

Pensions Sub Committee - 15 July 2014

Non-confidential minutes of the meeting of the Pensions Sub Committee held at Committee Room 5, Town Hall, Upper Street, N1 2UD on 15 July 2014 at 7.30 pm.

Present: **Councillors:** Greening (Chair), Hull, Kaseki and O'Sullivan
Also **Councillors:**
Present:

Councillor Richard Greening in the Chair

1 **APOLOGIES FOR ABSENCE (Item A1)**

None received.

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 Sub-Committee meeting held on 13 March 2014 be confirmed as a correct record and the Chair be authorised to sign them.

5 **ISLINGTON COUNCIL PENSIONS SUB-COMMITTEE MEMBERS' TRAINING (Item B1)**

Members considered options for training and the various ways in which it could be delivered. The three day course run by the Local Government Pensions Committee of the Employers Organisation was recommended as particularly useful for new Members and they were encouraged to attend this year's training. In addition to attendance at outside training, Members suggested that it would be useful to have training sessions at the Town Hall, immediately before Sub-Committee meetings. Refresher training courses could also be offered.

RESOLVED:

That the Head of the Pension Fund and Treasury Management circulate details of the LGPS Trustee Training Fundamentals courses in 2014 and draw up a list of possible training topics and opportunities for Members to consider at the next meeting of the Sub-Committee.

6 **PENSIONS ADMINISTRATION PERFORMANCE FROM 1 FEBRUARY TO 31 MAY 2014 (Item B2)**

RESOLVED:

(a) That the performance against key performance indicators for the period 1 February to

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31 May 2014, including statistics regarding the internal dispute resolution procedure, complaints and compliments, as detailed in the report of the Corporate Director of Finance and Resources, be noted.

(b) That the information in paragraph 4 of the report, relating to the responses from non-members of the Scheme to the invitation to join, be noted.

(c) That a further invitation to join the LGPS be sent to non-members, early in 2015, which Trade Unions be invited to endorse.

7 PENSION FUND PERFORMANCE - 1 JANUARY TO 31 MARCH 2014 (Item B3)

RESOLVED:

(a) That the performance of the Fund from 1 January to 31 March 2014, 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 2014, detailed in Annex A 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 briefing paper from Pantheon Ventures (exempt agenda item E1) relating to Wonga be noted.

(e) That consideration of recommendations 2.5 and 2.6 in the report, relating to the Franklin Templeton return of capital, be deferred to the next meeting of the Sub-Committee in September 2014, pending a presentation from representatives of Franklin Templeton at that meeting.

8 WM COMPANY ANNUAL PRESENTATION ON 12 MONTH PERFORMANCE TO MARCH 2014 (Item 4)

David Cullinan, State Street Global Services, gave a presentation on Islington's Pension Fund annual review, covering the period to the end of March 2014.

Copies of his (confidential) report were circulated to Councillors.

Mr Cullinan concluded that the fund had outperformed its benchmark in the latest year, the largest outperformance since 2003. Although the Fund had performed broadly in line with the benchmark over the last three years, it had underperformed over the medium term. Returns during 2008 to 2010 had had a major impact on this outcome.

The Chair thanked Mr Cullinan for his presentation and report.

RESOLVED:

That the contents of the report by State Street Global Services on the annual review of the Islington Pension Fund be noted.

9 INVESTMENT STRATEGY ASSET ALLOCATION UPDATE - LIABILITY HEDGING (Item 5)

Karen Shackleton, AllenbridgeEPIC Investment Advisers Limited, outlined her report on liability hedging and why it was important to a pension fund.

Nick Sykes and Catherine Bermingham, Mercer, outlined their report at exempt appendix 2, which detailed the reasons for the suggested increased allocation to government bonds in the restructure of the bonds portfolio, given the current low level of government bond yields, and discussed by the Sub-Committee in March 2014.

RESOLVED:

That specialist investment managers for multi-asset credit, private debt and infrastructure be invited to present to the Sub-Committee on options going forward.

10 LGPS GOVERNANCE CONSULTATION (Item 6)

RESOLVED:

(a) That the draft Regulations to introduce new governance arrangements for the 2014 Local Government Pension Scheme, in particular the need to set up a local pension board by 1 April 2015, detailed in the revised report (7 July 2014) of the Corporate Director of Finance and Resources, be noted.

(b) That responses to the consultation on policy issues, detailed in paragraph 3.3 of the report, be submitted to the Secretary of State by the deadline of 15 August 2014.

(c) That the Corporate Director of Finance and Resources, in consultation with the Assistant Chief Executive – Governance and Human Resources, consider how best to implement the regulatory requirements, updating the Sub-Committee at its next meeting.

11 INVESTMENT DUTIES UNDER THE PENSIONS SCHEME (Item 7)

RESOLVED:

(a) That the advice from Nigel Giffin QC to the Council that changes would need to be made to the Statement of Investment Principles to allow for social, ethical or environmental considerations to be taken into account in the choice of investments, be noted.

(b) That officers prepare a revised Statement of Investment Principles, for consideration by the Sub-Committee in September 2014, to reflect social, ethical and environmental considerations, which the Council may consider when making a choice on investments.

12 ANNUAL REVIEW AND PROGRESS ON THE 2011-2015 PENSION BUSINESS PLAN (Item 8)

RESOLVED:

(a) That the progress made to date on some of the action plans on the 2014/15 Pension Business Plan, detailed in Appendix A of the report of the Corporate Director of Finance and Resources, be noted.

(b) That the Business Plan be approved.

(c) That the key objectives of the Business Plan detailed in paragraph 3.4 of the report be endorsed, subject to the deletion of the word “collaborate” at the end of the final bullet point.

13 PENSIONS SUB-COMMITTEE 2014/15 - FORWARD PLAN (Item 9)

RESOLVED:

That the following additions to the Forward Plan of business for meetings of the Sub-Committee for 2014/15, detailed in Appendix A to the report of the Corporate Director of Finance and Resources, be noted:

- 16 September 2014 – add presentation from Franklin Templeton
- Add training sessions, before Sub-Committee meetings, for members as appropriate

14 EXCLUSION OF PRESS AND PUBLIC (Item)

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:

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Agenda Item	Title	Reason for Exemption
E1	Pension Fund performance – exempt Appendix 3	<u>Category 3</u> – Information relating to the financial or business affairs of any particular person (including the authority holding that information).
E2	Investment strategy asset allocation – liability hedging – exempt appendix B	ditto
E3	Islington Pension Fund investment in Wonga	<u>ditto</u>

15 PENSION FUND PERFORMANCE - EXEMPT APPENDIX 3 (Item E1)

RESOLVED:

That the contents of the briefing note by Pantheon Ventures on current issues pertaining to Wonga be noted.

16 INVESTMENT STRATEGY ASSET ALLOCATION - LIABILITY HEDGING - EXEMPT APPENDIX B (Item E2)

RESOLVED:

That the exempt appendix to the Investment strategy be noted.

17 PANTHEON VENTURES: ISLINGTON PENSION FUND INVESTMENT IN WONGA (Item 1)

The Chair stated that he had agreed that discussion on this matter be considered as a matter of urgency and that it could not wait until the next meeting of the Sub-Committee as the Council wished to disinvest any funds held in pay day lenders as soon as possible.

Representatives from Pantheon Ventures gave a presentation to the Sub-Committee on the recent media reports concerning operating practices at Wonga and the Church of England's statement that it had exited its Wonga investment.

It was noted that the regulatory changes to payday lenders announced that day were likely to have a significant impact on their activities.

The Sub-Committee re-iterated their wish to disinvest their funding in Wonga and other payday lenders, possibly through the swap route, and authorised the Corporate Director of Finance and Resources, in consultation with the Chair of the Pensions Sub-Committee and the Executive Member for Finance and Performance, to seek a further legal opinion and to report to the next meeting of the Sub-Committee on how this could be achieved.

The meeting ended at 9.50 pm

CHAIR