

Minutes

PENSIONS COMMITTEE

24 March 2021

Meeting held at VIRTUAL - Live on the Council's
YouTube channel: Hillingdon London



	<p>Committee Members Present: Councillors Martin Goddard (Chairman) Philip Corthorne (Vice-Chairman) Tony Eginton Raymond Graham John Morse (Opposition Lead)</p> <p>LBH Officers Present: Tunde Adekoya, Pensions Fund Accountant James Lake, Chief Accountant Liz Penny, Democratic Services Officer Paul Whaymand, Corporate Director of Finance</p> <p>Also Present: Roger Hackett, Pensions Board Member Tony Noakes, Pensions Board Member Hayley Seabrook, Pensions Board Member Shane Woodhatch, Pensions Board Member David O'Hara, Isio Andrew Singh, Isio Clare Scott, Independent Adviser</p>
96.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p>
97.	<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 virtual meeting 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 virtual meeting during discussion of the items.</p>
98.	<p>MINUTES OF THE MEETING DATED 26 JANUARY 2021 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the meeting dated 26 January 2021 be agreed as an accurate record.</p>

99.	<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 items 1 - 11 were marked Part I and would be considered in public and items 12 – 15 were marked Part II and would be considered in private.</p>
100.	<p>AUDIT PLAN 2020/2021 (<i>Agenda Item 5</i>)</p> <p>James Lake, Chief Accountant, presented the Pension Fund Annual Audit Plan 2020/2021. It was confirmed that the plan sets out the approach to the EY audit of the Pension Fund Accounts including a broad timetable which should enable the process to be completed by the end of September 2021.</p> <p>Suresh Patel and Larisa Midoni of Ernst and Young LLP addressed the Committee noting that it had been a challenging time for local government finance teams and auditors. 30% of local authorities had yet to publish their 2019/2020 accounts. Hillingdon’s 2019/20 accounts had been completed on time; this had largely been achievable due to the excellent working relationship between the auditors and the finance team.</p> <p>Members’ attention was drawn to EY’s overview of their 2020/21 audit strategy set out on page 13 of the agenda pack. A fraud risk in relation to possible fraud or error when posting investment journals into the general ledger was noted. There was also significant Risk of Incorrect Valuation of Unquoted Investments; this was even more uncertain in the context of Covid-19. Disclosures on Going Concern was another area of audit focus – the unpredictability of the current environment gave rise to a risk that the Pension Fund would not appropriately disclose the key factors relating to going concern.</p> <p>The Committee heard that the audit scope had not changed. Draft accounts would be published by 30 June 2021 and the Pension Fund audit would be completed by the end of September. Ernst and Young were in discussion with PSAA about a proposed increase to the scale fee.</p> <p>Members noted that, as set out on page 18 of the pack, EY had assessed that the risk of incorrectly valuing investments was high for level 3 investments held by the Fund, yet these investment types made up 28% of the Fund’s total net assets in 2019/20 - a rise from 11% in 2018/19. It was confirmed that this had been highlighted as a significant risk and would be monitored.</p> <p>In response to questions from the Committee, it was confirmed that the audit fee was likely to increase but it was yet not possible to say when this would happen as discussions were still underway.</p> <p>RESOLVED That the Pensions Committee noted the EY 2020/21 Pension Fund Annual Audit Plan report.</p>
101.	<p>PENSIONS COMMITTEE TERMS OF REFERENCE (<i>Agenda Item 6</i>)</p> <p>James Lake, Chief Accountant, introduced the report noting that, following discussion at the January Pensions Committee meeting, a review of the Committee’s Terms of</p>

Reference was proposed to provide for a Pensions Sub-Group which would enable quick decision-making and lighten the agenda burden of the main Committee. If agreed by the Committee, the proposal would be tabled at the Full Council AGM in May 2021.

Mark Braddock, Senior Democratic Services Manager, confirmed that the proposed Sub-Group would not be a formal decision-making body but would be a useful consultative resource which could make recommendations to the main Committee. It would also be consulted on any urgent decisions to be taken by the Corporate Director of Finance.

At the request of Members it was agreed that the word 'prior' in point 13 of the Terms of Reference was superfluous and could be removed.

The Committee welcomed the formation of a Sub-Group noting that the proposal would be an informal arrangement and would provide more flexibility than a formal sub-committee and the formal protocols required for this.

Clare Scott, Investment Advisor, commented that the proposed Sub-Group was a good way forward but raised concerns that the Terms of Reference did not encompass everything. It was suggested that an overarching comment could be added to indicate that the Committee had overall responsibility for all matters. Moreover, it was felt that points 9) and 12) of the Terms of Reference appeared to relate to Council management policy rather than Pensions Fund matters for the Committee.

Mark Braddock advised Members that changes to the Council Constitution did not have to come directly from the relevant Committee. It would be possible to make the necessary amendments to the TOR outside of the meeting. It was agreed that Democratic Services would work with officers to tweak the Terms of Reference as required and would update the Committee by email.

RESOLVED That the Pensions Committee:

- 1) Considered and recommended the changes to its Terms of Reference outlined in the report; and**
- 2) Delegated responsibility to Democratic Services and Finance officers to make the agreed tweaks to the Terms of Reference as discussed.**

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

James Lake, Chief Accountant, introduced the report. Members heard that the total value of the Fund was £1.134bn at 31 December 2020, an increase of £58m from £1.076bn at the end of the previous quarter. On the day of the meeting, the Fund's value was confirmed to be £1.132bn. It was confirmed that the Fund return for the latest quarter was ahead of benchmark; this was primarily attributable to the performance of AEW UK and LCIV Ruffer.

RESOLVED: That Pensions Committee noted the Fund performance update.

103. **ADMINISTRATION REPORT** *(Agenda Item 8)*

James Lake, Chief Accountant, introduced the Administration Report. Members were informed that, since January 2021, 162 additional members had signed up for self-service – the total registered now represented 28% of the total membership. The

Committee heard that Surrey's performance against KPIs was erratic and difficult to track. Weighted average KPIs had been requested. The increase in fees had yet to be agreed and Surrey had been asked to provide a correlation between improved service and increased fees.

In terms of Annual Address and Mortality Tracing, it was confirmed that this exercise had now been completed and a report submitted by ITM outlining the results and making recommendations for next steps. There had been an extension to the GMP Reconciliation and the final recommendation would be presented to Paul Whaymand on 25 March 2021. With regards to exit payments (£95k cap), the Committee heard that the cap had been scrapped by Central Government. It was confirmed that work on the McCloud Remedy would continue and it was likely that Hampshire would take this on eventually. With regards to the Pension Board, Roger Hackett had been elected Chair to serve a one-year term and the Pension Board Terms of Reference would be amended to provide better clarity.

RESOLVED: That the Pensions Committee noted the Administration Report.

104. **RISK REGISTER REPORT** (*Agenda Item 9*)

James Lake, Chief Accountant, presented the Pension Fund Risk Register report. It was confirmed that no specific risks had been added or removed. At the suggestion of the Chairman, it was agreed that PEN 04 and PEN 05 would be combined – this change would be reflected in the next quarterly report.

It was noted that the expectation of governance standards was being stepped up and the Fund could be caught out if the Committee was not kept up to speed. At the request of Members, it was agreed that training be provided to raise awareness and understanding of standards which were increasing all the time. Roger Hackett informed the Committee that the Pension Board had flagged up governance and picked up changes in the Code of Practice and as such the Pension Fund was aware.

RESOLVED That the Pensions Committee:

- 1) **Considered the Risk Register in terms of the approach, the specific risk identified and the measures being taken to mitigate those current risks;**
- 2) **Agreed that PEN 04 and PEN 05 be combined; and**
- 3) **Requested that training be provided in respect of changing governance standards.**

105. **PENSION BOARD ANNUAL REPORT** (*Agenda Item 10*)

Roger Hackett, Chair of the Pension Board, presented the Annual Report of the Local Pensions Board. Members heard that the report set out the work undertaken and future plans. It was noted that it had been a tumultuous time for the LGPS. The Chair of the Pension Board thanked the Committee and officers for their help and co-operation at all times.

Members welcomed the report and noted that it was helpful that Roger and the Pension Board Members were able to attend the Pensions Committee.

RESOLVED: That the Pensions Committee noted the annual report of the Local Pension Board for the year 2020.

106.	<p>DRAFT WORK PROGRAMME (<i>Agenda Item 11</i>)</p> <p>James Lake, Chief Accountant, presented the draft Work Programme 2021/2022 advising Members that meeting dates were now confirmed. It was noted that a Meet the Manager training day was planned for 14 April 2021. Members had been sent a knowledge and skills questionnaire and were kindly requested to complete this.</p> <p>At the request of the Committee, it was agreed that a separate training event would be arranged covering current and proposed changes in governance. Pension Board members would also be invited to attend this training session.</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; and 3) Requested a separate training session regarding current and proposed changes in governance.
107.	<p>RESPONSIBLE INVESTMENT UPDATE (<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>
108.	<p>ADMINISTRATION PART II - PENSIONS ADMINISTRATION UPDATE (<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>
109.	<p>INVESTMENT PART II - STRATEGY REVIEW AND MANAGER UPDATES (<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 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>
110.	<p>INDEPENDENT ADVISOR CONTRACT (<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</i></p>

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).

The meeting, which commenced at 5.00 pm, closed at 6.40 pm.

These are the minutes of the above meeting. For more information on any of the resolutions please contact Liz Penny on 01895 250185. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.