



# **PENSIONS COMMITTEE**

## **SUPPLEMENTARY PAPERS**

Thursday 19 January 2023  
at 6.30 pm

**Pensions Committee  
Thursday 19 January 2023  
Agenda**

- 6      Competition and Markets Authority's (CMA) Objectives – Appendix 2  
(Pages 9 - 14)**

Fund Requirements	Investment Adviser Objectives	Evidence
Strategy		
Ensure members' benefits are met as they fall due.	Advise on an investment approach that reflects the Fund's cash flow position, and likely evolution, and minimises the risk of forced disinvestment	<p>Cashflow is regularly monitored and reports to Committee have been provided to ensure that it understands the different classes of assets available and the potential impact of asset allocation on the cashflow. Liquidity is considered alongside strategic decisions given the expected cashflow negative position of the Fund along with the Private Markets commitments.</p> <p>The assets provided sufficient income and liquidity to manage liquidity requirements over the year. Advice was provided for future cashflow management.</p>
Support a long term funding approach that is consistent with a stable and affordable contribution approach from the employers.	<p>Advise on a suitable investment strategy, including undertaking at least a 3 yearly review, helping the Committee to formulate and understand their collective investment beliefs.</p> <p>Assist the Committee in assessing, understanding and managing the investment risks within the Fund and how these interact with funding.</p>	<p>The funding level has improved over the latest valuation cycle and particularly over the last year, largely driven by strong equity returns in 2020/21 and rising gilt yields in 2022.</p> <p>We have worked alongside and in co-operation with the Fund actuary to produce joint advice on funding and investment matters, ensuring that the investment advice supports the agreed funding strategy. Most recently presented papers proposing alternative investment strategies and cashflow management, taking into account the potential changes to, and impacts on, contribution rates, which were produced in conjunction with the Fund Actuary, including a number of calls with Officers involving both the Investment Consultant and Fund Actuary.</p>
Support a long-term funding aim to be fully funded by 2031 on an ongoing basis of 1.65% over gilts and to continue maintaining this funding level going forward.	Advise on reviewing and amending the strategy, to ensure it delivers the Fund's long-term objectives, including the required investment returns from the Fund's investments (and associated risks) to support progress towards a long term steady state of funding.	We have provided investment advice which includes alternative investment strategies that all consider the long-term funding target, contribution rates and cashflow requirements, in conjunction with the Fund Actuary.

Support the Fund in its development of its overarching responsible investment (ESG) approach	Advise on possible approaches and the development of the funds approach to responsible investment in all areas associated with ESG. Assist with the development of an RI policy for inclusion in the Fund's Investment Strategy Statement	We have continued to work with Officers and the Committee, including leading discussions at specific RI workshops for the Committee and providing relevant advice regarding options to invest in greener and more sustainable mandates. Provided training, support and advice in respect of the current refresh of the RI policy and change policy, including consideration of how aspirations can be achieved. In addition, we have provided a seconded employee to support the delivery and documentation of the Fund's RI ambitions.
Reduce the Fund's exposure to fossil fuels by 50% over six years to July 2022	Advise on suitable investment options to reduce fossil fuel exposure in the portfolio to support the Committee in achieving its target reduction	The fund has significantly reduced its exposure to carbon reserves by 96.9% between July 2016 and November 2021, exceeding the 50% target and ahead of schedule. Recent advice on a refreshed investment strategy was agreed and implemented in a timely, cost effective manner to support delivery of this important objective. We have advised on suitable investments for the fund to transition in order to achieve this target, also focusing on LGPS pooling requirements via LCIV.
Monitoring and performance		
Ensure cost efficient implementation of the Fund's investment strategy	<p>Advise on the cost efficient implementation of the Fund's investment strategy as required, including advice on the use of suitable benchmarks, active or passive management, and taking into account the evolution of the London CIV.</p> <p>Provide advice on the suitability of investment managers and regular reporting to allow the Committee to monitor the success of the investment strategy, including on the relative merits of using products offered by the London CIV compared to external managers. Justify any advice to invest outside of the CIV.</p> <p>Ensure all our services to support the Fund's investment strategy ongoing governance are proportionate and competitive in terms of costs relative to their peer group</p>	<p>When considering the evolution of the investment strategy and its implementation, the costs of transition to new mandates is a key consideration. We continue to work alongside Officers from the Council and LCIV to identify suitable mandates within the pooling regime that offer cost efficiency whilst implementing the decisions of the Committee.</p> <p>Over the last year the focus has been on pooling assets with the LCIV where this has been possible and in line with the approved strategy. We have worked with LCIV to fully understand their products and to advise the Fund on suitability. There have been no new investments outside of the CIV this year.</p> <p>On a recent large transition of assets into the pool, the Investment Consultant worked closely with a transition specialist to help implement changes to the investment strategy at a low cost.</p>

Ensure the Fund's actual allocation doesn't notably deviate from the target allocation	Provide clear and accurate monitoring and regular reporting which enables the Committee to monitor the success of the investment strategy. This should take account of/complement reporting provided by others and avoid duplication of effort/cost.	Detailed quarterly reports are provided to Officers and members of the Committee setting out individual mandate performance alongside analysis of actual allocations vs target. This is used to consider if reallocation is required and to advise accordingly. An investment paper regarding cashflow was provided that recommended a balance of at least £50m was maintained in cash in order to fund cashflow requirements. Some rebalancing trades have taken place to maintain this position based on the quarterly monitoring.
Compliance and regulation		
<p>Ensure the Fund's approach is aligned with the objectives of pooling and associated guidance</p> <p>Page 5</p>	Keep the Committee informed of developments in relation to investment pooling and assist in interactions with the CIV as required.	<p>We continue to liaise with the LCIV in order to understand the mandates they have to offer and advise where we feel these are suitable for the Hackney Pension Fund in line with the approved investment strategy and the funds approach to pooling. We have taken part in joint meetings with Fund Officers and the LCIV in order to ensure appropriate advice has been provided. We also provide feedback to the LCIV on the sorts of mandates the Fund would like to invest in, where they are not already available through the LCIV.</p> <p>The proposed alternative investment strategies were all focussed on LCIV mandates and were in line with pooling guidance and requirements.</p> <p>c75% of the Fund's assets are now in pooled solutions</p>
Ensure the Fund's approach reflects relevant regulatory and legislative requirements	<p>Ensure our advice assists the Fund in complying with relevant pensions regulations, legislation and supporting guidance, and is consistent with the Committee's policies and beliefs</p> <p>Ensure the Committee is kept up-to-date with the latest regulatory changes and how these affect the Fund.</p>	<p>All advice to both Officers and the Committee has complied with legislation and regulatory requirements whilst ensuring that it is relevant to the Fund's policies and beliefs. We have been available to provide advice to Officers as required and have attended all Committees and Committee Workshops over the year.</p> <p>We have offered tailored training to the Fund's Officers and to the Committee, ensuring it is relevant to decisions to be made and in line with the requirements of CIPFA Knowledge and Skills Framework.</p>

Develop the Committee's Responsible Investment policy and ensure this is reflected in ongoing governance and decision making processes	Advise on the development of the Committee's Responsible Investment and wider ESG policies and beliefs and ensure all investment advice is consistent with those policies and beliefs.	<p>We have worked with Fund Officers and the Committee over the course of the year monitor the RI goals set out in the RI policy to ensure the Fund is on track.</p> <p>Our advice and recommendations regarding potential investments always include consideration of RI aspects and beliefs of the Fund.</p>
Client servicing and relationship management		
<p>Ensure the Fund's investment objectives are supported by an effective governance framework</p> <p>Page 6</p>	Provide relevant and timely advice, ensuring all reports, papers and advice are produced in good time ahead of Committee meetings	<p>Timelines for the provision of advice and reports, etc. are agreed with Officers of the Fund ahead of Committee meetings, workshops and other meetings as they arise.</p> <p>Regular meetings are held with Officers to discuss requirements, ensuring that the advice is relevant to the needs of the Committee members and fund Officers. Papers are produced in line with agreed timescales allowing for relevant consultation and feedback as required ahead of finalisation of reports and other advice.</p>
Ensure efficient implementation of the Fund's investment strategy	<p>Develop a positive working relationship with Officers and Committee members, with opportunities for provision of feedback.</p> <p>Work constructively and effectively with other advisers and key stakeholders</p>	<p>The ongoing relationship with both Officers and Committee members is positive and open, with both sides being able to give honest opinions. We hold regular meetings with Officers of the Fund and attend all Committee meetings.</p> <p>We have also communicated any developments impacting the implementation of a strategy clearly and in a timely manner. One example being a manager that the Committee had agreed to disinvest from over time had suddenly seen a significant drop in the level of assets under management. We communicated this issue and its implications to the Fund Officers immediately and the position was exited within a matter of days.</p> <p>We have worked with other advisers including the actuary and the benefits and governance advisers. Examples of this over the year include the provision of a joint paper to Committee regarding funding and investment considerations and how these interact in the context of the triennial valuation and setting of the funding and</p>

		investment strategies, cashflow management paper, with input from the actuary. We have also worked with the Benefits and Governance advisers directly ensuring relevant input for example to forward business planning etc.
	Raise any material client team personnel changes and meeting cover in a timely manner	The client team servicing Hackney Pension Fund has remained stable over the year, with additional RI specialist resource added to the team.
	Ensure all advice is clear, concise and, as far as possible, jargon free and that it is clearly presented and backed up as appropriate with high quality training.	All of our reports to Officers and Committee are clearly presented with background information, full analysis and clear recommendations. Where possible this is always jargon free and where this is not possible a glossary/explanation is always included. When important decisions are being taken by the Committee, relevant training is included, tailored to the Hackney Fund and to ensure that the reasons for and impact of any recommendations are fully understood.

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