



HILLINGDON
LONDON



Pensions Board

Date: WEDNESDAY, 29 JUNE
2016

Time: 5.00 PM

Venue: COMMITTEE ROOM 3A -
CIVIC CENTRE, HIGH
STREET, UXBRIDGE UB8
1UW

**Meeting
Details:** Members of the public and
Press are welcome to attend
the meeting

Councillors on the Committee (Employer Representatives)

David Simmonds CBE (Chairman)

Alan Chapman (Vice-Chairman)

John Morse

Employee Representatives

Roger Hackett

Venetia Rogers

Andrew Scott

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Contact: Khalid Ahmed

Tel: 01895 250833

Email: kahmed@hillington.gov.uk

This Agenda is available online at:

<http://modgov.hillingdon.gov.uk/ieListDocuments.aspx?CIId=356&MIId=2586&Ver=4>

Putting our residents first

Lloyd White
Head of Democratic Services
London Borough of Hillingdon,
3E/05, Civic Centre, High Street, Uxbridge, UB8 1UW
www.hillingdon.gov.uk

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The terms of Reference of the Pensions Board is as follows:

1. The Pensions Board will be chaired by an elected Member of the Council and will meet quarterly in the month following Pensions Committee.
2. Reports to the Board will either reflect decisions taken by Pensions Committee or be reports for noting already seen by Pensions Committee.
3. The role of the Board will be to assist London Borough of Hillingdon Administering Authority as Scheme Manager: to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
4. To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and in such other matters as the LGPS regulations may specify.
5. To secure the effective and efficient governance and administration of the LGPS for the London Borough of Hillingdon Pension Fund.
6. To provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest. NB: Being a member of the LGPS is not seen as a conflict of interest.

Agenda

- 1 Appointment of Chairman and Vice-Chairman
 - 2 Apologies for Absence
 - 3 Declarations of Interest and any Conflicts of Interest
 - 4 Minutes of meeting held on 5 April 2016 1 - 6
 - 5 Exclusion of Press and Public

To confirm the items of business marked Part I will be considered in public and that items marked Part II will be considered in private.
 - 6 Pensions Board Work Programme 7 - 10
- PART II**
- 7 Administration Strategy 11 - 36
 - 8 Risk Management Policy 37 - 56
 - 9 Pension Fund Pooling Update 57 - 94
 - 10 Review of other Pension Committee reports

Members of the Board are asked to bring their copy of the Pensions Committee agenda to the meeting.

Agenda Item 4

Minutes

Pensions Board

Tuesday 5 April 2016

Meeting held at Committee Room 3 - Civic Centre,
High Street, Uxbridge UB8 1UW



HILLINGDON
LONDON

	<p>Board Members Present:</p> <p>Employer Representatives: Councillors David Simmonds (Chairman), Alan Chapman and John Morse.</p> <p>Employee Representative: Venetia Rogers.</p> <p>Apologies: Roger Hackett and Andrew Scott.</p> <p>Also Present: Scott Jamieson (Advisor) and Dan Kanaris (AON Hewitt).</p> <p>LBH Officers Present: Ken Chisholm, Nancy LeRoux, Sian Kunert and Khalid Ahmed.</p>	
28.	<p>DECLARATIONS OF INTEREST AND ANY CONFLICTS OF INTEREST</p> <p>Councillor David Simmonds declared a general Non-Pecuniary Interest as he was a member of the Teachers' Pensions Board. He remained in the meeting during discussion on all items.</p> <p>There were no conflicts of interests reported.</p>	
29.	<p>MINUTES OF MEETING HELD ON 12 JANUARY 2016</p> <p>Agreed as an accurate record.</p>	
30.	<p>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE</p> <p>That Agenda Item 10 be considered in private for the reasons stated on the agenda and the rest of the items be considered in public.</p>	
31.	<p>TRAINING AND DEVELOPMENT ITEM - INVESTMENT</p> <p>Scott Jamieson, Pensions Advisor, attended the meeting and provided the Board with a presentation on the background to the asset allocation of the Hillingdon Pension Fund.</p> <p>The Board was informed that there was an element of risk in the investment strategy of fund managers. In summary:</p>	<p>Action By:</p>

- Actuarial arithmetic required that assets generated a 3% real return.
- Reference was made to the real return available from long term risk-free index linked bonds being -1% per annum. The Board was informed that the shortfall had to be made up through either a risk-based asset strategy or through higher pension contributions. Members were informed that actuaries now took a long term investment view and it was recognised that contributions would have to go up at some point.
- Equity markets had compounded at 6% (real per annum) but the Board was informed that when equity markets fell, they sometimes fell very heavily.
- The scheme currently employed an asset strategy which was pursuing a less than 4% real return. This combined a mix of equities and bonds.

Discussion took place on the investment outlook and the following comments were made:

- Low interest rates had become the norm.
- The world economic growth was set to remain moderate and insufficient to address indebtedness burden.
- Deflationary pressures were set to remain
- Not a lot of Inflation.
- Corporate earnings as a percentage of GDP were elevated.
- Currency volatility was high and was fuelled by competitive devaluations.
- Macro-economic policy explicitly supported real assets, but there were significant risks.
- World economy was maturing with a greater number of people living longer which resulted in a greater number of dependencies.
- Reference was made to systematic threats in China and the possibility of leaving the European Union.
- Bonds were now on negative yields.
- There had to be a focus on passive management with a focus on costs.

Reference was made to the key points around the Fund Construction, whereby the current difficult conditions were expected to persist over medium term. Returns needed to be "ground out" without taking excessive risks.

The Fund was structured to collect illiquidity premia, to collect contractual income streams, to capture under-priced defensive equity growth, to diversify asset allocation risk and to keep costs down.

The Board was provided with details of the spread of the Fund's current asset allocation and discussion took place on the investment strategy adopted.

Members were provided with details of the Equity Strategy (46%

Assets under Management):

- The Investment Outlook supported risk-taking but with a defensive bias.
- The general approach was to maintain a reduced cost defensive strategy which combined passive funds with yield focused and value active allocations.
- 'Value' style pursued cheap stocks on a high yield.
- Shares with a long term track record of raising dividends were pursued which were a proven style.
- Costs were reduced with significant passive exposure.

Reference was made to the equity managers and UBS who had been retained since 1989. Their focus was on pursuing stocks with a high yield and low price earnings ratio. In 2013 UBS advised the Fund to reduce their equity, which duly happened.

Another equity manager, Newton, had been retained since 2013 as part of the implementation to increase Fund focus on resilient higher yielding stock. Reference was made to recent decisions which had been made regarding allocation amongst equity managers.

The Board was provided with information on the Bond Strategy which equated to 19% of Assets under Management.

Mainstream bond yields were very low and reference was made to the current programme which was focused on UK and European opportunities. The Board noted the phenomenal target returns of 15% per annum.

Information was provided on Infrastructure, Property, Multi-asset which equated to 35% of Assets under Management. Reference was made to Ruffer and their strategy which targeted returns equivalent to 8% per annum through a traditional approach.

It was noted that decisions on the Investment Strategy were made by the Pension Committee giving due consideration to their fiduciary duty to the Hillingdon Fund.

Discussion took place on risks and concerns, and particularly around the impact of pooling. Members were informed that it was too early to see what the implications would be of pooling the Hillingdon Pension Fund assets through the London Collective Investment Vehicle (CIV).

Members asked that they be given the opportunity to comment on what would be available through CIV.

RESOLVED:

- 1. That the information provided be noted.**

Action By:

<p>32.</p>	<p>REVIEW OF THE PENSION REGULATOR'S COMPLIANCE CHECKLIST</p> <p>The Board was informed that officers and AON Hewitt had met to look at the compliance checklist to measure where the Scheme was in relation to the Pensions Regulator requirements and to identify any gaps in governance where improvements were needed.</p> <p>Overall, the Fund met the Pension Regulator requirements, but there were some minor improvements which were required. These improvements were around the administration side of the Fund and a plan of action would be set out to improve these areas.</p> <p>Issues discussed were around the Terms of Reference of the Board, and the Conflicts of Interest Policy which had been agreed was not required.</p> <p>RESOLVED:</p> <p>1. That the information provided be noted.</p>	
<p>33.</p>	<p>DISCUSSION ON REPORTING OF THE WORK OF THE PENSIONS BOARD</p> <p>A general discussion took place on the work of the Pensions Board and where should this reported to. The consensus was that an Annual Report should be submitted to the Council.</p> <p>RESOLVED:</p> <p>1. That the information provided be noted.</p>	
<p>34.</p>	<p>DRAFT PENSION BOARD WORK PROGRAMME</p> <p>Discussion took place on the draft work programme and it was agreed that the draft Communications Strategy be included in the work programme for the next meeting of the Board.</p> <p>In addition, Members asked that an item be place on the agenda for the next meeting on a draft Risk Management Policy.</p> <p>Officers were asked to give consideration to a training item for the next meeting.</p> <p>The draft work programme as updated was noted.</p>	<p>Daniel Kanaris</p> <p>Daniel Kanaris</p>
<p>35.</p>	<p>REVIEW OF PENSION COMMITTEE REPORTS</p> <p><i>This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the</i></p>	

	<p><i>schedule to the Act).</i></p> <p>The Board was provided with the agenda and the minutes for the last Pensions Committee which took place on 23 March 2016 and noted the reports.</p> <p>RESOLVED:</p> <p>1. That the reports which were considered by the Pensions Committee and the update provided by officers be noted.</p>	
<p>The meeting, which commenced at 5.00pm closed at 6.40pm</p>		

These are the minutes of the above meeting. For more information on any of the resolutions please contact Khalid Ahmed on 01895 250833. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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Agenda Item 6

WORK PROGRAMME 2016/17 and 2017/18

Contact Officer: Khalid Ahmed
Telephone: 01895 250833

REASON FOR ITEM

This report is to enable the Pension Board to review meeting dates and forward plans. The Board will be asked for suggestions for items to be discussed at future meetings.

OPTIONS AVAILABLE TO THE COMMITTEE

1. To confirm dates for meetings
2. To make suggestions for future working practices and/or reviews.

INFORMATION

All meetings to start at 5.00pm

Meetings	Room
29 June 2016	CR 3a
5 October 2016	CR 4
10 January 2017	CR 3
4 April 2017	CR 3

Pension Board 29 June 2016

PART I – MEMBERS, PUBLIC & PRESS

PENSION BOARD

2016/17 DRAFT Work Programme

29 June 2016		
	Administration Strategy	Dan Kanaris, AON / Nancy Le Roux, Deputy Director - Strategic Finance
	Draft Risk Management Strategy / Policy	Dan Kanaris, AON / Nancy Le Roux, Deputy Director - Strategic Finance
	Review of Pension Committee Papers Part II	Nancy Leroux, Deputy Director - Strategic Finance
	Pension Board Work Programme	Democratic Services Manager

5 October 2016	Training & Development Item	
	Draft Communications Strategy including Annual Benefit Statements	Nancy Leroux, Deputy Director - Strategic Finance / Representative from Surrey
	Review of Pension Committee Papers Part II	Nancy Leroux, Deputy Director - Strategic Finance
	Pension Board Work Programme	Democratic Services Manager

10 January 2017	Training & Development Item	
	<i>Review of Revised Funding Strategy Statement</i>	Nancy Le Roux, Deputy Director - Strategic Finance
	Review of Pension Committee Papers Part II	Nancy Leroux, Deputy Director - Strategic Finance

Pension Board 29 June 2016

PART I – MEMBERS, PUBLIC & PRESS

	Pension Board Work Programme	Democratic Services Manager
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4 April 2017	Training & Development Item	
	<i>Review of Findings from Training Needs Analysis</i>	Dan Kanaris, AON / Nancy Le Roux, Deputy Director - Strategic Finance
	Review of Pension Committee Papers Part II	Nancy Leroux, Deputy Director - Strategic Finance
	Pension Board Work Programme	Democratic Services Manager

Pension Board 29 June 2016

PART I – MEMBERS, PUBLIC & PRESS

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Agenda Item 8

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