

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

REVIEW OF PENSIONS COMMITTEE PAPERS – April - September 2017	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO.
Pension Board 25th October 2017		

1. INTRODUCTION

1.1 The purpose of this report is for the Pension Board to consider the work undertaken by the Pensions Committee at its meetings in the period from April to September 2017 and to note items that are relevant to the work of the Pension Board.

2. RECOMMENDATIONS

2.1 The Pension Board is recommended to note the report

3. RELATED DECISIONS

- Pensions Committees (25th April 2017, 27th June 2017, 11th September 2017)

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

4.1 The Pension Board’s role is to assist the Administering Authority in ensuring compliance with the regulations. Consideration of Pensions Committee agendas and being able to understand the remit of the Committee and its work is therefore key to the understanding of the Pension Board.

4.2 There are no immediate financial implications arising from this report.

5. COMMENTS OF THE INTERIM DIRECTOR, LEGAL

5.1 The Pension Board has been established in accordance with the Public Service Pensions Act 2013 and in accordance with the Local Government Pensions Scheme (Amendment) (Governance) Regulations 2014. For the Board to demonstrate that it is meeting its broad terms of reference it needs to consider the ongoing work of the Pensions Committee to ensure that the powers and responsibilities delegated to it by the Administering Authority are being met. Reviewing the work of the Pensions Committee on a regular basis therefore forms part of the ongoing work of the Pension Board.

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

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 Whilst not a decision making body for the Pension Fund, the Board does have a broad remit to review the decision-making process of the Pensions Committee and in particular, matters relating to scheme administration and governance. Members will be provided with copies of the reports considered at Pensions Committee meetings held on the 25th April 2017, 27th June 2017 and 11th September 2017. A link to the Committee papers is provided here: <http://mginternet.hackney.gov.uk/ieListMeetings.aspx?CId=499&Year=0>
- 6.2 Over the period from April to September 2017, the Pensions Committee have considered reports covering a wide range of issues including investments, asset pooling, pensions administration, procurement and actuarial matters. Members of the Board have been provided with copies of the agenda and associated reports for the Pensions Committee meetings.
- 6.3 Where Pensions Committee work has specific relevance to the Pension Board and where the subject matter is such that it would be helpful to expand further for the Board to fulfil the role, these have become dedicated papers for the Board agenda. In other areas, it is worth highlighting either reports or elements of Committee reports that are of particular relevance to the Board.
- 6.4 The quarterly monitoring report provides both the Pensions Committee and the Board with an update on the key facts pertaining to the Pension Fund with updates provided on funding, investment performance, budget monitoring, corporate governance and engagement, pensions administration and reporting of breaches either to the Committee or where appropriate to the Pensions Regulator. Key to the role of the Board is ensuring that the Fund is being administered in accordance with the regulations and the quarterly report helps demonstrate that the Committee is taking all aspects of their role in managing the Pension Fund in to account and not just investment related issues. Of particular relevance to the Board is the quarterly reporting on administration performance and also the reporting of breaches sections.
- 6.5 The 25th April meeting was a special meeting for the Committee to review the results from the Fund's third party administration procurement exercise, and to appoint a service provider on the basis of those results. A specific update on the outcome of the procurement exercise and the progress towards implementation of the new administration contract has been provide with the papers for this Board meeting. Equiniti have been re-appointed as the Fund's administrators, with the new contract due to commence from 1st January 2018.
- 6.6 Key items from the 27th June meeting included a review of the Fund's Governance and Compliance Statement and a consideration of cashflow projections for the Fund over medium term. The review of the Governance Compliance Statement updates the statement to account for changes as result of asset pooling and also highlights the need for a review of the Pensions Committee's Terms of Reference, to ensure the Committee is able to fulfil its fiduciary duties in a pooled investment environment.
- 6.7 The planned review is due to take place between October and December 2017, and will be carried out as part of a broader review of the Council's constitution. The

planned changes include specifying that the Committee's role in investment decision relates to investment strategy decisions, rather than manager selection, and providing greater on the process for the appointment of co-opted members. Both the Committee and Board, as interested stakeholders, will be consulted on the planned changes.

- 6.8 The review of the Fund's cashflow considered projected cash inflows and outflows over the next medium term in light of the planned phased reduction of the Council's contribution rate. The Fund has been strongly cashflow positive in recent years, largely as a result of the contribution rate paid by the Council. The review found that whilst the planned reductions will naturally reduce cash inflows, the Fund is still expected to remain cashflow positive for at least the 5 years. This situation will be kept under review, as any move towards cashflow negativity will need to be incorporated into the Fund's investment strategy to ensure that it can continue to pay benefits without becoming a forced seller of assets.
- 6.9 Other key items on the agenda included the Pension Fund Administration Annual Report, the results of the recent Employer Data Audit and a Committee Self-Assessment report; these have all been included as separate items on the Pension Board agenda.
- 6.10 Items from the 11th September Committee included as papers within this agenda comprise an update to the Administering Authority's Training Policy and a review of compliance with The Pensions Regulator's Code of Practice. The former updates the Training Policy for a pooled investment environment, whilst the latter is included as an annual update for the Committee and is a standing item on the Board's agenda.
- 6.11 Other items of note from the 11th September Committee include the Pension Fund Report and Accounts, a request for permission for the Fund to seek elective professional investor status under the Markets in Financial Instruments Directive II (MiFID II) and the Annual Report of the Pensions Committee. Producing the Report and Accounts is a legal requirement for the Fund under Regulation 57 of the Local Government Pension Scheme Regulations 2013, with the report due for publication by 1st December following the financial year to which it relates.
- 6.12 MiFID II, which comes into effect on 3rd January 2018, will change the Fund's status as an investor from per se professional to retail. A move to retail status would severely restrict the Fund's choice of investment products, materially affecting its ability to effectively implement its investment strategy. As such, the Fund is required to "opt up" to elective professional status with each of its investment managers (including the London CIV) and its investment consultant. Permission to opt up has now been granted by the Committee, and the Fund is in the process of submitting its opt up documentation to managers.

Ian Williams

Group Director, Finance and Corporate Resources

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122