

## 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 Malins-Smith

**Officers in Attendance:** Ian Williams (Group Director of Finance and Corporate Resources), Michael Honeysett (Interim Head of Pensions), Jackie Moylan (Director, Financial Management) and Georgia Lazari (Legal Services Officer) and Rabiya Khatun (Governance Services Officer)

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

### **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 public sector exit payments cap and the impact on the Pensions Team and Equinti.

4.2 In response to questions from Members on the exit payment 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
- There are currently no plans for the exit cap to be indexed
- If a scheme member's pension is expected to exceed £95k they would be offered the option to defer their pension
- The Pension Fund and the employer would need to consider any request and determine whether to pay out any pension exceeding the exit cap. Funds and employers would need to work together to find a solution to payment.
- Mr Honeysett confirmed that the Council provided pre-retirement workshops for scheme members and would liaise with the in-house Pensions Team to provide information and support to those having 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 scheme member requesting an exemption from the exit payment cap could be referred to the Pensions Board as part of the decision making process.

**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 asked 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 the £2.5m overpayment write off would have a negligible impact on the Pension Fund, which had been 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:

- A reconciliation exercise had been undertaken due to the changes in Guaranteed Minimum Pension (GMP) and new state pension. To comply with the HMRC deadline, the Council had to rely on HMRC records in cases where LBH records were inaccurate. This exercise had been carried out to ensure that all LBH pension records were now accurate and that this issue did not reoccur in the future.
- In cases where historical underpayments were identified, these members' pensions would be increased and interest would also be paid on the historical underpayment.
- There was a small risk that the assumptions were not accurate especially in cases where no records were held.
- The Council had yet to issue a notification letter to those scheme members affected by the overpayment. Ms McWilliam emphasised that other pension funds had issued their notification letters and had not received any complaints after advising their members that they would not have to repay any overpayment, but that their pension would be recalculated and reduce in the future.
- Hackney Pension Fund could have more cases of overpayments due to historical issues in its administration and prior to the appointment of Equiniti.
- The reductions in member's pensions could range from £3,000 to less £100 and Ms McWilliam agreed to consult with the Chair on the finalised notification letter.

6.3 The Chair requested that any delegated decisions undertaken by the Pensions Manager, as set out under recommendation 2 of the report should be reported to the Chair and a summary 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 confirmed that the Pension Fund's funding level had improved from the previous quarter.

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

7.3 The Chair indicated that due to insufficient time at the meeting, the risk registers within the report should be deferred to the next meeting in March 2021 and 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% made allocation to two private lending mandates in 2019 had resulted in the equity holdings being significantly overweight and income assets becoming underweight. Members were being asked to reduce the current equity allocation by 3% and the proceeds to be 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 the equity allocation (3%) would be transferred to BlackRock Short Bond Fund and eventually invested in private lending
- The financial commitment had been made previously and Phase 1 had been implemented as part of this commitment. The two mandates within Phase 1 had performed well and income had been paid.

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

**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**

(Councillor Billington left the meeting at 21.10 hours)

**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

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