

Pension Fund Committee

Minutes

9 March 2022

Present:

Chair: Councillor Nitin Parekh

Councillors: Dean Gilligan Bharat Thakker
Norman Stevenson

**Co-optee
(Non-voting):** Howard Bluston

**Independent
Advisers:** Mr C Robertson Independent Adviser
Honorary Alderman R Romain Independent Adviser

Absent: Pamela Belgrave GMB

197. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Members:-

Ordinary Member

Reserve Member

Councillor Keith Ferry

Councillor Dean Gilligan

198. Declarations of Interest

RESOLVED: To note

- (1) the declarations of interest which had been published on the website prior to the meeting and the following additional non-pecuniary interest

made during the course of the meeting by the Non-Voting Co-opted Member, Howard Bluston, in respect of the items on the agenda:

Serve on the North London Committee of the PLSA, which meets at Aon's St Albans offices, though it had only met online on Zoom since Covid. Know and meet representatives of Fund Managers outside formal meetings. Recently attended a dinner sponsored by CQS, and proposed a 'Vote of Thanks' to them.

- (2) that Members, Advisers and the Co-optee remained in the meeting whilst the items were considered and voted upon.

199. Minutes

RESOLVED: That the minutes of the meeting held on 24 November 2022, be taken as read and signed as a correct record.

200. Public Questions

RESOLVED: To note that no public questions had been received.

201. Petitions

RESOLVED: To note that no petitions had been received.

202. Deputations

RESOLVED: To note that no deputations were received at the meeting.

Resolved Items

203. Performance Dashboard and Update on Regular Items

The Committee received a report of the Director of Finance, together with confidential appendices, which updated Members on:

- the draft Work Programme inviting Members' comments and agreement
- the investment and management performance dashboard report summarising key fund statistics and data, risk indicators and PIRC (Pension and Investment Research Consultants Ltd) performance indicators
- the Fund's performance to 31 December 2021
- the meetings of the Pension Board.

An officer introduced the report and undertook to re-circulate some of the performance figures that appeared distorted and referred to the confidential appendices which would require further discussion in the private session of the meeting.

In response to a question from the Chair, the officer stated that Annual Statements would be sent to active and deferred members of the Fund in July/August 2022 and that he would identify how best to draw their attention to the benefits of completing the 'nomination' section. He would report back on the number of members that had nominated a beneficiary. Additionally, the draft accounts would be reported to the Committee in September 2022.

An Independent Adviser queried the emphasis of matter in property by Mazars, the Council's external auditor. In response, the officer stated that this was a standard qualification made on all Local Authority accounts and LGPS Accounts that had significant investment in property. There were some challenges around property valuations and this assumption was not peculiar to the Harrow Pension Fund. The officer also explained that the difference between the two figures (£68.5m and £61.7m) set out in Section 4 of the report by Mazars were that the lower figure referred to the Fund's property investment with Lasalle, and the higher one included both this and the private equity investment with Pantheon.

RESOLVED: That, subject to the comments set out in the preamble above,

- (1) the Work Programme for 2022-23 be agreed
- (2) the comments on the performance and investment dashboard report, set out at Minute 209, be noted.

[See also Minute 209].

204. Review of Fund Policies

The Committee received a report of the Director of Finance and Assurance, which brought together several Fund Policies for review as part of the steps required to ensure that the Fund was ready for the implementation of the Good Governance Review in 2022. Members noted that the draft Fund Policies had been considered by the Pension Board.

A Member, an Independent Adviser and the Co-opted Member, made the following comments:

- the administration costs that scheme members were required to pay in relation to pension sharing order related to divorce proceedings appeared to be low and concern was expressed if the charge would cover the costs
- support would be available from an Independent Adviser and the Co-opted Member to train new Committee Members following the local election in May 2022
- that the second and third lines of page 90 of the agenda be amended to read: take all necessary steps to consider the breach and, if considered appropriate, report to the Regulator ...

- the need to identify responsible officers whether they be the Section 151 Officer or the Monitoring Officer. An officer undertook to set this out at the beginning of the relevant Policy.

RESOLVED: That

- (1) the report be noted, including the comments of the Pension Board
- (2) the Conflicts of Interest Policy, Breaches Policy, Fund Training Strategy and Administration Strategy be approved subject to the minor corrections set out in the preamble above.

205. Review of Pension Fund Risk Register

The Committee received a report of the Director of Finance setting out the Pension Fund Risk Register which had been updated for review by Members.

An officer introduced the report and explained that the key risks/scores remained unchanged. However, further mitigations had been identified against some key risks and the text in the document strengthened accordingly. He advised that some risks would have to be tolerated – as an example, investment risk was managed partly through diversification.

Members did not make any comments on the Risk Register.

RESOLVED: That the updated Risk Register be received and noted.

206. Appointment of Independent Advisors

The Committee received a report of the Director of Finance, which set out the outcome of the procurement for Independent Advisors and recommended the appointment of advisors as the current contracts were due to expire on 31 March 2022.

RESOLVED: That Alderman Richard Romain and Mr Colin Robertson (t/a Robertson Rumsey Limited) be appointed as Independent Advisers to the LB Harrow Pension Fund for a period of 4 years from 1 April 2022 to 31 March 2026 with an option to extend for 1 year up to 31 March 2027.

207. Dates of Meetings for the Municipal Year 2022/23

RESOLVED: To note that the Pension Fund Committee was scheduled to meet on the following dates during Municipal Year 2022/23:

23 June 2022
20 September 2022
15 November 2022
22 March 2023

208. Exclusion of the Press Public

RESOLVED: That, in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business, for the reasons set out below:

Agenda Item No	Title	Description of Exempt Information
14.	Performance Dashboard and Update on Regular Items – Appendices 3, 4, and 7	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person including the authority holding that information)
15.	Triennial Valuation 2022 - Review of Actuarial Assumptions	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person including the authority holding that information)
16.	Review of Emerging Market Equities	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person including the authority holding that information)

209. Performance Dashboard and Update on Regular Items

Members received confidential appendices from an Independent Adviser, setting out the performance of Fund Managers including changes in personnel, and Aon, setting out the ESG Portfolio Dashboard, both of which warranted a detailed discussion.

During the course of discussion, it was suggested that the LCIV (London Collective Investment Vehicle) should be invited to make a presentation to the Committee about the way in which the relationship between them and Stepstone (who advise on the selection of sub funds in respect of the LCIV Infrastructure Fund) had developed. An officer added that, together with Aon and the Independent Advisers, he would be meeting with the LCIV the following day to discuss another outstanding matter – the LCIV Global Equity Focus Fund. Members also discussed the skill set of the LCIV and how it was resourced.

An Independent Advisor and a representative of Aon briefed Members on the impact of the invasion of Ukraine by Russia on the Fund. Investments in Russia were small and divesting existing stock was not currently possible. However, the impact of indirect exposure, notably the Russian subsidiaries and sales made in Russia of the large global developed markets companies, was important. Further, soaring prices of commodities, including metal such as nickel, would lead to higher inflation and could be expected to have a negative impact on the profit margins of companies. This would impact on

supply chains, lead to uncertainty in the financial markets and over interest rate setting by central banks and could possibly lead to a recession.

Members agreed that whilst no immediate action was required on the Fund by the Committee with regard to the Fund's investments, it was important to understand the dynamics involved.

The Committee also received a presentation from Aon on the ESG (Environment, Social and Governance) Dashboard which showed that 50% of the Fund Managers were ESG orientated. The Dashboard presentation had been updated to that circulated with the supplemental agenda and Aon agreed to circulate and share the interactive Dashboard to Members for their use. Aon agreed to check some of the data.

[See also Minute 203]

210. Triennial Valuation 2022 - Review of Actuarial Assumptions

The Committee received a confidential report of the Director of Finance and Assurance, which set out information on the assumptions to be used by the Fund's Actuary, Hymans Robertson, in the forthcoming Triennial Valuation of the LBH Pension Fund.

Members received a presentation from Hymans Robertson entitled '2022 Valuation: Actuarial Assumptions Review', which set out what lay ahead. The purpose of the valuation was to take a financial snapshot and help determine the level of employer contributions required for the period 1 April 2023 to 31 March 2026. Members were fully briefed on the following:

- Background to assumptions
- Financial assumptions
- Demographic assumptions, with life expectancy being the principal assumption.

Members were advised that the purpose of the exercise was to ensure that enough money was available to pay the benefits in full and on time for the lifetime of the member of the Fund. The benefits could not be changed and were determined in accordance with legislation. Hymans Robertson explained how changes in returns on investments would lead to changes in employer contributions.

Members asked questions on the assumptions which were responded to by Hyman Robertson:

Financial –The CPI (Consumer Price Index) was expected to rise strongly over the short term but more modestly over the longer term from previous levels. Increases in salaries in excess of the CPI were not considered to be significant. Whilst advice from the government was awaited on the McCloud Judgement, the judgement was factored in by Hymans Robertson in their assumptions.

Demographic – Longevity was a key assumption. If the average age to which people survived continued to rise faster than assumed, the increased cost of the pension would have to be borne by the employer. The government was currently looking at the impact of this issue (the cost management of the LGPS) and direction was awaited. The source of information on longevity used by Hymans Robertson was their subsidiary, Club Vita. Life expectancy assumptions were based on objective baseline and subjective future improvements. A person's ethnicity was currently not taken into account as the data was not habitually collected for the LGPS and was not defined consistently. Life expectancy was driven by age, gender, post code, salary and these assumptions provided the accuracy required.

In relation to additional questions on the need to increase contributions given the current challenging global situation, Hyman Robertson stated that assumptions were based over a long period of time and geopolitical issues were captured in any modelling exercise. Uncertainty was incorporated in the assumptions used for the return expected on investments. Rising costs would be reported to the Council, including the levels of contributions required.

The Chair thanked the representative from Hymans Robertson for his presentation.

RESOLVED: That the report and the presentation be received and noted.

211. Review of Emerging Market Equities

The Committee received a confidential report of the Director of Finance and Assurance, which set out information about the Fund's Emerging Market equity investments and recommended action following the recent interviews with Fund Managers following poor performance of a Fund Manager.

An officer introduced the report and drew attention to the advice received from Aon, the Investment Consultants to the Fund, details of which were set out in the appendices to the report.

In response to a question from an Independent Adviser on the capacity of the LCIV's (London Collective Investment Vehicle's) Emerging Market Equities Fund, Aon advised that the LCIV's response to the question was satisfactory. Aon also advised that the stocks held by the existing manager would need to be liquidated and that they could not be transferred "in specie" as emerging markets fund managers did not generally permit "in specie" transfer of stocks.

An Independent Adviser suggested that, whilst he was in agreement with the recommendation, the disinvestment ought to be delayed and a further report be submitted to the June 2022 meeting of the Committee to allow the Committee to amend timings. The other Independent Adviser pointed out that the fund was switching between managers, not selling the emerging market investments for cash, and so was of the view that, having taken the decision to change managers, the decision should be implemented without undue delay. Aon advised that the transfer should be "phased in several tranches", and the officer indicated that an appropriate timetable would be agreed with

Aon, using the approach adopted when the transfer from Oldfield to the LCIV Sustainable Equity Fund was implemented in 2021.

RESOLVED: That, having considered the report and the analysis provided by, Aon, Investment Consultants to the Pension Fund,

- (1) the investments in Emerging Market Equities managed by GMO be redeemed and the proceeds invested in the LCIV Emerging Market Equity Fund
- (2) the Director of Finance and Assurance/officers be instructed to make these changes in an appropriate timescale agreed with Aon.

212. Vote of Thanks

On behalf of the Panel, the Chair thanked two Members of the Panel who would not be standing for re-election in May 2022 for their valued contribution to the work of the Pension Fund Committee.

The Chair also thanked officers and all participants for their work.

(Note: The meeting, having commenced at 6.32 pm, closed at 8.48 pm).

(Signed) Councillor Nitin Parekh
Chair