

Pension Fund Committee Minutes

Monday 28 February 2022

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/YppBNQqizA>*

PRESENT

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

Councillors Joined remotely: Councillors Matt Thorley, Jonathan Caleb-Landy

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

Officers in attendance: Phil Triggs (Director of Treasury and Pensions), Matthew Hopson (Strategic Investment Manager), Eleanor Dennis (Head of Pensions)

Officers joined remotely: Dawn Auger (Assistant Director People and Talent), David Hughes (Director of Audit, Fraud, Risk and Insurance), Emily Hill (Director of Finance), Patrick Rowe (Pension Fund Manager)

External joined remotely: Kevin Humpherson (Deloitte) and Miriam George (Independent Consultant)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Guy Vincent.

Apologies for lateness were received from Michael Adam

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the open and exempt meeting held on the 23rd November 2021 were approved.

4. UPDATE ON THE LGPS PENSIONS ADMINISTRATION SERVICE

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report and gave a summary of the key points. It was noted that the data migration from Surrey County Council (SCC) to Local Pensions Partnership Administration (LPPA) had been successfully completed and the new service being provided by LPPA went live on 26th January 2022.

SCC worked closely with Officers and had been cooperative and supportive throughout the exit process. The key milestone of transferring Member data from SCC to LPPA and commencing the new service had been successfully achieved within the timescale approved by the Committee. Fund Members received communications in December 2021 and January 2022 from LPPA regarding the new service. Employer and Member communications had also been sent out recently to enable registration for the relevant portals so that both Employers and Members could view and provide information online.

Further progress reports would continue to be provided to the Pension Fund Committee on all the key milestones achieved over the coming months on the new pensions administration service. The Commercial Director from LPPA would be invited to attend the next meeting of the Committee, when performance data for the new service would be presented.

David Hughes (Director of Audit, Fraud, Risk and Insurance) thanked Eleanor Dennis (Head of Pensions), and her Team for their contributions and hard work towards the project coordination, enabling a successful transfer to LPPA within the timescales set out.

The Chair enquired if any issues had been identified during the data transition process across to LPPA. In response David Hughes (Director of Audit, Fraud, Risk and Insurance) explained that the data transfer from SCC was successfully completed. Overall, a very clean migration of data took place and no issues had been identified in the data that had been transferred across to LPPA.

The Chair thanked Officers for all their hard work and efforts in ensuring a smooth transition to the new pension administration service.

RESOLVED:

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

5. PENSION ADMINISTRATION KPI PERFORMANCE

Eleanor Dennis (Head of Pensions) presented the report and gave a summary of the performance for SCC in providing a pension administration service to the Fund. The Key Performance Indicators (KPI's) as detailed in

Appendix 1 of this report covered the period October 2021 to January 2022 inclusive, remained steady.

SCC had continued to provide a satisfactory pension administration service to the Fund in most areas with some improvement in performance for this last full quarter of work processed, despite this being the exiting period.

The processing of deaths over the last 3 months had remained steady with most death cases processed within the agreed service level agreement of 5 days.

The processing of refunds remained steady but improved overall to meeting our set KPI's in January 2022. The processing of transfers saw some improvements most notably the processing of transfers ins rising from 41% in October 2021 to 80% in January 2022. With a 3% fall in transfer outs.

The poor performance in October and November was a result of resources at SCC being diverted to focus on another Fund's exit. Overall SCC had remained committed to providing a satisfactory service in the months prior to the Fund's exit from their services in January 2022

The Chair asked for further clarification to be provided on the reasons for the poor performance in the processing of deferred retirement benefits and if any complaints had been received from Fund Members as a result of this. In response Eleanor Dennis (Head of Pensions) noted in addition to resources at SCC being diverted to focus on another Fund's exit, SCC were also in the process of a restructure, therefore felt there may have been issues relating to low staff morale. It was noted that no complaints had been received in relation to SCC to date. However, the Council had received some complaints around response times with the new provider. Officers were working closely with LPPA to manage and resolve these complaints.

Councillor Rowan Ree expressed concern about the complaints received for the new provider. He enquired if these were being addressed and if Officers were satisfied with the service currently being provided by LPPA. Eleanor Dennis (Head of Pensions) noted that work was being carried out to improve portal understanding amongst Fund Members. It was noted that LPPA were in the process of providing useful YouTube videos to improve members' understanding and usability of the information available on the portal. Officers were confident that the Council had chosen the right provider. Officers confirmed that regular meetings were being held between Officers and LPPA to address any initial start-up challenges, including response times as a result of switching to a new provider.

Councillor Helen Rowbottom queried when the performance data would be available to the for the new provider. Eleanor Dennis (Head of Pensions) noted that the performance with LPPA was monitored on a quarterly basis, and this would be presented to the Committee at the next meeting.

RESOLVED:

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

6. GOVERNANCE LOG OF RECOMMENDATIONS

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. The report made 32 recommendations, which had been recorded in a progress log to demonstrate the various stages of completion of the recommendations. The log showed that good progress had been made, with 21 recommendations implemented, and 7 commenced.

Councillor Rowan Ree enquired when the outstanding recommendations would be completed. Eleanor Dennis (Head of Pensions) explained that she acknowledged the urgency of completing the pension administration 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. Any outstanding recommendations would be progressed as a priority within the coming months.

Councillor Jonathan Caleb-Landy asked for further clarification to be provided on recommendation 19 and when this would be completed in light of Covid-19 and the current geopolitical factors. In response Phil Triggs (Director of Treasury and Pensions) noted that if the Committee were minded approving the Risk Management Policy (Item 8) then recommendation 19 would be marked as complete. A further update would be provided under item 8.

RESOLVED:

That the Pension Fund Committee noted the log.

7. PENSION FUND QUARTERLY UPDATE PACK

Matthew Hopson (Strategic Investment Manager) presented the report and gave a summary of the key points. He noted that the risk register was last reviewed on the 16th February 2022 and this would be reviewed and updated in light of the current geopolitical situation and how this would impact the Fund.

Officers and Deloitte attended a manager review day on the 24th February 2022. An update would be circulated to Members in due course.

Action: Matthew Hopson

Kevin Humpherson ((Deloitte) provided an update on the Pension Fund's investments and performance, included in Appendix 2. It was noted that global markets performance performed positively, with global equity indices increasing by 7% in local currency terms over the quarter. Overall, the investment performance report showed that over the quarter to 31st December 2021, the market value of the assets increased by £43.7m to £1,320.5m. The Fund outperformed its benchmark net of fees by 0.7% in delivering a return of 4.4% over the quarter to 31st December 2022, and the estimated funding level was 93.0% as at 31st December 2022. Over the year to 31st December 2022, the fund overperformed against its benchmark by 3%, returning 14.0% overall. The highlights over the quarter to 31st

December 2022 came from the LCIV Global Equity Core Fund, contributing 0.40% of outperformance.

The Chair asked if the Fund had any exposure to Russian markets. Phil Triggs (Director of Treasury and Pensions) explained that Officers had made enquiries with Fund Manager's and consulted the LGPS Cross Pools Group in England and Wales and Russian exposure to the Council's Pension Fund and the LGPS in general was very minimal. However, the situation would be monitored closely, and an update would be circulated to the Committee if there were any further developments.

RESOLVED:

That the Pension Fund Committee

1. Approved that appendix 2b was not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. Noted the update.

8. PENSION FUND RISK MANAGEMENT POLICY

Phil Triggs (Director of Treasury and Pensions) 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 Risk Management Policy.

The policy detailed the risk management strategy for the Fund, including, the risk philosophy for the management of the Fund, how risk management was implemented, risk management responsibilities, the procedures that were adopted in the Fund's risk management process and the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund. By ensuring effective risk management the Pension Fund could ensure good and effective governance and minimise any risks that resulted from a failure in governance.

The Chair queried if anything further was required to ensure that this recommendation was complete. In response Phil Triggs (Director of Treasury and Pensions) confirmed that all actions had now been executed for this recommendation. However, Officers would continue to review and implement any feedback received from Members to the risk register that was presented to the Committee on a quarterly basis.

Councillor Rowan Ree, referring to page 99 of the agenda pack (Appendix 1) enquired if the Committee was provided with sufficient information to carry out its responsibilities around risk management. He requested that further information be included in the risk register going forward to ensure that the Committee was carrying out its responsibilities as set out in Appendix 1. Phil Triggs (Director of Treasury and Pensions) noted that Officers were confident that the risk register was updated comprehensively for each meeting. Officers

welcomed feedback from Members on how the risk register could be enhanced and improved to meet the requirements of the Committee, following the meeting.

Action: Phil Triggs

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

RESOLVED:

That the Pension Fund Committee approved the Risk Management Policy included at Appendix 1.

9. PENSION FUND BUSINESS PLAN

Matthew Hopson (Strategic Investment Manager) presented the report and gave a summary of the key points. This was the second Pension Fund business plan presented to the Committee and sets out the short-term objectives and a financial forecast for 2022/23. An outturn report for 2021/22 would be presented to the Committee to update Members on progress and present outcomes with an outturn cost summary.

The Chair asked for feedback to be provided on the previous business plan and enquired whether this was a useful process to implement. Matthew Hopson (Strategic Investment Manager) explained that it was proven to be best practice to have a business plan in place, ensuring that the Council was successfully meeting its objectives.

Councillor Rowan Ree enquired if the Council had received many freedom of information requests (FOI's) in relation to the Pension Fund. Matthew Hopson (Strategic Investment Manager) noted that the Council received a significant number of FOI's, mainly from private companies asking a varied range of questions relating to the Fund's investment allocations and associated performance data.

Michael Adam (Co-opted Member) asked for further clarification to be provided on the increase in contract fees and how these compared to other Funds. Matthew Hopson (Strategic Investment Manager) noted that it was often difficult to compare and evaluate fees across other Funds, due to the difference in investment strategies which meant you were not comparing like with like. Certain Funds across the LGPS may have simpler, cheaper strategies or be seeking higher risk for example which had an impact on investment fees. Changes to investment strategies in-year would also result in higher fees due to greater transaction costs. Therefore, comparing two Fund's fees for investment management did not lead to helpful conclusions by itself.

Councillor Helen Rowbottom enquired if there was a document available that provided a summary of the Fund's investments for FOI requests. Matthew Hopson (Strategic Investment Manager) noted that a Pension Fund Annual report was available which contained a comprehensive overview of the Fund's investments. A shorter, more user-friendly document which contained the responsible investment statement was also available. However, this was

last updated in 2020. A revised version of this document would be brought to the next Committee for Members to review.

Action: Matthew Hopson

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

RESOLVED:

That the Pension Fund Committee considered and approved the 2022/23 business plan (included at Appendix 1)

10. PENSION FUND CONSULTANT REVIEW

Matthew Hopson (Strategic Investment Manager) presented the report and gave a summary of the key points. In December 2019, the Competition and Markets Authority's Investment Consultancy and Fiduciary Management Investigation Order 2019 came into effect, following an extensive review into the industry. This required all Pension Funds to set formal aims and objectives for their investment consultants. The Committee approved its set of investment consultant aims and objectives on 26th November 2019, against which the consultant performance for 2021 had been reviewed.

As shown in Appendix 1, the consultant's performance over the past year had been to an excellent standard and the Pension Fund remained pleased with the work that the consultant continued to carry out in advising the Fund on its investment strategy.

RESOLVED:

That the Pension Fund Committee noted the report.

11. AVIVA INFRASTRUCTURE INCOME FUND UPDATE

Phil Triggs (Director of Treasury and Pensions) presented the report and gave a summary of the key points. It was noted that the purpose of this report was to update the Committee on the Pension Fund's investment in the Aviva Infrastructure Income Fund. Specifically, the Fund's investment advisor, Deloitte, had produced a report relating to various issues Aviva was facing in relation to biomass and energy from waste assets including the subsequent position Aviva had on its rated list as a result.

Members discussed the Appendix to this report and a summary of this can be found in the exempt minutes.

RESOLVED:

That the Pension Fund Committee

1. Approved that Appendix 1 was not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as

set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

2. Noted the Deloitte report, shown at Appendix 1

12. CESSATION OF FULHAM PALACE TRUST

Eleanor Dennis (Head of Pensions) provided a brief update and noted that the recommendation of this report was to pay Fulham Palace Trust an exit credit as set out in the exempt appendix 1.

Members discussed the appendix to this report and a summary of this can be found in the exempt minutes.

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

RESOLVED:

That the Pension Fund Committee

1. Approved that Appendices 1 & 2 were not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. Approved to pay Fulham Palace Trust an exit credit as set out in the exempt Appendix 1.

13. EXCLUSION OF THE PUBLIC AND PRESS

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.

14. LONDON LGPS CIV LTD REGULATORY CAPITAL CLASSIFICATION UPDATE - EXEMPT

Discussion of this item can be found in the exempt minutes of the meeting.

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

RESOLVED:

That the Pension Fund Committee approved the recommendations included in the exempt report.

Meeting started: 19:00pm
Meeting ended: 21:00pm

Chair

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