

Minutes

PENSIONS COMMITTEE

5 June 2024



Meeting held at Committee Room 5 - Civic Centre

	<p>Committee Members Present: Councillors Reeta Chamdal (Chair), Stuart Mathers, Tony Burles and Phillip Corthorne in place of Kaushik Banerjee</p> <p>LBH Officers Present: Tunde Adekoya, Finance Manager – Pensions & Governance Andy Evans, Corporate Director of Finance and Section 151 Officer James Lake, Director of Pensions, Treasury & Statutory Accounts Anisha Teji, Senior Democratic Services Officer Karl Pereira, Trainee Pension Fund Accountant Jack Francis-Kent – Pension Board</p> <p>Also Present: Marian George, New Independent Adviser Andy Lowe, Hampshire County Council Andrew Singh, Isio</p>
61.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>Apologies for absence were received from Cllr Kaushik Banerjee with Cllr Philip Corthorne substituting.</p>
62.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>Councillor Philip Corthorne declared a Non-Pecuniary interest in agenda items 5 – 12 because he was a deferred member of the Local Government Pension Scheme. He remained in the room during discussion of the items.</p>
63.	<p>MINUTES OF THE MEETING 26 MARCH 2024 AND 9 MAY 2024 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the meetings dated 26 March 2024 and 9 May 2024 be agreed as an accurate record.</p>
64.	<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 agenda items 5 – 10 were marked Part I and would be considered in public while agenda items 11 – 12 were marked Part II and would be considered in private.</p>
65.	<p>ADMINISTRATION REPORT (<i>Agenda Item 5</i>)</p>

The Director of Pensions, Treasury & Statutory Accounts, introduced the Administration Report which updated the Committee on pensions administration activities and the performance of the administration providers against the agreed indicators. The report also provided an update on regulatory and governance matters relating to the pension fund and compliance with the Pensions Regulatory Code of Practice 14.

It was noted that this report had been presented to the Pensions Board in May 2024.

The Committee heard that the partnership between Hillingdon and Hampshire County Council (Hampshire) was successful, with effective collaboration and a positive working relationship. The Corporate Director of Finance for both Hillingdon and Hampshire met with officers to discuss and evaluate the performance of the partnership over the year. Hampshire was considered to be an extension of the team and service delivery had been excellent, particularly in the realm of cybersecurity.

It was noted that the pension dashboard preparation work received positive feedback in the annual report, highlighting the strong relationship and service received from Hampshire. New starters and pensioners at Hillingdon were encouraged to register online, leading to a natural increase in portal registrations. It was reported that some existing pensioners had either not registered for the portal or had chosen paper communications. Efforts to get more members signed up to the portal will continue including staff emails, the chief executive's newsletter, and direct outreach by the Finance team. In order to improve sign up, Members agreed that exploring other communication channels through could be beneficial.

It was confirmed that pension fund members would receive annual benefit statements in August, encouraging them to sign up for the portal.

It was highlighted to the Committee that Hampshire actively participated in benchmarking exercises and ways to improve customer service. Progress against backlog cases was evident and joint actions were being taken to address remaining issues.

In comparison to previous providers, Members were encouraged with the partnership with Hampshire and thanked officers for the continued work and consistency.

RESOLVED: That the Pensions Committee noted the Administration update.

66. **DRAFT 2023/24 EXTERNAL AUDIT REPORT AND 2024/25 AUDIT PLAN** (*Agenda Item 6*)

The Director of Pensions, Treasury & Statutory Accounts introduced the External Audit Update, which covered both the 2022/23 Pension Fund Audit Results Report and the 2023/24 EY Audit Plan LBH Pension Fund.

The report was presented at the Audit Committee meeting in April 2024 as it had governance oversight. Since the issue of the report to the Audit Committee, it was noted that the two outstanding areas had now progressed. A brief overview of public sector audits was provided and it was explained that there was a national backlog with many audits outstanding and a plan was out of consultation. Officers were working with EY on the outcomes of the consultation and how this could be progressed.

The Committee heard that the 2023/24 audit plan sets out material materiality, limits and areas of audit focus which were not materially different from last year. The audit timetable aimed to audits completed by the end of November 24.

RESOLVED: That the Committee noted the External Audit Update Report.

67. **INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I**
(Agenda Item 7)

Officers presented the Investment Strategy and Fund Manager Performance update.

In terms of the Funding Update, it was confirmed that an interim funding level update had been produced by the actuary on 31 March 2024. It had shown funds' assets were £1,357m and equated funding level of 114%, an increase of 7% from the previous quarter. The primary reason for the improved funding level was due to an increase in discount rate from 5.8% (December) up to 6.1% (March 24).

With regard to the Fund Performance, the Committee was advised that, over the last quarter to 31 March 2024, the Fund had outperformed the benchmark return by 0.07%. The Fund value had also increased over the quarter by £109m, up to £1,357m, in part due to £45.2m received from HCUC after finalisation of its merger with Richmond College.

In response to Member clarifications regarding performance management, it was explained that in the context of performance management, the term "wound down" referred to the process of gradually reducing investments. When funds were allocated to private market investments (such as infrastructure or private debt), they were initially invested. However, it was highlighted that over time, as these investments generated returns, the funds were paid back. As a result, the overall investment size decreased. Members were advised that if there was an initial allocation of £50 million, it would gradually decrease as profits were released and assets were sold. It was noted that when an investment was "wound down," it usually meant that the fund allocation had been repaid, leaving only a few remaining assets to manage.

It terms of the London CIV, it was noted that the position had now changed in a positive manner and the outlook was more client focused, with an improvement in governance and ESG. It was agreed that the approach to the London CIV of collaborative partnership working was the best way forward as there was more likelihood of getting more from the pool rather than some funds that were less collaborative.

In relation to pooling, the Committee was informed that the focus was on maximising performance and cost-effectiveness in the investment journey. Pooling was encouraged to reduce costs and take advantage of added extras, such as free environmental reporting. There was more engagement in underperforming funds, emphasising the need for refined processes and improved access to information. Members heard that there was a commitment by all those involved to achieve performance gains and operational efficiencies.

During Member discussions it was noted that the funding level had significantly improved, rising from 87% during the last formal strategy review to 114%. This positive change was driven by favourable market conditions, including strong performance in equities and growth assets. Additionally, higher interest rates had led to a decrease in

	<p>liabilities, further contributing to the improved funding condition.</p> <p>Members were advised that Communication with the pool had become more effective, with a two-way exchange of information. Regular updates and engagement with the CEO had enhanced communication channels.</p> <p>RESOLVED: That the Pensions Committee noted the funding and performance update.</p>
68.	<p>RESPONSIBLE INVESTMENT (<i>Agenda Item 8</i>)</p> <p>The Director of Pensions, Treasury and Statutory Accounts introduced the item on the Responsible Investments Update. The report provided information on how managers entrusted with the investing Pension Fund assets were implementing their Environmental, Social and Governance (ESG) policies and demonstrated their commitment to ensuring it was a cogent part of their investment process. It was noted that the ESG criteria helped to better determine the future financial performance of companies.</p> <p>The Committee welcomed a training session around ESG with LGIM and officers agreed further training would be arranged.</p> <p>In terms of shareholder activism, it was noted that the balance between fund managers' discretion and encouraging appropriate adjustments was crucial. The Committee had rejoined LAPFF (Local Authority Pension Fund Forum) a year ago to enhance lobbying efforts and promote ESG activism. LAPFF engaged in extensive voting and engagement activities, guided by their own governance team and partners. Fund managers, considered various information sources and votes based on what they believed was best, incorporating insights from different perspectives. Overall, the approach aimed to raise standards and foster responsible investment practices.</p> <p>RESOLVED: That that the Pensions Committee:</p> <ol style="list-style-type: none"> 1. Noted the fund managers' ESG activities and compliance efforts. 2. Noted LAPFF activities.
69.	<p>RISK REGISTER REPORT (<i>Agenda Item 9</i>)</p> <p>Officers provided an update on the Risk Register report noting that there were 14 risks with no changes from the previous quarter.</p> <p>The Committee was informed that going forward the Council's new risk management system JCAD would be used as this provided a more interactive platform to manage and monitor risks. Officers welcomed the system as risks could be tolerated and retired whilst still being maintained in the background. Applying this approach, some risks (such as pensioners living longer) could be retired or tolerated due to mechanisms in place for risk management. It was noted that reporting in September would highlight retired risks for discussion and ensure alignment on risk management approaches. Officers highlighted that positive results in relation to employer administration performance and timely information delivery demonstrated effective risk management efforts.</p>

	<p>In response to Member questions around asset allocation, it was noted that the transition between asset allocations and the retirement of certain funds did not significantly impact liquidity. While the risks were still monitored, ensuring sufficient funds to pay pensions remained a priority but was a day-to-day business as usual activity. Members heard that the majority of risks could be managed in the background, with control measures in place. The focus was on maintaining stability during changes without compromising pension payments.</p> <p>In terms of revaluation cycle and investment financing, it was explained that there was a 2022 valuation and the strategy had been in place from 2023. The new contribution rates were from April 2023. The strategy had been agreed and was in the process of being implemented.</p> <p>Officers responded to questions around succession planning and noted that the Council had a small specialist team. However, work was being done to train colleagues in pension fund accounting and technical pensions aspects. Risks were being addressed as best as possible with the limited available resources.</p> <p>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.</p>
70.	<p>GOVERNANCE (<i>Agenda Item 10</i>)</p> <p>The Committee considered the Governance report which included the work plan and governance updates. The work plan outlined future discussion items.</p> <p>It was noted that following the knowledge and skills assessment, gaps and areas for further training could be identified. It was reported that Councillor Tony Burles had confirmed revisiting Aeon sessions following the assessment, but other Members (except the chair) needed to provide updates. It was noted that Councillor John Riley had not yet completed the initial run-through of induction training sessions.</p> <p>As the Committee now included named substitutes, it was questioned whether substitutes should participate in training activities. Officers confirmed that ideally all substitutes should receive training and it was agreed that that induction training would be sent to all substitutes. The Committee considered that it was essential for substitutes to also receive adequate training in specialised areas.</p> <p>Members noted the dates of upcoming Pension Committee meetings.</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. 3. Noted the Committee’s Continuous Professional Development update. 4. Noted general governance issues.
71.	<p>INVESTMENT PART II - STRATEGY REVIEW AND MANAGER UPDATES - INCLUDING INVESTMENT STRATEGY STATEMENT (<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</i></p>

	<p><i>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 Director of Pensions, Treasury and Statutory Accounts presented the Part II Investment update. Members discussed the Hillingdon Investment Strategy, LCIV Active Global Equity Value Fund, Property Divestment and Investment Allocations. Members heard about Notable Manager updates and Performance Reporting.</p> <p>RESOLVED: That the Pensions Committee noted the manager updates and the current asset allocation.</p>
72.	<p>2023/24 BUDGET OUTTURN AND 2024/25 BUSINESS PLAN AND BUDGET <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> <p>The Committee considered the report which provided the outturn position against 2023/24 Pension Fund expense budget and sets out the 2024/25 Business Plan and budget.</p> <p>Members discussed Investment Management, Administration and Governance and Oversight. The Committee also considered the business plan and proposed 2024/25 budget for the pension fund.</p> <p>RESOLVED:</p> <ol style="list-style-type: none"> 1. That the Pensions Committee noted the 2023/204 Pension Fund Budget Outturn. 2. That the Pension Committee approved for publication the proposed Business Plan and agreed the 2024/25 budget.
	<p>The meeting, which commenced at 5.00 pm, closed at 6.45 pm.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Anisha Teji on ateji@hillington.gov.uk or 01895277655. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.