

London Borough of Islington

Pensions Sub-Committee - 23 November 2021

Non-confidential minutes of the meeting of the Pensions Sub-Committee held at Islington Town Hall on 23 November 2021 at 7.00 pm.

Present: Councillors: Paul Convery (Chair), Satnam Gill (Vice-Chair), Mick Gilgunn and Mick O'Sullivan

Alan Begg, Valerie Easmon-George, Maggie Elliott, Councillor
Dave

Poyser and George Sharkey (Pensions Board)
Tony English and Alex Goddard - Mercer
Karen Shackleton – MJ Hudson

Councillor Paul Convery in the Chair

208 APOLOGIES FOR ABSENCE (Item A1)

None.

209 DECLARATION OF SUBSTITUTES (Item A2)

None.

210 DECLARATION OF INTERESTS (Item A3)

Councillor Convery declared an interest in items on the agenda as a member of the Scheme.

211 MINUTES OF THE PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 14 September 2021 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

212 PENSION FUND PERFORMANCE - JULY TO SEPTEMBER 2021 (Item B1)

(a) That the performance of the Fund from 1 July to 30 September 2021, as per the BNY Mellon interactive performance report and detailed in the report of the Corporate Director of Resources, be noted.

(b) That the presentation by MJ Hudsons, on fund managers' quarterly performance, attached as Appendix 1 to the report, be noted.

213 DRAFT FUNDING STRATEGY STATEMENT - OUTCOME OF CONSULTATION WITH EMPLOYERS (Item B2)

The Sub-Committee were advised that the Pensions Board had expressed concern at the lack of responses from employers on the draft Funding Strategy Statement (FSS) and suggested that this did not necessarily express assent. In order to ensure

that employers had had an opportunity to consider the revisions to the Strategy, the Board had requested the Head of Pension Fund and Treasury Management to reapproach the largest employers to draw their attention to the document to ensure that they were happy with its contents.

Notwithstanding this, the Sub-Committee agreed that the timetable for the publication of the Funding Strategy Statement should proceed, whilst the checks were made with employers.

RESOLVED:

- (a) That the summary of the main updates in the draft FSS, upon which employers had been consulted in October 2021, as listed in paragraph 3.1.3 of the report of the Corporate Director of Resources, be noted.
- (b) That it be noted that, although no comments had been received from employers admitted into the Islington Fund during the consultation period, the Head of the Pension Fund and Treasury Management had been requested to reapproach the largest employers to draw their attention to the document to ensure that they were happy with its contents.
- (c) That the changes to the draft FSS attached as Appendix 1 to the report be approved and officers, with the Fund Actuary, complete the updates and publish the FSS.

214 PENSIONS SUB-COMMITTEE 2021/2022 - FORWARD WORK PROGRAMME (Item B3)

RESOLVED:

That, subject to the addition of a refresher training session with members of the Pensions Board on the actuarial review, the appendix to the report of the Corporate Director of Resources, detailing agenda items for forthcoming meetings, be approved.

215 FUNDING REVIEW UPDATE (Item B4)

The Sub-Committee noted the following:

- That, on the assumptions adopted for the 2019 actuarial valuation, the funding position had continued to improve and, as at 30 September 2021, was estimated to be 102%
- The main drivers of the improvement in funding position since 2019 had been larger than expected investment returns and the deficit contributions payable by employers
- However, despite the improvements in the funding position, the current economic outlook was uncertain for a number of reasons, which could impact on the level of expected investment return the Fund may achieve in the future, and in particular the excess return above inflation
- It was likely therefore that the discount rates adopted by the Actuary at the 2022 valuation would need to reduce relative to those adopted in 2019.

- Whilst still representing a very good funding position relative to that in 2019, contribution outcomes for employers from the 2022 valuation would depend on the extent to which any reduction in deficit contributions would offset any increase in the future service rate to emerge (arising due to an anticipated reduction in discount rate). For the Council, there was already a planned phased increase to the future service rate following the 2022 valuation (14.6% to 16.9%), which would be in addition to any contribution increases that may apply due to a reduction in the discount rate.
- However, the Council had also made a commitment to pay c£30m into the Fund prior to the valuation date which, along with the strong investment returns, would provide additional mitigation against the impact of the increase in contributions due from 2023, thereby helping to reduce future budget pressures.

RESOLVED:

- (a) That the exempt briefing prepared by the Fund Actuary and attached as exempt Appendix1 to the report of the Corporate Director of Resources, be noted.
- (b) That, based on 2019 actuarial valuation assumptions, it be noted that the funding position as at September 2021 was estimated to be 102%.
- (c) That it be noted that members of the Sub-Committee and the Board would have a dedicated session on the revaluation of the Fund, in February/March 2022.

216

IMPLEMENTATION PLAN FOR NEW INDICES -PASSIVE EQUITIES
(Item B5)

RESOLVED:

- (a) That the exempt Mercer briefing, attached as agenda item E2 to the report of the Corporate Director of Resources, be noted.
- (b) That the provider recommended by Mercer be adopted as the preferred provider for the next stage of the Fund's decarbonisation plan and that the provider be encouraged to obtain cover in emerging markets as soon as possible, in order to best align with the Fund's agreed objective to transition to Net Zero Carbon and achieve its short to medium term targets.
- (c) That a progress report on the implementation of the new provider be submitted to a future meeting.

217

LONDON CIV UPDATE (Item B6)

RESOLVED:

That the progress and activities presented at the September 2021 business update session of the London CIV (exempt Appendix 1) and news briefing Collective Voice-June, attached as exempt Appendix 1A to the report of the Corporate Director of Resources, be noted.

The Sub-Committee's Advisers from MJ Hudson and Mercer Company left the meeting before consideration of the following agenda item.

218 OBJECTIVES SET FOR PROVIDERS OF INVESTMENT CONSULTANCY - ANNUAL REVIEW (Item B7)

RESOLVED:

(a) That it be noted that the legal requirement for trustees of occupational pensions (including LGPS) to set strategic objectives for investment consultancy providers, came into effect from 10 December 2019.

(b) That the objectives agreed in December 2020 and detailed in the report of the Corporate Director of Resources be noted, and the performance rating of the Sub-Committee's investment consultancy providers, set out in Exempt Appendix 1, be approved.

(c) That the objectives be reviewed at least annually and/ or when there is a change in the Fund's requirements.

(d) That the Corporate Director of Resources, in consultation with the Director of Law and Governance, be authorised to submit an annual compliance statement confirming compliance with Part 7 of the Order by 7 January 2022.

219 FUNDING REVIEW UPDATE - EXEMPT APPENDIX (Item E1)

Noted.

220 IMPLEMENTATION PLAN FOR NEW INDICES -PASSIVE EQUITIES - EXEMPT APPENDIX (Item E2)

Noted.

221 LONDON CIV UPDATE - EXEMPT APPENDICES (Item E3)

Noted.

222 OBJECTIVES SET FOR PROVIDERS OF INVESTMENT CONSULTANCY - ANNUAL REVIEW - EXEMPT APPENDIX (Item E4)

Noted.

The meeting ended at 8.35 pm

CHAIR