

London Borough of Islington

**Pensions Sub-Committee - 28 September 2022**

Non-confidential minutes of the meeting of the Pensions Sub-Committee held in Committee Room 1, Islington Town Hall, Upper Street, N1 2UD on 28 September 2022 at 7.00 pm.

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

**Pension Board**      Councillor Dave Poyser and Alan Begg  
**observers:**

**Councillor Paul Convery in the Chair**

**253      APOLOGIES FOR ABSENCE (Item A1)**

None.

**254      DECLARATION OF SUBSTITUTES (Item A2)**

None.

**255      DECLARATION OF INTERESTS (Item A3)**

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

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

**RESOLVED:**

That the minutes of the meeting held on 28 June 2022 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

Matter arising:

With reference to minute 244, "Progress on Third Generation Indices Implementation", the Chair reported that a US debt manager had now been appointed and follow up work was taking place.

**257      WHOLE FUND VALUATION - INITIAL RESULTS AND TRAINING (Item B1)**

Michelle Doman from Mercers gave a presentation on the 2022 Actuarial Valuation. The following points were noted:

- The initial funding level of the whole fund as at 31st March 2022 was 96%, although updating of member data could mean it could vary by 1% either way

- At the 2019 valuation, there was a deficit of £249m in the Fund. Figures to account for McCloud had been estimated in 2019 and it was anticipated that those figures would not be very different from the estimates made at that time.
- The Council's recovery period had been agreed as 19 years
- There had been no red or amber flags reported following the Government Actuary Department's review of the Fund
- The Fund's investment performance had fluctuated since 2019, due to Covid, Ukraine/Russia conflict etc but the impact had been cushioned due to the implementation of the equity protection strategy
- CPI inflation was expected to increase to approximately 11% by April 2023, as opposed to 6 -7% in 2022. An allowance of £50m for known changes in inflation to 31 March 2022 had been included in the funding strategy for the 2022 valuation
- A funding figure of 96% in the Fund would mean a shortfall of £70m
- The effect of ill-health retirements on small employers was noted, with significant funding strains or a request for an additional lump sum. The Actuary had recommended that allowance for ill-health retirements be included in contribution outcomes for all employers from 1 April 2022.
- Likely high mortality rates for this winter and next had been taken into account
- The Investment Strategy would need to be reviewed at the November Sub-Committee to ensure returns in a difficult environment

**RESOLVED:**

(a) That the initial funding level of the whole fund as at 31st March 2022 at 96% and detailed in the report of the Corporate Director of Resources, be noted

(b) That it be noted that these results are yet to account for the updated employee data as at 31st March 2022.

(c) That the Fund Actuary be thanked for the presentation updates, as part of the training section for members.

**258**

**PENSION FUND PERFORMANCE - 1 APRIL TO 30 JUNE 2022 (Item B2)**

The following points were noted during discussion:

The In-House Fund had transitioned to the Paris-Aligned index with Legal and General on 13 August 2022 so would not appear in any future monitoring reports. The transfer meant a halving of the Fund's exposure to UK equities

Need to be aware of "green washing" by organisations

LCIV Sustainable Equity Fund (RBC) to be asked for a definition of their "anti-value" stance

Although the Fund's investment in BMO/LGM Emerging Market Equities (comprising approximately 4% of the Fund) had been transferred to a US

manager, an alternative manager should be considered. Officers to explore this possibility and carry out due diligence, with a view to transferring this Fund to an alternative manager, with options to be presented to the Sub-Committee

Consistent poor performance by Hearthstone noted. Hearthstone to be notified that Islington intends to exit this Fund in stages.

Default data percentage information to be sought from Permira - Credit Solutions Senior Fund – for the next performance monitoring report

For the future, Pantheon and Quinbrook performance to be included in the table comprising fund managers' latest quarter net performance figures compared to the benchmark and Mercer ESG ratings (currently at paragraph 3.1 of the report)

**RESOLVED:**

(a) That the performance of the Fund from 1 April to 30 June 2022, 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 Hudson on fund managers' quarterly performance, attached as Appendix 1 to the report, be noted.

(c) That the Annual Fund Performance attached as Appendix 2 to the report be noted.

(d) That the briefing from BMO, providing further details on the purchase by a US investment manager and subject to regulatory approval, attached as Exempt Appendix E2, be also noted.

(e) That officers explore the possibility of moving the former BMO investment, which had been purchased by a US investment manager, to an alternative manager and report back to the Sub-Committee on options.

(f) That officers inform Hearthstone of the Sub-Committee's decision to exit their Fund in stages.

(g) That, for the future, Pantheon and Quinbrook performance be included in the table comprising fund managers' latest quarter net performance figures compared to the benchmark and Mercer ESG ratings (currently at paragraph 3.1 of the report).

259

**ANNUAL REVIEW AND PROGRESS ON THE 2020-2024 PENSION BUSINESS PLAN (Item B3)**

**RESOLVED:**

(a) That Appendix A attached to the report of the Corporate Director of Resources and comprising the key objectives of the five year business plan for the Fund be noted.

(b) That, subject to the addition of a new objective as follows:

“To actively move to achieve net zero carbon for the Fund”

the business plan objectives for the next 4 years, as detailed in the Appendix, be approved.

**260 PENSIONS SUB-COMMITTEE 2022/23 FORWARD WORK PROGRAMME (Item B4)**

Members noted that a report on the Investment Strategy overview was due for consideration at the Sub-Committee in November 2022 and would provide an opportunity to review and make changes to investments. The aim would be for lower carbon exposure.

**RESOLVED:**

(a) That Appendix A attached to the report of the Corporate Director of Resources, comprising the forward plan of business for the Sub-Committee, be noted.

(b) That the consultation for LGPS to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures, be noted.

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

**RESOLVED:**

That the report of the Corporate Director of Resources informing the Sub-Committee of the progress made at the London CIV in launching funds, running of portfolios, reviewing governance and investment structure, over the period May to August 2022, be noted.

**262 PENSION FUND PERFORMANCE - 1 APRIL TO 30 JUNE 2022 - EXEMPT APPENDIX (Item E1)**

Noted.

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

Noted.

The meeting ended at 9.00 pm

**CHAIR**