



# SUPPLEMENTARY PAPER

# PENSIONS COMMITTEE

Monday, 19th September, 2016

at 6.30 pm

Room 102, Hackney Town Hall, Mare Street,  
London E8 1EA

## Membership

### Members:

Councillor Kam Adams  
Councillor Robert Chapman (Chair)  
Councillor Feryal Demirci  
Councillor Michael Desmond (Vice-Chair)  
Councillor Patrick Moule

**Councillor Geoff Taylor**

**Co-optees:**

**Jonathan Malins-Smith**

**Tim Shields**  
**Chief Executive**

**Contact:**  
**Rabiya Khatun**  
**Governance Services**  
**Tel: 020 8356 6279**  
**Email: [Rabiya.khatun@hackney.gov.uk](mailto:Rabiya.khatun@hackney.gov.uk)**

**The press and public are welcome to attend this meeting**

# **AGENDA**

## **Monday, 19th September, 2016**

### **ORDER OF BUSINESS**

<b>Item No</b>	<b>Title</b>	<b>Page No</b>
<b>13</b>	<b>ANY OTHER BUSINESS WHICH IN THE OPINION OF THE CHAIR IS URGENT - Pensions Board Annual Report</b>	<b>1 - 8</b>

# ACCESS AND INFORMATION

## Location

Hackney Town Hall is on Mare Street, bordered by Wilton Way and Reading Lane, almost directly opposite Hackney Picturehouse.

**Trains** – Hackney Central Station (London Overground) – Turn right on leaving the station, turn right again at the traffic lights into Mare Street, walk 200 metres and look for the Hackney Town Hall, almost next to The Empire immediately after Wilton Way.

**Buses** 30, 48, 55, 106, 236, 254, 277, 394, D6 and W15.

## Facilities

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall.

Induction loop facilities are available in Committee Rooms and the Council Chamber

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

## Copies of the Agenda

The Hackney website contains a full database of meeting agendas, reports and minutes. Log on at: [www.hackney.gov.uk](http://www.hackney.gov.uk)

Paper copies are also available from Governance Services whose contact details are shown on the front of the agenda.

## Council & Democracy- [www.hackney.gov.uk](http://www.hackney.gov.uk)

The Council & Democracy section of the Hackney Council website contains details about the democratic process at Hackney, including:

- Mayor of Hackney
- Your Councillors
- Cabinet
- Speaker
- MPs, MEPs and GLA
- Committee Reports
- Council Meetings
- Executive Meetings and Key Decisions Notice
- Register to Vote
- Introduction to the Council
- Council Departments

## RIGHTS OF PRESS AND PUBLIC TO REPORT ON MEETINGS

Where a meeting of the Council and its committees are open to the public, the press and public are welcome to report on meetings of the Council and its committees, through any audio, visual or written methods and may use digital and social media providing they do not disturb the conduct of the meeting and providing that the person reporting or providing the commentary is present at the meeting.

Those wishing to film, photograph or audio record a meeting are asked to notify the Council's Monitoring Officer by noon on the day of the meeting, if possible, or any time prior to the start of the meeting or notify the Chair at the start of the meeting.

The Monitoring Officer, or the Chair of the meeting, may designate a set area from which all recording must take place at a meeting.

The Council will endeavour to provide reasonable space and seating to view, hear and record the meeting. If those intending to record a meeting require any other reasonable facilities, notice should be given to the Monitoring Officer in advance of the meeting and will only be provided if practicable to do so.

The Chair shall have discretion to regulate the behaviour of all those present recording a meeting in the interests of the efficient conduct of the meeting. Anyone acting in a disruptive manner may be required by the Chair to cease recording or may be excluded from the meeting. Disruptive behaviour may include: moving from any designated recording area; causing excessive noise; intrusive lighting; interrupting the meeting; or filming members of the public who have asked not to be filmed.

All those visually recording a meeting are requested to only focus on recording councillors, officers and the public who are directly involved in the conduct of the meeting. The Chair of the meeting will ask any members of the public present if they have objections to being visually recorded. Those visually recording a meeting are asked to respect the wishes of those who do not wish to be filmed or photographed. Failure by someone recording a meeting to respect the wishes of those who do not wish to be filmed and photographed may result in the Chair instructing them to cease recording or in their exclusion from the meeting.

If a meeting passes a motion to exclude the press and public then in order to consider confidential or exempt information, all recording must cease and all recording equipment must be removed from the meeting room. The press and public are not permitted to use any means which might enable them to see or hear the proceedings whilst they are excluded from a meeting and confidential or exempt information is under consideration.

Providing oral commentary during a meeting is not permitted.

# ADVICE TO MEMBERS ON DECLARING INTERESTS

Hackney Council's Code of Conduct applies to **all** Members of the Council, the Mayor and co-opted Members.

This note is intended to provide general guidance for Members on declaring interests. However, you may need to obtain specific advice on whether you have an interest in a particular matter. If you need advice, you can contact:

- The Corporate Director of Legal, HR and Regulatory Services;
- The Legal Adviser to the committee; or
- Governance Services.

If at all possible, you should try to identify any potential interest you may have before the meeting so that you and the person you ask for advice can fully consider all the circumstances before reaching a conclusion on what action you should take.

## 1. Do you have a disclosable pecuniary interest in any matter on the agenda or which is being considered at the meeting?

You will have a disclosable pecuniary interest in a matter if it:

- relates to an interest that you have already registered in Parts A and C of the Register of Pecuniary Interests of you or your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner;
- relates to an interest that should be registered in Parts A and C of the Register of Pecuniary Interests of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner, but you have not yet done so; or
- affects your well-being or financial position or that of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner.

## 2. If you have a disclosable pecuniary interest in an item on the agenda you must:

- Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you (subject to the rules regarding sensitive interests).
- You must leave the room when the item in which you have an interest is being discussed. You cannot stay in the meeting room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision.
- If you have, however, obtained dispensation from the Monitoring Officer or Standards Committee you may remain in the room and participate in the meeting. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a pecuniary interest.

### 3. Do you have any other non-pecuniary interest on any matter on the agenda which is being considered at the meeting?

You will have 'other non-pecuniary interest' in a matter if:

- i. It relates to an external body that you have been appointed to as a Member or in another capacity; or
- ii. It relates to an organisation or individual which you have actively engaged in supporting.

### 4. If you have other non-pecuniary interest in an item on the agenda you must:

- i. Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you.
- ii. You may remain in the room, participate in any discussion or vote provided that contractual, financial, consent, permission or licence matters are not under consideration relating to the item in which you have an interest.
- iii. If you have an interest in a contractual, financial, consent, permission or licence matter under consideration, you must leave the room unless you have obtained a dispensation from the Monitoring Officer or Standards Committee. You cannot stay in the room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision. Where members of the public are allowed to make representations, or to give evidence or answer questions about the matter you may, with the permission of the meeting, speak on a matter then leave the room. Once you have finished making your representation, you must leave the room whilst the matter is being discussed.
- iv. If you have been granted dispensation, in accordance with the Council's dispensation procedure you may remain in the room. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a non pecuniary interest.

### Further Information

Advice can be obtained from Yinka Owa, Director of Legal on 020 8356 6234 or email [Yinka.Owa@hackney.gov.uk](mailto:Yinka.Owa@hackney.gov.uk)



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<b>REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES</b>		
<b>Pension Board Annual Report</b>	<b>Classification</b> <b>PUBLIC</b>	<b>Enclosures</b>  One
	<b>Ward(s) affected</b>  ALL	<b>Appendix 1 – Pension Board Report</b>
<b>Pensions Committee</b> <b>19<sup>th</sup> September 2016</b>		

**1. INTRODUCTION**

1.1 The Hackney Pension Board was established by the London Borough of Hackney on 25 February 2015 (as required by the Public Service Pensions Act 2013), well ahead of the deadline of 1 April 2015, and has produced its first annual report covering the period 1 April 2015 to 31 March 2016. The role of the Board is to assist the Administering Authority with securing compliance with regulations and with requirements imposed by the Pensions Regulator, as well as assisting in ensuring effective and efficient governance and administration of the Scheme

**2. RECOMMENDATIONS**

2.1 The Pensions Committee is recommended to note the contents of this report.

**3. RELATED DECISIONS**

3.1 None

**4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES**

4.1 In recent years there has been much greater focus on whether the governance of LGPS pension funds is appropriate, and the introduction of local Pension Boards is just one example of this. The Hackney Fund strongly supports this focus on increased governance, and wishes to be at the forefront of good governance within the LGPS; to this end the Hackney Pension Board is seen as one key part of ensuring good governance.

4.2 Ensuring that the Pension Board was established in line with the regulations and continues to fulfil its regulatory functions going forward is not without some cost and additional strain on resources. Costs to the Fund include providing training and servicing the Board. However, in the context of a £1bn pension fund, the costs are not significant, and help to further demonstrate the good governance of the Fund.

**5. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES**

5.1 The responsibilities given to Pension Board members and senior officers (and also Pension Committee members) in respect of the management of the Pension Fund are both broad and onerous. For example, as quasi-trustees of the Pension Fund, they would owe a fiduciary duty to fund members and participating employers, which imposes the highest standard of care in equity and law. The responsibilities are exercised in a legal framework that is both complex and changing.

- 5.2 The Pension Board was created in line with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, and the Board continues to adhere to both the ongoing legal requirements and the requirements of the Pensions Regulator as set out in his Code of Practice. It is, however, important that the vacant posts on the Pension Board are filled as a matter of urgency.

## **6. BACKGROUND/TEXT OF THE REPORT**

- 6.1 The Pension Board terms of reference, agreed by the Council in February 2015, require that an annual report of the Pension Board (as prepared by the Chair of the Pension Board), must be provided to the Lead Member for Finance, Corporate Director Finance & Resources, Assistant Director - Financial Management, the Assistant Director - Legal and Democratic Services, Pension Fund Committee and Cabinet the Corporate Committee as well as being published in the Fund's Annual Report and Accounts. The attached report is the first such report, covering the year 2015/16.
- 6.2 The report's highlights include:
- Two meetings were held over the year
  - Three of the four original representatives have now ceased in their Board roles. In the case of the two Employer Representatives, this was due to them becoming ineligible to remain as representatives as they are no longer employed by those employers. The London Borough of Hackney is currently undertaking a recruitment process to replace these three representatives, and is planning training for the new Board members which will take place shortly after their appointments.
- 6.3 It provides an overview of the business items to date including:
- Oversight of Pensions Committee minutes
  - Input into a review of how the Hackney Pension Fund compares with the requirements set out in the Pension Regulator's Code of Practice
  - Provided feedback on some areas of the annual benefit statement
  - Input into the findings of the Pensions Administration Audit which reviewed the Fund's third party administrators (Equiniti) and the subsequent Employer Audit looking at the quality of the scheme employer data held
  - Received an update on the GMP reconciliation project.
- 6.4 When the new representatives have been appointed, the Board expects to be involved with the following areas in 2016/17:
- Consideration of the success of the 2016 valuation (particularly in the area of employer engagement and the quality of data)
  - Ongoing consideration of the Fund's adherence to The Pension Regulator's Code of Practice
  - Ongoing consideration of the data quality issues that were highlighted in the Employer Audit, including the implementation of London Borough of Hackney's new payroll provider where pension matters must be key to the transition
  - GMP reconciliation
  - The tender of the third party administrator which is due late 2016 / early 2017
  - The impact of Brexit and how the Fund responds to that
  - The ongoing relationship between the Fund and the London CIV.

6.5 In the report the Chair acknowledges her frustration at the current position regarding representatives. However, she notes that her impression is that the Hackney Pension Fund is a well-managed Fund demonstrating good governance in a number of areas, and she is keen to build on the relationship developed with the Pension Committee and with Fund Officers to strive to improve the Fund's governance even further in future.

**Ian Williams**  
**Corporate Director of Finance & Resources**

**List of appendices:**  
Appendix 1- Pension Board Report

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122



## **London Borough of Hackney Pensions Board**

### **Annual Report 2015/16**

#### **Introduction**

This is the first annual report of the London Borough of Hackney Pension Fund's Pensions Board (HPB) based on the financial year from 1 April 2015 to 31 March 2016.

#### **Establishment of the Hackney Pension Fund Pensions Board**

The Public Service Pensions Act (PSPA) 2013 introduced a number of changes to public service pension schemes, including a number of key changes impacting on the governance of public service pension schemes. One of the key changes was the requirement for each Administering Authority in the LGPS to create a local Pension Board.

The Act states that the role of the Pension Board is to assist the Administering Authority with securing compliance with regulations and with requirements imposed by the Pensions Regulator, as well as assisting in ensuring effective and efficient governance and administration of the Scheme. This has generally been interpreted as the Pension Board having an oversight role but not a decision making role.

Each LGPS Administering Authority was required to establish their local Pension Board no later than 1 April 2015, and the HPB was established by the London Borough of Hackney on 25 February 2015, well ahead of this deadline.

In order to fill the positions on the Board, the London Borough of Hackney, as administering authority undertook an extensive recruitment process, involving interviews with potential candidates. Following these interviews, the positions were filled, and the HPB consisted of 4 members as follows:

- Two Employer Representatives (Hamza Yusuf and Richard Dearing)
- Two Scheme Member Representatives, at least one of whom must be a member of the Hackney Pension Fund (Samantha Lloyd, who was appointed as chair of the Board and Matthew Waterfall)

Unfortunately, three of the above four representatives, with the exception of myself, Samantha Lloyd, have now ceased in their HPB roles. In the case of the two Employer Representatives, this is due to them becoming ineligible to remain as representatives as they are no longer employed by those employers. London Borough of Hackney is currently undertaking a recruitment process to replace these three representatives.

## **Meetings, training and attendance**

Over the year 2015/16 we have had two HPB meetings (in July 15 and Jan 16), and although the first was attended by all representatives (and also by Pension Fund Officers who support the Board), only two representatives attended the second meeting (the minimum number for the meeting to be considered quorate).

As members of the HPB, we all committed to following the requirements of the Hackney Pension Fund's Training Policy. In addition, we are invited to attend Pensions Committee meetings (the decision making committee for the Pension Fund) and their training events, in order to further our understanding of the Hackney Pension Fund and its operation.

The following summarises the training events HPB members have completed to date:

24<sup>th</sup> June 2015 – Pensions Committee Training – Pensions Legislation and Governance

7<sup>th</sup> October 2015 – 330 Consulting Training Event

18<sup>th</sup> November 2015 – Pensions Committee Training – Investment Strategy

13<sup>th</sup> January – Pensions Committee Training – Financial Markets

London Borough of Hackney is already planning training for the new HPB members which will take place shortly after their appointments.

## **What have we done during 2015/16?**

We held our first HPB meeting in July 2015, so (as expected) a significant portion of the first part of year was focussed on considering how we would operate. This included adopting our Terms of Reference (as developed and agreed by London Borough of Hackney), adoption of the Conflicts of Interest Policy, the Training Policy and the Breaches Procedure, and consideration of our future work plan. Each Board meeting also considers standards areas, such as a consideration of the latest Pensions Committee papers.

In addition to these regular items, we have also:

- Input into a review of how the Hackney Pension Fund compares with the requirements set out in the Pension Regulator's Code of Practice (this is one of the specific areas of responsibility for Pension Boards). The review found that overall the Fund complied well with the Code of Practice (compared to other LGPS Funds), and found a few areas to be kept under investigation or where further work was required. This will be an area that will continue to be on our future agendas and an update to this Regulator's review will be carried out annually.
- Provided feedback on some areas of the annual benefit statement which we felt could be clearer.

- Input into the findings of the Pensions Administration Audit which reviewed the Fund's third party administrators (Equiniti) and the subsequent Employer Audit looking at the quality of the scheme employer data held. We acknowledge the complexities around information being sent by employers to Equiniti, but we were quite concerned about the findings of the audit, which highlighted some major issues with this data transmission in relation to a small number of employers. We welcomed the ongoing work in this area and are looking forward to receiving updates at our future meetings on improvements made against the recommendations in the report. We also requested that the Employer Audit be carried out on an annual basis to ensure any major issues are being identified.
- Received an update on the GMP reconciliation project. This project is part of the review of State Pensions, whereby the Government is ceasing to hold GMP information for scheme members on their systems. Accordingly all pension scheme providers who have been contracted out of the state scheme need to ensure their GMP records are accurate by reconciling them with those held by HMRC by 2018. This is a significant task and preliminary work undertaken by Equiniti has shown that a significant number of records do not match (which is consistent with the findings for many other LGPS schemes). It is critically important that this work is undertaken before the HMRC system is closed as inconsistent records after that point will cause problems. We will be receiving further updates on this project at future HPB meetings.

### **What will we do in the future (in particular in 2016/17)?**

Now that the HPB is established and once the new representatives have been appointed, we intend to have much more focus on actively driving the agenda and highlighting areas for discussion. Although the exact work areas and timescales will necessarily remain flexible (in keeping with the recent pace of change in the LGPS), I would expect the HPB to develop a work plan at our next meeting which is likely to include areas such as the following:

- Consideration of the success of the 2016 valuation (particularly in the area of employer engagement and the quality of data)
- Ongoing consideration of the Fund's adherence to The Pension Regulator's Code of Practice
- Ongoing consideration of the data quality issues that were highlighted in the Employer Audit, including the implementation of London Borough of Hackney's new payroll provider where pension matters must be key to the transition
- GMP reconciliation
- The tender of the third party administrator which is due late 2016 / early 2017
- The impact of Brexit and how the Fund responds to that
- The ongoing relationship between the Fund and the London CIV
- The ongoing work of the Pensions Committee.

### **Other observations and general comments**

Generally speaking, we are pleased with the work we have completed in our first year of existence, whilst acknowledging the challenge of needing to replace (and train) three of the original four members. It is frustrating that progress since the beginning of 2016 has stalled due to these vacant posts. However, we have an excellent working relationship with the Pensions Committee and the Fund's officers, and are grateful for the way they have all embraced our involvement.

Overall our impression is that the Hackney Pension Fund is a well-managed Fund, and demonstrates good governance in a number of areas. Although, as always, there are areas for the Pensions Committee and Fund officers (and the Board) to work on; whether new initiatives (locally or nationally led) or dealing with current issues (such as data quality). However, we are confident that the governance structure of the Fund is such that these future developments can be efficiently and effectively implemented.

Samantha Lloyd, Board Chair