

**Pensions Sub Committee – 14 September 2015**

Non-confidential minutes of the meeting of the Pensions Sub-Committee held at the Town Hall on 14 September 2015 at 7.30 pm.

**Present:**           **Councillors:**       Richard Greening (Chair), Andy Hull (Vice-Chair),  
Michael O'Sullivan and Rupert Perry

**Also Present:**                   Maggie Elliott (observer)  
David Bennett (observer)

Catherine Bermingham and Nick Sykes, Mercer  
Investment Consulting  
Karen Shackleton, AllenbridgeEpic Investment Advisers

**Councillor Richard Greening in the Chair**

67    **APOLOGIES FOR ABSENCE (Item 1)**

None. Apologies for lateness were received from Councillor Michael O'Sullivan.

68    **DECLARATION OF SUBSTITUTES (ITEM 2)**

None

69    **DECLARATION OF INTERESTS (Item 3)**

None.

70    **MINUTES OF THE MEETING HELD ON 11 JUNE 2015 (Item 4)**

**RESOLVED:**

That the minutes of the meeting held on 11 June 2015 be confirmed as a correct record and the Chair be authorised to sign them.

71    **PENSION FUND PERFORMANCE FROM 1 APRIL TO 30 JUNE 2015 (Item B1)**

**RESOLVED:**

(a) That the performance of the Fund from 1 April to 30 June 2015, detailed in the report of the Corporate Director of Finance and Resources, be noted.

(b) That the quarterly WM Company report on the overall performance, updated market value and asset allocation of the Fund as at 31 March 2015, detailed in Appendix 1 to the report, be noted.

(c) That the report by AllenbridgeEpic Investment Advisers on fund managers' quarterly performance, detailed in Appendix 2 to the report and their presentation, be noted.

(d) That the information in the Mercer bulletin of August 2015, entitled "LGPS Current Issues – August 2015", attached as Appendix 3 to the report, be noted.

72 **CURRENCY HEDGING BRIEFING (Item B2)**

Members considered a briefing note produced by AllenbridgeEpic on currency hedging to assist them on the question of whether to take on additional currency risk in addition to the risks associated with overseas equity holdings. Given the likely volatility in the next 18 months, the recommendation in the briefing was for an unhedged equity allocation, if the short term impact was not considered a concern, on the basis that research indicated that the currency effects washed out over time, so not hedging would save the modest costs associated with implementing the strategic currency hedge. It was noted that the hedging fee was relatively small at £5k.

**RESOLVED:**

That the existing 50% currency hedge on overseas equities be maintained for the time being and that the position be reviewed in twelve months' time.

73 **PRESENTATION FROM PANTHEON - PRIVATE EQUITY USA (Item B4)**

The Sub-Committee welcomed Andrea Echberg, Alex Scott and Rob Barr, representing Pantheon, to the meeting. A presentation on Islington's Fund was circulated to members. This covered an overview of the private equity market, progress in the last year, performance versus public benchmarks and portfolio forecasts. It was pointed out that the IRR had achieved just under 11% since inception and that much cash had been received back from the portfolio.

In response to a question from the Chair, Rob Barr confirmed that Wonga was part of Islington's portfolio, though it comprised only 1% of the fund. It would not be possible to dispose of it into a secondary market as Pantheon could sell only a whole fund and not individual underlying funds, such as Wonga. The Chair stressed that Islington wished to see an end to any investment in Wonga.

**RESOLVED:**

That the presentation be noted.

74 **PRESENTATION FROM STANDARD LIFE CAPITAL - PRIVATE EQUITY IN EUROPE (Item B3)**

The Sub-Committee welcomed Robert Pimm, representing Standard Life Capital, to the meeting. A presentation on Islington's Fund was circulated to members. This covered an overview of Islington's commitments in the Standard Life Capital Fund. A sum of 57.7m euros had been committed, with a capital return of 19.2m euros, with good performance across the portfolios

The Chair pointed out that Islington had invested in private equity approximately ten years ago and had expected higher returns. Roger Pimm said that Standard Life hoped to achieve a double digit performance. He thought that the ESP 2008 and ESF I-Funds would be the strongest in Islington's portfolio. The Chair concluded by saying that he hoped that the IRR improved, especially in the earlier Funds (ESP 2004 and ESP 2006).

**RESOLVED:**

That the presentation be noted.

75 **ANNUAL REVIEW AND PROGRESS ON THE 2011-2015 PENSION BUSINESS PLAN (Item B5)**

Members considered that fees were detracting from overall performance and that reference to value for money and achieving a reduction in fees wherever possible should be incorporated into the first objective of the business plan. Members requested a report on fees to the next meeting, commencing with basic fees for the whole Fund.

**RESOLVED:**

(a) That the progress to date on some of the action plans in the business plan at Appendix A to the report of the Corporate Director of Finance and Resources, be noted.

(b) That, subject to the following amendment being made to the first key objective in the business plan, the business plan objectives detailed in paragraph 3.4 of the report be approved:

“To achieve best practice in managing our investments in order to ensure good long-term performance, sustainability of the Fund, value for money and a reduction in managers’ fees wherever possible and pursue new investment opportunities”

(c) That officers report to the next meeting of the Sub-Committee on basic fees for the whole Fund.

76 **RESPONSIBLE INVESTMENT AND ENGAGEMENT (Item B6)**

Members considered a paper by Mercers on drivers and approaches to responsible investment and engagement and options to consider on implementation. Islington’s membership of LAPFF was considered to cover many of the environmental, social and governance aspects Islington wished to see governing company behaviour.

Members discussed methods of holding managers to account and how effective it was for Sub-Committee meetings to receive presentations from individual managers. Cllr Perry thought it might be more useful for two or three members of the Sub-Committee to visit managers at their premises. Councillor Hull recounted his experiences of attending company AGMs to lobby them on, for example, implementing the Living Wage and welcomed a more assertive approach from members. He suggested that members of the Pension Board could form part of these visits.

**RESOLVED:**

(a) That Mercer’s briefing paper on “Responsible Investment and Engagement”, attached at Appendix 1 to the report of the Corporate Director of Finance and Resources, be noted.

(b) That officers contact LAPFF to explore members’ attendance at a range of company AGMs, to include Pension Board members and that visits be arranged for members of the Sub-Committee and Board to Fund managers to scrutinise Islington’s holdings with these managers.

77 **PENSION SUB-COMMITTEE - FORWARD PLAN 2015/16 (Item B7)**

**RESOLVED:**

That the manager presentations scheduled after 16 November 2015 be reviewed, with a view to visits by members of the Sub-Committee and Board being scheduled to individual managers.

## Pensions Sub Committee – 11 June 2015

The meeting ended at 9.40 pm.

**CHAIR**