

PUBLIC MINUTES OF A MEETING OF THE PENSIONS COMMITTEE THURSDAY 29 SEPTEMBER 2022, 6:30pm

THE PUBLIC PART OF THE MEETING WAS LIVE STREAMED AND CAN BE VIEWED HERE:

<https://youtu.be/48INJUotc5s>

- Councillors Present:** Cllr Kam Adams in the Chair
Cllr Grace Adebayo, Cllr Robert Chapman, Cllr Margaret Gordon, Cllr Lynne Troughton and Cllr Joe Walker
- Apologies:** Cllr Ben Hayhurst, Cllr M Can Ozsen and Jonathan Malins-Smith (Co-optee)
- Officers in Attendance:** Georgia Lazari (Solicitor - Team Leader), Ian Williams (Group Director of Finance and Corporate Resources), Jackie Moylan (Director of Financial Management), Michael Honeysett (Interim Head of Pensions), Rachel Cowburn (Head of Pensions), Gareth Sykes (Governance Officer)
- Also in attendance:** Andrew Johnston (Investment Consultant, Hymans Robertson), Reece Notman, (Trainee Senior Actuarial Consultant, Hymans Robertson), Steven Scott (Senior Actuarial Consultant, Hymans Robertson), Karen McWilliam (Governance Consultant, Aon), Andreas Pafitis (Cyber Security Consultant, Aon)
- Joined virtually** Henry Colhurst (Co-optee)
Cllr Ian Rathbone

1 Apologies for absence

- 1.1 Apologies for absence were received from Cllr Ben Hayhurst, Cllr M Can Ozsen and Jonathan Malins-Smith
- 1.2 Apologies for lateness were received from Cllr Adebayo and Cllr Chapman.
- 1.3 The committee welcomed a new member, Cllr Joe Walker.

- 1.4 It was noted that the following had joined the meeting remotely: Cllr Ian Rathbone and Henry Colhurst.

Committee members who were accessing the meeting remotely would not be counted as being 'present' for the purposes of the Local Government Act 1972. They would, however, be able to speak at Chair's discretion.

2 Declarations of Interest - Members to declare as appropriate

- 2.1 There were declarations of interest from Cllrs Chapman and Troughton; both were recipients of a Hackney Local Government pension.

3 Consideration of The Minutes of The Previous Meeting

- 3.1 Members considered the previous public minutes of the meeting held on 15 June 2022.

RESOLVED:

That the public minutes of the Pensions Committee meeting held on 15 June 2022 were approved as a correct record.

4 Training – Procurement

- 4.1 Karen McWilliam of Aon, the Fund's benefits and governance adviser, gave a presentation to the committee. The presentation covered a number of subject areas as set out under the Chartered Institute of Public Finance and Accountancy (CIPFA) framework including; Local Government Pension Scheme (LGPS) procurement, suppliers and monitoring suppliers.

- 4.2 There were no questions put forward by the committee members.

RESOLVED:

That the presentation be noted.

5 2022 Actuarial Valuation and Review of Funding Strategy

- 5.1 Item 5 included exempt appendices and was therefore discussed in the private session of the meeting.

RESOLVED to:

- 1. Note the whole fund reported funding position and the assumptions on which it is based.**
- 2. Agree that the Fund should progress to the next stage of the valuation - identifying key risks and identifying parameters for setting individual employer contribution rates.**
- 3. Approve the draft Funding Strategy Statement for consultation with employers.**

6 Pension Statement of Accounts

- 6.1 Rachel Cowburn, the Head of Pensions, introduced the draft Statement of Accounts of the London Borough of Hackney Pension Fund for the year ended 31 March 2022.
- 6.2 The committee noted that in relation to the timetable, the regular timetable was to be published by the end of May 2022 with the audit process completed by the end of July 2022. The Council had had until the end of July to publish the draft accounts. Both the Council and the Pensions Fund had published on time.
- 6.3 For the audit timetable a substantial delay was expected. It was understood that the timetable allows the Council until the end of November. It was unsure currently whether that timetable would be met. There was a statutory requirement for the Council to publish the annual report along with the pension fund by 1 December 2022. Normally that would be published in full audited form but this year the Council would be seeking to publish a draft so that the Council could state as far as possible the Council has met the requirements.
- 6.4 Steps were being taken to hold a Pensions Committee meeting in mid to late November where a full draft of the annual report would be discussed and in order for the committee to approve publication of the report in draft form.
- 6.5 The most substantial delay was to do with the audit of the accounts, it was understood that there had been challenges for auditors in previous years around resourcing especially in local government and the more technical areas e.g Capital Accounting.
- 6.6 Ian Williams, Group Director of Finance and Corporate Resources, added that the issue of resourcing was widely documented and was not just affecting local government. The city was also currently facing issues getting their accounts signed off. Through the Council's Audit Committee Chair the Council had been lobbying extensively the need to fix issues around external audit. It was not a Hackney Council issue.
- 6.7 Use of the pension increase rate (CPI) was how the LGPS and other public sector funds uprated their benefits. They had done this for several years rather than using the Retail Prices Index (RPI). The link to the value of liability was clear because the liability increased by CPI every year.

RESOLVED:

The report was noted.

7 Quarterly Update (including Responsible Investment update (link to TCFD consultation) and Pensions Committee appointments)

- 7.1 Rachel Cowburn, the Head of Pensions, gave an update to the Committee on key quarterly performance measures, including an update on the funding position, investment performance, responsible investment, administration performance and reporting of breaches. It also provided the Committee with information on the position of the fund between 1 April and 31 June 2022. The report also provided an update on the position with regards to the fund's

planned carbon risk target and updates the Committee on planned changes to the arrangements for the appointment of co-opted members.

- 7.2 The Committee noted that excellent progress had been made this year with the annual benefits statement. The data had been transferred and had met the legal deadline.
- 7.3 The committee had requested that the Fund be in a position to set a new climate change target by January 2023. Setting a target based on a climate risk metric is likely to become mandatory for the LGPS by 2023/24 as part of the introduction of mandatory Taskforce on Climate-related Financial Disclosures (TCFD) reporting. To provide a suitable baseline, and ensure that any target set remains appropriate under the proposed new reporting regime, it was suggested that the fund undertake a TCFD-compliant assessment of its portfolio as of 31 March 2022. Officers were therefore exploring options with climate data providers for the assessment of the Fund's portfolio. It was understood that the committee particularly wishes to have a scenario analysis carried out on the basis of a 1.5oC warming scenario; this appears to be possible based on feedback from a potential supplier. At present, the fund was on track to complete its first TCFD assessment by January 2023; this information can then be used to set an appropriate climate risk target for the fund.
- 7.4 On the issue of co-opted representatives on the committee, currently Council decides upon the number of members of a committee and their terms of office. They may include committee members who are not members of the appointing council (i.e. co-opted members). Hackney Council's Constitution sets out that the membership of the Pensions Committee should include two non-voting co-opted members: a scheme member representative and an employer representative.
- 7.5 The Council's Constitution does not state anything about the length of appointment in relation to the co-opted members but it does state that one of the responsibilities of the Pensions Committee will be to keep its terms of reference under review. It is best practice for appointments of committees and boards to be regularly reviewed and subject to defined periods. The current positions have not been subject to review for a number of years, other than as a result of a co-opted member retiring. It was proposed that the Pensions Committee should agree to an ongoing process to ensure that the co-opted members' positions are subject to defined periods with appropriate appointment or re-appointments at the end of any such term.
- 7.6 It would be appropriate to adopt a four-year term so that it was equivalent to local authority councillors albeit with a potential review date that is not at the same point as Council elections, to assist in providing continuity within the Committee should there be a large change in Hackney Council elected members on the Committee. It would also be sensible to include an element of flexibility with the period (for example, to assist in aligning with Pension Board appointments) as well as the opportunity for re-appointments.
- 7.7 To allow the new procedures to be put into place, it is recommended that the existing co-opted members' terms cease on 31 March 2024, at which point both will have been in post for more than four years. Therefore, subject to agreeing a process with the appointments panel, a recruitment process would need to be undertaken over late 2023/early 2024.

- 7.8 The committee stressed the usefulness of staggering the appointments of the co-opted members to maintain some element of continuity. It was also suggested that the recruitment process should be longer than three months as it was suggested that there was not a large number of employers outside of the Council.
- 7.9 The committee noted that there was not a proposal to restrict the number of terms and that former members could re-apply if they wished to.
- 7.10 On the issue of staggering recruitment, the Council had looked at aligning co-opted member recruitment with that of changes with elected members during periods of local elections. The Council would look at staggering the process with a year apart between the two co-opted members.
- 7.11 It was suggested that there was no maximum term for co-opted members as it was suggested that it was difficult to find external candidates.
- 7.12 The Council would be responding to the government's LGPS: Governance and reporting of climate change risks consultation. It was planned to bring a response to the proposed November Pensions Committee meeting for formal review but a draft response to the consultation would be shared with the Committee ahead of that November meeting.
- 7.13 Work on stewardship of the compliance code was ongoing and further processes were starting to be put in place for regular engagement with managers. The focus was on next year's submission for stewardship of the compliance code. It was stressed the importance that the work was right the first time and that it was ready for submission in March 2023.
- 7.14 On the McCloud programme, the Council expected a government response to its consultation this year together with another set of draft regulations. This was likely to go into 2023 with an expanded set of regulations in the consultation. Final regulations were expected in 2023 with the aim of an October 2024 remedy.
- 7.15 Currently work was going on behind the scenes to gather data from employers. Good progress had been made and the data had been validated while waiting for the final regulations to be made.
- 7.16 The Council did not have anything specific in place currently regarding the encouragement of people from ethnic minority backgrounds to apply for co-opted member positions.
- 7.17 On the impact of the mini budget on the pension fund, the key risks were that the value of the assets do not keep pace with inflation and also that there were CPI-linked liabilities. It was also important to consider the cost to members of the pension fund. The Council was currently tracking the number of opt outs from the pension scheme to see if the cost of living crisis is having an impact.
- 7.18 The Group Director of Finance and Corporate Resources added that they were not only looking at deferrals and opt outs from the pension scheme but also to look at the position of the LGPS funds, in particular Hackney, so that all members can be reassured. A lot of staff at the moment were asking about

current news headlines that were translating in terms of their pensions. A staff notice would be circulated to staff after the meeting.

RESOLVED to:

- 1. Approve in principle the introduction of a formal appointment process and term of office for the Scheme Member Representative and Employer Representative as set out in Section 10**
- 2. Agree that the current co-opted representatives should remain in post until 31 March 2024**
- 3. Delegate to the Head of Pensions the task of updating the Fund's Governance Policy and Compliance Statement as appropriate to reflect the new terms of appointment for co-opted members.**
- 4. Note the remainder of the report.**

It was agreed that agenda items 5 and 8 would be moved to and discussed in the private session of the committee meeting; item 5 involved discussion around exempt appendices and item 8 was a verbal update which included exempt information.

9 Exclusion of the Press and Public

RESOLVED:

THAT the press and public be excluded from the proceedings of the Committee during consideration of Exempt Items 5, 8, and 10 to 14 on the agenda on the grounds that it is likely, in view of the nature of the business to be transacted, that were members of the public to be present, there would be a disclosure of exempt business as defined in paragraph 3 of Part 1 of schedule 12A of the Local Government Act 1972, as amended.

15 Any Other Business Which in The Opinion Of The Chair Is Urgent

- 15.1 Members are asked to note that a business meeting of the Committee was proposed for November, as the next scheduled meeting was currently not until January 2023. The date was currently being considered by Governance Services and would be communicated to members as soon as possible.
- 15.2 Members are also asked to consider if the Annual Report of the Pensions Committee 2021/22, which was originally intended for the November meeting, could be considered and agreed outside of the regular Committee. This would permit the report to be taken to an additional Full Council meeting to be arranged for October. The additional meeting was needed to accommodate agenda items moved during the mourning period for Her Late Majesty Queen Elizabeth II.

Duration of the meeting: 6.30pm - 8:55pm

Chair of the meeting: Cllr Kam Adams

Gareth Sykes

Governance Officer

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