

Pensions Sub Committee - 15 November 2016

Non-confidential minutes of the meeting of the Pensions Sub Committee held at Town Hall, Upper Street, London N1 2UD on 15 November 2016 at 7.30 pm.

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

**Also
Present:**

Karen Shackleton, Allenbridge Investment Advisers
Vaughan West (observer, Chair of Pensions Board)
Nick Sykes, Nikeeta Kumar, Jonathan Perera and Ian
Kirk – Mercer Limited

Councillor Richard Greening in the Chair

54 APOLOGIES FOR ABSENCE (Item A1)

Received from David Bennett, Maggie Elliott, Thelma Harvey and Marion Oliver, observers from Pensions Board.

Apologies for lateness received from Councillor Andy Hull.

55 DECLARATION OF SUBSTITUTES (Item A2)

Councillor Satnam Gill substituted for Councillor Paul Smith.

56 DECLARATION OF INTERESTS (Item A3)

None.

57 MINUTES OF THE PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 21 September 2016 be confirmed as a correct record and the Chair be authorised to sign them.

58 PENSION FUND PERFORMANCE - JULY TO SEPTEMBER 2016 (Item B1)

RESOLVED:

(a) That the performance of the Fund from 1 July to 30 September 2016, as per the BNY Mellon interactive performance report, detailed in the report of the Corporate Director of Finance and Resources, be noted.

(b) That the report by Allenbridge Investment Advisers on fund managers' quarterly performance, detailed in Appendix 2 to the report and their presentation, be noted.

Pensions Sub Committee - 15 November 2016

(c) That the explanatory memorandum to the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, detailed at Appendix 1 of the report and effective from 1 November 2016, be noted.

60 LONDON CIV UPDATE (Item B2)

RESOLVED:

That the progress made at the London CIV in launching funds and running portfolios from September to October 2016, detailed in the report of the Corporate Director of Finance and Resources, be noted.

Karen Shackleton left the room during consideration of the following item.

61 PENSIONS SUB-COMMITTEE FORWARD PLAN 2016/17 (Item B3)

RESOLVED:

(a) That, subject to the addition of a training session before the Pensions Board and Sub-Committee on 13 March 2017 on "Actuarial review", the contents of Appendix A, detailing proposed agenda items for future meetings and attached to the report of the Corporate Director of Finance and Resources, be noted:

(b) That it be noted that the Corporate Director of Finance and Resources had approved the renewal of the independent investment advice, provided by Allenbridge, for 18 months, up to 30 September 2017.

62 UPDATE - LOWER CARBON FOOTPRINT IMPLEMENTATION OPTIONS (Item B4)

Nick Sykes, Mercer, gave a presentation on their review of the Sub-Committee's decision to reduce the carbon footprint of the Fund's equity assets, via a low carbon passive equity allocation.

RESOLVED:

(a) That the confidential presentation prepared by Mercer Limited, attached as Appendix 1 to the report of the Corporate Director of Finance and Resources, be noted.

(b) That the carbon footprint level of equities in the In-House UK Passive Fund be reduced with immediate effect, with 50% of assets allocated to Legal and General Investment Management's MSCI World Low Carbon Target Index Fund and the remaining 50% of assets managed in house to track the FTSE UK Low Carbon Optimised index.

(c) That officers investigate how a low carbon approach could be realised for the rest of the Fund, which does not comprise equities.

63 UPDATE ON ACTUARIAL REVIEW FUNDING STRATEGY STATEMENT - PRESENTATION (Item B5)

Ian Kirk, the Fund Actuary, gave a presentation on the Funding Strategy Statement (FSS) for the Fund, covering the key governing documents, purpose and regulatory requirements of the FSS and the areas of focus for 2016.

A low return future environment was anticipated for the LGPS and other funds. Taking this into account, with overall performance, an assumption of an increase in future employers'

Pensions Sub Committee - 15 November 2016

costs, from 12% to 14% (approximately £3m), was being proposed. The past service cost would fall to net off some of this increase.

However, members of the Sub-Committee considered that this was a very pessimistic assumption and had expected to consider an increase in employers' costs of between 5% and 11%.

RESOLVED:

That officers produce information on equities over the long term for the Pension Fund as a whole, to be considered at an additional meeting of the Sub-Committee in January 2017, together with information on the membership profile and an analysis of the assumptions made by the Actuary with regard to future employers' costs.

EXCLUSION OF PRESS AND PUBLIC (Item)

RESOLVED:

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:

<u>Agenda Item</u>	<u>Title</u>	<u>Reason for Exemption</u>
E1	Lower carbon footprint – report from Mercer Investments - exempt Appendix	<u>Category 3</u> – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

64

EXEMPT APPENDIX FROM MERCER- LOWER CARBON FOOTPRINT IMPLEMENTATION OPTIONS (Item B6)

RESOLVED:

That the contents of the confidential appendix, produced by Mercer Limited, on issues related to the implementation of a low carbon footprint for the Fund, be noted.

The meeting ended at 9.30 pm

CHAIR