

## Minutes

### PENSIONS COMMITTEE

6 December 2022

Meeting held at Committee Room 5 - Civic Centre



HILLINGDON  
LONDON

	<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 &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 Marie Stokes, Pension Board Member Andrew Singh, Isio Clare Scott, Independent Adviser Emily McGuire, Isio Craig Alexander, Hymans Robertson LLP Andy Lowe, Hampshire County Council</p>
30.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p>
31.	<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>
32.	<p><b>MINUTES OF THE MEETING DATED 28 SEPTEMBER 2022</b> (<i>Agenda Item 3</i>)</p> <p><b>RESOLVED:</b> That the minutes of the meeting dated 28 September 2022 be 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> (<i>Agenda Item 4</i>)</p> <p>It was confirmed that items 1 – 10 were marked Part I and would be considered in public and items 11 – 14 were marked Part II and would be considered in private.</p>

34. **ADMINISTRATION REPORT** (*Agenda Item 5*)

James Lake, Head of Pensions, Treasury & Statutory Accounts, introduced the report noting that Hampshire County Council (HCC), as the pensions administrator, were performing well at 100% against all key performance indicators; online portal sign up continued to increase with the number of sign ups higher than at any point with the previous pensions administrator, and work was progressing well with regard to the pensions dashboard.

The Committee noted that the backlog of unprocessed leavers was coming down which was encouraging, however it was noted that this was coming down fairly slowly; Members sought an understanding of what factors were inhibiting the clearance of the backlog. Members were informed that there was a project plan in place and that HCC had a dedicated team of people working on the backlog, the project was expected to last approximately two years and had started in April. It was noted that the team were reliant on employers responding to their queries in a timely manner, this was highlighted as a factor affecting the progress of the project.

The Committee congratulated HCC on meeting all of the key performance indicators and were encouraged by their performance, it was queried whether the key performance indicators were perhaps too generous as they had been consistently met at close to 100% across the board. Andy Lowe, Head of Pension Services at Hampshire County Council, highlighted that the key performance indicators were a common set of standards amongst the local authorities that HCC were pensions administrators for, it was noted that these targets were balanced, fair and achievable but they were still ambitious, and HCC set out to achieve them.

Members noted that the report alluded to planned audit work being done with regard to cyber security and sought further details on this, the Committee were informed that work was yet to be started but HCC would ensure that the report was shared with Hillingdon officers.

The Committee noted that HCC had recently commented publicly on the funding challenges faced by local authorities and Members were reassured that, in the face of experienced and anticipated funding struggles for local authorities across the country, HCC was a healthy and stable upper tier authority that was well run and with its finances in a comfortable position. Andy Evans, the Corporate Director of Finance, assured the Committee that he had spoken with HCC's section 151 officer and received assurances as to their financial position. It was noted that the comments issued by HCC were a warning for central government wherein if no funding changes were made for local authorities in the coming years, then it would not be surprising to see even healthy authorities struggle.

With regard to the McCloud remedy work, it was noted that officers held regular meetings with HCC to talk about McCloud and the returns from employers and that they were looking at varying ways of escalating where certain employers were giving slow responses, if any. The situation was being monitored to cut down any backlog however it was noted that this was not an urgent piece of work.

**RESOLVED: That the Pensions Committee noted the administration update.**

35.	<p><b>2022 ACTUARIAL VALUATION AND DRAFT FUNDING STRATEGY STATEMENT</b> (Agenda Item 6)</p> <p>Craig Alexander, Hymans Robertson LLP, gave the Committee an overview of the draft Funding Strategy Statement and how it had been put together. It was noted that the draft statement was currently out for consultation with the employers, this was encouraged as an open and transparent way of sharing the document and once feedback was received, the document could be finalised. Further to this it was commented that the Local Government Pension Scheme was getting harder and harder to administer and govern, which was reflected in the density of the drafted document. The Committee received a detailed summary of the contribution rate calculation for individual or pooled employers and outlined the differences between the varying types and sub-types of employers contributing to the scheme.</p> <p>The Committee discussed how to maximise engagement with employers and were minded to prompt particularly the larger employers to respond to the draft Funding Strategy Statement consultation in order to ensure their voice was heard. It was noted that there was ample engagement and opportunity for employers to have their say on the draft strategy, and that for example there was a close relationship with the scheme's largest employer, other than the London Borough of Hillingdon, Uxbridge College, in that they had a representative sitting on the Pension Board and were very engaged.</p> <p>It was confirmed that the triennial results event held on 14 November was attended by eight employers, this was not deemed to be well attended however it was noted that similar events held by other London Borough's had previously been attended by no employers. The Committee highlighted the importance of engagement with employers.</p> <p><b>RESOLVED: That the Pensions Committee noted the Draft Funding Strategy Statement.</b></p>
36.	<p><b>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I</b> (Agenda Item 7)</p> <p>James Lake, Head of Pensions, Treasury &amp; Statutory Accounts, introduced the report noting that, due to global market pressures, the fund returned a negative 2.01% for the quarter which was 1.02% behind the benchmark. The performance for three and five years was positive but only at 1.01% and 2.94% respectively. The unaudited value of the fund at the time of the meeting was £1.151B. It was noted that many of the points the Committee may wish to discuss could be best explored in part two of the meeting as it was likely that Members would seek to discuss confidential matters. The opportunity was also taken to introduce Emily McGuire who had recently joined the Isio team of advisors.</p> <p><b>RESOLVED: That the Pensions Committee noted the funding and performance update.</b></p>
37.	<p><b>RESPONSIBLE INVESTMENTS UPDATE - PART I</b> (Agenda Item 8)</p> <p>James Lake, Head of Pensions, Treasury &amp; Statutory Accounts, introduced the report noting that the TCFD reporting from LCIV had been received since the agenda papers for the meeting were published and a meeting would need to be scheduled with LCIV to present the results to the Committee and it was noted that Isio would also take the findings of the report on board in terms of the investment strategy. It was also noted</p>

	<p>that there was a part two item scheduled on Responsible Investments where Members may wish to discuss any confidential matters in relation to the report.</p> <p><b>RESOLVED That the Pensions Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Noted the fund managers' ESG activities and compliance efforts; and,</b></li> <li><b>2. Noted the Task Force on Climate Related Financial Disclosures update.</b></li> </ol>
38.	<p><b>RISK REGISTER REPORT</b> (<i>Agenda Item 9</i>)</p> <p>James Lake, Head of Pensions, Treasury &amp; Statutory Accounts, introduced the report noting that discussions had taken place between Committee meetings and it was concluded that each risk should remain static. Advisors noted that there may be merit in exploring a risk with regard to the loss of key personnel and resources as this had been considered by other local authorities in their risk registers. It was noted that the officer team was fairly concentrated and that there was an element of succession planning built in to the team, however it was acknowledged that the loss of key personnel could pose a risk to the day to day operation. The Chairman was minded to build this in as a future risk for consideration.</p> <p>The Committee discussed PEN 9 – portfolio liquidity – it was noted that, in the past, Members had been reasonably confident that core operating cash flows could be covered by investment returns; however, due to the future calls for committed investments and the fact that returns have been below the benchmark, the Committee agreed to increase the risk from green to amber in light of the current climate. Officers noted that investment liquidity certainly needed to be considered as part of the upcoming investment strategy review.</p> <p><b>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.</b></p>
39.	<p><b>DRAFT WORK PROGRAMME AND TRAINING</b> (<i>Agenda Item 10</i>)</p> <p>The Committee noted the draft work programme and training log and sought to add an item on LAPFF and how they may be able to aid in the committee's ESG thinking and understanding.</p> <p><b>RESOLVED That the Pensions Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Noted the dates for Pensions Committee meetings;</b></li> <li><b>2. Made suggestions for future agenda items, working practices and / or reviews; and,</b></li> <li><b>3. Noted the Committee's training update.</b></li> </ol>
40.	<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</i></p>

	<i>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>
41.	<p><b>2022/23 BUDGET UPDATE</b> (Agenda Item 12)</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>
42.	<p><b>RESPONSIBLE INVESTMENTS UPDATE - PART II</b> (Agenda Item 13)</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>
43.	<p><b>INVESTMENT CONSULTANT SERVICE OBJECTIVES</b> (Agenda Item 14)</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>
	The meeting, which commenced at 5.00 pm, closed at 7.15 pm.

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.