

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
REVIEW OF PENSIONS COMMITTEE PAPERS – April - September 2018 Pensions Board 29 th November 2018	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO.

1. INTRODUCTION

- 1.1 The purpose of this report is for the Pensions Board to consider the work undertaken by the Pensions Committee at its meetings in the period from April to September 2018 and to note items that are relevant to the work of the Pensions Board.

2. RECOMMENDATIONS

- 2.1 The Pensions Board is recommended to note the report

3. RELATED DECISIONS

- Pensions Committees (23rd July 2018, 12th September 2018)

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

- 4.1 Understanding the remit of and decisions taken by the Pensions Committee helps the Pension Board to assist Hackney Council as the administering authority in ensuring the efficient and effective governance and administration of the Fund, in line with its statutory duties. Good governance of the Fund helps to ensure its long term financial health and that of its stakeholders, including the Council.
- 4.2 There are no immediate financial implications arising from this report.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 5.1 The Pension Board has been established in accordance with the Public Service Pensions Act 2013 and the Local Government Pensions Scheme (Amendment) (Governance) Regulations 2014. The Board needs to consider the ongoing work of the Pensions Committee to ensure that it is meeting its statutory duties, which include assisting the Administering Authority in ensuring compliance with the regulations and ensuring the efficient and effective governance and administration of the Fund. 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 have been provided with copies of the reports considered at Pensions Committee meetings held on the 23rd July 2018 and 12th September 2018. A link to the Committee papers is <http://mginternet.hackney.gov.uk/ieListMeetings.aspx?CId=499&Year=0> provided here:
- 6.2 Over the period from April to September 2018, the Pensions Committee have considered reports covering a wide range of issues including investments, asset pooling, pensions administration, and Fund governance and business planning. 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.
- 6.3 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.
- 6.4 Key items from the 23rd July meeting included a review of the Fund's recent equity restructuring project, an update to the Pension Fund's Business Plan and the introduction of a "Scheme Pays" Policy. The equity restructure review considered the process and outcome of the recent exercise to pool the majority of the Fund's equity portfolio, as well as the overall costs of transition and the key drivers behind them. Given the move towards asset pooling, the Fund is likely to undertake a number of transition projects over the medium term; reviewing the outcome of this large transition will help to inform future exercises.
- 6.5 The Fund's Business Plan is reviewed on an annual basis and provides a rolling 3 year overview of the Fund's planned activities. It helps ensure that the Committee is able to plan and understand the financial decisions that it will be faced with over the coming years. Planning is also consistent with good administration and helps ensure that the regulatory requirements of the Fund are met in a timely fashion. Over the next year, we intend to integrate the business planning and budgeting processes to provide a more accurate assessment of future costs, especially those associated with administration, oversight and governance.
- 6.6 The "Scheme Pays" Policy provides a discretionary option for scheme members who breach HMRC's annual allowance limit on pension savings growth in a financial year. Where a scheme member has an annual allowance tax charge of less than £2,000, the member may ask the Pension Fund to pay that charge on a voluntary basis via

the Voluntary Scheme Pays option with a corresponding reduction to their LGPS benefits. This would include those members adversely affected by HMRCs tapering rule. Use of the Policy is subject to the Administering Authority's approval. Whilst there is no statutory requirement for the Authority to agree to these requests, it is best practice to put robust governance arrangements in place to ensure that requests are dealt with in a fair and equitable manner and with regard to the best interests of the Fund's stakeholders. The Policy therefore sets out when Voluntary Scheme Pays might be requested and how those applications should be treated.

- 6.7 Other key items on the agenda included the Pension Fund Administration Annual Report, an update to the Administering Authority Discretions Policies and an update on the Governance Consultation for the London Collective Investment Vehicle (London CIV); these have all been included as separate items on the Pension Board agenda.
- 6.8 Items of note from the 12th September Committee included the 'Investment Strategy – Next Steps' and 'Alternative Credit – Options' papers. The 'Next Steps' paper asked the Committee to reaffirm the decision to reduce the Fund's equity allocation from 60% to 50% of assets and to use the proceeds to allocate to alternative credit. The 'Alternative Credit – Options' paper then considered the types of alternative credit strategy available to the Fund and asked the Committee to approve a review process to select a suitable strategy. An update on this work will be provided at the 12th December Pensions Committee meeting
- 6.9 The September 12th Committee meeting agenda also included the 2017-18 Annual Report and Accounts, which were approved for publication. The Pension Fund accounts received an unqualified audit opinion, whilst the Annual Report meets the requirements set out in the LGPS Regulations. The Report and Accounts will be available via the Fund's website prior to the publication deadline of 1st December 2018.
- 6.10 Included in the agenda for the 29th November Board meeting is the Pensions Regulator's Code of Compliance checklist, which was also reviewed by the Committee at the 12th September 2018 meeting. It is proposed that a summarised version of the checklist will be included in future governance reporting for the Committee; however, given the Pension Board's focus on administration and governance the full checklist will still be presented for review.

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: Sean Eratt ☎020-8356 6012