

London Borough of Islington

Pensions Sub Committee - 26 June 2018

Non-confidential minutes of the meeting of the Pensions Sub Committee held at the Town Hall, Upper Street, N1 2UD on 26 June 2018 at 7.30 pm.

Present: **Councillors:** David Poyser (Chair), Andy Hull (Vice-Chair), Sue Lukes and Michael O'Sullivan

Also Present: Nikeeta Kumar, Alex Pearce and Tony English, Mercer Limited
John Arthur – MJ Hudson Allenbridge
Marion Oliver, Maggie Elliott and George Sharkey-
Pension Board members and observers
David Cullinan, PIRC

Councillor Dave Poyser in the Chair

For the benefit of members of the public in particular who were present, Councillor Poyser advised the meeting that the Pensions Sub-Committee would consider a report at their September meeting on divestment. The Sub-Committee intended to divest the Fund from fossil fuel companies over a four year period.

He extended congratulations to Karen Shackleton, MJ Hudson Allenbridge, and adviser to the Sub-Committee, who was attending the Women in Pensions awards dinner, having been shortlisted for "Adviser of the Year".

1 **APOLOGIES FOR ABSENCE (Item A1)**
Received from Karen Shackleton, MJHudson Allenbridge.

Apologies for lateness received from Councillor Hull.

2 **DECLARATION OF SUBSTITUTES (Item A2)**
None.

3 **DECLARATION OF INTERESTS (Item A3)**
None.

4 **MINUTES OF THE PREVIOUS MEETING (Item A4)**

RESOLVED:

That the minutes of the meeting held on 5 March 2018 be confirmed as a correct record and the Chair be authorised to sign them.

5 PENSION FUND PERFORMANCE - JANUARY TO MARCH 2018 (Item B1)

RESOLVED:

(a) That the performance of the Fund from 1 January to 31 March 2018, 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 MJHudson Allenbridge Advisers on fund managers' quarterly performance, detailed in Appendix 1 to the report, their presentation and the amendment to line 1 in the Headline Comments for BMO/LGM by the substitution of the figure "-3.37%" for "+3.37%" be noted.

(c) That the LGPS Current Issues – May 2018 leaflet, also attached to the report, be noted.

(d) That Hearthstone be informed of the Sub-Committee's critical view of their failure to engage and communicate with Islington about their plans to rebrand at the EGM on 15 June 2018, especially given that Islington's investment represented 49% of the Hearthstone Fund.

7 ANNUAL FUND PERFORMANCE - PRESENTATION (Item B2)

David Cullinan, PIRC, gave an annual performance review for the Pension Fund in 2018. Copies of the presentation were supplied to members.

He noted that the latest year's results showed that most Funds had outperformed their benchmarks by a small margin, averaging 4.5%. He described the reasons for the rise and fall in various major asset classes, with property the best performing of the major asset classes, returning 10% for the year and UK equities underperforming all major overseas markets for sterling investors.

In Islington's Fund structure, asset allocation was close to the universe average, with the notable exception of the relatively high allocation to property and the lower exposure to alternatives. This structure had a broadly neutral impact on relative performance in the latest year. However, in relation to its peers, the Fund had been behind the sector average over most periods.

In summary, the sector had delivered excellent returns over all periods, although the Fund's near term performance had been disappointing. Longer term returns were trailing the LGPS average but the Fund had experienced less volatility. Most importantly, performance over all meaningful timeframes had outpaced inflation and actuarial assumptions for asset growth.

8 PENSIONS SUB-COMMITTEE MEMBERS' TRAINING (Item B3)

RESOLVED:

That the pensions training opportunities detailed in Appendices A and B of the report of the Corporate Director of Resources be noted and that members contact the Pensions Manager if they wish to participate.

9 PENSIONS SUB-COMMITTEE FORWARD PLAN (Item B4)

RESOLVED:

(a) That an item on "Divestment" be added as an item on the agenda for 18 September 2018 and an item on "Engagement with shareholders" as a possible item for 26 November 2018.

(b) That the contents of Appendix A to the report of the Corporate Director of Resources, detailing proposed agenda items for future meetings, be noted, with the additions above.

10 **LISTED EQUITY PORTFOLIO REVIEW - LCIV ALLIANZ (Item B5)**

RESOLVED:

- (a) That the contents of the report of the Corporate Director of Resources and the accompanying exempt appendices 1 and 2 from Mercer be noted.
- (b) That investment in LCIV Allianz continue for the time being.
- (c) That officers and Mercer prepare further analyses of LCIV sub funds for the possible transfer of the Allianz and Newton portfolios.

11 **LONDON CIV UPDATE (Item B6)**

The Sub-Committee noted that the decision on the dissolution of the old governance arrangements and approval to the new would have to be approved by the Executive.

RESOLVED:

- (a) That the progress and news on the London CIV to May 2018, detailed in the report of the Corporate Director of Resources, be noted.
- (b) That the arrangements for the next phase of implementing the new governance structure, terms of reference and notice of dissolution of the Pension CIV Sectoral Joint Committee, and that these were matters for consideration and approval by the Executive, be noted.
- (c) That the London CIV be asked to address the Sub-Committee's concerns about engagement and shareholder voting issues.

12 **EQUITY PROTECTION STRATEGY - QUARTERLY MONITORING (Item B7)**

Alex Pearce, Mercer, gave a presentation on the equity protection strategy. Copies of the presentation were laid around. To date, it seemed that equity risk management had protected the Fund through the recent equity market volatility experienced in February/March 2018.

RESOLVED:

- (a) That the options value as at March 2018 be noted.
- (b) That Mercer's presentation highlighting the main features and activities of the strategy to May 2018, detailed in the exempt appendix, be noted.
- (c) That, for the future, monitoring reports be submitted to the Sub-Committee every six months.

13 **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	Mercer report -exempt appendix – Listed equity	<u>Category 3</u> – Information relating to the financial or business affairs of any

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	portfolio review – LCIV Allianz	particular person (including the authority holding that information).
E2	Mercer report – exempt appendix – Equity protection strategy – quarterly monitoring	<u>Category 3</u> – Information relating to the financial or business affairs of any particular person (including the authority holding that information).
E3	London Councils communications – exempt appendices – London CIV update	<u>Category 3</u> – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

- 14 **LISTED EQUITY PORTFOLIO REVIEW - LCIV ALLIANZ - EXEMPT APPENDIX (Item E1)**
Noted.
- 15 **EQUITY PROTECTION STRATEGY - QUARTERLY MONITORING - EXEMPT APPENDIX (Item E2)**
Noted.
- 16 **LONDON CIV UPDATE - EXEMPT APPENDIX (Item E3)**
Noted.

The meeting ended at 9.45 pm

CHAIR