

MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

THURSDAY, 14 JANUARY 2021

Councillors Present: Councillor Robert Chapman in the Chair

**Cllr Michael Desmond (Vice-Chair),
Cllr Kam Adams, Cllr Polly Billington,
Cllr Rebecca Rennison and
Cllr Ben Hayhurst**

Co-optees: Henry Colthurst and Jonathan Mailins-Smith

Officers in Attendance: Ian Williams, Michael Honeysett, Jackie Moylan and Georgia Lazari

Also in Attendance: Michael Hartney – Pensions Board
Andrew Johnston} – Hymans Roberston
Iain Campbell}
Karen McWilliams} - Aon
Catherine Pearce}

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1 Apologies for Absence

1.1 There were no apologies for absence.

2 Declarations of Interest - Members to declare as appropriate

2.1 There were no declarations of interest.

3 Consideration of The Minutes of The Previous Meeting

RESOLVED that the minutes of the meeting held on 30 September 2020 be approved as a correct record.

4 Training - £95k Exit Cap

4.1 Michael Honeysett introduced the report. Catherine Pearce delivered training on the exit payments cap in the public sector and the impact on the Pensions Team and Equinti.

4.2 In response to questions from Members on the exit cap, Ms Pearce replied as follows:

- LGPS schemes are funded schemes that include strain costs for over 55 unlike unfunded pension schemes such as the NHS that do not have strain costs. Funded schemes are required to cover any deficit in funding.
- The strain cost is an actuarial calculation

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- There are currently no plans for the exit cap to be indexed
- If a scheme member's pension was expected to exceed £95k they would be offered the option to defer their pension
- The Pension Fund and the employer would need to decide whether it would pay any pension exceeding the exit cap. Funds and employers would need to work together to find a solution to payment.
- Mr Honeysett stated that the Council provided pre-retirement workshops for member and would liaise with the in-house Pensions Team to support members by providing information in order for them to make a decision. In addition, financial planning sessions would be offered for those members considering voluntary redundancy.

4.3 A member suggested that any cases impacted by the cap could be referred to the Pensions Board.

RESOLVED: To note the report.

5 Competition And Markets Authority (CMA) Investment Consultant Assessment Against Objectives

5.1 Michael Honeysett introduced the report.

5.2 A Member referred to the interim set of objectives for investment consultants agreed in December 2019 and enquired when the interim period would come to an end. Mr Honeysett indicated that there was no specific end date, however, the set of objectives would be reviewed during the next procurement process.

5.3 Mr Honeysett indicated that an update on procurement contracts could be provided at the next meeting.

RESOLVED to:

1. Note the assessment of the performance against the objectives set in December 2019 as set out in appendix 1; and

2. Approve the submission of the statement at Appendix 2 to the CMA in line with requirements.

6. Under/Overpayment Policy & GMP Update

6.1 Michael Honeysett introduced the report and reported that writing off £2.5m in overpayment would have negligible impact on the Fund, which was valued at £1.6bn.

6.2 In response to questions from Members regarding the under/overpayment policy, Mr Honeysett and Ms McWilliam replied as follows;

- The reconciliation exercise was undertaken due to changes in GMP and new state pension. To meet the HMRC deadline, the HMRC records had to be relied upon where LBH records were not accurate. The exercise was carried out to ensure that in future the LBH records were accurate and this issue did not recur in future.
- In cases where historical underpayment had been identified these pensions would be increased including interest on the underpayment.

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- There was a small risk that the assumptions, in cases where no records were held, were not accurate
- Those Hackney members affected by the overpayment had yet to be issued a notification letter. Some other pension funds had issued letters to those affected advising them that they would not have to repay the overpayment in their pension and their pension would reduce in future. These funds had not received any complaints.
- Ms McWilliam said that Hackney Pension Fund had more overpayment cases compared to one other fund and that this had been due to historical issues in administration prior to the appointment of Equiniti.

6.3 Ms McWilliam stated that the reductions in pensions could range from £3,000 to less £100 and agreed to consult with the Chair on the communication that would be issued to those members affected.

6.4 The Chair requested that any delegated decisions undertaken by the Pensions Manager under recommendation 2 of the report should be reported to the Chair and included in the Quarterly Update report.

RESOLVED to:

1. Approve the draft Policy on the Overpayment and Underpayment of Pension Scheme Benefits and Contributions at Appendix 1; and

2. Agree the recommendations in relation to the GMP reconciliation project to:

- **RATIFY that they wish all overpayments to be written off including those relating to deceased pensioners;**
- **AGREE that underpaid pension for deceased pensioners will not generally be calculated or paid but will be considered on their own merits at a related individual's request;**
- **AGREE that underpaid pensions for dependants will only be calculated in respect of the dependants own benefit and will not take account of the deceased persons potential pensions adjustments**
- **AGREE that adjustments will not be made for any pensions where the change is less than £5 p.a.**
- **DELEGATE points of detail in relation to how the changes are implemented to the Pensions Manager to decide.**

7 Quarterly Update Report

7.1 Michael Honeysett introduced the report and Mr Johnston indicated that the Fund's funding level had improved from the previous quarter.

7.2 Mr Honeysett stated that an update on the funding level would be circulate to Members.

7.3 The Chair advised that due to insufficient time the risk registers submitted within the report would be considered at the next meeting in March 2021. The registers should be circulated well in advance of the meeting.

RESOLVED: To note the report.

8. Pension Committee Annual Report 2019/20

8.1 Michael Honeysett introduced the Pension Committee Annual Report for 2019/20.

RESOLVED: To note the report.

9. Investment Strategy

9.1 Michael Honeysett introduced the report and outlined the recommendations.

9.2 Iain Campbell outlined the contents of Appendix 1 setting out a recommendation to rebalance the Fund's current asset allocation in line with its current investment strategy. The 10% allocation to two private lending mandates in 2019 had resulted in the equity holdings being significantly overweight and income assets being underweight. Members were being requested to approve the reduction of its current equity allocation by 3% and the proceeds invested in the BlackRock Short Bond Fund pending eventual investment in the private lending strategy

9.3 In response to questions from Members, Mr Johnston replied as follows:

- The proceeds from the sale of 3% of the equity allocation would be transferred to BlackRock Short Bond Fund and eventually invested in the private lending
- The financing commitment had already been agreed including for Phase 1 and was being implemented. The two mandates within Phase 1 had performed well and income had been paid.

The exempt appendices of the report were considered during a private session of the meeting.

Cllr Billington left the meeting at 21.10 hours

RESOLVED to:

- 1. Approve the reduction of its current equity allocation by 3% with proceeds invested in the BlackRock Short Bond Fund, pending eventual investment in the private lending strategy as set out at Appendix 1 to this report**
- 2. Note the detailed analysis in respect of the Fund's current and proposed future asset allocation as set out at Appendix 2 to this report**
- 3. Approve the detailed recommendations set out in Appendix 3 to this report and note that if approved this will culminate in the revised asset allocation as set out in the table at page 17 of the Appendix and summarised at para 7.6 of this report**
- 4. Note the indicative timetable for the implementation of the proposed revised Investment Strategy as set out in Appendix 3.**
- 5. Direct officers as to the preferred options for currency hedging going forward, taking account of advice set out in Appendices 2 and 3.**
- 6. Approve in principle a 5% allocation to a LCIV Renewable infrastructure Fund to be implemented in Q1 2021, subject to due diligence of the LCIV offering by Hymans, the Fund's Investment Advisers**

10. ANY OTHER BUSINESS, WHICH IN THE OPINION OF THE CHAIR IS URGENT

There was no other urgent business

11. Consideration of The Exempt Minutes of The Previous Meeting

RESOLVED that the exempt minutes of the meeting held on 30 September 2020 be approved as a correct record.

EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED: That the press and public be excluded from the proceedings of the Pensions Committee meeting during consideration of Item 9 - Exempt Appendices 2 to 4 and Item 11 on the agenda on the grounds that it is likely, in the view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in Schedule 12A to the Local Government Act 1972 as amended.

Duration of the meeting: 6.30-9.25pm

Contact:
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