

London Borough of Hammersmith & Fulham

Pension Fund Committee

Minutes



Wednesday 7 September 2022

PRESENT

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

Co-opted members: Michael Adam (attended remotely)

Officers:

David Hughes (Director of Audit, Fraud, Risk and Insurance)

Phil Triggs (Director of Treasury and Pensions)

Patrick Rowe (Pension Fund Manager)

David Abbott (Head of Governance)

Advisers:

Kevin Humpherson (Deloitte)

Jonny Moore (Deloitte)

Marian George (Independent Advisor)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Iain Cassidy.

Apologies for lateness were received from Councillor Adam Peter Lang (who entered at 7.12pm).

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED

The open and exempt minutes of the meeting held on 20 June 2022 were both approved as accurate records of the meeting.

4. PENSION ADMINISTRATION - KEY PERFORMANCE INDICATORS

David Hughes (Director of Audit, Fraud, Risk and Insurance) introduced the report which set out a summary of the performance of the Local Pension Partnership Administration (LPPA) in providing a pension administration service to the Hammersmith & Fulham Fund. He highlighted improvements in a number of areas – particularly related to the number of cases processed and core wait times – but he said there was still a lot of work to do.

David Hughes noted that the LPPA's Commercial Director had been invited to attend the extraordinary meeting on 6 October to discuss the issues faced, the progress made so far, and plans for improvement.

The Chair welcomed the opportunity to discuss the service with the Commercial Director and suggested members submit questions and areas for discussion ahead of the October meeting.

ACTION: Committee members

Members made the following requests:

- A more detailed breakdown of the KPIs.
- A breakdown of the full enquiries process.
- How the Committee could get bottom-up feedback from members to understand their top concerns.
- The timeline to get back to normal levels of resource.

RESOLVED

The Committee noted the report.

5. DRAFT ANNUAL REPORT 2021/22

Patrick Rowe (Pension Fund Manager) introduced the report which presented the draft Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2022.

Marian George (Independent Advisor) encouraged members to fill out their training needs forms. She also discussed the recent London CIV conference, noting that the sessions would be available online shortly and recommended members to watch them and attend the conference next year. Phil Triggs (Director of Treasury and Pensions) also recommended some online training and said officers would forward links to the Committee.

ACTION: David Abbott / Phil Triggs

Councillor Florian Chevoppe-Verdier asked if the skills and staffing shortage noted on page 29 had been flagged to the Council's recruitment team. Patrick Rowe said it was a potential risk, but not currently an issue for the pensions team.

Councillor Chevoppe-Verdier asked for more information on the risk about increased life expectancy on page 30. Patrick Rowe said it was a liability risk,

the valuation took many factors into account, one of which was life expectancy. Phil Triggs added that the fund had recently switched actuaries to Hymans who had very granular data on life expectancy down to individual postcodes – there was huge variation in life expectancy across the country, which the actuary would explain at the next meeting.

Councillor Chevoppe-Verdier noted the report showed £58m more being paid out of the fund each year than was going in. He asked when that would become a problem if it continued at that rate. Patrick Rowe said net cashflow was negative and the net effect was around £11m per year. To mitigate that, managers had been allocating more capital to income generating assets, but cashflow was not a significant risk at current levels.

Councillor Chevoppe-Verdier asked if the number of admitted bodies varied over the past year and how much by. Patrick Rowe said it did vary but only by small numbers (single digits).

Councillor Chevoppe-Verdier, in reference to the table on communications to residents on page 107, asked how often the publications were sent out and the total volume of paper being sent. Patrick Rowe said that related to pensions administration. David Hughes said the communications strategy was being reviewed and would be presented to the Committee shortly. Committee members encouraged a transition to electronic communications. David Hughes said he would feed that back to the Administration team.

ACTION: David Hughes

Marian George noted that some of the strategies in the appendices should have been tagged with publication dates for clarity.

ACTION: Patrick Rowe

Councillor Chevoppe-Verdier felt the governance of the London CIV was unclear and asked how members were appointed. Phil Triggs said the CIV's governance had evolved over its life. He would provide information on the appointment process in an update.

ACTION: Phil Triggs

Councillor Chevoppe-Verdier said the resolution of the tables on pages 136 to 143 made them difficult to read. He asked officers to ensure reports were clear and accessible and suggested they follow the WCAG web accessibility standards.

Councillor Adam Peter Lang noted the pound had fallen to a 37 year low against the US dollar and asked what the implications were for the fund. Kevin Humpherson (Deloitte) said that over the long-term currency was not a major factor in investment returns.

Councillor Adrian Pascu-Tulbure raised concerns about rising inflation and asked if the H&F fund was at particular risk with its investments. Kevin Humpherson suggested the Committee look in more detail at interest rate exposure, inflation risk, and currency risk following the actuarial valuation

outcome. Marian George agreed that inflation was something to consider when looking at investment strategy and suggested training would be useful in that area.

The Chair requested some training on currency exposure and inflation. Councillor Chevoppe-Verdier asked that officers sent any recommended training opportunities to them – and suggested a standing agenda item on upcoming training sessions.

ACTION: Phil Triggs

Councillor Pascu-Tulbure, in reference to the graph on page 20, asked for views on how quickly costs could be reduced to the benchmarks. Patrick Rowe said he expected costs to come down in the next year.

RESOLVED

The Committee approved the draft Pension Fund Annual Report for 2021/22 and delegated approval of the final version to the Director of Treasury and Pensions in consultation with the Chair.

6. RESPONSIBLE INVESTMENT STATEMENT

Patrick Rowe (Pension Fund Manager) introduced the report which presented the Responsible Investment policy for the London Borough of Hammersmith and Fulham Pension Fund.

The Chair asked when the ESG dashboard would be made available on the Council's website. Patrick Rowe said he hoped it would be online in the next few weeks.

Councillor Florian Chevoppe-Verdier asked for more information on the DWP's new reporting requirements referenced on page 163. Phil Triggs said the 12-week consultation paper for future climate change disclosure requirements was specifically for the LGPS. The requirements built on the work of the DWP taskforce with enhancements. He said officers would raise the issue of possible duplication of work that pools and administrative authorities were required to do. Implementation was planned for financial year 2023/24. He noted that a paper would come to the November meeting.

ACTION: Phil Triggs

Councillor Chevoppe-Verdier noted that officers and members should expect feedback on the map used for the dashboard due to areas that were not internationally recognised (Taiwan, Kosovo etc.). The Chair suggested adding a disclaimer to the map explaining that it didn't represent any particular views of the Council.

ACTION: Patrick Rowe

Phil Triggs informed members that Patrick Rowe was scheduled to present the ESG dashboard at a national LGPS conference on the 9th of September. The Chair suggested linking up with the communications team to publicise it.

RESOLVED

The Committee approved the Responsible Investment Statement.

7. GOVERNANCE REVIEW LOG OF RECOMMENDATIONS

Phil Triggs (Director of Treasury and Pensions) gave an update on the progress log of recommendations that came from an independent review of the governance arrangements for the Pension Fund. He noted that 27 of the recommendations had been implemented and there were only 5 left to go, which were mainly administration related.

The Chair asked for an update on the administration recommendations at the extraordinary meeting in October. David Hughes said officers would produce an update on how the actions would be addressed.

ACTION: David Hughes

RESOLVED

The Committee noted the log of recommendations.

8. PENSION FUND QUARTERLY UPDATE PACK

Patrick Rowe (Pension Fund Manager) introduced the report which provided the Committee with a summary of the Pension Fund's overall performance for the quarter ended 30 June 2022, a cashflow update and forecast, and an assessment of risks and mitigating actions. He noted that, while it had been a challenging quarter, the fund had performed fairly well due to its defensive asset allocation strategy and the overall diversification of the portfolio. Over the year, the fund was up 2.1 percent against the benchmark.

Kevin Humpherson and Jonny Moore (Deloitte) discussed the findings of the Deloitte investment performance report.

Councillor Florian Chevoppe-Verdier asked what the impact of the new requirements of the US Securities and Exchange would be. Kevin Humpherson said it would increase the costs of some managers.

Councillor Chevoppe-Verdier asked if the new London CIV CEO was in place yet. Marian George said he was due to join in November.

Michael Adam suggested it was the right time for an update on liabilities. Kevin Humpherson said he would pick it up with Hymans.

ACTION: Kevin Humpherson

Councillor Adrian Pascu-Tulbure asked if officers expected returns to remain negative for the rest of the year and if members should be concerned. Marian George said there was likely to be volatility in the short term, but the fund was invested for the long term. Volatility did not impact pension fund members as

their contribution rates were fixed and while it would impact employers, their contribution rates were smoothed over the long-term.

Councillor Laura Janes asked to what extent the cost-of-living crisis was factored in as a risk to the fund. Patrick Rowe said the risk register had been updated and the risks around inflation had been upgraded. There were increased risks around liabilities, market performance, and the financial stability of admitted bodies.

Michael Adam suggested looking at the risk that inflation posed to admitted bodies and to the fund more broadly if an admitted body failed and the fund had to pick up the costs. The Chair supported the recommendation.

ACTION: Patrick Rowe

RESOLVED

The Committee noted the report.

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

RESOLVED

The Committee resolved, 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.

10. INFRASTRUCTURE EQUITY – MARKET CONSIDERATIONS

Phil Triggs (Director of Treasury and Pensions) introduced the report which covered the parameters and characteristics required from an infrastructure allocation to replace the current outgoing allocation to the Aviva Investors Infrastructure Income Fund.

RESOLVED

1. The Committee noted the report.
2. The Committee requested a briefing note to provide a progress update on the Aviva Investors Infrastructure Income Fund liquidation.
3. The Committee requested a report on reallocation options for the November meeting.

11. LONDON CIV PASSIVE EQUITY PROGRESSIVE PARIS-ALIGNED SUB FUND

Patrick Rowe (Pension Fund Manager) introduced Jonny Moore (Deloitte) who presented the report which provided a summary of the London CIV Passive Equity Progressing Paris-Aligned Sub Fund (the PEPPA Sub Fund) and compared the index differences between it and the Fund's current low carbon passive global equity mandate.

RESOLVED

1. The Committee noted the report.
2. The Committee requested more analysis of the options available.

12. MAN GPM COMMUNITY HOUSING FUND – FINANCING FACILITY

Phil Triggs (Director of Treasury and Pensions) introduced the report which gave an update on the terms proposed by Man GPM for the Community Housing Fund (CoHo Fund).

Kevin Humpherson (Deloitte) briefed members on the proposed terms and in response to a question from Councillor Laura Janes, he said there were no additional costs or risks.

RESOLVED

The Committee agreed the recommendation to act in accordance with the view outlined by Deloitte in Appendix 1.

13. DATES OF FUTURE MEETINGS

The dates of future meetings were noted:

- 6 October 2022
- 15 November 2022
- 28 February 2023

The Chair highlighted the extraordinary meeting scheduled for 6 October 2022 which would focus on pensions administration.

Councillor Laura Janes noted that she was the only female member of the Committee and recommended that a more gender-balanced membership be considered when members were next due to be appointed in May 2023.

Meeting started: 7.00 pm
Meeting ended: 9.31 pm

Chair

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