

Minutes**PENSIONS COMMITTEE****30 March 2022****Meeting held at Committee Room 5 - Civic Centre,
High Street, Uxbridge**

	<p>Committee Members Present: Councillors Martin Goddard (Chairman) 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 Tunde Adekoya, Pension Fund Accountant Shyam Pitroda, Apprentice Statutory Accounts & Pensions Officer Steve Clarke, Democratic Services Officer</p> <p>Also Present: Tony Noakes, Pension Board Member Anil Mehta, Pension Board Member Shane Woodhatch, Pension Board Member David O’Hara, Isio Andrew Singh, Isio Clare Scott, Independent Adviser</p>
40.	<p>APOLOGIES FOR ABSENCE (<i>Agenda Item 1</i>)</p> <p>Apologies for absence had been received from Councillor Raju Sansarpuri. It was also noted that Councillor Morse was not present.</p>
41.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING (<i>Agenda Item 2</i>)</p> <p>Councillor Duncan Flynn declared a non-pecuniary interest in agenda item 13 as he had previously advised the Vice-Chairman of PIMCO on a separate Planning matter. Councillor Flynn remained present for agenda item 13 and took part in the discussion on this item.</p> <p>Councillor John Hensley declared a non-pecuniary interests in all agenda items as a retired member of the Local Government Pension Scheme. Councillor Hensley remained in the meeting during discussion of all items.</p>
42.	<p>MINUTES OF THE MEETING DATED 01 DECEMBER 2021 (<i>Agenda Item 3</i>)</p> <p>RESOLVED: That the minutes of the meeting dated 01 December 2021 be agreed as an accurate record.</p>

43.	<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 – 14 were marked Part II and would be considered in private.</p>
44.	<p>ADMINISTRATION REPORT (<i>Agenda Item 5</i>)</p> <p>James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the item highlighting that Hampshire County Council (HCC) had achieved 100% across all key performance indicators (KPI's) for the period, which was consistent with every month since the beginning of the partnership with HCC. A plan was in place to address the backlog inherited by Surrey County Council and work had begun on the project. Online Pension Portal membership continued to rise with key events likely to improve sign up to the portal going forward, this included Pensioner payslips and annual benefit statements. It was also noted that HCC had retained their Customer Service Excellence accreditation in January.</p> <p>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; Members highlighted the sharp contrast in performance when compared to the previous administrators, Surrey County Council. The Committee sought to have a representative of HCC attend a future Pensions Committee meeting although noted that the composition of the Committee may be subject to change at the upcoming local election and therefore it was agreed that the way in which a representative of HCC may attend future meetings, be it remotely or in-person, could be discussed following the election at the June meeting. Officers noted that HCC's in-person attendance may not be required at every Committee meeting, but it would be useful to have a representative attend in-person on an annual basis.</p> <p>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.</p> <p>RESOLVED: That the Pensions Committee noted the administration report.</p>
45.	<p>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART I (<i>Agenda Item 6</i>)</p> <p>James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the report highlighting that, as at the end of December 2021, the funding level stood at 89%, which was down from 90% in September 2021. However, total assets stood at £1,287b, which was up by £53m; indicating that changes in asset values did not correlate to changes in funding value. It was noted that, as at the time of the meeting, the unaudited fund value stood at £1,242b, this was deemed satisfactory considering recent market volatility and was considered a testament to the Council's generally defensive position. In terms of overall investment performance, returns were up by 4.53% for the quarter and longer term 3 and 5 year returns were at 8.8% and 6.4% respectively. Members were of the opinion that, given the market turbulence and the Council's defensive position, the best course of action would be to ride out the volatility. Advisers noted that much of the market volatility was driven by the conflict in Ukraine and it was causing a much wider impact upon potential inflation across all businesses, not just the energy sector.</p>

Commenting on the interim vs the triennial valuation, officers noted that the actuary felt that the triennial funding position would still improve as it utilises a long-term approach over a 20-year funding period, this would help keep contributions stable. The interim valuation, however, would assess a snapshot on a given day, which could be turbulent leading to changeable funding levels. Members noted that increasing projected rates of inflation would be a significant factor in determining the interim valuation.

The Committee's attention was drawn to the fund's holdings in Russia, which at the time the conflict started had been an allocation of 0.06%. LCIV had since advised that they had sold portions of their two Russian holdings pre the closing of markets and had marked the balance of those holdings to zero in their funds. Additionally, it was noted that a letter sent from the Secretary of State to all relevant fund managers had asked them to consider divestment in Russia albeit the final decision would remain with the managers themselves. Officers highlighted that they had also contacted the fund managers to encourage divestment in a similar manner. The Committee responded positively to this, noting that, should residents question the pension funds Russian allocations, they could confidently respond saying that any holdings were not held directly by the Council, that the allocations held indirectly were absolutely minimal and moves were being made to reduce them to zero.

RESOLVED That the Pensions Committee:

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

46. **RESPONSIBLE INVESTMENT (INC STEWARDSHIP CODE) (Agenda Item 7)**

Councillor John Morse joined the meeting during the previous agenda item.

James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the report noting that, in terms of the UK Stewardship Code, the Council had spent the last year pulling together its submission and resulting report was included in the agenda papers for the Committee's approval. It was expected that, once submitted, it could take around three months for a response. In terms of the Task Force on Climate-related Financial Disclosures (TCFD), it was expected that guidance on how to apply the requirements would be received in mid-2022.

Further updates were delivered by officers in terms of the Boycotts, Divestment and Sanctions Bill, details of which were contained within the officer report. Members noted that the prospective Bill would almost certainly trigger a change in the Council's Responsible Investments Policy. The Committee generally discussed responsible investments in light of the update on Israel and the Occupied Palestinian Territories, noting that as a move to increase transparency, the agenda item on responsible investments had been moved from the confidential Part 2 of the meeting to the public Part 1. Members indicated that the Council could look at reviewing the Responsible Investments Policy on an annual basis.

RESOLVED That the Pensions Committee:

- 1) Approved the UK Stewardship Code Report for submission;**

- 2) Noted the TCFD and next steps;
- 3) Noted the fund managers' ESG activities and compliance efforts;
- 4) Noted the update on the Boycotts, Divestment and Sanctions Bill; and,
- 5) Noted the update on Israel and the Occupied Palestinian Territories.

47. **PENSION FUND RISK REGISTER REPORT** (*Agenda Item 8*)

James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the report and highlighted to Members that risk Pen 06, Poor Performance of the Outsourced Administrator, had been downgraded as the new administrators, Hampshire County Council, had been in place for almost six months and the experience with HCC had been entirely positive. Additionally, HCC had maintained 100% performance against their key performance indicators which had led to a reduced likelihood of Pen 06 on the risk register, bringing the overall risk rating to E2.

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.

48. **DRAFT WORK PROGRAMME AND TRAINING** (*Agenda Item 9*)

James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the report noting that the Pensions Committee dates for the 2022/23 municipal year had been formally ratified by the Council in early 2022. Officers also noted the training log for Members which did contain some considerable gaps in the mandatory training. The Committee mentioned that as a result of the upcoming local elections, some Members would be stepping down which was likely to factor into the gaps in the training log.

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) Noted the Committee's mandatory training update and progress.

49. **PENSION BOARD ANNUAL REPORT TO THE PENSIONS COMMITTEE** (*Agenda Item 10*)

Prior to the commencement of this item, Councillor John Hensley left the meeting.

James Lake, Head of Finance – Statutory Accounting and Pension Fund, presented the report noting a message received from the Chair of the Pension Board, Roger Hackett, in which Roger commended officers for their help and support and was positive that the Pensions Committee had been focusing on the right issues in an open and co-operative manner. The Committee Chairman thanked the Members of the Pension Board for their work and echoed the positive way in which the Pension Board and

	<p>Pensions Committee's collaborative approach to working.</p> <p>RESOLVED That the Pensions Committee noted the annual report of the Local Pension Board for the year 2021.</p>
50.	<p>RISK MANAGEMENT POLICY UPDATE (<i>Agenda Item 11</i>)</p> <p>James Lake, Head of Finance – Statutory Accounting and Pension Fund, introduced the item noting that, in line with the three-year cycle, the Risk Management Policy had been reviewed and updated to reflect the latest information. It was highlighted that there had been little change as the main body of the report was still fit for purpose, with the primary changes relating mainly to job titles.</p> <p>RESOLVED That the Pensions Committee approved the revised Risk Management Policy.</p>
51.	<p>2022/23 PENSION EXPENSE BUDGET (<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>
52.	<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>
53.	<p>INDEPENDENT ADVISER CONTRACT EXTENSION (<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>
	<p>The meeting, which commenced at 5.00 pm, closed at 6.51 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.

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