

London Borough of Islington

Pensions Sub-Committee - 21 June 2021

Non-confidential minutes of the meeting of the Pensions Sub-Committee held in the Council Chamber, Town Hall, Upper Street, N1 2UD on 21 June 2021 at 7.00 pm.

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

Alan Begg, Mike Calvert, Councillor Dave Poyser and George Sharkey (Pensions Board)
(Pensions Board)
Alex Goddard and Tomi Nummela - Mercer
Karen Shackleton – MJHudson Allenbridge

Councillor Paul Convery in the Chair

183 APOLOGIES FOR ABSENCE (Item A1)

None.

184 DECLARATION OF SUBSTITUTES (Item A2)

None.

185 DECLARATION OF INTERESTS (Item A3)

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

186 MINUTES OF THE PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 23 March 2021 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them

187 MEMBERSHIP, TERMS OF REFERENCE AND DATES OF MEETINGS OF THE PENSIONS BOARD AND PENSIONS SUB-COMMITTEE IN 2021/22 (Item A5)

RESOLVED:

(a) That the membership of the Pensions Sub-Committee, appointed by the Audit Committee on 25 May 2021, its terms of reference and dates of meetings for the municipal year 2021/22, as set out at Appendix A to the report of the Corporate Director of Resources, be noted.

(b) That the membership of the Pensions Board, appointed by the Audit Committee on 25 May 2021, its terms of reference and dates of meetings for the municipal year 2021/22, as set out at Appendix A to the report, be noted.

188 PENSION FUND PERFORMANCE - JANUARY TO MARCH 2021 (Item B1)

During discussion of managers' performance, members noted the difference in returns in technical stocks held by Newton. Karen Shackleton undertook to request further information for these differences from the London CIV, since they were responsible for monitoring Newton's performance. In response to a member's question as to whether Islington's Fund was performing better than, or on a par with, other local authority pension funds, it was reported that last year's performance figures needed to be treated with caution and that they past three years' figures were the best indicator. Equities had performed well in the last year for all Funds. Islington's performance was better than some other Funds, due to its equity protection contract.

RESOLVED:

(a) That the performance of the Fund from 1 January to 31 March 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 Allenbridge, on fund managers' quarterly performance, attached as Appendix 1 to the report, be noted.

(c) That the May 2021 "LGPS Current Issues", attached as Appendix B to the report, be noted.

189 PENSION FUND FORWARD PLAN OF BUSINESS (Item B2)

RESOLVED:

That the appendix to the report of the Corporate Director of Resources, detailing agenda items for forthcoming meetings, be approved.

190 LONDON CIV UPDATE (Item B3)

RESOLVED:

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

191 PRIVATE DEBT PROCUREMENT OPTIONS (Item B4)

RESOLVED:

(a) That the due diligence summary report of Key terms and performance comparison, attached as exempt Appendix 1 to the report of the Corporate Director of Resources, be noted.

(b) That the consolidated summary opinions report, attached as Exempt Appendix 2 to the report, be noted.

(c) That the recommendation in exempt appendix 2 that the preferred two managers (one European and one US private debt manager) that best delivered value for money, met the fund's mandate specification and would deliver returns to keep contributions sustainable, be approved.

(d) That 50% of the fund's total allocation of 10% be allocated in this first tranche of appointments to give diversification.

(e) That the Corporate Director of Resources, in consultation with the Acting Director of Law and Governance, be authorised to negotiate and agree terms and conditions of the fund management agreement(s) with the recommended and agreed manager(s).

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DECARBONISATION AND NET ZERO CARBON TRANSITION UPDATE

(Item B5)

Having sought confirmation from a representative of Mercer, the Committee agreed that their discussions of the information in the exempt appendices would be held in public session of this meeting, though there would be no discussion of the information in the exempt information relating to technical issues.

RESOLVED:

(a) That the exempt appendices to the report of the Corporate Director of Resources and the presentation provided by Mercer, be noted.

(b) That it be noted that the fund carbon foot printing results as at 31 March 2021 showed the baseline of emissions for the listed portfolio (listed equity and corporate credit) was 66,096 tCO₂e and the listed equity portfolio had decarbonised by 32.8% (absolute emission) between 2016 and 2021.

(c) That the next post 2022 decarbonisation targets for the fund in both short and medium term; 2025-26, 2030 and net zero carbon by 2050 be approved as follows:

- Long term target of 2050 net zero goal
- Short and medium term target:
 - Reduction needed for 2022-26 period, c15% from the 2021 baseline
 - Reduction needed for 2022-30 period, c 26% from the 2021 baseline
 - Extend the target to cover all listed assets (debt and equity)
- Islington "green assets" allocation – increase the allocation to 20% to allow 4 years to align with the new target (-> 2026)

(d) That a further report be submitted to the Sub-Committee in September 2021 to consider an action plan and fund changes required to achieve the agreed future targets.

The meeting ended at 8.15 pm

CHAIR