

Pension Fund Committee Minutes



Tuesday 10 September 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: Councillor Ashok Patel

Officers: Phil Triggs (Tri borough Director of Treasury and Pensions) and Eleanor Dennis (Head of Pensions)

Marian George (Independent Investment Advisor)

External: Andrew Singh and Jonny Moore, Chirag Jasani (Isio Group)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Sian Cogley and David Hughes

Apologies for lateness were received from Councillor Laura Janes

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

Marian George requested the following be included under item 8 – Data centres opportunity:

Marian George informed the Committee that the LCIV had recently launched an all maturities buy and maintain bond fund and that as this had been the original requirement of the Committee when switching into buy and maintain credit, she recommended that switching the short and long duration buy and maintain funds into all maturities fund was investigated. Emily McGuire (Isio) noted there might be some costs (bid/offer spreads, dilution levies etc.) associated with such a switch. Marian George agreed but felt that an in-specie transfer should minimise these and discussions with LCIV would be worthwhile to investigate.

RESOLVED

That the open and exempt minutes of the meetings held on 23rd July 2024 were approved.

4. AVIVA INVESTORS PRESENTATION

Phil Triggs (Tri borough Director of Treasury and Pensions) provided an update and noted that Aviva were unwilling to attend the Committee meeting. However, a payment of £7.2m was made by Aviva on 9th September 2024.

The Chair enquired about the outstanding value of the redemption. In response Phil Triggs noted that this was approximately £10m and the timeline of when this would be received was unclear.

Phil Triggs explained that officers would continue to apply pressure on Aviva and insist on their personal attendance at all future committee meetings until the outstanding redemption balance was fully settled.

Michael Adam (Co-opted Member) noted that at the last meeting Aviva had provided assurances that they had received legally binding offers and were only awaiting ratification from the NHS Trusts. He requested additional context regarding the delay in receiving the remaining redemption funds. Phil Triggs explained that some signatures had not been obtained as quickly as Aviva had anticipated and as a result, they were still in the process of completing due diligence paperwork to finalise the matter. Officers would ask Aviva to confirm how many signatures were still outstanding and report back to the Committee.

Action: Phil Triggs

Councillor Adam Peter Lang expressed his disappointment with Aviva for not paying the full redemption amount. He emphasised the need for a more robust response to the Committee's concerns moving forward and recommended requesting a clear, firm timetable from Aviva for the final payment. Phil Triggs noted that he had already responded to Aviva in a robust manner on behalf of the Committee.

Councillor Adrian Pascu-Tulbur requested that Aviva provide clarification, confirming that the sole reason for the delay was the failure to receive the necessary signatures from the prospective buyers within the expected timeframe.

Action: Phil Triggs

Peter Parkin (Co-opted Member) noted that as a representative of the union members, he was disappointed by Aviva's absence from the Committee meeting. He asked what additional actions could be taken to apply further pressure on Aviva. In response Andrew Singh (Isio) explained that from his understanding Aviva was currently managing challenges on multiple fronts, including the sale of other assets with the fund. It was noted that Isio believed that the fund was in a better position than most, as it had already received a portion of its monies. However, the delay was deemed unacceptable, and

Aviva had missed the expected timeline they initially provided. From Isio's understanding the situation regarding the sales of assets had not changed, but the process was taking longer than anticipated. He advised that moving forward officers should continue to press Aviva and insist that they remain present at future committee meetings.

Councillor Adrian Pascu-Tulbur enquired how often situations similar to this occurred, where fund managers delayed the payment of redemptions. Andrew Singh (Isio Group) noted that such instances were relatively rare. In his 18 years in the industry, he had only encountered 3 or 4 cases of managers delaying redemption payments.

Marian George (Independent Investment Advisor) summarised several key learning points. She emphasised that these were illiquid assets and occasionally things do not go as planned and selling illiquid assets was inherently challenging. In the future it would be prudent to include clauses in contracts to address situations where assets were not realised by the agreed end date. Additionally, if there was a change in the management team, it would be advisable to have Isio reassess the new team.

Councillor Adrian Pascu-Tulbure asked for further clarification to be provided on the source of the £7.2m. Phil Triggs confirmed that this amount was generated from the sale of some of the assets.

The Chair summarised the following key points raised by the Committee:

- Going forward to take a prudent approach with regards to redemption terms and conditions.
- With Isio's support, officers to continue to monitor the legal case with regards to fund mismanagement.
- Coordinate with other investors who were seeking redemption at the same time to ascertain opportunities to coordinate pressure.
- The Chair to prepare a formal letter to Aviva, highlighting the Committee's expectation for Aviva to attend future Committee meetings.

Action: Phil Triggs

RESOLVED

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

5. 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 April – June 2024 i.e. Quarter 1 (Q1), inclusive were shown in Appendix 1.

During the period April to June 2024, Q1, LPPA processed 1462 (101 less than Q4) SLA cases, Hammersmith & Fulham Pension Fund. The overall quarterly KPI performance was 97.5% a small increase from Q4's 97.2% and

from 96.9% in Q3. However, although performance was achieved in most cases it fell short of the 95% KPI target in 2 areas (aggregations and refunds).

Councillor Florian Chevoppe-Verdier thanked Eleanor for her comprehensive report and observed that performance had remained stable for some time. He asked how the Committee could further support her in her efforts across other service areas. Additionally, he questioned whether reporting of the KPIs at a macro level at each Committee meeting was the most effective use of her time. In response Eleanor Dennis explained that it was a regulatory requirement that pension administration should be a standing agenda item for governing body meetings and that its inclusion was key as part of the Committee's due diligence in ensuring that the scheme was being properly administered. The Pension Regulators general code also outlines that all governing bodies should receive appropriate information and reports to enable challenge where appropriate. She noted that she would consider including more information on the quality of LPPA's service and member experience where appropriate. Eleanor Dennis expressed her willingness to shorten the reports to focus on the key pressure points.

Councillor Ashok Patel requested further clarification on how performance could be improved regarding the processing of refunds. Eleanor Dennis provided an overview on why there was a dip in performance for refunds and aggregations. She explained that the delays were largely due to a large number of monthly files being submitted late by employers, coinciding with processing the annual benefit statements and the associated processing of leavers. LPPA have confirmed to the Head of Pensions that this was a one-off peak caused by this particular event and assured her that in the future they would have sufficient resources to process the files on time.

RESOLVED

That the Pension Fund Committee noted the contents of this report.

6. PENSIONS ADMINISTRATION UPDATE

Eleanor Dennis (Head of Pensions) provided an update on the key elements of the report. Engagement from employers on monthly files being submitted had increased to 90% however 10% remained outstanding. The Council's pension team had collaborated with LPPA to increase the engagement with employers.

The Chair asked if the Committee could assist in communicating with employers to ensure that they were providing information more promptly. Eleanor Dennis confirmed that her team enforced the pension administration strategy and associated fines when relevant which was working well. However, she mentioned that, if needed, they could explore ways for the committee to engage with employers more directly in the future.

RESOLVED:

That the Pension Fund Committee noted the contents of this report.

7. ESG METRICS TRAINING

Phil Triggs (Tri borough Director of Treasury and Pensions) introduced the report which included training on ESG investing and ESG metrics, in particular the ESG metrics that were reported regarding the fund's investment with Allspring.

Jonny Moore (Isio) provided a presentation on the ESG metrics training which gave an overview of the following key aspects:

- ESG investing and an introduction to responsible investing
- ESG metrics and what was required
- Training on the ESG metrics, including Allspring ESG metrics benchmark scores
- Allspring carbon intensity metrics
- Global warming projections and emissions to date.

The Chair enquired if there was an opportunity to further strengthen the Council's commitment to utilising ESG metrics within its investment principles in future investments. In response Jonny Moore noted that this would be integrated into the data centres review by incorporating ESG metrics into the decision-making process.

Marian George (Independent Investment Advisor) indicated that the Task Force on Climate-related Financial Disclosures report (TCFD) would be introduced to Local Authorities in the near future. Officers were waiting for guidance to be issued. She suggested that it would also be useful to look at the general trends as they will vary each quarter for different reasons.

Councillor Adrian Pascu-Tulbure noted that given the variety of metrics and measurement approaches available, it was still early days in the industry, with many different methods being adopted each carrying some level of risk. He asked how the Committee could guard against these risks while maintaining the necessary flexibility to ensure they were making the right decisions without being entirely bound to one specific approach. In response Andrew Singh (Isio) explained that as a fund you could set your specific beliefs in relation to ESG via the sustainable development goals (SDGs). Asset managers would have funds that would align to those SDGs and the fund could invest specifically in those mandates.

Marian George (Independent Investment Advisor) enquired when the responsible investment policy which sets out the general principles, was last assessed. Phil Triggs confirmed that it last reviewed a year ago. Marian George advised, that given recent changes, the policy should be reviewed regularly to ensure it remained up to date and relevant.

Councillor Adam Peter Lang requested whether officers could share some aspects of the direction of travel for investments and pensions funds, including any opportunities to mobilise the pension fund to support UK economic growth. Phil Triggs noted that from a practitioner point of view he wrote for the LGC and an article was published on 10th September 2024 on Canada fund merger consolidation and future UK investment. Additionally,

another article was published on climate change and responsible investment, and he would forward both to the Committee.

Action: Phil Triggs

Councillor Laura Janes requested that the Committee reviewed its investment policy in the near future. The Committee agreed to schedule an opportunity in the near future to review its investment policy, including an assessment of its SDGs. However, before proceeding the Committee requested advice on the best approach to manage this review outside of a formal Committee meeting setting. This would include guidance on how to incorporate the key views and beliefs of the fund's members effectively.

Action: Isio Group/ Phil Triggs

RESOLVED:

The Pension Fund Committee noted the principles of the training.

8. DATA CENTRES OPPORTUNITY

Phil Triggs introduced the item and noted that the purpose of this report was to provide the Committee with potential alternative options surrounding the placement of a fund allocation to property data centres. It was noted that the key points that the Committee needed to consider was, whether a data centre allocation was appropriate for the fund and where it could fit into the Fund's investment strategy and asset allocation.

Andrew Singh (Isio) provided a presentation on data centre investment opportunity and asset allocation considerations and gave a summary of the following key aspects.

- Evolution of the current secure income allocation
- Asset allocation options and impact
- Strategic and regulatory considerations
- Isio recommendations and next steps

Marian George (Independent Investment Advisor) acknowledged that this was a good opportunity but felt it was a high-risk, high return investment. She noted that due to its risk return profile it would not be well suited for inclusion in a secure income portfolio.

Michael Adam (Co-opted Member) commented that the secure income portfolio already included a range of asset classes, such as private close-ended and leveraged funds. As a result, he did not feel that the data centre fund was significantly different from the existing investments within the secure income portfolio. Therefore, felt that there wasn't a substantial difference in the risk profile.

Councillor Adrian Pascu-Tulbure enquired how risks could be managed if the typically stable conditions surrounding the investment changed over time, and how these risks could be mitigated, particularly if building regulations did not

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go as expected. Chirag Jasani (Isio) noted that many of these funds were closed ended, 10-year investments emphasising the need for opportunities to be present over the next three to four years. Given current trends, the demand for hyperscale data centres was unlikely to change, as more people sought after internet access and companies continued to require data storage, with data needs steadily increasing. He believed that this demand dynamic would remain strong, and the supply side was not expected to shift significantly within the next 3-4 years making this the best time to invest.

RESOLVED

The Committee agreed to interview three Fund managers at the next meeting (two data centre managers and Quinrook, with a view to possible placing of additional funds with Quinbrook following receipt of recent distribution monies). It was noted that interviews would take place at 5:30pm prior to the official meeting at 7pm.

9. PENSION FUND QUARTERLY UPDATE Q2 2024

Phil Triggs (Tri borough Director of Treasury and Pensions) provided a summary of the key points. It was noted that the paper provided the Committee with a summary of the Pension Fund's overall performance for the quarter ended 30 June 2024, cashflow update and forecast, assessment of risks and actions taken to mitigate these.

Marian George (Independent Investment Advisor) asked for further clarification to be provided on the risk register (risk 29). In response Phil Triggs noted that due to the recent call for evidence on LGPS consolidation, response drafts were being prepared as a suitable reflection of LBHF's points of view with regard to future possible LGPS fund mergers and focus on UK GDP growth investment.

RESOLVED

That the Pension Fund Committee noted the update.

10. 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: 7pm
Meeting ended: 10pm

Chair

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