

Minutes

PENSIONS COMMITTEE

22 March 2023

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



	<p>Committee Members Present: Councillors Stuart Mathers (Chairman) Tony Burles (Vice-Chairman) Kaushik Banerjee Mohammed Islam</p> <p>LBH Officers Present: Andy Evans, Corporate Director of Finance James Lake, Head of Pensions, Treasury & Statutory Accounts Steve Clarke, Democratic Services Officer</p> <p>Also Present: Roger Hackett, Pension Board Member Marie Stokes, Pension Board Member Andrew Singh, Isio Clare Scott, Independent Adviser Charles Pringle, Isio Craig Alexander, Hymans Robertson LLP Andy Lowe, Hampshire County Council David O'Hara, Isio</p>
44.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>Apologies for absence were received from Councillor Goddard.</p>
45.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>There were no declarations of interest.</p>
46.	<p>MINUTES OF THE MEETING DATED 06 DECEMBER 2022 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the meeting dated 06 December 2022 be approved as a correct record.</p>
47.	<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 confirmed that items 5 to 11 were marked as Part 1 and would be heard in public, and that items 12 to 15 were marked as Part 2 and would be considered in private.</p>

48.	<p>ADMINISTRATION REPORT (<i>Agenda Item 5</i>)</p> <p>James Lake, Director of Pensions, Treasury and Statutory Accounts, introduced the administration report noting that Hampshire County Council (HCC), as the pensions administrator, continued to perform well at 100% across all key performance indicators and that online portal sign up for members now exceeded the level of sign ups seen with the previous pensions administrator. The Committee were also informed that the delivery of annual benefits statements had been completed with a success rate of 99.45% which showed an incredibly positive result. Members were also notified that, in January 2023, the Secretary of State had confirmed the merger of Harrow College and Uxbridge College (HCUC) and Richmond upon Thames College (RuTC), which meant that the Fund was due to receive circa £40 million in assets.</p> <p>The Committee were encouraged by the continued high standard of performance seen with HCC as the pensions administrator and issued a note of thanks to the team at HCC for their continued positive performance.</p> <p>With regard to the implementation of McCloud, Andy Lowe from Hampshire County Council, confirmed that the administrators were in a good position, continuing to make contact with employers to ensure returns data was received; officers were confident that they were on target to meet the October 2023 deadline.</p> <p>RESOLVED That the Pensions Committee:</p> <ol style="list-style-type: none"> 1) Noted the administration report; 2) Noted the 2022 TPR Data Score update; and, 3) Noted the HCUC and RUTC college merger.
49.	<p>2022 DRAFT VALUATION REPORT AND FUNDING STRATEGY STATEMENT (<i>Agenda Item 6</i>)</p> <p>James Lake, Director of Pensions, Treasury and Statutory Accounts, introduced the item highlighting that the report outlined the final outcome of the 2022 valuation and showed a slight improvement in the funding level since the previous valuation in March 2019 from 87% to 88%. The draft Funding Strategy Statement was sent to all employers for consultation and received no responses; however it was noted that this was in line with previous consultations. Two employers were specifically contacted directly again highlighting their increase in contribution rates.</p> <p>Craig Alexander of Hymans Robertson LLP, gave the Committee an overview of the results for the triennial valuation noting that it had been the most straightforward and untroubled triennial valuation with the Hillingdon Fund in recent memory; this was in part attributed to the Council officers who had assisted and engaged with the valuation, in addition to Hampshire County Council as the pensions administrators. The Committee were asked to approve the final Funding Strategy Statement, which had been out for consultation and a draft of which was seen by the Committee at its previous meeting, in addition to the draft Triennial Report which, following the Committee's approval, would be submitted to central government in the coming days.</p> <p>The Committee sought to specifically thank the teams at Hymans Robertson, Hampshire and the officers at Hillingdon for the commendable work that had gone into producing the valuation report.</p> <p>RESOLVED That the Pensions Committee:</p>

	<p>1) Agreed the draft Triennial Valuation Report; and, 2) Approved the Funding Strategy Statement for the London Borough of Hillingdon Pension Fund.</p>
50.	<p>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I <i>(Agenda Item 7)</i></p> <p>James Lake, Director of Pensions, Treasury and Statutory Accounts, introduced the report informing the Committee that the Fund value at the end of December 2022 was £1.15 billion, up £1 million from the previous quarter, and the unaudited value of the Fund as of 22 March 2023 was £1.17 billion. It was highlighted that volatility in listed markets had created headwinds against the performance of liquid investments and equities, where illiquid investments had performed more resiliently and had provided a positive return. Asset allocation was broadly in line with current benchmark but was being discussed as part of the ongoing investment strategy review. Members were also notified that the latest government budget had advised that funds should have all of their listed assets pooled by 2025. It was agreed by the Committee that some of the matters touched upon in the report, including the ongoing investment strategy review, would be best discussed in private and thus in Part 2 of the meeting.</p> <p>RESOLVED: That the Pensions Committee noted the funding and performance update.</p>
51.	<p>RESPONSIBLE INVESTMENT <i>(Agenda Item 8)</i></p> <p>James Lake, Director of Pensions, Treasury and Statutory Accounts, delivered an overview of the report for the Committee. It was noted that the Stewardship Code Report would need to be submitted prior to the next meeting of the Pensions Committee, it was therefore requested that the Committee delegated authority to officers to finalise and submit the report. The Committee agreed to this and it was requested that the Chair have sight of the final report offline before its eventual submission.</p> <p>The Committee discussed the Pooling section of the Responsible Investment Policy, on page 129 of the meeting agenda, stating that the 95% figure had been drawn from historical government guidance and that this would potentially be supplanted by the advice announced in the budget that all listed investments should be pooled by 2025. It was suggested that perhaps the wording should be amended to be in line with the new government guidance. The Committee's advisers encouraged the change to be made in order to be aligned with the latest announcements from government, highlighting that as things stood, all of the Fund's listed assets were pooled with the LCIV and that it was only the Fund's unlisted assets that were not within the pool. Members were minded to amend the Pooling section of the Responsible Investments Policy to remove the reference to 95% pooled assets and align more with the government's announcement in the budget.</p> <p>The Committee's advisers noted that there were some good messages coming through in the Climate Analysis carried out by the Fund and that these should be communicated to Fund members; however it was noted that members would struggle to understand them fully given the detail therein, it was suggested that the analysis could be packaged in an easy to understand way and disseminated to members online. The Committee also sought to understand how the LCIV may adjust their reporting down the line to accommodate for future requirements, it was advised that the relevant</p>

legislation was forthcoming and that this should be analysed ahead of gauging any changes to the way in which the LCIV would report on these matters.

RESOLVED That the Pensions Committee:

- 1) Noted the fund managers' ESG activities and compliance efforts;**
- 2) Noted the Task Force on Climate Related Financial Disclosures reporting;**
- 3) Noted Stewardship Code progress and delegated authority to Officers to complete and make final the submission of the Stewardship Code Report;**
- 4) Approved the updated Responsible Investment Policy with the discussed amendment to the Pooling section of the Policy;**
- 5) Confirmed that the Conflicts of Interest Policy remained fit for purpose; and,**
- 6) Noted that the annual ESG Impact Assessment and Implementation Statement were to be discussed in Part 2 of the meeting.**

52. RISK REGISTER REPORT *(Agenda Item 9)*

James Lake, Director of Pensions, Treasury and Statutory Accounts, introduced the report noting that, as requested by the Committee at their previous meeting, the risk relating to portfolio liquidity had been split into two to distinguish between investment and member liquidity. In addition to this, and following discussions at the previous Committee meeting, a new risk relating to key officer risk had been added to the risk register.

The Committee discussed risk 'PEN 8 – ESG – Risk of financial loss through the negative impact of ESG matters'; it was noted that ESG was becoming more integral to fund managers and the Committee discussed the potential to look at reducing the likelihood of the risk, or to keep the possibility of reducing the risk under review going forward. Advisors highlighted the importance of keeping the risk on the register as ESG matters were still a newer area for fund managers, the categorisation of the risk was however open to debate.

The new PEN 14 regarding key officer risk had been assessed with a low impact and officers clarified that this was due to the financial impact of the risk being under £500k which was relatively small when compared to other risks on the register. It was discussed that the PEN 14 risk may have the possibility of resulting in harm of over £500k should key officer resource not be at full capacity or where there could be recruitment gaps in the team through a challenging recruitment market, it was noted that there were short term mitigations where there was transferable expertise in the Council's Finance teams but it was understood that the new key officer risk was fairly broad. The Committee were minded to keep the categorisation of the new PEN 14 risk under review.

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.

53.	<p>DRAFT WORK PROGRAMME AND TRAINING (<i>Agenda Item 10</i>)</p> <p>The Committee noted the draft work programme and training log and the Chairman sought to reiterate the importance of ensuring Committee Members had undertaken the relevant training.</p> <p>RESOLVED That the Pensions Committee:</p> <ol style="list-style-type: none"> 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.
54.	<p>ANNUAL REPORT OF THE PENSION BOARD (<i>Agenda Item 11</i>)</p> <p>Roger Hackett, Chairman of the Pension Board, introduced the annual report of the Pension Board for 2022. Members' attention was drawn to the work done by the Board regarding cyber security throughout 2022 noting that the Pensions Regulator had tasked Pension Boards to look into this area over the last few years. It was deemed that the systems that were currently in place were fit for purpose with the caveat that the area needed to be kept under constant review due to the nature of cyber security. It was also highlighted that extensive work was being undertaken reporting on the effectiveness of the Pension Board which was vital in demonstrating, in conjunction with the work of the Pensions Committee, the due diligence and scrutiny of the Hillingdon Pension Fund that was required. Thanks were given to the officers that assisted the Pension Board in carrying out its duties, the Pensions Committee for allowing the Board to have a close working relationship with the Committee, and finally the Board Members themselves.</p> <p>The Pensions Committee thanked the Board Members for their continued hard work and engagement, their commitment and for carrying out their pivotal role as a critical friend to the Committee.</p> <p>RESOLVED: That the Pensions Committee noted the annual report of the Hillingdon Pension Board for the year 2022.</p>
55.	<p>INVESTMENT PART II - STRATEGY REVIEW AND MANAGER UPDATES (<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>
56.	<p>2022/23 BUDGET UPDATE (<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>

57.	<p>RESPONSIBLE INVESTMENT PART II (<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>
58.	<p>INDEPENDENT ADVISER CONTRACT AWARD (<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 7.25 pm.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Steve Clarke at democratic@hillingdon.gov.uk
Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.