

## Minutes

### PENSIONS COMMITTEE

10 June 2021

Meeting held at Committee Room 6 - Civic Centre,  
High Street, Uxbridge



	<p><b>Committee Members Present:</b> Councillors Martin Goddard (Chairman) Duncan Flynn (Vice-Chairman) Carol Melvin John Morse (Opposition Lead) Raju Sansarpuri</p> <p><b>Witnesses Present:</b></p> <p><b>LBH Officers Present:</b> Tunde Adekoya James Lake, Chief Accountant Hayley Seabrook, Senior HR Operations Support Officer Paul Whaymand, Corporate Director of Finance</p> <p><b>Also Present:</b></p>	
3.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p>	<b>Action by</b>
4.	<p><b>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING</b> (<i>Agenda Item 2</i>)</p> <p>Councillor Raju Sansarpuri 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 meeting during discussion of the items.</p>	<b>Action by</b>
5.	<p><b>MINUTES OF THE MEETINGS DATED 24 MARCH AND 20 MAY 2021</b> (<i>Agenda Item 3</i>)</p> <p><b>RESOLVED:</b> That the minutes of the meeting dated 24 March and 20 May 2021 be agreed as an accurate record.</p>	<b>Action by</b>
6.	<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> (<i>Agenda Item 4</i>)</p> <p>It was confirmed that items 1 - 8 were marked Part I and would be considered in public and items 9 – 12 were marked Part II and would be considered in private.</p>	<b>Action by</b>

7.	<p><b>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I</b> (<i>Agenda Item 5</i>)</p> <p>James Lake, Chief Accountant, presented the Investment Strategy and Fund Manager Performance report. It was highlighted that performance over the quarter was positive at +2.19%, this was ahead of the benchmark; however, it was noted that this was just for the quarter and longer term performance outlook was required. When looking at three and five year periods, overall investment return was in the region of 5 to 7% per annum. This was ahead of the target funding requirement of 4%.</p> <p>Members were informed that the fund value had increased over the quarter to £1,157M, up by £23M. It was encouraged that Members refrain from looking at fund value alone; to that end, attention was drawn to the importance of evaluating fund liabilities, particularly the funding level. It was highlighted that the funding level had improved over the quarter and since the formal valuation at March 2019, when it was at 87%. In the intervening period the funding level had dipped slightly, this was attributed to the onset of the Covid-19 pandemic, however the funding level was now moving in a positive direction and had since recovered to 89%.</p> <p>Members were impressed with performance over the previous quarter and praised the defensive manoeuvres recently taken which held the Fund in a good position against inflation. The Committee discussed the importance of the coming months in monitoring the performance of fund managers and how that would inform upcoming decisions on whether to commit more money into certain funds. Further discussion took place around staff resourcing amongst asset pooling companies and the importance of retaining permanent staff.</p> <p>Regarding responsible investment, Members sought to hear feedback on the levels of engagement between the London CIV and their fund managers; it was noted that perhaps this information was available but not directly supplied to clients. The Committee were informed that the advisors had been given access to the investment managers' reports.</p> <p>Pensions Board Member, Roger Hackett, noted that he recently had the opportunity to attend the Pensions and Lifetime Savings Association Conference and had heard that 'Investment Pools', like the London CIV, across the country had experienced difficulties around performance and governance frameworks. It was noted that the Ministry of Housing, Communities and Local Government would be carrying out consultation later in the year around further pooling and next steps for Investment Pools; it was suggested that a potential outcome of that could be a directive that individual funds should pool more.</p> <p><b>RESOLVED That the Pensions Committee:</b></p> <p><b>1) Noted the Fund funding and performance update; and</b></p>	Action by

**2) Noted the updates on implementation of the investment strategy.**

8.

**ADMINISTRATION REPORT** (*Agenda Item 6*)

**Action by**

Yvonne Thompson-Hoyte, Interim Pension Fund Manager, presented the report on pensions administration to the Committee. It was highlighted that, since the previous report in February 2021, 318 additional members had signed up for the online self-service portal allowing individuals to see up to date information relating to their pension benefits. Further to this it was noted that the largest uptake in signing up to the self-service portal was amongst Active members at 43%; uptake amongst Deferred members and Pensioners was at 21% and 20% respectively. This discrepancy was not uncommon and was attributed primarily to the age gap between active members and deferred or collecting members; although it was also suggested that, typically once an individual is receiving their regular pension payments, their interest in the administration of their pensions may reduce which could explain the lower levels of self-service uptake. It was suggested that, unless there was a key service that could only be delivered through the self-service portal, user uptake would remain relatively low. Further to this, it was highlighted that existing self-service accounts could not be transferred to the new administrator upon the transfer of administration services later in the year; this meant that a drive to encourage individuals to sign up to a new self-service portal, with the new pensions administrator, would be required in the near future. Clare Scott, Independent Pensions Adviser, highlighted that a national project would commence in the coming years requiring all pension providers to submit their data on members' benefits to a central dashboard, allowing any individual to log in to their dashboard and see all of their pension information in one place. Officers mentioned that the new pensions administrator, Hampshire County Council (HCC), were minded to stop sending physical pension payslips in the near future once the transfer of administration services to HCC had completed, and to only have payslips viewable through the online self-service portal unless paper copies were explicitly requested.

Results of the address tracing exercise were presented showing that of the original 3521 records only 143 remained unresolved. This represented a success rate of 96% and was considered an excellent result. Work will now begin to implement the updated information on the administration system.

Members' attention was drawn to administrator performance and it was noted that this had fallen off over the past year, substantiating the reasons for the impending transfer of administration to HCC. However, it was highlighted that officers continued to work with the current administrator to maintain performance whilst the transfer takes place. A particular area of concern for officers was the payment of death grants, this was echoed by Members, it was noted that officers had since received an updated report from the administrator outlining performance up to the end of May 2021, this appeared to show improved performance in some areas but concerns still remained regarding consistency. Officers went on to note that Hillingdon's own KPI's were somewhat stricter than the regulatory KPI's which could

allay some concerns around performance. Members were encouraged by the forthcoming transfer of administration services to HCC.

With regard to the implementation of the McCloud Remedy, the Committee were informed that this would be implemented after the transfer of administration services to HCC had completed.

Committee were advised that the revised Pension Board terms of reference, to include reference to SAB guidance, were agreed by the Pensions Board in April 2021. These had now been passed to Democratic Services to seek formal approval at the July full Council meeting.

**RESOLVED That the Pensions Committee noted the contents of the report.**

9.

**RISK REGISTER REPORT** (*Agenda Item 7*)

**Action by**

James Lake, Chief Accountant, presented the risk register report noting that there had been a number of changes this quarter. Amongst the changes was that risks Pen 04 and Pen 05 had been merged as previously requested by the Committee and the likelihood grading of the risk had been increased from medium to significant following concerns around prospective inflation increases. The title of Pen 09 had been amended to Environmental, Social and Governance (ESG) to represent a more comprehensive and responsible investment agenda. Risk Pen 11 had been reduced to reflect the Fund's pro-active approach to investment either inside or outside of the LCIV Pool; it was noted that the Fund would invest outside of the Pool if a suitable product was not available. A new risk, Pen 13, had been added in relation to governance; one of the main focusses of this was Member training, it was noted that training was regularly undertaken by Pensions Committee Members at Hillingdon, however, it would soon become a regulatory requirement and it was anticipated that the governance burden on the Fund would increase considerably. Officers highlighted that the risk rating on Pen 13 may increase when the regulatory codes are released, emphasising the need for strong governance arrangements.

With regard to risk Pen 09, relating to ESG, Members commented on the expectation that fund managers would be signed up to the UK Stewardship Code. The Committee highlighted that some international fund managers, although potentially unlikely to be signed up to the UK Code, would be signed up to an international equivalent. Officers noted that international fund managers had been requested to provide information on accreditation and adherence to codes in this area and to show how this is equivalent to the UK Code; further to this it was highlighted that many international managers responded saying that they were signed up to the UN Principles for Responsible Investment, somewhat seen as a global code. In relation to ESG, it was noted that over recent years, clients had been requesting more from their fund managers in this area; this had resulted in positive movement across the board where ESG issues were concerned. To this regard, Members were minded to become increasingly tougher as time goes on to ensure fund managers are responsible when it comes to ESG.

	<p><b>RESOLVED: That Pensions Committee considered the Risk Register in terms of the approach, the specific risks identified, and the measures being taken to mitigate current risks.</b></p>	
10.	<p><b>DRAFT WORK PROGRAMME</b> (<i>Agenda Item 8</i>)</p> <p>James Lake, Chief Accountant, presented the draft Work Programme 2021/2022 advising Members that a number of training sessions would need to take place ahead of the 28 September meeting. The Chairman emphasised the need for Member training, particularly for newer Committee Members, and alluded to a potential need to mandate training in a similar manner to what is required of Planning Committee Members.</p> <p><b>RESOLVED That the Pensions Committee:</b></p> <p><b>1) Noted the dates for Pensions Committee meetings; and</b></p> <p><b>2) Made suggestions for future agenda items, working practices and / or reviews.</b></p>	<b>Action by</b>
11.	<p><b>RESPONSIBLE INVESTMENTS UPDATE</b> (<i>Agenda Item 9</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>	<b>Action by</b>
12.	<p><b>ADMINISTRATION REPORT PART II - PENSIONS ADMINISTRATION UPDATE</b> (<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 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>	<b>Action by</b>
13.	<p><b>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART II</b> (<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>	<b>Action by</b>

14.	<p><b>INVESTMENT CONSULTANT CONTRACT EXTENSION</b> (<i>Agenda Item 12</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>	<b>Action by</b>
<p>The meeting, which commenced at 5.00 pm, closed at 6.36 pm.</p>		

These are the minutes of the above meeting. For more information on any of the resolutions please contact Steve Clarke on 01895 250693. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.