

Pension Fund Committee Minutes



Tuesday 23 July 2024

PRESENT

Committee members: Councillors Ross Melton (Chair), Florian Chevoppe-Verdier, Laura Janes, Adam Peter Lang, and Adrian Pascu-Tulbure

Co-opted members: Michael Adam and Peter Parkin

Other Councillors: Councillors Rowan Ree and Ashok Patel

Officers: Eleanor Dennis (Head of Pensions), Phil Triggs (Tri borough Director of Treasury and Pensions), Sian Cogley (Pension Fund Manager), David Hughes (Tri borough Director of Audit Risk Fraud)

Marian George (Independent Investment Advisor)

External: Emily McGuire, Chirag, Jasani and Jonny Moore (Isio Group)

Dave Sapsford and Mark Versey (Aviva Investors)

1. APPOINTMENT OF VICE CHAIR

RESOLVED

That the Pension Fund Committee elected Councillor Adrian Pascu-Tulbure as the Vice Chair for the 2024/25 Municipal Year.

2. APPOINTMENT OF CO-OPTED MEMBERS

RESOLVED

That the Pension Fund Committee appointed Michael Adam and Peter Parkin as non-voting co-opted members for the 2024/25 Municipal Year

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED

That the open and exempt minutes of the meetings held on 20th February 2024 were approved.

4. DRAFT MINUTES OF THE PREVIOUS PENSIONS BOARD MEETING

RESOLVED

That the minutes of the Pensions Board meeting held on 27th February 2024 were noted.

5. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

6. DECLARATIONS OF INTEREST

There were no declarations of interest.

7. AVIVA INVESTORS PRESENTATION

Phil Triggs (Tri borough Director of Treasury and Pensions) provided a summary of the key points. The first tranche of redemption payments (£5m) was paid on 30th January 2024, but the remainder of the redeemed funds would not be available to be paid back until at least August 2024. At the last Pension Fund Committee meeting of 20th February 2024, representatives from Aviva discussed updates to the redemption process with the committee and agreed a number of actions to improve communication of the process between Aviva and the LBHF Fund in future.

The Chair also requested that representatives from Aviva should attend this Committee to provide an additional update, should the final outstanding funds not have been paid to the Pension Fund by the date of the committee meeting. Final funds were still awaited.

Mark Versey (Aviva Investors) apologised to the Committee for not meeting the redemption process timeline. It was noted that a thorough investigation had been conducted and the team had worked tirelessly to sell assets, however, this was unsuccessful due to the prevailing interest rate environment. It was noted that six energy and heating units, which powered hospitals across the country had been sold. A legally binding offer had been received and once the legal documents were signed and funds transferred the payment would be made. An agreement would be expected within the next two weeks and the expectation was that the Council would receive its redemption monies by the end of August 2024. However, there could be delays in this timeline due to the administrative process and timing in receiving the signatures from the NHS Trust.

Aviva expressed pride in the returns the fund had generated. Upon reviewing the fund's performance over the investment period, Aviva felt that they had achieved the objectives set out for the fund, however, there had been a delay in the redemption process due to the inability to sell assets last year.

The Chair requested that Aviva attend the next Pension Fund Committee meeting in September 2024 if the redemption monies had not been received by the end of August 2024.

Councillor Adam Peter Lang raised a series of concerns on the length of time it was taking Aviva to make the payment, noting that this delay was unacceptable. Mark Versey (Aviva Investors) outlined the reasons for the delay, noting that this was mainly due to the nature of the illiquid assets such as infrastructure. He explained that Aviva had taken all the appropriate steps to meet the deadline but was unable to secure a bid for the assets within the timeframe due to the high interest rate market. Since then, market liquidity had improved, offering much more stability.

Councillor Florian Chevoppe-Verdier asked for further clarification on the income generated from the fund and the associated management fees since the 31 December redemption deadline. Mark Versey (Aviva Investors) noted that over the whole investment period from inception the fund generated an annualised return of 0.6% and the management fees were approx. 0.5% per annum.

Members asked Aviva if they would provide any compensation for losses occurred as a result of the late redemption. In response Mark Versey (Aviva Investors) noted that Aviva would investigate this further and write to the Council within a week.

Michael Adam (Co-opted Member) asked a series of questions. Firstly, he enquired whether the price that Aviva had accepted for the assets sold was above or below the most recent net asset value. Secondly, he questioned how the sell offer could be legally binding for the buying party before the final documentation was received. Mark Versey (Aviva Investors) explained that the assets were sold in line with the most recent net asset value. Dave Sapsford (Aviva Investors) in relation to the legally binding offer explained the legal process, noting that signatures from the buyer of the assets had been received and next step was to obtain signatures from the NHS Trusts to complete the process.

Marian George (Independent Investment Advisor) expressed concerns that the August summer break could potentially cause further delays in the process. Mark Versey (Aviva Investors) explained that based on the information available and delegated authorities received from two Trusts, Aviva had high expectations that the money would be paid in August 2024.

Councillor Laura Janes requested that a copy of the full investigation conducted by Aviva be sent to the Committee.

Action: Aviva

Councillor Florian Chevoppe-Verdier requested that confirmation be sent to the Committee on which Trusts, Aviva had received delegated authority from.

Action: Aviva

Councillor Adrian Pascu-Tulbure, reflecting on the lessons learned, asked whether sufficient emphasis was placed on communication as a crucial element in the redemption process. Mark Versey (Aviva Investors) assured members that as part of Aviva's internal assessment more regular communication would take place with investors.

The Chair summarised the following actions requested by the Committee:

- A write up of the full investigation conducted by Aviva.
- Confirmation on which Trusts, Aviva had received delegated authority from.
- Aviva to look at providing compensation for losses occurred as a result of the late redemption.
- Confirmation of the dates of the internal boards and evidence of the two Trusts that had provided delegated authority.
- A narrative of the wider lessons learned.
- Formally clarify and set out Aviva's apologies to the Committee.

Action: Aviva

Councillor Rowan Ree enquired whether Aviva believed the redemption terms were adequate or if they should be revised going forward. Mark Versey (Aviva Investors) explained that Aviva would review this area for future fund launches and felt that 18 months from receipt of notice to final payment of funds was an appropriate timeframe.

RESOLVED

That the Pension Fund Committee discussed the numerous concerns surrounding the redemption process (Infrastructure Income portfolio) with Aviva.

8. DATA CENTRES OPPORTUNITY

Jonny Moore (Isio Group) noted that the Pension Fund Committee was provided with a training session of an investment opportunity in property data centres. It was noted that the Committee should consider this asset class and whether data centres were deemed an attractive opportunity.

The Chair noted that he found the training provided by Isio Group to be highly informative, especially regarding this asset class and was keen to learn more about this investment proposition.

Councillor Florian Chevoppe-Verdier was impressed with the presentation. He requested for the papers to be compliant of the Web Content Accessibility Guidelines (WCAG), so they were accessible for all the borough's residents.

Action: Isio

Councillor Laura Janes suggested that officers explored the wider ESG factors and impact considerations for this type of investment. In response Jonny Moore (Isio Group) noted that this would form part of the analysis.

Councillor Adrian Pascu-Tulbure noted that it was commendable for the Committee to explore new emerging opportunities. However, he cautioned against the risk of investing by following trends and suggested that officers evaluate each opportunity on its own merit.

Marian George (Independent Investment Advisor) said that she saw an opportunity to invest in data centres. However, she emphasised the

importance of asset allocation. It was noted that officers needed to consider the risk-return, trade-off and size of the investment. She also expressed concern that the fund already had 20 mandates within the LBHF portfolio, which she felt was a high number. Additionally, she highlighted that the government's current direction was strongly focused on pooling whereas this opportunity would involve investing outside of the pool.

Michael Adam (Co-opted Member) suggested to look at an opportunity to engage with other LCIV members to ascertain their interest.

Action: Phil Triggs

Councillor Adam Peter Lang said that further investigation was needed to assess the risk element and how it might change, including the impact on the complexity of portfolio management. Additionally, he felt that the Committee should consider more investment opportunities within the UK.

Action: Phil Triggs

Phil Triggs (Tri borough Director of Treasury and Pensions) noted that the assumption among consultants and officers was that investing in this asset class would involve a global approach encompassing the UK, Europe and the United States. Over the years, moving to global investment return benchmarks had proven beneficial. The aim was to meet the fund's fiduciary responsibility and achieve the best return with a balanced and diversified portfolio.

Phil Triggs reassured the Committee that a full due diligence process would be carried out before any decision was made to invest going forward.

RESOLVED

That the Pension Fund Committee considered an allocation of pension fund assets to data centres

9. DRAFT PENSION FUND STATEMENT OF ACCOUNTS

Sian Cogley (Pension Fund Manager) provided a summary of the key points. It was noted that the draft Pension Fund Statement of Accounts 2023/24 provided the Committee with an opportunity to review and comment on any matters pertaining to the financial statements.

Councillor Florian Chevoppe-Verdier, congratulated officers and consultants for their continued hard work which contributed to the enhanced performance across the Fund's investment portfolio, greater than in the previous year.

Councillor Adrian Pascu-Tulbure asked for further clarification to be provided on the management fees. Phil Triggs (Tri borough Director of Treasury and Pensions) explained that standard management fees had remained steady. There had been an increase in performance fees and greater transparency was now available in transaction costs.

RESOLVED

That the Pension Fund Committee noted the 2023/24 draft Statement of Accounts

10. PENSION FUND QUARTERLY UPDATE Q1 2024

Sian Cogley (Pension Fund Manager) provided a summary of the key points. It was noted that on 15 May 2024, the Minister for Local Government wrote to the LBHF administering authority, consulting on efficiencies in the LGPS. The response (attached as Appendix 5) was submitted prior to the deadline of 19 July 2024.

Jonny Moore (Isio Group) explained that the format of the reporting had been adapted to ensure it was more accessible for people to read. Overall, the investment performance report showed that, over the quarter to 31st March 2024, the market value of the assets increased by £53m to £1,360m. The Fund had outperformed its benchmark net of fees by 0.56%, delivering an absolute return of 4.56% over the quarter. The total Fund delivered a positive return of 7.88% on a net of fees basis over the year to 31st March 2024. Additionally, the CIO for London CIV had resigned more recently after a few months in the CIO post.

The Chair enquired if London CIV had provided any indication of the interim arrangements following the departure of the current CIO. In response Phil Triggs (Tri borough Director of Treasury and Pensions) noted that Robert Treich was appointed as the interim CIO and was highly regarded.

Councillor Adam Peter Lang asked for further clarification to be provided on the complexity of the Council's asset allocation. Jonny Moore (Isio Group) explained that the fund had a good level of diversification and a reasonably significant allocation to equities. Despite its complexity it was manageable and aligned with the broader LGPS. Phil Triggs added that the Hammersmith and Fulham fund was one of the most diversified in the LGPS with an extensive basket of investment categories. He also provided a summary of the benefits of this type of allocation.

Marian George (Independent Investment Advisor) noted that while diversification was beneficial, caution should be exercised against adding additional mandates from a governance perspective.

Councillor Florian Chevoppe-Verdier, relating to the risk register requested that an extra column be included on how its evolved and look at adding some more visual aesthetics.

Action: Isio

The remainder of the discussion was held in the exempt session.

RESOLVED

That the Pension Fund Committee noted the update.

11. KEY PERFORMANCE INDICATORS

Eleanor Dennis (Head of Pensions) introduced the report which 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. The Key Performance Indicators (KPIs) for the period January – March 2024 Q4, inclusive were shown in Appendix 1.

The overall quarterly KPI performance was 97.2% a small increase from 96.9% in Q3. However, although performance was achieved in 97% of cases, despite an increase in the number of cases processed by 153, it fell short of the 95% KPI target in 2 areas (active retirements and refunds).

Eleanor Dennis highlighted that the PFC's commitment to getting a good service on behalf of members and beneficiaries, with the issuing of the formal letter of dissatisfaction and the continued constructive challenging seems to be bearing fruit with continued improving performance now experienced by the Fund.

Councillor Florian Chevoppe-Verdier thanked Eleanor Dennis for a comprehensive report and was pleased to see an improvement in helpdesk calls performance. He asked how the Committee could continue to support the Head of Pensions with driving for an excellent service for the Fund, Eleanor Dennis confirmed once service was being delivered on or above target on all areas, the focus should be increased on member experience.

Councillor Laura Janes enquired whether the SLA's had been adjusted to be more realistic and asked if officers were satisfied with the overall improvements made by LPPA. Eleanor Dennis responded that these improvements were based on the existing SLA's already in place and felt that they were in line with her expectations.

Peter Parkin (Co-opted Member) noted that Eleanor Dennis and her team had been very helpful in providing direct pensions advice to his members. He noted that it was helpful for members to have an inhouse team to discuss their pension queries who were knowledgeable and responsive.

RESOLVED

That the Pension Fund Committee noted the contents of this report

12. PENSIONS ADMINISTRATION UPDATE

Eleanor Dennis (Head of Pensions) presented the report highlighting that LPPA had disbanded their complaint team as instead the respective case area were responsible for responding to their own complaints. There was an encouraging increase in engagement from fund employers as submissions of monthly reports had increased to 90%.

Councillor Florian Chevoppe-Verdier referring to page 133 asked for further details to be provided on the costs relating to over payments. Eleanor Dennis noted this was currently around £1,100 and explained that these amounts were written off due to the length of time it had taken to investigate the case and try and recover the monies before the regulatory time limit had passed.

Councillor Ashok Patel enquired about the nature of the complaints received. In response Eleanor Dennis noted that the nature covered a broad range of topics for complaint such as to the LPPA service overall and specific issues encountered with experiences with retirements and bereavements.

The remainder of the discussion was held in the exempt session.

RESOLVED

That the Pension Fund Committee approved the recommendation in respect of the increased budget for pension admission costs as detailed in Appendix 1 and noted the contents of this report

13. FUND EMPLOYER CESSATIONS

Eleanor Dennis (Head of Pensions) noted that this paper sets out the cessation activity for the Fund. There was also a recommendation of a decision to be made by the Committee with reference to Fund employers that had ceased in the Fund but had a surplus at the time that they are ceasing to be a participating employer in the Fund. The recommendation is that the surpluses are processed as detailed in exempt appendix 1.

The remainder of the discussion was held in the exempt session.

RESOLVED

That the Pension Fund Committee approved to pay the exit credits as set out in the exempt appendix 1

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

The Committee agreed, 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 items of business, on the grounds that they contain 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.

Meeting started: 7:00pm
Meeting ended: 9:40pm

Chair

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