

Minutes

PENSIONS COMMITTEE

25 September 2017

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



	<p>Committee Members Present: Councillors Philip Corthorne (Chairman) Michael Markham (Vice-Chairman) Peter Davis Beulah East Tony Eginton</p> <p>Pensions Board Members: Roger Hackett and Venetia Rogers</p> <p>Also Present: David O'Hara (Advisor) Adrian Balmer (External Audit)</p> <p>LBH Officers Present: Tunde Adekoya Ken Chisholm, Head of Pensions Administration Paul Whaymand Sian Kunert Neil Fraser</p>	
1.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>None.</p>	
2.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>Councillor Philip Corthorne declared a Non-Pecuniary Interest in all agenda items because he was a deferred member of the Local Government Pension Scheme. He remained in the room during discussion on the items.</p> <p>Councillor Tony Eginton declared a Non-Pecuniary Interest in all agenda items as he was a retired member of the Local Government Pension Scheme. He remained in the room during discussion on the items.</p> <p>Councillor Beulah East declared a Non-Pecuniary Interest in all agenda items as she was a retired member of the Local Government Pension Scheme. She remained in the room during discussion on the items.</p>	

3.	<p>MINUTES OF THE MEETING - 14 JUNE 2017 (<i>Agenda Item 3</i>)</p> <p>It was requested that a record of thanks to Nancy Le Roux be recorded. The Chairman confirmed that he had already personally written to Ms Le Roux on behalf of the Committee, thanking her for her hard work over the years.</p> <p>RESOLVED: That the minutes be agreed as an accurate record.</p>	
4.	<p>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 4</i>)</p> <p>It was agreed that agenda items 10 and 11 would be considered in private.</p>	
5.	<p>EXTERNAL AUDITOR REPORT ON THE PENSION FUND ACCOUNTS (<i>Agenda Item 5</i>)</p> <p>A representative from the Council's External Auditors, EY, updated Members on the audit of the 2016/17 Pension Fund Accounts.</p> <p>EY updated Members on their findings; in particular that there were no uncorrected errors on the accounts and that they soon were expected to provide an unqualified opinion.</p> <p>Members of the Committee discussed aspects of the External Auditors report, and requested that a breakdown of the increased costs listed within 'Management Expenses' be passed to the Committee.</p> <p>Members thanked officers for the work involved in producing the Pension Fund accounts.</p> <p>The recommendations were moved, seconded and agreed. The Committee's resolution would enable formal sign-off of the Accounts, after the meeting, under delegated authority.</p> <p>RESOLVED:</p> <p>That the Committee:</p> <ol style="list-style-type: none"> 1. Noted the auditor's findings on the audit of the Pension Fund accounts for 2016/17; 2. Delegated authority to the Pension Committee Chairman to sign the Pension Fund accounts on completion of the audit; and 3. Approved the Fund Annual Report for publication. 	
6.	<p>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE (PART I) (<i>Agenda Item 6</i>)</p>	

Consideration was given to a report which provided Members with an overview of fund performance as at 30 June 2017, an update on recent investment decisions, and progress on the London CIV.

The Committee was informed that the total size of the fund was £965m at 30 June 2017, which was an increase from £956m at the end of the last quarter. This represented an overall investment return over the quarter of 0.94%, which was a relative underperformance of the benchmark by 0.01%.

Members were informed that LBH had a portfolio totalling almost £1b in assets. Public equity allocations were managed by three managers - UBS Active UK, LGIM Passive Global, and Newton Active Global. Newton managed a global equity portfolio, and was rated highly by LBH, but had not been selected by the LCIV. The LCIV had appointed Epoch as manager moving forward, who LBH also rated highly, and who was broadly similar to Newton in their focus on income. Performance to targets was also similar to Newton, though Epoch was deemed to be more defensive and less volatile, with a more diverse portfolio.

The Committee was informed that they could choose to appoint Epoch as manager. Whilst further investigation regarding costs was still be carried out, Epoch's management fees were felt to be marginally cheaper than Newton. Moving from Newton to Epoch would also incur transactional costs, though it was felt that these would be cleared within three months.

Members discussed the matter, and most felt that moving to Epoch was a sound decision in light of their good reputation and performance, and would help LBH to further align to the stated long term strategy to move into the London CIV. Councillor Eginton felt that there was no material difference between Newton and Epoch, and felt that a move should only be agreed if LBH was changing their investment strategy.

In Part II of the meeting, the Committee was provided with a report on market climate and the performance of investment vehicles as at August 2017, together with an update on the Fund's current managers and the quarterly update from the LCIV.

The recommendations, including the additional recommendation to switch from Newton to Epoch, were moved and seconded. These were agreed, with Councillor Eginton abstaining from voting on the Epoch decision.

RESOLVED:

That the Committee:

- 1. Discussed the Fund performance update and delegated the implementation of any decisions to the Officer and Advisor - Investment Strategy Group;**

	<p>2. Noted the follow up activity to previous investment decisions and progress in the development of the London CIV; and</p> <p>3. Approved the replacement of Newton to Epoch, in principle.</p>	
7.	<p>IMPLEMENTATION OF THE MARKETS IN FINANCIAL INSTRUMENTS DERIVATIVE (MIFID II) <i>(Agenda Item 7)</i></p> <p>Consideration was given to a report on the impact of the implementation of the Markets in Financial Instrumental Directive 2014/65 ("MiFID II"), and the risks inherent to becoming a retail client on 3 January 2018.</p> <p>Members discussed the recommendations, and it was felt that the application for professional client status was a requirement to ensure that LBH's investment strategy could continue to function. With this in mind, the recommendations were moved, seconded, and unanimously agreed.</p> <p>RESOLVED:</p> <p>That the Committee:</p> <ol style="list-style-type: none"> 1. Noted the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018; 2. Agreed to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy; 3. In electing for professional client status acknowledged and agreed to forgo the protections available to retail clients as attached as APPENDIX 1; and 4. Agreed to approve delegated responsibility to the Corporate Director of Finance for the purposes of completing the applications and determining the basis of the application as either full or single service. 	
8.	<p>PENSIONS ADMINISTRATION REPORT <i>(Agenda Item 8)</i></p> <p>Consideration was given to a report updating the Committee on the administration of the London Borough of Hillingdon Fund of the LGPS, in relation to Surrey and internally at Hillingdon. In addition, consideration was given to the draft Governance Policy and Compliance statement, which was submitted to the Committee for approval prior to its proposed implementation as of 1 October 2017.</p> <p>Members discussed the report and sought clarity on the purpose of the proposed amendments to the list of Authorised Signatories for payment of Death Grants. The Committee was informed that the amendments were proposed to ensure that sufficient signatories could always be found, particularly during holiday periods, thereby expediting the</p>	

	<p>payment of the Death Grants. Members requested that all signatories be given appropriate training to ensure that they were making informed decisions.</p> <p>The Committee was informed that last year, during what was a transitional period, the requirement for Capita Employee Benefits to issue all Annual benefit Statements by 31 August 2016 had not been met. It was discussed that a statement from LBH on this matter would be included on the Council's website. Moving forward, statements for all active members were issued prior to 31 August 2017. Errors in payment details due to reporting issues by Capita had now been picked up and were in the process of being resolved.</p> <p>In future, benefit statements, payslips and P60s would be accessible through self-service online tools. If access to a computer was not available, statements could be issued by hardcopy. External statements were expected to be issued by April, with internal statements issued by May, and hardcopies issued by July 2018. It was requested that a future report include details of when retired members would have access to documents through the self-service online model.</p> <p>The recommendations were moved, seconded, and unanimously agreed.</p> <p>RESOLVED:</p> <p>That the Committee:</p> <ol style="list-style-type: none"> 1. Agreed to the amended list of Authorised Signatories for payment of Death Grants; and 2. Approved the Governance Policy and Compliance Statement for the London Borough of Hillingdon Pension Fund. 	
9.	<p>LOCAL PENSION BOARD - ANNUAL REPORT <i>(Agenda Item 9)</i></p> <p>Consideration was given to the Local Pension Board Annual report, provided for information purposes.</p> <p>Members thanked board members for their work in compiling the report, and noted the information contained therein.</p> <p>RESOLVED:</p> <p>That the information be noted.</p>	
10.	<p>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE <i>(Agenda Item 10)</i></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</i></p>	Action by

	<p><i>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 Committee was provided with a report on market climate and the performance of investment vehicles as at August 2017, together with an update on the Fund's current managers and the quarterly update from the LCIV.</p> <p>RESOLVED:</p> <p>That the information be noted, together with the performance of Fund Managers.</p>	
11.	<p>PENSION FUND RISK REGISTER <i>(Agenda Item 11)</i></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 report provided details of the main risks to the Pension Fund which enabled the Committee to monitor and review.</p> <p>It was requested the consideration be given to discussing future reports on the Pension Fund Risk Register in Part 1.</p> <p>RESOLVED:</p> <p>That the Committee considered the Risk Register and noted the measures which were being taken to mitigate the identified risks.</p>	
	<p>The meeting, which commenced at 6.00 pm, closed at 6.55 pm.</p>	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Neil Fraser on 01895 250692. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.