

# Pension Fund Sub-Committee

## Minutes

Wednesday 3 March 2021

*NOTE: This meeting was held remotely. A recording of the meeting can be found at: <https://youtu.be/wLREq3DXW3M>*

### **PRESENT**

**Committee members:** Councillors Iain Cassidy (Chair), Rowan Ree, Jonathan Caleb-Landy, Matt Thorley

**Co-opted members:** Michael Adam

**Officers:** Rhian Davies (Director of Resources), Dawn Aunger (Assistant Director People and Talent), David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (Pensions Manager), Phil Triggs (Director of Treasury and Pensions), Matthew Hopson (Strategic Investment Manager), Patrick Rowe (Corporate Finance) and David Abbott (Head of Governance)

### **External:**

John Raisin (LGPS practitioner)

Kevin Humpherson, Andrew Bullman, John Raisin and Richard Slater (Deloitte)

Kenneth Taylor and Philip Pearson (Hymans)

### **1. APOLOGIES FOR ABSENCE**

There were no apologies for absence received.

### **2. ROLL CALL AND DECLARATIONS OF INTEREST**

The Chair carried out a roll call to confirm attendance. Attendance is listed above.

Councillor Jonathan Caleb-Landy declared a pecuniary interest as his wife works for Deloitte. As a result, he did not participate or vote on item 8.

### **3. MINUTES OF THE PREVIOUS MEETING**

#### **RESOLVED:**

That the minutes of the meetings held on 3<sup>rd</sup> February 2021 were approved.

*NOTE: The Chair agreed to reorder the agenda. Item 8 was given priority over items 6 and 7.*

#### **4. INDEPENDENT REVIEW OF THE GOVERNANCE ARRANGEMENTS FOR THE PENSION FUND**

Phil Triggs (Director of Treasury and Pensions) introduced the report and noted that a Tri-Borough Treasury and Pensions review was commissioned in 2019 and a report published early in 2020. The review concluded that the Tri-Borough arrangement for Treasury and Pensions should continue and a further recommendation determined that officers should carry out an independent governance review of the Council's Pension Fund. The report summarised the suggested way forward on each of the 32 recommendations as an outcome of the governance review.

John Raisin (LGPS practitioner) noted that overall, this review concluded that the Pension Fund Sub-Committee had since 2015 exercised careful and considered oversight, governance and positive decision making in respect of the Council's Pension Fund based on the information provided to it. The members of the Pension Fund Sub-Committee had, on the basis of the evidence examined, sought to discharge their responsibilities diligently.

There were however a number of areas where there was scope for clear improvement in the future Governance of the Fund. These were covered in detail in the report. In particular there had been material weaknesses in relation to Pensions Administration. These however did not relate to the approach or actions of the Pension Fund Sub-Committee.

Councillor Rowan Ree queried the reasons for proposing six voting councillors for the membership of the new Pension Fund Committee. In response John Raisin explained that it was recommended that the new elected membership be six voting councillors, and this number was recommended in line with the Council's current practice across the majority of its Committee memberships.

Councillor Rowan Ree asked for further clarification to be provided on paying an allowance to the Local Pension Board members for attendance at Board meetings. David Abbott (Head of Governance) explained that the proposal was for Local Pension Board members to be paid the same allowance as co-opted members – currently £504 per year. Any allowances approved would be payable from the Pension Fund.

The Chair queried the process and timeline for the creation of the new Pension Fund Committee. In response David Abbott noted that if the Pension Fund Sub-Committee endorsed the new terms of reference, the changes would be made at the next Full Council meeting on 28 April 2021.

Michael Adam (Co-opted member) queried if there had been any proposed changes to the role of the Pension Board. John Raisin (LGPS practitioner) noted that the role of the new Pension Fund Committee would be to exercise on behalf of the Council all of the powers and duties of the Council in relation

to its functions as Administering Authority of the London Borough of Hammersmith and Fulham Pension Fund. The role of the Pension Board would be to assist the Administering Authority and there had been no recommendations to propose any changes of the current governance arrangements between the Committee and Board.

The Chair asked for further clarification to be provided on the different timelines for achieving all of the 32 recommendations. Phil Triggs explained that a timeline for each of the 32 recommendations had been set out in the officer report. Phil Triggs resolved to bring an update to each subsequent committee to update on progress made with regard to each of the recommendations.

**RESOLVED:**

That the Pension Fund Sub-Committee noted the report which sets out the officer responses to the 32 recommendations made by the review.

**5. PROPOSED IMPROVEMENTS TO PENSION FUND GOVERNANCE ARRANGEMENTS**

David Abbott (Head of Governance) introduced the report and provided a summary of the key points.

**RESOLVED:**

That the Pension Fund Sub-Committee:

- Noted the recommendations of the independent review by John Raisin Financial Services Limited and the officer responses, as set out in the report.
- Endorsed the proposed terms of reference of the new Pension Fund Committee as set out in Appendix 1
- Endorsed the terms of reference as set out in Appendix 1 that the Monitoring Officer is authorised to refer the changes to the terms of reference for approval to Full Council.

**6. PENSIONS ADMINISTRATION UPDATE**

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report and gave a summary of the key points. He provided an overview of the progress made since November 2020 around 9 key areas of activity. This included the timetable for implementation of the new retained team, the procurement of the new service provider and the data improvement programme. It was noted that Local Pensions Partnership Administration (LPPA) agreed to enter into a delegation agreement with the Council for the provision of the Council's administration service. Officers were working with LPPA to ensure that this agreement was put in place.

Councillor Matt Thorley queried whether officers felt confident in achieving the draft project plan and milestones as set out on page 47 of the agenda pack. In response David Hughes explained that officers were working closely with LPPA to develop a detailed project plan, which also included elements of the

exit plan being discussed with Surrey County Council (SCC), to ensure a smooth transfer from SCC and implementation of the new service with LPPA on 1<sup>st</sup> February 2022.

**RESOLVED:**

That the Pension Fund Sub-Committee noted the contents of this report and that further updates would be provided over the project duration.

**7. PENSIONS ADMINISTRATION PERFORMANCE**

Eleanor Dennis (Pensions Manager) presented the report and gave a summary of the key points. The Key Performance Indicators (KPI's) for SCC for the last quarter (November 2020 to January 2021) were below the level required from the Council's administrators but had improved in key areas such as deaths. Officers continued to work with SCC to understand the activity trends and challenge poor performance.

Councillor Matt Thorley asked for an update on the progress of the data cleansing exercise, relating to the backlog casework. In response Eleanor Dennis explained that a third part contractor (ITM) had been appointed to carry out the work required on backlog cases. This work would cover analysis and enquiries to collate data required and uploading new data to member records.

Councillor Matt Thorley noted that SCC's telephone service was operating on a reduced basis since March 2020 and asked how this had impacted the service provided to members. Eleanor Dennis explained that the reduced service was implemented solely for reasons relating to logistics as a result of the Covid-19 pandemic. Members were still able to contact SCC electronically and there was a customer promise to respond to "quick win" emails within 3 days.

**RESOLVED:**

That the Pension Fund Sub-Committee considered and noted the contents of this report.

**8. INVESTMENT CONSULTANCY PROCUREMENT**

Matthew Hopson (Strategic Investment Manager) presented the report and gave a summary of the key points. It was noted that the Pension Fund contract for investment consultancy, currently with Deloitte, would expire at the 31<sup>st</sup> March 2021. Officers had conducted a joint procurement exercise with Westminster City Council which had now concluded. This was concluded using the National LGPS Framework, a well-established framework, giving the fund access to all the best available providers in the space.

Two providers responded to the invitation to tender, with the scoring and analysis of each provider set out in Appendix 1 to this report. Hymans Robertson and Deloitte had been invited to this meeting to respond to the two following clarification questions asked by the Council and receive any follow-up questions that the Sub-Committee might have.

- 1) Can you please detail separately how you would tailor your service differently to meet the needs of Hammersmith and Fulham?
- 2) Please can explain your approach to ESG monitoring and performance of investment managers and how would you keep the committee up to date with this?

Philip Pearson (Hymans) and Kevin Humpherson (Deloitte) provided detailed responses to these questions during the meeting. Full details can be viewed in the recording of the meeting <https://youtu.be/wLREg3DXW3M>

*Members also asked a series of follow-up questions, some of which are set out below:*

Councillor Matt Thorley asked how proactive Hymans' role would be in achieving the fund's carbon neutral objective by 2030. In response Philip Pearson noted that Hymans would take a proactive role, particularly in relation to ensuring that the Pension Fund Sub-Committee was made aware of the implications to meet the goals that were set and its regulatory obligations in relation to climate change, including standards and best practice in this area. It was noted that Hymans had a specialist team who were responsible for keeping track of developments in responsible investment.

Michael Adam (Co-opted member) asked Hymans to provide further clarification on their processes for using fund buy lists when screening for potential new managers. Philip Pearson provided a detailed overview on the process undertaken by Hymans for appointing new managers based on the needs of their client. He noted that Hymans used two sets of buy lists. The difference between the two buy lists was explained in detail. One related to broader investment outcomes and the other was specifically based on managers' capabilities on responsible investment.

Councillor Matt Thorley asked Deloitte how they would balance the objectives of the Pension Fund Sub-Committee against the Environmental, Social and Governance requirements. Kevin Humpherson outlined the approach that would be taken by Deloitte to manage and achieve the objectives of the Sub-Committee.

**RESOLVED:**

That the Pension Fund Sub-Committee approved the recommendation to award the contract to Deloitte.

**9. ACTUARIAL SERVICE PROCUREMENT**

This item was withdrawn.

**10. GROUND RENTS AND SOCIAL SUPPORTED HOUSING**

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. It was noted that the associated Appendix from Deloitte provided an analysis of the recent Fund Manager presentations,

including a summary of each presentation and questions asked to the investment managers as part of the manager selection exercise held on 16 February 2021.

Members held a brief discussion around the information provided during the selection exercise and the investment decision regarding the selected managers.

Phil Triggs noted that a fresh proposal would be brought to the next Committee meeting if the criteria for occupancy rates with Henley had not been satisfied to the expectation of the Pension Fund Sub-Committee.

**RESOLVED:**

That the Pension Fund Sub-Committee delegate authority to the Director of Treasury and Pensions in consultation with the Chair, to invest 5% of the Pension Fund total assets with Alpha Real Capital, 2.5% with Man Group and 2.5% with Henley. The 2.5% with Henley was subject to occupancy rates improving to closer to 90% by the end of Q4 2021.

**11. QUARTERLY UPDATE PACK**

Kevin Humpherson (Deloitte) presented the report and gave a summary of the key points. This included an update on the performance of the Fund and recent manager developments.

Matt Hopson (Strategic Investment Manager) noted the adjustment made to the risk register in relation to the administration process from high to medium due to the recent significant progress made in this area.

**RESOLVED:**

That the Pension Fund Sub-Committee noted the update.

**12. INDEPENDENT CONSULTANT REVIEW**

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. It was noted that it was of the view of officers that the appointment of an individual independent advisor would offer a further, enhanced level of best ideas, investment strategy direction and governance that would further improve the Pension Fund Sub-Committee's decision-making processes. A brief summary for the role of an independent advisor to the fund was also provided.

Members expressed some concerns on how conflicting advice would be managed and influence the overall decision-making process as a result. However, members felt that the use of an experienced independent advisor would be beneficial to the Sub-Committee in adding fresh thinking to governance and investment discussions.

**RESOLVED:**

That the Pension Fund Sub-Committee noted the report and requested officers to proceed with a selection process and a paper on this be brought to a future meeting.

**13. LEISURE DEVELOPMENT FUND: ASSET CLASS REVIEW**

Phil Triggs (Director of Treasury and Pensions) introduced the report and provided an overview on the key points. It was noted that this paper provided the Pension Fund Sub-Committee with more detailed information on a niche alternative asset class in leisure development. The asset class was to be considered as a potential diversifier from mainstream asset classes in the next investment strategy review.

Members noted that they welcomed the opportunity to explore this asset class in leisure development in further detail and thanked officers for bringing this to their attention.

**RESOLVED:**

That the Pension Fund Sub-Committee noted the report with a further report to be brought to the next meeting.

**14. 2021/22 BUSINESS PLAN**

Matthew Hopson (Strategic Investment Manager) presented the report and gave a summary of the key points. It was noted that the purpose of this report was to present the 2021/22 business plan, which sets out the strategic medium-term objectives and a budget forecast for 2021/22.

Michael Adam (Co-opted member) noted that it was beneficial to be able to view all the investment management fees across one table.

**RESOLVED:**

That the Pension Fund Sub-Committee approved the business plan, shown in Appendix 1.

**15. EXEMPT DISCUSSION (IF REQUIRED)**

The sub-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: 6:30pm

Meeting ended: 8:53pm

Chair .....

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