

London Borough of Islington

Pensions Sub Committee - 11 April 2016

Non-confidential minutes of the meeting of the Pensions Sub Committee held at the Town Hall on 11 April 2016 at 7.30 pm.

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

Also Present: David Bennett (observer)
Councillor David Poyser (observer)
Vaughan West (observer)

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

Councillor Richard Greening in the Chair

15 **APOLOGIES FOR ABSENCE**
Received from Councillor Rupert Perry.

16 **DECLARATION OF SUBSTITUTES**
None.

17 **DECLARATION OF INTERESTS**
None.

18 **MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

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

Matters arising:

Minute 11 – Allianz – transfer of assets to the London Common Investment Vehicle (CIV) –
The Chair reported that the Allianz equity portfolio had been transferred to the London CIV and that Islington was now in partnership with Wandsworth and Ealing.

He also reported that the Prime Minister had made reference in the House of Commons that afternoon to Islington's Pension Fund which implied that overseas investments were the same as off shore tax avoiding funds, which was not the case. He noted that Islington's Pension Fund invested more in the UK than overseas.

19 **PENSION FUND PERFORMANCE - 1 OCTOBER TO 31 DECEMBER 2015**
Joana Marfoh drew the Sub-Committee's attention to recommendation 2.5 in her report highlighting the fact that State Street, WM's performance measurement service provider, had given notice of termination of contract, effective from March 2016, to third party clients in the UK and the Netherlands. She reported that officers had engaged BNY Mellon to cover

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the position in the short term and had asked WM Company to pass all of Islington's data to BNY. She anticipated that, in a few weeks' time, BNY would know how many LGPS funds had engaged with them and would then be in a position to know whether there were sufficient to compare performance data.

Members discussed the benefits of measuring performance at 1,3 and 5 years, as currently provided by WM Company and whether the London CIV or LAPFF might be in a position to produce this data instead. Members thought it would be useful to know the causal reasons why Islington consistently appeared in the lower performance ranking.

RESOLVED:

(a) That the performance of the Fund from 1 October to 31 December 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 December 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 bulletin from Mercers – "LGPS Current Issues – March 2016", attached as Appendix 3 to the report, be noted.

(e) That it be noted that notice had been received from State Street of their termination of contract for performance management services, effective from March 2016.

(f) That it be noted that officers had engaged BNY Mellon in the short term to measure performance and that Councillor Greening would discuss the longer term arrangements with the Head of the Pension Fund and Treasury Management, including enquiries with LAPFF and the London CIV as to whether they would consider assuming the provision of performance management data for LGPS funds.

(g) That a representative from WM Company, during their annual presentation to the Sub-Committee in June 2016, be invited to explain likely causal reasons why Islington's Pension Fund consistently appeared in the lower performance ranking.

22

LONDON CIV UPDATE

Members expressed some dissatisfaction that the London CIV had not yet proved itself as financially beneficial overall to its investors. The Chair stated that he would contact the Chief Executive of the London CIV to seek reassurances that there were no systematic problems within the organisation and that savings would be realised, as planned.

The Chair would pursue the issue of PIRC voting guidelines being applied to the Allianz sub-fund portfolio.

RESOLVED:

(a) That the progress made at the London CIV in launching funds and running of portfolios over the period from November 2015 to March 2016, detailed in the report of the Corporate Director of Finance, be noted.

(b) That the information in the exempt appendix on proposals to fund further resources and budget projection to 2020 be noted.

23

CARBON RISK MANAGEMENT

Members considered the paper produced by Mercer' entitled "An introduction to low carbon and fossil free passive equity" which anticipated that the policy response to managing climate change would become more urgent in the future. It would be useful to consider hedging portfolios against some of the risks posed by climate change eg rising carbon prices and "stranded assets". It was noted that a number of Funds had already withdrawn from oil and coal companies and that India and China had reduced their use of coal.

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It was noted that the Environment Agency had not excluded all companies producing fossil fuels but sought to achieve a lower carbon footprint. Also, it was understood that Haringey operated a low carbon fund.

Members would have to consider whether they wished to adopt a low carbon strategy and, if so, what the approach to fund managers might be. It was considered that, if the Sub-Committee decided at a future date to pursue a low carbon and fossil free passive equity fund, it could be managed by the in-house Team.

Subject to there being no financial detriment to the Fund, members were keen to pursue the option of a low carbon and fossil free passive equity.

RESOLVED:

(a) That the Head of Pension Fund and Treasury Management undertake further work to identify how the current passive equity fund compares to a low carbon and fossil free index, including an exploration of the approaches used by the Environment Agency and Haringey Council Pension Funds.

(b) That the Environment Agency be invited to a meeting of the Sub-Committee to share their approach to this issue.

24 PENSION FUND FORWARD PLAN 2016

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 it be noted that training on Actuarial Valuation would be provided to members of the Sub-Committee and Board in September 2016.

(c) That it be noted that the Actuary would be attending the September Sub-Committee meeting and would give the whole Fund position.

(d) That a report on options for a carbon-free approach be submitted to the Sub-Committee on 13 June 2016.

25 THE LONDON CIV UPDATE - EXEMPT APPENDIX

RESOLVED:

That the contents of the exempt appendix be noted.

26 DATE OF SEPTEMBER 2016 MEETING

Councillor Greening said that the date of the September 2016 meetings of the Sub-Committee and Board would be notified to members as soon as possible. The new date would be either 21 or 22 September 2016, rather than 6 or 13 September, which were no longer viable.

The meeting ended at 8.45 pm

CHAIR