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**MINUTES OF A MEETING OF THE  
PENSIONS COMMITTEE  
Council Chamber - Town Hall  
24 January 2024 (7.03 - 8.50 pm)**

**Present:**

**COUNCILLORS**

**Conservative Group** Dilip Patel, Viddy Persaud and Joshua Chapman

**Havering Residents' Group** James Glass and Williams

All decisions were taken with no votes against.

The Chairman reminded Members of the action to be taken in an emergency.

**321 APPOINTMENT OF MEETING CHAIR**

In the absence of the Chair and Vice-Chair, it was agreed without division that Councillor Patel should chair the meeting.

**322 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS**

Apologies were received from Councillors Mandy Anderson and Philip Ruck. Councillor Ruck was present via videoconference. Apologies were also received from Derek Scott – Trade Union Observer.

**323 DISCLOSURE OF INTERESTS**

There were no disclosures of interest.

**324 MINUTES OF THE MEETING**

It was noted that, under minute 313 – Risk Register Update, the scoring for cyber risk had been amended from D3 to C2. A new risk had also been added – the threat to the level of employer contributions due to budget pressures.

The minutes were otherwise agreed as a correct record.

**325 PENSION FUND VALUATION FUNDING UPDATE FROM MARCH 2022 TO SEPTEMBER 2023**

Officers advised that, in the period under review, performance had increased from 80% to 106% funding levels. The funding level had grown over the last 15 years and the expected return on assets had also been going up. Increases in funding had been driven by the prospect of future returns.

A Member asked if the fund's liability had been lowered due to a change in the discount rate. Precise levels were determined by the actuary via the modelling of expected returns. The level of prudence re uncertainty was set by the Committee every three years.

Funding levels did fluctuate and this needed to be looked at over a longer period of time.

**The Committee NOTED the Havering Pension Fund interim funding position updated to 30 September 2023 as set out in appendix A of the report and that no action was required to change the funding plan.**

**326 SERVICE REVIEW OF THE PENSION FUND CUSTODIAL & PERFORMANCE MONITORING SERVICE OCT 2022 TO SEP 2023**

It was noted that Northern Trust had been the fund custodian since October 2019 and looked after the investment accounts and reporting for the fund. Red-Amber-Green (RAG) ratings for these services were shown in the report and officers were satisfied with Northern Trust's performance.

Officers discussed with Members the merit of officer assessment RAG ratings for the custodian and felt that no value would be added from independent verification. As part of the annual pension fund audit, external auditors also look at third party internal controls and Northern Trust's internal control reports were also externally audited.

The risk management framework could be considered for independent verification and internal audit could consider this. Benchmarking information for officer assessments of the Risk Register scorings was in the process of being collated and a report would be brought to the Committee on this in due course.

Custodial fees had been reduced although performance management fees had increased due to external index fees charged by providers. Officers have asked the Funds investment advisors if alternative indices can be used.

**The Committee noted the report and the views of officers on the performance of the Custodian.**

**327 EXCLUSION OF THE PUBLIC**

It was **AGREED** that, for the relevant section of agenda item 8 only, the public should be excluded from the meeting on the grounds that it was likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during that item, there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972.

**328 PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED SEPTEMBER 2023**

Officers confirmed that the total value of the fund had decreased in the three months under review by £5.75m. Inflation had started to fall in this period although the economic position remained uncertain. There had not been any strong equity performance over this quarter (ended 30 September 2023).

The fund had delivered slightly negative (0.5%) returns over the quarter. 15% of the fund's assets were in the London Collective Investment Vehicle (CIV) Global Alpha fund. The fund had struggled recently due to investments looking for excess growth. This fund was the largest in the London CIV. Hymans discussed performance regularly with the fund managers.

The Council's investment strategy aimed to deliver stable, long term returns. The Funding Level of the pension scheme was better than in previous years and the advisers did not suggest wholesale changes to investments. The Strategic Director of Finance emphasised that the proposed decision not to top up the pension fund cash account with voluntary contributions did not affect the level of pension contributions. There remained £22m in the cash account and the Council's policy was to seek to keep this at £3m-8m. Officers agreed that the cash balance was unusually high and an item on cash flow policy was currently under review and the policy would be brought to the next meeting of the Committee.

The £22m cash fund was invested by the Treasury Manager and could be withdrawn if required. A good return was currently being achieved on the cash assets.

It was also noted that Royal London Index Linked Gilts had underperformed due to a misjudgement over falling interest rates.

It was agreed that at this point the Committee should go into exempt session for the next part of the item.

On return to the open session, officers explained that, in the annual London CIV return to the Department of Levelling Up, Housing and Communities, Havering had been flagged as having a lower pooling level. This reflected the lower asset value of the fund and not the Fund's approach to pooling.

A training-session would be arranged for Members on nature-related financial disclosures in due course, following the publication of the framework.

Officers updated the committee of the implications of the McCloud judgement following updated regulations that came into force from 1 October 2023.

A Government response on the Next Steps on Investment programme had been received. This would go ahead but would not be mandatory in all areas. Guidance on this was awaited and an update would be brought to the Committee.

The Committee **AGREED**:

- 1. To note the detail in the reports and presentations it had received on this item, including the exempt material.**

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**Chairman**