

Minutes

PENSIONS COMMITTEE

01 December 2021

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



	<p>Committee Members Present: Councillors Martin Goddard (Chairman) Tony Eginton Duncan Flynn (Vice-Chairman) John Hensley John Morse (Opposition Lead)</p> <p>LBH Officers Present: Paul Whaymand, Corporate Director of Finance James Lake, Head of Finance – Statutory Accounting & Pension Fund Yvonne Thompson-Hoyte, Interim Pension Fund Manager Steve Clarke, Democratic Services Officer</p> <p>Also Present: Roger Hackett, Pensions Board Member Tony Noakes, Pensions Board Member Anil Mehta, Pension Board Member David O’Hara, Isio Andrew Singh, Isio Clare Scott, Independent Adviser Andy Lowe, Hampshire County Council</p>
3.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>Apologies for absence had been received from Councillor Raju Sansarpuri with Councillor Tony Eginton substituting.</p>
4.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>Councillors Tony Eginton and John Hensley declared non-pecuniary interests in all agenda items as retired members of the Local Government Pension Scheme. Both Councillors remained in the meeting during discussion of all items.</p>
5.	<p>MINUTES OF THE MEETINGS DATED 28 SEPTEMBER 2021 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the meeting dated 28 September 2021 be agreed as an accurate record.</p>
6.	<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>

It was confirmed that items 1 - 9 were marked Part I and would be considered in public and items 10 – 12 were marked Part II and would be considered in private.

7. **ADMINISTRATION REPORT** (*Agenda Item 5*)

James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the item highlighting that, at the time of the meeting, administration services had been with Hampshire County Council (HCC) for two months. In that time, it was noted that the service delivered had been positive and at the time of the meeting, member sign up to the new online portal had reached over 52% of the previous administrator's closing figure. It was also specifically highlighted that HCC had achieved 100% across all key performance indicators (KPI's) in their first set of indicators. Members were encouraged by the administration report and commended officers at both Hillingdon and HCC for their work on the successful transition of administration services.

By way of clarification, the Committee were also informed that each year a data quality score was required to be submitted to the Pensions Regulator; this year, both the common and conditional scores were significantly down on previous years. This was attributed to the Data Analysis Reporting Tool (DART) used by HCC. The tool was more thorough than that used by the previous administrators and looked at more areas, as a result it detected more errors. A planned data cleansing project was to be developed and implemented throughout 2022 which was expected to improve the next year's data quality score. The Committee noted that there was an extensive programme of data cleansing ahead and sought some brief information on the project and expected timetables. Andy Lowe, of HCC, informed Members that HCC 's own common and conditional data quality scores were at 96% and that the Committee could expect to see Hillingdon's scores move towards HCC's levels going forward; although it was understood that a timescale for Hillingdon's scores to reach that of HCC's would be difficult to predict. Officers confirmed that they did not expect to see any concerns raised by the Pensions Regulator based on Hillingdon's 2021 data quality scores due to the use of the DART and it was reinforced that the regulator would be encouraged to see the 2022 scores moving in a positive direction, which was expected.

Members were also informed that the historical work handed to HCC from the previous administrators, including work around unprocessed leavers, would be handled by a separate team to the day-to-day administration services provided by HCC. Data analysis work would begin in January 2022 and would inform the priority actions for the data cleansing project throughout 2022. It was also noted that a representative from HCC would be happy to attend future Pensions Committee meetings in person where this was requested.

The Committee noted that a small number of glitches had occurred on the first pay run under HCC in October and sought clarification that no such glitches had occurred in the November pay run. HCC confirmed that the minor glitches in the first pay run were quickly resolved and no such glitches had occurred in November's pay run.

Members noted that the administration report provided by HCC was comprehensive and the summary of correspondence provided was highlighted as being particularly useful for Members.

RESOLVED: That the Pensions Committee noted the administration report.

8. **INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE – PART I**
(*Agenda Item 6*)

James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the report positively highlighting that the value of the Pension Fund grew over the quarter to £1.234B and, as at the time of the meeting, stood at £1.267B. However, it was noted that with the impact of inflation, liabilities grew at a higher rate, meaning the funding position for the quarter had reduced slightly from 90.5% to 90%. Performance over the quarter was also positive and long-term returns were ahead of the requisite 4% return.

Responding to a query on the level of equities investment, advisors confirmed that there were no major concerns around Hillingdon’s current position with regard to allocation to equities. Equities had performed strongly in recent years, but it was noted that a risk to equities would be inflation; how quickly interest rates rose going forward would be driven by rises in inflation. The advisors deemed that for the time being, allocations to equities were appropriate for Hillingdon’s relatively low-risk investment strategy; Members noted that the low-risk strategy had been working in Hillingdon’s favour.

Commenting on the encouraging trend of the shrinking deficit, Members noted that the deficit recovery had been sustained over the last few years although it was highlighted that any increase in inflation would be likely to put pressure on those improvements.

RESOLVED That the Pensions Committee:

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

9. **PENSIONS DASHBOARD** (*Agenda Item 7*)

James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the report informing the Committee of the government backed initiative aiming to enable individuals to access all of their pension information securely, online, and in one place through a Pensions Dashboard. Members were informed that this was a regulatory requirement, and all pension schemes would need to participate. Hampshire County Council’s software provider were working on an interface to achieve what was required and officers highlighted that further technical guidance would be issued over the winter, with development and testing throughout 2022, and the onboarding of data to take place in 2023. Members commented that the initiative represented more regulatory burden but recognised the need for obligation.

RESOLVED That the Pensions Committee noted the progress of the Pensions Dashboard Programme and the regulatory requirement for the Hillingdon Pension Fund to participate in the programme.

10. **RISK REGISTER REPORT** (*Agenda Item 8*)

James Lake, Head of Finance – Statutory Accounting and Pension Fund, informed Members that Pen 07, relating to the potential disruption of administration services whilst transitioning to Hampshire County Council, had been removed as the transition had completed. Further to this it was noted that once a track record had been obtained of being with Hampshire, it was hoped that Pen 06, relating to the performance of the administrator, could be reduced. It was also noted that Pen 04, relating to inflation, would be kept under review but remained static for this quarter.

With regard to the overall reduction in the rating of Pen 11, relating to the threat of COVID-19 on business continuity, the Committee sought assurance that the emergence of new COVID-19 variants would not have an impact on this risk. It was highlighted that the systems enabling large amounts of staff to work from home had been in place for almost two years and, should a work from home order be given, the Council's workforce could transition reliably and efficiently. It was also noted that similar systems were in place for the administrators at Hampshire.

The Committee commented on Pen 04, relating to inflation, with regard to the medium-term risk to the Fund being driven by the nature of the liabilities. Advisors noted that inflation protection had been discussed for a while with regard to the asset allocation and the Fund had been building up some protection against inflation over the last few years. However, concerns would raise if inflation increases were to turn into a longer-term scenario.

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.

11. **WORK PROGRAMME AND TRAINING LOG** (*Agenda Item 9*)

James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the report noting that the proposed Committee dates for the 2022/23 municipal year were to be formally ratified by the Council in early 2022. Members were informed that, in addition to the regular work of the Committee, 2022/23 would focus on the actuarial variation, new regulations, the data cleansing project and increasing the Committee's Environmental, Social and Governance (ESG) work through the Task Force on Climate-Related Financial Disclosures (TCFD).

The Committee were also informed that, going forward, the Pensions Committee Training Log would be included with this item as it was likely to become a regulatory requirement for Committee Members to undertake training. Members noted that the Pensions Board Members had been producing training logs for some time and agreed that it was right that the Committee Members were now to do the same. It was also highlighted and agreed that substitute Pensions Committee Members should also be required to produce up to date training logs.

RESOLVED That the Pensions Committee:

- 1) **Noted the dates for Pensions Committee meetings;**
- 2) **Made suggestions for future agenda items, working practices and / or reviews; and**
- 3) **Agreed to, along with substitute Members of the Committee, complete the mandatory training requirement.**

12. **RESPONSIBLE INVESTMENT UPDATE** (*Agenda Item 10*)

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).

13.	<p>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART II 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>
14.	<p>CUSTODIAN CONTRACT EXTENSION (<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>The meeting, which commenced at 5.00 pm, closed at 6.30 pm.</p>

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.