

Pension Fund Committee Minutes

Wednesday 21 July 2021

PRESENT

Note: This was held as a hybrid meeting, with some members and officers attending in person and some joining online. A recording of the meeting can be found at: <https://youtu.be/8-vqfCQ5ado>

Councillors in attendance: Councillors Iain Cassidy (Chair), Rowan Ree, Helen Rowbottom and Matt Thorley

Councillors joined online: Councillor Jonathan Caleb-Landy

Officer in attendance: Phil Triggs (Director of Treasury and Pensions)

Co-opted members joined online: Michael Adam and Peter Parkin

Officers joined online: Dawn Aunger (Assistant Director People and Talent), David Hughes (Director of Audit, Fraud, Risk and Insurance), Eleanor Dennis (Pensions Manager), Matthew Hopson (Strategic Investment Manager), Patrick Rowe (Corporate Finance), Emily Hill (Director of Finance)

External joined online: Kevin Humpherson and Andrew Bullman (Deloitte)

1. APPOINTMENT OF VICE CHAIR

RESOLVED:

That Councillor Matt Thorley was unanimously agreed as Vice Chair of the Committee for the municipal year 2021-22.

2. APPOINTMENT OF CO-OPTED MEMBERS

RESOLVED:

That Councillor Michael Adam and Peter Parkin were unanimously agreed as co-opted members of the Committee for the municipal year 2021-22.

3. APOLOGIES FOR ABSENCE

Apologies for absence were received from Rhian Davies and Councillor Guy Vincent.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting held on the 3rd March 2021 were approved

6. DRAFT MINUTES OF THE PREVIOUS PENSION BOARD MEETINGS

RESOLVED:

That the minutes of the meetings held on the 13th January 2020, 19th November 2020 and the 10th February 2021 were noted.

7. UPDATE ON THE PENSION ADMINISTRATION SERVICE

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report and gave a summary of the key points. He noted that Officers were working in collaboration with Surrey County Council (SCC) and Local Pensions Partnership Administration (LPPA) to mobilise the project. The Council was on track to go live with LPPA on the 1st February 2022.

The Chair queried if Officers anticipated any delays to the implementation of the new service. In response David Hughes explained that any minor concerns had successfully been dealt with and there was good communication taking place between all parties at key milestones during the project.

Councillor Rowan Ree queried whether the Council was meeting its regulatory obligations during this period. In response David Hughes noted that Officers were confident that the work carried out with SCC was progressing well. It was also important to note that SCC were seeking to perform as well as possible during this transition period.

Peter Parkin (Co-opted Member) queried if challenges relating to members receiving their pensions on time were also being addressed. David Hughes explained that the Council was working in collaboration with SCC to ensure that ongoing performance during the transition period was being monitored and maintained.

RESOLVED:

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

8. PENSION ADMINISTRATION PERFORMANCE UPDATE

Eleanor Dennis (Pensions Manager) presented the report and gave a summary of the performance for SCC in providing a pension administration service to the Fund.

In response to a question asked by the Chair, Eleanor Dennis noted that SCC had taken a proactive approach in delivering a better service to improve specific areas of their overall performance.

Referring to the Key Performance Indicator (KPI) report on page 43 of the agenda pack Councillor Jonathan Caleb-Landy asked if Officers had any particular concerns around the score for the dependants' benefits. Eleanor Dennis felt that this was likely to improve in June and July 2021. It was noted that some changes to the processes had led the reporting to appear inaccurate. This was mainly due to time delays with receiving the most up to date information and responses from the relevant dependents.

Michael Adam (Co-opted Member) noted that he was impressed to hear that the performance for SCC was improving, even whilst the Council was exiting the contract with SCC. He asked whether Officers felt that this area may have been under managed by the Council historically due to insufficient resources. He suggested that going forward it was vital to recognise the importance of continuously monitoring the performance on a quarterly basis to ensure that the highest quality of service was being provided by LPPA. In response Eleanor Dennis outlined the historical challenges faced by the Council which may have led to an unsatisfactory performance from SCC. However, Officers would work closely with LPPA to achieve an improved service by regular monitoring and by ensuring that they were held accountable for their responsibilities.

RESOLVED:

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

9. PENSION FUND DATA QUALITY

Eleanor Dennis (Pensions Manager) presented the report and gave a summary of the data quality issues for the Council and the mitigations the Pension Manger was taking on behalf of the Fund to improve these.

The Chair queried whether ITM had identified any commonalities amongst the records for the 690 cases with gone away addresses. In response Eleanor Dennis noted that ITM were not currently looking at any commonalities. However, they had carried out mortality screening and address tracing on these with good results. Up to date addresses had been found for 155 cases and none of the members had deceased.

Councillor Helen Rowbottom queried whether the portal was easily accessible to members so that they could proactively update their own personal information. Eleanor Dennis noted that a member self-service (electronic

portal) was available to members, where they were able to view their pension and update their personal information accordingly. However, the take up on members using the electronic portal was poor, therefore further work would be carried out in the future to improve member engagement on the portal.

Peter Parkin (Co-opted member) queried how communication would be made more effective to increase member engagement. Eleanor Dennis outlined the steps that would be taken by working closely with LPPA to improve the communication strategy.

RESOLVED:

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

10. THE PENSIONS REGULATOR SINGLE CODE CONSULTATION

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. He noted that the Pensions Regulator (TPR) had drafted a new single code of practice (COP) for all UK pension schemes. The purpose of this single code was to merge the ten existing COPs into one single document, which should be easier to navigate, understand and keep up to date.

Michael Adam (Co-opted Member) asked whether the implementation of the COP would impact the way the Fund was administered. In response Phil Triggs explained that if any changes were to arise as a result of the implementation, the Ministry of Housing Communities & Local Government would be required to issue new regulations to cover those specific areas. It was noted that an updated TPR document would be produced following the consultation process and when a final code was published.

Councillor Rowan Ree asked for further clarification to be provided on the consequences for the schemes that did not meet the expectations of COP. In response Phil Triggs provided an overview of the consequences, noting that generally all schemes would need to legally comply to any statutory guidance, as well as complying to the TPR Code. Clear and specific reasons would need to be outlined to the TPR if a Fund chose not to comply with the best practice of the regulator.

RESOLVED:

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

11. GOVERNANCE REVIEW LOG OF RECOMMENDATIONS

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. This paper provided a progress log of the 32 recommendations that came out of the independent review of the governance arrangement for the Pension Fund and the results achieved to date on them.

Councillor Jonathan Caleb-Landy asked for further clarification to be provided on a final date for when all the recommendations would be completed by. In

response Phil Triggs noted that Officers aimed to complete actions on all of the recommendations by the 31st March 2022.

Referring to Appendix 1 (log of recommendations), Councillor Rowan Ree raised some concerns regarding some of the recommendations that had been marked for completion as a matter of urgency but had not yet immediately been addressed. In response Phil Triggs explained that he acknowledged the urgency of completing these recommendations. However, managing the exit from SCC and the onboarding with LPPA and associated activities remained a key priority and the most urgent tasks for completion at this stage. In addition, recommendation 27 would be dealt with as a priority as soon as the implementation to LPPA had been completed.

Eleanor Dennis (Pensions Manager) provided reassurances that the regulatory compliances for the Fund were also being met on a day to day basis, whilst managing the exit from SCC.

Councillor Helen Rowbottom asked for further clarification to be provided on recommendation 24 and what the communication plan would include. Phil Triggs noted that this recommendation was still outstanding and covered the majority of the communications between the administering authority and its beneficiaries. Eleanor Dennis (Pensions Manager) noted that a breakdown and completion timelines for urgent recommendations, would be brought to the next Pension Fund meeting for review,

RESOLVED:

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

12. PENSION FUND DRAFT ACCOUNTS 2020/21

Matthew Hopson (Strategic Investment Manager), presented the report and gave a summary of the key points. It was noted that the draft Pension Fund Statement of Accounts 2020/21 provided members with an opportunity to review and comment on any matter within the financial statements.

The Chair noted that the costs for management and investment management expenses had risen and asked for further clarification to be provided on these increases. In response Matthew Hopson outlined the reasons why the administrative, oversight and governance costs, including the management fees had gone up in 2021.

Peter Parkin (Co-opted Member) asked for further information to be provided on the £900,000 transaction costs and what these included. Matthew Hopson provided a summary of how these costs were incurred, noting that the largest transaction cost was from the Ruffer Investment Fund due to the nature of its asset investment strategy.

Michael Adam (Co-opted Member) requested that a note be included to the draft accounts which explained the difference for the change in the management fees.

Action: Matthew Hopson

Phil Triggs (Director of Treasury and Pensions) thanked the newly appointed Pension Fund Manager, Patrick Rowe and Matthew Hopson for their hard work in preparing and compiling the draft accounts.

RESOLVED:

That the Pension Fund Committee noted the Pension Fund Statement of Accounts for 2020/21.

13. GAD REVIEW UPDATE

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. The Pension Fund received green flags across the spectrum on the Government Actuary's Department's (GAD) various different financial tests. This reflects the Fund was in a relatively strong position.

The Chair requested that further clarification be provided for the purpose of the new Committee Members on the definition of a funding level. Phil Triggs explained that a funding level was the measurement of the Fund's ability to pay for its future pension outflows. In order to measure this liability, future estimated pensions payments are discounted to a net present value as at today and measured against the asset valuation to arrive at a funding level percentage. The funding level of the Pension Fund, as per the triennial valuation, had increased from 88% as at 31 March 2016 to 97% as at 31 March 2019. The main driver for this improvement was significant investment returns above what had been assumed in the 2016 valuation. The estimated funding level for the Fund based on the 2019 GAD assessment was 100.5%, which put the Fund in a surplus position. Once the Council (as an employer body) was at 100%, consideration could be given to cease paying deficit contributions.

RESOLVED:

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

14. BREACHES POLICY

Phil Triggs (Director of Treasury and Pensions) introduced this item.

Matthew Hopson (Strategic Investment Manager), presented the report and gave a summary of the key points. It was noted that as part of the independent review of the Pension Fund, a recommendation was made to compile and approve a Breaches of Law policy and guidance document. The Pensions Regulator Code of Practice No. 14 sets out guidance on the breaches of the law, including how to identify a breach, how to classify a breach, and thus how to report the breach.

Note: only members in attendance participated and voted on this item.

RESOLVED:

That the Pension Fund committee approved the Breaches of the Law policy and guidance document.

15. QUARTERLY PERFORMANCE UPDATE

Matthew Hopson (Strategic Investment Manager), presented the report and gave a summary of the key points. It was noted that the Fund outperformed its benchmark net of fees by delivering a return of 2.9% (benchmark returned 1.4%) over the quarter to 31 March 2021, and the estimated funding level was 95.0% as at 31 March 2021. The highlights over the quarter to 31 March 2021 came from the performance of the LCIV Absolute Return Fund and Oak Hill Advisors, who both outperformed their 'cash plus' benchmark.

Kevin Humpherson (Deloitte) provided an update on the developments for the two investment managers, these included Partners Group Multi Asset Credit and Aviva (Infrastructure Fund).

Andrew Bullman (Deloitte) gave a summary of the Pension Fund's performance for the quarter ended 30th June 2021. It was noted that the Fund had a second successive quarter over the year of 2021 with a positive performance for the Fund of 4.2%. This was broadly in line with the weighted benchmark. The performance was driven mainly by the Fund's equity allocation.

RESOLVED:

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

16. INVESTMENT STRATEGY UPDATE

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. The two investment allocations to Alpha Real Capital and Man Group had been successfully implemented, with all due diligence completed, paperwork signed, and drawdowns commenced. However, the required improvements to the Henley fund that members had been seeking had not been achieved by the fund closing deadline. As such, Officers had not committed to the investment.

The paper provided an Appendix with more detailed information on a niche alternative asset class in Leisure Development, run by Darwin Alternatives, a leading asset manager in this field and with an established foothold in the LGPS.

Kevin Humpherson (Deloitte) provided an update on the Fund's latest investment strategy, including the decisions taken at the last Pension Fund Committee meeting and the latest investment allocation following on from the decisions taken and latest updates.

Councillor Helen Rowbottom queried how the Committee came to its decision for all three investment allocations. In response Phil Triggs outlined the key reasons, noting that the Fund's strategy was to achieve a diversified portfolio across asset classes. This provided protection in the event of market volatility.

The Council was also looking to invest in assets to protect the Fund from future CPI inflation pressures by investing in real assets.

RESLOVED:

That the Pension Fund Committee:

- Noted the strategy update.
- Agreed to invite Darwin to the next committee meeting to present their leisure development fund offering.

17. SECTION 113 AGREEMENT REVIEW

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. The agreement for shared Treasury and Pension services between The London Borough of Hammersmith and Fulham, Westminster City Council, and the Royal Borough of Kensington and Chelsea commenced in February 2012, and the Council commissioned an independent consultant to review this agreement in August 2020. The scope of this review covered a range of areas, with particular focus on team performance, KPIs, development of the performance management, and cost recharging arrangements.

RESOLVED:

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

18. ACTUARIAL SERVICE PROCUREMENT

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. Members discussed the report.

Note: only members in attendance participated and voted on this item.

RESOLVED:

That the Pension Fund Committee:

- Ratified the award of the contract to Hymans Robertson LLP for a period of three years with the option to extend for a further two years. The estimated contract price for the 5-year period was £177,000.
- Delegated authority to the Director of Finance in conjunction with the Assistant Director, Legal Services and Chair of the Committee to finalise the contractual provisions in respect of the decision above.

19. EXEMPT DISCUSSION

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: 19:00pm
Meeting ended: 21:20pm

Chair

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