

## Minutes

### PENSIONS COMMITTEE

28 September 2022

Meeting held at Committee Room 6 - Civic Centre,  
High Street, Uxbridge UB8 1UW



	<p><b>Committee Members Present:</b> Councillor Stuart Mathers (Chairman) Councillor Tony Burles (Vice-Chairman) Councillor Kaushik Banerjee Councillor Martin Goddard Councillor Mohammed Islam</p> <p><b>LBH Officers Present:</b> Andy Evans, Corporate Director of Finance James Lake, Head of Pensions, Treasury, Investments &amp; Statutory Accounts Tunde Adekoya, Pension Fund Accountant Steve Clarke, Democratic Services Officer</p> <p><b>Also Present:</b> Roger Hackett, Pension Board Member Tony Noakes, Pension Board Member Andrew Singh, Isio Clare Scott, Independent Adviser David O'Hara, Isio Larisa Midoni, Ernst &amp; Young Craig Alexander, Hymans &amp; Robertson LLP Andy Lowe, Hampshire County Council</p>
15.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p>
16.	<p><b>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING</b> (<i>Agenda Item 2</i>)</p> <p>There were no declarations of interest.</p>
17.	<p><b>MINUTES OF THE MEETING DATED 09 JUNE 2022</b> (<i>Agenda Item 3</i>)</p> <p><b>RESOLVED:</b> That the minutes of the meeting dated 09 June 2022 be agreed as an accurate record.</p>
18.	<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 – 11 were marked Part I and would be considered in public and items 12 – 15 were marked Part II and would be considered in private.</p>

19.	<p><b>EXTERNAL PENSION FUND AUDIT UPDATE 2021/22 &amp; PENSION FUND ANNUAL REPORT</b> (<i>Agenda Item 5</i>)</p> <p>James Lake, Head of Pensions, Treasury, Investments &amp; Statutory Accounts, introduced the item as a way for Ernst &amp; Young to provide an update on the audit process of the pension fund accounts. It was noted that the pension fund audit was in a relatively good position and was almost complete; Members were informed that the statutory deadline to complete the audit had also been extended to 30 November 2022. The Committee were asked to approve for publication the pension fund annual report, which is produced in line with CIPFA guidance and would be subject to review from Ernst &amp; Young.</p> <p>Larisa Midoni from Ernst &amp; Young was present to deliver an overview of the pension fund audit's progress and reminded Members that the auditors could not sign off on the pension fund accounts until the entirety of the Council's accounts were signed off, it was noted that this was currently facing some delays. With regard to the pension fund audit, the Committee were informed that this was progressing well. Members noted the update and approved the 2021/22 Fund Annual Report for publication, subject to review from the auditors.</p> <p><b>RESOLVED That the Pensions Committee:</b></p> <ol style="list-style-type: none"> <li><b>1) Noted Ernst &amp; Young's update on the audit of the Pension Fund accounts for 2021/22; and,</b></li> <li><b>2) Approved the 2021/22 Fund Annual Report for publication.</b></li> </ol>
20.	<p><b>ADMINISTRATION REPORT</b> (<i>Agenda Item 6</i>)</p> <p>James Lake, Head of Pensions, Treasury, Investments &amp; Statutory Accounts, introduced the report noting that Hampshire County Council (HCC), as the pensions administrator, continued to deliver at 100% against their key performance indicators. The numbers of scheme members signing up to the online portal continued to improve and efforts to clear the back log of work left by the previous administrators remained on track.</p> <p>Andy Lowe, Head of Pension Services at Hampshire County Council, introduced himself to the new Members of the Pensions Committee highlighting that it had been approximately one year since administration services of Hillingdon's pension scheme had transitioned from Surrey County Council to HCC, and in that time a productive working relationship had been established between LBH and HCC with HCC performing well. Members thanked officers for the administration update and commended the team at HCC for their continued good performance.</p> <p><b>RESOLVED That the Pensions Committee noted the administration update.</b></p>
21.	<p><b>2022 INITIAL VALUATION RESULTS</b> (<i>Agenda Item 7</i>)</p> <p>James Lake, Head of Pensions, Treasury, Investments &amp; Statutory Accounts, introduced the report noting that the Committee had attended a separate in-depth session whereby Members and officers analysed the initial results of the draft whole fund triennial valuation. The session also covered the assumptions, next steps and funding position.</p>

	<p>Members queried what proportion of the pension scheme membership was final salary based. Craig Alexander, from the fund actuary Hymans &amp; Robertson LLP, addressed the Committee noting that at the 2013 valuation this figure was 35% of fund members, in 2016 the figure was 25%, in 2019 the figure was 15%, and the figure currently stood at around 10%. It was noted that this figure would continue to fall, eventually to 0%, when no retired scheme members would be in receipt of a final salary based pension.</p> <p><b>RESOLVED That the Pensions Committee noted the initial valuation results report.</b></p>
22.	<p><b>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I</b> <i>(Agenda Item 8)</i></p> <p>James Lake, Head of Pensions, Treasury, Investments &amp; Statutory Accounts, introduced the report highlighting that this was the first quarter in which the war in Ukraine, inflation and growth fears had made a significant negative impact on the fund with a reduction in value of £86m over the quarter. Performance over a longer period of three years had fallen to 2.70%, where the target rate of return was 4%. It was noted that the at the time of the meeting, the fund value was at £1.207b compared to £1.174b reported in June 2022.</p> <p>The Committee were informed that London Collective Investment Vehicle LCIV had stepped up drawdowns for their infrastructure and private debt funds over the previous quarter. It was also noted that, in terms of strategic benchmark weightings, the portfolio overall was close to the benchmark however there was an agreed MAC underweight and a slight overweighting in property.</p> <p><b>RESOLVED That the Pensions Committee noted the funding and performance update.</b></p>
23.	<p><b>RESPONSIBLE INVESTMENT</b> <i>(Agenda Item 9)</i></p> <p>James Lake, Head of Pensions, Treasury, Investments &amp; Statutory Accounts, introduced the item and highlighted a recent achievement in that Hillingdon had been successful in its Stewardship Code application and was now listed as a signatory on the Financial Reporting Council website.</p> <p>The Committee had previously requested that Hillingdon's approach to responsible investing be compared to that of LCIV. It was noted that the two approaches were generally in alignment however there were difficulties in comparing the two as Hillingdon's responsible investment policy was drafted from the perspective of an asset owner and LCIV's from the perspective of an asset manager. Members urged caution in comparing LCIV's and Hillingdon's approaches and an emphasis was placed on the fund managers themselves, although it was noted that LCIV appointed fund managers. The Committee concluded that overall the responsible investment policies aligned well, especially when considering that all London Boroughs were clients, although it was also noted that there could be differences on product-by-product basis.</p> <p>The Committee wished to thank officers and previous Members of the Pensions Committee in their work in achieving a successful Stewardship Code application. Members sought an opportunity to understand the beliefs and values of LGIM, particularly in terms of social responsibilities, governance and ESG matters; it was noted that a previous iteration of the Pensions Committee had spent a lot of time discussing ESG matters with LGIM and had concluded that there was a strong</p>

alignment between the values of Hillingdon and LGIM, specifically in terms of ESG matters.

**RESOLVED that the Pensions Committee:**

- 1) Noted confirmation that Hillingdon has received signatory status of the UK Stewardship Code;**
- 2) Noted the intention to begin TCFD reporting;**
- 3) Noted the fund managers' ESG activities and compliance efforts; and,**
- 4) Noted comparison of LBH/LCIV Responsible Investment Beliefs.**

24. **RISK REGISTER REPORT** (*Agenda Item 10*)

James Lake, Head of Pensions, Treasury, Investments & Statutory Accounts, introduced the item noting that there had been no changes to the risk register this quarter. The main focus surrounding inflation and the value of the fund were highlighted as remaining in a red status; this was primarily due to potential impact level however mitigations listed in the register were in place to help reduce the likelihood of this risk.

Members sought clarification on 'PEN 8 – The risk of financial loss through the negative impact of ESG matters' and queried whether this risk could be considered lower due to the nature of pooled LGIM and LCIV funds. It was noted that the Committee's primary focus was to ensure a positive return on investments and it would not make negatively impacting decisions purely in an effort to follow ESG principles.

**RESOLVED That the Pensions Committee considered the Risk Register in terms of the approach, the specific risks identified, and the measures being taken to mitigate those current risks.**

25. **DRAFT WORK PROGRAMME AND TRAINING** (*Agenda Item 11*)

The Committee's forward plan and training log was introduced by James Lake, Head of Pensions, Treasury, Investments & Statutory Accounts. It was noted that there were gaps remaining in Committee Members' training and it was emphasised by the Chair that it was important to maintain the high level of experience and knowledge held by the Council's Pensions Committee. Officers noted the importance of maintaining the professional status of the fund under the Markets in Financial Instruments Directive (MiFID), the Committee would need the ability to demonstrate that they have the professional knowledge and skills to effectively manage a fund. Advisers noted that, increasingly, other funds are testing the knowledge of Members to gauge where they may be gaps in knowledge and where training would be required.

**RESOLVED That the Pensions Committee:**

- 1) Noted the dates for Pensions Committee meetings;**
- 2) Made suggestions for future agenda items, working practices and / or reviews; and,**
- 3) Noted the Committee's training update.**

26.	<p><b>INVESTMENT PART II - STRATEGY REVIEW AND MANAGER UPDATES</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>
27.	<p><b>2022/23 BUDGET UPDATE</b> (<i>Agenda Item 13</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>
28.	<p><b>TCFD REPORTING</b> (<i>Agenda Item 14</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>
29.	<p><b>2022 INITIAL VALUATION RESULTS</b> (<i>Agenda Item 15</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 meeting, which commenced at 5.00 pm, closed at 6.17 pm.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Steve Clarke on 01895 250636. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.