

## Minutes

### PENSIONS COMMITTEE

26 March 2024

Meeting held at Committee Room 5 - Civic Centre



	<p><b>Committee Members Present:</b> Councillors Stuart Mathers (Chair) Tony Burles (Vice-Chair) Kaushik Banerjee Mohammed Islam</p> <p><b>LBH Officers Present:</b> Tunde Adekoya Andy Evans, Corporate Director of Finance, Section 151 Officer James Lake, Head of Finance – Statutory Accounting &amp; Pension Fund Liz Penny, Democratic Services Officer Marie Stokes, Finance Business Partner</p> <p><b>Also Present:</b> Sahil Arora, Portfolio Manager – London CIV Marion George, Prospective New Independent Adviser Roger Hackett, Pensions Board Chair Sunny Jheeta, Isio Silvia Knott-Martin, London CIV Andy Lowe, Hampshire County Council Tony Noakes, Pensions Board Member Clare Scott, Independent Adviser Andrew Singh, Isio</p>
44.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>Apologies for absence were received from Councillor John Riley.</p>
45.	<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>
46.	<p><b>MINUTES OF THE MEETING DATED 13 DECEMBER 2023</b> (<i>Agenda Item 3</i>)</p> <p><b>RESOLVED:</b> That the minutes of the meeting dated 13 December 2023 be agreed as an accurate record.</p>
47.	<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 agenda items 5 – 11 were marked Part I and would be considered in public while agenda items 12 – 15 were marked Part II and would be considered in private.</p>

48.	<p><b>VERBAL UPDATE - GIFFORDGATE LTD</b> (<i>Agenda Item 5</i>)</p> <p>Clare Scott, Independent Adviser, was thanked for all her hard work in supporting the Pensions Committee over a number of years. It was noted that Marion George had been invited to replace her as Independent Adviser to the Committee, subject to the agreement of Members.</p> <p><b>RESOLVED: That the verbal update be noted.</b></p>
49.	<p><b>ADMINISTRATION REPORT</b> (<i>Agenda Item 6</i>)</p> <p>Tunde Adekoya, Finance Manager, Pensions and Governance, presented the Administration Report. It was noted that the KPIs were unchanged at 100% across all indicators. Hampshire County Council continued to provide a good service and member portal registrations had increased to 41.67% as at the 31 January 2024.</p> <p>Inherited backlog cases continued to be cleared with total cases reducing from 4,158 at inception to 1,260 as of 01 February 2024. Hampshire was on target to clear this backlog by 2025.</p> <p>With regard to McCloud, it was confirmed that, at the end of January 2024, Hampshire had decided to no longer chase employees' data for the period 2014-2021. The remaining data sets for those years would be based on assumptions.</p> <p>Roger Hackett, Pensions Board Chair noted that the administration team had received three compliments; this was highly unusual and officers at Hampshire were thanked for providing such a good service.</p> <p>Clare Scott, Independent Adviser, observed that greater visibility on monitoring and reporting to reassure the Pensions Committee and the Pensions Board would be welcomed in the future.</p> <p>In response to further questions from the Committee, it was confirmed that, in terms of the data backlog, the more problematic cases remained, hence progress would not be as rapid as it had been in the past. Hampshire could now apply assumptions and would no longer be chasing the older data sets for McCloud. Andy Lowe of Hampshire County Council informed the Committee that the number of portal registrations had continued to improve during February 2024. Nearly 50% of active members were now online,</p> <p><b>RESOLVED: That the Pensions Committee noted the administration update.</b></p>
50.	<p><b>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I</b> (<i>Agenda Item 7</i>)</p> <p>Officers presented the Investment Strategy and Fund Manager Performance update.</p> <p>In terms of the Funding Update, it was confirmed that an interim funding level update had been produced by the actuary on 31 December 2023. It had shown funds' assets were £1.25m and equated funding level of 107%, a decrease of 6% from the previous quarter. The primary reason for the reduced funding level was a decrease in discount rate from 6.4% (September) down to 5.8% (December).</p>

With regard to the Fund Performance, the Committee was advised that, over the last quarter to 31 December 2023, the Fund had outperformed the benchmark return by 0.89%. The Fund value had also increased over the quarter by £65m, up to £1,248m. Longer term, three and five-year performance was 3.56% 4.68% but behind the benchmark. Two portfolios managed by the LCIV were the best performers in the quarter under review. Longer term, Macquarie was the standout manager over one and three-year performance measurements, with 18.58% & 17.18% returns above its set benchmark for both periods. Baillie Gifford and Ruffer had both surpassed their benchmarks for the quarter so were performing better in the short term.

In terms of Asset Allocation relative to Benchmark Allocation, it was noted that investment in property was overweight due to the change in the benchmark weight. Investment in UBS and index linked gilts would be reduced for rebalancing.

Members sought further clarification as to what had changed in the market as a whole over the quarter in question.

Andrew Singh, Isio, confirmed that quarter 4 2023 had been very good. This trend had continued through March 2024. Inflation had started to decrease leading to more certainty and markets had reacted positively to that. Longer term yields had also come down creating a good dynamic for pensions funds. It was anticipated that there would be more certainty in the market going forward.

Clare Scott, Independent Adviser, noted that, as indicated in the table on page 31 of the agenda pack, LCIV, LGIM and UBS had a large share of the fund allocation while the remaining managers were small. A 3-month period was therefore not representative of typical performance, and it was important to not treat all the numbers equally.

Siliva Knott-Martin of LCIV observed that, in the private market, there was a ramp up period of approximately four years; it was therefore not possible to assess performance during this period. The official performance of the private debt fund would be measured in April 2025.

Members noted that they were keen to see growth over the next three years. Officers were requested to continue to work on how the information was presented; a 'since inception' column and dates would be very useful.

In response to questions from the Committee, it was acknowledged that some managers had negative performance and had yet to demonstrate longer term improvements. It was likely to be three or four years before positive numbers were seen over longer periods. The importance of focussing on the longer-term numbers was highlighted as the quarterly market was very volatile.

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

51. **RESPONSIBLE INVESTMENT** (*Agenda Item 8*)

James Lake, Director of Pensions, Treasury and Statutory Accounts, provided an update on Responsible Investments. It was noted that it had been useful to receive an update on LCIV – a video had been circulated to Members of the Pensions Committee prior to the meeting.

	<p>The Pensions Committee was requested to note LAPFF fee increase, continue with membership and ratify the decision of the Pensions Sub-Group not to proceed with signatory status of the UK Stewardship Code.</p> <p>Members agreed LAPFF membership and fees, noted the content of the LCIV video and ratified the decision of the Pensions Sub-Group.</p> <p>Siliva Knott-Martin provided a brief update in relation to LCIV. Members heard that new staff had been hired to the investment team; Zara who was very experienced had joined the Climate Analytics Team from PWC. An analyst worked alongside her; in December 2023 they had worked with the Sustainable Working Group to streamline themes to priorities, namely climate change, human rights, and principles of governance.</p> <p>Having watched the video, Members commented that they were very impressed with the LCIV team. Further updates would be welcomed throughout the year. It was confirmed that Silvia would issue another short video shortly after the end of May 2024. A report was due to go out giving case studies in relation to the Fund; highlights would be extracted for the video.</p> <p>Members noted a disparity in the voting recommendations of EOS and LAPFF. It was confirmed that LCIV benefited from the input of EOS and LAPFF amongst others e.g. Climate Action. EOS employed LCIV voting guidelines. On occasion inputs would differ and LCIV could vote differently to both EOS and LAPFF. If the vote diverged, the rationale would be documented. As such, LCIV consider all inputs to inform their decisions. A report setting out votes and resolutions was sent to the Director of Pensions, Treasury and Statutory Accounts every six months.</p> <p>Councillors observed that they had confidence in the local authority's partners. It was helpful to move away from numbers of votes and consider different ways to digest the information.</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;</b></li> <li><b>2. Noted LAPFF activities;</b></li> <li><b>3. Ratified the Pension Subgroup (PSG) Stewardship Code decision;</b></li> <li><b>4. Noted the LAPFF fees for 2024/25 (within Financial Implications); and</b></li> <li><b>5. Noted the LCIV video update.</b></li> </ol>
52.	<p><b>RISK REGISTER REPORT</b> (<i>Agenda Item 9</i>)</p> <p>Officers provided an update on the Risk Register report noting that there had been no changes to the previous 13 risks identified but a new risk had been added – PEN 14 in relation to the 'Failure of employers to deliver accurate and timely employee administration information'.</p> <p>This was a result of continued poor employer performance in terms of unsatisfactory compliance with delivering accurate and timely administration information records,</p>

	<p>which were required in order that members' pension records could be recorded properly. This had been highlighted as a risk as there was potential for these employers to be referred to the Pension Regulator for non-compliance.</p> <p>This risk had been rated as B2 as there was a high likelihood (most employers were not delivering) and large impact (should the Fund report to the Pension Regulator).</p> <p>In response to questions from the Committee, it was confirmed that officers regularly engaged with the Schools' Forum. Hampshire had attended to present to employers. The last Forum had been very positive, and the message was getting across. The Pensions Board Chair commented that schools dealt with two pensions schemes – it was important to emphasise that the LGPS was equally as important as the Teachers' Pension Scheme.</p> <p>In response to queries regarding risk no.10, it was confirmed that the Fund had the ability to pay this.</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>
53.	<p><b>GOVERNANCE</b> (<i>Agenda Item 10</i>)</p> <p>It was noted that Councillor Riley had yet to complete the training sessions, and this was now overdue.</p> <p>An updated Administration Strategy had been brought before the Pensions Committee at its meeting in December 2023. This had now been sent out to all employers for consultation, but no responses had been received. The strategy could therefore be approved for publication.</p> <p>The outcome of the Knowledge and Skills Assessment had been included in the paperwork – the results were largely positive, but a higher score was aspired to. There was generally a good spread of knowledge between Members. Individuals were aware of their own scores and knowledge gaps. Members who required further training to bolster their current knowledge gaps should revisit the fundamental recorded training sessions. It was noted that additional pensions administration and legislation training would be beneficial.</p> <p>Clare Scott, Independent Adviser, observed that different Committee Members had varying levels of knowledge. It was again suggested that it would be useful to re-visit the induction materials in a more structured way.</p> <p>It was confirmed that officers were developing a handbook comprising concise high-level information for Members. It was anticipated that this would be ready in time for the June 2024 Pensions Committee meeting.</p> <p>In response to questions from Members, the Committee heard that the LCIV planned to offer more workshops across London in the future; topics would include climate reporting. Investment update calls were also available throughout the year and Members could access recordings of these sessions via the LCIV portal. Additionally, monthly calls (on the last Thursday of each month at 10:00) were available at which Members could hear from chief LCIV officers. These monthly calls were also recorded and made available via the LCIV portal.</p>

	<p>The Director of Pensions, Treasury and Statutory Accounts noted that the aforementioned LCIV sessions were extremely useful; Committee Members were encouraged to attend them or watch the videos when possible. He agreed to re-circulate the training recordings email with the appropriate links for ease of access.</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 Committee's training update.</b></li> <li><b>4. Approved Conflicts of Interest Policy.</b></li> <li><b>5. Approved Administration Strategy.</b></li> <li><b>6. Approved Training Plan.</b></li> </ol>
54.	<p><b>ANNUAL REPORT OF THE PENSION BOARD</b> (<i>Agenda Item 11</i>)</p> <p>Roger Hackett, Chair of the Pension Board, presented the report. The Committee Members heard that Hampshire Pensions Services regularly attended meetings of the Board which was extremely helpful. The report set out the key achievements of the Pension Board, but it was acknowledged that there would be significant challenges ahead in relation to McCloud, the dashboard programme etc. It was confirmed that a report on the General Code would be received by the Pension Board in May 2024.</p> <p>Members of the Pensions Committee were thanked for working collaboratively with the Pension Board.</p> <p>The Chair expressed his gratitude to the Pension Board for being a valuable critical friend to the Pensions Committee.</p> <p><b>RESOLVED: That the Pensions Committee noted the annual report of the Local Pension Board for the year 2023.</b></p>
55.	<p><b>INVESTMENT PART II - STRATEGY REVIEW AND MANAGER UPDATES - INCLUDING INVESTMENT STRATEGY STATEMENT</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>
56.	<p><b>2023/24 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>

57.	<p><b>CUSTODIAN APPOINTMENT</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>
58.	<p><b>APPOINT INDEPENDENT ADVISER</b> (Agenda Item 15)</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 7.24 pm.</p>

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