

PART II - Minutes

Pensions Committee

7 December 2016

**Meeting held at Committee Room 5- Civic Centre,
High Street, Uxbridge UB8 1UW**



HILLINGDON
LONDON

	<p>Committee Members Present: Councillors Philip Corthorne (Chairman), Michael Markham (Vice-Chairman), Peter Davis, Beulah East and Tony Eginton.</p> <p>Also Present: Catherine McFadyen and Stacey McLean (Actuaries - Hymans Robertson).</p> <p>Pensions Board Members: Roger Hackett and Venetia Rogers.</p> <p>LBH Officers Present: Tunde Adekoya, Ken Chisholm, Sian Kunert, Nancy Le Roux and Khalid Ahmed.</p>	
23.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING</p> <p>Councillor Philip Corthorne declared a Non-Pecuniary Interest in all agenda items because he was a deferred member of the Local Government Pension Scheme. He remained in the room during discussion on the item.</p> <p>Councillor Tony Eginton declared a Non-Pecuniary Interest in all agenda items as he was a retired member of the Local Government Pension Scheme. He remained in the room during discussion on the item.</p>	
24.	<p>MINUTES OF THE MEETINGS HELD ON 21 SEPTEMBER 2016</p> <p>Agreed as an accurate record.</p>	
25.	<p>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE</p> <p>It was agreed that Agenda Items 9 and 10 would be considered in private.</p>	
26.	<p>LONDON BOROUGH OF HILLINGDON PENSION FUND - 2016 VALUATION</p> <p>Catherine McFadyen and Stacey McLean of Hymans Robertson attended the meeting and gave the Committee a presentation on the Pension Fund 2016 valuation results.</p> <p>Valuations of Pension Funds took place to:</p>	

- comply with legislation,
- to set employer contribution rates,
- To determine money needed to meet accrued liabilities,
- To calculate solvency (the funding level).
- Monitor experience against assumptions and
- Manage risks to the Fund and to employers.

The Committee was provided with details of the objective of the valuation which was to assess how much money did the Pension Fund need, and how should this be invested in order to be able to meet the promised benefits of members.

The process was a balancing act between expected investment returns, contributions required from employers and balancing the risk to the Pension Fund.

Reference was made to the fund valuation results for 2016 which indicated that total liabilities were £1,079m and assets were £810m, which resulted in a deficit of £269m.

Asset returns had been greater than expected since 2013, however, the outlook was not optimistic. In relation to UK bond yields, the expectation of future returns was lower than in 2013.

Discussion took place on the assumptions made and Members were informed that the investment strategy for the Fund was cautious with the strategy being prudent.

Reference was made to trends in the membership of the Fund. There had been an increase in the membership of the Fund, there had been fewer ill health retirements and early leavers than expected and the number of deaths had been in line with assumptions.

In conclusion, for most Employers, funding levels were similar to 2013 and there was upwards pressure on contributions as expected future asset returns had fallen.

RESOLVED:

- (1) That the information provided by the actuaries be noted, together with the valuation results for the Hillingdon Pension Fund.**

27. DRAFT FUNDING STRATEGY STATEMENT

Members were informed that the Fund was required under legislation to maintain and publish a Funding Strategy Statement.

The purpose of the Funding Strategy Statement was:

- to establish a clear and transparent fund-specific strategy which would identify how employers' pension liabilities were best met going forward;
- to support the regulatory framework to maintain as nearly

	<p>constant employer contribution rates as possible; and</p> <ul style="list-style-type: none"> to take a prudent longer-term view of funding those liabilities. <p>The Committee asked that the draft Funding Strategy Statement be reported back to the Committee after the consultation with scheme employers.</p> <p>RESOLVED:</p> <p>(1) That approval be given to the draft Funding Strategy Statement for consultation with scheme employers, subject to the minor drafting clarifications detailed in the appendix.</p>	<p>Action By:</p>
<p>28.</p>	<p>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE</p> <p>The report provided Members with an overview of fund performance and asset allocation as at 30 September 2016, together with an update on recent investment decisions and progress of the London CIV.</p> <p>In summary the total size of the Fund was £890m at 30 September 2016, which was an increase from £845m at the end of the previous quarter.</p> <p>An update was given on the progress of the London CIV which was resulting in some savings in fees. However, reference was made to the legal and technical difficulties in bringing passive managers into the London CIV structure. Members were informed that the company structure and model the CIV had been created on, did not enable insurance development to be put onto the platform.</p> <p>The CIV was working on a number of projects which were looking at other asset classes and progress was being made in a number of areas.</p> <p>RESOLVED:</p> <p>(1) That discussion took place on the Fund performance update and the information provided on mandates and Fund Managers was noted.</p> <p>(2) That the follow up activity to previous decisions and progress in the development of the London CIV was noted.</p>	
<p>29.</p>	<p>PENSIONS ADMINISTRATION REPORT</p> <p>The Committee was provided with an update on the progress made in the new administration of the London Borough of Hillingdon Fund of the Local Government Pension Scheme.</p> <p>Members were informed that new processes and procedures had been established and a good working relationship had been established between the Surrey and Hillingdon teams. The first pensioner payroll in November had been completed with few errors.</p>	<p>Action By:</p>

	<p>However, reference was made to both teams having to work closely to resolve a backlog of 2,200 cases which were on hold in the Capita system. These cases had only come to light after the transfer of the administration of the pension's scheme and most of the cases related to outstanding transfers, deferred benefit calculations and personal detail changes. Officers said they would provide a breakdown of the categories the backlog of cases fell into.</p> <p>RESOLVED:</p> <p>(1) That the update in the report be noted.</p>	<p>Ken Chisholm</p>
<p>30.</p>	<p>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE</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 was provided with an update report on each of the Pension Fund's current managers and mandates, together with a detailed Market Background paper produced by the Pension Fund Advisor.</p> <p>RESOLVED:</p> <p>(1) That the information be noted, together with the performance of Fund Managers.</p>	
<p>31</p>	<p>PENSION FUND RISK REGISTER</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 report provided details of the main risks to the Pension Fund which enabled the Committee to monitor and review.</p> <p>RESOLVED:</p> <p>(1) That the Committee considered the Risk Register and noted the measures which were being taken to mitigate the indentified risks.</p>	
<p>The meeting, which commenced at 7.00pm closed at 8.10pm</p>		

These are the minutes of the above meeting. For more information on any of the resolutions please contact Khalid Ahmed on 01895 250833. Circulation of these

minutes is to Councillors, Officers, the Press and Members of the Public.