

Pension Fund Committee Minutes



Tuesday 13 June 2023

PRESENT

Committee members: Councillors Ross Melton (Chair), Florian Chevoppe-Verdier and Laura Janes

Co-opted members: Michael Adam and Iain Cassidy

Officers: Eleanor Dennis (Head of Pensions), David Hughes (Director of Audit, Fraud, Risk and Insurance), Phil Triggs (Director of Treasury and Pensions), Mathew Dawson (Strategic Investment Manager, attended remotely), Sian Cogley (Pension Fund Manager) and Debbie Yau (Committee Coordinator)

Advisors: Kevin Humpherson (Isio) and Marian George (Independent Advisor)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Adam Peter Lang and Adrian Pascu-Tulbure.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED

The minutes and exempt minutes of the meeting held on 28 February 2023 were approved as accurate records of meeting.

CHANGE OF AGENDA ORDER

The Chair proposed, and it was unanimously agreed, to bring items 8 and 9 on the agenda forward, and swap items 6 and 7 towards the end.

4. KEY PERFORMANCE INDICATORS

Eleanor Dennis (Head of Pensions) provided a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Pension Fund (HFPF). She gave an update to the Key Performance Indicators (KPIs) further to those listed in the report, covering up to May 2023.

Councillor Laura Janes was pleased to note the encouraging improvements. She was concerned about follow-up actions taken to rectify the errors in reporting. Eleanor Dennis explained that they were errors in the system, with the clock started ticking, with the relevant information and documents for processing were yet to be received. On methodology to be adopted, David Hughes (Director of Audit, Fraud, Risk and Insurance) said he believed the data would be more accurate in future given the LPPA's Managing Director (MD) had reassured this going forward.

Councillor Florian Chevoppe-Verdier noted that LPPA had managed to clear the backlog inherited from the previous pension administrators. Eleanor Dennis said it took LPPA a while to deal with some of the cases hence all 740 cases were processed by 30th April 2023, a month later than the target completion date.

Noting that member surveys were conducted by sending emails after retirement, helpdesk interactions, bereavements, and joining the scheme, to allow LPPA to gather feedback and continue to improve the experience across the processing teams, Councillor Chevoppe-Verdier was keen to know about the outcome of these surveys. Eleanor Dennis confirmed only a handful were received from LBHF members so unfortunately there was no qualitative data to share from these as they were such a small sample.

On missed SLA cases, the Committee noted that the cases which missed on Retirements and Bereavements Team for Q4 (January to March 2023) were reviewed. Significant work had taken place around ensuring the system was triggering the SLA start date at the correct point. For some of these cases the SLA trigger point was under the old methodology and was triggered at an earlier point in the process. This had not been corrected retrospectively meaning that performance was likely to be under reported in some instances. SLA performance in April and May 2023 had improved significantly.

Iain Cassidy observed the huge jump in the performance against SLA cases for the two months of April and May as compared to the three months in Q4, given the latter contained some cases in unallocated category.

Eleanor Dennis explained that to address the challenges facing the Retirements Team, a significant training programme was in place. This was showing positive results alongside improved checking and re-work and work allocation processes. The challenges on the Bereavement Team primarily related to checking processes. The team had now changed the way of checking and added additional controls. The work allocation had also been revised and the performance against the SLA was significantly improving into April and May.

The Chair expressed appreciation for the hard work of the Pension Administration Team in holding the LPPA into account. He considered it necessary to reiterate the Committee's frustrations to the LPPA's MD about the performance against SLA and the quality of data. He said he stood ready to join any pre-meeting with the MD to express the concerns raised by members at several occasions in the past.

ACTION: Eleanor Dennis

RESOLVED

That the Committee noted the contents of this report.

5. PENSION ADMINISTRATION UPDATE

Eleanor Dennis (Head of Pensions) briefed members that the Hammersmith & Fulham Pension Fund (HFPP) began its new partnership with the Local Pension Partnership Administration (LPPA) on 28 January 2022 and had completed a full 12 months of service. The service delivered by LPPA continued to face challenges that were monitored closely by the LBHF Head of Pensions. LPPA had acknowledged their unsatisfactory service and were committed to improving the service going forward with initiatives such as the introduction of a client relationship manager, a centralised mailbox and client forums in 2023.

Eleanor Dennis then updated the Committee on the key areas, including fund employers, backlog, communications, engagement, pensioners, regulatory, overpayments and log of recommendations. Members noted that the LPPA had increased their forecast for 2022/23 budget from £384,000 to £399,000 because of increased IT and resourcing costs. In addition, they had issued their 2023/24 budget which increased costs had been smoothed over 3 years that meant the cost per member for 2023/24 would increase from £23.03 to £26.56.

Councillor Florian Chevoppe-Verdier was pleased to see the LPPA was making signs of improvements at varying stages. However, this would come along with charging more. In this connection, the Chair advised that it was poor planning and short-sighted for the LPPA to pass the increases in IT cost and inflation onto the clients. On resources, he was concerned about the level of brain drain in the Pension Administration industry. Eleanor Dennis said she would clarify to the members the rationale of the increased budget outside of the meeting.

ACTION: Eleanor Dennis

David Hughes (Director of Audit, Fraud, Risk and Insurance) said he expected regular senior engagement with LPPA was a helpful step to keep raising concerns and challenges to meet the needs of HFPP.

Marian George (Independent Advisor) questioned the Head of Pensions on the completion date for a paper on The Pension Regulators Code of Practice No 14 "Governance and administration of public service pension schemes".

Eleanor Dennis, noting that this code of practice contained 100 tasks and the Fund was focusing on establishing robust framework of processes, tasks and practices in line with the Code of Practice, she considered the timescale was reasonable.

Councillor Chevoppe-Verdier asked if this was in line with the Pension Regulator's expectations. David Hughes said the work of LPPA would be prioritised to meet the service requirements. Eleanor Dennis confirmed the

Pensions Regulator had a pragmatic approach and that where relevant would continue to consult any areas of concern with experienced stakeholders like the legal adviser.

Responding to Councillor Laura Janes' concerns, Eleanor Dennis confirmed that the pensioners newsletter could be found online at the Fund's website, with tabs on tips against the rising cost of living.

RESOLVED

That the Committee noted the contents of this report and agreed the revised LPPA budget.

6. DRAFT PENSION FUND STATEMENT OF ACCOUNTS

Sian Cogley (Pension Fund Manager) presented the draft Pension Fund Statement of Accounts for the year ended 31 March 2023.

Michael Adam was concerned why a marginal reduction in asset value would attract a reduction of transaction costs by 30%. Sian Cogley said that the cost reduction was primarily due to fees being calculated from net asset value, and the net asset value had reduced from the previous year. There were also fewer transaction costs due to fewer redemptions and capital calls in the year.

Marian George (Independent Advisor) raised a correction needed to Note 18 of the Accounts document. Sian Cogley responded that this change had since been undertaken between the submission of documents and this meeting of the Pension Fund Committee. Phil Triggs (Director of Treasury and Pensions) explained the wider context in terms of the need for the change for the benefit of the committee. There was a delay to the Council's main statement of accounts due to changes to the accounting code of practice regarding valuation of the Council's highway infrastructure which needed subsequent further external audit fieldwork, which in turn resulted in the Pension Fund accounts publication also being delayed.

Because of these significant delays, this meant that the fund's 2022 Actuarial Valuation had concluded, hence, the IAS19 figures in the Council's accounts were out-of-date as they had been prepared based on the prior 2019 Actuarial Valuation. Officers therefore instructed the fund actuary to amend the IAS19 statement to facilitate a restatement in the Pension Fund Accounts for 21/22 closing (and 22/23 opening) balances.

Phil Triggs also undertook to provide the information requested after the meeting with respect to an enquiry of Councillor Florian Chevoppe-Verdier about the pension's funds current assets.

ACTION: Phil Triggs

RESOLVED

That the Committee noted the 2022/23 draft Statement of Accounts.

7. PENSION FUND DRAFT INVESTMENT BELIEFS

Kevin Humpherson (Isio) introduced the draft investment beliefs statement, which would assist in developing a set of core beliefs to be adopted by the Fund, namely, a) Investment Governance; b) Long Term Approach; c) Environmental, Social and Governance (ESG) factors; d) Asset Allocation; and e) Management Strategies. These beliefs would form the foundation of discussions, and assist decisions regarding the Fund's structure, its strategic asset allocation and selecting investment managers.

Marian George (Independent Advisor) gave detailed comments on the draft and exchanged views with Kevin Humpherson and Committee members on current best practice and guidance.

The Chair suggested holding a regular review of investment beliefs statement once every 12 months.

RESOLVED

That the Committee commented on the draft investment beliefs statement.

8. PENSION FUND QUARTERLY UPDATE PACK

Sian Cogley (Pension Fund Manager) provided the Committee with a summary of the Pension Fund's:

- overall performance for the quarter ended 31 March 2023;
- cashflow update and forecast; and
- assessment of risks and actions taken to mitigate these.

Responding to Michael Adam's question, Sian Cogley apologised that the deficit as recorded on page 52 should in fact be surplus.

RESOLVED

That the Committee noted the update.

9. INVESTMENT STRATEGY UPDATE

Exclusion of the public and press

The Committee resolved, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following item of business, on the grounds that it contains the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

The Pension Fund Committee agreed at the meeting on 28 February 2023 to undertake the following actions:

1. Reduce the allocation to equities by 5% and increase the Fund's fixed income allocation by this 5%.
2. Invest an additional 2.5% in Alpha Real Capital commercial ground rents, funded from Ruffer.
3. Select a replacement for Aviva Infrastructure Income and increase the strategic allocation to 3.5% with a manager selection exercise to be undertaken.

In regard to the second decision, the fund completed the top up investment of 2.5% (£37m) into Alpha Real Capital into the commercial ground rent fund on 23 May 2023.

Sian Cogley (Pension Fund Manager) apologised for an error repeated throughout the appendices regarding the commercial ground rents funded from Ruffer. The materials referred to this as funded from Alpha Real.

Phil Triggs (Director of Treasury and Pensions) and Kevin Humpherson (Isio) took members through the four exempt Appendices to assist the committee in its decision making regarding the investment strategy of the Fund.

RESOLVED

1. That the Committee agreed to maintain the current ratio of active and passive investment within the revised equity allocation.
2. That the Committee reviewed the issues with the LCIV Global Bond Fund outlined in Appendix 1 and agreed to begin a search for a new fixed income manager.
3. That the Committee reviewed the long list of Renewable Energy Infrastructure Managers provided by Isio and agreed a shortlist, inclusive of Quinbrook's Renewable Impact Fund, Alpha Real Capital's Diversified Renewables Infrastructure Fund and the London CIV Renewable Energy Fund, to invite to the next meeting of the committee with a view to appoint.
4. That the Committee agreed to engage with six fund managers at an Extraordinary meeting on a date in July.

10. DATES OF FUTURE MEETINGS

The Committee noted the dates of future meetings:

- 19 September 2023
- 15 November 2023
- 20 February 2024

11. EXCLUSION OF THE PUBLIC AND PRESS (IF REQUIRED)

See Item 9 above.

Meeting started: 7.04 pm
Meeting ended: 9.54 pm

Chair

Contact officer: Debbie Yau
Committee Co-ordinator
Corporate Services
E-mail: Debbie.yau@lbhf.gov.uk