

London Borough of Islington

Pensions Sub Committee - 9 November 2015

Non-confidential minutes of the meeting of the Pensions Sub Committee held at the Town Hall on 9 November 2015 at 7.30 pm.

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

Also Present: Maggie Elliott (observer)
David Bennett (observer)
Vaughan West (observer)

Nick Sykes and and Nikeeta Kumar, Mercer Investment Consulting
Karen Shackleton, AllenbridgeEpic Investment Advisers

Councillor Richard Greening in the Chair

The Chair apologised for the late circulation of the Performance report for this meeting.

He referred to the Chancellor's recent statement calling for the creation of six 'British wealth funds' of £30bn and Islington's Pensions Sub-Committee's decision to invest in the Common Investment Vehicle (CIV) in order to pool assets. Given the increasing importance of the CIV, he asked that regular updates on progress be submitted to the Sub-Committee. The Chair also requested that a report on the Markets in Financial Instruments Directive II be submitted to the Sub-Committee.

1 **APOLOGIES FOR ABSENCE (Item 1)**
Received from Councillor Rupert Perry.

2 **DECLARATION OF SUBSTITUTES (Item 2)**
Councillor Jean-Roger Kaseki substituted for Councillor Rupert Perry.

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

4 **MINUTES OF THE MEETING HELD ON 14 SEPTEMBER 2015 (Item 4)**

RESOLVED:

That the minutes of the meeting held on 14 September 2015 be confirmed as a correct record and the Chair be authorised to sign them.

5 **PENSION FUND PERFORMANCE FROM JULY TO SEPTEMBER 2015 (Item B1)**
The Chair apologised for the fact that the Performance report (agenda item B1) had not been available for circulation with the agenda and was still incomplete, as final figures for some managers were not yet available and therefore the total fund estimate could not be estimated by WM Company.

Pensions Sub Committee - 9 November 2015

The Head of the Pension Fund and Treasury Management explained the reason in the delay in the figures from WM Company. Unfortunately a period of time after quarter end was required to generate manager reports and the timing of this Sub-Committee was too early in the cycle to have allowed sufficient time for this. In addition, WM Company had had to wait for the first full quarter figures from Schroders, the Fund's new Diversified Growth Fund manager, for inclusion in the total fund estimate.

Following discussion, it was agreed that the report in its current form, although incomplete, should be considered by the Sub-Committee. For the future, meetings of the Sub-Committee were to be arranged on a date which fell approximately six weeks after quarter end.

Given the lack of final financial information in the report, the Sub-Committee agreed that there were certain recommendations in the report of the Corporate Director of Finance and Resources that could not be approved at this meeting viz recommendations 2.1 and 2.3.

It was noted that the final total fund figures from WM Company would be circulated to members of the Sub-Committee and Board once they became available.

RESOLVED:

(a) That the report by AllenbridgeEpic Investment Advisers on fund managers' quarterly performance, detailed in Appendix 2 to the report of the Corporate Director of Finance and Resources, and their presentation be noted.

(b) That £150,000 be paid to the London Common Investment Vehicle to subscribe for 150,000 non-voting redeemable shares of £1 each in the capital of the Company and that the Shareholders' Agreement and Articles of Association detailed in Appendix 3 of the report be noted.

(c) That the information on investment management fees prepared by Mercers (Exempt appendix 4 to the report) be noted.

8 PRESENTATION - FRANKLIN TEMPLETON - GLOBAL PROPERTY (Item B2)

The Sub-Committee welcomed Chris Orr, Witsard Schaper and Marc Weidner, representing Franklin Templeton Investments, to the meeting. A presentation on Islington's Fund was circulated to members.

They updated the Sub-Committee on progress on Private Real Estate Fund I and Fund II. Fund I was fully committed and the results were good. Fund II had made three investments to date in Europe and no capital drawdowns had been requested.

On behalf of the Sub-Committee, the Chair thanked the representatives from Franklin Templeton for their presentation and for the performance on Fund I.

9 PRESENTATION - HEARTHSTONE - RESIDENTIAL PROPERTY (Item B3)

The Sub-Committee welcomed David Gibbins, Christopher Down and Jeff Pulsford, representing Hearthstone Investments, to the meeting. A presentation on Islington's Fund was circulated to members.

The Sub-Committee were informed that there had been solid investment performance in this investment, with strong opportunities ahead.

The Sub-Committee noted that a number of staff has recently left the firm and questioned whether the remaining six employees was a viable number. Christopher Down stated that

Pensions Sub Committee - 9 November 2015

he thought that the team was the right size for the business, though they hoped to recruit a Fund Operator within a month.

The Chair noted that Islington held over half of the total assets in the Fund. In response to a question, Mr Down said that he was very confident that the growth detailed on page 9 of the presentation was achievable.

Noted.

10 PENSIONS SUB-COMMITTEE - FORWARD PLAN 2015/16 (Item B4)

RESOLVED:

(a) That the contents of Appendix A, attached to the report of the Corporate Director of Finance and Resources, and detailing proposed agenda items for future meetings, be noted.

(b) That the update on the process to procure and appoint an Emerging/Frontier Market manager, detailed in paragraph 3.1 of the report, be noted.

(c) That a session be added to the proposed training schedule for the Sub-Committee and Board on the Actuarial Valuation.

11 ALLIANZ - TRANSFER OF ASSETS TO THE LONDON COMMON INVESTMENT VEHICLE (Item B5)

RESOLVED:

(a) That the information contained in the report of the Corporate Director of Finance and Resources on the proposed launch of the London Common Investment Vehicle (CIV) with nine sub funds be noted.

(b) That, subject to being satisfied that the Council will not incur costs in excess of the transition fee, the current Allianz equity portfolio be transferred to the London CIV platform by December 2015 and that it be reviewed after 12 months of operation.

12 INFRASTRUCTURE IMPLEMENTATION PROPOSAL VIA THE LONDON CIV (Item B6)

RESOLVED:

(a) That the latest Government trend on investment policy of local government pension funds, as detailed in the report of the Corporate Director of Finance and Resources, be noted.

(b) That Islington's pension fund's investment strategy to invest up to 15% on infrastructure and social housing be reaffirmed.

(c) That confirmation be sought from the London CIV that they will develop an infrastructure sub fund or investment vehicle, ideally including social housing, covering Islington's mandate specification over the next 12 to 18 months.

(d) That if confirmation is not forthcoming from the London CIV as described in resolution (c) above, alternative plans of implementation be sought.

13 RESPONSIBLE INVESTMENT IN EQUITIES - DISINVESTMENT FROM SOCO INTERNATIONAL (Item B7)

Members discussed the Fund's investment policy on social and responsible investment and possible options to exclude unethical investments, having regard to their fiduciary duty and legal position.

RESOLVED:

(a) That the Corporate Director of Finance and Resources be authorised to disinvest the pension fund from its investment in SOCO International and to reinvest the proceeds in other FTSE All share Companies as part of the In-House Tracker Fund, as far as it is legal and adhering to its fiduciary duty.

(b) That officers request Fund Managers to detail the Environmental, Social and Governance standards used in their investment decisions in order that similar holdings ie where there are serious human rights, environmental and long-term sustainability of assets issues may be reviewed by the Sub-Committee as necessary.

14 ALLIANZ - TRANSFER OF ASSETS - EXEMPT APPENDIX (Item E1)

RESOLVED:

That the contents of the exempt appendix be noted.

The meeting closed at 9.50 pm

CHAIR