

## Part I Minutes

### PENSIONS COMMITTEE

09 June 2022

Meeting held in Committee Room 5 - Civic Centre  
High Street, Uxbridge



HILLINGDON  
LONDON

	<p><b>Committee Members Present:</b> Councillor Stuart Mathers (Chairman) Councillor Tony Burles (Vice-Chairman) Councillor Kaushik Banerjee Councillor Martin Goddard Councillor Mohammed Islam</p> <p><b>LBH Officers Present:</b> Andy Evans, Corporate Director of Finance James Lake, Head of Pensions, Treasury &amp; Statutory Accounts Tunde Adekoya, Pension Fund Accountant Steve Clarke, Democratic Services Officer</p> <p><b>Also Present:</b> Shane Woodhatch, Pension Board Member Andrew Singh, Isio Clare Scott, Independent Adviser Larisa Midoni, Ernst &amp; Young</p>
3.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>There were no apologies for absence.</p>
4.	<p><b>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING</b> (<i>Agenda Item 2</i>)</p> <p>There were no declarations of interest.</p>
5.	<p><b>MINUTES OF THE MEETINGS DATED 01 DECEMBER 2021</b> (<i>Agenda Item 3</i>)</p> <p>It was highlighted that within paragraph two on page three of the minutes, the word "residents" should be replaced with the term "stakeholders" so as to reflect the purpose of the Pensions Committee in representing stakeholders rather than simply resident of the Borough.</p> <p><b>RESOLVED: That the minutes of the meetings dated 30 March and 12 May 2022 be agreed as an accurate record subject to the amendment discussed.</b></p>
6.	<p><b>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE</b> (<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 item 12 was marked Part II and would be considered in private.</p>
<p>7.</p>	<p><b>EXTERNAL AUDIT PLAN 2021/22</b> (<i>Agenda Item 5</i>)</p> <p>James Lake, Head of Pensions, Treasury &amp; Statutory Accounts, outlined the report and introduced Larisa Midoni from Ernst &amp; Young, the external auditors, to give an overview of the plan. Members were informed that an extension to the statutory deadline for the completion of the pension fund audit was in consultation and was expected to move from September to November 2022; the external auditors hoped that they could still meet the original end of September deadline.</p> <p>The proposed audit plan was presented to the Committee with the risk assessments, materiality, the audit timetable and fees summarised. The only change regarding risks from previous years' audits pertained to 'Disclosures on going concern', this had been downgraded from an inherent risk to an area of focus due to evolving economic environment following the Covid-19 pandemic. Although Members were encouraged by the proposed plan, they sought clarification on any tangible changes the shift in risk identification around going concern might bring to the external audit activities. The external auditors confirmed that there were no changes expected in terms of the scope of work to be carried out and that the change in risk was to ensure adequate disclosures on going concern.</p> <p>It was also highlighted that the audit plan was being brought to the Pensions Committee only for noting and comment as the ultimate responsibility for governance of such activities lay with the Audit Committee.</p> <p><b>RESOLVED: That the Pensions Committee noted the contents of the report.</b></p>
<p>8.</p>	<p><b>ADMINISTRATION REPORT</b> (<i>Agenda Item 6</i>)</p> <p>James Lake, Head of Pensions, Treasury &amp; Statutory Accounts, introduced the item clarifying that the provision of administration services had moved from Surrey County Council to Hampshire County Council (HCC) in September 2021 following consistent underperformance and non-compliance with key performance indicators. It was highlighted that since joining HCC, performance had been consistent at 100% across all performance indicators. On the matter of the work being undertaken by HCC to clear the historic backlog of unprocessed case work from Surrey County Council, Members queried whether this could cause issues going forward. It was highlighted that HCC had set up a small dedicated team to process the backlog of case work, this work was expected to take up to two years to complete; however, the Committee were assured that it was unlikely that any issues regarding this work would come back to Hillingdon as the specific work being processed was of a low priority and not concerning those who were actively in receipt of their pensions.</p> <p>The Committee were also notified of a separate exercise undertaken by HCC to test cyber security in the pensions administration system and along with Hampshire's normal penetration testing, this found positive results in that there were no urgent, critical or high-level weaknesses identified for external, internal and application penetration testing. There were instances of low and medium level weaknesses which were being addressed by HCC and Civica; additionally, HCC's internal vulnerability assessment scoring system showed none of the issues identified warranted adding to their vulnerability management register. The Committee asked whether HCC had considered the prospect of purchasing</p>

cyber insurance; it was confirmed that officers had asked HCC whether they had specific cyber insurance and it was noted that they had not taken up such a policy although as part of their annual general insurance assessment, they looked at the feasibility of acquiring cyber insurance. It was noted that, should HCC deem it necessary to acquire cyber insurance, they would need agreement from all of their pension administration partners. The Committee were also informed that independently of HCC, Hillingdon officers had looked at the cyber insurance market and noted the difficulties in obtaining cyber insurance as excesses were often close to or equivalent to the level of insurance cover. Members recognised that the current market for such insurance was not ideal and highlighted that there may be merit in contacting HCC and their other administration partners to establish whether there was an appetite for this type of insurance.

The Committee were also updated on two administration policies regarding nominated individuals: the Internal Disputes Resolution Policy (IDRP) and Death Grant Signatories. The stage 1 IDRP officer was currently James Lake, Head of Pensions, Treasury & Statutory Accounts, it was highlighted that the role required independence from the pension fund and it was therefore proposed that the role be attributed to the Head of Counter Fraud. With regard to the Death Grant Signatories, this had been updated to pertain to the four most senior officers in the Finance Directorate. It was also requested that a delegation be granted to allow for prospective post and job title changes although it was confirmed that the seniority level would be maintained.

**RESOLVED: That the Pensions Committee:**

- 1) Noted the administration report;**
- 2) Agreed the updated Internal Disputes Resolution Policy and Death Grant signatories list;**
- 3) Delegated authority to officers to maintain and update the Internal Disputes Resolution Policy and Death Grant signatories; and**
- 4) Requested officers contact HCC and other administration partners regarding the prospect of exploring the merits of acquiring cyber insurance.**

9. **INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE – PART I**  
*(Agenda Item 7)*

James Lake, Head of Pensions, Treasury & Statutory Accounts, introduced the report noting that no interim funding level had been provided as the formal triennial valuation was already underway and any interim funding level would have been misleading when compared to the final valuation result. Members were informed that an accurate picture would be provided for the following meeting.

On the day of the meeting, the fund value was showing as £1.207b; Members were informed that quarter one had been extremely volatile due to continued inflation and growth concerns along with the conflict in Ukraine. Further to this however officers noted how Hillingdon's resilient investment strategy would help during periods of concern. The long-term picture was more positive showing annualised returns for three years at 7.97% and five years at 6.72%, both of which exceeded the required 4% in the Funding Strategy Statement. The Committee heard that asset allocation was broadly in line with the strategic benchmark with a slight underweighting on Infrastructure which was due to be funded through the overweight Absolute Return position.

The Committee discussed the value of having an inflation briefing for Members considering the rising levels of inflation, any potential concerns around short-term

	<p>cashflows and also taking into account recent changes to the Committee’s membership. It was agreed that a session would be organised, outside of a formal Committee meeting, in the late summer or early autumn. Advisors also reassured Members by noting that the longer-term funding picture was of less concern than the immediate issues brought about by rising inflation levels.</p> <p><b>RESOLVED That the Pensions Committee:</b></p> <ol style="list-style-type: none"> <li><b>1) Noted the funding and performance update; and</b></li> <li><b>2) Requested that officer’s organise an inflation briefing for Members.</b></li> </ol>
10.	<p><b>RESPONSIBLE INVESTMENTS UPDATE</b> (<i>Agenda Item 8</i>)</p> <p>James Lake, Head of Pensions, Treasury &amp; Statutory Accounts, presented the Responsible Investments Update report highlighting that, after a one-year project, the Fund had submitted its UK Stewardship code report to the Financial Conduct Authority. It would now be assessed, and the results delivered over the next few months. The Committee thanked all who were involved with the submission of the UK Stewardship code report.</p> <p>The Committee discussed the fact that LCIV had recently refreshed their statement of investment beliefs and queried whether there could be any conflict between theirs and Hillingdon’s, particularly with regard to Environmental, Social and Governance (ESG) matters. Members sought to bring a comparison of the two statements to the next Committee meeting.</p> <p><b>RESOLVED That the Pensions Committee:</b></p> <ol style="list-style-type: none"> <li><b>1) Noted the submission of the UK Stewardship Code Report;</b></li> <li><b>2) Noted the fund managers’ ESG activities and compliance efforts; and</b></li> <li><b>3) Requested that a report on the differences between Hillingdon’s and LCIV’s Statements of Investment Beliefs was brought to the following Committee meeting.</b></li> </ol>
11.	<p><b>RISK REGISTER REPORT</b> (<i>Agenda Item 9</i>)</p> <p>James Lake, Head of Pensions, Treasury &amp; Statutory Accounts, informed Members that one downgrade in risk had been made, this related to Pen 11, regarding the threat of COVID-19 to business continuity. It was noted that COVID-19 had been endemic for over two years and working practices had by now assimilated, as such the likelihood and the overall rating had been reduced from E2 to F2. The Committee were also informed that an assessment had been made with regard to inflation risk with no changes to the risk made as it was deemed that the portfolio had sufficient protection, the fund remained cashflow positive and had capacity to accommodate large pension increases. Employer covenant strength was also considered but due to the strength of employers and guarantees in place no action was required.</p> <p><b>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.</b></p>

12.	<p><b>WORK PROGRAMME AND TRAINING LOG</b> (<i>Agenda Item 10</i>)</p> <p>James Lake, Head of Pensions, Treasury &amp; Statutory Accounts, introduced the report noting that the composition of the Committee had changed significantly for the 2022/23 municipal year and stressed the importance on new Members undertaking the required training. As most Members of the Committee were new, it was acknowledged that the Pensions Committee Training Log currently looked quite bare, to that end officers noted a number of training options for Members to undertake or attend. Members noted that the content of the video training may be out of date when compared to the in-person or online training; although the in-person or online training was preferred, it was stated that the basic knowledge and skills covered in the videos would remain fundamentally the same.</p> <p><b>RESOLVED That the Pensions Committee:</b></p> <ol style="list-style-type: none"> <li><b>1) Noted the dates for Pensions Committee meetings;</b></li> <li><b>2) Made suggestions for future agenda items, working practices and / or reviews;</b></li> <li><b>3) Noted the Committee’s training update; and</b></li> <li><b>4) Agreed to commit to undertake the required level of training needed to fulfil their duties.</b></li> </ol>
13.	<p><b>PENSION DISCRETIONS POLICY UPDATE</b> (<i>Agenda Item 11</i>)</p> <p>James Lake, Head of Pensions, Treasury &amp; Statutory Accounts, introduced the report aimed at improving the governance of the scheme in terms of discretions. It was highlighted that the Fund currently only had one policy covering mandatory discretions, officers had assessed the policy and updated it to also cover non-mandatory discretions. The Committee were asked to approve the updated policy.</p> <p><b>RESOLVED: That the Pension Committee approved the Pension Fund Discretions Policy.</b></p>
14.	<p><b>INVESTMENT STRATEGY AND FUND MANAGER PERFORMANCE - PART II</b> (<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 5.02 pm, closed at 6.13 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.