

MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

MONDAY, 11TH SEPTEMBER, 2017

- Councillors Present:** Councillor Robert Chapman in the Chair
Cllr Michael Desmond (Vice-Chair),
Cllr Feryal Demirci and Cllr Patrick Moule
- Apologies:** Councillor Geoff Taylor and Councillor Kam Adams
- Officers in Attendance:** Ian Williams (Group Director of Finance and Corporate Resources), Michael Honeysett (Director of Financial Management), Rachel Cowburn (Head of Investment & Actuarial Services), Karen Chenery (Pensions) and Stephen Rix (Legal Services)
- Co-optee** Jonathan Malins- Smith
- Also in Attendance:** Michael Ferguson - AON
Andrew Johnston - Hymans Robertson
Henry Colthurst – Pensions Board
- Paul Williams } RBC Global Asset Management
Ben Yeoh }

1 Apologies for absence

- 1.1 Apologies for absence were received from Councillors Taylor and Adams.

2 Declaration of Interest - Members to declare as appropriate

- 2.1 Councillors Chapman, Desmond and Demirci declared a non-pecuniary interest as deferred members of the LGPS.

3 Consideration of the non-exempt minutes of the previous meeting

- 3.1 **RESOLVED** that the minutes of the previous meeting held on 27th June 2017 be agreed as a correct record of the proceedings.

4 Training - Accounting and Audit

- 4.1 Rachel Cowburn introduced the report and provided training on the Pensions Accounting & Auditing Standards
- Committee Responsibilities
 - Responsibilities of the Committee
 - Responsibilities of the Group Director of Finance & Corporate Resources
 - Regulation and Guidance

- The LGPS Regulations (2013)
 - Regulation 57 of the Regulations requires the Council (as administrative authority) to produce a Pension Fund Annual Report by 1st December following year end
- Pension Fund Accounts
- Sources of Income
 - Employer and Employee contributions
 - Transfers in
 - Investment income
- Categories of Expenditure
- Net Assets Statement
- Requirements for Employers
- Audit

4.2 Cllr Moule indicated that the induction for new members of the Pension Committee needed to be reviewed to ensure the training enabled new members to effectively carry out their role and responsibilities. Ms Cowburn advised that the training policy was in the process of being reviewed and a more comprehensive induction would be provided focusing on areas such as accounts, investment and actuary.

4.3 Cllr Desmond stated that it would be useful to learn lessons from other local authorities regarding issues of due diligence. Ms Cowburn said that officers had attended events discussing the challenges faced by local government Pensions Funds but there had been no reported cases of due diligence breaches in local authorities.

RESOLVED to note the contents of the report.

The Chair varied the order of business on the agenda and then considered exempt item 13.

5 Pensions Fund - Quarterly Update

5.1 Rachel Cowburn introduced the report providing an update on key quarterly performance measures, including an update on the funding position, investment performance, engagement and corporate governance, budget monitoring, administration performance and reporting of breaches.

5.2 The Chair referred to the breach reported to the Pensions Regulator and expressed concern that the ongoing issue with the quality of data had not been resolved for three years. Mr Honeysett stated that this issue related to the current payroll system and that the Fund's officers had been involved with the project for the Council's new payroll system, which had been implemented in July 2017 and it was expected that the quality of data would improve this year.

5.3 Mr Colthurst indicated that the ongoing issues with payroll for over three years was unsatisfactory and that this issue should be reported to the Chief Executive. The Head of Human Resources and Electoral Services should also be invited to a future meeting to discuss this issue. Mr Williams undertook to draft a letter to the Chief Executive to express Members' disappointment that the payroll issue had not yet been resolved.

ACTION: Ian Williams

5.4 The Chair noted the positive cashflow and the disappointing performance of property. Mr Johnston said although the property asset class had underperformed against the benchmark it had delivered a strong income yield for the Pension Fund.

RESOLVED to note the report.

6 Pension Fund Report and Accounts

6.1 Rachel Cowburn introduced the post audit Annual Report and Accounts of the London Borough of Hackney Pension Fund for the year ended 31st March 2017. Mr Honeysett added that the accounts had been audited and an audit opinion received however, the audit could not be closed until the certificate had been issued.

6.2 The Chair highlighted that the Pension Fund's investment had been positive this year increasing in value by £1.4m and the Fund's ESG policy had been publicised.

6.3 Mr Malins- Smith queried the reference to co-opted non-voting members as 'lay members' of the Committee and disagreed that section A in the selection and role of lay members was fully compliant at page 198 of the report. Ms Cowburn responded that a constitutional review of the Committee was being undertaken, which included a review of the terms of reference, roles and selection. This review was expected to conclude at the end of the year and this amendment could be included in the updated document which would be submitted to Council for approval. Mr Honeysett stated that the status, role and function of lay members had been clearly set out in the Council's advert when it been recruiting lay members.

6.4 Mr Colthurst queried why negative cashflow had not been included as a key risk. Ms Cowburn explained that the Fund's cashflow was currently strongly positive; whilst cashflows were closely monitored for any deterioration, the Fund's cashflow was expected to remain positive for the foreseeable future, and did not therefore pose an immediate risk.

RESOLVED to:

- 1. Approve the Pension Fund Annual Report and Accounts subject to the amendment at Section A under selection and role of lay members.**
- 2. Approve publication and distribution to interested parties.**

7 Implementation of MiFID II

7.1 Rachel Cowburn introduced the report outlining the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") and in particular the risk to the administering authority of becoming a retail client on 3 January 2018.

RESOLVED to:

- 1. Note the potential impact on investment strategy of becoming a retail client with effect from 3rd January 2018**

Monday, 11th September, 2017

2. **Agree to the immediate commencement of applications for elected professional client status with all relevant institutions to ensure it can continue to implement an effective investment strategy.**
3. **Acknowledge and agree to forego the protections available to retail clients (detailed in Appendix 1 of the submitted report)**
4. **Delegate responsibility to the Group Director, Finance and Corporate Resources for the purposes of completing applications and determining the basis of each application as either full or single service.**

8 Administering Authority Training Policy

8.1 Rachel Cowburn introduced the report proposing that the Committee agree an updated Training Policy for the London Borough of Hackney Pension Fund, which would apply to Pensions Committee members, Pension Board members and senior officers responsible for managing the Fund. The policy had been updated to reflect guidance for administering authorities on governance principles for investment pooling, issued by Aon Hewitt on behalf of the CIPFA Pensions Panel.

8.2 Ms Cowburn advised that there were still places on the LGPS Fundamentals course running from October to December 2017. The Chair requested that details of the course be circulated again to members and that the training programme should be made available at the beginning of the next municipal year.

RESOLVED to:

1. **Approve the updated London Borough of Hackney Pension Fund Training Policy which is attached at Appendix 1 and that**
2. **Each Committee Member, Board Member and senior officer to adhere to the Training Policy and maintain the required level of knowledge and skills.**

9 Annual Report of the Pensions Committee

9.1 Rachel Cowburn introduced the report detailing the role of the Pensions Committee and summarising the key activities and achievements in 2016/17 that demonstrated how the Committee had fulfilled its role effectively acting in its capacity as quasi-trustees of the Council's Pension Fund. The report would then be presented to full Council in October 2017.

9.2 It was noted that the table at paragraph 2.2 of the report should be amended to show that Councillor Moule was in attendance for the training held on 29 March 2017.

RESOLVED to note the contents of the report subject to the above amendment.

10 TPR Code of Practice compliance

10.1 Rachel Cowburn introduced the report covering an updated Compliance Checklist for the London Borough of Hackney Pension Fund. Ms Cowburn advised that a technical issue relating to the Council's internal dispute resolution had been logged. This issue was being resolved by updating the policy to include whether or not the internal dispute was exempt. With regard to the training policy, officers were reviewing the training and adapting it to meet members' requirements.

RESOLVED to note the Code of Compliance Checklist and where further work is required and being undertaken.

11 Exclusion of Press and Public

RESOLVED

That the press and public be excluded from the proceedings of the meeting during consideration of the Items and 12 and 13 – Active Global Equity Proposal 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.

12 Consideration of the exempt minutes of the previous meeting

12.1 RESOLVED that the exempt minutes of the previous meeting held on 27th June 2017 be agreed as a correct record of the proceedings.

13 Active Global Equity Proposal

By Virtue of Paragraph 3 Part 1 of schedule 12A of the Local Government Act 1972 this appendix is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

14 Any other business which in the opinion of the Chair is urgent

14.1 There was no other urgent business.

Duration of the meeting: 6.30 - 9.20 pm

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