

## **PUBLIC MINUTES OF A MEETING OF THE PENSIONS COMMITTEE**

**WEDNESDAY, 7 FEBRUARY 2024**

<b>Councillors Present:</b>	<b>Councillor Kam Adams in the Chair</b>  <b>Councillor Grace Adebayo, Councillor Robert Chapman, Councillor Lynne Troughton and Councillor Frank Baffour</b>
<b>Co-optees:</b>	<b>Henry Colthurst (Virtual) Jonathan Malins- Smith</b>
<b>Apologies:</b>	<b>Councillor M Can Ozsen, Councillor Ian Rathbone, Councillor Margaret Gordon and Councillor Ben Hayhurst</b>
<b>Officers in Attendance:</b>	<b>Rachel Cowburn (Head of Pension Fund Investment and Actuarial) Micheal Honeysett (Head of Pensions) Rabiya Khatun (Governance Officer) Georgia Lazari (Senior Lawyer) Jackie Moylan (Group Director of Finance) Tessa Mitchell (Governance Services Team Leader) Natalie Williams (Senior Governance Officer) Deirdre Worrell (Director of Finance)</b>
<b>Also in Attendance:</b>	<b>Jill Davys &amp; Sam Yeandle (Redington Investment Consultants) Catherine Pearce (Aon Consultants)</b>

The meeting convened at 6.30pm and due to public disturbances during the proceedings several warnings were issued before the meeting was adjourned at 6.35pm and re-convened at 6.45pm.

### **1 Apologies For Absence**

- 1.1 Apologies for absence were received on behalf of Cllrs Rathbone, Gordon, Hayhurst and Ozsen.
- 1.2 It was noted that Cllr Ozse and Henry Colthurst had joined the meeting remotely. Councillors accessing the meeting remotely, were reminded that they were not counted as being 'present' for the purposes of the Local Government Act 1972 and may not vote on any item under consideration. At the discretion of the Chair, may however contribute to the discussion and participate in non-decision making capacity

**2 Declarations of Interest - Members to declare as appropriate**

2.1 There were no declarations of interest.

**3 Any Urgent Unrestricted Business**

3.1 Members noted that the Head of Pension Fund Investments and Actuarial would be leaving the Council at the end of February 2024 after 16 years of service and recorded their thanks and sincere appreciation for her support and work on the excellent performing pension fund and wished her well for future.

**4 Notice of Intention to Conduct Business in Private and Representations Received**

4.1 There were no representations to consider.

**5 Deputations/ Petition/ Questions from the Public**

5.1 There were no new deputations, petitions or questions to consider.

5.2 With regard to deferred deputation relating to the Divestment of Hackney Local Government Pension Scheme from companies complicit in human rights abuses in the occupied Palestinian Territories, it was noted that this deputation would be heard at a future meeting.

**6 Consideration of The Minutes of The Previous Meeting - 28 November 2023**

**RESOLVED: That the unrestricted minutes of the previous meeting held on 28 November 2023 be agreed as a true and accurate record of proceedings subject to the inclusion of the Co- Optees Jonathan Malins- Smith and Henry Colthurst (Virtual) in the attendance list.**

**7 Over and Underpayment Policy**

7.1 Rachel Cowburn, Head of Pension Fund Investments and Actuarial introduced the report setting out an updated Over and Underpayment policy for review. The policy was being reviewed as part of the 3 yearly review process.

7.2 In response to a question regarding the collection of benefit overpayments, the Head of Pension Fund Investments and Actuarial stated that it depended on the nature of overpayment and an affordability assessment would be undertaken to assess if scheme members could afford to repay the overpaid benefit.

**RESOLVED:**

**To approve the revised Overpayment and Underpayment policy.**

**8 Competition and Markets Authority's (CMA) Objectives**

8.1 Rachel Cowburn, Head of Pension Fund Investments and Actuarial introduced the report which presented an assessment of Redington Consultant's performance against the Fund's aims for 2023 and also sets out the objectives for 2024.

8.2 Following the introduction, Members of the Committee asked questions which the Head of Pension Fund Investments and Actuarial responded as follows:

- In response to a question whether the objectives in amber for 2023 would not be achieved, it was clarified that there were no concerns around the Manager fees and that the amber objectives were being monitored. In 2024 greater focus would be placed on objectives such as LCIV and further work tracking governance.
- In response to a question regarding the circumstances when it would be necessary to make changes to the strategic objectives within the strategy, it was stated that changes had been made to aspects of strategy such as inflation and cashflow negativity but that there had been no circumstances previously necessitating changes to the strategic objectives. A high level review would be undertaken following the evaluation and if there were any significant changes or additions made to the strategic objectives then the Committee would need to look at whether the current strategy was appropriate for the Pension Fund.
- In response to a question relating to performance against objectives and expectations, it was emphasised that generally performance against objectives were good, however a few areas had been flagged as amber which were being monitored but there also more topics not covered in strategy such as governance arrangements.

**RESOLVED:**

- 1. To agree the objectives, as set out in Appendix 1, for the Fund's investment consultant during 2024.**
- 2. To note the assessment of the performance against objectives for 2023 as set out in Appendix 2.**

**9 High Level Monitoring Report**

9.1 Rachel Cowburn, Head of Pension Fund Investments and Actuarial introduced the report providing a high level update on key strategic Pension Fund matters including progress against the Business Plan, Strategic Objectives Scorecard, Risk Register, breaches Register, and the latest information on the position of the Fund. It was highlighted that the budget reporting had not been included due to the transition of the custodian from HSBC to Northern Trust and delays to reconciling custodian records. There were plans to schedule a meeting of the Pensions Board before the end of March 2024 to report the breaches.

9.2 Following the introduction, Members of the Committee asked questions which the Head of Pension Fund Investments and Actuarial and Aon Consultant responded as follows:

- In response to a query about Responsible Investment and Stewardship Code, it was stated that a report was being prepared on the Stewardship Code for October 2024. The project on this investment and code had been significantly delayed and the Working Group had yet to set a meeting date.
- In response to a question about the Pensions Board not holding a meeting since 2022, it was clarified that there had been a challenge recruiting new

members since 2022 as these were voluntary roles and in particular scheme representatives from smaller employers. Following a recent recruitment exercise, the panel was able to employ a full complement of Board members and a meeting would be scheduled before the end of the financial year.

- In response to a question on how items were selected for the Business Plan's actions and task table, it explained that this year officers in conjunction with Governance Advisers had discussed and determined the key actions and tasks. All the selected actions/tasks related to ongoing activities and progress was being reviewed. Officers would consider inviting the chair to these meetings in the future.
- In response to a query regarding the Chair of the Pension board, it was clarified that the arrangement had been to have an interim chair and for the new members to decide if the Board needed an independent chair or to select a chair amongst membership.
- An update on the cyber induction training would be provided at the meeting in March 2024.
- In response to a question about the requirements of the new single code of practice, it was stated that The Pension Regulator's (TPR) General Code of Practice was expected to come into force on 27 March 2024, and would combine 15 previous TPR Codes into one single Code. All the new Codes were not relevant to the public sector and the Scheme Advisory Board would support funds in understanding any new requirements in the Code and where needed, produce new or update existing guidance to assist funds with their responsibilities and compliance.
- In response to a query about the penalty for non-compliance of the requirements, it was explained that enforcement action would depend on the nature of breach and how the Fund responded to the breach, for example the TPR had engaged with the Fund and took no enforcement action in relation to the breaches of issuing Annual Benefit Statements by the deadline.
- In response to a question about when the consultation was being undertaken on the small employer admission policy, it was stated that it was necessary to consult with schools before the consultation exercise could start in March or the latest June 2024.

**RESOLVED:**

- 1. To agree the progress against the Business Plan tasks and actions, and agreed Budget.**
- 2. To agree the current measures on the Strategic Objectives Scorecard.**
- 3. To agree the Risk Register and the risks identified.**
- 4. To agree the Breaches Register.**

**10 Quarterly Update Report**

10.1 Rachel Cowburn, Head of Pension Fund Investments and Actuarial introduced the report providing the most recent information on the position of the Fund and an update on performance across the following key areas since the last meeting: governance, funding and any changes in participating employers, investment including an update on the London CIV and implementation of the Fund's Responsible Investment policy, Pension administration and communications update. It was highlighted that there had been ongoing underperformance issues with some of the funds including the Growth Fund and an invitation would be sent to LCIV to provide an update at the next meeting in March.

10.2 Sam Yeandle, Redington Investment Consultant delivered a presentation on the LGPS Market Update summarised below:

#### Rates & inflation

- Inflation fell across the board
- Interest rates remained steady over Q4
- Interest rates cuts now generally priced in

#### Equity Markets

- Strong performance over Q4 driven by US
- S& P 500 increasingly dominated by magnificent Seven
- Magnificent Seven vs UK, Canada and Japanese market
- Appear relatively expensive

#### Fixed Income

- Strong performance through Q4
- Whilst spreads have tightened
- Gilt yields down from previous highs

#### Looking to 2024

- Is the outlook as rosy as it looks?
- Off to a mixed start
- Is the current rise in yields just a correction
- Bonds still look attractive at currency yields
- What worked last decade won't work this decade

10.3 Following the introduction, Members of the Committee asked questions which the Head of Pension Fund Investments and Actuarial and Redington Investment Consultants responded as follows:

- It was stated that the indexation at 40% of the global market would have an impact on other markets and there could be substantial sell offs which would impact on growth.
- In response to a question about de-risking, it was stated that although the funding level was 137% however taking strategic decisions such as de-risking would be a challenge considering the volatility in the markets and changes in the funding level which was not a reflection of the Fund's long term position. The funding level was high and needed to fall before de-risking should be considered.
- In response to a concern that various index investments were underperforming, it was clarified that there was a variance against the index for some investments and referred to the underperformance of Black Rock's passive fund over the previous three years which had implemented changes and performed slightly better than the index.
- In response to a question concerning the implications of an affected scheme member not receiving the leaflet on the McCloud Disclosure Communication, it was confirmed that in addition to the leaflet a spot check of the affected members' records would be undertaken. There was currently no dedicated area to the McCloud Judgment on the Council's website but this was under review.
- In response to concerns about the underperformance of the holdings with LCIV, it was explained that there had been a few issues with performance until the end of Sept however the figures for December 2023 had yet to be published. The LCIV Global Alpha Growth Paris-aligned Fund, LCIV Sustainable Equity Fund, LCIV Diversified Growth Fund, LCIV EM Equity Fund, Blackrock World Equity and the BMO bond mandate had all underperformed and delivered

negative returns over the quarter. LCIV were holding regular reviews with the fund managers, and the LCIV Sustainable Equity Fund, LCIV Diversified Growth Fund had more recently been put on enhanced monitoring. The newly appointed Chief Executive and Chief Investment Officer at LCIV would be reviewing their underperformance.

- In response to a question regarding the strategic allocation, it was stated that the equity risks within the portfolio were being reviewed and consideration was being given to diversify the portfolio and management framework.
- In response to a query whether to consider investing in other better performing pension pools, it was stated that other pools could be considered if feasible but the outcome of the Government's paper on pooling and responses should be considered.
- In response to a question about potentially transferring LCIV funds into managed or tracker funds in the future, it was stated that there was much debate regarding active and passive funds. The active managers have added value to the Pensions Fund but the impact of technology stocks on funds has been an issue.

**RESOLVED:**

**To note the report**

**11 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 Exempt items 12 to 15 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 paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.**

**12 Equinti Contract Update**

12.1 The discussion and decision relating to this item is contained within the restricted minutes.

**RESOLVED:**

**To note the report**

**13 Fixed Income Overview**

13.1 The discussion and decision relating to this item is contained within the restricted minutes.

**14 Consideration of the Exempt Minutes of the Previous Meeting - 28 November 2023**

**14.1 RESOLVED: That the restricted minutes of the previous meeting held on 28 November 2023 be agreed as a true and accurate record of proceedings subject to the inclusion of the Co- Optees Jonathan Malins- Smith and Henry Colthurst (Virtual) in the attendance list.**

**15 Any Urgent Exempt Business**

15.1 There was no restricted urgent business.

**Duration of the meeting:** 6.30- 8.45pm

Cllr Kam Adams  
Chair of the Pensions Committee