

Minutes

PENSIONS COMMITTEE

8 June 2023

Meeting held at Committee Room 5 - Civic Centre



HILLINGDON
LONDON

	<p>Committee Members Present: Councillors Stuart Mathers (Chairman) Tony Burles (Vice-Chairman) Kaushik Banerjee Mohammed Islam Martin Goddard (present as substitute)</p> <p>LBH Officers Present: James Lake, Director of Pensions, Treasury & Statutory Accounts Andy Evans, Corporate Director of Finance Tunde Adekoya, Pension Fund Accountant Steve Clarke, Democratic Services Officer</p> <p>Also Present: Roger Hackett, Pension Board Member Marie Stokes, Pension Board Member Tony Noakes, Pension Board Member Shane Woodhatch, Pension Board Member Andrew Singh, Isio Clare Scott, Independent Adviser Larisa Midoni, Ernst & Young Helen Thompson, Ernst & Young Andy Lowe, Hampshire County Council David O'Hara, Isio</p>
3.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>Apologies for absence had been received from Councillor John Riley with Councillor Martin Goddard substituting.</p>
4.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>There were no declarations of interest.</p>
5.	<p>MINUTES OF THE MEETING DATED 22 MARCH 2023 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the meeting dated 22 March 2023 be approved as a correct record.</p>
6.	<p>MINUTES OF THE MEETING HELD ON 11 MAY 2023 (AGM) (<i>Agenda Item 4</i>)</p> <p>RESOLVED: That the minutes of the meeting dated 11 May 2023 be approved as a correct record.</p>

7.	<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 5</i>)</p> <p>It was confirmed that items 6 to 11 were marked as Part 1 and would be heard in public, and that items 12 to 14 were marked as Part 2 and would be considered in private.</p>
8.	<p>2021/22 EXTERNAL AUDIT UPDATE (<i>Agenda Item 6</i>)</p> <p>Item 12 was taken ahead of this item where the Committee had originally resolved to move into Part 2.</p> <p>The Committee resolved to move back into Part 1 following the resolution of item 12 and any members of the press or public, and the investment management consultants, were invited back into the room.</p> <p>James Lake, Director of Pensions, Treasury & Statutory Accounts, introduced the item highlighting that the external audit of the draft Pension Fund Accounts for 2021/22 was almost complete with one audit task remaining; it was noted that, as the audit currently remained outstanding, the Committee were to consider the draft audit report and to note any new information that had come available relating to the reporting period. This meant that, as the results of the 2022 triennial evaluation of the Fund had been finalised, these now needed to be considered as part of the 2021/22 external audit. The Council's Actuary, Hymans Robertson, had been asked to rerun the Council's position and once this had been agreed, officer's and the Committee were expecting an unmodified audit opinion. Larisa Midoni, from the external auditors Ernst & Young (EY), was present and summarised for Members the work undertaken and EY's current position on the ongoing audit.</p> <p>The Committee thanked officers, the external auditors, and the actuary for their continued work on finishing the 2021/22 external audit. Members queried whether the ongoing 2021/22 audit could potentially delay the start of the 2022/23 external audit; EY confirmed that, from an operational perspective, the priority was closing down the 2021/22 audit, it was noted that a slight delay was expected for the commencement of the 2022/23 audit and that this would be starting in early 2024.</p> <p>RESOLVED: That the Pensions Committee noted the draft Audit Results Report for the 2021/22 Pension Fund accounts.</p>
9.	<p>ADMINISTRATION REPORT (<i>Agenda Item 7</i>)</p> <p>James Lake, Director of Pensions, Treasury & Statutory Accounts, introduced the report highlighting that it showed the excellent level of administration service being received with 100% compliance across all key performance indicators. Andy Lowe of Hampshire County Council, the pensions administrator, was present for this item.</p> <p>It was also noted that there had been a 36.23% sign up rate to the online pensions administration portal in just 18 months of administration services being provided by Hampshire County Council, this was deemed very impressive as the previous administrators had not achieved this mark in the five years preceding Hampshire's administration of services. Members were very encouraged by the administrator's performance and sought to understand whether there was a portal sign up target; Andy Lowe confirmed that there was no strict target however portal sign up was consistently</p>

promoted.

Members queried whether the merger of Richmond College and Uxbridge College would bear any additional administrative costs to the Hillingdon Fund; to which it was confirmed that no additional costs would be incurred by the Fund and any administrative costs associated with the transfer would be taken on by Uxbridge College as the instigators of the merger.

The Committee noted that cyber-attacks were highly topical and were interested in the results of the recent cyber review and audit. It was noted as positive that Hampshire had recently conducted its first cyber review, showing engagement and the pursuit of reassurance for Members. The audit reviewed Hampshire's Cyber Compliance Statement and all the measures in place to prevent and mitigate cyber-attacks. The audit gave a 'Reasonable' classification which officers noted that they were happy with; the reasonable rating was attributed to a minimal level of vulnerability highlighted from penetration testing which took place in 2022. It was noted that further software updates had taken place which should mitigate the vulnerabilities and push the audit opinion to a 'Substantial' rating. It was also noted that penetration testing had taken place in April with a new, twice yearly, programme of testing in place undertaken by an external company. The Committee noted that it was important for officers at Hillingdon to have sight of the cyber security work going on for assurances. It was further noted that this was an area that the Hillingdon Pension Board were taking a distinct interest in. Andy Evans, Corporate Director of Finance, reassured Members that cyber security, intelligence sharing and partnerships were high up on the agenda across London and nationally. Members also discussed the cyber-crime insurance market noting their interest in getting underwritten, however the Committee noted that the insurance market surrounding cyber-crime was in its infancy.

RESOLVED That the Pensions Committee:

- 1. Noted the 2022/23 administration headline achievements; and,**
- 2. Noted the administration report update.**

10. **INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I**
(Agenda Item 8)

James Lake, Director of Pensions, Treasury & Statutory Accounts, introduced the item noting that investment return over the previous quarter had been at 2.78% which was slightly behind the 3.28% benchmark. Longer term returns were noted to have improved since the last quarter. Fund value over the quarter was up £32M at £1.182B and as of the day of the meeting, the unaudited figure was slightly down at £1.177B. The Committee also noted that the revised return requirement in the Funding Strategy Statement commencing April 2023 was at 4.1%.

Members discussed concerns that return figures were consistently falling behind the benchmark and went into further detail as to how this could be mitigated through the new Investment Strategy Review within item 13 (Part 2).

RESOLVED: That the Pensions Committee noted the funding and performance update.

11. **RESPONSIBLE INVESTMENT UPDATE** (*Agenda Item 9*)

James Lake, Director of Pensions, Treasury & Statutory Accounts, introduced the report highlighting that the Hillingdon Pension Fund had submitted its UK Stewardship Code report to the Financial Reporting Council ahead of the 31 May 2023 deadline and a response was expected in the autumn. The Chair also updated the Committee on their attendance of the LAPFF business meeting, noting that it proved a very useful engagement.

It was also noted that there had been a number of LAPFF voting alerts now that the Hillingdon Fund was a new member; these had been passed on to LGIM for their consideration. Advisors noted that, for information, it may prove useful to periodically look at LCIV voting to understand any differences in voting and for assurances that LCIV are exercising their right to vote on Hillingdon's behalf.

RESOLVED that Pensions Committee:

- 1. Noted the fund managers' ESG activities and compliance efforts;**
- 2. Noted the UK Stewardship Code submission to FRC; and,**
- 3. Noted LAPFF activities.**

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

James Lake, Director of Pensions, Treasury & Statutory Accounts, introduced the risk register report highlighting that it was recommended that the Committee remove PEN 12 (Threat of COVID 19 to Business Continuity); this was due to fully established, post COVID working arrangements having been in place for over two years and the reduction in the impact of the virus on society as a whole. The Committee agreed to remove PEN 12 from the risk register.

Members also noted that the twice-yearly penetration testing being undertaken by the pensions administrators, Hampshire County Council, was reflected under PEN 7 (Cyber Security).

Advisors noted that the departure of Councillor Goddard from the Committee, as an experienced Pensions Committee Member, could prompt a further discussion around PEN 13, specifically with regard to the robustness of Members' knowledge. Members agreed that the departure of Councillor Goddard was a loss to the Pensions Committee but concluded that it did not affect the level of risk associated with PEN 13 significantly enough to warrant a change in the risk level.

RESOLVED that the Pensions Committee:

- 1. Considered the Risk Register in terms of the approach, the specific risks identified, and the measures being taken to mitigate those current risks; and,**
- 2. Removed PEN 12 - Threat of COVID 19 to Business Continuity from the Risk Register.**

13.	<p>GOVERNANCE REPORT (<i>Agenda Item 11</i>)</p> <p>James Lake, Director of Pensions, Treasury & Statutory Accounts, introduced the reporting highlighting the Committee’s workplan and the training undertaken so far by Members. It was noted that Councillor John Riley, as a new Member of the Committee, had been invited to undertake the necessary knowledge and skills training modules along with an introductory meeting with officers. It was also noted that the new Single Code was expected to be issued later in 2023.</p> <p>The Committee noted that the Council’s in-house Audit Team would be undertaking an ‘Effectiveness of the Pensions Committee’ audit later in the year. It was also noted that the Pension Board wished to highlight to the Committee that the Board had undergone an assessment against the SAB effectiveness criteria of pension boards; in summary the Hillingdon Pension Board was delivering effectiveness across almost all areas, with just one area outstanding, which was actively being addressed. The Committee noted that there may be lessons learnt from the effectiveness of the Pension Board review which could feed into the effectiveness of the Pensions Committee audit.</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 reviews; 3. Noted the Committee’s training update; and, 4. Noted the ‘Effectiveness of the Pension Board’ assessment.
14.	<p>FUND INVESTMENT MANAGEMENT CONSULTANCY CONTRACT AWARD (<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>
15.	<p>INVESTMENT STRATEGY REVIEW AND MANAGER UPDATES - PART II (<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>
16.	<p>2022/23 BUDGET OUTTURN & 2023/24 BUDGET (<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>

	The meeting, which commenced at 5.00 pm, closed at 7.29 pm.
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These are the minutes of the above meeting. For more information on any of the resolutions please contact Democratic Services on 01895 250636
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