that

- (1) since 2012, Strathclyde Pension Fund Committee had maintained a working group or Sounding Board drawn from its membership and the main function of the Sounding Board was to review proposals before being considered by the committee, particularly in relation to investment proposals for the Direct Investment Portfolio and proposals relating to the development of the investment strategy; and

- (2) due to changes in the membership of Strathclyde Pension Fund Committee, it was proposed that the membership of the Sounding Board comprised of Councillor Alan Gow (Convener), Councillor Ruairi Kelly (Vice Convener), and Bailie Philip Braat.

Direct Investment Portfolio – Legal and General UK Build to Rent Fund – Investment proposal noted.

7 There was submitted a report by the Director of Strathclyde Pension Fund regarding a proposal to invest in Legal and General UK Build to Rent Fund within the Direct Investment Portfolio, advising

- (1) that the Legal and General UK Build to Rent Fund (BtR) aimed to develop a portfolio of purpose-built, private rented residential accommodation in the UK, to hold for the long term with a view to generating stable cash yields and capital preservation for investors;
- (2) that during the 1st 5 years of the BtR fund it would be largely development led as it builds up a portfolio of completed development projects and the Fund was targeting a portfolio of properties with Assets Under Management of £3bn by 2023;
- (3) of their investment proposal; and
- (4) of the expected return from the fund, the main risks and the exit strategy.

After consideration, the Board noted the proposal to invest £75m in the Legal and General UK Build to Rent Fund by the Direct Investment Portfolio.

Direct Investment Portfolio – Places for People Scottish Mid-Market Rental Fund – Investment proposal noted.

8 There was submitted a report by the Director of Strathclyde Pension Fund regarding a proposal to invest in the Places for People Scottish Mid-Market Rental Fund within the Direct Investment Portfolio, advising

- (1) that the Places for People Scottish Mid-Market Rental (MMR) Fund aimed to develop a portfolio of 1,000 plus quality, affordable homes for the mid-market rental sector in Scotland's main cities within the next 2 years to deliver index-linked yield and long term capital growth to investors;
- (2) that Places for People was a not for profit organisation with a strong social purpose which utilised commercial business methods to deliver positive social outcomes and MMR properties were affordable rental homes where rent was set below an area's average private sector rate to cater for a large section of the Scottish population who were not being able to afford private sector rents,

not being able to save a large deposit for a 1st time home purchase or do not qualify for social housing because of their income levels;

- (3) that the Fund was being established to invest in a mix of houses and smaller apartment blocks across Scotland with the overall objective of delivering a diversified portfolio with long-term income and the opportunity for capital growth;
- (4) of their investment proposal; and
- (5) of the expected return from the fund, the main risks and the exit strategy.

After consideration, the Board noted the proposal to invest £25m in the Places for People Scottish Mid-Market Rental Fund by the Direct Investment Portfolio.

Direct Investment Portfolio – Capital Dynamics Clean Energy Infrastructure VII Fund – Investment proposal noted.

9 There was submitted a report by the Director of Strathclyde Pension Fund regarding a proposal to invest in the Capital Dynamics Clean Energy Infrastructure VII Fund within the Direct Investment Portfolio, advising

- (1) that Capital Dynamics was a global private asset investor founded in 1999 and the Clean Energy Infrastructure (CEI) platform was established in 2010 to allow direct investment in real assets within the renewable energy sector;
- (2) that the focus of the Capital Dynamics (CEI) platform and its 7 previous funds had been on investment in the renewable energy sector as well as the development of traditional renewable energy assets and the VII fund also intended to explore opportunities beyond this to include other types of infrastructure such as electric vehicle infrastructure and grid support;
- (3) of their investment proposal; and
- (4) of the expected return from the fund, the main risks and the exit strategy.

After consideration, the Board noted the proposal to invest £40m in Capital Dynamics Clean Energy Infrastructure VII Fund Ltd by the Direct Investment Portfolio.

Training policy, practice and plan 2019/20 etc noted.

10 There was submitted a report by the Director of Strathclyde Pension Fund regarding the proposed terms of the training policy and practice statement for Strathclyde Pension Fund Office for 2019/20, together with the training plan for 2019/20.

After consideration, the Board noted

- (1) the report; and
- (2) that the issue of fiduciary duty and Strathclyde Pension Fund's investment/engagement strategy could be revisited and that officers could provide a briefing at the next Board meeting.

Internal audit – Review of direct investment portfolio governance arrangements noted.

11 There was submitted and noted a report by the Head of Audit and Inspection regarding the outcome of a review by internal audit in relation to the direct investment portfolio governance arrangements within Strathclyde Pension Fund Office, advising of 1 recommendation for improvement that had been identified which was detailed in the report along with the planned management action.

Internal audit – Follow-up audits noted.

12 There was submitted a report by the Head of Audit and Inspection regarding the outcome of follow-up audits by Internal Audit in relation to Strathclyde Pension Fund Office.

After consideration, the Board noted

- (1) that the recommendations of 4 of the 5 follow-up audits had now been implemented; and
- (2) that a further report would be submitted to Strathclyde Pension Fund Committee, following the next review date of the 1 outstanding recommendation.

Strathclyde Pension Fund – Fund and Portfolio summary noted.

13 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding the portfolio summary of Strathclyde Pension Fund as at 30th April 2019 and the investment performance for the quarter ended 31st March 2019.

Investment Advisory Panel – Outcome of meeting noted.

14 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding the outcomes of the Investment Advisory Panel meeting held on 9th May 2019.

Scheme Developments - Position noted.

15 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding developments affecting the Local Government Pension Scheme, particularly in relation to the 2017 review of the Employer Cost Cap, the Exit Payment Cap and a review of the structure of the Local Government Pension Scheme in Scotland.