

Minutes

PENSIONS COMMITTEE

29 March 2011

Meeting held at Committee Room 3 - Civic Centre,
High Street, Uxbridge UB8 1UW



HILLINGDON
LONDON

	<p>Committee Members Present: Councillors Philip Corthorne, Michael Markham, Paul Harmsworth, David Simmonds, Janet Duncan and Richard Lewis</p> <p>Advisory Members /Co-optee Members Present: John Holroyd and Andrew Scott</p> <p>LBH Officers Present: Paul Whaymand, James Lake, Nancy LeRoux, Ken Chisholm and Nav Johal</p> <p>Also Present: John Hastings, Scott Jamieson, Craig Alexander and Bryan Chalmers</p>	
29.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence to note.</p>	Action by
30.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>Councillors Corthorne, Duncan, Harmsworth, Lewis and Simmonds, and advisory members Andrew Scott and John Holroyd, declared a personal interest in all Agenda Items, in that they were all members of the Local Government Pension Scheme, and remained in the room.</p>	Action by
31.	<p>MINUTES OF THE MEETING - 14 DECEMBER 2010 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the Pensions Committee meeting on 14 December 2010 be agreed as a correct record.</p>	Action by
32.	<p>TO CONFIRM THAT THE ITEMS OF BUSINESS MARKED PART 1 WILL BE CONSIDERED IN PUBLIC AND THAT THE ITEMS MARKED PART 2 WILL BE CONSIDERED IN PRIVATE (<i>Agenda Item 4</i>)</p> <p>RESOLVED: That:</p> <ol style="list-style-type: none">1. Agenda Items 1 to 12 be considered in public; and2. Agenda Items 13 to 16 be considered in private for the reasons stated on the agenda. Members of the press and	Action by

	<p>public would be excluded from the meeting during the consideration of these items.</p>	
33.	<p>REVIEW ON PERFORMANCE MEASUREMENT OF THE PENSION FUND (<i>Agenda Item 5</i>)</p> <p>The Chairman introduced the report which reviewed the fund management performance of the London Borough of Hillingdon Pension Fund for the quarter to 31 December 2010. Members noted that the last quarter saw an improvement in performance but still marked a further period of underperformance against the benchmark.</p> <p>As discussed at the last Pensions Committee meeting the report followed a new format to include more background information on each mandate relating to market conditions which could have impacted on performance.</p> <p>Members discussed the performance of the fund managers in the last quarter and how the benchmark was set for fund managers. Officers advised Members that the benchmark was set against the most appropriate index, whether FTSE, MSCI or otherwise. Advisors explained to Members that they were having discussions with Bond managers about adapting the benchmark so that the information shared was more relevant. This decision on the benchmark information provided and how performance was judged could be one the Investment Strategy Sub-Committee could determine.</p> <p>Members noted that for the quarter ending 31 December 2010, Hillingdon returned 5.13%, underperformance against the WM average by 0.57%. The one year figure showed an underperformance of 2.58% against average return of 13.40%</p> <p>RESOLVED: That the content of the report and the performance of the Fund Managers be noted.</p>	Action by
34.	<p>BRIEFING NOTE ON LORD HUTTON'S REVIEW OF PUBLIC SECTOR PENSIONS (<i>Agenda Item 6</i>)</p> <p>Bryan Chalmers, of Hymans Robertson, the Pension Fund's Actuary, presented the report on Lord Hutton's review of public sector pensions. The final report on the review was published on 10 March 2011. The report made 27 recommendations for changes on all public sector pension schemes.</p> <p>Central government will be responsible for taking the recommendations forward. It was expected that the changes would come into effect before the end of the current parliament in 2015. The Government had in the Budget on 23 March 2011 endorsed the findings of the report. There were still some concerns to be addressed before the recommendations were implemented.</p> <p>The review by Lord Hutton recommended that the final salary scheme</p>	Action by

	<p>should be closed and all members be moved to a new career average scheme; that accrued rights in the current scheme should be fully protected; that normal retirement age should be linked to state pension age; that the different financing arrangements for the LGPS should continue; and that pension boards to be created for every fund in the LGPS to include member nominees.</p> <p>It was noted that there would not be an impact on the 2010 valuation as draft regulations were yet to be drawn up. Following Lord Hutton's report proposals were drafted for an early increase to members' contributions, potentially from 2012. This had the potential to cause a number of opt-outs in the LGPS, which would in turn have an impact.</p> <p>There were concerns on what the future employee contributions would look like and the suggested increase may face challenges.</p> <p>The report also suggested that non public sector employees should not be a part for LGPS, for example charities, and those out-sourced to the Council.</p> <p>It was expected that the Government would make further announcements in June of this year.</p> <p>Members discussed the possible implications of the pension fund if the workforce reduced by a considerable percentage over the next few years and questioned what guidance could be provided in relation to this. Mr Chalmers stated that Hymans Robertson could provide some modelling work around this.</p> <p>RESOLVED: That the Committee noted the content of the report and presentation.</p>	
35.	<p>2010 VALUATION RESULTS (<i>Agenda Item 7</i>)</p> <p>Bryan Chalmers, Hymans Robertson, presented the 2010 triennial revaluation results to Committee. This had been a very challenging valuation due to factors such as the CSR 10, demographic trends and impending scheme changes. The next valuation is due at 31 March 2010.</p> <p><i>Members were informed that results of the 2010 valuation indicated that the funding level was now 78%, a decrease from 92% at the 2007 valuation. This has resulted in the deficit increasing from £50m as at 31 March 2007 to £163m as at 31 March 2010. The deterioration of the funding position is largely due to poorer than anticipated investment returns.</i></p> <p>An increase to the London Borough of Hillingdon Employer's contribution of 1% per year was recommended, as a result of the valuation. Hillingdon has paid an additional 1% contribution to fund the cost of early retirements over the last 2 valuation periods and it was recommended that this continued.</p>	Action by

	<p>The recent change from RPI to CPI would come into effect in April of this year. This would affect all pensions including those already accrued. CPI was roughly 0.8 lower than RPI.</p> <p>Longevity was one of the biggest risks in the pension fund. Members noted the survival rates in the Hillingdon population. On average every decade people were living 2 years longer. It was estimated that this trend would continue but with factors such as obesity and a gaming society for example, that the rate may be lower.</p> <p>In terms of measuring Hillingdon's performance against others Members noted that whilst Hillingdon was still performing slightly better than average it was not performing as good as it previously was.</p> <p>RESOLVED: That the Committee noted the content of the report and presentation.</p>	
36.	<p>PENSION FUND BUDGET 2010 - 2011 (<i>Agenda Item 8</i>)</p> <p>The Chairman introduced the report which set out the annual budget for the operation of the Pension Fund and to monitor income and expenditure against the budget.</p> <p>The report set out a proposal for the budget for 2011/12 to be aligned with the actuals for 2010/11. Officers could not comment on the impact that redundancies would have on income and expenditure. It was therefore difficult to project the budget. When the outturn position for 2010/11 was known the budget for 2011/12 would be realigned with the figures.</p> <p>Councillor Simmonds requested the a copy of the fund manager fee schedule.</p> <p>RESOLVED:</p> <p>(1) That the Committee noted the forecast budget outturn position at 31 December 2010; and (2) That the Committee approved the budget for 2011-2012 attached to the report.</p>	Action by
37.	<p>DELOITTE - 2010/11 ANNUAL AUDIT PLAN (<i>Agenda Item 9</i>)</p> <p>The Senior Service Manager – Corporate Finance presented the report which set out the initial plans for the audit of the Pension Fund Annual Report 2010/11 by Deloitte, the Council's external auditors. The Annual Report will be brought to Committee in September, following the completion of the audit, for approval and sign off, prior to going to the Audit Committee for approval.</p> <p>The plan set out in the report showed the approach that would be followed for the audit. It was noted that in previous years the audit report found very few faults and it was anticipated that this year would</p>	Action by

	<p>follow suit.</p> <p>RESOLVED: That the Committee noted the contents of the report.</p>	
38.	<p>RETIREMENT PERFORMANCE STATISTICS AND COST OF EARLY RETIREMENTS MONITOR (<i>Agenda Item 10</i>)</p> <p>The Chairman introduced the report which summarised the number of early retirements in the third quarter of 2011/12. The report also gave an update on the current situation on the cost to the fund of early retirements.</p> <p>It was noted that any further potential redundancies were not shown on the report for this quarter.</p> <p>RESOLVED: That the content of the report be noted.</p>	Action by
39.	<p>PENSIONS ADMINISTRATION PERFORMANCE (<i>Agenda Item 11</i>)</p> <p>The Senior Service Manager – Corporate Finance introduced the report which summarised the key work areas of the pensions administration section. The report highlighted nationally agreed targets for England and Wales.</p> <p>The dip in performance of deferred benefits was noted, this was due to prioritising workload in a stretched team. Estimate of retirement benefits was a priority.</p> <p>Members noted that 1 letter notifying dependant’s benefits was not completed within the target of 5 days, and stressed the importance of achieving a 100% target rate for this area of work.</p> <p>RESOLVED: That the content of the report be noted.</p>	Action by
40.	<p>GOVERNANCE ISSUES (<i>Agenda Item 12</i>)</p> <p>The Chairman introduced the report which provided an update on the Pension Fund Governance issues. The main issues in the report related to an update to the Communications Policy and some minor updates to the Statement of Investment Principles.</p> <p>Members discussed the revised Statement of Investment Principles which included the insertion of the investment responsibilities of the Investment Sub Committee.</p> <p>Members also discussed the revised Communications Policy. It was noted that the pensions information provided on the Council website was out of date, and that this needed to be looked at as a matter of urgency. Officers informed Members that they had already started work on improving and updating the website.</p>	Action by

	<p>Members requested the Officers provide a further report to the next committee on communications.</p> <p>RESOLVED:</p> <ol style="list-style-type: none"> 1. That the Committee agreed to approved the revised Statement of Investment Principles; 2. That Committee agreed to approve the revised Communications Policy; 3. That Committee noted the contents of the report; and 4. That Officers provide Committee with an update on improvements made regarding communications at the next committee meeting. 	
41.	<p>REPORT FROM INVESTMENT SUB-COMMITTEE (Agenda Item 13)</p> <p><i>This item was discussed as a Part 2 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>	Action by
42.	<p>QUARTERLY REVIEW OF PENSION FUND RISKS (Agenda Item 14)</p> <p><i>This item was discussed as a Part 2 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>	Action by
43.	<p>CORPORATE GOVERNANCE & SOCIALLY RESPONSIBLE INVESTMENT (Agenda Item 15)</p> <p><i>This item was discussed as a Part 2 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>	Action by
44.	<p>ORAL UPDATE ON COUNCIL RESTRUCTURE (Agenda Item 16)</p> <p><i>This item was discussed as a Part 2 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</i></p>	Action by

	<i>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 5.30 pm, closed at 7.07 pm.	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Nav Johal on 01895 250692. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.