

London Borough of Islington

Pensions Committee - 24 July 2024

Non-confidential minutes of the meeting of the Pensions Committee held in Committee Room 1, Islington Town Hall, Upper Street, London N1 2UD on 24 July 2024 at 7.00 pm.

Present: Councillors: Paul Convery (Chair), Satnam Gill OBE, Ben Mackmurdie and Michael O'Sullivan

Alan Begg, (observer from Pensions Board)

Karen Shackleton – Apex
Tony English and Alex Goddard - Mercer

Councillor Paul Convery in the Chair

343 APOLOGIES FOR ABSENCE (Item A1)

Received from Councillor Diarmaid Ward and Councillor Una O'Halloran (observer and member of Pensions Board).

344 DECLARATION OF SUBSTITUTES (Item A2)

None.

345 DECLARATION OF INTERESTS (Item A3)

None.

346 MINUTES OF THE PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meeting held on 11 March 2024 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

Matters arising:

Minute 336 – Performance of Quinbrook - it was noted that the apparent under performance of Quinbrook reported at the last Committee meeting was incorrect, since the figures quoted referred to the year 2022/23. Updated figures had uplifted their performance.

347 PRESENTATION FROM PIRC - SHAREHOLDER VOTING GUIDANCE AND VOTING ON LGIM PASSIVE PORTFOLIOS (Item B1)

The Committee received a presentation on “The Impact of Voting” from Janice Hayward, Client Services Director, Paul Hunter, Director of Policy and Guillermo Rylance, Research Manager, from PIRC.

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The presentation covered issues around:

- Good company governance alongside adequate environmental and social approaches which could be critical to enhancing shareholder value
- Through voting, shareholders could express support for management or highlight areas for improvement on such issues, which could drive up standards at companies and across the market.
- Voting was part of investor responsibilities as good stewards of capital to vote
- Rather than passively take their asset manager perspective, asset owners with their own policy could exercise their vote aligned to their principles and priorities (including now in pooled funds).
- This could help deliver funds' stewardship goals and enable them to be consistent with their wider stewardship activities

Investors' voting policies covered a wide range of environmental, social and governance issues. Typically guidelines in headline terms would cover:

- Board composition
 - Remuneration
 - Accounts and audit
 - Shareholder rights and capital authorities
 - Environmental and social factors
 - Policies ensured that there were expectations for each standing item but also for shareholder proposals.
 - Where asset owners were in a pooled fund there was the option to focus on areas they felt most misaligned with their manager
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- There was concerted effort by some companies to pay executives more, but there had been notable high votes against companies
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- After shareholder concerns (expressed through voting) about climate transition plans, improvements were being seen at some companies, including at Barclays.

The Chair thanked PIRC representatives for their presentation and expressed support for this approach.

348 **PENSION FUND PERFORMANCE - 1 JANUARY TO 31 MARCH 2024 (Item B2)**

The Chair referred to a revision to the chart at paragraph 3.1 which detailed the performance of fund managers, which had been circulated to Committee members. He had included figures on asset allocation value and the overall change in the value of the Fund and requested that such figures be included in all future performance reports to the Committee.

RESOLVED:

- (a) That the performance of the Fund from 1 January to 31 March 2024, as detailed in the BNY Mellon interactive performance report, and detailed in the report of the Corporate Director of Resources, be noted.
- (b) To receive the presentation by Apex, independent investment advisers, on fund managers' quarterly performance, attached as Appendix 1 to the report.

(c) That the chart on Fund managers' performance include asset allocation value and the overall change in the value of the Fund, both quarterly and annually, in all future reports to the Committee.

349 DECARBONISATION POLICY MONITORING- CARBON FOOTPRINT RESULTS AND NEXT STEPS (Item B3)

RESOLVED:

- (a) To note the carbon footprint of public equities and credit currently covering 62.3% of the total fund.
- (b) To note the fund's progress in reducing its exposure to carbon intensive companies since 2016 and absolute emissions as set out in Exempt Appendix 1.
- (c) To continue to engage with portfolio managers to improve ESG ratings and achieve the targets set in 2025 and long-term net zero target for the whole fund.
- (d) To approve the next steps detailed in the exempt appendix to adopt and reset medium to long term targets and metrics along the proposed Taskforce for Climate related Financial Disclosure framework regulations.
- (e) That the baseline date be reset to 31 December 2019 for demonstrating progress towards decarbonising the portfolio.

350 INVESTMENT STRATEGY REVIEW UPDATE ON IMPLEMENTATION (Item B4)

RESOLVED:

- (a) To note the progress made to date on the implementing the agreed strategy, as detailed in the report of the Corporate Director of Resources.
- (b) To note progress on emerging market portfolio review and recommendations (attached as exempt appendix 1 to the report)
- (c) To receive and note the presentation from Mercers on the Private debt commitment gap required to fulfil the strategic asset allocation and agree that officers and Mercer assess the type of strategy to prioritise (e.g. geographic exposure, risk/return).
- (d) To agree to adopt Strawman 3a (3% "impact" investments) as the new strategic asset allocation
- (e) That the recommendations in exempt appendix 2 on the appointment of a manager for emerging markets equities be approved.
- (f) To agree to receive a further progress report at the next meeting in September 2024.

351 UPDATE ON PASSIVE EQUITY PORTFOLIO RESTRUCTURING (Item B5)

RESOLVED

- (a) To note the options for changing the structure and benchmark of the Pension Fund's passive equity portfolio, as detailed in the report of the Corporate Director of Resources, to ensure that companies on the UN's list of businesses involved in activities in the Occupied Palestinian Territory deemed compliant in human rights abuses should be excluded from the Fund's investments.
- (b) To instruct the Corporate Director of Resources to consult with Pension Fund members on the proposed restructuring of the Pension Fund and carry out the necessary equalities impact assessment before reporting back to the Pension Committee.

(c) To note, in particular, the legal implications in para 4.2 of the report and that independent professional advice was being sought on the matter of consolidating the current two passive equity pooled funds.

(d) That, in consultation with the Chair, officers give particular consideration to the most effective options of consulting Fund members on the proposal to consolidate, possibly via payslips.

352 PENSION ADMINISTRATION PERFORMANCE - FEBRUARY TO APRIL 2024 (Item B6)

RESOLVED:

(a) To note the number of members' auto-enrolled into the LGPS, the information in respect of the Internal Dispute Resolution Procedure, compliments and complaints, the performance data for the administration activities of the Council's Pensions Office, and that there had been no new Internal Audit Investigations in Pensions Administration since the last report, all as detailed in the report of the Corporate Director of Resources, covering the period from February to April 2024.

(b) To note the Scheme Advisory Board update, as detailed in paragraph 3.7 of the report.

(c) To note the new timetable for the development of the Pensions dashboard.

(d) To note the Fund's communication strategy in relation to scheme member engagement and the new member's portal, again as detailed in the report.

(e) To note the Mercer LGPS Current Issues briefing for June 2024.

353 LGPS - PENSIONS RISK REGISTER (Item B7)

Members discussed the current content of the Risk Register, noting that it would be preferable if it synchronised with financial quarters, that the wording in the mitigations column had not seemed to change from last presentation and that further commentary needed to be included for each entry to describe progress since last iteration.

RESOLVED:

That Pensions Board be recommended to consider the views of the Committee that the Risk Register needed revising, to include such matters as synchronising with financial quarters and updating of commentary in all areas of the Register, and reference to asset balance.

354 LONDON CIV UPDATE (Item B8)

RESOLVED:

(a) To note exempt appendix 1 to the report, comprising the June 2024 business update session, and further updates on fund launches.

(b) To note exempt appendix 2, comprising notes from the Shareholders Meeting held in June 2024.

355 PENSION FUND FORWARD WORK PROGRAMME (Item B9)

RESOLVED:

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

(b) That an agenda item on TPR general code checklist results, identifying gaps and workplan, be added to a future meeting

356 DECARBONISATION POLICY MONITORING- CARBON FOOTPRINT RESULTS AND NEXT STEPS- EXEMPT APPENDIX (Item E1)

Noted and agreed next steps in exempt appendix.

357 INVESTMENT STRATEGY REVIEW UPDATE ON IMPLEMENTATION - EXEMPT APPENDICES (Item E2)

Noted and agreed recommendation relating to emerging markets equity manager appointment.

358 LONDON CIV UPDATE - EXEMPT APPENDICES (Item E3)

Noted.

The meeting ended at 9.40 pm

CHAIR