

**Pensions Sub Committee - 11 June 2015**

Non-confidential minutes of the meeting of the Pensions Sub-Committee held at the Town Hall on 11 June 2015 at 7.30 pm.

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

**Also Present:**                           Marion Oliver, pensioner member representative  
Thelma Harvey (substitute pensioner member representative and observer)  
Bob Anderson (observer)  
Maggie Elliott (observer)  
Councillor Dave Poyser (observer)

Catherine Bermingham and Nikeeta Kumar, Mercer Investment Consulting  
Karen Shackleton, AllenbridgeEpic Investment Advisers

**Councillor Richard Greening in the Chair**

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

Received from Vaughan West and Councillor Michael O'Sullivan .

**58           DECLARATION OF SUBSTITUTES (Item 2)**

None.

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

None.

**60           MINUTES OF THE MEETING HELD ON 9 MARCH 2015 (Item 4)**

**RESOLVED:**

That the minutes of the meeting held on 9 March 2015 be confirmed as a correct record and the Chair be authorised to sign them.

**61           PENSIONS ADMINISTRATION PERFORMANCE FROM 1 FEBRUARY TO 31 MAY 2015 (Item B1)**

The Chair observed that the administration performance report would, in future, be submitted to the Pensions Board for consideration.

**RESOLVED:**

(a) That the performance against key performance indicators for the period from 1 February to 31 May 2015, 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 it be noted that Marion Oliver and Thelma Harvey (substitute) had been appointed to represent retired members, both on the Sub-Committee and the Board.

**62** **PENSION FUND PERFORMANCE FROM 1 JANUARY TO 31 MARCH 2015 (Item B2)**

**RESOLVED:**

- (a) That the performance of the Fund from 1 January to 31 March 2015, detailed in the report of the Corporate Director of Finance and Resources, be noted.
- (b) That the quarterly WM Company report on the overall performance, updated market value and asset allocation of the Fund as at 31 March 2015, detailed in Appendix 1 to the report, be noted.
- (c) That the report by AllenbridgeEpic Investment Advisers on fund managers' quarterly performance, detailed in Appendix 2 to the report and their presentation, be noted.
- (d) That the information in the Mercer bulletin of May 2015, entitled "May 2015 LGPS Current Issues", attached as Appendix 3 to the report, be noted.
- (e) That the information in Appendix 4 to the report, entitled "Financial Conduct Authority fine of BNY Mellon", the Fund's custodian, be also noted.

**63** **PRESENTATION FROM STATE STREET - WM ANNUAL PERFORMANCE OF FUND (Item B3)**

David Cullinan, State Street Global Services, gave a presentation on the annual performance of the Fund. Copies of the presentation were circulated to members.

He reported that Islington's Fund had performed in line with the sector average over the longer term, returning 5% pa ahead of inflation. The following points were noted:

- That strong equity/property returns had boosted asset values, but equally strong bond returns had inflated liability values
- The Fund had enjoyed healthy absolute returns but had lagged the benchmark in the short to medium term
- The impact of overseas equity underperformance from 2008 -2010 remained

Members discussed the underperformance of UK equity this year compared to overseas and whether to reduce the exposure of the In-House passive fund to global exposure. It was noted that, in general, most pension funds had moved to a global approach.

In response to a question as to why Islington held a currency hedge fund and the cost of fees, it was reported that only equities were hedged and the fees were £5k per year. Karen Shackleton undertook to submit an information report to the next meeting of the Sub-Committee on currency hedging.

**RESOLVED:**

That the presentation be noted.

**64** **PRESENTATION FROM LEGAL AND GENERAL - PASSIVE GLOBAL EQUITIES (Item B4)**

The Sub-Committee welcomed Chris Lyons, Client Relationship Manager at Legal and General Investment Management, to the meeting. A presentation on Islington's Fund was circulated to members. This covered the management of Islington's overall assets, portfolio activity and performance, a description of the FTSE RAFI fundamental index and the Legal and General asset allocation views at June 2015.

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In response to a question about the number of basis points paid by Islington to Legal and General, Mr Lyons stated that it was just under 30 and that the RAFI was more expensive as it carried a licence fee. He confirmed that, if Islington invested more into the Fund, the fee structure would be reviewed and possibly reduced.

**RESOLVED:**

That the presentation be noted.

**65** **PRESENTATION FROM ACTUARY - FUNDING UPDATE (Item B5)**

Ian Kirk, Principal at Mercer, accompanied by Jon Ferreira, gave a presentation on the actuarial valuations of Islington's Pension Fund, including a recap of 2013 and issues for consideration in 2016.

It was noted that the deficit had increased since 2013 and assets and liabilities had continued to rise.

Members noted the low yield on gilts, as compared with, say, property investment.

For the future, alternative approaches on assumptions and the potential impact on contributions would need to be considered.

**RESOLVED:**

That the presentation be noted.

**66** **PENSION SUB-COMMITTEE - FORWARD PLAN 2015/16 (Item B6)**

**RESOLVED:**

That the following amendments be made to the Forward Plan of business for meeting of the Sub-Committee for 2015/16, detailed in Appendix A to the report of the Corporate Director of Finance and Resources:

14 September 2015 – add "Private equity" presentation

16 November 2015 – add "Franklin Templeton" presentation

The meeting ended at 9.50 pm

**CHAIR**