

REPORT OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

Training – Active V Passive Equity Investments	Classification PUBLIC	Enclosures
	Ward(s) affected	None
Pensions Committee 27th June 2016	ALL	

1. INTRODUCTION

- 1.1 This report introduces the presentation of a training session for Members on active versus passive investment in equities to assist them in meeting the standards set out in the CIPFA Knowledge and Skills Framework and in the Fund's training policy.

2. RECOMMENDATIONS

- 2.1 **The Pensions Committee is recommended to note the report.**

3. RELATED DECISIONS

- Pensions Committee 23rd March 2016 – Updated Training Policy

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

- 4.1 Management of the Pension Fund is complex and varied, covering areas including investment, administration, governance and financial management. It is therefore essential that members of both the Pensions Committee and Pension Board are provided with training, to ensure that they are able to meet the various duties placed upon them. The cost of such training is immaterial in the context of the Pension Fund; many of the training sessions are provided free of charge or at minimal cost.
- 4.2 The training being provided to Pensions Committee covers one specific asset class, namely equities, which currently comprises around 60% of the Fund. The Pension Fund is currently valued at over £1.1bn and therefore decisions taken to invest/divest on behalf of the Fund are likely to have long term significant financial implications, which will ultimately impact on the contributions required of employers including the main employer, namely the Council.

5. COMMENTS OF THE DIRECTOR, LEGAL SERVICES

- 5.1 The responsibilities given to the Committee in respect of administration of the Pension Fund are both broad and onerous. For example, as quasi trustees of the

Pension Fund, Members would owe a fiduciary duty to fund members, which imposes the highest standard of care in equity and law. The responsibilities of Members are exercised in a legal framework that is complex and changing. Both training and re-training is reasonably required to enable Members to continue to carry out their responsibilities in the best interests of fund members and this training session is a contributory factor which demonstrates the Committee's desire to meet its obligations.

- 5.2 The LGPS (Management and Investment of Funds) Regulations 2009, Regulation 12(3) require Funds to confirm the extent to which they comply with Guidance, specifically how they meet the requirements under the Myners Principles in terms of effective decision and the training being provided to Pensions Committee will help to ensure that they are in a position to meet this requirement.
- 5.3 In addition each member of the Pension Board is required by Section 248a of the Pensions Act 2004 (as amended by the Public Service Pensions Act 2013) to obtain '*a degree of knowledge and understanding...appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.*' This includes the rules of the scheme, any policy documents concerning its administration and relevant law relating to pensions. These requirements are considered by The Pensions Regulator in its 'Code of Practice No 14: Governance and Administration of Public Service Pension Schemes (2015)'.
- 5.4 Knowledge and skills requirements for the Pensions Committee are set out in CIPFA's Code of Practice on Public Sector Pensions Finance Knowledge and Skills. Although not statutory, this guidance provides a framework for both Administering Authorities and individual Committee Members to assess their level of understanding and determine any training needs.
- 5.5 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 The Hackney Pension Fund has adopted the key recommendations of the CIPFA Code of Practice on Public Sector Pension Finance Knowledge and Skills. As such, training for Pensions Committee members is organised in line with the areas of knowledge set out in the Code. The training session at this Committee falls under the Financial Markets and Product Knowledge, but focusing on the active vs passive approach to investing.
- 6.2 It is intended that Pension Board Members should also attend the training session to help ensure that they meet the Knowledge and Understanding requirements set out by the Pensions Act 2004 and The Pensions Regulator's Code of Practice. CIPFA has produced a Technical Knowledge and Skills framework designed for Local Pension Boards, which sets out suggested training requirements for Members. The requirements are very similar to those set out in the Code of Practice on Public Sector Pension Finance Knowledge and Skills.

6.3 The training session will therefore provide members with an overview of the two different approaches to equity investments; active and passive. The training session is being provided by the Fund's investment advisers Hymans Robertson LLP. The Fund currently has around £675 m invested in this asset class representing just over 60% of the Fund.

7. DRAFT FUTURE PROGRAMME

The draft programme of future training for the coming Municipal Year 2016/17 is included in the business plan for the Pension Fund, taking into consideration key projects and also assessing the training needs of the Pensions Committee and Pensions Board following analysis of the returns from the self-assessment process.

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BACKGROUND PAPERS

None