

## Minutes

### PENSIONS COMMITTEE

26 March 2014

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



HILLINGDON  
LONDON

	<p><b>Committee Members Present:</b> Councillors Philip Corthorne (Chairman), Janet Duncan, Beulah East, Raymond Graham, Michael Markham and David Simmonds.</p> <p><b>Advisory Members</b> John Holroyd and Andrew Scott.</p> <p><b>LBH Officers Present:</b> Tunde Adekoya, Ken Chisholm, Nancy LeRoux, Paul Whaymand and Khalid Ahmed.</p> <p><b>Also Present:</b> Jonathan Gooding (Deloitte), Scott Jamieson (Advisor), Catherine McFadyen (Fund Actuary) and Gary Wong (Deloitte).</p>	
31.	<p><b>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING</b></p> <p>Councillors Corthorne, Harmondsworth, Simmonds and John Holroyd and Andrew Scott all declared Non-Pecuniary Interests in all Agenda Items, because they were members of the Local Government Pension Scheme. They all remained in the room.</p>	<b>Action by</b>
32.	<p><b>MINUTES OF THE MEETINGS OF 11 DECEMBER 2013</b></p> <p>Agreed as an accurate record.</p>	
33.	<p><b>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE</b></p> <p>That Agenda Items 13 and 14 be considered in private for the reasons stated on the agenda and the rest of the items be considered in public.</p>	
34.	<p><b>REVIEW OF PERFORMANCE MEASUREMENT OF THE PENSION FUND</b></p> <p>Consideration was given to the report on the review of the fund manager performance for the London Borough of Hillingdon Pension Fund for the period ending 31 December 2013. The Committee was informed that the total value of the Fund's investments at 31 December was £718.</p> <p>Reference was made to the performance of the Fund for the quarter to 31 December 2013, showing an underperformance of 0.18%, with a</p>	

return of 3.02% compared to the benchmark of 3.21%.

**Action by**

Reference was made to Kempden International and their poor performance against the benchmark. Members were informed that this had been due to a combination of sector allocation (overweight utilities and cash underweight Information Technology) and negative stock selection within sectors i.e. Energy, Telecom and Industrials.

**RESOLVED:**

- 1. That the report and the performance of the Fund Managers be noted.**

**35. RETIREMENT PERFORMANCE STATISTICS AND COST OF EARLY RETIREMENTS MONITOR**

Consideration was given to the report which summarised the number of early retirements in the third quarter of 2013/14.

The report also provided Members with an update on the current situation on the cost to the fund of early retirements.

Members noted that the cost to the payroll was still within the 1% range of cost as a percentage to the payroll.

**RESOLVED:**

- 1. That the contents of the report be noted.**

**36. PENSIONS ADMINISTRATION PERFORMANCE**

Consideration was given to the report which summarised the pension administration performance across key areas of work for the period 1 October 2013 to 31 September 2013.

Members were informed that there had been a marked and ongoing fall in Capita's overall performance and the report provided details on the specific management actions which were underway to address this poor performance.

Members were informed that average performance over the quarter had indicated an overall average performance of 61.44% per month over the period, which was a drop of 15.03% over the previous quarter. The Committee expressed concern at this deterioration, in particular the performance area relating to Condolence Letters. Officers reported that Capita had been informed that this was unacceptable. Reference was also made to performance in the processing of retirement and dependents benefits which had also caused significant concern.

A general discussion took place on the issue and Members asked that a progress report be submitted to the next meeting of the Committee providing details on what action was being taken to improve performance.

**RESOLVED:**

- 1. That the contents of the report be noted and a progress**

**report be submitted to the next meeting of the Committee on progress made in improving performance.**

**Action by  
Nancy  
Leroux**

**37. 2013 ACTUARIAL VALUATION RESULTS**

Catherine McFadyen, the Fund Actuary attended the meeting and presented to Members the results of the 2013 valuation.

The report provided Members with a summary of the 2013 valuation results which indicated that the funding level was now 72% which was decrease from the 77.6% 2010 valuation. This had resulted in the deficit increasing from £163m as at 31 March 2010 to £266m as at 31 March 2013. Members were informed that this deterioration of the funding position was largely due to the fall in gilt yields.

The Committee was provided with a presentation on the Valuation results which provided Members with a summary of the results which were:-

- Funding levels had fallen slightly
- Deficits had increased in cash terms
- Payrolls were falling for some employers
- Under the New Pensions Scheme, savings would take time to Emerge
- There was a continued upwards pressure on contributions

**RESOLVED:**

- 1. That the report be noted.**

**38. DELOITTE - 2013/14 ANNUAL AUDIT PLAN**

The report provided details of the initial plans for the audit of the Pension Fund Accounts 2013/14 by Deloitte. Details of the key audit risks were reported and Members were informed that the whole process would be completed by early September.

The Committee was informed that the document had been approved by the Audit Committee at its meeting on 11 March 2014.

**RESOLVED:**

- 1. That the details contained in the 2013/14 Annual Audit Plan be noted.**

**39. LONDON PENSIONS COMMON INVESTMENT VEHICLE (CIV) PROPOSALS**

The Committee was provided with a report which updated Members on the progress made on the discussions which were taking place between London Councils and some of the London Boroughs on potential collaboration across London on pension investment and the move towards the creation of a Common Investment Vehicle.

Members noted that any decision which this Council took on

	<p>Participation in the CIV would be a decision of the Cabinet.</p> <p><b>RESOLVED:</b></p> <p><b>1. That the progress made to date in relation to the Common Investment Vehicle Initiative be noted.</b></p>	<p><b>Action by</b></p>
<p><b>40.</b></p>	<p><b>LOCAL GOVERNMENT PENSION SCHEME APRIL 2014</b></p> <p>Members were provided with a report which provided details of the main changes to the Local Government Pension Scheme which were to be introduced from 1 April 2014.</p> <p>Officers were asked to prepare a report which provided details on the options for Councillor members of the Pension Fund with the new changes to the scheme.</p> <p><b>RESOLVED:</b></p> <p><b>1. That the information contained in the report be noted.</b></p>	<p><b>Nancy Leroux</b></p>
<p><b>41.</b></p>	<p><b>REVISED STATEMENT OF INVESTMENT PRINCIPLES</b></p> <p>Members were informed that as a result of continuing asset allocation review by the fund, this Committee had ratified the Investment Sub Committee's suggestion to invest approximately 2% of the fund's assets in US Treasury Inflation Protected Securities (TIPS) as part of the Tactical Asset Allocation strategy.</p> <p>In addition, it had been also agreed that the investment limits in partnerships would be increased from 5% to 15% of fund assets to accommodate increased investments in partnerships (Private Equity, M&amp;G and Macquarie) for an initial period of one year.</p> <p>These had necessitated amendments to the Statement of Investment Principles as required by the LGPS Regulations (Revised) 2009. In Addition amendments had been made following the withdrawal of membership from LAPFF.</p> <p><b>RESOLVED:</b></p> <p><b>1. That the Committee agree under Regulations 12 (5) and 14 (1) of the Local Government Pension Scheme (Management and Investments Funds) Regulations 2009 to approve the Revised Statement of Investment Principles (March 2014) which reflects the changes in the funds asset allocation and Investment mix and extend period of increase percentage (15%) of all partnership investments by five years till December 2018.</b></p>	
<p><b>42.</b></p>	<p><b>REPORT FROM INVESTMENT SUB-COMMITTEE</b></p> <p>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</p>	

<p>43.</p>	<p>(including the authority holding that information)' (paragraph 3 of the schedule to the Act).</p> <p><b>RESOLVED:</b>  <b>1. That the contents of the report be noted.</b></p> <p><b>CORPORATE GOVERNANCE &amp; SOCIALLY RESPONSIBLE INVESTMENT</b></p> <p>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 schedule to the Act).</p> <p><b>RESOLVED:</b>  <b>1. That the contents of the report be noted.</b></p>	<p><b>Action by</b></p>
<p>The meeting, which commenced at 5.30 pm, closed at 6.20pm.</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.