PENSIONS COMMITTEE

Supplementary Papers 2

Thursday 10 March 2022
at 6.30 pm Committee Rooms, Hackney Town Hall

Members of the Committee:
Councillor Robert Chapman, Cabinet Member for Finance (Chair)
Councillor Michael Desmond, Deputy Speaker
Councillor Kam Adams, Speaker (Vice-Chair)
Councillor Ben Hayhurst
Councillor Polly Billington
Councillor Margaret Gordon
Councillor Nick Sharman
Councillor Patrick Spence
Lynne Troughton, Member, Safer Neighbourhood Board

Jonathan Malins-Smith
Henry Colthurst

Mark Carroll
Chief Executive
10 March 2022
www.hackney.gov.uk

Contact:Rabiya Khatun
Governance Officer
Rabiya.khatun@hackney.gov.uk

Pensions Committee
Thursday 10 March 2022
Agenda

4 **Responsible Investment Policy** (Pages 9 - 26)

9 **Quarterly Update Report –** Appendix 3 (Pages 27 - 32)

Public Attendance

The Town Hall is not presently open to the general public, and there is limited capacity within the meeting rooms. However, the High Court has ruled that where meetings are required to be ‘open to the public’ or ‘held in public’ then members of the public are entitled to have access by way of physical attendance at the meeting. The Council will need to ensure that access by the public is in line with any Covid-19 restrictions that may be in force from time to time and also in line with public health advice.

Those members of the public who wish to observe a meeting are still encouraged to make use of the live-stream facility in the first instance. You can find the link on the agenda front sheet.

Members of the public who would ordinarily attend a meeting to ask a question, make a deputation or present a petition will be able to attend if they wish. They may also let the relevant committee support officer know that they would like the Chair of the meeting to ask the question, make the deputation or present the petition on their behalf (in line with current Constitutional arrangements).

In the case of the Planning Sub-Committee, those wishing to make representations at the meeting should attend in person where possible.

Regardless of why a member of the public wishes to attend a meeting, they will need to advise the relevant committee support officer of their intention in advance of the meeting date. You can find contact details for the committee support officer on the agenda front page. This is to support track and trace. The committee support officer will be able to confirm whether the proposed attendance can be accommodated with the room capacities that exist to ensure that the meeting is covid-secure.

As there will be a maximum capacity in each meeting room, priority will be given to those who are attending to participate in a meeting rather than observe.

Members of the public who are attending a meeting for a specific purpose, rather than general observation, are encouraged to leave the meeting at the end of the item for which they are present. This is particularly important in the case of the Planning Sub-Committee, as it may have a number of items on the agenda involving public representation.

Before attending the meeting

The public, staff and councillors are asked to review the information below as this is important in minimising the risk for everyone.

If you are experiencing covid symptoms, you should follow government guidance. Under no circumstances should you attend a meeting if you are experiencing covid symptoms.

Anyone experiencing symptoms of Coronavirus is eligible to book a swab test to find out if they have the virus. You can register for a test after checking your symptoms through the NHS website. If you do not have access to the internet, or have difficulty with the digital portals, you are able to call the 119 service to book a test.

If you're an essential worker and you are experiencing Coronavirus symptoms, you can apply for priority testing through GOV.UK by following the guidance for essential workers. You can also get tested through this route if you have symptoms of coronavirus and live with an essential worker.

Availability of home testing in the case of people with symptoms is limited, so please use testing centres where you can.

Even if you are not experiencing covid symptoms, you are requested to take an asymptomatic test (lateral flow test) in the 24 hours before attending the meeting.

You can do so by visiting any lateral flow test centre; details of the rapid testing sites in Hackney can be found here. Alternatively, you can obtain home testing kits from pharmacies or order them here.

You must not attend a lateral flow test site if you have Coronavirus symptoms; rather you must book a test appointment at your nearest walk-through or drive-through centre.

Lateral flow tests take around 30 minutes to deliver a result, so please factor the time it will take to administer the test and then wait for the result when deciding when to take the test.

If your lateral flow test returns a positive result then you must follow Government guidance; self-isolate and make arrangements for a PCR test. Under no circumstances should you attend the meeting.

Attending the Town Hall for meetings

To make our buildings Covid-safe, it is very important that you observe the rules and guidance on social distancing, one-way systems, hand washing, and the wearing of masks (unless you are exempt from doing so). You must follow all the signage and measures that have been put in place. They are there to keep you and others safe.

To minimise risk, we ask that Councillors arrive fifteen minutes before the meeting starts and leave the meeting room immediately after the meeting has concluded. The public will be invited into the room five minutes before the meeting starts.

Members of the public will be permitted to enter the building via the front entrance of the Town Hall no earlier than ten minutes before the meeting is scheduled to start. They will be required to sign in and have their temperature checked as they enter the building. Security will direct them to the Chamber or Committee Room as appropriate.

Seats will be allocated, and people must remain in the seat that has been allocated to them.

Refreshments will not be provided, so it is recommended that you bring a bottle of water with you.

RIGHTS OF PRESS AND PUBLIC TO REPORT ON MEETINGS

Where a meeting of the Council and its committees are open to the public, the press and public are welcome to report on meetings of the Council and its committees, through any audio, visual or written methods and may use digital and social media providing they do not disturb the conduct of the meeting and providing that the person reporting or providing the commentary is present at the meeting.

Those wishing to film, photograph or audio record a meeting are asked to notify the Council's Monitoring Officer by noon on the day of the meeting, if possible, or any time prior to the start of the meeting or notify the Chair at the start of the meeting.

The Monitoring Officer, or the Chair of the meeting, may designate a set area from which all recording must take place at a meeting.

The Council will endeavour to provide reasonable space and seating to view, hear and record the meeting. If those intending to record a meeting require any other reasonable facilities, notice should be given to the Monitoring Officer in advance of the meeting and will only be provided if practicable to do so.

The Chair shall have discretion to regulate the behaviour of all those present recording a meeting in the interests of the efficient conduct of the meeting. Anyone acting in a disruptive manner may be required by the Chair to cease recording or may be excluded from the meeting.

Disruptive behaviour may include: moving from any designated recording area; causing excessive noise; intrusive lighting; interrupting the meeting; or filming members of the public who have asked not to be filmed.

All those visually recording a meeting are requested to only focus on recording councillors, officers and the public who are directly involved in the conduct of the meeting. The Chair of the meeting will ask any members of the public present if they have objections to being visually recorded. Those visually recording a meeting are asked to respect the wishes of those who do not wish to be filmed or photographed. Failure by someone recording a meeting to respect the wishes of those who do not wish to be filmed and photographed may result in the Chair instructing them to cease recording or in their exclusion from the meeting.

If a meeting passes a motion to exclude the press and public then in order to consider confidential or exempt information, all recording must cease and all recording equipment must be removed from the meeting. The press and public are not permitted to use any means which might enable them to see or hear the proceedings whilst they are excluded from a meeting and confidential or exempt information is under consideration.

Providing oral commentary during a meeting is not permitted.

ADVICE TO MEMBERS ON DECLARING INTERESTS

Hackney Council's Code of Conduct applies to all Members of the Council, the Mayor and co-opted Members.

This note is intended to provide general guidance for Members on declaring interests. However, you may need to obtain specific advice on whether you have an interest in a particular matter. If you need advice, you can contact:

- Director of Legal and Governance Services
- the Legal Adviser to the committee; or
- Governance Services.

If at all possible, you should try to identify any potential interest you may have before the meeting so that you and the person you ask for advice can fully consider all the circumstances before reaching a conclusion on what action you should take.

You will have a disclosable pecuniary interest in a matter if it:

i. relates to an interest that you have already registered in Parts A and C of the Register of Pecuniary Interests of you or your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner;

ii. relates to an interest that should be registered in Parts A and C of the Register of Pecuniary Interests of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner, but you have not yet done so; or

iii. affects your well-being or financial position or that of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner.

If you have a disclosable pecuniary interest in an item on the agenda you must:

i. Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you (subject to the rules regarding sensitive interests).

ii. You must leave the meeting when the item in which you have an interest is being discussed. You cannot stay in the meeting whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision.

iii. If you have, however, obtained dispensation from the Monitoring Officer or Standards Committee you may remain in the meeting and participate in the meeting. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a pecuniary interest.

Do you have any other non-pecuniary interest on any matter on the agenda which is being considered at the meeting?

You will have 'other non-pecuniary interest' in a matter if:

i. It relates to an external body that you have been appointed to as a Member or in another capacity; or

ii. It relates to an organisation or individual which you have actively engaged in supporting.

If you have other non-pecuniary interest in an item on the agenda you must:

i. Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you.

ii. You may remain in the meeting, participate in any discussion or vote provided that contractual, financial, consent, permission or licence matters are not under consideration relating to the item in which you have an interest.

iii. If you have an interest in a contractual, financial, consent, permission or licence matter under consideration, you must leave the meeting unless you have obtained a dispensation from the Monitoring Officer or Standards Committee. You cannot stay in the meeting whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision. Where members of the public are allowed to make representations, or to give evidence or answer questions about the matter you may, with the permission of the meeting, speak on a matter then leave the meeting. Once you have finished making your representation, you must leave the meeting whilst the matter is being discussed.

iv. If you have been granted dispensation, in accordance with the Council's dispensation procedure you may remain in the meeting. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a non pecuniary interest.

Further Information

Advice can be obtained from Dawn Carter-McDonald, Director of Legal and Governance Services via email dawn.carter-mcdonald@hackney.gov.uk

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Hackney

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Responsible Investment Policy & Carbon Risk Audit – 2022 Results **Pensions Committee** **10th March 2022**	**Classification** **PUBLIC** **Ward(s) affected** **ALL**	**Enclosures** **One** **AGENDA ITEM NO.** **4**

1. **INTRODUCTION**

1.1 This report presents the results of a carbon risk audit carried out on the Fund's equity. The audit has been carried out by TruCost to measure the Fund's carbon footprint and exposure to future CO_2 emissions, and to assess progress made against the Fund's target to reduce exposure to future CO_2 emissions by 50% by 2022. It also sets out some high level next steps for the Fund in terms of both climate change reporting and the Fund's approach to Responsible Investment more widely.

1.2 The results show that the Fund has reduced its exposure to carbon reserves by 96.9% between July 2016 and November 2021. This demonstrates significant outperformance of the Fund's original target to reduce exposure by 50% by 2022.

1.3 We are proud to have responded to this issue early and to have been one of the first LGPS funds to set and transparently monitor performance against a carbon reduction target. The target has helped highlight the areas of greatest risk within the Fund's investment strategy and helped the Fund integrate carbon risk into the strategy setting process. The changes made have delivered very significant reductions in risk.

1.4 The Fund's investment strategy has seen significant changes since 2016 and so has the range of carbon risk data available. The 'Next Steps' section of this paper sets out how the Fund might develop its approach to climate change reporting in the future. It sets out some proposed high level ambitions for the Fund in terms of carbon reduction as well as considering how the Fund might move from reporting on a single carbon exposure metric to reporting on a set of metrics to meet the requirements for TCFD (Task Force for Climate-Related Disclosures) reporting.

1.5 The proposed changes to the Fund's monitoring of carbon metrics is part of a wider planned update to the Fund's approach to Responsible Investment. The paper therefore also presents a draft Responsible Investment Policy for review by the

Committee, which focuses on setting out the Committee's priorities for Responsible Investment and strengthening the Fund's engagement approach.

2. **RECOMMENDATIONS**

2.1 The Pensions Committee is recommended to:

- Note the reduction in exposure to future CO_2 emissions by 96.9% since 2016, which significantly outperforms the Fund's target of a 50% reduction.
- Agree the Fund's ambition to deliver net zero emissions across its functions by 2040, ten years earlier than the target set by the Government, and in line with the Intergovernmental Panel on Climate Change's higher confidence threshold for limiting global warming to 1.5C above pre-industrial revolution average.
- Agree that the Fund should monitor carbon exposure using a set of metrics in line with recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD)
- Approve the draft Responsible Investment Policy

3. **RELATED DECISIONS**

- Pensions Committee - 17th February 2020 - Carbon Risk Audit
- Pensions Committee - 29th March 2017 - investment Strategy Statement
- Pensions Committee - 24th January 2017 - Investment Strategy Statement
- Pensions Committee - 19th September 2016 - Update on climate change recommendations and presentation of carbon footprinting results.
- Pensions Committee - 28th January 2016 - Future Workstreams - Climate Change

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

4.1 The Pensions Committee acts as Scheme Manager for the Pension Fund and is therefore responsible for the management of £1.9 billion worth of assets and for ensuring the effective and efficient running of the Pension Fund. The investment returns that the Fund is able to deliver have significant financial implications, not just for the Fund itself but also on the Fund's employers in terms of the level of contributions they are required to make to meet the Fund's pension promises, which are underwritten by statute.

4.2 The Fund recognises that investment in fossil fuels and the associated exposure to potential stranded assets scenarios pose material financial risks. These risks apply not only to the Fund's investment portfolio but also, when considered on a wider scale, to long term global economic growth.

4.3 In recognising the risks that climate change and stranded assets scenarios could pose to the Fund, the Committee needs to understand where these risks might apply and how they can best be mitigated within the investment management framework within which LGPS funds operate. This report provides the Committee with a greater understanding of where climate risks are concentrated within its investment portfolio, which can then be used to help mitigate those risks within its investment strategy.

4.4 The Group Director is very pleased to report the reduction in exposure to future CO_2 emissions by 96.9% since 2016, which indicates that the Fund has significantly outperformed its target of a 50% reduction by 2022. The reduction is fully compatible with the Fund 's wider investment strategy and has been achieved with no negative impact on performance; the Fund's performance has improved relative to its peer group (other local authority pension funds) over the 6 year period since the introduction of the target.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE SERVICES

5.1 The Pensions Committee has delegated authority for managing all aspects of the Pension Fund including the following from the Committee's Terms of Reference:

- To formulate and publish an Investment Strategy Statement
- To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and develop a medium term plan to deliver the objectives.
- To determine the strategic asset allocation policy

5.2 Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires the Administering Authority to formulate an Investment Strategy Statement (ISS) in line with guidance published by the Secretary of State. The guidance requires the Fund to include a section on its approach to Environmental, Social and Governance (ESG) factors within its ISS.

5.3 In 2014, the Law Commission produced guidance on the fiduciary duties of investment intermediaries, which indicated that investors should have regard to ESG factors where they are financially material. In its guidance to occupational schemes, the Pensions Regulator has given a clear indicator that it believes this to be the case for climate change.

5.4 This report helps to demonstrate that the Committee is factoring climate risk into its investment strategy setting process as a material financial risk and will make clear disclosures with regards to its approach in the ISS as required by the LGPS (Management and Investment of Funds) Regulations 2016.

6. BACKGROUND TO THE REPORT

6.1 In January 2016, the Fund held its initial strategy meeting to consider in detail the Fund's approach to investment in fossil fuels and management of the financial risks posed by climate change. At that meeting, the Committee considered and approved a set of recommendations reflecting both its recognition of these risks and a strengthened commitment to factor them into its investment approach. The recommendations were as follows:

- Develop a policy statement regarding the London Borough of Hackney's approach to fossil fuel investment with a view to inclusion as a section within the new Investment Strategy Statement (ISS)

- Agree to monitor carbon risk within the London Borough of Hackney Pension Fund and to appoint a specialist contractor to conduct a carbon footprint of the Fund
- Review options for the Pension Fund's passive UK equity mandate
- Continue engagement activities with the Fund's investment managers on their approach to fossil fuel and to promote consideration of climate change issues with managers when making investment decisions.
- Maintain an active approach to climate change issues with investee companies and look for further opportunities to work with others on issues of ESG importance
- Consider options for an initial active investment of approximately 5% of the Fund in a sustainability/low carbon or clean energy fund(s)
- Review options for switching some of the existing property mandate into a low carbon property fund
- In recognition of the financial risks posed by climate change, resolve to amend the Fund's risk register to reflect this as a risk

6.2 The Fund has now completed work on all of the above recommendations. Since 2016, the Fund has:

- Included a carbon reduction policy statement within the ISS, clearly setting out the carbon reduction target
- Commissioned 3 carbon footprint reports (2016, 2019 and 2022) - these have been used to set and monitor the Fund's carbon reduction target
- Reviewed exposure to UK passive equities (one of the Fund's most significant sources of exposure to reserves) and removed this allocation from the Fund's investment strategy
- Changed the Fund's active equity managers, ensuring that the new managers consider carbon risk as an integral part of decision making. The Fund continues to engage with both its active and passive equity managers
- Stepped up involvement with the work of the Local Authority Pension Fund Forum (LAPFF), which engages collectively on behalf of local authority pension funds. Cllr Chapman, Chair of the Pensions Committee, is now a member of the LAPFF executive and attends engagement meetings on behalf of the group
- Invested 35% of the Fund in sustainable/low carbon equity funds, far above the initial commitment of 5%
- Switched £25m of the Fund's property mandate into Threadneedle's Low Carbon Workplace Fund, which is a partnership between Columbia Threadneedle Investments, the Carbon Trust and property developer Stanhope. Through the fund, the partnership acquires commercial office buildings and refurbishes them, turning them into energy efficient workplaces. Once occupied, the buildings' energy and carbon performance are monitored against standards set by the Carbon Trust, who also provide support to occupiers to help reduce their energy usage

- Amended the Fund's risk register to include carbon risk/stranded assets within the Fund's Environmental, Social and Governance risks

6.3 We are very pleased by the progress made on implementing these recommendations. The Fund has gone significantly beyond the original recommendation in many cases, perhaps most notably in the case of the carbon footprinting recommendation and investment in sustainable and low carbon equity funds. .

7. BACKGROUND TO THE REPORT

7.1 The Fund undertook its first carbon risk audit in summer 2016, following the recommendation made at the January 2016 meeting to commission a carbon footprint report for the Fund. Carried out by Trucost, the audit assessed not only the carbon footprint of the Fund's equity portfolio, but also its exposure to future emissions through fossil fuel reserves.

7.2 The Fund's view is that exposure to future emissions most accurately represents the risk to the Fund from investing in fossil fuel companies. Assessing exposure to emissions from reserves in this way helps the Fund to take a view on its exposure to potentially stranded assets that may prove unusable as a result of the transition to a low carbon economy.

7.3 After careful consideration of how carbon risk could best be reduced within the investment management framework in which LGPS funds operate, and after taking proper advice, the Committee considered it appropriate to propose a quantifiable, time-bound target for a reduction in the Fund's exposure to future fossil fuel emissions. The Committee agreed that the Fund should:

- Reduce its relative exposure to future emissions from fossil fuel reserves (measured in $MtCO_2e$ – million tonnes of CO_2 emissions) by 50% over 2 valuation cycles (6 years)
- Measure the reduction relative to the Fund's position as at July 2016 and adjusted for Assets Under Management (£AUM)

7.4 The proposal represented an initial step in ensuring that the Fund is prepared for transition to a low carbon economy. It clearly set out the timeframe for decarbonisation and defined how it should be measured, making it the most ambitious carbon reduction target amongst the London LGPS funds.

7.5 As the target was to be assessed over 2 valuation cycles, the Committee had an interim audit carried out at the 3 year point to review progress against the target and assist with decision making for the 2020 investment strategy. The interim audit showed that the Fund had reduced its exposure to carbon reserves by 31.4% between July 2016 and November 2019. This placed the Fund well over halfway to its target of 50%, and also highlighted some clear areas for improvement.

7.6 The Fund made a number of investment strategy changes during 2021, with relatively few changes to the equity mandates planned for 2022. The decision was therefore made to bring forward the final assessment date for the target to 30th November 2021. This report presents the results of that final assessment, setting out the Fund's outperformance against its 50% target.

8. **SUMMARY OF PERFORMANCE AGAINST TARGET**

8.1 The audit shows that the Fund has reduced its exposure to carbon reserves by 96.9% between July 2016 and November 2021.

8.2 Trucost has analysed the carbon emissions embedded within the fossil fuel reserves that are disclosed by the underlying companies within the Fund's equity portfolio. The emissions measured are the potential future amounts of CO_2 that could be released if the fuel reserves disclosed were to be burnt. The Committee has used this metric to set its target as it gives an indication of the extent to which the Fund is exposed to assets (i.e. coal, oil and gas reserves) that may be at risk of stranding.

8.3 The results shown here are normalised by asset value; the future emissions measured for each portfolio (2016 and 2022) have been divided by the value of holdings for that portfolio. This gives a figure for emissions intensity. The figures for 2016 have been restated from previous assessments to allow for changes in Trucost's methodology since 2016. The range of carbon data available and the tools for analysing it have developed significantly since 2016, and Trucost now use a different method of apportioning emissions to companies, that takes account of bondholders as well as equity owners. It has therefore been necessary to restate the figures from 2016 to ensure a comparable dataset.

8.4 The Fund's equity portfolio as at 31st August 2016 (as used in the initial assessment) had an emissions intensity of 5,497.25 tCO_2e/VOH (tonnes of carbon dioxide divided by value of holdings), whilst the equity portfolio as at 30th November 2022 has an emissions intensity of 174.51 tCO_2e/VOH. This represents a reduction of 96.9% since 2016, well in excess of the Fund's original target.

8.5 We are extremely pleased with this result, which represents the culmination of 6 years of work. We do, however, recognise that there is more to do. The Fund set its original target 6 years ago, when its investment strategy looked very different and monitoring of carbon risk data was very much in its infancy. 6 years ago, very few funds made use of carbon monitoring data and Hackney was one of the first LGPS funds to do so.

8.6 We wish to remain at the forefront of carbon risk management and aim to do so by making use of the wider range of information now available. The Fund will therefore be aiming to move away from monitoring a single carbon risk metric and instead look to implement a range of metrics in line with the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD).

8.7 It should be remembered that carbon risk data is complex and has certain inherent limitations. One key issue is that of disclosure - the usefulness of any metric will depend on the reliability of the data submitted at the company level. The use of a single metric for measurement of carbon risk does increase the risk that disclosure issues will limit the usefulness of data; this is one of the drivers behind the proposal to move to multiple metrics for reporting carbon risk.

8.8 We therefore recognise both that limitations remain around disclosure and that data can be used and interpreted in different ways. The Fund's approach is to use this carbon risk audit as a guide to where the most significant risks are concentrated and to use this to inform decision-making around strategy setting and risk management. The metrics disclosed can also be used to inform the Fund's engagement with its managers and investee companies, as well as potentially assisting us in improving climate-related disclosures.

9. RESPONSIBLE INVESTMENT POLICY

9.1 The Fund has made significant strategy changes over the past 6 years, driven by wider economic changes and the government's asset pooling strategy as well as increased awareness of carbon risk. Much of the reduction in the Fund's exposure to carbon risk has been achieved through changes to the investment strategy. As we move into the next phase of asset pooling, the Fund expects to make fewer major strategic changes and focus more on developing its new supplier relationships.

9.2 The expectations placed on pension funds in terms of Responsible Investment are also changing significantly; the new Stewardship Code puts much more emphasis on the ability of organisations to demonstrate robust engagement processes. Taken together, these developments suggest a shift in emphasis from addressing environmental, social and governance ESG risks through strategic change to strengthening the Fund's engagement approach and working collectively with suppliers and other funds.

9.3 This paper therefore sets out a high level Responsible Investment Policy for review by the Committee. The Policy sets out the Committee's priorities for Responsible Investment. The Committee has identified 3 priority themes on which to focus, which take into account a number of the UN's Sustainable Development Goals. The Committee's priority themes are as follows:

- Climate Action

  The Committee recognises that there is an urgent action to combat climate change and its impacts and that this will be achieved through the progressive reduction in carbon emissions in pursuit of a net zero society. The Committee has an ambition of achieving net zero in its investment portfolio by 2040 and will set progressive targets for change that seek real world emissions reductions, not just reductions in reported emissions

- Developing Clean Energy Systems

  The Committee recognises that there is a need to decarbonise the production, distribution and storage of energy. The Committee further recognises that progress can come both through technological and behavioural changes. Accordingly, the Committee will seek to allocate capital to potential solutions whilst also focusing on efforts made within investee companies to create change.

- Investing for the human condition

  The Committee recognises that climate change will affect people and there is a need to ensure that any transition to a low carbon economy is just. The Committee further recognises that issues such as human rights, diversity and gender equality are all crucial to a smoothly functioning social system. The Committee will monitor exposure to a range of social factors and engage with its investment managers where necessary to ensure that action is being taken

9.4 The Policy sets out the Committee's approach to voting and stewardship more widely, and sets out the role of the Role Investment Working Group (RIWG). The RIWG will have a membership made up of both Councillors and officers and will be responsible for setting the Fund's stewardship priorities and engaging on these with managers and other relevant stakeholders.

Ian Williams
Group Director of Finance & Resources

Report Originating Officer: Rachel Cowburn (020 8356 2630)
Financial considerations: Ian Williams (020 8356 3003)
Legal comments: Sean Eratt (020-8356 6012)

Appendices

Appendix 1 - Draft Responsible Investment Policy

Appendix 1

London Borough of Hackney Pension Fund

Responsible Investment Policy

Responsible Investment Policy

1. Introduction

The London Borough of Hackney Pension Fund ("the Fund") is a long-term investor aiming to invest in a sustainable manner to ensure pensions can be paid to all Fund members. . The Fund's Committee ("the Committee") has a fiduciary duty to act in the best, long-term, interests of the Fund's employers and scheme members.

Responsible Investment ("RI") is a key part of the Committee's approach to fulfilling this core fiduciary duty. Environmental, social and corporate governance ("ESG") issues can create financially material risks and opportunities for the Fund; in developing an RI policy, the Committee aims to manage these risks and generate sustainable, long term investment returns.

Responsible Investment is therefore a fundamental part of the Fund's overarching investment strategy as set out in its Investment Strategy Statement. The Committee has developed an investment beliefs statement as part of its overarching strategy; the statement includes the following beliefs in relation to ESG and Responsible Investment issues:

- Environmental, social and corporate governance ('ESG') issues can have a material impact on the long-term performance of investments
- The UN Sustainable Development Goals highlight investment risks and potential opportunities as well as areas in which asset owners can have a positive impact
- Engagement with managers, and through them with investee companies, can have a material impact on progress towards the chosen goals as well as on investment performance
- Responsible investing is relevant to the performance of the entire Fund across asset classes

The purpose of the responsible investment ("RI") policy is to set out:

- The role of the Committee in fulfilling its fiduciary duty to act in the interests of the Fund's employers and scheme members;
- The underlying objectives of the RI policy and what the Committee expects to achieve from having this policy in place;
- The actions that the Committee will take to achieve these objectives; and
- The means by which the actions will be assessed in order to judge whether the expected outcomes have or have not been achieved.

Defined below are a series of key words or phrases used throughout this policy

Climate risk is the potential impact on future financial returns that may arise from climate change. Climate risk is typically split between transition risk, i.e. the impacts that may arise from policy change and technological advancement, and physical risk, i.e. from changing weather patterns or the greater frequency/severity of extreme events.

Engagement is the purposeful dialogue by investors with their investee companies with a specific objective in mind, typically in relation to the improvement of companies' business practices, often in relation to the management of ESG factors.

Environmental, Social and Governance (ESG) factors. Companies and assets may be exposed to different risk factors arising from Environmental, Social and Governance issues which could materially impact the returns derived from such assets. The effective identification and management of ESG factors is expected to reduce risk and improve financial outcomes.

- Environmental factors include resource scarcity, waste management, pollution, carbon emissions and energy efficiency;
- Social factors include health & safety, workforce diversity, working conditions and data protection;
- Governance factors include board structure, business ethics, shareholder rights and executive compensation.

Responsible Investment (or stewardship) is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the environment and society.

The Paris Agreement was signed in 2016 by members of the United Nations Framework Convention on Climate Change (UNFCCC), dealing with greenhouse gas emissions mitigation, adaptation, and finance. Its aim is to limit the increase in global average temperature to well below 2 °C above pre-industrial levels; and to pursue efforts to cap the increase at 1.5 °C.

Net Zero is a state of carbon neutrality where carbon (and other greenhouse gases 'GHG') emissions are balanced with their removal from the atmosphere, or by simply eliminating greenhouse gas emissions altogether.

Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set in 2015 by the UN General Assembly and are intended to be achieved by the year 2030.

2. Governance

2.1 Stakeholders

The following stakeholders are responsible for the development, implementation and oversight of this policy and the actions it requires.

- Pensions Committee (Committee): Accountable for the investment strategy and implementation of the Fund's assets, including the integration of responsible investment considerations. Ultimate owner of this responsible investment policy.
- Responsible Investment Working Group (RIWG): Responsible for developing the responsible investment policy, associated implementation process and monitoring progress against stated responsible investment goals. The RIWG's core membership will include officers and 3 Committee members, although any Committee or Board member may attend meetings.
- Officers: Responsible for advising the Committee and implementing the agreed strategy and policy.
- London CIV (LCIV): LGPS pool which is responsible for the development of mandates, the selection of investment managers to implement mandates and the provision of stewardship services across invested assets to allow the Committee to achieve its objectives.
- Investment Adviser: Appointed by the Committee to provide advice on the development and implementation of all aspects of strategy for the Fund.

2.2 Policy review and progress assessment

The RI policy, and any sub-policies, are reviewed on a periodic basis, and at least annually. The RI objectives set by the Committee are reviewed on a regular basis, as appropriate, and at least annually.

2.3 Education

The RIWG is tasked with developing knowledge and understanding of responsible investment issues on behalf of the Committee.

The Committee receives responsible investment training on at least an annual basis, and the training agenda is set by the RIWG.

3. Responsible Investment Priorities

The Committee has considered several internationally recognised frameworks in forming a basis for developing its RI objectives and policy, including the UN SDGs, UN Principles of

Responsible Investment and UK Stewardship Code. The Committee has chosen to use the UN SDGs to identify three[8] priority themes, which are detailed in the table below:

- **Climate Action (SDG13)**: The Committee recognises that there is an urgent action to combat climate change and its impacts and that this will be achieved through the progressive reduction in carbon emissions in pursuit of a net zero society. The Committee has an ambition of achieving alignment with a 1.5 degree warming scenario and net zero in its investment portfolio by 2040, and will set progressive targets for change that seek real world emissions reductions, not just reductions in reported emissions.
- **Developing clean energy systems (SDG7; SDG13)**: The Committee recognises that there is a need to decarbonise the production, distribution and storage of energy. The Committee further recognises that progress can come both through technological and behavioural changes. Accordingly, the Committee will seek to allocate capital to potential solutions whilst also focusing on efforts made within investee companies to create change;
- **Investing for the human condition (SDG5; SDG10; SDG13)**: The Committee recognises that climate change will affect people and there is a need to ensure that any transition to a low carbon economy is just. The Committee further recognises that issues such as human rights, diversity and gender equality are all crucial to a smoothly functioning social system. The Committee will monitor exposure to a range of social factors and engage with its investment managers where necessary to ensure that action is being taken

The Committee recognises that these issues provide a focus for monitoring the characteristics of the investment portfolio and ongoing engagement with the investment managers with the expectation that the Committee's investments contribute to or support progress on these issues. The Committee will develop an appropriate monitoring regime which is consistent with these priorities.

4. Considerations for Investment Strategy

Investment strategy refers to the broader strategic framework within which the portfolios are managed (Growth, Income and Protection portfolios).

The Committee formally reviews investment strategy every three years, alongside an actuarial valuation, although aspects of investment strategy are considered at most quarterly Committee meetings.

Climate scenario modelling is conducted as part of each investment strategy review, and the Committee considers funding and investment decisions that arise from this. The Committee will also consider whether any other ESG risk has the potential to materially impact its framing of strategy.

As part of setting investment strategy, the Committee considers whether it is appropriate to implement an exclusion policy for any investments presenting high levels of ESG risk. In doing so, the Committee has regard to the principles set out in the 2014 Law Commission report, which states that:

"Trustees may always take account of financial factors. They may also take account of non-financial factors if two tests are met.

> *1. trustees should have good reason to think that scheme members would share the concern; and*
>
> *2. the decision should not involve a risk of significant financial detriment to the fund."*

The Committee does not at present think it appropriate to define any blanket exclusions and does not currently instruct its managers to exclude particular classes of stock. However, this does not prevent the Committee from pursuing investment strategies that look to reduce exposure to financial ESG risks, such as carbon risk. The Committee's ambition is for the Fund to align with a 1.5 degree warming scenario and it therefore expects its managers to be able to justify any investments in companies who are not adapting their business models for such a scenario.

5. Expectations for strategy implementation

Oversight of the investment strategy is the responsibility of the Committee.

The Committee recognises that the selection of investment managers for assets invested by the Pool is the responsibility of the London CIV. The Committee will select mandates from those offered by the London CIV that meet its needs. Where suitable mandates are not provided, the Committee and Officers will work with the London CIV to set out its requirements.

Both the London CIV and the Fund's investment managers are expected to invest in a manner that is consistent with the Committees' responsible investment objectives. The Committee will communicate its objectives and priority themes to the CIV and its managers and where appropriate, require reporting against these objectives and themes. The London CIV and the Fund's managers must be able to clearly demonstrate how ESG considerations are integrated into their manager selection and investment processes

The Committee will ensure it remains comfortable with its managers' processes to embed responsible investment considerations into the management of the portfolios by regularly reviewing and testing these processes through the reporting cycle, seeking case studies and other evidence to illustrate how issues are considered.

The RIWG will regularly meet with its managers to explore aspects of stewardship and to test both the processes employed and exercise of ownership rights. The RIWG will document these meetings and the expected actions and outcomes that arise.

The Committee expects that the London CIV and its other managers to become and maintain signatory status to the UK Stewardship Code. The Committee further expects the London CIV to hold the managers it works with to be accountable to high stewardship standards, to ensure that underlying managers address climate risks and for the London CIV to be able to actively demonstrate this.

6. Approach to Stewardship

6.1 Voting

The execution of voting rights is delegated to investment managers. The Committee expects as a minimum that:

- All votes should be exercised where feasible;
- Where votes are cast by underlying asset managers selected by the London CIV, the London CIV is required to oversee voting policies and voting activity of underlying asset managers to ensure good practice.
- The managers provides clear monitoring and reporting on voting activity, and that this is discussed in detail on at least an annual basis
- In particular, votes on resolutions related to climate and other environmental actions should be considered carefully based on the specific request being made and the context of the company in question. The Committee expects a high level of support for votes requiring greater disclosure or setting a business transition strategy consistent with the Paris Agreement. Managers will be expected to monitor this and explain any cases where such votes are not supported.

The Committee notes that the London CIV may draw on the services of a third-party specialist stewardship service provider as part of this process.

6.2 Engagement

The Committee expects its managers to engage in active dialogue with underlying investee entities, regardless of asset class. In particular, the Committee expects engagement on climate and other environmental issues to be emphasised.

The Committee expects the London CIV to encourage underlying investment managers and its third-party specialist stewardship service, to promote underlying investee entities' climate disclosures to be aligned with best practice, e.g. Task Force on Climate-Related Financial Disclosures ("TCFD"), as the Committee believes this will drive improved standards and transparency.

The Fund is also committed to collective engagement through its membership of the Local Authority Pension Fund Forum (LAPFF) and other opportunities that arise from time to time.

Examples of engagement activity are considered on an annual basis and this includes a summary of what has been asked for and what outcomes have been achieved. Climate-related examples are prioritised.

6.3 Advocacy

The Committee aims to have a broader influence beyond engagement with investee companies and hopes to achieve this through its managers, the London CIV and their stewardship delegates.

On a regular basis, the Committee discusses with its managers and the London CIV the issues it would like to influence and monitors feedback on the actions taken in this regard. Where relevant, the Committee may actively lend its support in support of an issue or position being taken.

7. Monitoring

The Committee will develop a series of metrics that are monitored to ensure the level of ESG-related risks and exposures are within the Committee's expectations. These metrics are set out in the Appendix.

As with broader investment exposures, where any exposure, and its associated risk, is deemed to be too high, corrective action will be taken. ESG metrics are expected to be included as part of regular quarterly monitoring by the RIWG.

Whilst the metrics above form the focus of the Committee's monitoring, the Committee expects the managers to oversee and manage all financially material ESG risks, not just those covered specifically by the metrics set out above.

8. Communication

The Committee maintains an Investment Strategy Statement, which is available to view here [insert link]

Since 2021, the Committee has produced an implementation statement annually that summarises voting and engagement activity over the previous Fund-year. This is included as part of the Committee Report & Accounts, which are available to view here [insert link]

On an annual basis from 2022, the Committee will publish a report on its approach to the management of climate risk, in line with TCFD-requirements. The Committee will also publish the annual report required to maintain signatory status for the UK Stewardship Code 2020, that sets out the activities undertaken to ensure stewardship over the previous 12 months. The Committee will also seek to highlight its actions and achievements to members and other stakeholders through its regular communication channels.

This RI policy will be reviewed on at least an annual basis and is made available here [insert link]

The Committee will periodically seek feedback from members on the RI policy and seek to incorporate views, as deemed appropriate by the Committee, as part of ongoing maintenance of the policy.

Appendix 1 - Fund's RI Investment beliefs

Belief: The UN Sustainable Development Goals highlight investment risks and potential opportunities as well as areas in which asset owners can have a positive impact

The Committee believes the UN Sustainable Development Goals highlight a number of key areas where investors have the capacity to act responsibly, and identify systemic changes where there are opportunities for strong investment performance. Where there is no detrimental impact on expected investment performance, the Committee will look to invest in line with the goals outlined below.

Belief: Engagement with managers, and through them with investee companies, can have a material impact on progress towards the chosen goals as well as on investment performance

The Committee recognises that manager engagement with investee companies is a key method of moving towards the goals set out below and that engagement can lead to better returns. The Committee will engage regularly with the Fund's managers, seeking disclosure on their approach to Responsible Investment at least annually, and will ask the managers to align with the Fund's goals.

The Committee also recognises that collaboration with other Funds is likely to improve the chances of achieving meaningful change, and will seek to work with other Funds, and the London CIV, to achieve agreed outcomes.

Responsible investing is relevant to the performance of the entire Fund across asset classes

The Committee believes that new investment opportunities and changes to the existing investment strategy which focus on responsible investing (e.g. low carbon) do not have an adverse financial impact on the ability of the Fund to achieve its long-term goals should be pro-actively sought and considered.

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Update of funding as at 31 December 2021

This paper has been commissioned by and is addressed to London Borough of Hackney as Administering Authority of the London Borough of Hackney Pension Fund ("the Fund").

Its purpose is to provide an update on the overall fund level funding position and risk metrics as at 31 December 2021 and how it compares to the position at the last formal valuation of the Fund (31 March 2019). This paper contains a high level summary of the results (and charts). Further background on the methodology, data, reliances and limitations of these results is contained within the Appendix and the Fund's 2019 valuation report.

Key points to note on the commentary of this funding update are:

- The funding position is only a snapshot in time and is based on a single set of assumptions about the future. The funding level is therefore extremely sensitive to the choice of assumptions and market movements, in particular the expected future investment return assumption.
- Actual benefit payments in the future will be in respect of both service accrued up to today ("past service") and service that will be accrued in the future ("future service"). The funding position presented is only in respect of **past service** benefits.

Executive summary

Reported funding position	31 March 2019	31 December 2021
Assets (£m)	1,575	1,975
Past service liabilities (£m)	1,706	1,818
Surplus/(Deficit) (£m)	**(131)**	**157**
Funding level	92%	109%
Assumed future investment return	3.85%	3.83%
Likelihood of achieving this return*	72%	72%
Fully funded target	**31 March 2019**	**31 December 2021**
Funding target	100%	100%
Future investment return required to be 100% funded	4.30%	3.30%
Likelihood of achieving this return*	**65%**	**80%**

* likelihood of the Fund's portfolio achieving these returns over the next 20 years

Past service funding position: The reported past service funding position has improved. The Fund has a surplus of £157m at 31 December 2021 (compared to a deficit of £131m at 31 March 2019). The improvement has been largely driven by strong investment performance since 31 March 2019.

Investment outlook: The outlook for future investment returns has remained relatively similar. At 31 December 2021, future investment returns are expected to be 3.83% p.a. based on an 72% likelihood of being achieved (at 31 March 2019, the equivalent return was 3.85%p.a.).

Fully funded required rate: The likelihood of achieving the future investment returns needed to be fully funded has increased since the last valuation (there is now a 80% chance of achieving the returns needed).

Therefore, **the Fund is now more likely to have sufficient assets to meet earned benefit payments than at the previous valuation.**

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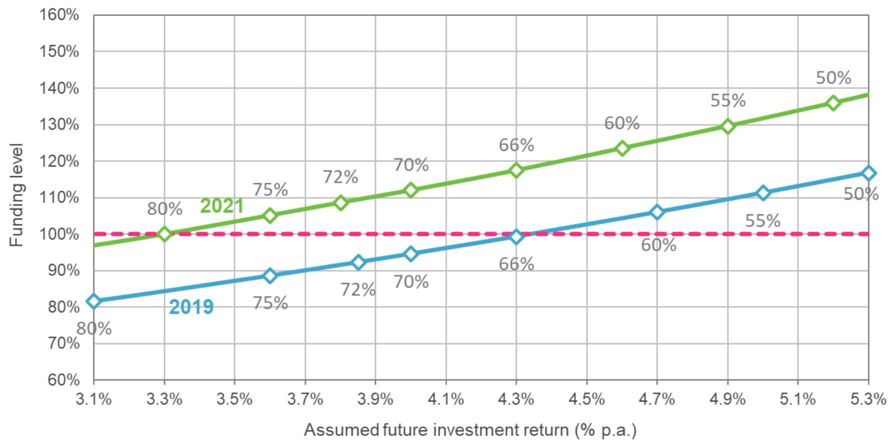
Funding level versus future investment return assumption

At 31 December 2021 the estimated funding position has improved with a surplus of £157m.

Reported funding position	31 March 2019	31 December 2021
Assets (£m)	1,575	1,975
Past service liabilities (£m)	1,706	1,818
Surplus/(Deficit) (£m)	**(131)**	**157**
Funding level	92%	109%

The funding level has been calculated using an future investment return assumption which has an 72% likelihood of being achieved. The reported funding level is extremely sensitive to this likelihood (i.e. the level of prudence being adopted).

The chart below shows how the funding level varies under different future investment return assumptions. The likelihood of achieving these returns is noted next to each point of the chart.



- From this chart, we can see that the likelihood of achieving any given future investment return remains broadly the same as 2019.
- However, regardless of the investment return assumption used, there has been an improvement in the funding position at 31 March 2021 compared to the 2019 valuation, reflecting an increase in assets held today per pound of benefit to be paid out in future.
- This improvement has been driven by strong investment performance over the period (c.32.5% since 31 March 2019).

Indicative impact on future contributions

Secondary rate contributions

It can be inferred that the improved past service funding position at 31 December 2021 is likely to have a positive impact on Secondary rate contributions at the next valuation for the average employer, all else being equal.

Of course any changes in funding position (and any impact on contributions rates) will be varied across the Fund's employers and is dependent on each individual employer's membership and funding plans.

Primary rate contributions

As discussed above, the past service funding position has improved. However, the assets held today only cover past service benefits – we still need to fund those benefits yet to be earned (i.e. Primary Rate contributions in respect of future accrual). For the average fund, two-thirds of the benefit payments made over the next 50 years will be in respect of benefits yet to be earned.

As at 31 December 2021, longer term future market conditions for valuing benefit costs are expected to be more challenging and are applying upward pressure to the future service cost (compared to March 2019).

The increased cost of future accrual will lead to increased Primary contribution rates at the next valuation. For the average employer any increases in Primary contribution rates may be partially (or wholly) offset by reductions in Secondary contribution rates.

Reliances and limitations

This paper has been prepared for London Borough of Hackney as Administering Authority of the London Borough of Hackney Pension Fund for the purpose described above. It has not been prepared for use for any other purpose and should not be so used. The paper should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. We accept no liability where the paper is used by or disclosed to a third party unless we have expressly accepted such liability in writing. Where this is permitted, the paper may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

The following Technical Actuarial Standards are applicable in relation to this advice, and have been complied with where material and to a proportionate degree:

- TAS100

This report together with the formal valuation report for the Fund (issued March 2020) and the Fund's Funding Strategy Statement set out the aggregate of my advice.

Malcolm Stanley FFA

February 2022

For and on behalf of Hymans Robertson LLP

Appendix

Assumptions and methodology

Liabilities

All demographic and financial assumptions underlying the benefit projections are as per the 31 March 2019 formal valuation with the exception of the future inflation assumption (which affects the rate of future pension increases, CARE revaluation and salary increases).

Further details about the assumptions can be found in the 2019 formal valuation report dated March 2020.

The future long-term inflation assumption used in the benefit projections as at 31 December 2021 is 2.4% p.a.. Therefore, as at 31 March 2021 we have assumed that:

- Future pension increases are 2.4% p.a.
- Future CARE pot revaluation is 2.4% p.a.
- Future salary increases are 2.7% p.a.

The benefit projections assume that membership experience since 31 March 2019 has been in line with the assumptions made. At a whole fund level, this assumption is reasonable to make and, for the purpose of this paper, we do not expect this to result in a material inaccuracy.

We have also allowed for additional benefit accrual between 1 April 2019 to 31 December 2021. This allows comparison with the Fund's asset value as at 31 December 2021.

Future investment returns

To calculate the expected future investment returns , we have used our proprietary Economic Service Scenario ("ESS") model, and the same methodology used to at the last formal valuation. Further details about the ESS model, and the calibration of the model as at 31 March 2019, can be found in the 2019 valuation formal report dated March 2020.

The calibration of the model as at 31 December 2021 is detailed below. The following figures have been calculated using 5,000 simulations of the ESS, calibrated using market data as at 31 December 2021. All returns are shown net of fees. Percentiles refer to percentiles of the 5,000 simulations and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields for at that time horizon. Only the overall Fund portfolio returns are shown, however similar information for separate asset classes is available on request.

		Portfolio returns	Inflation (CPI)	17 year real yield
5 years	16th %'ile	-0.2%	1.6%	-2.6%
	50th %'ile	4.2%	3.1%	-1.7%
	84th %'ile	8.5%	4.7%	-0.8%
10 years	16th %'ile	1.2%	1.2%	-2.0%
	50th %'ile	4.3%	2.9%	-0.8%
	84th %'ile	7.5%	4.5%	0.5%
20 years	16th %'ile	2.6%	0.9%	-0.7%
	50th %'ile	5.1%	2.5%	1.0%
	84th %'ile	7.6%	4.0%	2.7%
	Dispersion (1 year)	9.6%	1.3%	

The current calibration of the model indicates that a period of outward yield movement is expected. For example, over the next 20 years our model expects the 17 year maturity annualised real (nominal) interest rate to rise from -2.6% (1.2%) to 1.0% (3.2%).

Assets

The asset value as at 30 September 2021 has been provided to us by the Fund. To derive the level of likelihood associated with certain level of expected future returns, we have used the ESS model as described above and the Fund's current strategic asset allocation:

% allocation	
Global Equities	36.0%
Global Emerging Market Equities	4.5%
Diversified Growth Fund	7.5%
Total growth	**48.0%**
Private lending	20.0%
Property	10.0%
Infrastructure	5.0%
Corporate bonds	6.4%
Total Income	**41.4%**
Fixed interest gilts	6.4%
Index linked gilts	4.2%
Total Protection	**10.6%**
Total	**100.0%**

Model limitations

The models used to calculate the results in the paper make some necessary simplifying assumptions. I do not consider these simplifications to be material and I am satisfied that they are appropriate for the purposes described in this report.

Sensitivity of results

The results in this report are dependent on a number of factors including the membership details, current financial conditions, the outlook for future financial conditions and demographic trends such as longevity. Changes in each of these factors can have a material impact on the results. I have not sought to quantify the impact of differences in the above because of the complex interactions between them. If further information about the sensitivity of the results to different data or assumptions is required, this can be provided on request.

Funding Risks

Please see the FSS for details of the funding risks that apply to the future ability of the Fund to pay all members' benefits. These include, but are not limited to:

- Market risks – these include investment returns being less than anticipated or liabilities increasing more than expected due to changes in market conditions underlying the financial assumptions (e.g. inflation or pay increases above that assumed etc.).
- Demographic risks – these include anything that affects the timing or type of benefits (e.g. members living longer than anticipated, fewer members opting into the 50/50 option, etc.).
- Regulatory risks – the LGPS is a statutory scheme. There is a risk that central Government legislation could significantly change the cost of the scheme in future.

  In particular, the benefit structure of the LGPS is currently under review as a result of the consultation on the McCloud and Sargeant judgement, HM Treasury's and Scheme Advisory Board's cost-sharing valuations as well as the recent outcome of the Goodwin tribunal. Benefit changes as a result of these issues may materially affect the value of benefits earned by members both in the past and future. I have made no direct allowance for these changes and may need to review my calculations once the outcomes are known.
- Administration and Governance risks – failures in administration processes can lead to incorrect actuarial calculations. For example, where membership data is not up to date (e.g. leaver forms not being submitted in a timely matter) material inaccuracies

in respect of the level of deficit and contributions may occur at future valuations.

- Resource and Environmental risks – i.e. risks relating to potential resource constraints and environmental changes, and their impact on Fund employers and investments: such risks exist and may prove to be material. Given the lack of relevant quantitative information available specifically relevant to the Fund, I have not explicitly incorporated such risks in this advice. The Administering Authority may wish to seek direct advice on these risks.