

## Minutes

### PENSIONS COMMITTEE

26 September 2023

Meeting held at Committee Room 5 - Civic Centre



	<p><b>Committee Members Present:</b> Councillors Stuart Mathers (Chairman) Tony Burles (Vice-Chairman) Kaushik Banerjee Mohammed Islam</p> <p><b>LBH Officers Present:</b> James Lake, Director of Pensions, Treasury &amp; Statutory Accounts Andy Evans, Corporate Director of Finance Tunde Adekoya, Pension Fund Accountant Steve Clarke, Democratic Services Officer</p> <p><b>Also Present:</b> Marie Stokes, Pension Board Member Tony Noakes, Pension Board Member Shane Woodhatch, Pension Board Member Andrew Singh, Isio Clare Scott, Independent Adviser Andy Lowe, Hampshire County Council</p>
17.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>Apologies had been received from Roger Hackett, Chair of the Pension Board. It was also noted that Councillor John Riley was not present.</p>
18.	<p><b>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING</b> (<i>Agenda Item 2</i>)</p> <p>There were none.</p>
19.	<p><b>MINUTES OF THE MEETING DATED 08 JUNE 2023</b> (<i>Agenda Item 3</i>)</p> <p><b>RESOLVED:</b> That the minutes of the meeting dated 08 June 2023 be approved as a correct record.</p>
20.	<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 5 – 9 were marked as Part 1 and would be considered in public, and that items 10 – 12 were marked as Part 2 and would be considered in private.</p>
21.	<p><b>ADMINISTRATION REPORT</b> (<i>Agenda Item 5</i>)</p>

James Lake, Director of Pensions, Treasury and Statutory Accounts, introduced the item highlighting that the performance of Hillingdon's administration partner, Hampshire County Council, remained at 100% across all key performance indicators and online portal sign-up, which continued to grow, was at 37.5%, 6.5% higher than at the time of leaving the previous administration partner. It was highlighted that the working relationship with Hampshire continued to be pro-active and constructive.

It was also noted that Annual Benefit Statements were currently being issued with 98.69% of active statement issued and 100% of deferred statements issued. The team at Hampshire continued to chase employers for missing data to achieve full issuance of active statements.

Andy Lowe, of Hampshire County Council, the Pensions administrator was present for this item. The Committee commended Hampshire's performance and noted the good pace with which they were tackling the inherited administrative backlog. It was noted that it was difficult to give a timeline on when the backlog could entirely be cleared and that it was dependent on the speed of responses from employers. It was highlighted that the backlog had halved during the two-year administrative relationship, which was positive, however it would be difficult to continue that pace as some of the more difficult cases to clear would inevitably be the final ones tackled. Officers were holding regular meetings with the payroll provider for a significant number of employers in the scheme, this would assist in bringing down the backlog.

**RESOLVED: That the Pensions Committee:**

- 1) Noted the administration update; and,**
- 2) Noted the Active and Deferred Benefit Statement update.**

22. **INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I**  
*(Agenda Item 6)*

James Lake, Director of Pensions, Treasury & Statutory Accounts, introduced the item highlighting that investment performance over the quarter was positive at 1.08%, but behind the benchmark by 0.55%. Longer term 3- and 5-year figures were also positive at 3.95% and 2.83%, however both fell short of the return in the Funding Strategy Statement of 4.1%. Officers highlighted a new funding level reporting tool which updated the valuation inputs and allowed officers to run an interim funding level at any point. The tool showed that, since the triennial valuation in March 2022, when the funding level was at 88%, there had been a steady increase to now being 114% funded as of August 2023. The Committee were informed that this was a snapshot and that the figure would fluctuate.

The Committee commented that the "Outlook" section of the officer report was particularly useful and timely in assisting with discussions on the Fund's new investment strategy.

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

23. **RESPONSIBLE INVESTMENTS UPDATE** *(Agenda Item 7)*

James Lake, Director of Pensions, Treasury and Statutory Accounts, introduced the item highlighting positive news that the Hillingdon Fund was one of two London Boroughs that had once again met the criteria to be approved as a signatory to the UK

Stewardship Code. The report highlighted some areas for improvement which would need to be considered if this status were to be maintained in following years; however, officers highlighted that the Committee should consider the merits of applying to the UK Stewardship Code in future years as it was a cost, time and resource intensive endeavour.

The Committee thanked officers and advisors for their hard work in achieving a successful UK Stewardship Code submission for a second year. On the matter of the resources required to apply, it was noted that numerous sessions had taken place discussing the Fund's values and beliefs, in addition to questionnaires sent out to Committee Members and the work that the advisors had done contacting all fund managers and conducting impact assessments. It was noted to take an extensive amount of time and cost to reach the high bar required. Officers had met with the Local Government Association who had commented on the positive achievement noting that it required an extensive amount of work each year to maintain UK Stewardship Code status which many funds were not willing to do. Advisors noted that guidance on the Task Force on Climate-Related Financial Disclosures (TCFD) was expected soon and it was likely that it would be implemented for the Local Government Pension Scheme; it was noted that there would be an overlap on some of the elements required for the UK Stewardship Code and TCFD.

**RESOLVED That the Pensions Committee:**

- 1) Noted the fund managers' ESG activities and compliance efforts;**
- 2) Noted the successful outcome on 2023 Stewardship Code submission to FRC; and,**
- 3) Noted LAPFF activities.**

**24. PENSION FUND RISK REGISTER** (*Agenda Item 8*)

James Lake, Director of Pensions, Treasury and Statutory Accounts, introduced the item informing the Committee that there had been no changes to the risk register over the previous quarter however commentary around PEN11 'Failure of the pool in management of funds / access to funds' had been updated. This was in light of a consultation which mentioned a requirement for pools to be a minimum of £50b in size, the London Community Investment Vehicle was smaller than this, but officers deemed that based on discussions they did not believe LCIV would be forced to close, and so the risk rating remained the same.

The Committee discussed PEN12:

'Failure of the Fund's governance to comply with statutory requirements and/or The Pension Regulator expectations including:

- Failure to ensure that Committee members' knowledge and understanding of pension matters is robust and meets statutory requirements.
- Failure to ensure that the Pension Board is effective in carrying out its role.'

Members considered adding in an element of the work being completed by Hillingdon's Internal Audit Team on the audit of the effectiveness of the Pensions Committee. Although it was highlighted that this commentary may not impact the risk rating, it was deemed that it should be noted.

The Committee also discussed PEN13 'Key Officer Risk' seeking to keep an eye on the risk going forward as there appeared to be a reliance on a small number of very key

	<p>staff. Officers noted that plans had been put in place to add layers of contingency due to this risk, actions included recruiting where there was an underspend on staffing and the promotion of officers to shadow senior staff in an effort to provide the needed contingency. Members felt that the risk level was appropriate.</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>
25.	<p><b>GOVERNANCE REPORT (INCLUDING DISCRETIONS POLICY UPDATE)</b> (<i>Agenda Item 9</i>)</p> <p>James Lake, Director of Pensions, Treasury and Statutory Accounts, introduced the item highlighting the training update and noting that the newest Member of the Pensions Committee, Councillor John Riley, had been advised to notify officers when he had completed the AON CIPFA mandatory training sessions. Officers also highlighted the new workplan layout which allowed Members to see what work was going to be required on an ongoing basis.</p> <p>The Committee were also informed that the Internal Audit Team had finished their audit regarding the effectiveness of the Pensions Committee. One aspect of the audit was questionnaires sent to Committee Members, it was confirmed that of the five questionnaires sent out, three were returned. The Terms of Reference for the audit were available for the Committee and the final report from the Internal Audit Team would be issued in the Committee's December agenda.</p> <p>Officers requested approval for an amendment to the Pensions Discretions Policy in terms of ill health strain costs. Previously it was not clear as to when the pension strain costs should be paid if an employer went against the recommendation of the independent medical practitioner and decided to award ill health. The amended policy now clearly defined that if they did go against the medical opinion, they needed to pay upfront.</p> <p>The Committee were also notified that officers were still awaiting official issue of the TPR General Code and the SAB Good Governance Framework; however, assumptions could be made and advisors had prepared a governance update and made an assessment of areas which should be addressed. It was specifically noted that under 'Skills and Training', the Training Policy was acceptable however delivery of the training policy was of a higher priority.</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;</b></li> <li><b>3) Noted the Committee's training update;</b></li> <li><b>4) Noted the Internal Audit 'Effectiveness of the Pension Committee' Terms of Reference;</b></li> <li><b>5) Noted and agree actions in Governance Update and Initiatives; and,</b></li> <li><b>6) Approved the updated Pension Only Discretions Policy.</b></li> </ol>
26.	<p><b>LGPS NEXT STEPS ON INVESTMENT - CONSULTATION RESPONSE</b> (<i>Agenda Item 10</i>)</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>
27.	<b>INVESTMENT PART II - STRATEGY REVIEW AND MANAGER UPDATES</b> (Agenda Item 11)  <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>
28.	<b>2023/24 BUDGET UPDATE</b> (Agenda Item 12)  <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>
	The meeting, which commenced at 5.00 pm, closed at 7.29 pm.

These are the minutes of the above meeting. For more information on any of the resolutions please contact Democratic Services at [democratic@hillingdon.gov.uk](mailto:democratic@hillingdon.gov.uk). Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.