

Minutes

PENSIONS COMMITTEE

28 September 2021

Meeting held at Committee Room 6 - Civic Centre,
High Street, Uxbridge



	<p>Committee Members Present: Councillors Martin Goddard (Chairman) Duncan Flynn (Vice-Chairman) Tony Eginton John Hensley Raju Sansarpuri</p> <p>LBH Officers Present: Paul Whaymand, Corporate Director of Finance James Lake, Head of Finance – Statutory Accounting & Pension Fund Tunde Adekoya, Pensions Fund Accountant Yvonne Thompson-Hoyte, Interim Pension Fund Manager Steve Clarke, Democratic Services Officer</p> <p>Also Present: Roger Hackett, Pensions Board Member Shane Woodhatch, Pensions Board Member Anil Mehta, Pension Board Member David O’Hara, Isio Andrew Singh, Isio Clare Scott, Independent Adviser Helen Thompson, Ernst & Young Larisa Midoni, Ernst & Young Andy Lowe, Hampshire County Council</p>
15.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>Apologies for absence had been received from Councillor John Morse with Councillor Tony Eginton substituting.</p>
16.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>Councillors Raju Sansarpuri, Tony Eginton and John Hensley declared a non-pecuniary interest in all agenda items as retired members of the Local Government Pension Scheme. All three remained in the meeting during discussion of the items.</p>
17.	<p>MINUTES OF THE MEETING DATED 10 JUNE 2021 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the meeting dated 10 June 2021 be agreed as an accurate record.</p>
18.	<p>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC</p>

AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE (*Agenda Item 4*)

It was confirmed that items 1 - 10 were marked Part I and would be considered in public and items 11 – 13 were marked Part II and would be considered in private.

19. **EXTERNAL AUDIT REPORT FOR THE PENSION FUND & ANNUAL REPORT**
(*Agenda Item 5*)

James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the item noting that the progress made on the external audit was disappointing as, although many of the outstanding items in the draft audit report had been resolved, there were still some outstanding tasks. It was also highlighted that the Fund's Annual Report for 2020/21 had been produced containing information on the Fund's activities over the previous year; the report had been prepared in accordance with CIPFA guidance and aligned with the current regulatory framework. Officers recommended that the Committee approve the draft 2020/21 Annual Report subject to sign off from the external auditors.

Representatives from Ernst and Young apologised that the external auditor report had not been completed and noted that detailed testing had largely been completed with more progress to be made over the next couple of weeks. It was highlighted that as of the date of the meeting, there were no unadjusted or adjusted audit differences which required the Committee's attention. Ernst & Young were grateful to the officers who had worked with them in delivering the required information promptly and noted that the Pension Fund audit could only be completed once the Council's audit had been completed. The Committee were briefly taken through the areas of risk identified by the external auditors; it was noted that there were as yet no matters of concern regarding the risk of misstatements due to fraud or error. No findings were reported regarding the risks around the valuation of complex investments and disclosures on going concern, although it was noted that work was ongoing in respect of these.

With regard to the external auditor's fees, it was clarified that the discrepancy between the audit fees in the report and in the accounts was down to the fees in the report being the external auditor's suggested fee amount and the fees listed in the accounts were confirmed fees that the Council was already sure of; it was highlighted that the additional fees had not yet been agreed by the PSAA therefore the Council was not in a position to confirm the additional fee amount.

Members queried to what extent income from stock lending impacted the total Pension Fund. It was highlighted that stock lending generated a much lower income as the Council did not currently have any segregated equity assets. With regard to the notes on the Pension Fund Account it was also highlighted that Stockley Academy had changed its name to Aspiration Academy Trust.

By way of clarification, it was noted that with regard to the additional voluntary contributions on page 29 of the agenda, a number of local authorities had experienced difficulties in obtaining the relevant information from the third party to disclose their additional voluntary contributions. It was highlighted that whether or not this information was received, it would not be expected to impact the external auditor's audit opinion.

The Committee discussed the McCloud ruling with regard to funding arrangements noting that the liabilities were unlikely to be material and there would be a significant amount of work required to quantify what that small amount would be. Officers noted

that they were awaiting formal guidance on the appropriate checks required but were able to make it clear that a provision had been made.

The Committee thanked the external auditors and officers present for their contributions.

RESOLVED That the Pensions Committee:

- 1) Noted EY's draft findings on the audit of the Pension Fund accounts for 2020/21; and**
- 2) Approved the 2020/21 Fund Annual Report for publication.**

20. **ADMINISTRATION REPORT** (*Agenda Item 6*)

James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the report highlighting the positive news that the transition project to move administration services from Surrey County Council (SCC) to Hampshire County Council (HCC) was progressing in accordance with the scheduled timetable and services with HCC went live on 27 September 2021. Officers noted the robust and efficient processes and the well-resourced and knowledgeable team at HCC; officers were confident that the new partnership would be successful and would be working closely with HCC to make sure any anomalies were ironed out and ongoing improvements were implemented. The Committee were introduced to Andy Lowe, Head of the Pensions Team at HCC.

Members sought assurances that instances of missed or delayed payments during the transition of administration services would be kept to an absolute minimum or avoided altogether. Officers informed Members that as part of the project there was an information transition flow whereby SCC were logging all cases and actions with HCC over the transition period to ensure nothing is missed that may have occurred mid-transition; this process would continue for a further two months following the transition date.

The Committee noted that the transition had only occurred very recently but queried whether progress was continuing as expected and that the necessary information was being received from SCC in a timely manner. Andy Lowe from HCC informed Members that the project was progressing comfortably and noted that although administration services had formally transitioned to HCC on 27 September, back-end services had moved over successfully the week before.

The Committee queried the level of contact information disseminated to members in the correspondence sent out earlier in September, specifically highlighting the lack of a telephone number for HCC for those not comfortable using email. Officers noted that they did not want members contacting HCC ahead of the go-live date when HCC would not have the appropriate records and would not have been able to assist; members would still have the SCC and Hillingdon contact details sent out previously and it was noted that HCC contact details would start to be disseminated from October 2021.

The Chairman thanked Hillingdon officers and the team at HCC for the work done on the transition project noting the successful transition thus far, the Committee hoped to see this manifest in the KPI's going forward. The Committee were encouraged by the commitment from HCC to attend future meeting of the Pensions Committee and noted how refreshing it was to have an external provider attend the meeting.

Yvonne Thompson-Hoyte, Interim Pension Fund Manager, presented the general report on administration services. With regard to the number of members signed up to the self-service portal it was noted that officers would assess the numbers achieved by SCC during their tenure with an eye to monitor when HCC would achieve or surpass that number. Members would be encouraged to sign up to the new HCC self-service portal going forward.

Officers noted that HCC had been giving due diligence to the backlog of case items handed over from SCC. HCC had factored in a data cleansing piece of work to clear the backlog; it was noted that the Pensions Board had been monitoring, and would continue to monitor, the planned activities to cleanse and improve the accuracy of the data. It was confirmed that HCC's reporting arrangements were monthly and feedback on how HCC were dealing with the backlog would be reported to both the Pensions Committee and Pensions Board. The Committee were confident that HCC would have the capacity to deal with the inherited backlog and efficiently administer the fund.

RESOLVED That the Pensions Committee noted the contents of the report.

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

James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the report informing the Committee that at the June 2021 reporting date, the fund value grew by £57 million to £1.215 billion. A correction was noted on page 189 of the agenda whereby the figure was shown incorrectly as £1.157 billion. As of the day of the meeting, the fund value was £1.252 billion. It was highlighted that the interim valuation also showed an improvement moving from 89% to 90.5% funded with the deficit reducing from £138m to £128m; this was noted with some caution as due to current inflation trends and with liabilities linked to inflation, the funding level was likely to reduce over the coming months.

The Committee noted that perhaps some of the caution that was evident at the start of the COVID-19 pandemic had lessened but it was felt that there was some vulnerability in the valuation of some of the illiquid holdings. Members also noted that the rate of inflation had increased considerably since the 30 June 2021 reporting period ended and if an interim report were carried out currently, it would possibly show a further dip in the deficit. Advisors noted that the inflation pressures should be transitory however if they persisted, there may be higher value placed on the liabilities.

The Committee discussed the upcoming COP26 UN Climate Change Conference with regard to potential changes to policies surrounding energy companies. Advisors noted that markets had been moving for some time on ESG and climate change and the trend was set to continue as a significant driver of markets in terms of capital flow.

RESOLVED That the Pensions Committee:

- 1) **Noted the Fund funding and performance update; and**
- 2) **Noted the updates on implementation of the investment strategy.**

22. **POLICY UPDATES** (Agenda Item 8)

Yvonne Thompson-Hoyte, Interim Pension Fund Manager, introduced the report with three policy updates which were considered by the Committee: the Administration Policy, Communication Policy and the Conflicts of Interest Policy. It was noted that the updated Administration and Communication policies had been reviewed by Hampshire County Council and the Conflicts of Interest Policy had been reviewed by the Independent Adviser ahead of coming to the Pensions Committee.

With regard to the Communication Policy, the Committee discussed the requirement for members to opt-out of receiving electronic correspondence highlighting the difficulty that some retired members may have in utilising electronic correspondence. It was noted that the default communication method would be electronic, this was due to the increased efficiency and cost related to electronic means; it was confirmed that members would have the opportunity to opt-out of electronic correspondence. The Committee were reassured that Hampshire County Council's online portal was a secure system and no sensitive information would be sent via email, instead an email would be sent notifying the member to log on to the portal where new information will be available. Members saw the encouragement of electronic communication by HCC as a proactive policy and officers informed the Committee that assurances had been received from HCC regarding their cyber security. It was also highlighted that the Pensions Board monitored and discussed cyber security matters at each of their meetings.

RESOLVED That the Pensions Committee approved the policies for implementation and publication.

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

James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the risk register report noting that no changes had been made in terms of ratings although it was highlighted that the likelihood rating for Pen04 (Inflation) had previously been upgraded and continued to be a concern. Further to this it was highlighted that the fund had quite a high allocation to inflation protection assets, however there was a need to assess and analyse this further. A Pensions Sub-Group meeting had been arranged for 05 October 2021 to discuss this further.

Officers also noted that going forward they hoped to see possible downgrades for Pen06 (Poor Administrator Performance) and Pen12 (threat of COVID-19 on business continuity). With regard to Pen13 (compliance with statutory requirements), specifically regarding Committee Members' training, it was highlighted that a facility had recently been procured allowing Members access to the AON summer series with seven sessions covering the CIPFA knowledge and skills framework.

RESOLVED That the Pensions Committee considered the Risk Register in terms of the approach, the specific risks identified, and the measures being taken to mitigate those current risks.

24. **DRAFT WORK PROGRAMME** (*Agenda Item 10*)

James Lake, Head of Finance – Statutory Accounting and Pension Fund, presented the draft Work Programme 2021/2022.

RESOLVED That the Pensions Committee:

- 1) Noted the dates for Pensions Committee meetings; and**

	2) Made suggestions for future agenda items, working practices and / or reviews.
25.	<p>RESPONSIBLE INVESTMENT UPDATE (<i>Agenda Item 11</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>
26.	<p>INVESTMENT PART II - STRATEGY REVIEW AND MANAGER UPDATES (<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>
27.	<p>ADMINISTRATION 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>
	The meeting, which commenced at 5.00 pm, closed at 7.38 pm.

These are the minutes of the above meeting. For more information on any of the resolutions please contact Steve Clarke on 01895 250693. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.