

REPORT OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

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| GOVERNANCE – PENSION COMMITTEE – SELF-ASSESSMENT AND ASSESSMENT OF ADVISERS Pensions Committee 27th June 2017 | Classification PUBLIC | Enclosures None |
| | Ward(s) affected ALL | |

1. INTRODUCTION

1.1 This report covers the self-assessment of Pension Committee members and a review of advisers to the Committee.

2. RECOMMENDATIONS

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

3. RELATED DECISIONS

3.1 Pensions Committee 27th June 2017 – Pension Fund Business Plan 2017-2020

3.2 Pensions Committee 29th March 2017 – Governance: Self-Assessment and Performance of Advisers

4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

4.1 There are no immediate financial consequences arising as a result of this report, however, the self-assessment and review of advisers ensures that Members understand their responsibilities as quasi-trustees of the Pension Fund and can assess the performance of their advisers. By reviewing the outcome of the assessment, officers will be able to focus further training needs and areas for development.

4.2 Ensuring that Members of the Pensions Committee are well informed and understand their responsibilities as quasi-trustees ensures that the financial decisions made by the Committee on behalf of the Fund are made with the requisite skill and knowledge and will help to protect the longer term financial interests of the Fund and its employers.

5. COMMENTS OF THE DIRECTOR, LEGAL

5.1 The London Borough of Hackney is the Administering Authority for the London Borough of Hackney Pension Fund and delegated powers have been given to the Pensions Committee to oversee the administration of the Fund. This places a significant

responsibility on the Committee's Members to ensure that they are adequately trained and understand the decisions which they have to make in respect of the Fund.

5.2 The LGPS Regulations 2013 (Regulation 55) requires Administering Authorities to prepare, publish and maintain statements of compliance against a set of best practice principles for scheme governance and stewardship. The assessment being undertaken helps to identify where changes can be made or where there are requirements for further training, and thus helps the Pensions Committee to demonstrate best practice in scheme governance.

5.3 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

The Committee monitors on a quarterly basis both the investments held by the Fund and the performance of its investment managers, covering both the quarterly and longer term performance of each manager. In addition the Committee have a rolling programme of meetings with its external managers and Officers meet with managers on a regular basis outside of the formal presentations to Committee. Assessment of the Fund's advisers is more ad-hoc, although officers meet regularly with the Fund's advisers and provide feedback on performance.

6.1 A training session for Committee (and Pension Board members) is provided at the start of each Committee meeting to help ensure that Members are meeting CIPFA's Knowledge and Skills requirements. Training sessions are planned on the basis of CIPFA's requirements and delivered by either internal staff or the Fund's external advisors. Committee members are also encouraged to attend external training sessions hosted by relevant organisations.

6.2 Following the Committee meeting in March 2017, members were provided with a web link to a survey which covered a self-assessment and review of advisers due for completion and review by the next meeting. 57% of the Pensions Committee including the Co-opted members have completed the survey. Officers have reviewed responses and the results are summarised in this report. The results will be considered for the programme of training sessions and will also assist in the planning of future agendas.

6.3 The Public Service Pensions Act 2013 and the Pensions Regulator's Code of Practice require the establishment of a Pensions Board and for Board members to have the capacity to be on the Board and to undertake the necessary training in order to develop the necessary knowledge and understanding of both pensions legislation and the individual scheme that they sit on the Board of. Later in 2017/18 it is planned that Board Members will also undertake a self-assessment to assess any gaps in knowledge.

7. REPORT OF RESULTS

7.1 INTRODUCTION

7.1.1 Effective decision-making for the Pension Fund requires knowledge and understanding of a range of complex factors. Ensuring that members of the Pensions Committee are well-informed on these issues and understand their responsibilities

helps to promote this effective decision-making and protect the interests of the Fund and its stakeholders.

7.1.2 This report covers the results of a self-assessment survey completed by Pensions Committee Members to assess their views on the advisers to the Pensions Committee and to assess their own knowledge and understanding about their role and responsibilities as a Committee Member. The results contained in this report are from the responses of 57% of the Pensions Committee including the Co-opted members. These results will be used to identify any training needs and tailor training and development accordingly.

7.1.3 This report covers the effectiveness and administration of Committee meetings, accessibility and format of information provided at meetings, effectiveness of training sessions provided to Committee members, review of Consultants and Advisers to the Committee, self-assessment of Committee Members and future planning for the activities within the Pensions Committee with the detailed results set out below.

7.2 Effectiveness of meetings

7.2.1 There has been an overall positive response towards the structure and coordination of Pensions Committee meetings. There is generally felt to be sufficient time available at Committee meetings to have detailed constructive discussions, whereby Committee members are able to raise any questions and concerns openly with each other, officers and advisers to the Committee. Meetings themselves are broadly felt to be too long; however it is important that Committee members are engaged in discussions and have the opportunity to request further explanations during presentations to allow them to make informed decisions on behalf of the Fund.

There has been one dedicated strategy meetings arranged in addition to the quarterly meetings, focused on investment strategy development. Feedback suggests that the dedicated strategy meeting was useful which demonstrates the need to review long term strategies to ensure the long term sustainability of the Fund. Generally, Committee members feel there is sufficient opportunity to include specific areas of business to meeting agendas; however, some items which could be considered further include:

- Analysis of economies of scale, comparing available data from other LGPS providers
- Attitudes to, and understanding of, Risk
- Understanding, and appropriate setting, of Benchmarks

The meetings play an important role in bringing Committee members together to share their views and raise any questions and concerns. Members have the opportunity to catch up on meetings with the help of minutes, Committee papers and arranging meetings with officers.

7.3 Administration of meetings

7.3.1 Committee papers are provided to Committee members in sufficient time to allow them to prepare for meetings. The minutes are considered to be an accurate representation of the discussions at meetings. The accuracy of the minutes is mostly

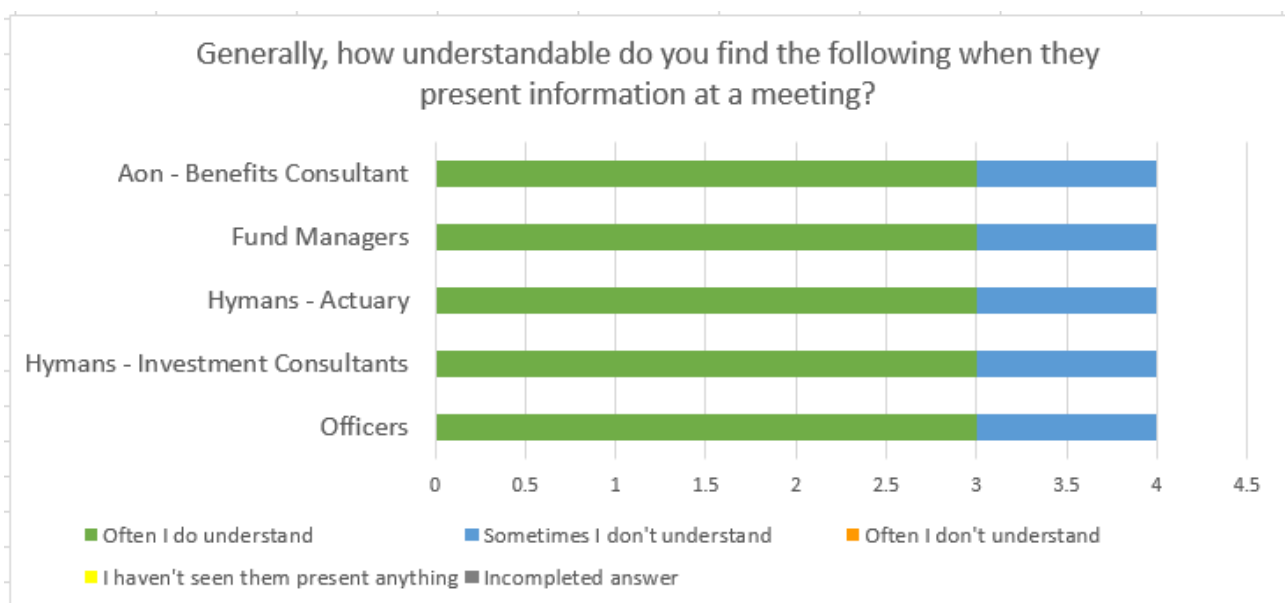
considered appropriate, although there has been a suggestion for the meetings to be recorded to ensure a verbatim record.

7.4 Accessibility & Format of Information

7.4.1 It is important that the information provided for Committee meetings is suitable and sufficient for members to understand matters being discussed. Information is provided prior to meetings via Committee reports and supplemented with additional information during meetings. An assessment on how information is presented to Committee members suggests that there is a sufficient amount of information contained within reports, however there could be more graphical representation to help illustrate points.

7.4.2 Collectively, Committee members feel they have a good understanding on the topics presented to them, usually as a result of the combination of information provided beforehand and that provided during meetings. Members generally feel they have sufficient access to officers and advisers should they wish to have further discussions, although more contact with the Fund's investment consultant would be welcomed. Members also generally have sufficient access to key documentation, although some feel that access could be made quicker and easier.

7.4.3 The quality of reports, verbal updates and responses to Committee member questions is generally felt to be good and provides members with appropriate recommendations to enable the Committee to make decisions. The financial comments in the reports are generally good to enable the Committee to understand the financial implication of decisions. Members mostly find that they gain a good understanding from presentations by officers and advisers at Committee, as set out in the graph below:



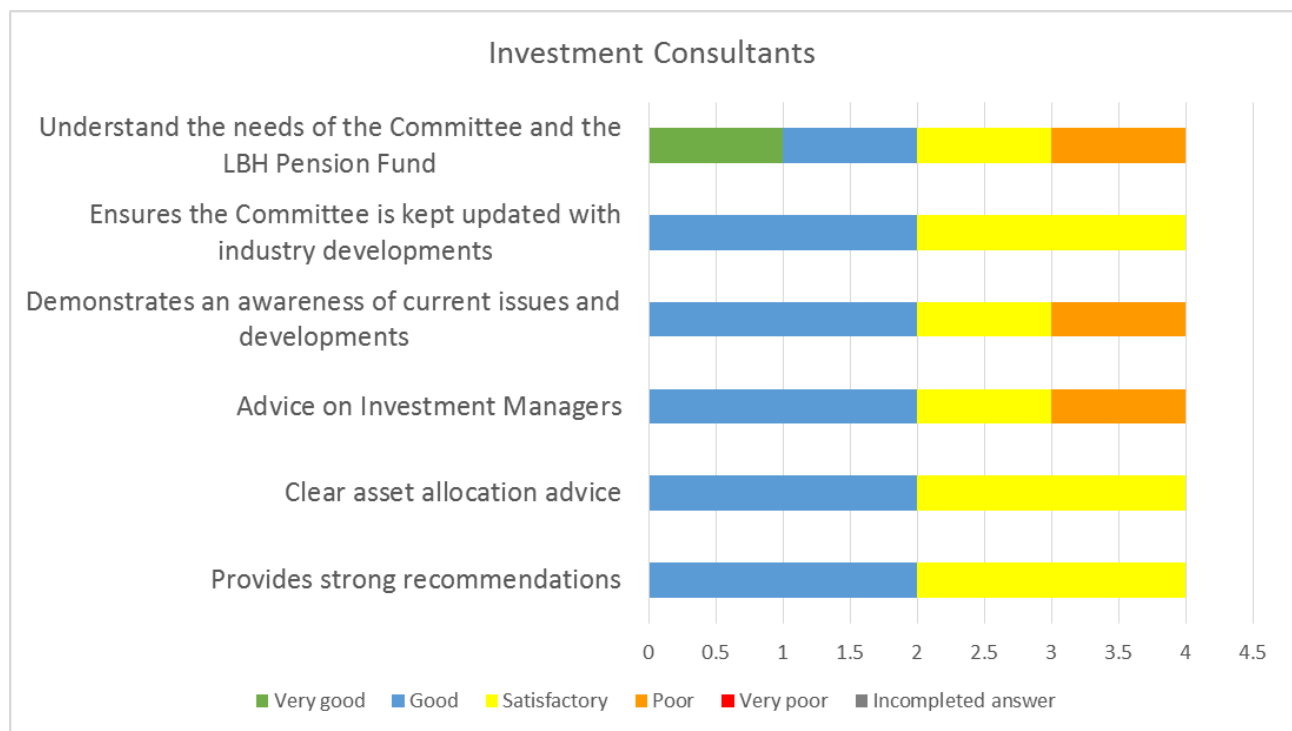
7.5 Training Sessions

7.5.1 Training sessions are provided internally by officers and advisers and externally by other training providers. Generally, members feel that the training sessions sufficiently in depth, although there are areas where more training is felt to be needed. Recommended topics for training sessions include investment in infrastructure and risk management and benchmarks.

7.5.2 Internal training sessions appeared to be preferred over external training and conferences, this is likely due to tailored training specific only to the Fund. Member preferences in terms of training format is for in person rather than online training. Members largely feel that sufficient time is allocated for training sessions, but 2 respondents suggested that more time should be dedicated to training.

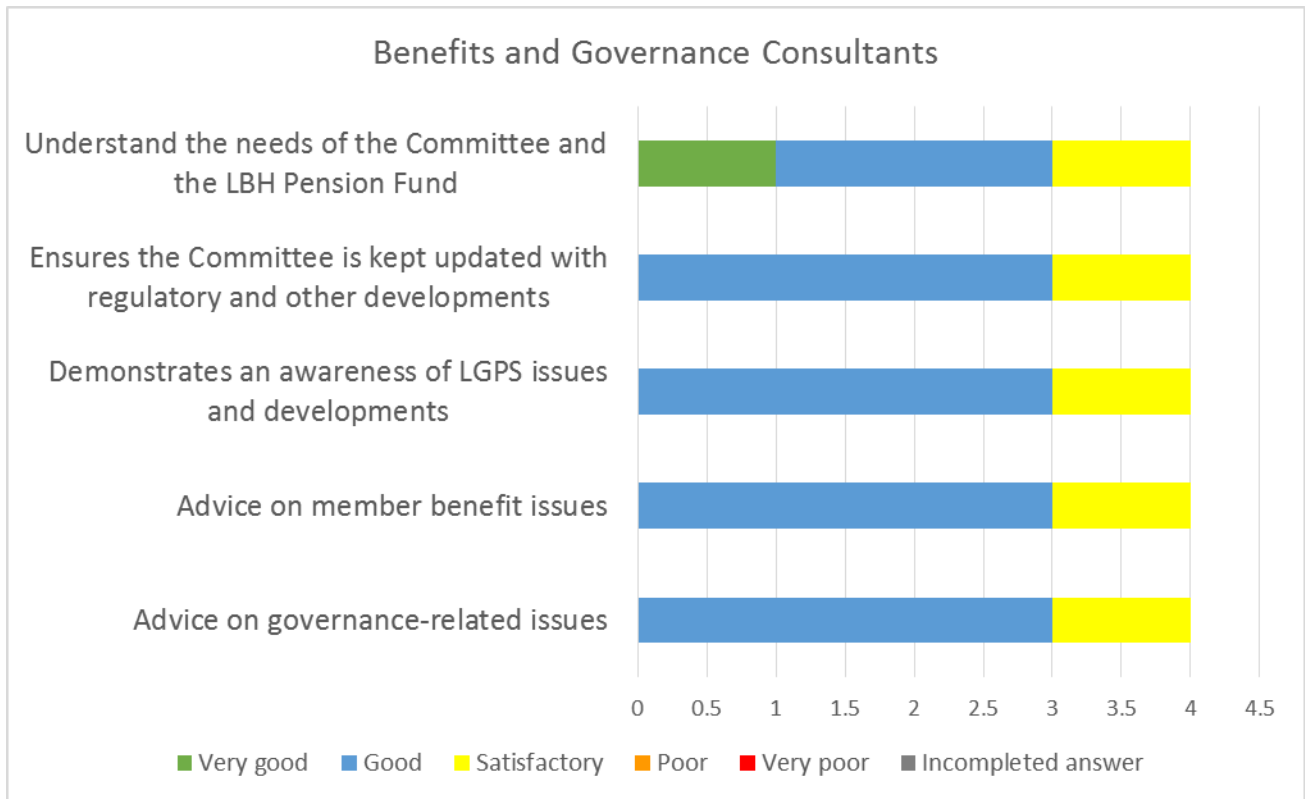
7.6 Performance of Advisers and Consultants

7.6.1 The Consultants and Advisers to the Committee have been rated on their ability to provide sound advice and recommendations towards the Pension Fund.



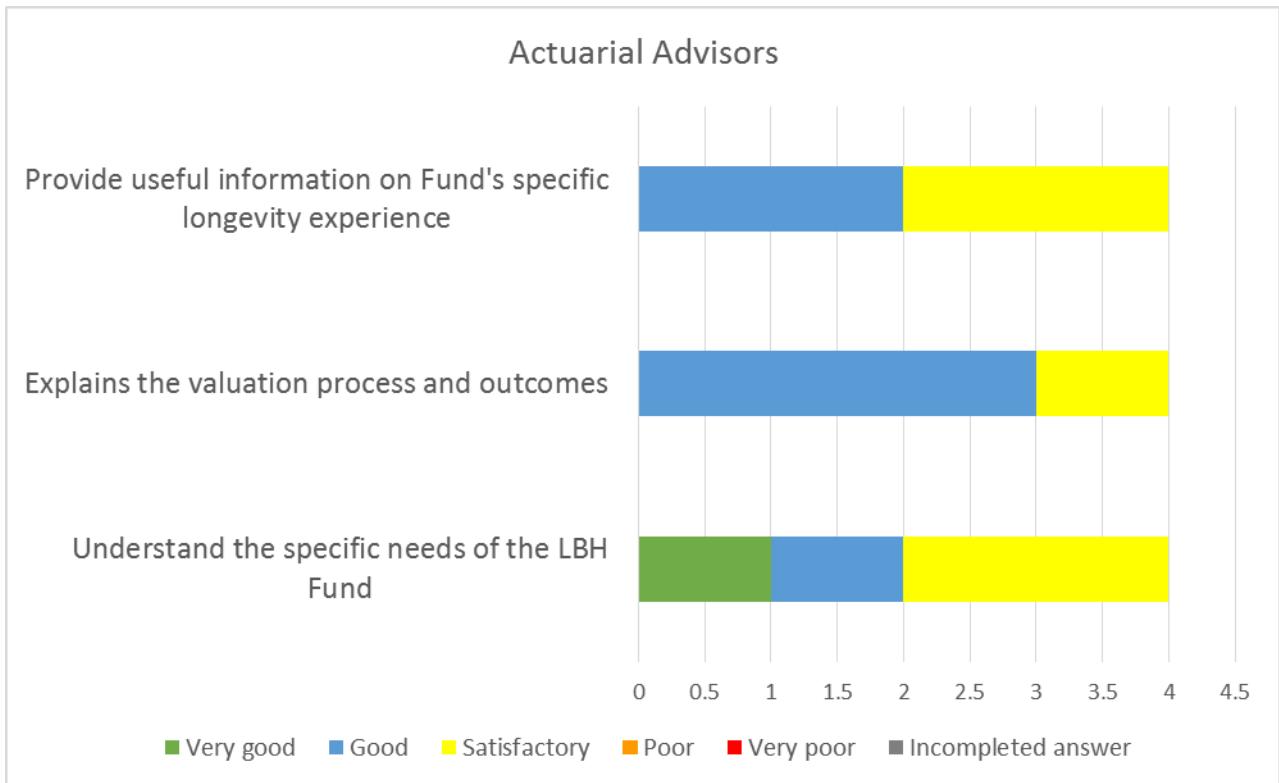
The responses from the Committee suggest that the investment consultants are generally willing to provide strong recommendations and advice on asset allocation, and are proactive in ensuring that the Committee is kept updated with industry developments. Responses are more mixed on understanding the needs of the Committee and the Fund, demonstrating an awareness of current issues and developments and advising on investment managers and their mandates.

7.6.2



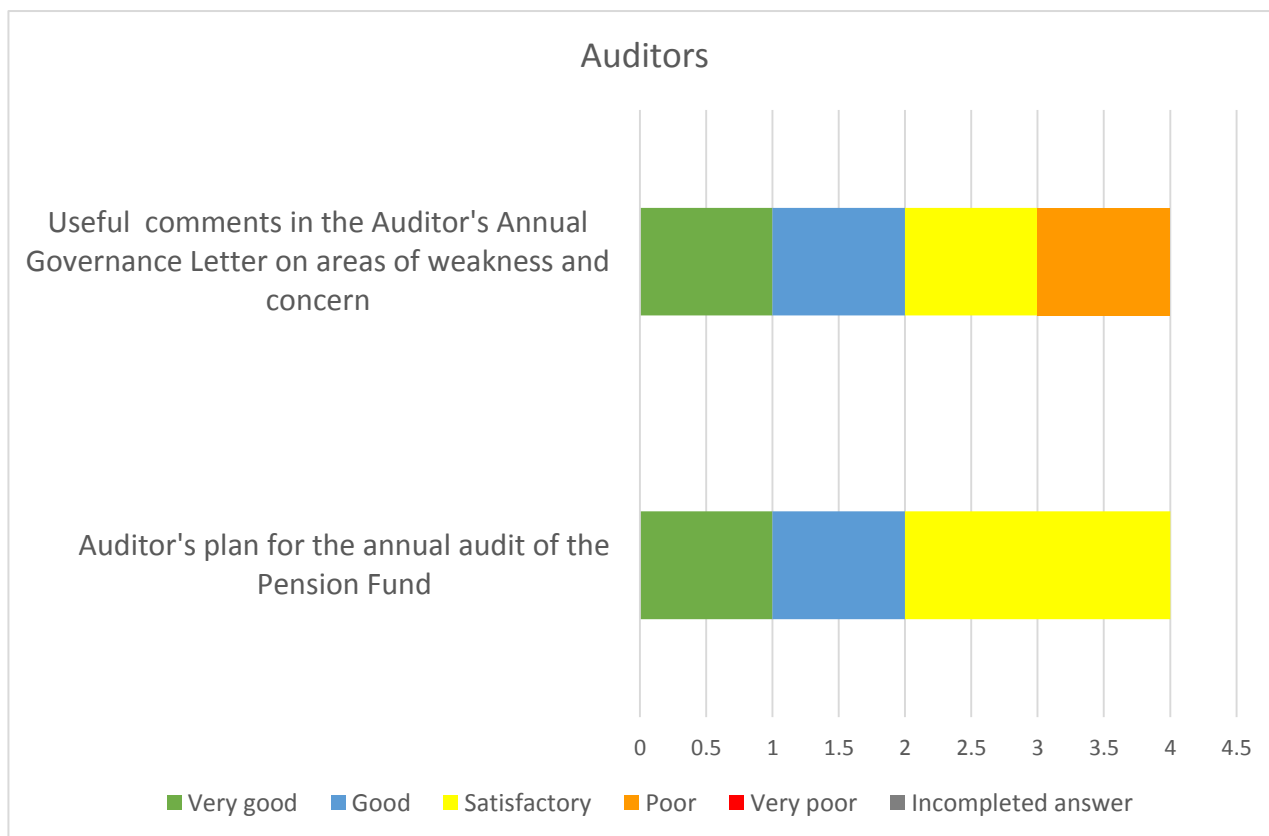
The responses for the Fund’s Benefits and Governance consultants describe performance as ‘very good’ to ‘satisfactory’. The consultants scored very well on, understanding the needs of the Fund. Responses are largely good on advising on member benefit issues, ensuring that the Committee is kept up to date with regulatory developments, advising on governance related issues and displaying an awareness of LGPS issues.

7.6.3



The Committee's view of the actuarial advisors is generally positive; the responses provided rate their performance as 'very good' to 'satisfactory' on all questions, with particularly positive responses on understanding the needs of the Fund and explaining the valuation process and outcome. .

7.6.4



The Committee's perception of the Auditors is generally good; however there is some concern over the usefulness of comments in the Auditor's Annual Governance letter detailing areas of weakness and concern.

7.6.5 The consultants and advisors play an important role in guiding the Committee, keeping up to date with markets and changes to the LGPS and wider pensions landscape. Ultimately, decision-making with regards to the Fund rests with the Committee, who must act in the best interests of the Fund and its stakeholders.

7.7 Compliance

7.7.1 The Committee feel confident that they seek and obtain appropriate advice before making decisions, and are appropriately made aware of any areas in which the Fund is not performing. The Committee are also confident in the Fund's approach to compliance with the Pensions Regulator's Code of Practice.

7.7.2 The performance of the Fund's 3rd party administrator is regularly reviewed and scheme members are generally considered to be kept well informed about their benefits and any changes to them.

7.8 Roles & Responsibilities

7.8.1 Committee members feel they have reasonable knowledge of their role, responsibilities and duties and mostly understand the full implications of decisions made at Committee meetings.

7.8.2 Members mostly feel that the amount of responsibility delegated to officers is appropriate and that clear and suitable delegations are in place to enable officers to carry out functions and progress recommendations. One respondent felt that too much was delegated to officers.

7.9 Knowledge & Understanding

7.9.1 Respondents rated their knowledge and understanding as good or satisfactory, and felt that the Committee as a collective generally has a sufficient level of knowledge in relation to pension fund matters. In relation to the specific points below, Members generally rated their knowledge as good, and particularly good in the area of fiduciary responsibility.

- Role of The Pensions Regulator and the TPR Codes of practice
- Fiduciary responsibility
- CIPFA's Knowledge and Skills Framework
- LGPS regulations
- Defined benefits

7.9.2 All Members understood conflicts of interest in relation to the pension fund. Focus on the wider aspects of managing the pension fund was generally felt to be very good,

7.10 Risk Management

7.10.1 Members are aware and understand the risks that could affect the Fund especially being able to identify the Fund's biggest risks. They are able to use the risk register to record risks which are monitored and managed appropriately. The main risks are generally well understood in areas such as administration, communications, governance and investments and all but one respondent felt well engaged in deciding how the Fund responds to these risks.

7.10.2 Generally, members feel that the Fund takes sufficient risks that either aim to achieve greater reward or to minimise ongoing costs. Sufficient information is provided to members to help the decision making process; although one improvement suggested could be to provide the Committee with information that demonstrates how a decision with regards to one risk could affect another. Risk management requires assessing risks and finding ways to improve benefits or reduce negative effects.

7.11 Future Planning

7.11.1 Future planning involves setting clear objectives and regularly reviewing these objectives to ensure they fit in with the Fund's strategies and policies. Generally, members feel that the Committee has set clear objectives in relation to funding, investment, administration and governance. They receive sufficient information to understand whether or not these objectives are being achieved on a regular basis. One respondent felt that the Committee could set clearer objectives in relation to

Governance. Members generally felt they were given sufficient information to understand whether or not objectives were being achieved, although one respondent felt that more information could be provided in respect of communications, whilst another felt the same with regards to governance.

7.11.2 The quarterly monitoring report is included in the papers provided for Committee meetings. The monitoring report covers an update on funding position, governance, investment performance, engagement and corporate governance, pension administration and reported breaches. Members generally found the report sufficiently or highly useful, although it was felt that the Engagement and Corporate Governance Update could be improved. This is clearly an effective report which demonstrates some of the wider issues that can affect the Fund. Updates are provided with the best available information at the time which can change significantly due to unforeseen circumstance, which is why it is important that committee members, officers and advisers can actively engage with each other to ensure there is an active and adaptable plan for the future of the Fund.

7.12 FURTHER COMMENTS/RECOMMENDATIONS

7.12.1 Suggestions/Discussion topics of interest

- Comparative evidence from other schemes
- More regular review of the Committee's Terms of Reference

Ian Williams

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Background papers

None