

UNRESTRICTED MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

TUESDAY, 28 NOVEMBER 2023

Councillors Present:	Councillor Kam Adams in the Chair Cllr M Can Ozsen, Cllr Ian Rathbone, Cllr Robert Chapman (Vice-Chair), Cllr Margaret Gordon and Cllr Lynne Troughton
Apologies:	Councillor Grace Adebayo, Councillor Ben Hayhurst and Councillor Frank Baffour
Co-optees:	Henry Colthurst (Employer Representative - In attendance remotely) Jonathan Malins-Smith (Scheme Member Representative)
Officers in Attendance	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)
Also in Attendance:	Sam Yeandle (Redington Investment Consultants) Steven Scott (Hymans Robertson)

The meeting convened at 6.30pm and due to public disturbances during the proceedings several warnings were issued before the meeting was adjourned at 6.40pm and re-convened at 6.45pm in Committee Room 102.

The Chair welcomed those present and advised that no questions had been received. With regard to the deputation "Divestment of Hackney Local Government Pension Scheme (LGPS) from companies complicit in human rights abuses in the Occupied Palestinian Territories", this had been postponed to a later date as the Council had a duty to foster good community relations, which was part of the public sector equality duty, and a written response had been provided to the to Deputation Leader.

1 Apologies For Absence

- 1.1 Apologies for absence were received from Councillors Hayhurst and Baffour.
- 1.2 It was noted that Councillor Baffour 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 Consideration of The Minutes of The Previous Meeting - 20 September 2023

RESOLVED: That the minutes of the previous meeting held on 20 September 2023 be agreed as a true and accurate record of proceedings.

4 Pension Fund Report & Accounts 2022/23

4.1 Members noted that the appendix was contained within the supplementary papers.

4.2 The Head of Pension Fund Investments and Actuarial introduced the Pension Fund's draft accounts for 2022/23, along with a draft annual report and advised that this document would be published on the Council's website as a draft pending completion of the 2022/23 audit to comply with the requirements of the LGPS Regulations with regards to the Annual Report and to allow for further changes resulting from the audit.

4.3 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 query relating to the draft accounts, it was stated that no substantial changes were anticipated as a result of the audit, however some changes to the disclosure of performance would be necessary in line with regulations. Members would be updated on any changes made.
- In response to a question relating to the audit and final version of the Annual Report, the Group Director of Finance explained the delays in the auditing had been due to issues within the external audit market and that the audit should be completed in January 2024.
- In response to a question seeking further clarification regarding the review process for the Investment Strategy Statement (ISS) that had been last reviewed in 2021, it was confirmed that the current ISS had been included in the accounts and that an updated ISS incorporating the changes since 2021 would be submitted at a future meeting.
- In response to a question about the lack of reference to the Fund's net zero commitment within the report, it was stated that this commitment had not been agreed in time to be included in the report but undertook to amend the Chair's foreword to include reference to this commitment.
- In response to a query regarding the Fund's underperformance which had a return of -5.0% below the LGPS Universe average of -1.6, it was explained that the underperformance of the equity portfolio had been driven by the wider economic climate. The key drivers of the underperformance had been the Fund's asset allocation, which had low exposure to alternatives and relatively high exposure to bonds, and also the poor performance of equities. Officers

would closely monitor the Fund's active managers to address the underperformance issues.

- In response to a request to incorporate the targets for the net zero commitment, the Head of Pension Fund Investments and Actuarial undertook to incorporate the Net Zero targets agreed in March 2023 within the Chair's Foreword and at the next annual review to reflect the agreed targets more prominently and include performance against the targets.

RESOLVED:

- 1. To note this draft version of the Pension Fund Annual Report and Accounts**
- 2. To approve publication of the draft accounts and distribution to interested parties, ahead of audit and receipt of an audit certificate.**

5 Annual Report of the Pensions Committee 2022-23

5.1 Members noted the appendix 1 contained within the supplementary papers.

5.2 The Head of Pension Fund Investments and Actuarial introduced the report detailing the role of the Pensions Committee and a summary of the key activities and achievements in the year 2022/23 which demonstrated how the Committee had fulfilled its role as the Scheme Manager for the London Borough of Hackney Pension Fund. The report would also be presented to full Council in January 2024

5.3 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 query about the climate policy agreed in January 2023, it was advised that law did not require the inclusion of this policy however it could be included after the ISS had been updated.
- In response to the query relating to Members' attendance during 2022/23 and there being no record of Committee Members' virtual attendance, the Governance Services Team Leader explained that under the Local Government Act 1972 members had to attend the meeting in person to be recorded as present. The Head of Pension Fund Investments and Actuarial indicated that the table could be reviewed and virtual attendance recorded as present instead of absent under the pensions provisions.
- In response to a question relating to the McCloud Programme, the Head of Pensions stated that the work on data collection and validation had been progressing as planned and would be implemented following the issuing of the guidance. The number of scheme members in the McCloud Programme could be provided following the meeting.

ACTION:

1. Head of Pensions to provide the number of scheme members on the McCloud Programme.
2. The Head of Pension Fund Investments and Actuarial to update the Members' attendance table to include virtual attendance.

RESOLVED:

- 1. The Pensions Committee is recommended to note the report.**
- 2. Council is recommended to note the report.**

6 Gender Pensions Gap

6.1 The Head of Pension Fund Investments and Actuarial introduced the paper detailing the Fund's gender pensions gap, which had been prepared by the Fund Actuary, Hymans Robertson.

6.2 Hymans Robertson's consultant presented the paper briefly summarising the gender pensions gap and the LGPS, Fund-level analysis, causes of the gap and conclusion. It was highlighted that females had lower pension amounts compared to males and that the pensions gap had been impacted by females taking on caring responsibilities and career breaks, and the gap was smaller in the age group 31- 35.

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

- Members expressed concern at the analysis which showed that the pensions gap was prevalent in the female age group 21-25 despite pay being equal to male, the Hymans Robertson's consultant stated that there was insufficient data to draw any conclusions, however, other factors could have impacted on the gap such as lack of education about pensions amongst young females and those returning to the workforce after caring responsibilities. The Head of Pension Fund Investments and Actuarial added that the Council's Human Resources were taking a proactive approach to understand the reasons for the pensions gap in young female ages groups in order to target pensions education and were willing to work in conjunction with the Pensions Committee.
- In response to a question regarding whether information on pensions had been incorporated in the new recruits induction, it was explained that the Council automatically enrolled all new recruits into the LGPS scheme and that information on pensions was provided as part of the induction process.
- In response to a question relating to the 48% average accrued pension for active members in the five year age brackets and split by gender, it was stated that an explanatory note could be added to clarify the scheme members excluded from this statistic.
- In response to a question about looking at alternative schemes to encourage younger females to join, it was stated that Human Resources were looking at ways to encourage younger female groups, the low paid groups and ethnic minorities that might struggle with the contributions to join alternative pension schemes such as the salary sacrifice or 50/50 schemes.
- In response to a query relating to the pay gap in the private sector compared to the public sector pensions, the Hymans Robertson's consultant confirmed the gender pensions pay gap was more evident in private pensions.
- In response to a question relating to the gender gap for part time employees, the Hymans Robertson's consultant stated that 40% were females and 20% were males and that the higher proportion of women in part-time employment were contributing to the gender gaps.
- Committee Members requested an update on gender pay gap in 2024 and samples of good induction schemes. The Head of Pension Fund Investments and Actuarial undertook to circulate samples of induction documents.

6.4 The Vice- Chair indicated that he would be willing to communicate with the Cabinet Member for Employment and seek ways to encourage young people to join the pensions schemes.

ACTION: The Vice- Chair indicated that he would be willing to liaise with the Cabinet Member for Employment and seek ways to encourage young people to join the pensions schemes.

RESOLVED:

1. To agree that officers will follow up the recommendations set out in paragraph 8.2 (below) of the submitted report with Hackney Council's HR team to ensure that these are in place for the Fund's largest employer.

- **Reviewing job profiles and pay scales to ensure there is genuine equality across the full spectrum (this would also help address the gender pay gap)**
- **Checking to see that back-to-work policies, including flexible working, fully support and encourage people who have taken career breaks back into the workplace**
- **Enhancing shared parental leave policies**
- **Educating employees about implications for their pension any time there is a life point change that may have financial consequences (e.g. reducing hours, getting divorced, promotion etc). Employees can then make informed choices about whether to top up their pension or not.**
- **Letting new joiners and part-time workers know that they can opt in to the pension scheme, even if they do not meet the qualifying criteria**

7 Small Employers Admission Policy

7.1 The Head of Pension Fund Investments and Actuarial introduced the report on the Small Employers Admission Policy for review. The policy outlines the admission process for these small employers with 20 or fewer employees into the Fund on a pass-through basis, where those admission bodies' participation in the Fund were guaranteed by another scheme employer. It also sets out how contribution rates were to be calculated and how risks were shared under the proposed pass through arrangements. The Hymans Robertson consultant added that this process was simpler and cheaper and there would be no risk to the letting authority in the long term.

7.2 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 relating to the process being simpler and cheaper for the Council, it was stated that removing the contractor and letting authority differences and uncertainty would mean both the contractor and Council employer paying the same pension contributions.
- In response to a question relating to contribution rates, the Hymans Roberston consultant explained that employers would pay the same contributions as the letting authority.

RESOLVED:

1. To approve the draft Small Employers Admissions Policy for consultation with employers.

8 Any Other Business Which in The Opinion Of The Chair Is Urgent

8.1 There was no urgent business for consideration.

9 Exclusion of The Press And Public

9.1 **THAT the press and public be excluded from the proceedings of the Pensions Committee meeting during consideration of Exempt items 10 to 13 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.**

10 Small Employers Admissions Policy (Exempt Appendices)

10.1 Members considered the exempt appendix relating to report at item 7.

11 Strategic Asset Allocation Review - Progress Updates, Rebalancing Decision & Investment Strategy Statement

11.1 The discussion and decision relating to this report are contained within the restricted minutes.

(The consultants from Hymans Robertson and Redington Investment left the meeting.)

12 Actuarial Service and Benefits & Governance Consultancy Procurement Decision (Exempt)

12.1 Members noted the report was contained within Supplementary Papers 2.

12.2 The discussion and decision relating to this report are contained within the restricted minutes.

13 Consideration of the Exempt Minutes of the Previous Meeting

RESOLVED: That the exempt minutes of the previous meeting held on 20 September 2023 be agreed as a true and accurate record of proceedings.

Duration of the meeting: 6.30-9.13pm