

## Minutes

### PENSIONS COMMITTEE

22 September 2010

Meeting held at Committee Room 3 - Civic Centre,  
High Street, Uxbridge UB8 1UW



HILLINGDON  
LONDON

	<p><b>Committee Members Present:</b> Councillors Philip Corthorne (Chairman), Peter Kemp, Josephine Barrett and Neil Fyfe.</p> <p><b>Advisory Members /Co-optee Members Present:</b> John Holroyd and Andrew Scott</p> <p><b>LBH Officers Present:</b> Tunde Adekoya, James Lake, Nancy LeRoux and Nav Johal</p> <p><b>Also Present:</b> Valentine Furniss, John Hastings and Helen Perkins (in part)</p>	
16.	<p><b>APOLOGIES FOR ABSENCE</b> (<i>Agenda Item 1</i>)</p> <p>Apologies for absence were received from Councillor's Markham, Harmsworth, Cooper, Duncan and Lewis.</p>	<b>Action by</b>
17.	<p><b>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING</b> (<i>Agenda Item 2</i>)</p> <p>Councillors Corthorne and Barrett, and advisory members Andrew Scott and John Holroyd, declared a personal interest in all Agenda Items, in that they were all members of the Local Government Pension Scheme, and remained in the room.</p>	<b>Action by</b>
18.	<p><b>MINUTES OF THE MEETING - 23 JUNE 2010</b> (<i>Agenda Item 3</i>)</p> <p><b>RESOLVED:</b> That the minutes of the Pensions Committee meeting on 23 June 2010 be agreed as a correct record.</p>	<b>Action by</b>
19.	<p><b>TO CONFIRM THAT THE ITEMS OF BUSINESS MARKED PART 1 WILL BE CONSIDERED IN PUBLIC AND THAT THE ITEMS MARKED PART 2 WILL BE CONSIDERED IN PRIVATE</b> (<i>Agenda Item 4</i>)</p> <p><b>RESOLVED:</b> That:</p> <ol style="list-style-type: none"><li>1. Agenda Items 1 to 10 be considered in public; and</li><li>2. Agenda Items 11 to 14 be considered in private for the reasons stated on the agenda. Members of the press and public would be excluded from the meeting during the consideration of these items.</li></ol>	<b>Action by</b>

20.	<p><b>REVIEW OF PERFORMANCE MEASUREMENT OF THE FUND</b> (Agenda Item 5)</p> <p>The Chairman introduced the report which reviewed the fund management performance of the London Borough of Hillingdon Pension Fund for the quarter to 30 June 2010. Members noted that the last quarter marked a further period of underperformance. This underperformance was mainly due to the passive currency effect and stock selection.</p> <p>A large factor of the underperformance was related to BP and UBS. Hillingdon has now established an investment sub-committee who will be taking performance into account as part of its workplan. It was noted that there was insufficient time at the quarterly committee meetings to fully review arising issues.</p> <p><b>RESOLVED: That the content of the report and the performance of the Fund Managers be noted.</b></p>	Action by
21.	<p><b>PENSION FUND ANNUAL REPORT AND ACCOUNTS 2010</b> (Agenda Item 6)</p> <p>The Chairman introduced the report. This report summarised the findings of the External Auditor on the audit of the 2009/10 Pension Fund Annual Report and Accounts.</p> <p>Helen Perkins gave a verbal update of Deloitte's report on London Borough of Hillingdon Pension Fund Accounts. This report went to Audit Committee on 21 September 2010. Comments from the Audit Committee were:</p> <p>'Members referred to Accounting and Internal Control Systems and the issue relating to Review of Fund Managers' internal control reports. The Pensions committee was asked to note the recommendation from the external auditors on this, in particular the reference to supplementing reviews into the investment manager internal control reports with visits to each of the key investment managers, such as SsgA and UBS.'</p> <p>As part of the audit planning process 3 areas of risk were identified:</p> <ul style="list-style-type: none"> <li>• Calculation of contributions in light of there being more than one admitted body.</li> <li>• The calculation of benefits given the complexities of calculating retirement, ill health and the death benefits as a result of changes introduced in 2008.</li> <li>• The valuation of private equity.</li> </ul> <p>The auditor had indicated that it was expected that an unmodified opinion would be given on the Pension fund statements and would be issued by 30 September.</p> <p>The internal review process had been completed and it was anticipated that that it would be signed off with no modifications. Testing was</p>	Action by

	<p>carried out without any exception and it did not indicate anything to bring to attention.</p> <p>The auditor commented that officers had put in a considerable amount of work in the last year which had delivered significant improvements in the quality of the accounts and working papers. An issued was raised in relation to the authorisation of journals in the system and officers were able to provide assurance that this recommendation was not implemented.</p> <p>The Chairman thanked the auditor for her presentation and noted the improvements. Members commented this was an area of good practice.</p> <p><b>RESOLVED: That Committee approve the Pension Fund Annual Report and Accounts &amp; noted the auditor’s findings.</b></p>	
22.	<p><b>BUDGET MONITOR</b> (<i>Agenda Item 7</i>)</p> <p>The Chairman introduced the report and Members were advised that the Committee received a quarterly report on the Pension fund budget. The report provided Members with an update at the end of quarter 1 against the budget.</p> <p>Members questioned officers on what the miscellaneous costs in the budget included. Officers replied that this related to both actuarial and audit fees.</p> <p>Officers also commented that due to a higher than usual number of deaths it was not easy to forecast full year variance at this stage. This would be developed for the next quarter.</p> <p>It was also noted that the surplus of contributions over benefits in terms of normal cashflow was decreasing and a reduction in the number of active members could adversely impact this situation.</p> <p>Members commented that the vast majority of the figures on the spreadsheet were beyond their control.</p> <p><b>RESOLVED: That the Committee noted the budget outturn position at 30 June 2010.</b></p>	<b>Action by</b>
23.	<p><b>EARLY RETIREMENT MONITOR</b> (<i>Agenda Item 8</i>)</p> <p>The Chairman introduced the report which summarised the number of early retirements in the first quarter. The report also gave an update on the current situation on the cost to the fund of early retirements.</p> <p>Members commented that the current performance statistics showed a reasonable position but were mindful that the current climate could have an impact.</p>	<b>Action by</b>



	<p>Members discussed the pensions administration system contract which was to expire at the end of December of this year. Due to the ongoing Hutton review officers were unclear on what the scheme would be going forward. Officers had discussed this with the Head of Procurement who stated it was appropriate to extend the existing contract by 2 years rather than re-tender.</p> <p><b>RESOLVED:</b></p> <ol style="list-style-type: none"> <li>1. That Committee noted the contents of the report.</li> <li>2. That Committee discussed whether to progress the request by Stockley Academy to be presented on Committee. This request was rejected for reasons mentioned above.</li> <li>3. That the Committee agreed to approve the extension to the existing pensions administration system contract for a further two year period.</li> </ol>	
26.	<p><b>REPORT FROM INVESTMENT SUB COMMITTEE</b> (<i>Agenda Item 11</i>)</p> <p><i>This item was discussed as a Part 2 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>	Action by
27.	<p><b>QUARTERLY REVIEW OF PENSION FUNDS RISKS</b> (<i>Agenda Item 12</i>)</p> <p><i>This item was discussed as a Part 2 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>	Action by  Nancy LeRoux
28.	<p><b>CORPORATE GOVERNANCE &amp; SOCIALLY RESPONSIBLE INVESTMENT</b> (<i>Agenda Item 13</i>)</p> <p><i>This item was discussed as a Part 2 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>	Action by

29.	<b>INVESTMENT ADVICE DISCUSSION</b> ( <i>Agenda Item 14</i> )  This item was deferred to the next Committee meeting on 14 <sup>th</sup> December 2010.	<b>Action by</b>
	The meeting, which commenced at 5.30pm, closed at 6.32pm.	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Nav Johal on 01895 250692. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.