

<b>REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES</b>		
<b>REVIEW OF PENSIONS COMMITTEE WORK – October 2018 – February 2019</b>	<b>Classification</b> <b>PUBLIC</b>	<b>Enclosures</b>  None
	<b>Ward(s) affected</b>  <b>ALL</b>	<b>AGENDA ITEM NO.</b>
<b>Pension Board</b> <b>20<sup>th</sup> March 2019</b>		

**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 October 2018 to February 2019 and to note items that are relevant to the work of the Pension Board. It also includes a forward look at the upcoming work of the Committee during 2019.

**2. RECOMMENDATIONS**

2.1 The Pension Board is recommended to note the report

**3. RELATED DECISIONS**

- Pensions Committees (12th December 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 role of the Pension Board is prescribed by Section 106 of the Local Government Pension Scheme Regulations 2013 and includes the following:

- Securing compliance with the Local Government Pension Scheme Regulations 2013 and any other legislation relating to the governance and administration of the Scheme and any connected scheme
- Securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme
- Ensuring the effective and efficient governance and administration of the Scheme and any connected scheme

5.2 Further details of the suggested functions of local pension boards are provided by statutory guidance ((Local Government Pension Scheme (LGPS) Guidance on the

creation and operation of Local Pension Boards in England and Wales). This guidance suggests that reviewing the pension fund risk register might be included by administering authorities within the remit of their local pension board

- 5.3 Taking into account the role of the Pension Board as set out in the Regulations and statutory guidance, the consideration of the risks associated with administering the Pension Fund would appear to properly fall within the Board's remit

## **6. REVIEW OF DECEMBER 2018 MEETING**

- 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 the Pensions Committee meeting held on the 12<sup>th</sup> December 2018: <http://mginternet.hackney.gov.uk/ieListMeetings.aspx?CId=499&Year=0>
- 6.2 At its meeting on 12<sup>th</sup> December 2018, the Pensions Committee considered reports covering a wide range of issues including responsible investment, alternative credit, risk management and pensions administration. Where Pensions Committee work has specific relevance to the Pension Board and where the subject matter is such that it would be helpful for the Board to consider it in greater detail, 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 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. Updates are provided on funding, investment performance, budget monitoring, responsible investment, pensions administration and reporting of breaches. 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 receives regular updates a number of issues covered by statute. Of particular relevance to the Board are the sections on administration performance and reporting breaches.
- 6.4 One key item from the 23<sup>rd</sup> July meeting included a decision to commit 10% of fund assets to two private debt mandates. The Committee made an initial decision to allocate to alternative credit during 2017; this was reaffirmed during 2018, with the Committee deciding to focus on an allocation to private debt. Two collaborative options were considered, one offered by the London CIV, and one put together by five other London Boroughs, supported by the investment consultant bfinance. The Committee made the decision to allocate to the managers selected by the five London Boroughs, committing £95m to Permira (European) and £65m to Churchill (US). The decision was made with support from the Fund's investment consultant, Hymans Robertson, which included the provision of additional training to members.
- 6.5 The Committee also considered a report on Responsible Investment at its December meeting. The report focused on the Fund's approach to voting and engagement, and the potential challenges and opportunities posed by asset pooling. The Committee agreed to focus initially on liaising with the London CIV to ensure that the pool company is delivering on the proposals set out in its Responsible Investment policy.

6.6 An update on improvements to the Fund's training offer was also considered at the 12<sup>th</sup> December meeting. Members requested 1-2-1 meetings with officers to discuss training requirements; 4 of 6 meetings have now been held. An update on changes proposed will be provided once all requested meetings have been held.

6.7 Another key item from the 12<sup>th</sup> December Committee meeting was the Pension Fund Risk Register, which has been included as a separate item on the Pension Board agenda.

## **7. UPCOMING WORK**

7.1 Over the coming months, the focus of the Committee will move towards the 2019 valuation and subsequent investment strategy review. The Committee will consider the proposed assumptions underlying the valuation of liabilities in addition to the asset liability modelling outcomes that will form the basis of the Fund's investment strategy development. The Committee will consider a paper introducing the valuation process at its 26<sup>th</sup> March meeting, with further papers to follow during the 2019/20 financial year. The Committee must approve the actuary's final valuation report and rates and adjustments certificate no later than 31<sup>st</sup> March 2020.

7.2 At the 26<sup>th</sup> March meeting, the Committee will also consider a report on Climate Risk and the monitoring of the Fund's target to reduce exposure to carbon reserves by 50% by 2022. With a full valuation cycle having passed since the introduction of the target, the Committee are now asked to consider commissioning a further carbon footprinting exercise to assess the Fund's exposure to reserves.

7.3 The Committee will also be considering a number of policy updates during the meeting. Updates are due to the Pensions Administration Strategy (PAS) (final version), Communications Policy (final version) and the Admissions Policy. The Board have already reviewed the PAS and Communications Policy in draft; no significant changes are proposed for the final versions. The Admissions Policy is included as a separate item within the Board agenda.

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