

London Borough of Islington

**Pensions Sub Committee - 12 September 2018**

Non-confidential minutes of the meeting of the Pensions Sub-Committee held at the Town Hall, Upper Street, N1 2UD, on 12 September 2018 at 7.30 pm.

**Present:**           **Councillors:**           David Poyser (Chair), Andy Hull (Vice-Chair), Sue Lukes and Michael O'Sullivan

**Also Present:**                           Nikeeta Kumar, Tomi Nummela and Tony English, Mercer Limited  
Karen Shackleton – MJ Hudson Allenbridge  
Maggie Elliott and George Sharkey – Pension Board members and observers

Councillor Paul Convery

**Councillor Dave Poyser in the Chair**

**17**           **APOLOGIES FOR ABSENCE (Item A1)**  
None received.

**18**           **DECLARATION OF SUBSTITUTES (Item A2)**  
None.

**19**           **DECLARATION OF INTERESTS (Item A3)**  
None.

**20**           **MINUTES OF THE PREVIOUS MEETING (Item A4)**

**RESOLVED:**

That the minutes of the meeting held on 26 June 2018 be confirmed as a correct record and the Chair be authorised to sign them.

**21**           **DECARBONISATION AND RESPONSIBLE INVESTMENT POLICY REVIEW (Item B1)**  
Councillor Poyser stated that the Sub-Committee had a fiduciary and moral duty to Pension Fund members. The interests of Pension Fund members were paramount in all of the Sub-Committee's considerations. Last year's decision by the Sub-Committee to make changes to the in-house managed assets had reduced the Fund's carbon dioxide emissions by approximately 14,243 tonnes per year. For the future, the Sub-Committee would continue to explore opportunities to reduce the Fund's carbon footprint, would consider investment in renewable energy and green infrastructure and would continue to engage with companies, through the London CIV, the Institutional Investors Group for Climate Change and the Local Authority Pension Fund Forum, to urge them to reduce their reliance on carbon. He had asked officers to prepare a report for the Sub-Committee's consideration in November 2018 on further options for decarbonisation of the Fund.

**RESOLVED:**

- (a) That the exempt presentation by Mercer, attached as Appendix 1 to the report of the Interim Corporate Director of Resources, be noted.
- (b) That existing climate change policies be developed to establish clear beliefs on sustainable investments and to update the Investment Strategy Statement.
- (c) That, as part of next steps of implementation, approval be given to:
  - i) the integration of ESG in investment policy
  - ii) the consideration of positive allocations to sustainable opportunities
  - iii) the formulation of a regular monitoring and reporting regime on progress.

**22 PENSION FUND PERFORMANCE - APRIL TO JUNE 2018 (Item B2)**

**RESOLVED:**

- (a) That the performance of the Fund from 1 April to 30 June 2018, as set out in the BNY Mellon interactive performance report, and detailed in the report of the Interim Corporate Director of Resources, be noted.
- (b) That the report by MJ Hudson Allenbridge Advisers on fund managers' quarterly performance, detailed in Appendix 1 to the report and their presentation, be noted.
- (c) That the LGPS Current Issues – August 2018 leaflet, also attached to the report, be noted.
- (d) That the Hearthstone Fund be reviewed in due course.
- (e) That Schroder's performance be compared to other DGFs.
- (f) That the Pensions Board be asked to consider the impacts of Brexit on pensions benefits.

**23 ANNUAL REVIEW AND PROGRESS ON THE 2016 - 2020 PENSION BUSINESS PLAN (Item B3)**

**RESOLVED:**

- (a) That the Pension Business Plan for 2016-2020, appended to the report of the Interim Corporate Director of Resources, be noted.
- (b) That, subject to the deletion of the third bullet point in paragraph 3.4 of the report of the Interim Corporate Director of Resources viz – "To engage with companies as an active and responsible investor with a focus on good corporate governance and environmental sustainability", the key objectives of the five-year business plan be approved.

**24 INFRASTRUCTURE PROCUREMENT UPDATE (Item B4)**

**RESOLVED:**

- (a) That the progress made on the infrastructure procurement process, as detailed in the report of the Interim Corporate Director of Resources, be noted.
- (b) That collaboration with two other Councils continue to pursue a joint tender for the procurement of infrastructure.
- (c) That the Interim Corporate Director of Resources be authorised to proceed with interviews for the shortlisting of an infrastructure manager and that members of the Sub-Committee be invited to attend as observers if they are available.
- (d) That a report be submitted to the Sub-Committee in due course seeking appointment to an infrastructure manager.
- (e) That officers meet with the London CIV to consider their infrastructure implementation update, due in September 2018.
- (f) That the Sub-Committee's continued interest in a social housing fund provider be noted.

**25 LONDON CIV UPDATE (Item B5)**

**RESOLVED:**

- (a) That the progress made at the London CIV in launching funds, running of portfolios and reviewing governance and investment structure, from May to July 2018, and detailed in the report of the Interim Corporate Director of Resources, be noted.  
 (b) That the exempt appendix to this report, comprising the draft London CIV Responsible Investment Policy (Item E2), be noted.

**26 PENSIONS SUB-COMMITTEE 2018/19 FORWARD PLAN (Item B6)**

**RESOLVED:**

- (a) That the following amendments/additions be made to the Forward Plan:
- “Alternative products to corporate bond portfolio” to be deferred from 26 November 2018 to 25 March 2019 meeting
  - “Review of Schroders Fund” – Schroder’s performance to be compared to other DGFs and to be added to the agenda for 26 November 2018
  - “Review of Hearthstone Fund” to be added to the agenda for 25 March 2019 meeting
- (b) That an item on the Investment Strategy Review be added to the agenda for June 2019 meeting.  
 (c) That the contents of Appendix A to the report of the Interim Corporate Director of Resources, detailing proposed agenda items for future meetings, be noted, with the amendments/additions above.

**27 LISTED EQUITY PORTFOLIO REVIEW - LCIV ALLIANZ AND NEWTON (Item B7)**

**RESOLVED:**

- (a) That the exempt presentation by Mercer on proposed next steps for the listed equity portfolio with LCIV Allianz and LCIV Newton (Item E3) be noted.  
 (b) That officers and Mercer conduct due diligence and evaluate expected transition costs on the options for the LCIV Allianz and LCIV Newton equities portfolios, outlined by Mercer in their exempt appendix and identify possible alternatives.

**28 EXCLUSION OF PRESS AND PUBLIC**

**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	Mercer report -exempt appendix – Decarbonisation and Responsible Investment Policy	<u>Category 3</u> – Information relating to the financial or business affairs of any particular person (including the authority holding that information).
E2	London CIV update – exempt appendix	<u>Category 3</u> – Information relating to the financial or business affairs of any particular person (including the authority

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holding that information).

E3	Mercer report - exempt appendix – Listed equity portfolio review	<u>Category 3</u> – Information relating to the financial or business affairs of any particular person (including the authority holding that information).
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**29 DECARBONISATION AND RESPONSIBLE INVESTMENT POLICY - EXEMPT APPENDIX (Item E1)**

Noted.

**30 LONDON CIV UPDATE - EXEMPT APPENDIX (Item E2)**

Noted.

**31 LISTED EQUITY PORTFOLIO REVIEW - LCIV ALLIANZ AND NEWTON - EXEMPT APPENDIX (Item E3)**

Noted.

The meeting ended at 9.35 pm

**CHAIR**