

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

Review of Pensions Committee Work	Classification PUBLIC	Enclosures None
	Ward(s) affected	AGENDA ITEM NO.
Pensions Board 9th March 2020	ALL	

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 November 2019 to March 2020 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 2020.

2. RECOMMENDATIONS

2.1 The Pensions Board is recommended to:

- Note the report

3. RELATED DECISIONS

3.1 Pensions Committee (18th December 2019)
3.2 Pensions Committee (17th February 2020)

4. COMMENTS OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES

4.1 Understanding the remit of and decisions taken by the Pensions Committee helps the Pensions 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 SERVICES

5.1 The role of the Pensions 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 Reviewing the work and decision-making processes of the Pensions Committee helps the Board to ensure that decisions are being taken in line with the Local Government Pension Scheme Regulations 2013 and other relevant legislation, and that the scheme's governance and administration processes are efficient and effective.
- 5.3 Taking into account the role of the Pensions Board as set out in the Regulations, the consideration of the work of the Pensions Committee would appear to properly fall within the Board's remit.

6. **BACKGROUND TO 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. The links below provide members with access to the Pensions Committee papers from the December 2019 and February 2020 meetings.
- <http://mginternet.hackney.gov.uk/ieListDocuments.aspx?CId=499&MId=4786>
<http://mginternet.hackney.gov.uk/ieListDocuments.aspx?CId=499&MId=4865>
- 6.2 At its December 2019 meeting, the Pensions Committee considered reports covering issues including the Fund's triennial valuation, the conflicts of interest policy, the Fund's GMP reconciliation exercise and the extension of the custody contract. The February 2020 meeting considered the progress made by the Fund towards its carbon reserves reduction target. 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 As a standing item on the Pensions Committee agenda, 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 December meeting is a report on the 2019 actuarial valuation. The report covers the initial results of the valuation, including the whole fund funding position and stochastic modelling of contribution rate scenarios for the Council. It also considers the timetable for the valuation, including indicative dates for issuing proposed contribution rates to employers and sets out the draft funding strategy statement. These items are covered in more detail in a dedicated report included as part of the Board's agenda.
- 6.5 A further key item from the December meeting is the GMP urgency delegation, which sets out progress on the Fund's GMP reconciliation exercise and requests that decisions in relation to completion of the exercise be delegated to the Group Director, Finance and Corporate Resources in conjunction with the Chair of the Pensions

Committee. The decisions relate primarily to the treatment of the scheme members where their GMPs are incorrect, including the treatment of the pension payments. The delegation was requested to allow decisions to be made quickly and efficiently to allow completion of the exercise prior to April 2020. The delegation requested in the report was granted, although the Committee requested that the proposed general policy in relation to under and over-payments be brought to the Committee for approval.

- 6.6 The Committee also considered a report on the extension of the Fund's custody contract. The Fund's contract was originally taken out in October 2014 for a period of 5 years, with an extension of up to 2 years permitted.
- 6.7 At its February 2020 meeting, the Committee considered the progress made against the Fund's carbon reduction target, which was set in 2016. At that time, the Committee agreed to reduce the Fund's exposure to carbon reserves by 50% over 6 years. The Fund is now 3 years into the target period and has achieved a 31% reduction over the period, putting it on track to meet its target. At the meeting, the Committee also heard presentations from Trucost, who carried out the Fund's carbon risk audit, and carbon tracker.

7. **UPCOMING WORK**

- 7.1 Over the coming months, the focus of the Committee will move towards the completion of the 2019 valuation and subsequent investment strategy review. The Committee must approve the actuary's final valuation report and rates and adjustments certificate no later than 31st March 2020. The development of the Fund's investment strategy will take place alongside the final stages of the valuation. The Committee will first review its investment beliefs and the strategy setting process via a workshop on March 9th, before making formal decisions around the investment strategy later in 2020.
- 7.2 The Committee will also be considering a number of policy updates over the coming months. Updates are due to the Pensions Administration Strategy (PAS) and Communications Policy in March 2020, as well as to the Business Plan at the June 2020 meeting.

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