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ISLINGTON

Governance and Human Resources
Town Hall, Upper Street, London, N1 2UD

AGENDA FOR THE PENSIONS SUB COMMITTEE

A meeting of the Pensions Sub Committee will be held in Committee Room 5, Town Hall, Upper Street, N1 2UD on, **15 July 2014 at 7.30 pm.**

John Lynch
Head of Democratic Services

Enquiries to	:	Mary Green
Tel	:	
E-mail	:	democracy@islington.gov.uk
Despatched	:	7 July 2014

Membership 2013/14	Substitute Members
Councillor Richard Greening (Chair)	Councillor Paul Convery
Councillor Andy Hull	Councillor Satnam Gill
Councillor Jean Roger Kaseki	Councillor Mouna Hamitouche MBE
Councillor Michael O'Sullivan	Councillor Dave Poyser

Quorum is 2 members of the Sub-Committee

A.	**Formal Matters**	**Pages (approximate times)**
1.	Apologies for absence	
2.	Declaration of substitutes	
3.	Declaration of interests	

If you have a Disclosable Pecuniary Interest* in an item of business:

- if it is not yet on the council's register, you must declare both the existence and details of it at the start of the meeting or when it becomes apparent;
- you may choose to declare a Disclosable Pecuniary Interest that is already in the register in the interests of openness and transparency.

In both the above cases, you must leave the room without participating in discussion of the item.

If you have a personal interest in an item of business and you intend to speak or vote on the item you must declare both the existence and details of it at the start of the meeting or when it becomes apparent but you may participate in the discussion and vote on the item.

*(a) Employment, etc - Any employment, office, trade, profession or vocation carried on for profit or gain.
(b) Sponsorship - Any payment or other financial benefit in respect of your expenses in carrying out duties as a member, or of your election; including from a trade union.
(c) Contracts - Any current contract for goods, services or works, between you or your partner (or a body in which one of you has a beneficial interest) and the council.
(d) Land - Any beneficial interest in land which is within the council's area.
(e) Licences- Any licence to occupy land in the council's area for a month or longer.
(f) Corporate tenancies - Any tenancy between the council and a body in which you or your partner have a beneficial interest.
(g) Securities - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

This applies to all members present at the meeting.

4.	Minutes of the previous meeting	1 - 4
B.	**Non-exempt items**	**Pages (approximate times)**
1.	Islington Council Pensions Sub-Committee Members' training	5 - 18
2.	Pensions administration performance from 1 February to 31 May 2014	19 - 22
3.	Pension Fund performance - 1 January to 31 March 2014	23 - 32

C.	**(a) Quarterly WM Company monitoring report**	**Pages** **(approximate times)**
D.	**(b) Presentation from AllenbridgeEPIC on quarterly performance**	**Pages** **(approximate times)**
4.	WM Company annual presentation on 12 month performance to March 2014	
5.	Investment strategy asset allocation update - liability hedging	49 - 60
6.	LGPS governance consultation	
7.	Investment duties under the Pensions Scheme	
8.	Annual review and progress on the 2011-2015 Pension Business Plan	61 - 70
9.	Pensions Sub-Committee 2014/15 - Forward Plan	71 - 74

E. Urgent non-exempt items

Any non-exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

F. Exclusion of press and public

To consider whether, in view of the nature of the remaining items on the agenda, any of them are likely to involve the disclosure of exempt or confidential information within the terms of Schedule 12A of the Local Government Act 1972 and, if so, whether to exclude the press and public during discussion thereof.

G.	**Confidential/exempt items**	**Pages** **(approximate times)**
1.	Pension Fund performance - Exempt appendix 3	75 - 76
2.	Investment strategy asset allocation - liability hedging - exempt appendix B	77 - 106

H. Urgent exempt items

Any exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

The next meeting of the Pensions Sub Committee will be on 16 September 2014

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London Borough of Islington

DRAFT

Pensions Sub-Committee – 13 March 2014

Minutes of the meeting of the Pensions Sub-Committee held at the Town Hall, Upper Street, N1 2UD on 13 March 2014 at 7.30pm.

Present:	**Councillors:**	George Allan, Richard Greening, Andy Hull and Michael O'Sullivan
Also present:		Nick Sykes, Catherine Bermingham and Ian Kirk, Mercer Investment Consulting Brian Booker – retired pensioners' representative Karen Shackleton, AllenbridgeEPIC Investment Advisers Vaughan West, GMB

Councillor Richard Greening in the chair

175 APOLOGIES FOR ABSENCE (Item A1)
Received from Councillor Gilbert.
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176 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)
Councillor Allan substituted for Councillor Gilbert.

177 DECLARATION OF INTERESTS (Item A3)
None.

178 MINUTES OF THE MEETING HELD ON 28 November 2013 (Item A4)

RESOLVED:
That the minutes of the Sub-Committee meeting held on 28 November 2013 be confirmed as a correct record and the Chair be authorised to sign them.

Matter arising from the minutes
Minute 169 – Responsible investments – disinvestment from pay day lenders
It was noted that the matter of the Fund's investment in pay day lenders had been further discussed with Pantheon Ventures. However, it appeared that there was no suitable way of divesting that part of the holding. There would be a report updating the Sub-Committee on the matter in June 2014, followed by a report in September, seeking a decision.

179 PENSION ADMINISTRATION PERFORMANCE – 1 NOVEMBER 2013 TO 31 JANUARY 2014 (Item B1)

RESOLVED:
(a) That the performance against key performance indicators for the period 1 November 2013 to 31 January 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 for staff on the new pension scheme, the publicity being undertaken and the invitations to non-members, detailed in Appendix A to the report, be noted.

180 PENSION FUND PERFORMANCE – 1 OCTOBER TO 31 DECEMBER 2013 (Item B2)

RESOLVED:
(a) That the performance of the Fund from 1 October to 31 December 2013, 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 December 2013, 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.

181 FUNDING STRATEGY STATEMENT (Item B3)

RESOLVED:
(a) That the employer comments received from the consultation exercise attached at Appendix 1 of the report be noted.
(b) That the draft Funding Strategy Statement attached at Appendix 2 of the report be agreed.
(c) That the Corporate Director of Finance and Resources publish the agreed Funding Strategy Statement on the Council's website by 1 April 2014.
(d) That officers follow-up a response from Balfour Beatty, as the company may still be in existence.

182 LONDON LGPS COLLECTIVE INVESTMENT VEHICLE (ITEM B5)
The Sub-Committee noted that the responsibility for the establishment and oversight of the proposed Authorised Contractual Scheme Operator of the Common Investment Vehicle for London pension funds was the Executive's.

RESOLVED:
That the proposal in the report of the Corporate Director of Finance and Resources to create a Collective Investment Vehicle for London pension funds be endorsed.

183 PENSIONS SUB-COMMITTEE 2014-15 – FORWARD PLAN (Item B6)

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:

- 30 June 2014 – update on pay day lender holding
- 16 September 2014 – (a) Disinvestment of pay day lender holding and (b) Responsible investment

184 EXCLUSION OF THE PRESS AND PUBLIC
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:

Agenda Item	Title	Reason for Exemption

E1	Mercer – Investment Strategy Asset Allocation	Category 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

185 INVESTMENT STRATEGY ASSET ALLOCATION – MERCER PRESENTATION (Item E1)

Nick Sykes gave a presentation and introduced his report on the Fund's investment strategy, detailing information on alternative asset types, expected returns and associated risk. Members discussed the options available.

RESOLVED:

(a) That the Fund's equity allocation be reduced by 10% to invest in a diversified growth fund.
(b) That 10% of the total asset be allocated into multi-asset credit and that the liability matching concept of gilts be further considered at the next meeting.
(c) That agreement in principle be given to a further reduction of 10% in the Fund's equity allocation to invest in private debt or infrastructure.

The meeting closed at 9.20pm.

CHAIR

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ISLINGTON

Finance Department
Municipal offices, 7 Newington Barrow Way London, N7 7EP

Report of: **Corporate Director of Finance and Resources**

Meeting of	Date	Agenda Item	Ward(s)
Pensions Sub-Committee	15 July 2014	B1	n/a

Delete as appropriate	~~Exempt~~	Non-exempt

Subject: ISLINGTON COUNCIL PENSIONS SUB COMMITTEE MEMBERS TRAINING

1. Synopsis

1.1 This is an information report to engage members of the Pensions Sub-Committee to explore their training requirements and consider the options attached as Appendix A and B

2. Recommendation

2.1 To explore members' training needs and consider training options attached as Appendix A and B.

3. Background

3.1 CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom (Guidance note issue No. 5) publication, is based on ten principles proposed by the Myners review of Institutional Investment in the United Kingdom, and was adopted by the Government as a model for best practice in 2001.

3.2 The Myners principle and compliance forms part of Islington Pension Fund's published Statement of Investment Principles. *Myners Principle 1- Effective decision-making* states that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

3.3 Training requirements can be split into two categories
a) the role of a trustee and knowledge required to perform those duties
b) technical knowledge on the local government scheme and investment expertise

3.4 The Pensions Finance Knowledge and Skills Framework – Technical Guidance for Pensions Practitioners in the Public Sector, and Technical Guidance for Elected Representatives and Non-executive Members in the Public Sector (the frameworks), published in January 2010, were launched as good practice guidance and were intended to have persuasive rather than mandatory force. This Code of Practice represents a key element in complying with this principle and is intended to complement the Myners requirements for knowledge and skills in decision-makers.

3.5 **The Code of Practice is underpinned by five key principles**:

3.5.1. Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision-making, governance and other aspects of the financial administration of public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.

3.5.2. Organisations have the necessary resources in place to acquire and retain the necessary public sector pension scheme finance knowledge and skills.

3.5.3 Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.

3.5.4 The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

3.5.5 The organisation has designated a named individual to be responsible for ensuring that policies are implemented.

3.6 The Pensions Sub-Committee requires new members serving on the Sub-Committee to source appropriate training within 6 months of joining the Sub-Committee. **The three-day course run by the Local Government Pensions Committee of the Employers Organisation is recognised as particularly relevant training for new Members**, but other paid courses or seminars, and requisite experience are also recognised as appropriate. http://www.local.gov.uk/web/guest/events/-/journal_content/56/333443/3991101/EVENT.
A copy of the course content is attached for information –Appendix A

3.7 Other training options available include members choosing an investment topic that could then be presented as part of our fund managers performance presentation at one of a regular quarterly meetings, half day sessions tailored to cover a few investment topics, discussion papers prepared by our investment advisers or actuary, and self tutorial courses taken on line at members own speed and time.

3.8 Members are therefore asked to consider in the first instance their training requirements and consider LGA course program appendix A and some of the other training options available attached as Appendix B

4. Implications

4.1 Finance Implications

4.1.1 Fund management and administration fees are charged directly to the Pension Fund. Training fees will be covered as part of fund management.

4.2 Legal Implications

4.2.1 There are no specific legal implications arising from this report

4.3 Equalities Impact Assessment

4.3.1 None applicable to this report. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding

5. Environmental Implications

None applicable to this report

6. Conclusion and reasons and recommendations

This report covers members training requirements and asks them to consider the options proposed to make effective decisions with the necessary skills and knowledge.

Background papers:

Islington Councils Pension Fund SIP, AllenbridgeEPIC ,Karen Shackleton's, training report 2010

Final Report Clearance

Signed by

Corporate Director of Finance and Resources   Date

Received by

Head of Democratic Services   Date

Report author : Joana Marfoh
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Fax : 0207-527-2056
E-mail : joana.marfoh@islington.gov.uk

Appendix B

Training Options available to Members

1**. Third party training providers** -Many external providers offer training courses to members and trustees. Some are specifically aimed at LGPS schemes, others are generic in nature. The NAPF and LGE, LGC for example, offer courses aimed at the public sector.

Examples:http://www.local.gov.uk/web/guest/events/-/journal_content/56/333443/3991101/EVENT

NAPFlink: **http://www.napf.co.uk/seminars/index.cfm**

2. **Training from fund managers-** Fund managers are generally delighted to have an opportunity to provide training to their clients or prospective clients, and are usually happy to do so at no additional cost. Such training can either be provided as an "away-day" session or immediately before the regular quarterly pensions sub-committee meeting. An example of this was a briefing on diversified growth funds from the Barings Group.

3. **Presentations from investment advisers**- Advisers are usually well-placed to provide training to members, and have the benefit of a closer understanding of the fund's investment strategy and the existing level of knowledge around the table. As with fund managers, such training can either be provided as a closed session, or as part of the regular quarterly panel meeting.

Example -The Fund's actuary and investment adviser from Mercer run a 1 hour session on the actuarial valuation for members in 2013

4. **Fast-track one-to-one briefing sessions by advisers -**These are topic-specific intensive sessions and can be tailored to suit the individual, or a small group of individuals, requesting the training. AllenbridgeEPIC run a 1 to 1 for Cllr Hull on the Fund, terminology and asset classes.

5**. Briefing papers with Q&A-** Briefings can be organised at convenient times for members (eg at 6pm or 6:30pm before a pensions sub-cttee meeting). Briefings can be delivered by investment advisers on a topic of interest. A time-saving alternative is to receive a briefing paper on a topic of interest and to supplement this with a short Q&A session. Briefing papers could be provided by the fund manager, the adviser, or the officers, although ideally the author of the paper should attend the Q&A session.

6 **Web-based training -** Another alternative is to set up a discrete web area for the Pensions Committee, with a glossary of terms, thought pieces of a generic pension fund or asset class nature, "hot-links" to external websites such as CIPFA, LGPC, NAPF, TPR, and LGE and an area in which members could raise questions of a pension fund investment related nature. These web links are not investment-specific, and can offer wider training: particularly useful for new members. In particular, the CIPFA Pensions Panel is developing a financial knowledge,

skills and competency framework for members, to be applied on a self-regulated basis using self-assessment, and tailored to members' roles and experience.

Example : CIPFA link: **http://www.tisonline.net/pensions/default.asp**?

The Local Government Pensions Committee
Secretary: Jeff Houston

CIRCULAR

Please pass on sufficient copies of this Circular to your Treasurer/Director of Finance and to your Personnel and Pensions Officer(s) as quickly as possible

No. 271 – MAY 2013

LGPS "TRUSTEE" TRAINING "FUNDAMENTALS XII"

Purpose of this circular:

1. This Circular has been issued to advertise our forthcoming LGPS Trustees' training programme "Fundamentals", organised by the Local Government Pensions Committee (LGPC).

Background

2. Fundamentals is an A-Z bespoke Local Government Pension Scheme training course predominantly aimed at elected members serving on pension committees/panels, and has been attended by over 950 delegates since 2002. The 2013 event incorporates all legislative changes made to the LGPS since last year's event and all sections are refreshed to keep them up-to-date, relevant and interesting.

3. Despite these revisions, the aim of the LGPC remains unaltered; that is to deliver a single training course covering all aspects of the Scheme, including both "Benefits" and "Fund" administration, as well as "Investments", so that attendees can

- demonstrate compliance with the first of the six CIPFA principles referred to in the Local Government Pension Scheme Regulations (and therefore being a statutory requirement);
- receive educational material in line with CIPFA's Pensions Knowledge and Skills Framework (KSF) for elected representatives and non-executives; and
- adhere to those principles set out in the Pensions Act 2004 et seq that relate to the knowledge and understanding requirements that apply to trustees of occupational pension schemes.

Details of Fundamentals XII 2013

4. The fundamentals course is run on an annual basis, and provides an insight into LGPS “trusteeship” for newly elected Committee members whilst also serving as an update/refresher course for longer-serving members. The course is of three days duration, spread over a number of months.

5. Fundamentals XII 2013 will be delivered at three locations around the United Kingdom as follows:

Leeds	Day 1	29 October
	Day 2	12 November
	Day 3	05 December
Cardiff	Day 1	17 October
	Day 2	21 November
	Day 3	17 December
London	Day 1	23 October
	Day 2	05 November
	Day 3	28 November

6. The outline programme for the course is attached at Appendix A, although some flexibility on the course content is built in to include any major developments in the world of local government pensions between now and the time the courses run.

7. Fundamentals XII 2013 is designed as a 3-day course, with identical material being delivered at each location. It is therefore possible to attend the course by visiting different locations should delegates’ diaries not allow attendance on all three days at a particular location.

Certificate of Attendance

8. Attendees at all three sessions will receive an attendance certificate signed on behalf of the Local Government Pensions Committee. It is believed that attendance at all three days of the course will satisfy at least the minimum of training required to satisfy the first of the six CIPFA principles and also chime with CIPFA’s Knowledge and Skills Framework.

Cost and booking

9. The delegate rate for each session, inclusive of lunch, refreshments and all delegate materials is £225 plus VAT at the standard rate, making the cost of the three-day course £675 plus VAT.

10. Early booking is highly recommended as places are limited. Bookings are made via the on-line events booking facility at http://www.local.gov.uk/web/lgaworkforcepensions/training-and-events which is part of the Local Government Association website. Please be sure to note our cancellation policy contained in our Terms and Conditions which you will be asked to confirm you have read when completing your booking details on the booking events page. You will also need full delegate details to hand including the address to which the invoice for payment is to be sent.

11. If the session at your preferred location is full and you do not wish to book on one at an alternative location, you are advised to enter your name on the reserves' list at your preferred location. It is important to do so as, not only will you have a priority warning should any cancellations occur, but it also enables the LGPC to judge demand for future events or, on occasion, increase available delegate places.

12. If you experience any difficulties in using the on-line website booking facility, please contact Elaine English, LGPS Executive Officer, by email elaine.english@local.gov.uk

Tim Hazlewood
Pensions Training and Development Manager
14 May 2013

Fundamentals XII 2013 - Day 1

9.30 **Registration and Coffee**

9.50 **Introduction to the Programme**

10.00 **The Benefits Framework "Past and Present"**

- History of the LGPS and interaction with State Provision
- The 2008 Scheme – a core scheme plus discretions; a look at the comprehensive benefit structure of the scheme
- Differences in the 2009 Scheme in Scotland
- Administering Authority and Employing Authority Discretions – how many there are and who is responsible for them
- Pensions for Councillors

11.00 **Coffee Break**

11:15 **The Investment Framework**

- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 – the statutory framework for investments
- CIPFA Principles – a look at the six investment principles
- Statement of Investment Principles
- Interaction with the Funding Strategy Statement
- Governance Compliance Statements
- Annual Reports and Auditing

12:00 **Delivering the Service**

- Partnership Working
- Framework Agreements
- Financial Services procurement and relationship management
- Supplier risk management
- Performance of support services

12.30 **Lunch**

1.30 to 4:00 **(Break at 2:45)**
BACK TO BASICS - Traditional Asset Classes
An explanation of:

- UK Equities, Overseas Equities
- UK Gilts, UK Index-Linked Gilts
- Corporate Bonds, Property

Including a look at:

- Why invest in Fixed Income and Equity Markets?
- Long Term Investment Performance of Equities and Fixed Income
- Benchmarks used
- Cashflows
- The Bond Market
- Return / Risk Profiles

4.00 **Close**

Fundamentals XII 2013 - Day 2

9:30 **Registration and Coffee**

9:45 **Valuations**

- The Purpose of an Actuarial Valuation
- Assets and Liabilities
- How do liability calculations work?
- What assumptions are used?

Funding Strategy Statements

- What is the funding strategy?
- Different Employers – different characteristics and objectives
- What is the strength of the covenant?
- Deficit Recovery Periods

11:15 **Break**

11.30 **Corporate Governance**

- Approach to Corporate Governance
- Voting, Activism and Engagement
- Institutional Shareholders Committee principles
- Socially Responsible Investment

12.30 **Lunch**

1.30 **Communication Strategies/Policies**

- Policy Statement Requirements
- LGPS – Valuable part of employment package
- Purpose and effect – Changes and Choices
- A look at some good practice initiatives

2.00 to 4:00 **(Break at 2:45)**

BACK TO BASICS 2 – Established Alternative Investments

An explanation of:

- Private Equity, Commodities, Hedge Funds, Emerging Markets, Currency Funds, High Yield Bonds and Overlays

Including a look at:

- The market evolution of Alpha and Beta
- Private Equity sectors
- Commodities – what do they cover and why include them in a portfolio?
- The Hedge Fund universe
- The background to Emerging markets
- The value of Currency Funds and Currency Overlays
- How High Yield Bonds fit into the Bond market

4:00 **Close**

Fundamentals XII 2013 - Day 3

9:30 **Registration and Coffee**

9:45 **Duties and Responsibilities of Committee Members**

- The LGPS in its legal context
- General local authority legal issues
- LGPS specific duties and responsibilities
- Wider duties and responsibilities
- What happens when things go wrong?

11:15 **Break**

11:30 **The Future for the LGPS?**

- Following on from Hutton
- Negotiation and Consultation
- The LGPS2014 Project

12:30 **Lunch**

1:30 **Focus on good governance**

- Far more than just corporate governance
- Delegation and representation
- Spending the governance budget
- Managers and Manager Selection
- Manager de-selection

2:15 to 4:00 **(Break at 2:45)**

BACK TO BASICS 3 - Bringing it all together

- The Evolution of LGPS Benchmarks
- Portfolios and Portfolio Construction
- Portfolio Concepts
- Combining Assets in your Portfolio
- Risks and Efficient Frontiers
- Standard Deviation
- Correlation
- Diversification
- Three Things to Remember!

3:55 **Course Review and Further Information**

4:00 **Close**

Distribution sheet

Local authorities who have registered for notification of Circulars
Pension managers (internal) of administering authorities
Pension managers (outsourced) and administering authority client managers
Officer advisory group
Local Government Pensions Committee
Trade unions
DCLG
COSLA
SPPA
Regional Directors
Private clients
Website

Visit the LGA's website at: http://www.local.gov.uk

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ISLINGTON

Municipal Offices
7 Newington Barrow Way
London, N7 7EP

Report of: **Corporate Director of Finance and Resources**

Meeting of	**Date**	**Agenda Item**	**Ward(s)**
Pensions Sub Committee	15 July 2014	B2	n/a

Delete as appropriate		Non-exempt

SUBJECT: PENSION ADMINISTRATION PERFORMANCE

1. Synopsis

1.1 This report provides Members with information on the administration activities of the Pension administration section of the Finance Department. The information is in respect of the period from 1 February 2014 to 31 May 2014.

1.2 The report also provides information regarding the Internal Dispute Resolution Procedure, compliments, complaints and communications.

1.3 In addition there is an update regarding the invite to non-members of the LGPS to join the scheme.

2. Recommendations

2.1 To note the performance against key performance indicators for the relevant period.

2.2 To note the information in respect of the Internal Dispute Resolution Procedure, compliments and complaints.

2.3 To note the information regarding the invitations to non-members.

3. Background – Statistics and key performance indicators

3.1 The membership profile at 31 January 2014 and 31 May 2014 is shown in the following table.

Category	Jan - 14	May - 14
Number of current active members	6,077	6,131
Number of preserved benefits	6,437	6,463
Number of Pensions in payment	4,967	5,020
Number of Spouses/dependants pensions in payment	920	935
Total	18,401	18,549

3.2. Key performance indicators from 1 February 2014 to 31 May 2014:

Process	**Target days to complete**	**Volume**	**Target % Achieve-ment**	**% Achieved within target days**	**Actual average days**
Deaths	5	29	95%	93.10%	2.71
Retirement benefits	5	73	95%	90.41%	4.83
Pension estimates	10	108	95%	90.74%	4.44
Preserved benefit calculations	15	76	95%	75.00%	12.33
Transfer-in quotation	10	14	95%	71.43%	9.07
Transfer-in actual	10	21	95%	71.43%	8.23
Transfer out actual	12.5	15	95%	80.00%	8.20
Transfer out quotation	15	4	95%	75.00%	5.10
All processes	-	676	-	89.61%	-

3.3 The overall performance for the previous period 1 November 2013 to 31 January 2014 was 91.12%. There was an improved performance in respect of Retirement benefits processed within target; up from 83.72% last time. However the lower priority processes of Preserved benefit calculations and Transfers each showed a lower performance compared to the previous period. The reason for the lower performance was because of the resource requirements to ensure a successful transition from the LGPS 2008 scheme to the 2014 scheme, which came into effect on 1 April 2014.

3.4 During the 2 year period to 31 May 2014, 116 communications have been received thanking Pension Administration for the service, including 21 since the previous meeting of the Sub Committee.

3.5. No complaints have been received since the previous meeting of the Sub-Committee.

3.6 There were no new Internal Dispute Resolution Procedure (IDRP) cases.

4. Invitation to join the LGPS for employees who are non-members

4.1 It was reported to the March 2014 meeting of the Sub-Committee that invitations had been sent to 667 employees to join the new look LGPS.

4.2 The number of employees who have chosen to join the LGPS has been disappointing. A total of 19 individuals have become members of the LGPS, of whom 8 opted to pay half rate contributions in accordance with the '50/50 section' of the LGPS.

4.3 Auto-enrolment of new employees into the LGPS has been in place since April 2013, and the 6,131 current active members shows the highest membership since March 2010. Consideration will be given to sending a further invitation to non-members in 2015.

5. Implications

5.1 Financial Implications

5.1.1 The cost of administering the Local Government Pension Scheme is chargeable to the Pension Fund.

5.2 Legal Implications

5.2.1 There are no specific legal implications in this report.

5.3 Equalities Impact Assessment

5.3.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

5.3.2 In respect of this report, an Equality Impact Assessment is not being made because the contents of the report relate to processes that are strictly in accordance with the statutory Local Government Pension Scheme Regulations. The LGPS Regulations are made under the Superannuation Act 1972, and the Council has a statutory duty to comply with the LGPS Regulations.

5.4 Environmental Implications

5.4.1 The environmental impacts have been considered and it was identified that the proposals in this report would have no adverse impacts

6 Conclusion and reasons for recommendations

6.1 The report is made to each meeting of the Sub-Committee and is provided in order to assess administration performance.

Background papers:
None

Final Report Clearance

Signed by	.... Corporate Director of Finance and Resources	.... Date
Received by	.... Head of Democratic Services	.... Date

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ISLINGTON

Finance Department
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London N7 7EP

Report of: Corporate Director of Finance and Resources

Meeting of:	**Date**	**Agenda item**	**Ward(s)**
Pensions Sub-Committee	15 July 2014	B2	n/a

Delete as appropriate	~~Exempt~~	Non-exempt

Appendix 3 is exempt and not for publication as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Subject: PENSION FUND PERFORMANCE 1 JANUARY to 31 MARCH 2014

1. Synopsis

1.1 This is a quarterly report to the Pensions Sub-Committee to allow the Council as administering authority for the Fund to review the performance of the Fund investments at regular intervals and review the investments made by Fund Managers quarterly.

2. Recommendations

2.1 To note the performance of the Fund from 1 January to 31 March 2013

2.2 To note the quarterly WM Company report on the overall performance updated market value and asset allocation of the fund as at 31 March 2014 at Annex A.

2.3 To receive the presentation by Allenbridge EPIC Investment Advisers, our independent investment advisers, on our fund managers' quarterly performance attached as Appendix 2.

2.4 To note the briefing paper on Wonga from Pantheon Ventures (Appendix 3 private and confidential).

2.5 Members are asked to consider the Franklin Templeton cashflow projection and agree to re-invest the return of capital to a Franklin Templeton Private Real Estate Fund 2.

2.6 If recommendation 2.5 is agreed, then to delegate powers to the Corporate Director of Finance and Resources and the Assistant Chief Executive – Governance and Human Resources to undertake due diligence and agree terms.

3. Fund Managers Performance for January to March 2014

3.1 The fund managers' latest quarter net performance figures compared to the benchmark is shown in the table below.

Fund Managers	Asset Allocation	Mandate	Latest Quarter Performance (Jan-March14) Net of fees		12 Months to March''14 Performance Gross of fees	
			Portfolio	Benchmark	Portfolio	Benchmark
LBI-In House	33%	UK equities	-0.2%	-0.6%	9.4%	8.8%
AllianzGI (RCM)	9%	Global equities	-0.6%	0.5%	6.6%	6.8%
Newton	13%	Global equities	0.4%	0.5%	7.2%	6.8%
Legal & General	7%	Global equities	-1.1%	-0.9%	-6.1%	-5.6%
Standard Life	20%	Corporate bonds	2.8%	2.5%	2.8%	1.6%
Aviva (1)	5%	UK property	1.9%	3.0% 3.9%	8.0%	-3.4% 14.0%
Threadneedle Investments (TPEN)	6%	UK commercial property	3.2%	3.3%		9.9%
Hearthstone	2%	UK residential property	1.8%	4.0%	6.3	9.9

(1) -3.0% and -3.4% = original Gilts benchmark; 3.9% and 14.0% are the IPD All property index; for information

3.2 The WM Company quarterly report (enclosed as Annex A) gives a detailed analysis of our fund managers' latest quarter performance as well as the combined fund performance. The fund's March 2014 market value and asset allocation is also shown in this report. Members are asked to note this report.

3.3 The combined fund performance for the last quarter ending March 2014 is shown in the table below. The Fund's quarterly underperformance of -0.2% was attributable to asset allocation.

Combined Fund Performance	Latest Quarter Performance **Net** of fees		12 Months to March' 2014 Performance Net of fees	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
LB of Islington Fund	0.9%	1.1%	7.3%	6.5%

3.4 Copies of the latest quarter fund manager reports are available to members for information if required.

3.5 The WM local authority universe is group of pension funds of similar characteristics but different sizes and deemed as a peer group for comparison. The Islington combined fund performance over the 1, 3 and 5 years period to March 2014 compared to its customised benchmark and percentile ranking are shown in the table below.

Period	1 year per annum	3 years per annum	5 years per annum
Combined LBI fund performance	7.3%	8.0%	12.7%
LBI customised benchmark	6.5%	8.1%	13.6%
Percentile ranking in the peer group	34	38	53

A summary page showing the fund's long term returns at asset class level with its rankings in the WM LA Universe peer group is attached as Appendix 1.

3.6 **AllianzGI (RCM)**

3.6.1 AllianzGI (formerly known as RCM) is the fund's global equity manager with a mandate to outperform the FTSE All World Index Benchmark by 3% per annum, gross of fees, measured over a 3-year rolling period from 8 June 2011.

3.6.2 In the March quarter the fund underperformed net of fees by returning -0.6% against a benchmark of 0.5%.Since inception in December 2008, portfolio has returned 13.0 % against a benchmark of 14.6% net of fees. Relative return over three years is 2.4% per annum.
.

3.6.3 The portfolio underperformed the benchmark during the quarter. Stock selection detracted in consumer goods and health care sectors, as well as underweight positions in utilities. Stock selection in technology and basic materials was positive to performance.

3.7 **Newton Investment Management**

3.7.1 Newton is the fund's other global equity manager with an inception date of 1 December 2008. The objective of the fund is to outperform the FTSE All World Index by 2.0% per annum over rolling 3 year periods, net of fees.. The fund under performed slightly by returning 0.4% net of fees against a benchmark of 0.5% for the March quarter. Since inception the fund has delivered a relative underperformance of 0.18%. Relative return over three years is 1.4% per annum

3.7.2 The performance this quarter was mainly driven by stock selection in Health sector, while consumer stocks detracted returns.

3.8 **In House Tracker**

3.8.1 Since 1992, the UK equities portfolio of the fund has been managed in-house by officers in the Loans and Investment section by passive tracking of the FTSE 350 Index. The mandate was amended as part of the investment strategy review to now track the FTSE All Share Index within a +/- 0.5% range per annum effective from December 2008. The fund returned 5.5% against a benchmark of 5.5% for the March quarter.

3.8.2 There were sales and purchases during the quarter of £1.8m, and there was a net out flow of £0.6m from rights issue and private equity distributions less cash withdrawals of £1m to the pension fund bank account to cover expenditure.

3.9 **Standard Life**

3.9.1 Standard Life has been the fund's corporate bond manager since November 2009. Their objective is to outperform the Merrill Lynch UK Non Gilt All Stock Index by 0.8% per annum over a 3 year rolling period. During the March quarter, the fund returned 2.8% against a benchmark of 2.5% and a 3 year relative return of 0.7% per annum.

3.9.2 The main driver behind the strong absolute returns achieved during the quarter was the robust performance of the underlying gilt market. Relative outperformance was largely due to good stock selection and our overweight exposure to the financial sector.

3.9.3 The strategy remains to hold overweight positions in subordinated financial debt, collateralised bonds and an off-benchmark exposure to high yield. These positions come at the expense of an underweight holding in supra nationals.

3.10 **Aviva**

3.10.1 Aviva manages the fund's UK long lease to value commercial property portfolio. They were appointed in 2004 and the target of the mandate is to outperform their customised gilts benchmark by 1.5% (net of fees) over the long term. The portfolio is Long Lease to Value Property managed under the Lime Property Unit Trust Fund.

3.10.2 The fund for this quarter delivered a return of 1.9% against a gilt market of 3.0 %. The All Property IPD benchmark returned 3.9% for this quarter. Since inception the fund has delivered an absolute return of 6.31% net of fees.

3.10.3 Quarter I, saw the completion of acquisitions and developments as reported last quarter to continue the fund's strategy of risk mitigation via structural improvements. As a result the fund has maintained an unexpired term of 21 years and increased diversification specifically in relation to tenant exposure that now stands at 6.17%. Lime is well positioned to deliver attractive returns over the medium term.

3.11 **Threadneedle Property Pension Limited (TPEN)**

3.11.1 This is the fund's UK commercial pooled property portfolio that was fully funded on 14 July 2010 with an initial investment of £45 million. The net asset value at the end of March was £53.2million.

3.11.2 The agreed mandate guidelines are as listed below:

- Benchmark: CAPS UK Pooled Property Index
- Target Performance: 1.0% p.a. above the benchmark (net of fees) over three year rolling periods.
- Portfolio focus is on income generation with c. 75% of portfolio returns expected to come from income over the long term.
- Income yield on the portfolio at investment of c.8.5% p.a.
- Focus of portfolio is biased towards secondary property markets with high footfall rather than on prime markets such as Central London. The portfolio may therefore lag in speculative/bubble markets or when the property market is driven by capital growth in prime markets.

3.11.3 The fund returned 3.2% against its benchmark of 3.3% for the March quarter and a rental income yield of 6.8%. The marginal under performance was due to higher than average acquisition cost and lower than average capital growth. There is a strong asset diversification at portfolio level with a total of 244 properties. There were strong investor inflows of £78m increasing un-invested cash to 9.5%. The Fund has a significant acquisition pipeline of £70m which will serve to reduce the cash level to 6% by 30 April. As a result of new letting activity and fixed rental value increases the fund's property portfolio rent roll is set to increase by £5.65million by 30 March 2016

3.12 **Passive Hedge**

3.12.1 The fund currently hedges 50% of its overseas equities to the major currencies dollar, euro and yen. The passive hedge is being run by BNY Mellon our custodian. At the end of the March quarter, the hedged overseas equities returned 0.1% compared to the unhedged combined return of -0.2%.

3.13 **Franklin Templeton**

3.13.1 This is the fund's global property manager appointed in 2010 with an initial investment commitment of £25million. The agreed mandate guidelines are listed below:

- Benchmark: Absolute return
- Target Performance: Net of fees internal rate of return of 15%. Preferred rate of return of 10% p.a. with performance fee only applicable to returns above this point.
- Bulk of capital expected to be invested between 2 – 4 years following fund close.

- Distributions expected from years 6 – 8, with 100% of capital expected to be returned approximately by year 7.

3.13.2 There was a capital call and distribution in June to bring total drawdown to $19million and return of funds of $6.4m. The projected net internal rate of return is 17.26%

A cash flow projection for future years is shown in the table below:

year	2011	2012	2013	2014E	2015E	2016E
Cumulative capital call $m	6	14	23	30	36	38
Cumulative distribution $m	0	2	4	7	20	35
Net $m	6	12	19	23	16	3

3.13.3 From the table above if the cash flow is met we will be at our peak investment by the end of 2014 at $23m out of the initial investment of $40m. In order to maintain our investment level it will be necessary to commit to another fund to recycle the distributions received. Officers have had initial talks with the manager and there is a Franklin Templeton Private Real Estate Fund 2 being marketed for first close by September.

3.13.4 Members are asked to agree to reinvest the distributions by committing to Fund 2 and delegate to Director of Finance and Director of Legal to undertake due diligence and agree terms.

3.14. **Legal and General**

3.14.1 This is the fund's passive overseas equity index manager. The fund inception date was 8 June 2011 with an initial investment of £67million funded from transfer of assets from AllianzGI (RCM). The funds are managed passively against regional indices to formulate a total FTSE All World Index series. The portfolio returned -1.1% net of fees against a benchmark of -0.9% for the quarter with a 12 months relative return -0.2%.

3.14.2 Following a review meeting, our current fee structure has been reduced. This will equate to a saving of £25,000 per annum.

3.15 **Hearthstone**

3.15.1 This is the fund's residential UK property manager. The fund inception date was 23 January 2013, with an initial investment of £20million funded by withdrawals from our equities portfolios**.** The agreed mandate guidelines are as follows:

- Target performance: UK HPI + 3.75% net income.
- Target modern housing with low maintenance characteristics, less than 10 years old.
- Assets subject to development risk less than 5% of portfolio.
- Regional allocation seeks to replicate distribution of UK housing stock based on data from Academics. Approximately 45% London and South East.
- 5-6 locations per region are targeted based on qualitative and quantitative assessments and data from Touchstone and Connells.
- Preference is for stock which can be let on Assured Shorthold Tenancies (ASTs) or to companies.
- Total returns expected to be between 6.75% and 8.75% p.a., with returns split equally between income and capital growth. Net yields after fund costs of 3.75% p.a.
- The fund benchmark is the LSL Academetrics House Price Index

3.15.2 For the March quarter the value of the fund investment was £20.8m and total funds under management is £24.6million. Performance net of fees was 1.8% compared to the benchmark of 4.0%., and 12month relative return -3.3%. The income yield after cost was 5.4%. The portfolio had 125 properties, 76 were let on licence and leaseback agreement to house builders and 34 properties let on assured short term agreements. 15 properties are vacant because they were acquired on 28 March.

4. Implications

4.1 **Financial implications:**
The fund actuary takes investment performance into account when assessing the employer contributions payable, at the triennial valuation.

4.2 **Legal Implications:**
As the administering authority for the Fund, the Council must review the performance of the Fund investments at regular intervals and review the investments made by Fund Managers quarterly.

4.3 **Equality Impact Assessment:**
The Council must, in carrying out its functions, have due regard to the need to eliminate unlawful discrimination and harassment and to promote equality of opportunity in relation to disability, race and gender and the need to take steps to take account of disabilities, even where that involves treating the disabled more favourably than others (section 49A Disability Discrimination Act 1995; section 71 Race Relations Act 1976; section 76A Sex Discrimination Act 1975."

An equalities impact assessment has not been conducted because this report is an update on performance of existing fund managers and there are no equalities issues arising**.**

4.4 **Environmental Implications**
None applicable to this report.

5. Conclusion and reasons for recommendations

5.1 Members are asked to note the performance of the fund for the quarter ending March 2014 as part of the regular monitoring of fund performance.

Background papers:
1. Quarterly management reports from the Fund Managers to the Pension Fund.
2. Quarterly performance monitoring statistics for the Pension Fund – WM Company

Final report clearance:

Signed by:

	Corporate Director for Finance	Date
Received by:		
	Head of Democratic Services	Date

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APPENDIX 1

Summary of Long Term Returns

LONDON BOROUGH OF ISLINGTON - TOTAL COMBINED
Benchmark - LOCAL AUTHORITY UNIVERSE

Periods to end March 2014
Pound Sterling

This page summarises the long term returns at asset class level
A ranking against the peer group is shown in brackets.

	---------- 2011 ------- ---			--------------- 2012 ----------- ---				--------------- 2013 ----------- ----				2014	1yr	3yrs	5yrs
Return %	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		% pa	% pa
Total Equity	0.9	-13.2	7.3	8.1	-3.1	5.2	2.4	10.9	-0.6	4.3	4.6	0.1	8.6	8.5	14.7
	(67)	(8)	(38)	(64)	(18)	(10)	(90)	(97)	(67)	(19)	(75)	(56)	(52)	(49)	(87)
Private Eq	2.9	2.4	-4.5	0.1	1.2	-1.1	-0.3	3.7	6.9	0.6	-1.6	2.6	8.8	4.2	3.0
UK Equities	2.3	-13.3	8.8	6.2	-2.1	4.5	3.9	10.8	-1.7	5.5	5.5	-0.3	9.2	9.6	17.0
	(25)	(43)	(24)	(58)	(14)	(77)	(44)	(39)	(75)	(74)	(56)	(28)	(56)	(50)	(50)
O/S EQ Hedge	-1.1	-15.8	7.9	12.3	-5.0	7.3	1.0	12.3	-0.4	3.5	4.6	0.1	7.9	7.9	13.9
O/S Equities	0.7	-16.0	7.1	10.7	-3.4	5.1	1.9	13.8	-1.1	1.3	3.7	-0.2	3.7	7.0	12.6
	(41)	(46)	(22)	(20)	(12)	(16)	(93)	(53)	(73)	(63)	(70)	(82)	(77)	(59)	(93)
N. America	*-0.8*	*-13.5*	*11.4*	*11.4*	*-0.6*	*4.8*	*-2.3*	*19.2*	*2.8*	*1.0*	*8.6*	*0.8*	*13.6*	*13.6*	*17.6*
	(71)	*(65)*	*(49)*	*(16)*	*(16)*	*(14)*	*(96)*	*(15)*	*(37)*	*(16)*	*(12)*	*(85)*	*(23)*	*(24)*	*(29)*
Europe ex UK	*3.1*	*-19.7*	*6.7*	*9.4*	*-3.0*	*7.6*	*5.4*	*14.2*	*1.5*	*4.1*	*5.9*	*0.8*	*12.9*	*11.1*	*14.7*
	(36)	*(12)*	*(6)*	*(68)*	*(6)*	*(19)*	*(86)*	*(21)*	*(20)*	*(84)*	*(32)*	*(91)*	*(70)*	*(10)*	*(62)*
Japan	*-1.9*	*-5.8*	*-3.2*	*9.4*	*-3.2*	*-1.6*	*1.4*	*22.6*	*7.8*	*3.9*	*-4.0*	*-5.6*	*1.5*	*5.6*	*5.8*
MGJE	*6.1 #*	*-3.1*	*-3.6*	*8.0*	*-5.5*	*-3.5*	*5.0*	*19.5*	*4.4*	*0.3*	*0.0*	*-5.9*	*-1.4*		
Pacific	*1.4*	*-14.5*	*3.2*	*11.0*	*-5.5*	*6.1*	*3.7*	*8.7*	*-9.0*	*0.3*	*-4.8*	*-2.7*	*-15.5*	*-1.8*	*6.7*
	(22)	*(8)*	*(85)*	*(26)*	*(75)*	*(80)*	*(80)*	*(81)*	*(48)*	*(68)*	*(92)*	*(90)*	*(95)*	*(91)*	*(98)*
Other Intl.	*-2.2*	*-20.8*	*4.8*	*10.8*	*-7.6*	*5.3*	*5.3*	*5.7*	*-8.9*	*-1.2*	*-1.8*	*-0.8*	*-12.3*	*-5.1*	*12.6*
	(66)	*(72)*	*(50)*	*(52)*	*(63)*	*(36)*	*(33)*	*(64)*	*(84)*	*(63)*	*(85)*	*(54)*	*(82)*	*(81)*	*(44)*
Bonds + IL	*1.7*	*0.6*	*2.8*	*3.4*	*2.1*	*6.2*	*2.7*	*1.8*	*-2.8*	*2.5*	*0.4*	*2.8*	*2.8*	*8.2*	*9.5*
	(85)	*(97)*	*(89)*	*(2)*	*(47)*	*(2)*	*(38)*	*(76)*	*(20)*	*(6)*	*(17)*	*(36)*	*(3)*	*(29)*	*(36)*
Total Bonds	1.7	0.6	2.8	3.4	2.1	6.2	2.7	1.8	-2.8	2.5	0.4	2.8	2.8	8.2	9.9
	(70)	(91)	(76)	(5)	(66)	(8)	(16)	(46)	(25)	(11)	(16)	(30)	(6)	(25)	(30)
UK Bonds	*1.7*	*0.6*	*2.8*	*3.4*	*2.1*	*6.2*	*2.7*	*1.8*	*-2.8*	*2.5*	*0.4*	*2.8*	*2.8*	*8.2*	*10.9*
	(60)	*(93)*	*(82)*	*(2)*	*(69)*	*(10)*	*(13)*	*(27)*	*(18)*	*(14)*	*(17)*	*(30)*	*(12)*	*(29)*	*(19)*
UK Corp Bond	*1.7*	*0.6*	*2.8*	*3.4*	*2.1*	*6.2*	*2.7*	*1.8*	*-2.8*	*2.5*	*0.4*	*2.8*	*2.8*	*8.2*	*12.4*
	(46)	*(67)*	*(55)*	*(21)*	*(52)*	*(32)*	*(25)*	*(38)*	*(18)*	*(37)*	*(18)*	*(38)*	*(18)*	*(44)*	*(35)*
Cash/ Alts	-0.2	1.0	-0.0	-1.1	0.6	0.2	0.1	1.0	2.5	0.1	0.2	0.6	3.4	1.6	5.3
	(83)	(22)	(44)	(92)	(32)	(53)	(69)	(71)	(19)	(27)	(56)	(55)	(34)	(59)	(26)

Cash	*-0.2*	*1.0*	*-0.0*	*-1.1*	*0.6*	*0.2*	*0.1*	*1.0*	*2.5*	*0.1*	*0.2*	*0.6*	*3.4*	*1.6*	*0.6*
	(79)	*(17)*	*(51)*	*(95)*	*(22)*	*(34)*	*(39)*	*(27)*	*(16)*	*(21)*	*(25)*	*(19)*	*(15)*	*(26)*	*(46)*
Curr Instr	-10.6	-13.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	(26)	(37)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
UK Property	2.3	1.6	1.5	1.1	0.6	0.5	1.3	0.7	1.8	1.7	3.2	2.6	9.5	6.4	7.4
	(24)	(33)	(28)	(19)	(25)	(28)	(18)	(64)	(44)	(78)	(80)	(78)	(86)	(48)	(54)
Gbl Property	-6.8 #	2.3	0.2	-7.0	6.5	-11.5	-0.8	5.2	5.3	-7.9	3.7	1.4	1.9		
FRANKLIN TEM	-25.7 #	1.0	0.2	-4.7	3.8	-8.1	0.0 #								
FRANKLIN TEM	3.7 #	2.5	0.2	-7.4	6.9	-12.1	0.0 #								
FRANKLIN TEM							-0.8 #	5.2	5.3	-7.9	3.7	1.4	1.9		
Total Assets	1.1	-8.6	5.5	6.1	-1.5	4.7	2.3	7.5	-0.7	3.4	3.5	0.9	7.3	8.0	12.7
	(75)	(33)	(57)	(22)	(30)	(4)	(72)	(89)	(43)	(14)	(57)	(55)	(34)	(38)	(53)

not invested in this area for the entire period

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AllenbridgeEpic
investment advisers

REPORT PREPARED FOR

London Borough of Islington Pension Fund

16th June 2014

Karen Shackleton
AllenbridgeEpic Investment Advisers Limited (AllenbridgeEpic)

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1. Fund Manager Overview

Table 1 provides an overview of the external managers, in accordance with the Committee's terms of reference for monitoring managers.

Table 1

Manager	Departure of key individuals	Performance	Assets under management	Change in strategy/risk	Manager specific concerns
AllianzGI (RCM)	There were six joiners and five leavers during the quarter, mostly management- and marketing-related positions.	Poor quarterly return, behind the benchmark by -1.1%. Over three years the fund is outperforming by +2.6% per annum and approaching the target of +3.0% p.a. Outperformance is attributed to successful stock and currency selection.	£287 billion as at 31st December 2013, an increase of £18 billion from end September 2013. (Figures not available for March.)		
Newton	Amy Leung joined as an assistant fund manager in the Asian Equity team, no leavers this quarter.	Over three years the fund is outperforming by +1.3% per annum ahead of the benchmark, but trailing the target of +2% p.a. Outperformance is attributable to successful stock selection.	£51.7 billion as at 31st December 2013, £0.8 billion higher than at 30th September 2013. (Figures not available for March.)		Newton has updated its long term incentive plan.
Standard Life	14 joiners, including three in private equity, and five leavers during the quarter.	Over three years the Fund has outperformed by +0.7% p.a. which is slightly behind the performance target of +0.8% p.a.	Fund has fallen in value by £947m over the past six quarters, despite delivering positive returns.	Holding 5.6% in high yield non-benchmark bonds.	

Manager	Departure of key individuals	Performance	Assets under management	Change in strategy/risk	Manager specific concerns
Aviva	Luke Powell, CRM for London Borough of Islington, resigned just after quarter end. 43 leavers and 35 joiners in Q1 2014.	Underperformed the benchmark by -0.2% p.a. over three years.	£287 billion of assets under management as at 31st December 2013, an increase of £41 billion since end September 2013.		
Thread-needle	Two new joiners to the property team in Q1 2014.	Slightly behind the AREF/IPD Index this quarter. Over three years the Fund is outperforming the benchmark by +2.3% p.a. and comfortably beating the 1% p.a. performance target.	£89.7 billion in assets worldwide as at 31st March 2014, broadly no change since end December 2013. Pooled fund has assets of £1.24 billion.		Thread-needle has adopted a queuing system for new money to control liquidity in the fund.
Legal and General	Hugh Cutler, Head of Europe and Middle East, has left the firm to join Och-Ziff, a hedge fund.	Regional funds are all tracking the indices.	£450 billion of assets under management for over 3,000 clients worldwide as at end December 2013. Of this, £279 billion is passive and the rest is actively managed.		

Manager	Departure of key individuals	Performance	Assets under management	Change in strategy/risk	Manager specific concerns
Franklin Templeton	Jack Foster has stepped down from the Investment Committee for the Fund. Luke Anderson will replace him on 1st May 2014.	Trailing the absolute return performance target of 10% p.a. by -7.4% over the past 12 months.			Commitment period for the Fund has been extended for 12 months until 31st March 2015.
Hearth-stone	Four leavers during the quarter.	Trailing the index by -2.1% during Q1 2014. Behind the index by -3.7% for the twelve months to March 2014.	Fund was valued at £29.0m at end Q1 2014. Islington's holding represents 72% of the Fund.		

Key to shading in Table 1:

Minor concern

Monitoring required

2. Individual Manager Reviews

2.1. In-house – Passive UK Equities – FTSE All Share Index Fund

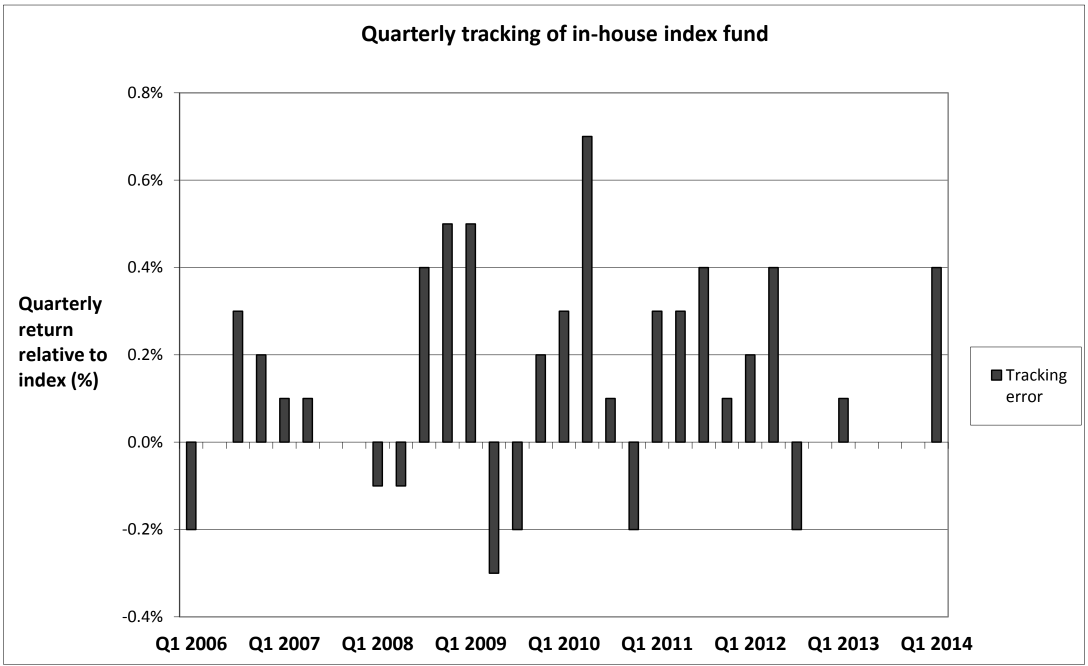
Headline comments: The portfolio continues to meet its objectives. The fund delivered a return slightly ahead of the index benchmark (-0.2% versus -0.6%). Over three years the fund has outperformed the index by +0.6% p.a.

Mandate summary: A UK equity index fund designed to match the total return on the UK FTSE All Share Index. The in-house manager uses Barra software to create a sampled portfolio whose risk/return characteristics match those of the index.

Performance attribution: Chart 1 shows the tracking error of the in-house index fund against the FTSE All Share Index since Q1 2006. **There are no performance issues.** Over three years, the small quarterly positive relative returns (shown in Chart 1) have accumulated, and as a result the portfolio has outperformed its benchmark by +0.6% per annum.

Portfolio Risk: There were £1.8 million of purchases during the quarter including Royal Mai, Merlin and Supergroup, and one sale (Invensys). The portfolio holds 310 stocks compared to 622 in the index.

Chart 1



Source: AllenbridgeEpic based on WM figures

2.2. AllianzGI (RCM) – Global Active Equities

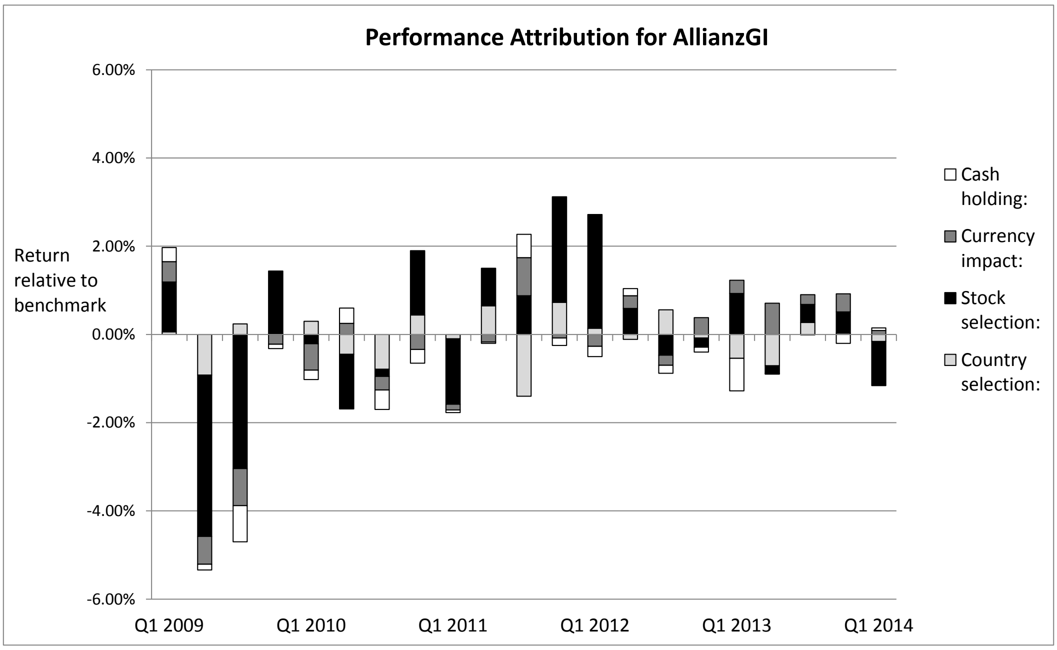
Headline comments: In terms of relative performance, the fund was -1.1% behind the index during the quarter. Most of this was a result of poor stock selection. Over three years, however, stock selection continues to be the main contributor to outperformance. The fund outperformed the index by +2.6% per annum for the three years to end March 2014.

Mandate summary: An active global equity portfolio. AllianzGI operates a bottom-up global stock selection approach. They employ a team of research analysts to identify undervalued stocks in each geographical region (Europe, US, Asia Pacific). A global portfolio team is responsible for constructing the final portfolio. The objective of the fund is to outperform the FTSE All World Index by 3.0% per annum over rolling 3 year periods gross of fees.

Performance attribution: Chart 2 shows a breakdown of AllianzGI's quarterly performance since Q1 2009 relative to the benchmark.

Over the past three years, AllianzGI is ahead of its benchmark by +2.6% per annum, although **they are still slightly trailing their performance target of 3% per annum**. Stock selection has made the biggest positive contribution over the past three years (+2.4% per annum). This is shown in the black bars in Chart 2 for each quarter. Currency selection has also made a positive contribution over three years (+0.8% p.a.), but this has been offset by poor country bets (-0.2% p.a.) and by the cash holding (-0.3% p.a.)

Chart 2



Source: AllenbridgeEpic based on AllianzGI figures

Portfolio risk: In terms of sector bets, relative to the benchmark, the largest underweight sector position relative to the index is Consumer Goods (-5.3%). The fund remains most overweight Industrials (+9.1%).

In terms of regional bets, the fund remains most overweight to Europe (+11.1% overweight). The largest underweight region is the UK (-5.1% underweight). The cash position stood at 2.9%.

Portfolio characteristics: The total number of holdings in the portfolio stood at 59 securities at the end of Q1 2014, within AllianzGI's normal range of 50-60 names. The beta on the portfolio stood at 1.03 at the end of March.

Staff turnover: There were six joiners and five leavers during the quarter. A number of these were junior positions within the CEO/COO business unit, and most of the others were marketing-related posts.

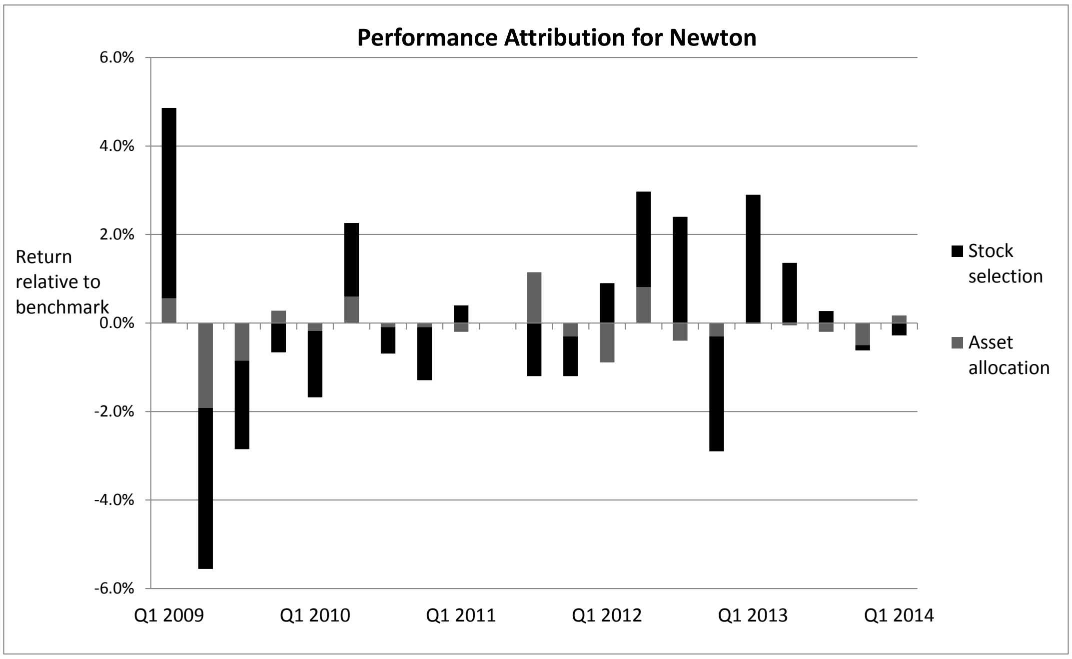
2.3. Newton – Global Active Equities

Headline comments: The Newton portfolio trailed its benchmark slightly in the quarter, by -0.2%, but outperformed over three years by +1.3%. Newton attributes the three year outperformance to positive stock selection decisions (+1.6% p.a.) offset slightly by negative asset allocation decisions (-0.2% p.a.). The fund's target performance is +2.0% per annum ahead of the benchmark.

Mandate summary: An active global equity portfolio. Newton operates a thematic approach based on 12 key themes that impact the economy and industry. Some are broad themes that apply over the longer term; others are cyclical. Stock selection is based on the industry analysts' thematic recommendations. The objective of the fund is to outperform the FTSE All World Index by 2.0% per annum over rolling 3 year periods, net of fees.

Performance attribution: Chart 3 shows the attribution of relative performance between stock selection and asset allocation. The last three quarters have been somewhat disappointing with close-to-index returns.

Chart 3



Source: AllenbridgeEpic based on Newton's performance attribution figures

Over the three years to March 2014, Newton was ahead of the benchmark, with a return of +8.9% p.a. compared to the index return of +7.5% p.a., an outperformance of +1.3% p.a. Stock selection accounted for +1.6% outperformance whilst asset allocation was slightly negative. Note that the performance target is +2% p.a. outperformance over three years. **The fund is still slightly behind its performance objective.**

In terms of stock and sector selection, during the quarter the most successful sector was Industrials (+0.4% to relative performance) with Jardine Matheson being one of the top contributors. The least successful sector was Telecommunications, which detracted -0.3% from relative returns. Vodafone, Sprint and China Mobile were all in the bottom ten contributors in terms of relative performance.

Portfolio Risk: The largest overweight regional allocation was in European Equities (+7.8%). It remains the most significant regional allocation made by Newton since the inception of the portfolio, but detracted from relative performance during the quarter. The most underweight allocation was to Other Equities (-3.4%), replacing North America which went from -4% to -3% underweight after the purchase of several US stocks during the quarter.

In terms of sector bets, Newton remained most overweight in Healthcare (+6.3%) and most underweight in Financials (-10.8%).

Portfolio characteristics: At the end of Q1 2014, the portfolio held 82 securities (81 as at the end of Q4 2012). This at the lower end of Newton's expected range of between 80 and 120 stocks. Turnover over the past 12 months was 23%, below Newton's normal expected range of turnover to 30%-70%.

Staff turnover: This was another low turnover quarter with one joiner and no leavers. Amy Leung joined as an assistant fund manager in the Asian equity team. Emma Mogford moved internally from the UK equity team to the multi-asset desk (having only joined the UK team last quarter) and Louise Pugh moved from the multi-asset team to a new role as a global industry analyst.

Organisation: In January, Newton announced some changes to its long term incentive plan for staff. This is designed to align staff remuneration with the success of the business. Employee participation can now represent up to 20% of the value of Newton.

2.4. Standard Life – Fixed Income

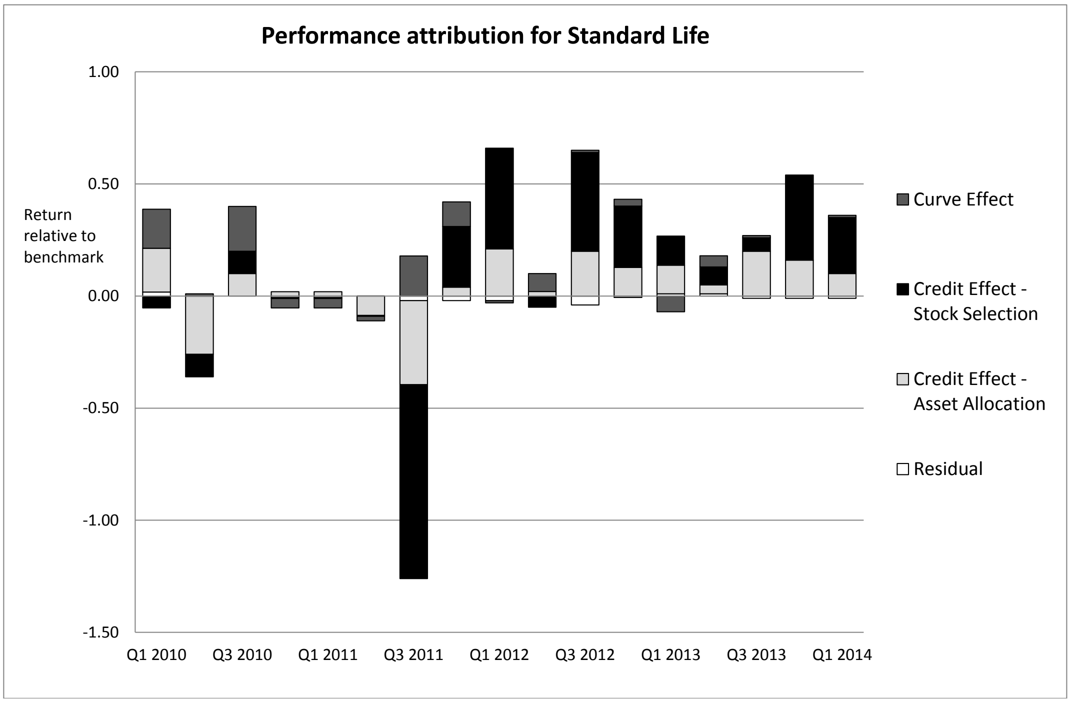
Headline comments: The portfolio was ahead of the benchmark during the quarter by +0.3%. Over three years, Standard Life outperformed by +0.7% per annum. This is very slightly behind their performance target of +0.8% per annum. Over one year the fund is +1.2% ahead.

Mandate summary: An actively managed bond portfolio, invested in Standard Life's Corporate Bond Fund. The objective of the fund is to outperform the Merrill Lynch UK Non Gilt All Stocks Index by 0.8% per annum over rolling 3 year periods.

Performance attribution:

Chart 4 shows the performance attribution of the Corporate Bond Fund versus its benchmark.

Chart 4



Source: AllenbridgeEpic based on Standard Life figures

Over three years, the portfolio has returned +8.2% p.a. compared to the benchmark return of +7.5% p.a., an outperformance of +0.7% p.a. **The fund is approaching its performance objective of outperforming the benchmark by +0.8% per annum over three years**. The three year numbers are still being impacted by the poor return in Q3 2011 when the portfolio underperformed its benchmark by -1.1%. Based on the past twelve months, the portfolio is ahead by +1.2%.

Over the past three years, most of the outperformance has come from successful stock selection (+0.5%), with asset allocation contributing +0.25%. During the quarter, good stock selection, as well as the overweight position in financials, had a positive influence on relative return.

Portfolio Risk: The largest holding in the portfolio at quarter end remains EIB 6% 2028 (2.8% of the portfolio). The largest overweight sector position remained Financials (+5.1%). The long-standing underweight position in sovereigns and sub-sovereigns remains (-14.5%). This position has also been in place since London Borough of Islington invested in the pooled fund.

The fund continues to hold 5.6% of the portfolio in non-investment grade bonds (these do not form part of the benchmark).

Portfolio characteristics: The value of Standard Life's total pooled fund at end December 2013 was £3,796.6 million, £183 million lower than at the end of Q4 2013 and **£948 million lower than the fund's high point in Q3 2012**. Amongst other things, this reflects the growing trend for investors to switch to a multi-asset credit approach. London Borough of Islington's holding of £196.8 million is now 5.2% of the total fund value. The percentage holding has been steadily rising as the fund value has fallen.

Staff turnover: 14 investment professionals joined the investment team during Q1 2014 and five left, although none of these was from the fixed income team.

2.5. Aviva Investors – Property – Lime Property Fund

Headline comments: The Fund underperformed the gilt benchmark by -1.0% during the quarter and underperformed the IPD Property Index return by -1.9%, as property continued to rally (the index has risen over 13% in the past 12 months). Over three years the Fund is trailing its benchmark by just -0.2% and slightly behind the IPD Index by -0.6% per annum.

Mandate summary: An actively managed UK pooled property portfolio, the Lime Fund invests in a range of property assets including healthcare, education, libraries, offices and retail. The objective of the fund is to outperform a UK gilt benchmark, constructed of an equally weighted combination of the FTSE 5-15 Years Gilt Index and the FTSE 15 Years+ Gilt Index, by +1.5% per annum, over three year rolling periods.

Performance attribution: The fund underperformed the gilt benchmark this quarter by -1.0% although over the past twelve months, it has outperformed by nearly 12%. The portfolio trailed the IPD Index in Q1 2014 by -1.9%.

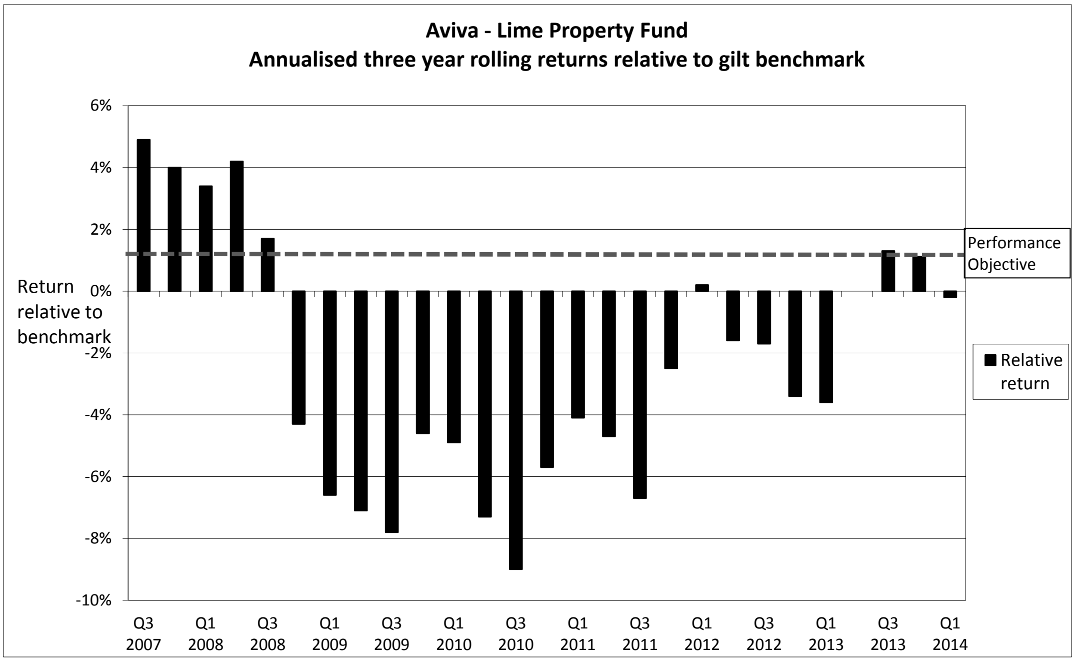
Over three years, the fund returned +7.0% p.a. compared to the gilt benchmark of +7.2% p.a. Relative to the IPD Property Index, the fund is also slightly behind, by some -0.6% p.a. The latest quarterly underperformance means that the **portfolio is behind its long term performance objective versus gilts** but it remains ahead of the benchmark.

Of the +7.0% fund return over three years, 5.5% came from income, with the balance from capital gain. With property rallying at present, the contribution from capital gain is likely to increase, going forward.

One of the key features of the Lime Fund is its positive exposure to fixed uplifts and RPI linked reviews, and this exposure increased slightly during the quarter from 87.8% to 88.4%.

Chart 5 shows the relative performance of the Fund compared to its gilt benchmark on a three year rolling basis.

Chart 5



Source: AllenbridgeEpic based on WM figures

Portfolio risk: The Fund is looking to make further acquisitions with a pipeline of over £1.5 billion of potential assets under consideration as at quarter end. The weighted unexpired lease term is 21 years, with 12% of the portfolio invested in properties with leases of over 35 years. 46% of the properties have public tenants although the largest sector exposure is to supermarkets (24.7%). Note that the cash allocation had returned to lower levels by quarter end (1.8%) following the completion of the acquisition of Capita Park in Rotherham.

Portfolio characteristics: As at end December the Lime Fund was valued at £1.168 billion, an increase of £39.0 million from the previous quarter end. London Borough of Islington’s holding represents 3.7% of the total Fund’s value.

Staff turnover: Luke Powell, the CRM for London Borough of Islington, resigned in May. He is moving to Standard Life. As an interim measure, Karen Willsmore will be covering his responsibilities. The fund manager remains Renos Booth.

Firm-wide there were 43 leavers and 35 joiners during the quarter. Two investment professionals in real estate left the team and one joined. Following Euan Munro's appointment as Chief Executive, a number of executive appointments were made as he organised the business into globally integrated functions.

2.6. Threadneedle - Pooled Property Fund

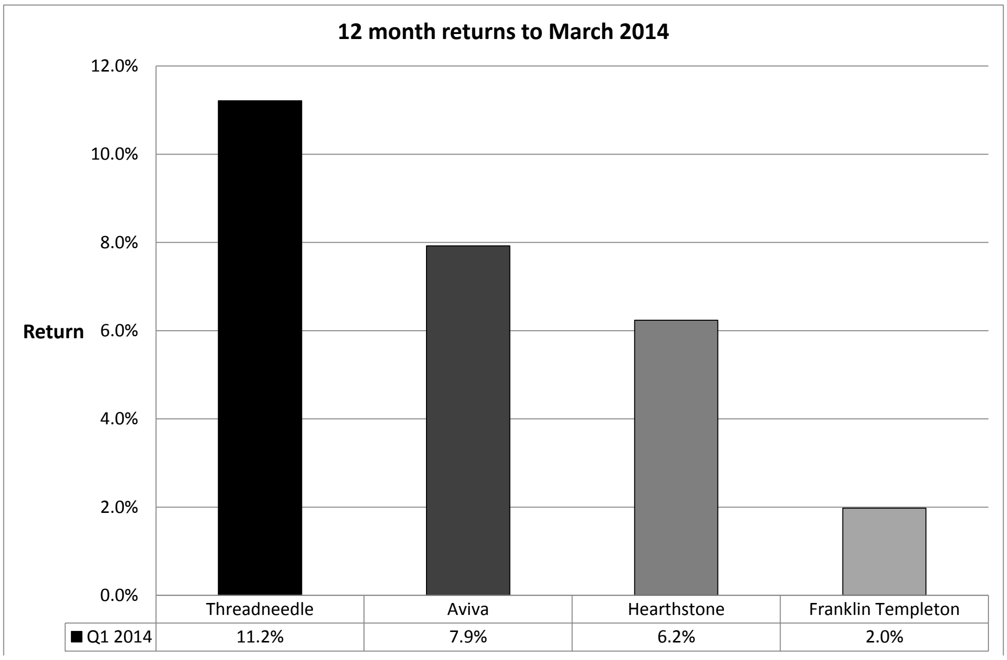
Headline comments: The Fund's performance was -0.1% behind its benchmark (the AREF/IPD All Balanced – Weighted Average (PPFI) Index) during the quarter. Over three years, the Fund has outperformed the benchmark by +2.3%. The Fund is ahead of its performance target of 1% p.a. above benchmark over three years.

Mandate summary: An actively managed UK commercial property portfolio, the Threadneedle Pooled Property Fund invests in a diversified, multi-sector portfolio of UK property assets. Its performance objective is to outperform the AREF/IPD All Balanced – Weighted Average (PPFI) Index by at least 1% p.a., net of fees, on a rolling three year basis.

Note that the benchmark changed at the end of Q4 2013. The AREF/IPD Index is now recognised as the most appropriate benchmark against which to measure property funds. Prior to this, the benchmark was the CAPS pooled property median fund.

Performance attribution: The fund's performance was slightly behind its benchmark during the quarter by -0.1%. In terms of the three year performance, however, **the Fund is well ahead of its performance target**, returning +6.4% p.a. over three years compared with the benchmark return of +4.0% p.a. Not only is property rallying at present, but the secondary focus of the underlying investments, within the Fund, means it is well placed to deliver good returns at this point in the economic cycle. This is shown in Chart 6 which compares the return over the past 12 months for each of the property managers.

Chart 6

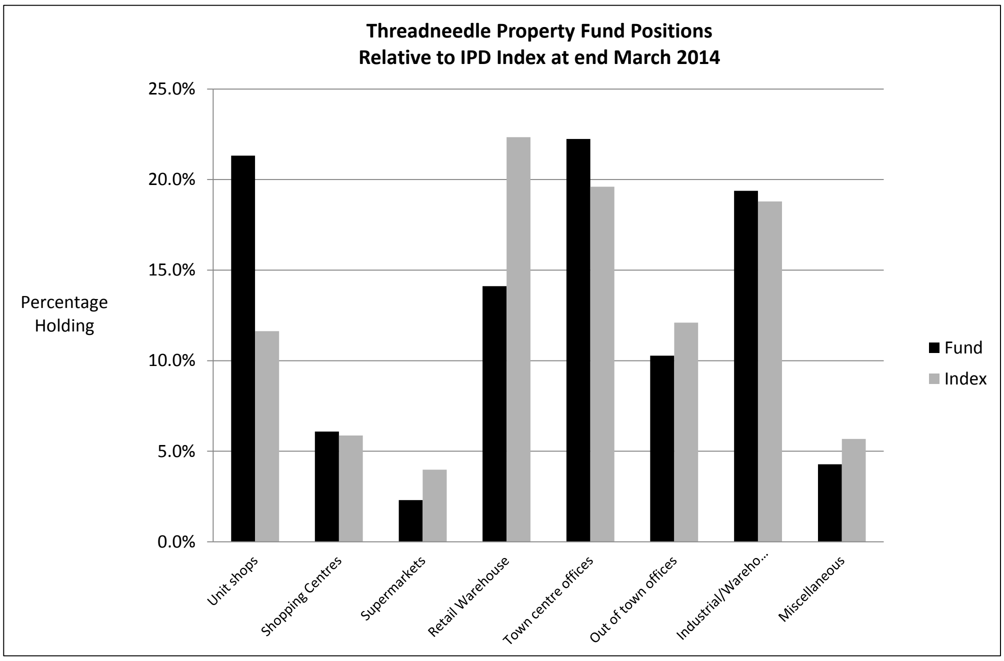


Source: AllenbridgeEpic based on WM data

Portfolio Risk: The fund purchased twelve new properties in the first quarter of 2014, totalling £47 million. The largest property in the portfolio is the Heals Building in W1. This is a Grade 2 building in Tottenham Court Road, and Threadneedle recently got planning permission to install a lift under a £9 million refurbishment budget. This will allow them to more than double their money and is a good example of how they actively manage the asset to generate return. They anticipate being able to re-let the space in the Heals building at £62.50 per square foot, post the development work. Previously it was running at £30 per square foot. With this being the largest asset, they are beginning to think about the exit value and the timing of any sale.

Chart 7 shows the current breakdown of the portfolio relative to its benchmark.

Chart 7



Source: AllenbridgeEpic based on Threadneedle data.

Portfolio characteristics: As at 31st March 2014, the Threadneedle Property Fund was valued at £1.24 billion, an increase of £111.8 million compared with December 2013. London Borough of Islington's investment represents 4.4%. As at end March, the fund had 244 properties and 1,312 tenancies. The top ten tenants form 21.3% of the total rent roll.

New mandate wins continue to flow into the pooled fund and Threadneedle is now operating a queuing system for new investors. These liquidity controls do seem to be working and the cash balance is being kept at a prudent level. Whilst cash in the fund stood at 9% as at end March, since quarter end it has fallen to 5%.

Review of Investment Strategy: Threadneedle focus on a preference for high yielding investments (income dominating returns over the long term), operating as flexible buyers rather than purchasers of trophy assets, actively managing the underlying assets, picking good investments and avoiding speculative, high risk activity.

In actively managing the underlying assets, they have a good relationship with their tenants. 93% of tenants stay on, when the rent review falls due, because Threadneedle believes in good communication with them. They are also willing to be flexible.

Theirs is a very bottom-up approach with a focus on stock picking. The fund manager sets the strategy but once the asset is purchased, the asset manager takes over. There is, separately, a property manager who is responsible for estate management, for example, collecting rent, cutting grass, cleaning windows etc.

Staff turnover: Matt Finch has joined the property team, but he will not be working on the pooled fund in which London Borough of Islington invests. Robin Jones has also joined as an investment surveyor working with Nathan Hargreaves, the fund manager, on sales and acquisitions.

2.7. Legal and General Investment Management (LGIM) – Overseas Equity Index Funds

Headline comments: All the index funds were within the expected tracking range when compared with their respective benchmarks and there are no issues. The fundamental FTSE-RAFI Emerging Markets index fund underperformed its market capitalisation-weighted counterpart in Q1 2014.

Mandate summary: Four regional overseas equity index funds, in Europe, Japan, Asia Pacific ex Japan, and emerging markets, designed to match the total return on the FTSE All World Regional Indices. One additional index fund is designed to match the total return on the FTSE-RAFI Emerging Markets Equity Index. The FTSE All World Indices are based on capitalisation weights whereas the FTSE-RAFI Index is based on fundamental factors.

Performance attribution: **The regional portfolios are all tracking their benchmarks**, as shown in Table 2.

Table 2

Q1 2014	Fund	Index	Tracking
Europe	3.0%	3.0%	0.0%
Japan	-5.9%	-6.0%	0.1%
Asia Pacific ex Japan	0.9%	1.0%	-0.1%
FTSE emerging markets	-0.8%	-0.8%	0.0%
RAFI emerging markets	-2.3%	-2.4%	0.1%
Q1 2014	Fund	Index	Tracking

Source: LGIM

Portfolio Risk: The percentage allocation to each regional fund is based on pre-agreed band widths, which also take into account the global equity managers' allocations. The largest deviation from the benchmark allocation is North America which is 0.9% overweight.

Staff turnover: Hugh Cutler, former head of Europe and the Middle East, has left to join Och-Ziff, a hedge fund manager. Hugh's replacement is being appointed and an announcement expected soon. The team is currently being led by Andrew Hitchens, Head of UK and Mike Craston, Head of Institutional Business. Simon Pistell and Aaron Meder have assumed joint interim responsibility for the European and Gulf institutional businesses.

Organisation: LGIM had £450 billion of assets under management for over 3,000 clients worldwide as at end December 2013. Of this, £279 billion was passive and the rest was actively managed. They have 55 LGPS clients (amounting to £29 billion of assets under management) including £2.5 billion for 15 London Borough pension funds.

2.8. Franklin Templeton – Global Property Fund

Headline comments: This is a long term investment and as such a longer term assessment of performance is recommended. For the year to March 2014, the Fund return was +2.0% compared to its absolute return benchmark of 10% per annum. Next quarter will see the Fund's first three year return.

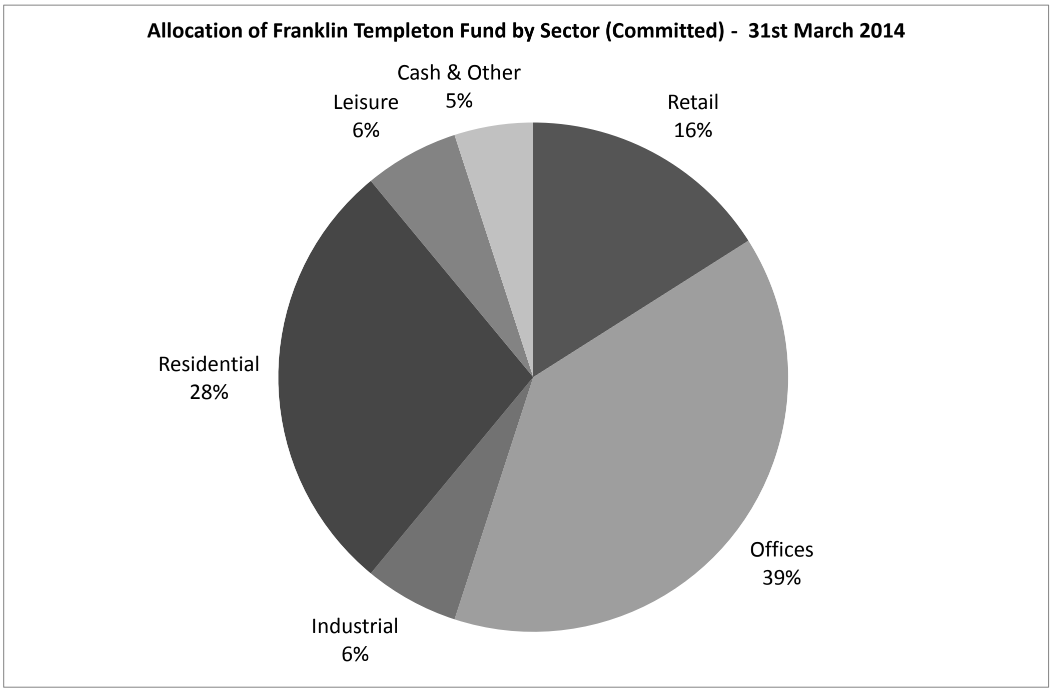
Mandate summary: A global private real estate fund of funds investing in ten sub funds. The performance objective is an absolute return benchmark over the long term of 10% per annum.

Performance attribution: The fund has commitments to 11 funds. Of these, two are in the early phase of development and it is too early to assess their progress. Of the remaining nine, two are on target and seven are above target. This is an improvement on last quarter's reported progress. Funds that are on target are expected to deliver an IRR (Investment Rate of Return) of between 10% and 15%. Funds that are above target are expected to deliver an IRR of between 15% and 25%.

Some of the underlying funds are beginning to distribute. One of these, GreenOak Japan, has sold seven of its nine existing investments and generated a gross IRR of over 100%.

Portfolio characteristics: Chart 8 shows the sector allocation of the Fund. Nearly 40% of the Fund's commitments are in the office sector. Geographically, the fund is split: 40% to the US, 38% to Asia and 22% to Europe.

Chart 8



Source: AllenbridgeEpic based on Franklin Templeton figures

Portfolio Risk: The fund has extended its Commitment Period for 12 months to 31st March 2015. Franklin Templeton is actively reviewing several new opportunities and this will allow the Fund to capitalise on these.

Staffing: Jack Foster has stepped down from the Investment Committee for the Fund. Luke Anderson will replace him from 1st May 2014.

2.9. Hearthstone – UK Residential Property Fund

Headline comments: The portfolio returned +1.8% compared to the benchmark return of +4.0% for the quarter ending March 2014. Over 12 months the return was +6.2% compared to the benchmark return of +9.9%. Four team members, including Mark Forman, the Sales and Distribution Director, left the firm in Q1 2014. This reflected the change in emphasis from targeting retail clients to targeting institutional investors.

Mandate summary: The Fund invests in private rented sector housing across the UK and aims to outperform the LSL Acadametrics House Price Index (note that this excludes income), as well as providing an additional income return.

Performance attribution: The Fund returned +6.2% compared to the return on the index of 9.9% over the past 12 months. The yield on the portfolio is 5.8%, after adjusting for voids. Lost rental income, as a result of vacant properties, was

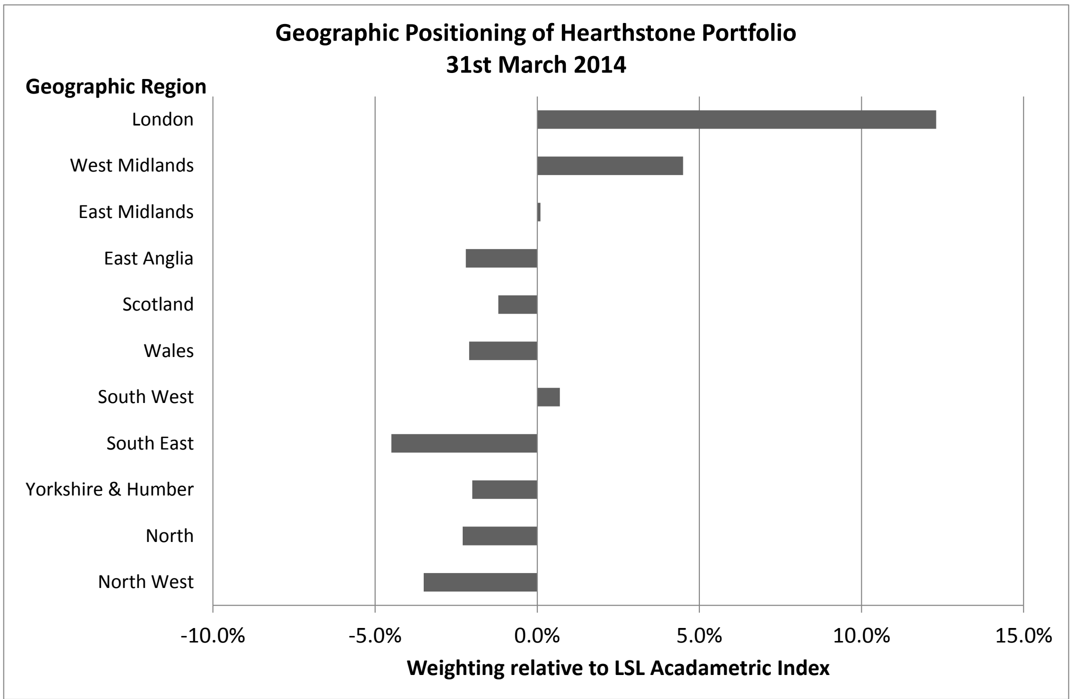
1.2% of the total potential gross rent, as at March 2014. The net yield (after all costs) stood at 5.4%, compared to the yield on the IPD Residential Property Index of 2.7%.

Portfolio risk: The portfolio still holds a significant overweight position in London, relative to the benchmark. This is a consequence of an investment opportunity in Wembley. Hearthstone's normal strategy is to maintain broadly neutral regional bets in the portfolio.

As at end Q1 2014, the fund was valued at £29.0 million. London Borough of Islington remains the main investor, owning 72% of the total fund. Cash and liquid instruments in the portfolio stood at 11.2% at the end of Q1 2014. Liquid instruments at 7.5% exceeded Hearthstone's target of 5%.

Portfolio characteristics: Chart 9 shows the regional bets in the portfolio. The biggest overweight region is London (+12.3%). The most underweight region relative to the index was the South East (-4.5%).

Chart 9



Source: AllenbridgeEpic based on Hearthstone figures

The Fund has a 21% allocation to detached houses, 52% allocated to flats, 22% in terraced accommodation and 5% in semi-detached.

Organisation and staff turnover: Four staff members were asked to leave in Q1 2014. As reported last quarter, this reflected a change in emphasis from retail to institutional investors.

Karen Shackleton
Senior Adviser
AllenbridgeEpic Investment Advisers Limited
16th June 2014

ISLINGTON

Finance Department
7 Newington Barrow Way
London N7 7EP

Report of: **Corporate Director of Finance and Resources**

Meeting of:	**Date**	**Agenda item**	**Ward(s)**
Pensions Sub-Committee	15 July 2014	**B5**	n/a

Delete as appropriate	Exempt	~~Non-exempt~~

Appendix B attached is exempt and not for publication as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

SUBJECT: - Investment Strategy Asset Allocation Update- Liability Hedging

1. Synopsis

1.1 To progress on the Fund's investment strategy allocation in considering liability hedging approaches and consider the discussion papers prepared by AllenbridgeEPIC- Appendix A and Mercer's presentation slides Appendix B (private and confidential)

2. Recommendation

2.1 To consider for information AllenbridgeEPIC's paper Appendix A on liability hedging

2.2 To consider Mercer's recommended changes to future investment strategy set out in Appendix B (private and confidential) and agree whether to proceed with :

(i) Restructuring the current bond allocation from investment grade credit to multi asset credit and gilts

3. Background

3.1 Members agreed at the November meeting to maintain the current split of 75% in growth assets and 25% in defensive assets. A further paper in March provided information on alternative asset types, expected returns and associated risk and it was agreed to reduce the Fund's equity allocation by 10% to invest in a diversified growth fund and to consider further the restructuring of the current bond investments. A further paper was requested to the next meeting to discuss credit and liability hedging approaches.

3.2 Appendix A is a briefing prepared by our independent investment advisors, AllenbridgeEPIC, explaining liability hedging and why it is important for a pension fund. It gives a basic introduction to the theory behind liability hedging and then looks at some of the practical ways in which a pension fund can introduce a liability hedging approach into an investment strategy. Members are asked to consider this to enhance their understanding and knowledge.

3.3 Appendix B(private and confidential) is a presentation prepared by Mercer(our investment consultant) to discuss the Fund's approach to liability hedging by considering market conditions of government bonds(gilts) and corporate bonds(credit), the strategic reasons to invest in assets matching liabilities and methods of matching.

3.4 Members are asked to consider and discuss all these factors and agree changes to the investment strategy in the light of Mercer's recommendations and to implement the consequent restructure and any associated cost.

A further progress report on implementation will be brought to the next committee meeting in September.

4. Implications

4.1 **Financial implications**
Fund management and administration fees are charged directly to the pension fund. The transfer of assets will generate some costs.

4.2 **Legal Implications**
None applicable to this report.

4.3 **Environmental Implications**
None applicable to this report.

4.4 **Equality Impact Assessment**
None applicable to this report.

5. Conclusion and reasons for recommendation

5.1 Members are asked to consider all the factors outlined in Appendix A and Appendix B(private and confidential) and agree changes to the current structure of the Fund.

Background papers:
None

Final report clearance:

Signed by:

	Corporate Director of Finance and Resources	Date
Received by:		
	Head of Democratic Services	Date

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AllenbridgeEpic
investment advisers

REPORT PREPARED FOR

London Borough of Islington Pension Fund

Liability Hedging

13th May 2014

Karen Shackleton
AllenbridgeEpic Investment Advisers Limited (AllenbridgeEpic)

karen.shackleton@allenbridgeepic.com www.allenbridgeepic.com

This report provides an explanation of liability hedging and why it is important for a pension fund. It gives a basic introduction to the theory behind liability hedging and then looks at some of the practical ways in which a pension fund can introduce a liability hedging approach into an investment strategy.

1. Understanding Liabilities – going back to basics

1.1. Local Government Pension Scheme (LGPS) **liabilities** are pension payments that the pension scheme must pay out to its members in the future. There are three types of members in the scheme:

- Pensioners (these payments are known with a relatively high degree of certainty and are already being paid out)
- Deferreds (future pensions that relate to former employees who have yet to reach retirement age, known with a reasonable degree of certainty but not yet being paid out)
- Actives (pensions that relate to current employees who are still accruing pension rights , some uncertainty about the future cash-flow)

1.2. In order to assess how much these pension payments in the future will be, the scheme actuary has to make several assumptions about the future including mortality, salary increases, inflation, demographics and regulatory changes.

1.3. Once these assumptions have been agreed, the actuary then assesses how much money needs to be put aside *today*, in order to meet that estimated cash-flow in the future. Any money put aside today can earn an investment return so the amount required today should be less than the future value of all those payments.

1.4. A prudent assumption is to say that the money invested today will be put into long-dated gilts, as a low-risk investment. Some gilts have a long time horizon (like the Scheme liabilities), and because they are issued by the UK government, they are generally assumed to be secure investments. Those gilts will pay a coupon every six months and, on maturity, they will return the principal to the investor.

1.5. In simple terms, the actuary **discounts** the value of the future liability cash-flow,taking all the future coupon payments from gilts into account. To do this, the actuary uses the current **yield** that could be earned by investing in gilts in order to work out how much money needs to be put to one side today.(In Mercer's presentation to the Pensions Sub-Committee in November 2013, the preliminary results for March 2013 valued the liabilities, on this basis, at £1.312 billion.)

1.6. This is one of the key outputs from the actuarial valuation.

1.7. This valuation methodology means that there is a direct relationship between the *present value* of the liabilities and interest rates. The higher the yield on gilts, the greater the return on the money invested, so the lower the present value of the liabilities (i.e. money needed today) will be, and vice versa. In simplified terms, this is rather like a see-saw.

Chart 1

Gilt yields high

Present value of liabilities low

Gilt yields

Liabilities

Chart 2

Gilt yields low

Present value of liabilities high

Gilt yields

Liabilities

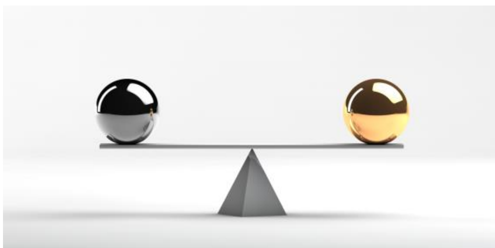
2. <u>The Basics of Hedging ... in a Utopian World</u>

2.1. Let us now make some bold assumptions, for the purposes of introducing the concept of hedging. Let us assume that inflation, longevity, demographics and all the other assumptions that the actuary makes are known with certainty. That would mean we would have a high degree of certainty about all the future cash-flows that the pension fund will need to make. The actuary can work out the present value of the liabilities with a high degree of confidence.

2.2. Let us also assume that there are no constraints on the local authority as to how much money can be put to one side for those future payments.

2.3. If the local authority now invests the present value of the liabilities in gilts, which earn exactly the same yield as the yield used by the actuary in determining the present value of the liabilities, the pension fund will be in a harmonious position. The see-saw will be perfectly balanced, as in Chart 3. The liabilities are represented by the silver (left hand) ball: the gilts are represented by the gold (right hand) ball.

Chart 3



2.4. If **yields rise**, the current value of the **liabilities will fall** (as in Chart 1) but **the gilt portfolio will also fall** in value by the same amount. The fund remains in harmony, as in Chart 3. If yields **fall**, on the other hand, the current value of the **liabilities will rise** (Chart 2), but the **value of the gilt portfolio will also rise** in value by the same amount. The pension fund is **fully hedged**. In other words, it is able to meet its future pension payments with certainty, independently of how the markets move. This is a highly desirable outcome for both members of the scheme and the authority.

2.5. The way the portfolio can hedge in this way is to invest in a portfolio of gilts whose average ***duration*** is broadly the same as the average duration of the liabilities. By matching the duration, both assets and liabilities have the same sensitivity to a given move in interest rates.

2.6. Unfortunately, there were a number of assumptions in the process just described which make liability hedging a much less certain strategy. Inflation, mortality, demographics etc. are all difficult to predict. An incorrect assumption in any of these variables will mean that the scheme will not be perfectly hedged even if it is entirely invested in gilts. In addition, budget constraints mean the local authority is not immediately able to top up the value of the investments to ensure a fully funded position. Because of this, the pension fund is obliged to invest in more risky assets (earning a higher rate of return than gilts) in order to reduce the *funding deficit* over time.

2.7. That having been said, a liability-hedged position is still a desirable outcome for the pension fund, and working towards this should be an ultimate goal for the Pensions Committee.

2.8. The remainder of this paper looks at some different ways to achieve this.

3. Growth versus Defensive Assets

3.1. One of the first steps is to broadly split the investments in a pension fund into two groups: growth assets and defensive assets.

3.2. Growth assets are there to help reduce the funding deficit (or protect against higher than expected inflation) by earning a higher rate of return than the gilt yield used by the actuary to value the liabilities. In the current portfolio, nearly 80% of the portfolio is invested in growth assets (equities, private equity and property).

3.3. The defensive assets are there to provide protection against adverse moves in gilt yields so that the investments continue to meet the cash-flow requirements of the pension scheme. In the current portfolio, just over 20% is invested in a corporate bond portfolio managed by Standard Life.

3.4. The scheme has invested in corporate bonds instead of gilts, because they have, for the past few years, offered an attractive yield premium over gilts. This has worked well for the pension scheme. Over the three year period to December 2013, for example, gilts return +6.9% per annum. Standard Life, however, delivered a return of +7.7% (source: WM). Please remember though that past performance is not necessarily a guide to future returns and that this excess return is a reflection of increased default risk.

4. A Review of Mercer's Recommendation for the Defensive Assets

4.1. Mercer is now recommending a new approach for the fixed income portfolio. They are suggesting moving the corporate bond portfolio to a combination of gilts and multi-asset credit. Spreads on corporate bonds, relative to gilts, have narrowed, and opportunities to add value are more likely in some of the relative plays implemented by multi-asset credit.

4.2. **What is multi-asset credit?** This is a strategy where the bond manager is given an unconstrained mandate within fixed interest assets, so has the freedom to choose whichever bond classes they believe are likely to add value, be it emerging market debt, convertible bonds, or high yielding assets. Very often, the manager is making a relative bet on the direction of the spread between two credit segments, so these strategies aren't always as risky as the underlying bond investments might suggest. However, they do employ complex strategies and utilise derivatives in order to make speedy decisions, and this can make it harder for a lay person to unravel what is going on, than for a traditional bond portfolio.

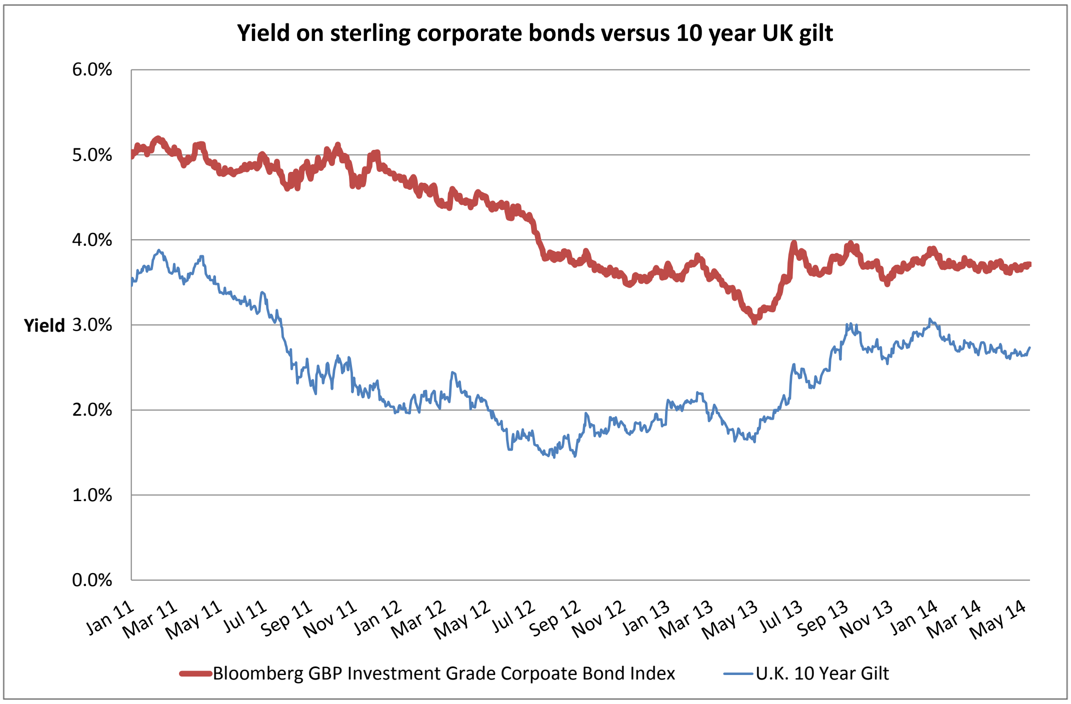
4.3. One important feature of multi-asset credit is that the **duration** of the bond portfolio is normally much lower than for a traditional portfolio (like the one currently being managed by Standard Life). This means that the new portfolio should deliver the value-added premium, relative to gilts, but it is no longer an ideal **hedge** for the liabilities. The defensive portfolio has become less defensive and the scheme is more exposed to shifts in gilt yields than before.

4.4. Mercer is therefore recommending that the multi-asset credit portfolio is **combined with a traditional gilt portfolio** which will contribute the necessary liability hedging characteristics back into the portfolio. The arguments in favour of such a move are outlined in Section 2.

5. Market Environment

5.1. Perhaps the difficult question to answer, about the move recommended by Mercer in Section 4, is when the timing of such a switch should take place. There are certainly arguments in favour of going forward with the multi-asset credit element because the excess return potential is greater than in corporate bonds in the current market environment - Chart 4 shows how the yield premium (return opportunity) has narrowed since 2011. But despite that narrowing, corporate bonds are still trading at a slight premium **relative to gilts**. Default rates remain low and many corporates are in a strong position as the economy recovers. It may still make sense to continue to earn that smaller return premium relative to gilts.

5.2. **Chart 4 – Spread in yields between corporate bonds and UK gilts**



Source: Bloomberg

5.3. **Are interest rates going to rise?** In the UK, the economy grew by 0.7% in Q4 2013, and by 1.9% for 2013 as a whole. The Bank of England expects UK GDP growth to be around 3.4% in 2014. In January 2014, unemployment fell to 7.1% which was close to the “threshold” rate of 7.0% indicated in Mark Carney’s speech some six months earlier. He had at that time indicated that he would keep interest rates at 0.5% until UK unemployment fell below 7%, provided inflation did not rise above 2.5%. This was anticipated, at that time, to take place in 2016. As the threshold trigger loomed close, Carney began to suggest that forward guidance would no longer need to apply and the trigger was indeed formally abandoned in February 2014. The threat of rising interest rates, in the short term, at least, was reduced.

5.4. However, consensus over likely future interest rate levels in the medium term remains somewhat mixed. Mark Carney predicts that rates could rise as much as 3% by 2017. It certainly seems likely that a slow and gradual upward drift will be seen over the next two to three years.

5.5. The difficulty for the pension fund is that moving into a gilt portfolio today, whilst hedging the liabilities, does mean that the **capital value** of that portfolio is likely to be eroded over the next three years as interest rates rise. (Of course, rising interest rates will also mean that the value of the liabilities will fall).

5.6. One option for the Pensions Committee, instead of moving into gilts, is to retain an allocation in the corporate bond portfolio. The yield premium earned might – at least partially - compensate for the anticipated loss in capital value in the portfolio, if interest rates do indeed rise. Yet the longer duration of the corporate bond portfolio, compared with the multi-asset credit portfolio, means that the bond portfolio is still providing hedging security with respect to the liabilities.

5.7. This is a difficult timing decision, and the Committee may wish to seek the advice of (for example) Standard Life as to the optimal time to implement such a switch.

6. Other Liability Hedging Assets

6.1. Other assets can also provide some protection against moves in the value of the liabilities. Asset classes such as infrastructure and private debt offer relatively secure, long term cash-flows, and some offer an element of inflation-protection, as well.

6.2. There are a number of decisions for the Committee, before investing in these assets. For infrastructure, for example, this includes:

- Whether to access infrastructure equity or infrastructure debt (this is a question of risk versus return, the higher the risk/return the more the asset moves into the growth portfolio rather than the defensive portfolio).
- Whether to access infrastructure domestically or globally (there are diversification benefits with a global investment but this introduces currency risk).
- Whether to access the asset class via a closed-ended fund (with a finite time horizon) or an open-ended fund.

6.3. These decisions will ultimately depend on the role infrastructure and/or private debt is required to play in the portfolio and is part of a wider debate that will follow in future meetings. Many of these assets sit on the boundary between growth assets and defensive assets and so can be introduced as part of the scheme's path to a fully funded position, if they are financed by the sale of other growth assets.

7. Summary

7.1. There are strong arguments in favour of maintaining some hedging strategies, relative to the liabilities, within the pension fund investments.

7.2. Multi-asset credit offers a greater opportunity to add value over a gilt yield in the current environment, compared to a traditional corporate bond strategy.

7.3. This, however, needs to be complemented by a longer duration portfolio of gilts in order to maintain the liability-hedging characteristics within the overall fixed income allocation.

7.4. That having been said, the timing of the move from corporate bonds to gilts (for that element of the bond allocation) may be something to review.

7.5. Alternative liability hedging assets may also have a role in the pension scheme's investments as the fund continues towards its goal of becoming a fully funded scheme.

Karen Shackleton
Senior Adviser
13th May 2014

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ISLINGTON

Finance Department
Municipal offices, 7 Newington Barrow Way London, N7 7EP

Report of: **Corporate Director of Finance and Resources**

Meeting of:	**Date**	**Agenda item**	**Ward(s)**
Pensions Sub-Committee	15 July 2014	B8	n/a

Delete as appropriate	Exempt	Non-exempt

SUBJECT: ANNUAL REVIEW AND PROGRESS ON THE 2011-2015 PENSION BUSINESS PLAN

1. Synopsis

1.1 To report to the Pension Sub-Committee progress made to date on some of the action plans in the agreed four year business plan and undertake an annual review of the plan

2. Recommendations

2.1 To consider and note progress to date on some of the action plans on the attached business plan, Appendix A.

2.2 To review the business plan and agree the required changes

3. Background

3.1 CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom (Guidance note issue No. 5) publication, is based on ten principles proposed by the Myners review of Institutional Investment in the United Kingdom, and was adopted by the Government as a model for best practice in 2001.

3.2 The 10 Myners principles were reviewed by the NAPF in 2007 and after consultation a response document was published in October 2008 and adopted by CLG (government department responsible for the oversight of the LGPS). The LGPS administering authorities are required to prepare, publish and maintain a statement of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation.

3.3 The Myners principles and compliance forms part of Islington Pension Fund's published Statement of Investment Principles. Myners Principle 1- Effective decision-making through a forward looking business plan is a key requirement. Members agreed a four year business plan to April 2015 and to review the plan annually.

3.4 The key objectives of the four year business plan agreed at the March 2011 Pensions sub-committee and last reviewed in June 2013 are

- To achieve best practice in managing our investments in order to ensure good long-term performance , sustainability of the Fund and pursue new investment opportunities

- To continually improve our administration in order to deliver an excellent and cost effective service to all Fund Members.

- To engage with companies as an active and responsible investor with a focus on good corporate governance and environmental sustainability.

- To actively monitor and challenge poor performance in managers and to pursue new investment opportunities

- To develop collaboration opportunities with other funds for sharing of services collaborate

3.5 The four year business plan with progress to May 2014 is attached as Appendix A. Members are asked to consider and note progress made and undertake a review of the plan for any amendments.

4. Implications

4.1 **Financial implications:**

4.1.1 It is envisaged that a good business plan with effective actions as a whole will lead to efficiencies in running the fund and cost savings.

4.2 **Legal Implications:**

4.2.1 Elected members have fiduciary duty to the Fund, scheme members and local council tax payers in relation to the LGPS.

4.3 **Equality Impact Assessment:**

4.3.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding."

4.3.2 An equalities impact assessment has not been conducted because this report is not considering any policy changes.

4.4 **Environmental Implications**

4.4.1 None specific to this report

5. Conclusion and reasons for recommendations

5.1 It is good practice to have a business plan to formulate actions and enable members to make effective decisions. Members are therefore asked to note progress made and review the business plan to agree the required amendments.

Appendix A -4 year business plan to 2015

Background papers: none

Final report clearance:

Signed by:

	Corporate Director of Finance and Resources	Date
Received by:		
	Head of Democratic Services	Date

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APPENDIX A

Action to be taken	Timescale	Details (primary responsibility)	Progress to May 2013	Progress to June 2014
1. To achieve long-tem investment performance , Fund sustainability and pursue new investment opportunities				
(a) Consider an interim valuation and LGPS scheme changes	Sept 2012	Use results to review funding level and any potential effect of the scheme changes	Considered interim valuation and likely position for 2013 valuation. 31 March 2013 actuarial valuation is now being undertaken	31 March 2013 actuarial completed and certified on 30/3/14
(b) Review investment strategy to reflect asset/liability position To commence as part of the 31 March 2013 actuarial valuation process	2014-2015	To use results and other analyses to set benchmark asset allocations and Fund outperformance targets and risk levels *(Pensions sub-cttee, Investment advisers).*	b)September meeting to consider fund objective to formulate investment strategy	b) Members agreed in November to maintain split of 75% growth and 25% matching asset allocation
(c) Implement any resulting changes to asset allocation, portfolio and fund management structures.	Ongoing	Plan procurement and tendering process with transition of assets requirement to minimize cost and optimize value of assets	c)L& G will transition on 3 June 2013 to minimize transaction cost	c)10 % of the total fund is to invested in a Diversified growth fund(DGF)
(d) Review all contracts on a rolling basis including, actuary, voting services, investment advisers and custodial services.	2011-2015	Committee to agree conclusions of all reviews. Director of Corporate Finance to have delegated authority to review contracts and performance and fee levels when required. *(Pensions Sub-Committee, Officers).*	d) National framework for pension advice and actuary service is now up and running and custody service is nearing final stages for completion in Autumn -LBI will be using these frameworks going forward - PIRC reappointed for a 3year contract in Jan'2013.	d) Signed up to use National custody framework .

APPENDIX A

Actions to be taken	Timescale	Details (primary responsibility)	Progress to May 2013	Progress to June 2014
(e) Closely monitor new legislation affecting the LGPS or pension provision.	Ongoing	Consider reports on the implications for the Fund and agree actions necessary to ensure full compliance when final legislation is enacted including meeting deadlines. *(Pensions sub-committee, Officers, Actuary).*	-	Council responded to Councillors pension consultation in June'13 Also responded to Call for evidence on LGPS merger of Fund and subsequent CIV consultation in September
2. To deliver an excellent and cost effective administration service to all fund members				
(a) Agree key performance indicators for the administration of the Fund and continue to benchmark against similar funds.	Ongoing.	Development complete by Q2 2011 with regular reporting to schedule to Pension sub cttee thereafter. Continue ongoing CIPFA benchmarking. *(Officers).* Analyse survey results (pension sub cttee, officers)	a)Members continue to receive quarterly monitoring rept on focused KPI	Ongoing
(b) Carry out a survey to gain feedback from pensioners and active employees on customer satisfaction.	2012	Changes required from survey to be implemented during 2012. *(Pensions sub cttee, Officers including LBI communications team)* .	b) Pensioner's survey results were discussed at AGM in October 2012.	Survey of satisfaction levels for active and newly retired over one year period from August 2013 was reported to Members in September . Results had a high level of satisfaction.
(c) Implement changes based on survey responses	Oct 2012-Mar 2013		Good work of admin team was highlighted and improvements are to be made to answering of telephone calls by staff.	

APPENDIX A

Actions to be taken	**Timescale**	**Details (primary responsibility)**	**Progress to May 2013**	**Progress to June 2014**
d) To devise a communication plan and consultation to stakeholders	Ongoing	Newsletters, annual benefit statements, annual reports, AGM and employers meetings to continue as previously *(Officers).*	d)Annual benefits statement due out in June 2013 Communication plan on 2014 LGPS to be in place by September 2013	d) Active members received their annual benefit statements (ABS) in June 2013 and deferred members in December 2013. Publicity and letters sent out on New LGPS was reported to Members in March '14
3. To be active and responsible investors focusing on corporate governance and environment sustainability through engagement.				
(a) Continue to engage with companies through active membership of LAPFF, IIGCC and other suitable bodies.	Ongoing.	Key themes will be corporate governance especially relating to human rights, employment practices and protection of the environment. *(Pensions sub cttee, Investment advisers, PIRC, Officers.)*	(a) Continue to work with LAPFF and IIGCC	a) Continue to work with LAPFF and IIGCC
(b) Develop improved monitoring of fund manager engagement activity.	Ongoing.	To include engagement with managers on their own corporate governance as part of terms of reference on appointment. *(Pensions sub cttee, investment advisers, Officers).*		b) Members have attended a number of AGMs of companies as shareholder to exercise our voting rights
(c) Improve communication of engagement activities to stakeholders and public.	Review during 2012	To include potential for publication of LBI voting record. *(Officers and PIRC).*	c) Fund voting records will form part of its Annual report 2013.	PIRC service provider presented our voting records at the 2013 AGM
(d) Integrate our responsible investment policy into the Fund's	Ongoing	To include consideration of appropriate responsible investment	Applied in tender procurement documents.	Members have sought Counsel advise on

Actions to be taken	Timescale	Details (primary responsibility)	Progress to May 2013	Progress to June 2014
investment review		funds. Manager policies on equalities, environment and corporate governance to form review criteria alongside performance and fee considerations. *(Pensions sub cttee, Investment advisers, Officers).*		investors responsibilities in respect of SRI issues and a full report is to be discussed in September to update the Fund's SIP
4. To actively monitor and challenge poor performance in managers and to pursue new investment opportunities				
(a) Review current fund manager performance against agreed targets over three- to five year rolling periods	Ongoing	Use existing terms of reference for appointment and firing of managers as a guideline to monitor performance of fund managers *(Pensions sub cttee, Investment advisers, Officers).*	(a) Members continue to monitor fund managers performance	a)Members monitoring continues
(b) Review current fund manager quarterly monitoring arrangements	Ongoing	Agree a forward plan for existing fund managers to meet the pension sub committee. The Corporate Director of Finance to continue monitoring managers between quarterly meetings (*Pensions sub cttee, Investment advisers, Officers).*	(b) The forward plan now schedules managers to present to the cttee.	(b)The forward plan continues to schedule managers
(c) To consider new investment opportunities which can help improve the fund's financial performance	Ongoing	Pension sub committee have a long term objectives and clear investment policies to achieve them. (*Pensions sub cttee, Investment advisers, Officers).*	c) £20million Residential property mandate was funded in January 2013. 50% of emerging market passive mandate with L&G to be benchmarked against FTSE RAFI index effective	Members have received a number of reports on investment approaches and various training sessions.

APPENDIX A

Actions to be taken	Timescale	Details (primary responsibility)	Progress to May 2013	Progress to June 2014
(d) To keep abreast of developments on pension and investment issues	Ongoing	Pension sub committee will agree a training plan and evaluate annually training undertaken and future needs *(Pensions sub cttee, Investment advisers, Officers).*	from 3 June 2013	Members have received training sessions on Diversified Growth Funds and multi asset credits role in a portfolio to enable them to make asset allocation decisions
5. Develop collaboration opportunities with other funds for sharing of services				
(a) Seek to collaborate with other partners to achieve efficiencies and value for money	Ongoing	To agree to share services where it is beneficial to the fund objectives of sustainability and performance		Members have signed up to be a shareholder of the new London Collective Investment Vehicle (CIV) as an investment company for London Boroughs. The Chair of the Pensions Sub Committee will also sit on the new London Pensions CIV Joint Committee.

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ISLINGTON

Finance Department
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Report of: **Corporate Director of Finance and Resources**

Meeting of:	Date	Agenda item	Ward(s)
Pensions Sub-Committee	15 July 2014	**B9**	n/a

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SUBJECT: PENSIONS SUB-COMMITTEE 2014/15– FORWARD PLAN

1. Synopsis

1.1 The Appendix to this report provides information for Members of the Sub-Committee on agenda items for forthcoming meetings.

2. Recommendation

2.1 To consider and note Appendix A attached.

3. Background

3.1 Details of agenda items for forthcoming meetings will be reported to each meeting of the Sub-Committee for members' consideration in the form of a Forward Plan. There will be a standing item to each meeting on performance.

3.2 The Forward Plan will be updated as necessary at each meeting, to accord with Members' wishes.

4. Implications

4.1 **Financial implications**
None applicable to this report. Financial implications will be included in each report to the Pensions Sub-Committee as necessary.

4.2 **Legal Implications**
None applicable to this report. Legal implications will be included in each report to the Pensions Sub-Committee as necessary.

4.3 **Environmental Implications**

None applicable to this report. Environmental implications will be included in each report to the Pensions Sub-Committee as necessary.

4.4 **Equality Impact Assessment**

None applicable to this report. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding

.

5. Conclusion and reasons for recommendation

5.1 To advise Members of forthcoming items of business to the Sub-Committee.

Background papers:

None

Final report clearance:

Signed by:

Corporate Director of Finance and Resources   Date

Received by:

Head of Democratic Services   Date

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APPENDIX A

Pensions Sub-Committee Forward Plan for July 2014– June 2015

Date of meeting	Reports
	Please note: there will be a standing item to each meeting on: • Performance report- quarterly performance and managers' update • Administration report- quarterly KPI
16 September 2014	Presentation - Property managers - Aviva ,Threadneedle Hearthstone Socially Responsible Investment (SRI) Policy update and Wonga update Statement of Investment Principles (SIP) review and update Investment strategy review update
20 October 2014	AGM
25 November 2014	Standard life presentation- bonds Governance structure and implementation Award report of Diversified Growth Fund (DGF) manager
9 March 2015	Global equities manager presentation
4 June 2015	L&G and In house Fund presentation WM annual performance presentation

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Agenda Item E2

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