



HILLINGDON
LONDON



Pensions Board

Date: TUESDAY, 4 APRIL 2017

Time: 5.00 PM

Venue: COMMITTEE ROOM 3 -
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

David Simmonds CBE (Chairman)

Alan Chapman (Vice-Chairman)

John Morse

Employee Representatives

Roger Hackett

Venetia Rogers

Andrew Scott

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This Agenda is available online at:

<http://modgov.hillingdon.gov.uk/ieListDocuments.aspx?CId=356&MId=2589&Ver=4>

Putting our residents first

Lloyd White
Head of Democratic Services
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www.hillingdon.gov.uk

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Terms of Reference



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 Apologies for Absence
- 2 Declarations of Interest and any Conflicts of Interest
- 3 Minutes of the meeting held on 10 January 2017 1 - 4
- 4 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.
- 5 Investment Strategy 5 - 16
- 6 Administration Update 17 - 20
- 7 Pension Board Insurance Cover Update 21 - 22
- 8 Frequency of Meetings and Work Programme 2017/18 23 - 26

PART II

- 9 Review of Pension Committee Reports

Members of the Board are asked to bring their copy of the Pensions Committee agenda of 22 March 2017 to the meeting.



Minutes

Pensions Board

Tuesday 10 January 2017

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

	<p>Committee Members Present: Councillors David Simmonds CBE (Chairman) and Kuldeep Lakhmana.</p> <p>Employee Representatives: Roger Hackett, Venetia Rogers and Andrew Scott.</p> <p>Apologies: Councillors Alan Chapman and John Morse (Councillor Kuldeep Lakhmana substitute).</p> <p>Also Present: Rachel Abbey(Surrey County Council - Pensions Administration) and Daniel Kanaris (AON Hewitt).</p> <p>LBH Officers Present: Ken Chisholm (Corporate Pensions Manager), Nancy LeRoux (Deputy Director Strategic Finance), Sian Kunert (Chief Accountant) and Khalid Ahmed (Democratic Services Manager).</p>	
<p>54.</p>	<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>	
<p>55.</p>	<p>MINUTES OF MEETING HELD ON 5 OCTOBER 2016</p> <p>Agreed as an accurate record.</p>	
<p>56.</p>	<p>EXCLUSION OF PRESS AND PUBLIC</p> <p>That Agenda Items 5, 6 and 7 be considered in private for the reasons stated on the agenda.</p>	
<p>57.</p>	<p>COMMUNICATION POLICY DEVELOPMENT</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 schedule to the Act).</i></p>	

Action by

The representative from AON Hewitt provided the Board with the background to the requirement to the policy.

The Board was informed that Local Government Pension Scheme (LGPS) Funds were required under the LGPS Regulations to devise and maintain a Communication Policy. Hillingdon's Policy had been last updated in 2014 and with the change of Fund Administrator it was now appropriate to update it.

The Board was informed that the minimum content of a Communications Policy should include:

- Key objectives;
- Communication methodology;
- How communication with scheme members should take place - active, deferred and pensioner; with prospective scheme members; with employers participating in the Fund; with Elected members; and with other bodies;
- Statement of lines of communication within the Fund;
- Link to Administration Strategy to identify how performance of communications was measured and monitored;
- Oversight of compliance and quality of communications;
- Publications;
- Data protection statement.

Discussion took place on key objective, or objectives of the policy and reference was made to the objectives contained within Surrey County Council Pension Fund Communication policy and the appropriateness of them for Hillingdon. The present objectives for Surrey were:

- To accurately communicate the provisions and requirements of the Local Government Pension Scheme (LGPS) to all stakeholders.
- To identify and meet all regulatory requirements regarding provision of information.
- To promote appropriately membership of the LGPS Scheme to employees of participating employers.
- To communicate clearly to all stakeholders their own responsibility for communication and information flows in relation to the Scheme, and work with these other parties to improve efficiency of communications.
- To ensure communications are made in a timely manner.
- To use a variety of means for communication, depending on the purpose and content of the communication, and recognising that different styles and methods will suit different stakeholders.

Board Members believed that it was important to promote the scheme and to provide a greater explanation of the benefits of joining the scheme. Different ways of communication were required to appeal to all members of the scheme. Reference was made to the use of self help websites, frequently asked questions etc. or the production of a newsletter, twice a year.

	<p>The representative from Surrey County Council, the new Pension Administrators for Hillingdon's LGPS, reported that there could be options for a single interactive portal website for Hillingdon members and this would be investigated.</p> <p>The Board was informed that a draft updated communications policy would be brought back to the next meeting of the Board, which would include updated objectives.</p> <p>RESOLVED –</p> <p>1. That the information provided be noted and an updated draft communications policy be submitted to the next meeting of the Board.</p>	
58.	<p>REVIEW OF PENSIONS 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 schedule to the Act).</i></p> <p>The Board was provided with the agenda for the last Pensions Committee which took place on 7 December 2016 and noted the reports.</p>	
59.	<p>FREQUENCY OF MEETINGS DISCUSSION AND PENSIONS BOARD WORK PROGRAMME</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 schedule to the Act).</i></p> <p>A general discussion took place on the frequency of Pension Board meetings and the requirement for Board Members to bring ideas forward to include in the Board's work programme. Attendance at Pensions Committee meetings would be beneficial for Board Members to enable a greater understanding of the governance and administration of the Pensions Scheme.</p> <p>Reference was made to the Pensions Regulator Code of Practice and issues which were outstanding would come back to the Board.</p> <p>RESOLVED –</p> <p>1. That the work programme be noted and Members of the</p>	

	Board be invited to report back to the next meeting on possible topics to be added to the work programme.	
	The meeting, which commenced at 5.00 pm, closed at 5.45pm.	

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.

INVESTMENT STRATEGY

Contact Officers

Sian Kunert, 01895 556578

Papers with this report

Investment Strategy Statement

SUMMARY

This paper provides information on the first version of the Pension Fund Investment Strategy Statement (ISS) for comment. The Fund is required to consult, with those it considers appropriate, on the content of the fund's investment strategy, in particular where non financial factors are taken into account of investment decisions. The Fund has consulted and taken proper advice from investment advisors. The ISS is brought to the Local Pensions Board as a representative group for Fund members. The strategy will be updated regularly along with each strategy review. The initial ISS is attached to this item as an appendix for discussion and comment.

RECOMMENDATIONS

It is recommended that Pensions Board discuss and comment on the Investment Strategy Statement for the Fund.

INFORMATION

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, effective from 1 November 2016, replaces the requirement for the Fund to have a Statement of Investment Principles (SIP) with an Investment Strategy Statement (ISS), by 1 April 2017. A draft of the ISS was taken to Pensions Committee for approval in March 2017. The Fund is required to invest all money in accordance with this Investment Strategy Statement that is not immediately required to make payments.

Under the new LGPS Investment Regulations the strategic asset allocation remains the responsibility of the Pension Committee and will continue to be the key strategic tool for the Committee to manage the fund to obtain the return targets as required in the Funding Strategy Statement.

The investment strategy statement required under the regulations must include -

- a) A requirement to invest money in a wide variety of investments;
- b) The authority's assessment of the suitability of particular investments and types of investments;
- c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

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- e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

DCLG published Guidance on Preparing and Maintaining an Investment Strategy Statement which the fund have followed in preparing the first iteration of this new statement which was approved at Pension Committee in March 2017.

Due to the timing of the publication requirement for 1 April 2017 and the need for the Investment Strategy to align with the revised fund objectives as a result of the Triennial Valuation the first iteration of the ISS retained the asset allocation of the fund in its present form with the request for officers to work on the suggestion to amend the investment strategy with a lower risk provide which would generate the required returns of the Fund.

The ISS includes details on the new pooling of investment arrangements as required by government which expects all assets to be invested by the pool. As a result the ability for the fund to directly select fund managers to manage the fund assets is removed and this is the responsibility of the pool. The ISS includes the governance arrangements of the London CIV which the London Borough of Hillingdon has committed to pool its investments. The minister for Local Government, Marcus Jones MP has recognised the progress made by the LCIV and confirmed this pool is acceptable and can continue. The minister has also confirmed it is not possible for LGPS funds to invest via more than one pool.

The Fund is required to make the pursuit of a financial return its predominant concern; they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme. This is only where the Fund has good reason to think that scheme members would support their decision.

London Borough of Hillingdon Pension Fund

Investment Strategy Statement

April 2017



HILLINGDON
LONDON

www.hillingdon.gov.uk

INTRODUCTION

The Pensions Committee of the London Borough of Hillingdon Pension Fund ("the Fund") has prepared this Investment Strategy Statement in accordance with the DCLG Guidance on Preparing and Maintaining an Investment Strategy Statement.

As set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Pensions Committee will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change, changes will be reflected within three months of the change occurring.

The Regulations require all Administering Authorities to take "proper advice" when formulating and applying its investment strategy. In preparing this document and in managing the overall investment strategy the Pensions Committee has taken advice from KPMG LLP, the Fund's investment adviser and Scott Jamieson, the Fund's independent advisor.

The purpose of this document is to set out the Investment Strategy for the Fund, including outlining the objectives of the Fund for investment decisions and setting the limit and range of the investment value in any investment or class of investments. The Fund can then be monitored against how compliant it is with this strategy.

INVESTMENT OBJECTIVES

The Fund's primary investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due. In order to meet this overriding objective, this Investment Strategy Statement looks to:

- Maximise returns from investment
- Manage risk within acceptable levels
- Ensure appropriate liquidity
- Contribute towards 100% Funding level
- Stabilise employer contribution rates as far as possible
- Invest in a wide range of investments
- Pool assets
- Take proper advice

Consistent with the 2016 triennial revaluation of the Fund, the agreed investment aim is to generate, over time, a rate of return that is at least 3.6% p.a. over gilt yield and to achieve this, the Fund will invest in a wide variety of investments to reduce portfolio risk and reduce volatility.

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ASSET ALLOCATION

Asset allocation of the Fund is determined by the administering authority acting on professional advice in the best long term interest of scheme beneficiaries, while looking to maintain overall target return. The Pensions Committee review asset allocation and performance against achieving the target return regularly at quarterly meetings. A full formal review will be undertaken every three years following publication of the triennial revaluation results.

The Fund will only invest in asset classes that are deemed to be suitable investments and so must meet the following criteria:

- investments that are well understood by the Committee;
- investments which are consistent with the Fund's risk and return objectives;
- investments which make a significant contribution to the portfolio by improving overall return and risk characteristics; and
- a wide range of assets will be selected to increase diversification.

The Fund's current asset allocation includes seven asset classes that combine to form the policy portfolio. Each asset class is selected to have different exposures to economic factors (GDP growth and inflation); to combine different geographies; and span different currencies. In assessing suitability, the Pension Committee considered the respective return drivers, exposure to economic growth and sensitivity to inflation – each an important consideration, relative to the sensitivities of the Fund's liabilities and managing risk.

These seven asset classes are the building blocks used to create the policy portfolio. The Pension Committee determined benchmark weights to each asset class which it believes to be best suited to meeting the long term objectives of the Fund. Committee also identified tolerance ranges within which shorter term variations would be tolerated and/or actively pursued due to a combination of relative returns and investment opportunity.

The agreed benchmark weight and tolerances are shown in the table below. The weights will be maintained within the ranges if the scheme can find attractive opportunities that meet its return, risk, and cash flow requirements. In the absence of opportunities, investments will not be "forced" and the fund will be under or over allocated to any asset class.

Asset Class	Benchmark Weight *	Range
Equities	47.00%	35%-60%
Private Equity	4.00%	0%-5%
Bonds	12.00%	0%-20%
Private Credit	10.00%	0%-15%

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Property	12.00%	0%-15%
Infrastructure	3.00%	0%-10%
DGF/Absolute Return	12.00%	0%-25%

* Benchmark weight reflects agreed changes to asset allocation as at Pension Committee September 2016

Each asset class has its own specific investment objective and within each asset class there are further diversification controls. The mandates are managed by various Fund managers and the London CIV (LCIV), to whom the Fund has delegated investment management and implementation duties in line with LGPS asset pooling.

Equities: UK/Global

The Fund invests in Equities through both active and passive management. For active UK Equities the objective is to outperform the FTSE All share ex tobacco (UK) Benchmark. For active Global Equities the Funds objective is seek defensive assets with a focus on income generation as well as growth; the aim is to outperform the MSCI All Country World benchmark. Net dividends will continue to be reinvested until the funds cash flow changes. Passive Equities are held to keep investment manager fees low and to contribute to the return objective by tracking the relevant benchmarks. All equity investments are made via segregated or pooled Fund mandates and where appropriate sub Funds are available investments will be held within the London CIV.

Bonds

The Fund invests in nominal and inflation-linked government and investment grade corporate bonds to improve the resilience of the portfolio. Exposure includes securities issued by the UK Government, given their similarities within the Scheme's liabilities. To enhance yield, the Fund may maintain investments in credit securities issued by UK and global companies. This asset class is managed through both passive and active mandates. When active management is selected the manager will aim to maximise risk adjusted returns across a full market cycle.

Diversified Growth Fund (DGF) / Absolute Return

Diversified Growth Funds are included in the asset allocation to seek to preserve capital first then grow the Funds at a rate higher than cash.

Private Equity

The Fund is invested in Private Equity with the objective to outperform the MSCI World benchmark. Private Equity is an illiquid asset class; harvesting illiquidity premia is an attractive means of enhancing aggregate returns.

Infrastructure

The Fund has committed to investing in infrastructure as the duration of this class of assets matches the long-term nature of the Funds liabilities. The Funds existing

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holding in Infrastructure looks to gain cost-effective, diversified exposure to global infrastructure assets. Further investment in infrastructure will be added, if available, with the aim of generating predictable, index-linked cash flows; this reduces the inflation risk of the portfolio and adds diversification

Private Credit

The Fund invests in Private credit to seek income and benefit from the long term nature of the Fund. The existing allocation seeks to generate value from direct lending via the secondary market and also exploit specific opportunistic investments. This allocation is directly invested in external pooled Funds and provides a contractual income to the fund.

Property

The Fund holds an allocation in UK Property to support the overall aim to generate a return in excess of the IPD benchmark while earning predictable cash flows.

POOLING OF ASSETS

The Fund is committed to pooling of assets and the London Borough of Hillingdon as Administering Authority of the London Borough of Hillingdon Pension Fund formally agreed to join the London Collective Investment Vehicle (CIV) on 25 February 2016 and were on-boarded on 1 March 2016. Through the LCIV the Fund will benefit from economies of scale, by pooling assets with other Funds, enabling the LCIV to negotiate lower investment and implementation fees across the board on various asset classes.

London CIV

The London CIV was formed as a voluntary collaborative venture by the 33 London Boroughs in 2014 to pool their LGPS investments. It received regulatory authorisation from the Financial Conduct Authority in November 2015 and launched its first sub Fund in December 2015. The London CIV has been established as a collective investment vehicle for LGPS Funds. The current regulatory permissions allow for operation as an Authorised Contractual Scheme (ACS) Fund. The London CIV was created in line with the government directive aimed at reducing investment costs across the board for all LGPS Funds pooling assets of 89 administering authorities into 6 "wealth Funds".

Since its initial launch, the London CIV has opened 6 sub Funds within the global Equities and multi asset absolute return space and is in the process of opening further sub-Funds covering liquid asset classes. Less liquid asset classes will follow. The London CIV structure and associated business plan is consistent with the criteria contained within the November 2015 Investment Reform and Criteria guidance.

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The London CIV will ultimately be responsible for managing all the Fund's assets. The Fund has begun transitioning assets into the London CIV transferring assets with a value of £102m or 11% of the portfolio in June 2016 to the London CIV Ruffer Diversified Growth Fund. In addition to the Funds held directly on the London CIV platform the Fund transferred £215 or 24% of its assets to LGIM as passive funds in October 2016 to benefit from work carried out by the London CIV to reduce fees through economies of scale. These passive funds will be retained outside of the London CIV operating model for the time being, in accordance with government guidance on the retention of life funds outside pools, although the London CIV will monitor the passive funds as part of the broader pool. The Fund will look to transition further liquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund's investment strategy.

The Fund currently holds £225m or 25% of its assets in illiquid assets. The cost of exiting these strategies early would have a negative financial impact on the Fund as the costs of transitioning outweigh any potential gains. These will be held as legacy assets until they mature and proceeds will be re-invested through the Pool, if it has appropriate strategies available, or until the Fund changes asset allocation and decides to disinvest. The Fund's illiquid assets currently held include Private Equity, Private Credit and Property.

Pool Governance

The legal ownership of assets held within the LCIV is with the depository which is currently Northern Trust, with the beneficial ownership of the assets remaining with the Fund; the LCIV is the Fund manager.

The governance structure of the LCIV has been designed to ensure that there are both formal and informal routes to engage with the investing Funds both as shareholders and investors, making the LCIV accountable at both levels. Governance is achieved through the Sectoral Joint Committee, comprising nominated Member representatives from each investing Fund within the pool; including the Chairman of the London Borough of Hillingdon Pensions Committee, Councillor Corthorne. In addition there is an Investment Advisory Committee ("IAC") formed of nominated officers from the investing Boroughs. The London Borough of Hillingdon Fund is currently represented on the IAC.

At a company level for London CIV the Board of Directors is responsible for decision making, which includes the decisions to appoint and remove investment managers. The share structure of London CIV involves each member body being shareholders who all retain equal shares in the ownership and voting making the company accountable to its shareholders. In addition the Company has a highly respected Non-Executive Board, meeting the requirements for strong governance arrangements to be in place.

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INVESTMENT IMPLEMENTATION

The implementation of all investments is delegated to the Corporate Director of Finance, supported by a team of officers. The officers are assisted in the implementation of the investment strategies by the Fund's appointed investment advisors. All investment decisions will firstly look to implementation into a sub Fund held within the London CIV.

INVESTMENT GOVERNANCE

The Pensions Committee sets the objectives, risk tolerances and sets the required rate of return in conjunction with the scheme's actuary. Once the parameters are established, the Committee determine the strategic asset allocation that it believes has the highest probability of succeeding, taking into account proper advice from the Fund's investment advisors.

The Pensions Committee meet quarterly to discuss investment decisions and review Fund performance, in addition to receiving a training discussion item at each meeting to ensure effective governance of the Fund investments.

In April 2015, a Local Pensions Board was created to ensure further governance over the administration of the Fund and decision making processes. The Local Pensions Board reviews compliance and Pensions Committee decisions to ensure the Fund complies with the code of practice on the governance and administration as issued by the Pension Regulator.

PERFORMANCE MEASUREMENT

The Pension Committee reviews the performance of the investment managers and assets on a quarterly basis discussing performance, market conditions and asset allocation and making appropriate decisions where necessary. They review the report from Northern Trust, the Fund's custodian who provides an independent monitoring service and reports from officers and advisors on performance review meetings with Fund Managers. In addition, the performance of the pooling arrangements is monitored via regular reporting and updates from the London CIV. Local benchmarking information is received from PIRC to review performance against other LGPS schemes.

RISK MANAGEMENT

The Fund has a Risk Management Policy which can be found on the Council's

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website at <http://www.hillingdon.gov.uk/article/6492/Pension-fund>. The Risk Management Policy details the risk management strategy for the Fund, which explains:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk;
- how risk management is implemented;
- risk management responsibilities;
- the procedures that are adopted in the Fund's risk management process; and
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

The Fund adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance at a strategic and operational level.

The Fund recognises that it is not possible or even desirable to eliminate all risks. Accepting and actively managing risk is therefore a key part of the risk management strategy. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in light of the risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority on behalf of the Fund will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained;
- adopt a system that will enable the Fund to anticipate and respond positively to change;
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided; and
- make sure that any new areas of activity (new investment strategies, joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

Risk Management is a sound management technique that is an essential part of stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

The Pensions Committee analyse the level of risk and the drivers of risk and monitor and review the investment strategy and investment performance on an ongoing basis and take mitigating action where required. This may include rebalancing the

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allocation of assets when set benchmark weighting of asset classes exceeds tolerance thresholds

The Committee has established a strategic asset allocation benchmark for the Fund. They assess risk relative to that benchmark by monitoring the asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities, monitoring the delivery of benchmark returns relative to liabilities on a regular basis.

The Pensions Committee provides a practical constraint on the Funds investments deviating greatly from the intended approach by adopting a specific asset allocation benchmark and by monitoring the underlying asset class weights relative to this benchmark on a regular basis.

The investment strategy is suitable diversified, with the balance of different asset classes and investment managers mitigating the impact at an aggregate level of underperformance of an individual manager. Diversification is a very important risk management tool. The scheme seeks to maintain a diversified exposure via a wide range of asset classes, geographies, and currencies.

ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) POLICY

The Fund is committed to being a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from specialist investment advisers.

The Fund expects its external investment managers, including the London CIV to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund such as corporate governance and environmental factors. The Fund expects its Fund managers to integrate material ESG factors within its investment analysis and decision making.

Where the Fund invests on a segregated basis, it requests the exclusion of investment within the Tobacco sector as part of the mandate. The Fund will not pursue policies that are contrary to UK foreign policy or UK defence policy.

The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

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Exercising the rights of Ownership and Voting

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which invests. The Fund's investments through the London CIV are covered by the voting policy as agreed by the Pensions Sectoral Joint Committee advising managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible. The London CIV will hold managers to account where they have not voted in accordance with these directions.

The Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly. The Fund appreciates that to gain the attention of companies in addressing governance concerns; it needs to join with other investors sharing similar concerns. To ensure effective and consistent use of the voting rights, investment managers are tasked with exercising the voting rights accruing to the Fund. If important issues impacting local residents do emanate from actions of invested companies, the Pensions Committee will contact investment managers in charge of assets of such a company to make their opinion known and ask for such to be presented at meetings with the company or reflected in their voting pattern.

Going forwards, the Fund will incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Council's website. The Fund complies with the UK Stewardship Code and a statement of compliance which explains the arrangements which support its commitment to each of the seven principles is also published on the website.

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Administration Update

Committee	Pension Board
Officer Reporting	Ken Chisholm
Papers with report	Appendix 1 - KPI Template

SUMMARY

This report is the Administration Report taken to Pensions Committee on 22 March, but is replicated here as it answers some specific issues raised by Pension Board.

RECOMMENDATIONS

That the Pension Board note the contents of the report

INFORMATION

Transfer to Surrey

The project to transfer administration to Surrey County Council from Capita Employee Benefits is now completed and the formal project closed. A detailed project closedown report has been produced and Pension Board Members should have received a copy by email. In terms of process, the project was very well managed by Surrey and there are no outstanding issues.

Administration Update

The Pension Administration system used by Surrey, Altair, includes a sophisticated task management system which allows the progress of all case work to be managed and monitored on a daily basis.

The Key Performance Indicators (KPIs) against which Surrey will be monitored were all contained within the agreed Section 101 agreement. A sample of the proposed reporting format has been appended to this report for information. It was agreed with Surrey, that due to the considerable backlog they inherited from Capita, formal Committee monitoring and reporting would commence from April 2017.

Since Surrey commenced administration of the Hillingdon Fund on 1 November 2017, 1,476 tasks have been created, of which 857 had been completed 857 by the end of February 2017.

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The remaining cases in progress require additional external information, which has been requested, to complete.

To support the work with Surrey, internal LBH processes have been amended to ensure that all new starters and leavers are identified and checked against information held in the Altair system. Scheme employers are aware that it is their responsibility to fully inform Surrey of all activity. Monthly monitoring of pension contributions deducted, for both Employees and Employers is undertaken and as part of the process amounts deducted from scheme members are reconciled with contributions paid in to the Pension Fund bank account. Discrepancies are immediately referred back to the Employer. These checks also allow identification of any new employees or leavers where no documentation had been sent to Surrey.

Early Retirement Statistics

The table below shows the number of employees, by category, who's LGPS benefits have been put into payment. In the case of redundancy and efficiency this relates to employees over 55 years of age. The earliest age a scheme member can retire voluntarily is age 55. As can be seen the number of early voluntary retirements remains at a high level.

	Redundancy	Efficiency	Ill Health	Voluntary over 55
2012/13	23	0	6	14
2013/14	50	0	3	45
2014/15	23	0	8	52
2015/16	19	0	6	68
2016/17 3rd Quarter	55	0	4	59

FINANCIAL IMPLICATIONS

There are no financial implications this report.

LEGAL IMPLICATIONS

There are no legal implications within this report.

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Hillingdon Pensions Administration - Key Performance Indicators 2017-18

Activity	Measure	Impact	Target	Apr		May		Jun		Commentary
Scheme members	Pensioners, Active & Deferred	n/a	n/a							
New starters set up	n/a	n/a	n/a							
ABS sent - Councillors	Statutory deadline	n/a	Due by 31 Aug							
ABS sent - Active	Statutory deadline	n/a								
ABS sent - Deferred	Statutory deadline	n/a								
				Volume	Score	Volume	Score	Volume	Score	
Death notification acknowledged, recorded and documentation sent	5 working days	M	100%	0	100%	0	100%	0	100%	
Award dependent benefits	10 working days	H	100%	0	100%	0	100%	0	100%	
Retirement notification acknowledged, recorded and documentation sent	10 working days	M	100%	0	100%	0	100%	0	100%	
Payment of lump sum made	10 working days	H	100%	0	100%	0	100%	0	100%	
Calculation of spouses benefits	10 working days	M	100%	0	100%	0	100%	0	100%	
Transfers In - Quote (Values)	20 working days	L	100%	0	100%	0	100%	0	100%	
Transfers In - Payments	20 working days	L	100%	0	100%	0	100%	0	100%	
Transfers Out - Quote	20 working days	L	100%	0	100%	0	100%	0	100%	
Transfers Out - Payments	20 working days	L	100%	0	100%	0	100%	0	100%	
Employer estimates provided	10 working days	M	100%	0	100%	0	100%	0	100%	
Employee projections provided	10 working days	L	100%	0	100%	0	100%	0	100%	
Refunds	20 working days	L	100%	0	100%	0	100%	0	100%	
Deferred benefit notifications	20 working days	L	100%	0	100%	0	100%	0	100%	
Complaints received- Admin	n/a	n/a	n/a	0	n/a	0	n/a	0	n/a	
Complaints received- Regulatory	n/a	n/a	n/a	0	n/a	0	n/a	0	n/a	
Compliments received	n/a	n/a	n/a	0	n/a	0	n/a	0	n/a	
Queries Handled by Helpdesk	n/a	n/a	n/a	0	n/a	0	n/a	0	n/a	

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Pension Board Insurance Cover Update

Committee	Local Pension Board
Officer Reporting	Nancy Leroux
Papers with report	Nil

SUMMARY

This report is to provide a further update to Pension Board on an issue raised previously.

RECOMMENDATIONS:

That the Pension Board note the update

SUPPORTING INFORMATION - Insurance Cover

Roger Hackett previously raised an issue about insurance cover for members of Pension Board who were neither Elected Members or employees of the Council.

The advice given by the Council's Insurance team was that based upon the understanding that no advice is given to third parties, the underwriters will provide cover in respect of the other Board Members actions under the existing Public Liability & Employers Liability policies. As the Board is assisting the Council, not advising third parties, it is unclear how an Officials Indemnity (OI) exposure could occur. However, it was agreed with the underwriters that the Council's operation of a Local Pension Board is noted as a function of the Council under the Officials Indemnity policy.

The Council's main insurer is looking to offer a specific extension to the Official Indemnity Policy, to cover local Pension Boards, but this has not as yet been released. The cost is estimated to be around £2k.

Financial Implications

None at this stage

Legal Implications

Not applicable

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FREQUENCY OF MEETINGS AND WORK PROGRAMME 2017/18

Committee	Pension Board
Officer Reporting	Khalid Ahmed
Papers with report	Nil

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 BOARD

1. To discuss and agree frequency of meetings
2. To make suggestions for future working practices and/or reviews.

INFORMATION

1. Pension Board was set up from 1 January 2015, with the first meeting in July 2016. Now that Board has completed over a full year of meetings, Board is asked to consider their remit and operation and whether there is a need to alter the frequency of meetings. Board would have the option to reduce to either two or three meetings per year. Alternatively they could continue to meet on a quarterly basis.
2. Draft dates for future meetings, all to start at 5.00pm

Meetings	Room
4 April 2017	CR 3
28 June 2017	CR5
4 October 2017	CR3
9 January 2018	CR3
3 April 2018	CR3

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PENSION BOARD:2017/18 DRAFT Work Programme

4 April 2017	Communications Strategy - draft Policy - deferred	Dan Kanaris / Ken Chisholm, Corporate Pensions Manager
	Administration Update	Ken Chisholm, Corporate Pensions Manager
	Board Issues Update	Nancy Leroux, Deputy Director - Strategic Finance
	Review of Pension Committee Papers Part II	
	Pension Board Work Programme	Democratic Services Manager

28 June 2017	Communications Strategy - draft Policy - deferred	Dan Kanaris / Ken Chisholm, Corporate Pensions Manager
	Review of Findings from Training Needs Analysis	Sian Kunert, Chief Accountant
	Governance Policy Update	Ken Chisholm, Corporate Pensions Manager
	Review of Pension Committee Papers Part II	
	Pension Board Work Programme	Democratic Services Manager

4 October 2017	<i>TBC</i>	
	<i>TBC</i>	
	Review of Pension Committee Papers Part II	
	Pension Board Work Programme	Democratic Services Manager

9 January 2018	<i>TBC</i>	
	<i>TBC</i>	
	Review of Pension Committee Papers Part II	
	Pension Board Work Programme	Democratic Services Manager

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3 April 2018	<i>TBC</i>	
	<i>TBC</i>	
	Review of Pension Committee Papers Part II	
	Pension Board Work Programme	Democratic Services Manager

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