

## MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

TUESDAY, 27TH JUNE, 2017

- Councillors Present:** Councillor Robert Chapman in the Chair  
Cllr Kam Adams, Cllr Feryal Demirci,  
Cllr Michael Desmond (Vice-Chair) and  
Cllr Patrick Moule
- Apologies:** Councillor Geoff Taylor
- Officers in Attendance:** Rachel Cowburn, Ian Williams, Michael Honeysett,  
Stephen Rix, Julie Stacey
- Also in Attendance:** Jonathan Malins-Smith, Nick Chadwick, Andrew  
Johnson Hymans Robertson, Michael Ferguson,  
AON

### 1 APOLOGIES FOR ABSENCE

Councillor Taylor

Councillor Kam Adams for lateness and Jonathan Malins-Smith for lateness

### 1 DECLARATIONS OF INTEREST - MEMBERS TO DECLARE AS APPROPRIATE

Councillor Chapman declared a non-pecuniary interest as a receiving member of the LGPS and Councillors Desmond and Demirci declared a non-pecuniary interest as deferred members of the LGPS. Councillor Desmond declared a non-pecuniary interest as a Governor of Brook House 6<sup>th</sup> form College.

### 3 CONSIDERATION OF THE MINUTES OF THE PREVIOUS MEETINGS

**RESOLVED** that the minutes of the previous meeting held on 29 March 2017 were agreed as a correct record.

**RESOLVED** that the minutes of the previous meeting held on 25 April 2017 were agreed as a correct record.

**RESOLVED** that the minutes of the extraordinary meeting held on 25 May 2017 were agreed as a correct record subject to the amendment that Jonathan Malins-Smith was present at that meeting.

### 4 CO-OPTED MEMBERS OF PENSIONS COMMITTEE

Jonathan Malins-Smith asked for a role description for the co-optee position. Rachel Cowburn said that the Pensions Committee terms of reference were being reviewed and a co-optee role description could form part of the review.

The Pensions Committee **RESOLVED** to

- re-appoint Jonathan Malins-Smith as Co-optee Member; Scheme Member Representative of the Pensions Committee for the 2017/2018 municipal year.
- Note the position regarding the nomination of Co-optee member; Employer Representative of the Pensions committee; and
- Note the current position regarding the membership of the Pensions Board.

## **5 TRAINING (LONGEVITY AND FUNDING RISK)**

The Pensions Committee **resolved** to take item 5 and 5a on the agenda together.

Rachel Cowburn introduced the item and Nick Chadwick from Hymans Robertson introduced the training session and the report.

Jonathan Malins-Smith queried the percentage of unknown information in the charts. Andrew Johnson said this was as a result of not having postcode data.

Rachel Cowburn said that there had been a significant change in membership from manual to office based workers as well as a larger proportion of female workers and this was likely to have affected where the pension liabilities lay.

Councillor Moule asked what impact the end of final salary provisions had. Rachel Cowburn said that the move from final salary schemes to the CARE system was beneficial to lower paid members so the disparity evened out.

Andrew Johnson said that the current methodology wouldn't work as well in 20 years' time and this would need to be reviewed to take account of the changes in the pension scheme.

Ian Williams also said it was important to recognise that the contribution rates over the last 10-15 years have changed significantly and the contribution ratios were now very different.

The Pensions Committee **RESOLVED**

- To note the report

a LONGEVITY UPDATE - CLUB VITA

The Pensions Committee **RESOLVED**

- To note the report

## **6 PASSIVE EQUITY - TRANSITION APPROACH**

The Pensions Committee **RESOLVED**

That the press and public be excluded from the proceedings of the Pensions committee during consideration of Exempt items 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

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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.

The Pensions Committee resolved

- To agree the recommendations.

## **7 PENSION FUND CASHFLOW**

The Pensions Committee **resolved** to take item 7 on the agenda after item 4.

Andrew Johnson from Hymans Robertson introduced the report. Many Schemes were in a negative cash position but this was not an issue for the LBH fund. However, it was always prudent to monitor the situation.

Councillor Desmond queried how the Fund's stress tests were undertaken, given the volatile economic climate, and how stringent were they. Andrew Johnson said that the stress tests formed part of the valuation process which was stringent.

Councillor Chapman asked how likely the risk was of a rapid reduction in the numbers being part of the Fund. Ian Williams said it was important to remember who was in the Fund. Schools made up a high proportion of the Fund and costs pressures here would mean a reduction in Fund numbers. There had also been a reduction in LBH workforce and this reduction had to be modelled in to the Fund cashflow as did any future pay increases.

The Pensions Committee **RESOLVED**

- To note the report

## **8 QUARTERLY REPORT UPDATE**

Rachel Cowburn introduced the report. There had been a slight improvement in the funding position. In respect of the governance arrangements, an audit by AON on the administration arrangements for LGPS in 2014 highlighted both the positive and negative. Some providers had struggled to provide data by the requested deadlines. It was hoped that the move to iTrent, the new payroll system, would help with improvements.

The tender decision for the third party administrators had resulted in the reappointment of Equiniti.

The Pensions Committee **RESOLVED**

- To note the report

## **9 STEWARDSHIP FRAMEWORK - ENGAGEMENT OVERLAY OPTIONS**

Rachel Cowburn introduced the report. The Local Authority Pension Fund Forum (LAPFF) appointed their own voting overlay provider and CIV had agreed. This was in line with Hackney Fund's voting policy.

Councillor Chapman commented that ethical governance was an important issue.

The Pensions Committee **RESOLVED**

- To approve the use of National Frameworks Stewardship Framework to procure an engagement overlay service, pending further work by officers to establish the Fund's requirements and most appropriate service model.

### **10 GOVERNANCE - SELF ASSESSMENT REPORT JUNE 2017**

Rachel Cowburn introduced the report. The self-assessment survey was still open and it would be useful to have a wider response. Councillor Chapman encouraged those Committee members who had not completed it yet to do so.

Rachel Cowburn informed the Committee that the website was being updated which would allow faster and easier access to key documents.

The Pensions Committee **RESOLVED**

- To note the report

### **11 PENSION FUND ADMINISTRATION - ANNUAL REPORT**

Rachel Cowburn introduced the report. She said that the move to the new payroll provider should free up our administrators' time to enable them to look at other things.

Jonathan Malins-Smith queried the increase in cases received by the administrators. Rachel Cowburn said that this was as a result of data provision and the introduction of the automatic enrolment system. Staff members joined for a short period and then opted out.

Councillor Desmond asked what provisions were in place to deal with Fund members' affairs should they be afflicted with dementia and did Power of Attorney have to be put in place. Julie Stacey said that often a Power of Attorney had been put in place but if not then Equiniti could send a form to the next of kin to complete and also the Department of Works and Pensions had a similar form which Equiniti could accept.

The Pensions Committee **RESOLVED**

- To note the report

### **12 PENSION FUND BUSINESS PLAN 2017-20**

Rachel Cowburn introduced the report. Councillor Chapman asked for an update on CIV. Rachel Cowburn said that officers stayed in touch with CIV as the opening of new active equity sub-funds would still have an impact. Officers had made it clear with the Pool the direction of travel.

Jonathan Malins-Smith asked how many Fund members used the self-service option. Julie Stacey said that it was possible to undertake a variety of actions on the new

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system such as obtaining quotes but that passwords and access needed to be updated.

The Pensions Committee **RESOLVED**

- To approve the Business Plan for the Pension Fund for 2017-20
- Approve the draft work plan for the Pensions Committee for the Financial Year 2017-2018.

### **13 EMPLOYER DATA AUDIT**

The Pensions Committee **resolved**

- To note the report

That the press and public be excluded from the proceedings of the Pensions Committee during consideration of Exempt items 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.

### **14 PENSION FUND GOVERNANCE POLICY AND COMPLIANCE STATEMENT**

Rachel Cowburn introduced the report. The scheme of delegation had changed to reflect changes in job titles and structure.

The Pensions Committee **RESOLVED**

- To approve the draft Pension Fund Governance Policy and Compliance Statement and agree that officers may now proceed with the consultation with the Fund's employers and Hackney Council union officials
- Approve the Scheme of Delegation which is included as appendix B of the attached draft statement.

## **2 ANY OTHER BUSINESS WHICH IN THE OPINION OF THE CHAIR IS URGENT**

### **16 EXCLUSION OF THE PRESS AND PUBLIC**

The Pensions Committee **RESOLVED**

That the press and public be excluded from the proceedings of the Pensions Committee during consideration of Exempt items 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.

### **17 CONSIDERATION OF THE EXEMPT MINUTES OF THE PREVIOUS MEETING**

## Item 6 PASSIVE STRATEGY STATEMENT (EXEMPT)

Rachel Cowburn introduced the report which set out the transition plan in accordance the Investment Strategy for the Fund agreed by the Pensions Committee at its meeting on 29 March 2017. The proposal to move the Fund's UK equity assets to a manager charging the London Collective Investment Vehicle's (CIV) rates offered a potential saving on asset management costs of 3.5 basis points (approximately £45k on a mandate size of £130m). There would be a small fee payable to CIV to monitor the passive assets.

The transfer of a portion of the Lazard and Wellington global equity mandates into regional/global equity passive mandate would trim the mandates to the target level in the new strategy i.e. from 15.5% to 13%.

Jonathan Malins-Smith asked for further clarification on the likely costs of an in specie transfer and whether this would trigger a bid offer threat. Andrew Johnson said that the point of an in specie transfer was to avoid bid offer threats and the only costs would be an administrative charge to re-register from UBS to LGIM.

In respect of phase two in the transition plan, officers would develop proposals around the low carbon fund alongside CIV and bring the recommendations to the Pensions Committee. LGIM were ahead of Black Rock and UBS in terms of being carbon aware and low carbon options.

Councillor Desmond asked if there were any tax implications attached to these transfers. Andrew Johnson said that in specie transfers avoided stamp duty.

The Pensions Committee resolved

- To approve in principle 'Phase 1' of the transition approach outlined in Appendix 1 subject to the final choice of a suitable 'climate aware' strategy. Phase 1 includes
  - In specie transfer of the UBS UK equity assets to an equivalent UK equity mandate, managed via a fund manager charging the reduced fees negotiated by the London CIV.
  - In specie transfer of a portion of the Lazard and Wellington global equity mandates into regional/global equity passive mandates. The remaining mandates with Wellington and Lazard would each be 13% of the Fund's assets, in line with the revised target allocation for actively managed global equities.
- Note the intention for officers to develop proposals further for Phase 2 in collaboration with advisers, managers and the London CIV, in order that further recommendations can be brought to a future Committee.

## Item 13 EMPLOYER DATA AUDIT – EXEMPT APPENDIX

Rachel Cowburn explained that the appendix was exempt because the contents had not yet been discussed with the individual employers.

Michael Ferguson introduced the report and drew the Committee's attention to the table which highlighted the risk level of the employers. There were few high risk employers than in the previous audit two years' ago.

Rachel Cowburn said that there was no reason to be any more concerned with this audit than with the previous one. The problem lay with data provision and the greatest risk was with staff paid by LBH payroll.

The Academies were efficient at providing the data and stronger relationships would be built with the payroll team and the schools' payroll teams to pick up process issues.

Jonathan Malins-Smith commented that many of the high risks were education related. Rachel Cowburn said that schools made their own decisions on payroll providers so the Fund dealt with the payroll provider not the contract holder which meant there was a separation between the Fund and the employer.

Cllr Moule asked if the Fund had any leverage at all over the providers. Rachel Cowburn said no but conversations are had with senior staff in the organisations that the payroll providers may not be fulfilling their contractual obligations.

Councillor Chapman asked whether the Committee could be confident that things were improving. Michael Honeysett said that officers had worked closely with the new payroll and ICT to build in reporting features. Rachel Cowburn said that the statutory requirements were clear in the payroll contracts and capability had been developed so the Fund was dealing with a supplier who had taken this on board.

The Pensions Committee **RESOLVED**

- To note the report.

**Duration of the meeting:** Times Not Specified

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