

Minutes

PENSIONS COMMITTEE

30 October 2019

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



HILLINGDON
LONDON

	<p>Committee Members Present: Councillors Martin Goddard (Chairman) Philip Corthorne (Vice-Chairman) Teji Barnes Tony Eginton John Morse</p> <p>LBH Officers Present: Tunde Adekoya, Pension Fund Accountant Sian Kunert, Head of Pensions, Treasury and Statutory Accounts James Lake, Lead Corporate Accountant Hayley Seabrook, HR and Payroll Service Manager Liz Penny, Democratic Services Officer</p> <p>Also Present: Mike O'Donnell, Chief Executive, London CIV Kevin Cullen, London CIV Andrew Singh, KPMG Representative Tony Noakes, Pensions Board Member Roger Hackett, Pensions Board Member Zak Muneer, Pensions Board Member Craig Alexander, Hymans Robertson Clare Scott, Investment Advisor</p>
17.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>Apologies were received from Paul Whaymand, Corporate Director of Finance.</p>
18.	<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 all agenda items because he was a deferred member of the Local Government Pension Scheme. He remained in the room during discussion of the items.</p> <p>Councillor Teji Barnes declared a Non-Pecuniary interest in all agenda items because she was a deferred member of the Local Government Pension Scheme. She remained in the room during discussion of the items.</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 of the items.</p>

19.	<p>MINUTES OF THE MEETING DATED 17 JULY 2019 (<i>Agenda Item 3</i>)</p> <p>RESOLVED That: the minutes of the meeting dated 17 July 2019 be agreed as an accurate record.</p>
20.	<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 the items marked Part I (items 1–11) would be considered in Public and those marked Part II (items 12-13) would be considered in private.</p>
21.	<p>PRESENTATION FROM LONDON CIV (<i>Agenda Item 5</i>)</p> <p>The Chairman thanked Mike O'Donnell and Kevin Cullen of the London CIV for agreeing to attend the Pensions Committee meeting.</p> <p>Members were shown a presentation by the London CIV (LCIV) which covered a LCIV update, the current and future fund offering, LCIV Governance and the LBH LCIV portfolio. Key points highlighted included:</p> <ul style="list-style-type: none"> • A LCIV ESG and Strategy Forum and Q3 LLA Investment Forum was recently held which was a useful and well-received event. ESG and climate change were now key LCIV priorities; • LCIV Infrastructure Fund – first close was 31 October with five LLAs committed; • The MHCLG Progress Report Submission indicated an increase of 20% in the pooling level to 68% by 2023 (from 48% as at March 2019); • Two new Client Relations Managers had been appointed – Harry Lamprinopoulos and Silvia Knott-Martin. <p>It was reported that LCIV challenges included:</p> <ul style="list-style-type: none"> • 2019/20 growth in assets was broadly flat; • Rate of pooling had been declining; • Triennial valuations were impacting the pace of pooling; • LLAs were yet to focus on mandate proposals instead of manager selection; • The LCIV Global Equity Core Fund had been launched but not yet seeded; • LCIV Business Purpose change had yet to be approved; • The search for a new interim CIO and permanent CIO was under way – unfortunately the CIO recruited in September had only remained in post for three weeks. <p>The current and future fund offerings were outlined to Pensions Committee Members. In terms of the London CIV Strategy, there was a need to agree what management should look like to enable the LCIV to approach the market with a firm idea of what was required and to enable them to achieve keen pricing. Members were informed that the first flows of the Infrastructure Funds were lined up to include six boroughs with £399m of investment – this was a positive development.</p> <p>Members requested further clarification regarding the matter of Governance as it was perceived that more could be done in relation to this. It was noted that one London borough had not yet invested anything in the LCIV. It was confirmed that there had been some delay due to the difficulties in recruiting and retaining a CIO. Moreover, the workings of the Shareholder Committee needed to be explored further. New</p>

Governance arrangements were being considered at present and a review was due to commence very shortly. It was confirmed that all feedback was useful and welcomed. Responses were due by the end of November; subsequently a decision would be taken regarding the next steps – a workshop on Governance was being considered once survey results were received. The Pensions Committee was advised that the new Governance arrangements were widely considered preferable to the Joint Committee Structure but some further tweaking was required. It was recognised that there were issues to be addressed in relation to ESG and fund managers. Some London boroughs had indicated that they preferred an engagement route with direct contact with fund managers. It was hoped that annual meetings between investors and fund managers could be arranged in the future; however, it was acknowledged that this was challenging since there were 32 London boroughs in total with very diverse needs. The Pensions Committee was advised that a single approach to voting across all 32 boroughs was deemed to be preferable as it would have more impact. Such matters would be considered further on completion of the stock take.

Members suggested that, given the large number of diverse London boroughs, one option would be for like-minded boroughs to form natural groupings. It was reported that some boroughs appeared reluctant to be involved with the LCIV. Members expressed concern regarding the apparent slow-progress being made; it was acknowledged that progress had been slower than the Government would like and the challenges faced in London were particularly acute. It was recognised that greater collaboration and pooling across London were desirable but progress to date and the slow pace of change were a concern. The Pensions Committee was informed that some benefits had already been delivered by the LCIV and it was anticipated that these would increase in the future.

RESOLVED That: the content of the presentation be noted.

22. **2019 ACTUARIAL VALUATION AND FUNDING STRATEGY STATEMENT** (*Agenda Item 6*)
- Craig Alexander of Hymans Robertson took Members through a presentation regarding the Pension Fund 2019 valuation – whole fund results and funding strategy update. Key points highlighted included:
- The Membership and cashflow data had been received on time and were validated as fit for purpose;
 - Employer level results were to be discussed with officers in November ahead of the employer forum on the 20 November;
 - The long term investment funding target had remained unchanged;
 - To assess the Fund, a Valuation ‘health check’ had been performed on a single day –this was just a snapshot in time (on a single set of assumptions);
 - There had been a slight change in approach to the valuation methodology with some risk-based assessment built in;
 - The Fund had performed well and there had been some improvement in the Funding level (from 75% in 2016 to 87% in 2019); however, there was no cause for complacency and continued prudence was essential;
 - Different employers posed different levels of risk – Councils were the least risky as they were funded by the Government;
 - The Government’s McCloud ruling meant that LGPS benefits were going to cost more in the future – this had been built into Hymans’ calculations for employer contributions but not the funding position in line with MHCLG and SAB instruction and would be monitored going forward;

- The next valuation would take place in 2022. Following that it was likely that a 4-year cycle would be introduced.

Members requested clarification regarding the use of RPI in the presentation. It was confirmed that information from the market was mainly RPI based – this was then adjusted to CPI. Moreover, Members were advised that the impact of McCloud was minimal at whole fund level but could be significant at employer level.

RESOLVED That Pensions Committee:

- 1. Agreed the draft Funding Strategy Statement for consultation with scheme employers;**
- 2. Noted the whole fund triennial valuation results;**
- 3. Approved the assumptions used in the triennial valuation.**

23. **PENSION FUND ANNUAL REPORT** (*Agenda Item 7*)

The report was welcomed by Members. New Committee Members were commended for their commitment to training. It was noted that thorough training was essential to enable Members to make informed decisions. It was recognised that the training available to Pensions Committee Members at Hillingdon was both practical and helpful and constituted a model of good practice. It was suggested that communication between the Pensions Board and the Pensions Committee could be improved and it would be beneficial for the two committees to work more closely together.

Members were informed External Audit has signed off on consistency of the annual report with the audited accounts and an audit opinion had be provided for publication of the report.

It was noted that Sian Kunert would be leaving the Council in December to take up a post elsewhere. Gratitude was expressed to Sian for her invaluable advice and support to date.

RESOLVED That Pensions Committee:

- 1. Approved the Fund Annual Report for publication.**

24. **INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE PART I**
(*Agenda Item 8*)

The item was preceded with a few slides from Clare Scott, Investment Adviser. Clare reported that she had been working with the teams at the London CIV and presented a confidential review of the London CIV's Investment Manager selection and monitoring to date. The Pensions Committee was informed that a new LCIV policy was in development; this would need to be reviewed periodically and kept up-to-date. Additional concerns were raised and recommendations made which would be monitored and discussed further with the London CIV.

It was noted that the fund had increased in value and performed above benchmark totalling £1.127m at the end of September 2019.

Members discussed the update on the LCIV Infrastructure sub fund and KMPG highlighted areas that had been outstanding in the Fund making a decision which have since been resolved including FCA approval for members to approve commitment to this fund.

Given the volume of Part II paperwork in the agenda pack, it was agreed that, in future, the voting records of Fund Managers would be made available to Members electronically.

RESOLVED THAT, following consideration of the Part II papers, Pensions Committee:

- 1. Considered and discussed any issues raised;**
- 2. Discussed the Fund performance update and agreed any required decisions in respect of mandates or Fund Managers;**
- 3. Committed to invest 5% of the portfolio in the London CIV infrastructure sub fund;**
- 4. Delegated the implementation of any decisions to the Officer and Advisor – Investment Strategy Group.**

25. **ADMINISTRATION REPORT** (*Agenda Item 9*)

The report provided an update on the administration of the LBH Fund of the LGPS, both in relation to Surrey County Council and internally at Hillingdon.

Members were informed that the fund continued to see uptake of members who had registered for the Member Self Service module. Sign up to my-pension-online stood at 17% which was somewhat low. LGPS Annual Benefit Statements had been uploaded to the members portal 'My Pension Online' by 31 August 2019 for active members to view. The Pensions Committee was advised that the delivery of Annual Benefit Statements for active members had seen a success rate of 100%. The deferred numbers were much lower at just under 57%; this was largely because many records had inconclusive confirmation of the members' last known addresses. Moreover, there were issues with regards to the data quality on the other records. Surrey planned to rectify this by doing address tracing work.

It was noted that there had been a significant improvement in KPIs and a data improvement plan was in place.

It was suggested that internal auditors be invited to carry out an audit at Surrey. This option would be explored further.

RESOLVED That: Pensions Committee noted the report.

26. **RISK REGISTER REPORT** (*Agenda Item 10*)

The report aimed to identify to the Pensions Committee the main risks to the Pension Fund to enable them to monitor and review going forward. There were no risks rated as Red and no significant changes with the exception of a new risk in relation to the CIV.

It was noted that the Risk Register Report came under Part I in the Pensions Committee agenda but within Part II in the Audit Committee agenda. This matter would be explored further.

RESOLVED That Pensions Committee:

- 1. Considered the Risk Register in terms of the approach, the specific risks identified and the measures being taken to mitigate those current risks.**

27.	<p>DRAFT WORK PROGRAMME (<i>Agenda Item 11</i>)</p> <p>The report was to enable the Pensions Committee to review planned meeting dates and forward plans.</p> <p>It was suggested that a guest speaker be invited to address the Pensions Committee regarding its legal responsibilities.</p> <p>RESOLVED That Pensions Committee:</p> <ol style="list-style-type: none"> 1. Confirmed the dates for Pensions Committee meetings: and 2. Made suggestions for future agenda items, working practices and / or reviews.
28.	<p>2019 ACTUARIAL VALUATION AND FUNDING STRATEGY STATEMENT PART II (<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>RESOLVED: That the information be noted.</p>
29.	<p>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE PART II (<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> <p>The Committee received confidential information on the current market update which covered details on the current market climate and performance of various investment vehicles and updates on Managers' reports</p> <p>RESOLVED: That the information be noted, together with the performance of Fund Managers.</p>
	<p>The meeting, which commenced at 5.03 pm, closed at 7.08 pm.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Liz Penny on 01895 250636. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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