

Minutes

PENSIONS COMMITTEE

24 March 2026



Meeting held at Committee Room 5 - Civic Centre

	<p>Committee Members Present: Councillors Reeta Chamdal (Chair), Stuart Mathers, Labina Basit and Peter Smallwood</p> <p>Also Present: Catherine Edgecombe – Hampshire County Council Craig Alexander – Hymans Dagmar Dvorak – London Civ Tim Mpofo – London Civ Johnny Moore – ISIO Roger Hackett – Pension Board Member Marian George – Independent Advisor Councillor Nasser Abby</p> <p>LBH Officers Present: Karl Periera – Trainee Pension Fund Accountant Pete Carpenter – Director, Pensions, Treasury & Statutory Accounts Anisha Teji – Senior Democratic Services Officer Tunde Adekoya – Finance Manager - Pensions & Governance Steve Muldoon – Corporate Director of Finance</p>
156.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>Apologies for absence were received from Councillor Kaushik Banerjee.</p>
157.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>None.</p>
158.	<p>MINUTES OF THE MEETING ON 9 DECEMBER 2025 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the meeting on 9 December 2025 be approved as an accurate record, subject to a minor typographical correction to Minute 149.</p>
159.	<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 1-12 would be heard in Part II and items 13 – 15 would be heard in Part II.</p>
160.	<p>ADMINISTRATION REPORT (<i>Agenda Item 5</i>)</p> <p>The Director of Pensions, Treasury & Statutory Accounts introduced the report, confirming that Hampshire Pension Service continued to deliver high-level performance</p>

with 100% SLA compliance and significant membership growth (18.37% since the partnership began). All December casework had been completed on time, 99.71% of Member Benefit Statements had been issued and 461 items of work remained outstanding, including 139 transfers and 260 McCloud records being recalculated. The Pensions Dashboard was connected on 12 December but not yet public. Members also noted strong Internal Audit ratings for Member Deaths and Pension Transfers and that Cyber Security was under review this quarter.

Clarification was sought on whether McCloud would be delivered to the remaining pensions within the stated timescales. It was confirmed that delivery was expected by the end of the summer and that the revised timescales would be met, with earlier delays recognised due to software availability issues. It was noted that there was a wider organisational and government drive toward digital engagement including tax-related processes.

RESOLVED: That the Pensions Committee noted the administration update.

161. **TRIENNIAL VALUATION RESULTS** (*Agenda Item 6*)

The Committee was informed that the 2025 triennial valuation had been completed, showing a funding improvement from 88% in March 2022 to 118%, shifting from a £167m deficit to a £211m surplus and reducing the average contribution rate from 23.7% to 19%. The only remaining element, the Gender Pensions Gap analysis, would be finalised by Hymans in line with new GAD guidance before 31 March 2026. The Committee also noted that the Funding Strategy Statement had been consulted on with no resulting changes and was presented for approval.

Clarification was requested on the assurances and level of certainty underpinning the actuarial assumptions, particularly in relation to ensuring that employer contribution rates would not increase following the current valuation cycle. Further clarification was sought on the robustness of the estimates, including the application of the secondary rate, the impact of reduced employer contributions and the level of risk to the Fund in the event of employer financial distress.

Reference was made to the Fund's risk and register matrix and clarification was sought on the likelihood of contribution rate increases and whether any employers were poorly funded on a stand-alone basis. It was confirmed that no employers within the Fund were in such a position.

Clarification was also requested on the impact of geopolitical events in the Middle East on the assumptions used. It was explained that such risks had been incorporated into the modelling through scenario testing, including variations in inflation and investment returns. It was noted that the Fund's position had improved since March 2025, although recent market events had had some impact however, movements to date were broadly in line with general market trends. It was further noted that any material changes would be captured at the next valuation.

By way of comparison, it was noted that short-term volatility had been experienced during the Ukraine and Russia conflict and that such events were reflected within the modelling framework. It was explained that any underperformance in investment returns over the next three years would be addressed at the next valuation. It was confirmed that employer contributions had not been reduced on this basis and that the Fund was considered resilient, given its scale, long-term investment horizon and maturity.

On the investment side, attention was drawn to the importance of monitoring cashflow, particularly in light of reduced contributions and increasing pension payments, and this was identified as an area to be kept under review.

RESOLVED: That the Pensions Committee:

- 1. Agreed the draft Triennial Valuation Report.**
- 2. Approved the Funding Strategy Statement for the London Borough of Hillingdon Pension Fund.**

162. **RESPONSIBLE INVESTMENT POLICY** (*Agenda Item 7*)

The Committee received the Responsible Investments Update report, which enabled approval of the updated 2026 Responsible Investment Policy. Members were reminded of the previous petition and the two workshops held in January and February to develop the draft. The policy positioned the Fund for full asset pooling with the LCIV by March 2026, strengthened climate and stewardship commitments, introduced exclusions and a 5% impact-investment target, embedded four priority UN SDGs and set out an enhanced stewardship and governance framework. It was noted that the LCIV had reviewed the updated policy and that the major changes related to asset pooling, Net Zero commitments, ESG expectations and the adoption of the four priority SDGs.

Members queried whether the Fund's current approach to responsible investment sufficiently reflected ethical considerations, particularly in relation to weapons manufacturing, and noted concerns raised by residents. Reference was made to UN Sustainable Development Goal 16, with emphasis on human rights, long-term sustainability and the ethical expectations of future pension fund members. It was also noted that some local authorities had taken steps to divest from arms-related investments.

In response, it was confirmed that all 17 UN Sustainable Development Goals were included within the appendix and would be considered alongside government guidance. Members were advised that current guidance discouraged immediate divestment and that the draft policy represented the starting point of a longer-term responsible investment approach. It was explained that most investments were held through the London CIV, with options expected to develop over time, and that any future transition would need to balance ethical considerations, costs and investment returns.

It was noted that previous discussions had indicated a preference to progress towards Pillar 2, with potential scope to consider Pillar 3 in future. Officers advised that suitable Pillar 3 options were not currently available through the London CIV and that immediate disinvestment would not be appropriate. Members' intentions were noted, and it was confirmed that a gradual transition would be pursued when suitable products became available.

The draft Responsible Investment Policy was considered, and it was noted that some uncertainty remained around the pooling process, which could constrain progress on more impactful investments. It was further observed that, in the absence of mandatory pooling requirements, greater progress may have been achievable within the Fund's own portfolio.

Concern was raised about the lack of a clear timeline for moving from Pillar 2 to Pillar

3, with a risk that ESG progress could be delayed. The Committee emphasised its desire to actively progress this area and requested clarity from London CIV on the availability of suitable Pillar 3 products, including an indicative timeline.

In response, it was confirmed that an update on product development would be provided at the next meeting. It was noted that short-term progress was likely to be limited due to ongoing change and consolidation, and it was agreed that progress should be reviewed on a six-monthly basis to monitor emerging opportunities.

The Committee acknowledged that the Fund was currently constrained by pooling arrangements and government guidance, and that the draft policy reflected an appropriate strategic direction at this stage. It was agreed that London CIV should continue to be actively engaged to support progress towards future Pillar 3 options and that six-monthly progress updates would be included in the work programme, with reporting arrangements strengthened to more formally capture responsible investment progress.

RESOLVED: That the Pensions Committee noted and approved the draft responsible investment policy with the slight amendment to have it included quarterly in committee agendas.

163. **INVESTMENT STRATEGY STATEMENT** (*Agenda Item 8*)

The Committee received the report setting out the updated Investment Strategy Statement (ISS) following the triennial valuation. Members were reminded that the initial review of the Fund's investment strategy began in September 2025, supported by training and further discussions in November on strategic options, expected returns and risk. At its December 2025 meeting the Committee considered three asset allocation options and agreed Option 3 as recommended by Isio.

The revised ISS, presented for approval, reflected draft 2025 guidance and the planned transition of all assets to the London CIV from April 2026. It also included the introduction of UK residential housing exposure, increased allocations to private equity and private credit, adjustments to the equity mix, consideration of currency hedging and revised control ranges. These changes were forecast to increase the modelled return from 9.1% to 9.4%, alongside a small increase in value at risk (VaR).

Members raised questions about the level of assurance available to enable the London CIV to manage investment specifications on the Fund's behalf. Concerns were expressed about the risk of providers effectively marking their own performance and Members emphasised the need for continued challenge and oversight. It was acknowledged that a constructive working relationship had been established between officers and the London CIV and that the Fund's experience in managing investment partner relationships would support effective scrutiny. Members stressed the importance of maintaining the Fund's fiduciary duty, including delivering performance, managing ESG risks and protecting the Fund's reputation.

ESG concerns had previously arisen and Members emphasised the need for issues to continue to be reported to the Committee, with London CIV engagement where concerns arose around performance, ESG standards or reputational risk. It was noted that further clarity was needed on accountability arrangements and how the London CIV would be held to account under the new regulatory framework during the transition period.

Members were advised that governance and accountability arrangements for the investment pool, including matters raised by the Pension Board, would be addressed under a later agenda item.

Clarification was also sought on the Fund's compliance with the Fit for the Future regulations in light of recent deadlines. In response, it was explained that the report included a table setting out key requirements and forthcoming deadlines, with compliance currently assessed as green or amber, indicating that full compliance would be achieved. It was noted that the Fund was relatively well placed compared to some other authorities due to progress with pooling, although a significant programme of work remained over the coming months.

RESOLVED: That the Pensions Committee noted and approved the Draft Investment Strategy Statement

164. **INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I**
(Agenda Item 9)

The funding level was reported to have reduced to 127%, reflecting a 19% quarterly fall driven mainly by a £230m increase in liabilities. This step change was attributed to the move from the 2022 to the 2025 valuation assumptions, particularly more prudent financial assumptions such as the discount rate. Assets had increased to £1.58bn, up 2.64%, and the Fund achieved a return of 2.8%, marginally outperforming its benchmark. Global equities and property remained overweight against strategic targets.

The Alpha Growth Fund continued to be monitored for underperformance, progress was reported on the London CIV's Fit for the Future reforms and the launch of the LCIV Global Core Equity Fund was expected in Q2 2026. The outlook for 2026 was described as positive, supported by expected global growth, increased investment in AI and supportive fiscal and monetary policy.

Members sought clarification on progress with local infrastructure investment and whether this remained an area of uncertainty. In response, it was advised that discussions were ongoing with the London CIV and other relevant parties. It was noted that several funds were expected to become available, subject to meeting delivery requirements and appropriate return criteria.

It was further noted that local investment opportunities were likely to involve identifying suitable projects within London CIV structures and ensuring the Fund was well positioned as opportunities arose. Members were advised that this would be a longer-term process, with the potential to deliver local impact and that for regulatory purposes "local" investment was defined as the London CIV area, including London and Buckinghamshire. It was also noted that competition for such funding was significant.

Further clarification was requested on how the Fund could best position itself to access these opportunities. In response, it was advised that this remained subject to ongoing discussions with the London CIV and that approaches elsewhere had often been driven by mayoral or regional arrangements. Greater clarity was expected once the relevant legislation had been fully implemented and operational arrangements confirmed.

	<p>RESOLVED: That the Pensions Committee noted the funding and performance update.</p>
165.	<p>RESPONSIBLE INVESTMENT (<i>Agenda Item 10</i>)</p> <p>The Responsible Investments Update was introduced by the Finance Manager (Pensions & Governance). The report outlined how fund managers were embedding ESG within their investment processes and reported on proxy voting activity for LGIM and London CIV managers, with director elections identified as the largest category of shareholder resolutions. Voting statistics were noted, and an update was provided on LGIM's and LAPFF's work to support business decarbonisation and net zero objectives.</p> <p>RESOLVED: That the Pensions Committee:</p> <ol style="list-style-type: none"> 1. Noted the fund managers' ESG activities and compliance efforts. 2. Noted LCIV & LAPFF activities.
166.	<p>RISK REGISTER REPORT (<i>Agenda Item 11</i>)</p> <p>The Risk Register Report was introduced by the Finance Manager (Pensions & Governance), who outlined the key risks and associated mitigation measures.</p> <p>Members noted that two reports had been presented covering open and closed risks, with seven risks closed and now managed as business as usual or tolerated, and seven risks remaining open and actively managed. While the overall risk position was reported to be unchanged, it was highlighted that the Fit for the Future legislation, expected to come into force on 1 April 2026, had yet to be approved by Parliament. Members were advised that assets were being transferred in line with the spirit of the proposed changes to achieve full pooling with the London CIV, and that continued delay in approving the legislation could become a significant risk if unresolved by the next meeting.</p> <p>Members asked whether potential changes in council administrations, and the resulting risk of shifts in investment approach, should be reflected on the risk register. It was clarified that this concern was raised from a governance perspective rather than a party-political one, with Members noting that changes in administration could lead to different approaches to responsible investment and potentially affect the Fund's strategic direction.</p> <p>In response, Members were advised that the Committee operated on an apolitical basis and that safeguards were in place to prevent sudden or inappropriate changes to investment strategy. It was noted that transaction costs and value-for-money considerations acted as a strong constraint on rapid change, particularly given the size of the Fund and the financial impact of asset transitions. Reference was also made to emerging regulations that could provide the Secretary of State with certain investment powers, although these had not yet been fully implemented and remained subject to challenge.</p> <p>It was further noted that while changes in administrative priorities could present a risk, a more significant issue related to levels of knowledge and understanding. Members were assured that a training policy was in place, including mandatory training for Committee Members, and that this was monitored regularly. It was confirmed that new Members would receive training to ensure a clear understanding of fiduciary duties and</p>

	<p>the apolitical nature of pension fund governance. Reference was also made to the Committee's work programme and statutory requirements around contribution rates and actuarial advice, which limited the scope for change between valuation periods.</p> <p>RESOLVED: That the Pensions Committee:</p> <ol style="list-style-type: none"> 1. Considered and agreed the Risk Register in terms of the approach, the specific risks identified, and the measures being taken to mitigate those current risks. 2. Noted the revised format and agreed the retired risks and those which remained open.
167.	<p>GOVERNANCE (<i>Agenda Item 12</i>)</p> <p>The Committee discussed the Governance report which considered the workplan, governance updates, approval of various triennial and interim policy updates.</p> <p>Members raised concerns about levels of experience following elections and whether lessons had been learned from previous periods of change. It was advised that training arrangements were being reviewed, including consideration of London-wide frameworks, and it was confirmed that mandatory training would be introduced under the Fit for the Future programme before Members participated in meetings.</p> <p>Clarification was also sought on the future management of key officer risk. Members were advised that the role would become a statutory position from September, with associated finance arrangements under review. The approach to the risk register was agreed, and the governance update was noted, including the revised work plan, future meeting dates, training updates and progress towards compliance with the General Code of Practice.</p> <p>The draft Pension Fund Annual Report for 2024/25, including the audited accounts, was presented and approved. A correction to Committee membership dates was noted, the training record was to be updated accordingly, and the Chair thanked officers, advisers and Members for their contribution to the Fund's progress.</p> <p>The Pensions Committee:</p> <ol style="list-style-type: none"> 1. Noted the dates for Pensions Committee meetings. 2. Noted Committee Work Plan. 3. Noted Committee's Continuous Professional Development update. 4. Noted GCoP Update. 5. Noted and Approve Draft Pension Fund Annual Report.
168.	<p>APPROVE RESTRICTED MINUTES FROM MEETING ON 24 SEPTEMBER 2025 (<i>Agenda Item 13</i>)</p> <p>RESOLVED: That the Committee approved the restricted minutes from the meeting on 9 December 2025.</p>
169.	<p>GOVERNANCE 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</i></p>

	<p><i>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>RESOLVED: That the Committee noted the recommendation as detailed in the confidential report.</p>
170.	<p>INVESTMENT PART II - STRATEGY REVIEW AND FIT FOR THE FUTURE UPDATE <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>RESOLVED: That the Committee noted the recommendation as detailed in the confidential report</p>
	<p>The meeting, which commenced at 5.00 pm, closed at 8.09 pm.</p>

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