

London Borough of Islington

Pensions Sub Committee - 21 November 2017

Non-confidential minutes of the meeting of the Pensions Sub Committee held at the Town Hall, Upper Street, N1 2UD on 21 November 2017 at 7.30 pm.

Present: **Councillors:** Richard Greening (Chair), Michael O'Sullivan and Paul Smith

Also Present: Karen Shackleton, Allenbridge
Norbert Fullerton, Nukeeta Kumar and Adam Lane – Mercer Limited
George Sharkey (member of Pension Board and observer)

Councillor Richard Greening in the Chair

111 APOLOGIES FOR ABSENCE (Item A1)

Received from David Bennett, Thelma Harvey and David Poyser (observers from Pension Board) and Councillor Andy Hull.

112 DECLARATION OF SUBSTITUTES (Item A2)

None.

113 DECLARATION OF INTERESTS (Item A3)

None.

114 MINUTES OF THE PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 16 October 2017 be confirmed as a correct record and the Chair be authorised to sign them.

115 PENSION FUND PERFORMANCE - 1 JULY TO 30 SEPTEMBER 2017 (Item B1)

The Head of Pension Fund and Treasury Management pointed out that the figures in paragraph 3.3 of the report actually indicated performance with the hedge and should be amended as follows to indicate performance without the hedge:

Paragraph 3.3 – replace the figures “1.33, 1.37, 8.20% and 7.67%” with “1.34, 1.38, 8.38% and 8.8%”, respectively.

RESOLVED:

(a) That the performance of the Fund from 1 July to 30 September 2017, as per the BNY Mellon interactive performance report, detailed in the report of the Corporate Director of Resources, be noted.

(b) That the report by Allenbridge Investment Advisers on fund managers' quarterly performance, detailed in Appendix 1 to the report and their presentation, including the

amendment to page 27 of the agenda by replacing the figure “8.1%” for Hearthstone’s performance over three years with “7.04%”, be noted.

(c) That, for the future, the quarterly performance figures include both the hedged and unhedged figures.

(d) That it be noted that the Head of the Pension Fund and Treasury Management would raise the matter of underperformance by London CIV – Newton at a future London CIV managers meeting and would seek a meeting with Newton.

117 LONDON CIV UPDATE (Item B2)

Members expressed concern that Hugh Grover, the Chief Executive, and Jill Davys, Client Relationship Director, had left London CIV and noted that their successors were from City and financial backgrounds, rather than local government. The Sub-Committee regretted the loss of local government experience in these departures.

RESOLVED:

(a) That the progress made at the London CIV in launching funds and running portfolios over the period from July to October 2017, as detailed in the report of the Corporate Director of Resources, be noted.

(b) That, in view of the Sub-Committee’s concern about the recent departure of the Chief Executive and the Client Relationship Director, the Chair write to the London CIV to express the Sub-Committee’s concern at the loss of local government expertise in the management team at London CIV.

(c) Noted the Sub-Committee’s interest in attending the forthcoming Infrastructure Seminar, the date for which was to be arranged.

118 INVESTMENT STRATEGY UPDATE - INFRASTRUCTURE (Item B3)

RESOLVED:

(a) That the progress made on an infrastructure procurement process, as detailed in the report of the Corporate Director of Resources, be noted.

(b) That officers collaborate with other interested local authorities in a joint tender for infrastructure.

(c) That officers continue to contribute to the London CIV infrastructure working group.

119 PENSIONS SUB-COMMITTEE 2017/18 - FORWARD PLAN (Item B4)

RESOLVED:

That the contents of Appendix A to the report of the Corporate Director of Resources, detailing proposed agenda items for future meetings, be noted.

120 ESG AND CLIMATE CHANGE RISK ASSESSMENT AND RATING (Item B5)

The Sub-Committee received confidential presentations from Kate Brett at Mercer on the environmental, social and governance ratings of the Fund’s existing managers and a climate risk assessment. The Sub-Committee noted that most managers had better average ESG ratings than the relevant universe.

RESOLVED:

(a) That the exempt presentations by Mercer on the environmental, social and governance ratings of the Fund’s existing managers and the climate change risk assessment be noted.

(b) That officers have regular follow up discussions with managers as an important element of communicating expectations on ESG and climate integration and develop investment beliefs and a strategic approach to climate risk.

121 EQUITY PROTECTION STRATEGY - IMPLEMENTATION (Item B6)

Norbert Fullerton and Adam Lane, from Mercer, gave a presentation on equity risk management of the Fund.

Ian Kirk, from Mercer, gave a presentation on the 2016 valuation outcomes and potential 2019 valuation outcomes. The Sub-Committee noted the deficit of £296m in the Fund as at 31 March 2016, compared to the assumed deficit of £91m by 31 March 2019, a 93% funding level. Given the very positive position, members considered that it was worth protecting the gain in the equity portfolio. It was noted that approximately one third of the Fund was held in property and corporate bonds and that, in the long term, those should deliver. There was also some demographic risk, as people were living longer, causing strain on the Fund.

Members considered options for paying for protection of the Fund ie paying a premium or not, or a combination approach of paying half the premium and giving up a percentage of gains.

RESOLVED:

- (a) That Mercer's exempt presentation on the implementation of an equity protection strategy be noted.
- (b) That the objectives for implementing an equity protection strategy be approved.
- (c) That the equity protection strategy be financed by the payment of a premium, at a cost of approximately £21m, for a period up to March 2020.
- (d) That the Corporate Director of Resources, in consultation with the Corporate Director of Law and Governance and the Chair of the Sub-Committee, be authorised to proceed as swiftly as possible with the procurement process and appointment of insurance provider and due diligence to procure the services of capable managers to protect the equity in the Fund.

122 EXCLUSION OF PRESS AND PUBLIC (Item)

RESOLVED:

That the press and public be excluded during consideration of the following items as the presence of members of the public and press would result in the disclosure of exempt information within the terms of Schedule 12A of the Local Government Act 1972, for the reasons indicated:

<u>Agenda item</u>	<u>Title</u>	<u>Reason for exemption</u>
E1	ESG and climate change risk assessment and rating – exempt appendix	<u>Category 3</u> – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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E2	Equity protection strategy - Implementation – exempt appendix	<u>Category 3</u> – Information relating to the financial or business affairs of any particular person (including the authority holding that information).
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123 ESG AND CLIMATE CHANGE RISK ASSESSMENT AND RATING - EXEMPT APPENDIX (Item E1)

Noted.

124 EQUITY PROTECTION STRATEGY - IMPLEMENTATION - EXEMPT APPENDIX (Item E2)

Noted.

The meeting ended at 9.30 pm

CHAIR