



# ISLINGTON

For a more equal future

Resources  
7 Newington Barrow Way  
London N7 7EP

Report of: Corporate Director of Resources

Meeting of: Pensions sub-Committee

Date: 5<sup>th</sup> December 2022

Ward(s): n/a

**Appendix 1 attached** is exempt and not for publication as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: Information relating to the financial or business affairs of any particular person (including the authority holding that information).

## **SUBJECT: INVESTMENT STRATEGY REVIEW- INITIAL CONSIDERATIONS**

### **1. Synopsis**

- 1.1 This report is an initial consideration to recap on the existing investment strategy in the context of the 2022 Actuarial review, discuss the volatile markets and agree potential themes to incorporate into a full investment strategy review.

### **2. Recommendations**

- 2.1 To receive the draft presentation from Mercer attached as Exempt Appendix 1
- 2.2 To discuss and agree the parameters for the investment strategic review, investment return and net zero climate target.
- 2.3 To note the plan for the actuarial valuation process to incorporate the review
- 2.4 Subject to 2.2, receive a further report in March on the full investment review

### **3. Background**

- 3.1 The 2022 actuarial valuation is now near completion and as part of the process preparatory work is being undertaken to determine the funding position and investment strategy review that can support sustainable contributions from employers.
- 3.1.1 The Pensions Sub-Committee agreed a revised investment strategy for the Fund at its June 2020 meeting. The revised strategy maintained the Fund's 75% growth, 25% defensive split and included allocations to Multi Asset Credit and Private Debt, majority of which has now been implemented.
- 3.1.2 At the September 2022 meeting, the Actuary shared the updated data analysis, and current assumptions on inflation, life expectancy, ill health, discount rate on liabilities and funding level over the recovery period of 16 years. The next step is to assess if our current assets and investment strategy can support sustainable contributions from employers and meet our net zero carbon target
- 3.1.3 The presentation prepared by Mercer (attached as exempt Appendix 1) is to re-evaluate the above position in the current market outlook and agree the parameters to perform some further analysis to determine if the desired contribution can be supported through the existing strategy and investment returns.
- 3.1.4 Members are asked to agree the parameters and receive a report in March to cover a full investment strategy review

### **4. Implications**

#### **4.1 Financial implications**

- 4.1.1 The cost of providing independent investment advice is part of fund management and administration fees charged to the pension fund.

#### **4.2 Legal Implications**

No legal implications

#### **4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:**

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>

#### **4.4 Equalities Impact Assessment**

None applicable to this report. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and

encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding

An equalities impact assessment has not been conducted because this report is seeking opinions on updating an existing document and therefore no specific equality implications arising from this report.

## **5. Conclusion and reasons for recommendation**

- 5.1 Members are asked to consider the Mercer presentation and agree the parameters to undertake a full investment review to be discussed at the March 2023 meeting.

### **Appendices: Exempt Appendix 1- Mercer Presentation**

#### **Background papers:**

None

Final report clearance:

Corporate Director of Resources

**Date: 23 November 2022**

Report Author: Joana Marfoh  
Tel: (020) 7527 2382  
Email: [Joana.marfoh@islington.gov.uk](mailto:Joana.marfoh@islington.gov.uk)

Financial implications Author: Joana Marfoh

Legal Implications Author: Uhma Mehta, Assistant director,  
Corporate and Dispute Resolution  
Tel:  
Email: [uhma.mehta@islington.gov.uk](mailto:uhma.mehta@islington.gov.uk)