PENSIONS COMMITTEE

SUPPLEMENTARY PAPERS

Wednesday 14 June 2023
at 6.30 pm Council Chamber, Hackney Town Hall, Mare Street, London E8 1EA

Pensions Committee
Wednesday 14 June 2023
Agenda

10 **Quarterly Update Report** (Pages 7 - 38)

Report and Appendix 2 enclosed

11 **High Level Monitoring Report** (Pages 39 - 46)

Report enclosed.

Hackney

Title of Report	Quarterly Update Report
For Consideration By	Pensions Committee
Meeting Date	14 June 2023
Classification	Public
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. **Introduction**

1.1. This report is an update on performance across the following key areas since the last meeting:

- Governance
- Funding and any changes in participating employers
- Investment, including an update on the London CIV and implementation of the Fund's Responsible Investment policy
- Pension administration and communications update

It provides the Committee with the most recent information on the position of the Fund. Funding and investment information is provided for Q4 2022/23 as this is the most recent available. Information on Governance and Pensions administration is available up to 31st May 2023.

2. **Recommendations**

2.1. The Pensions Committee is recommended to:

- **note the report.**
- **Approve extensions to the Fund's Actuarial Services Contract and Benefits and Governance Services contracts until 31st December 2023.**

3. **Related Decisions**

3.1. Various previous policies and strategies agreed at Pensions Committees.

4. Comments of the Group Director of Finance and Corporate Resources.

4.1. The Pensions Committee has delegated responsibility for management of the Pension Fund. Whilst there are no direct impacts from the information contained in this report, quarterly monitoring of key aspects of the Pension Fund helps to provide assurance to the Committee of the overall financial performance of the Fund and enables the Committee to make informed decisions about the management of the Fund.

4.2. The report includes monitoring the performance of the Fund's investment managers which is essential to ensure that managers are achieving performance against set benchmarks and targets. The investment performance of the Fund, together with change in the liabilities (as set out in the quarterly funding updates) are key factors in the actuarial valuation process and therefore directly impact on the contributions that the employers are required to make into the Pension Fund.

4.3. Monitoring of key administration, communication and governance targets ensures that the Fund monies are being used appropriately including ensuring that the Fund is achieving value for money.

5. Comments of the Director of Legal, Democratic and Electoral Services

5.1. The Council's Constitution gives the Pensions Committee responsibility for various specified functions relating to management of the Council's Pension Fund, as reflected in the Committee's Terms of Reference. The Committee has delegated responsibility:

- To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pension legislation.
- To act as Scheme Manager for the Pension Fund.
- To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium term plan to deliver the objectives.

5.2. Given these responsibilities, it is appropriate for the Committee to consider a regular quarterly update covering funding, investment matters, scheme administration, communication and governance.

6. Governance Update

6.1. Governance strategy and policy reviews

No current updates to main strategies and policies.

6.2. Other Hackney Pension Fund governance matters

Changes to the Pensions Committee, Pensions Board and Senior Officers since the last report:

- Pensions Committee - The Committee is requested to note the confirmed appointments to the position of Chair – Cllr Adams and Vice Chair - Cllr Chapman of the Pensions Committee, as agreed by Full Council at its Annual General Meeting on 17 May 2023. Cllr Frank Baffour replaces Cllr Joe Walker as a member of the Committee.

- Pensions Board - Pradeep Waddon (Hackney Council) and Rebecca Datta (Primary Advantage Federation) have been appointed to the Pensions Board. 2 scheme member representatives are due to be appointed within the coming month.

- Senior Officers – Ian Williams, the Group Director of Finance and Corporate Resources, announced his departure and will leave Hackney Council at the end of July 2023. Arrangements for filling this key role are currently being made.

Changes in staffing/resourcing - The following key pension team staff and supplier changes occurred since the last report:

- Staff Joiners: Morgan Williams has been appointed permanently to the role of Investment & Accounting Manager (previously held the role on an interim basis).

- Staff Leavers: None

- Supplier update: None

6.3. Knowledge and Skills Policy implementation

The following training has taken place since the last report.

- The Pensions Committee undertook training in Investment Strategy Setting on 30 March 2023 which provided an overview of key asset classes and their risk return characteristics.

- Cllr Adams attended an Impact Investing training session hosted by London CIV on 10 May 2023.

- Jonathan Malins Smith attended the LGC Investment Seminar on 30-31 March 2023.

Upcoming training includes:

- Investment Strategy - Nature-based solutions - 7th June 2023 – this is essential for all Committee members

6.4. Cyber Security

Cyber threats continue to be a major risk for organisations and are increasingly being recognised as a threat to pension schemes. In its guidance issued in April 2018 and in the draft new Code of Practice, the Pensions Regulator (TPR) explains that pension schemes should take appropriate measures to protect against this risk, including assuring themselves that all third-party providers have put sufficient controls in place in relation to cyber security. The Fund has an ongoing programme of work to ensure it is managing its cyber risk. The current key areas of focus are set out in Appendix 1 following this report.

6.5. Procurement

Officers of the Fund are currently undertaking the tendering process for the Fund's Actuarial Services contract and Benefits and Governance contract. These procurements have been slightly delayed, and it is now anticipated that they will run concurrently during the summer, with the Invitation to Tender (ITT) due to be issued on 21 June 2023.

Interviews with the Pensions Committee for the highest placed suppliers after scoring of the ITT are due to take place in early September, with the final decision being taken at the Pensions Committee on 20 September 2023.

To accommodate this revised timetable, a short extension to the existing contracts to 31 December 2023 is requested.

6.6. Other governance related developments and news

Scheme Advisory Board (SAB) update

The SAB met virtually on 22 May 2023. At the time of writing the summary note of the meeting had not been published; in due course it will be found here: https://www.lgpsboard.org/index.php/about-the-board/board-updates. Some of the agenda items have been published and can be found here – https://www.lgpsboard.org/index.php/about-the-board/prev-meetings.The main areas covered in the meeting were:

- A consultations update
- Risk register review
- SAB committee updates

6.7. SAB has set up a series of free regional training sessions for Committee members, Board members and fund officers on investment cost transparency -Further information can be found on the SAB home page: LGPS Scheme Advisory Board - Home (lgpsboard.org)

6.8. SAB has published a statement about handling climate related Freedom of information requests, as well as the results of their gender pensions gap analysis and will be doing more work in this area. Further information on both items can be found on their home page- [LGPS Scheme Advisory Board – Home (lgpsboard.org)]

6.9. SAB has also commissioned advice on whether the LGPS is consistent with anti-discrimination and public sector equality duties in relation to Sharia. In addition to legal advice, they have commissioned an expert in Islamic finance to provide evidence on a range of issues from an Islamic perspective.

7. Funding Update

7.1 Funding strategy and policy reviews

The last triennial valuation was carried out as at 31 March 2022, with the final valuation report and Rates and Adjustment Certificate approved by the Pensions Committee on 30 March 2023.

The Draft Funding Strategy Statement was published for consultation in September 2022, with the final version being approved on 30 March 2023.

The next valuation date is 31 March 2025.

7.2 Other Hackney Pension Fund funding matters

Below is the funding update to 31 March 2023 from the Fund's Actuary, Hymans Robertson. The key statistics are as follows:

	31/3/2022 (last valuation date)	31/12/2022(last quarter)	31/3/20223 (most recent quarter)
Funding level (assets / liabilities)	106%	132%	126%
Surplus/(deficit)	£100M	£450M	£390M

7.3 The results shown above are estimates based on rolling forward the fund's funding position from 31 March 2022, allowing for market conditions but not for the effect of changes in the membership profile since 31 March 2022. The key driver of the changes since March 2022 have been movements in gilt yields, which have increased since the valuation. Whilst asset values have reduced since the valuation date, the drop in liability values has more than compensated, resulting in an increase in the estimated funding level.

7.4. Changes to participating employers: The following changes occurred during the quarter:

- New Employers to the Fund – Atlantic Cleaning (St Mary's) - 01/04/2023

- Employers leaving the Fund – PJ Naylor (St Mary's) - 01/04/2023
- Other employer matters – N/A

7.5 **Other funding related developments and news**

Two cost control mechanisms are currently in place for the LGPS; the HM Treasury Cost Control Mechanism (CCM) and the Scheme Advisory Board's Scheme Cost Assessment (SCA). The mechanisms are intended to ensure that the overall costs of providing LGPS scheme benefits are controlled, to protect taxpayers from unforeseen costs whilst ensuring that the value of the LGPS to members is preserved.

The SCA runs prior to the HM Treasury CCM, and recommendations made as a result (and accepted by government) are considered when calculating the scheme costs (for the purpose of the HM Treasury CCM).

The Government Actuary reviewed the CCM in 2021 and recommended a number of changes, including:

- A redesign of the CCM – to ensure it only considers past and future service benefits built up with all legacy scheme costs excluded,
- Widening the corridor from 2% to 3% of pensionable pay, thereby reducing the regularity of breaches, and
- Introducing an economic check, so that the mechanism would only be triggered if any breach would still have occurred had the impact of any change in long-term economic assumptions been considered.

Alongside these changes, DLUHC has also consulted on reforming the SCA. Final regulations and DLUHC's response to consultation have now been issued. The changes take into account SAB's response to the consultation and better align the SCA with the revised CCM. The response re-iterates that the SAB process operates prior to the HMT CCM and gives the SAB greater flexibility in the making of recommendations to the Secretary of State where there is a breach. However, the prospect of a link to the CCM's economic check is left open for discussion.

A link to the consultation can be found here: https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process#basic-information

8. Investment including LCIV and RI update

8.1 **Investment strategy and policy reviews**

The Fund commenced a review of its investment strategy in March 2023, following approval of the 2022 actuarial valuation. The Strategic Asset

Allocation was agreed in April 2023, with implementation due to take place during 2023/24 and beyond.

The Committee has agreed that Fund should make new allocations as follows:

- 5% to Multi Asset Credit
- 5% to Impact Property
- 5% to nature-based solutions

At its meeting on 14 June, the Committee is due to consider a paper setting out a suggested approach to implementation of the above allocation decisions. A revised Investment Strategy Statement is also due for review and approval by the Committee.

8.2 **Other Hackney Pension Fund investment matters**

Investment performance update

Appendix 3 to this report provides a manager performance update from the Fund's Investment consultants, Redington. The report includes an analysis of quarterly, 1 year and 3 year and since inception performance against benchmark, and a brief commentary on performance for each mandate.

With the exception of the Carbon Neutral Real Estate Trust, which returned -13.6%, all of the Fund's portfolios delivered a positive return over the quarter. The Blackrock World Equity Fund was the best performer in absolute terms, returning 7.3%, whilst the LCIV Emerging Market Equity Fund delivered the strongest excess return above benchmark, at 1.7% (2.8% total return).

Three funds delivered returns below the benchmark - LCIV GAGPA Fund (4.6%, -0.6% relative to benchmark), LCIV Sustainable Equity Fund (0.2%, -4.7% relative to benchmark) and the Threadneedle Bond Mandate (2.7%, -0.2% relative to benchmark).

In monitoring performance, particular attention is paid to funds or mandates that have seen sustained below benchmark performance. It is proposed that London CIV attend the Pensions Committee over the coming months to discuss the performance of the LCIV GAGPA Fund, which has seen a lengthy period of underperformance.

A wider market update is included at Appendix 4.

Responsible investment update

The Fund agreed a new set of climate targets in March 2023. As part of its journey towards net zero, the Fund has set the following targets for 2030:

- Achieve a 50% carbon footprint (scope 1&2) by 2030 compared to 2023 carbon footprint as the baseline.
- Target a 2C portfolio by 2030 with a 1.5C goal for 2040.

- Allocate no less than 10% of Fund assets to climate solutions over the next 5 years in line with the Strategic Asset Allocation (SAA) changes subject to fiduciary duties

Progress against these targets will be monitored on an annual basis.
The Pensions Committee has also looked to increase the level of engagement with the underlying companies in which it invests. This includes taking a more proactive role in encouraging managers to take into consideration the voting recommendations of the Local Authority Pension Fund Forum (LAPFF).

Appendix 5 to the report therefore provides the Committee with an update on where managers have deviated from LAPFF's voting recommendations. At present this information is only provided for the London CIV, but Officers will also explore options to strengthen the Fund's approach to voting in the passive mandates held by BlackRock.

The LAPFF Quarterly Engagement report is attached at Appendix 6 to this report, setting out LAPFF's engagement activity over the Quarter in relation to environmental, social and governance issues. Following the restructuring of its equity portfolio, the Fund no longer retains any segregated mandates and therefore has no direct holdings in the companies referenced. It does, however, retain exposure via its pooled passive funds to a large number of the companies LAPFF engages with.

8.3 **Other investment related developments and news**

In April, the Scheme Advisory Board reported that TPR had published a review of climate-related disclosures by occupational pension schemes. The paper sets out TPR's preliminary observations and feedback to industry, based on their review of a selection of climate-related disclosures published by occupational pension schemes. The review relates to private pensions schemes but contains observations which may be useful for LGPS funds ahead of the implementation of TCFD reporting.

The review can be found here: https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/review-of-climate-related-disclosures

9. Pensions Administration and Communications Update

9.1 **Administration and communications and strategy policy reviews**

None were due to be reviewed this reporting period

9.2 **Other Hackney Pension Fund administration and communication matters**

The following sections provide information on the numbers of cases being received and processed by Equiniti, as well as their performance against the

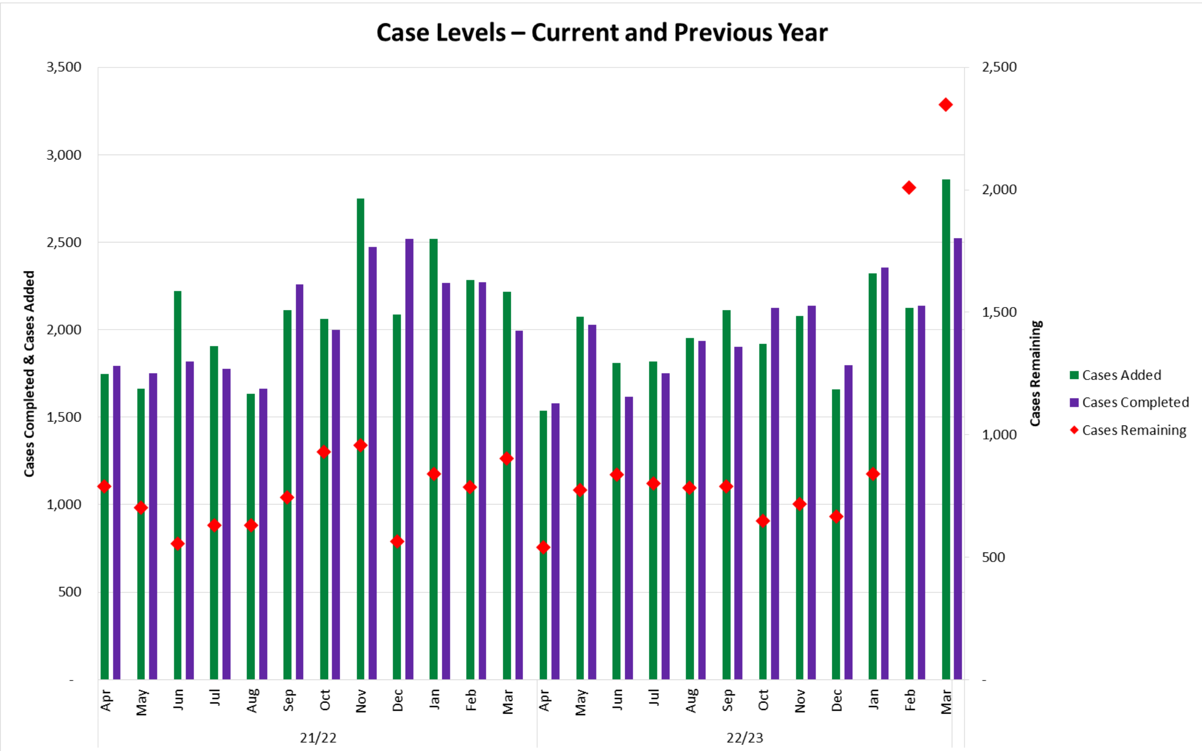
Fund's service level agreement standards (SLAs)

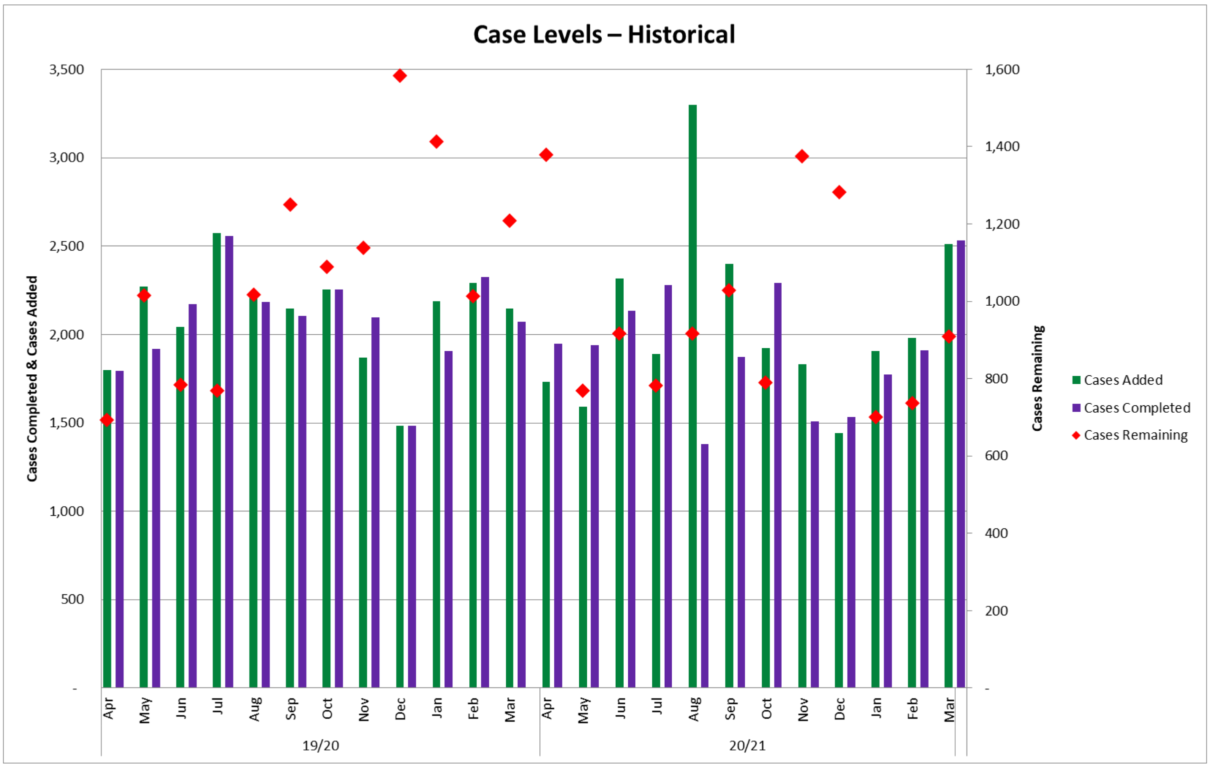
Case levels

The graphs below show historical cases levels received and processed by Equiniti dating back to April 2019. For each month, the graph shows:

- "cases added" - the number cases received by Equiniti during the month ("cases added") and
- "cases completed" - the number of cases completed by Equiniti during the month ("cases completed")
- "cases remaining" - the numbers of cases that are outstanding and therefore waiting to be processed by Equiniti at the end of each month ("cases remaining")

For the period February 2023 to March 2023, the number of cases added in February was slightly less than the previous month and the number of cases received in March was higher than all months in the 2022/23 financial year. As an average the number of cases added in this reporting period is greater than the number of cases added in the previous reporting period. The same trend is true for the number of cases completed by Equiniti and as an average is greater than the last period reported.





9.3 *SLA and KPI monitoring*

The contract with Equiniti includes a large number of service level agreement standards (SLAs). A proportion of these are highlighted as being key performance indicators (KPIs) for the Fund. The KPIs include target timescales for processes such as:

- providing new members with information about the scheme
- notifying retiring members of the amount of retirement benefits and paying them their tax free cash lump sum
- informing members who leave the scheme before retirement of their deferred benefit entitlement.

For most measures there are two targets:

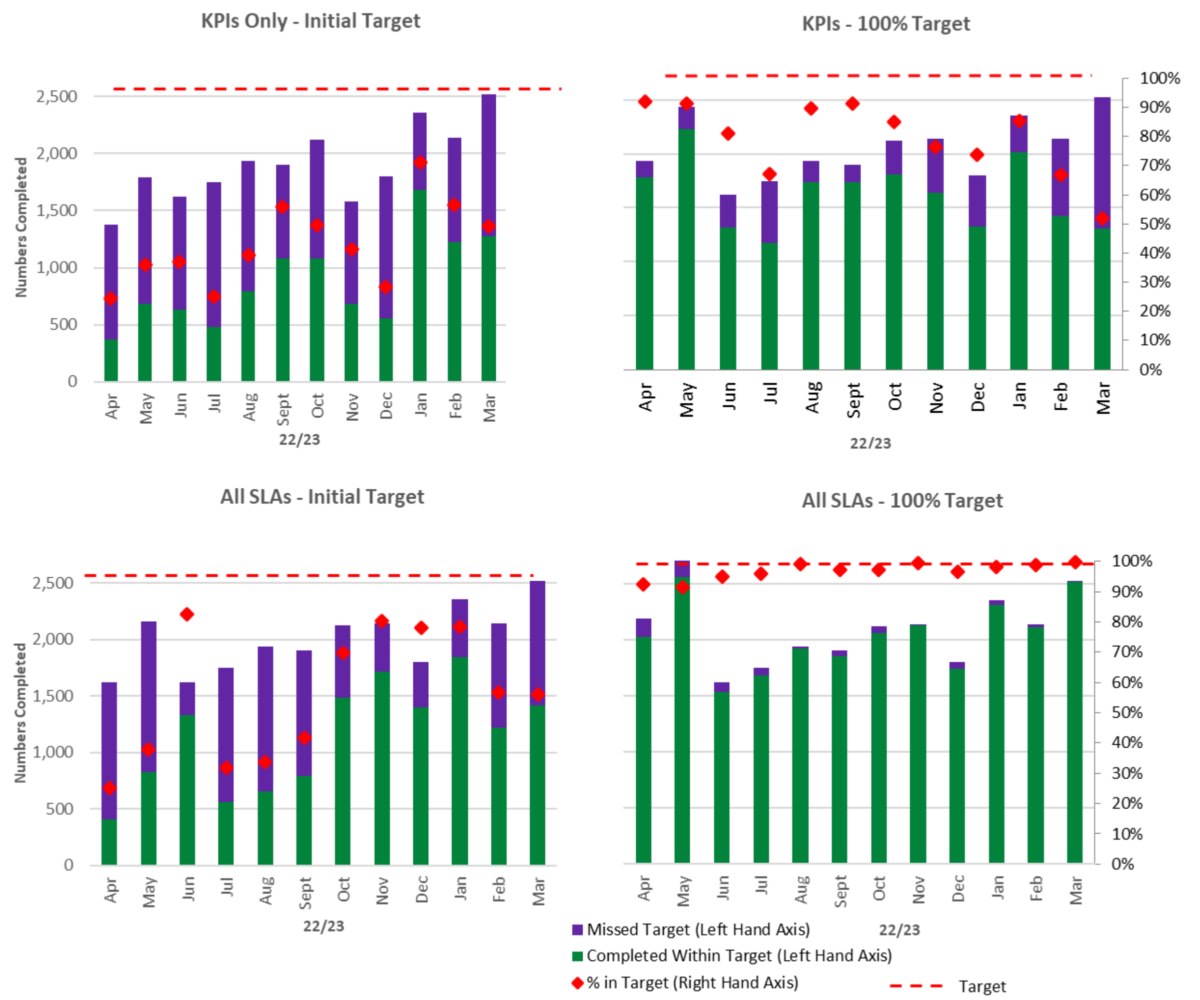
- an initial target – this is the initial timescale within which the majority of cases must be processed (typically 95% is the target to be processed by the initial target period)
- the 100% target – this is a later timescale by which it is expected that 100% of cases will be processed by.

The following graphs show Equiniti's performance in these areas since April 2022. Each graph illustrates the numbers of cases completed within the target (green) and the number outstanding (purple), as well as the percentage of cases completed within the target (red diamond which relates to the right hand axis). The four graphs are as follows:

- KPIs Only – Initial Target: this shows the performance against **only** the key performance indicators based on the initial target where it is expected that (in the main) 95% of cases will be processed.
- KPIs Only – 100% Target: this shows the performance against **only** the key performance indicators based on the 100% target where it is expected that all cases will be processed.
- All SLAs – Initial Target: this shows the performance against **all** service level agreement standards based on the initial target where it is expected that (in the main) 95% of cases will be processed.
- All SLAs – 100% Target: this shows the performance against **all** service level agreement standards based on the 100% target where it is expected that all cases will be processed.

For the period February to March, Equiniti have continued to perform close to the 100% target in the SLA measures. The 100% target for KPI measures for the period is less than the previous reporting period and the initial target measures for both SLAs and KPIs were also less than the previous reporting period

The new contract in place with Equiniti has resulted in some changes to SLA timeframes. However, Equiniti are in the process of preparing revised reporting to measure and report against the amended timeframes referred to in the contract. Therefore, for February and March, the data provided by Equiniti is based on the former contract. Equiniti are expected to provide revised data from April onwards and therefore, this will be reflected in the data shared at the September Committee meeting .



9.4 *Communications*

Since the last update the following communications have been issued to scheme members:

<u>P60s</u>

All pension members were issued with their P60s from Equiniti in April 2023

<u>2023 Pension Increase</u>

The annual pension increase was run in time for April pensioner payroll and all pensioners were written to in April informing them of the increase.

<u>Website</u>

Two new articles were added to the website to inform members of the 2023 Pension Increase and also an update on the McCloud judgement including a link to the DLUHC/SAB Members factsheet.

Updates were also made to reflect the new Employees Contribution Rates for 2023-24 plus the results of the triennial valuation were added.

9.5 *Internal Disputes Resolution Procedure (IDRP)*

This is the procedure used by the Fund for dealing with appeals from members both active and deferred. The majority of the appeals are in regard to either disputes around scheme membership or the non-release of ill health benefits. The process is in two stages:-

- Stage 1 IDRP's are reviewed and determinations made either by the Pensions Manager or by a senior technical specialist at the Fund's pension administrators, Equiniti.
- Stage 2 IDRP's are determined by the Group Director, Finance & Corporate Resources taking external specialist technical advice from the Fund's benefits consultants.

Stage 1 – Two applications were submitted during the reporting period. One was against the former Employer for an ill health decision, which was not upheld. The second is against the administering authority in relation to a pension Saving Statement issue and investigations are still ongoing.

Stage 2 – One application was submitted in this quarter against the administering authority in relation to a retirement age mix up.The appeal was upheld.

9.6 *Third Party Administration Implementation Update*

The previously agreed extension of the Fund's third party administration services contract with Equiniti for 3 years from 1st January 2023 was agreed and signed on 28 February 2023. The Fund is now working with Equiniti on the delivery of the software upgrade. The migration to the new software has been delayed. However, project implementation timeframes are being looked at by Equiniti. Once new timeframes have been proposed a further update will be given at the next meeting.

As part of a drive to ensure the Fund's data is as up to date and accurate records are being held, the Fund has undertaken a data cleanse at membership level for the schools and academies records. The internal LBH team has been engaging with the payroll providers/HR departments to ensure these records are brought up to date, and to assist the payroll/HR providers on the ongoing administration requirements.

9.7 *McCloud Programme Update*

The Public Service Pension and Judicial Offices Act 2022 enables the Department of Levelling up, Housing and Communities (DLUHC) to make the regulations needed to implement the McCloud remedy within the LGPS.

Draft LGPS "McCloud" regulations and DLUHC's response to its 2020 consultation have been subject to significant delays. DLUHC's consultation response was published in April 2023, confirming that the Government would proceed with the changes to the underpin originally proposed in the 2020 consultation.

The draft regulations and a further consultation have just been published (on 30 May 2023). This additional consultation is to obtain further views in some areas and to seeks views where the initial consultation did not address an issue. DLUHC is seeking general views on how the McCloud remedy will work for scheme members with multiple periods of LGPS membership ("aggregation"), previous membership with another public service scheme, flexible retirement, pension sharing on divorce and injury allowances.

DLUHC are also seeking technical comment on areas where the policy approach has now been determined in relation to excess teacher service, compensation and interest on McCloud related payments. The consultation runs until 30 June 2023.

Following this consultation, the regulations are expected to be made in early September 2023 before the coming into force date of 1 October 2023.

In addition, HMRC has published a consultation on The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023. This is a technical consultation on draft tax regulations which set out changes to how pensions tax rules will apply as a result of the public service pensions remedy. They make changes to how individuals are treated for tax purposes if, as a result of the McCloud remedy, they are subject to tax charges.

On 15 December 2022 HM Treasury issued Directions in relation to the Public Services Pensions and Judicial Offices Act 2022 (PSPJOA), setting out how certain powers in the PSPJOA must be exercised. Part 4 of the Treasury directions cover the LGPS, and the directions include powers to pay compensation, compensatable losses, interest payments and compensation applications.

Workstreams

Most workstreams are progressing with regular meetings being attended by key Hackney pensions officers and representatives from Equiniti and Aon.

Good progress continues to be made in relation to the Data, Communications, Finance, Governance and Benefit Rectification Workstreams although some actions continue to be paused due to the delay in the regulatory timetable. The Ongoing Administration and Systems workstream is still behind where we would want it to be at this stage of the project.

The Compendia software is key to delivering the McCloud programme, particularly in relation to the Data, Communications and Ongoing Administration workstreams. The Fund are due to migrate to an updated version of the Compendia software and it is understood that this is required in order for the new McCloud underpin calculations to be automated. However, the timetable for the migration is currently unknown but this is expected to be after the McCloud regulations come into force on 1 October 2023. Therefore, it currently needs to be established how the programme, in particular Ongoing Administration, will be dealt with in the interim period between the regulations coming into force and the migration to the updated software. Equiniti have recently appointed a specific project manager in this area and further information on timeframes and plans are expected to be provided at the communications workstream meeting on 7 June 2023. A verbal update on this will be provided to the Pensions Committee at their meeting on 14 June 2023.

The Benefit Rectification workstream is currently planned to be delivered off system, but the outputs will need to meet the requirements of the administration software and so this workstream will also be impacted by the timeframes for the software migration.

The risk logs for each workstream continue to be discussed at all workstream meetings and at the PMG meeting, and updated, as appropriate with the key risks continuing to be the impact of the delay in the regulatory timetable and the Compendia software migration .

The general Programme update on the specific workstreams is as follows:

- Data: The most recent workstream meeting was held on 25 April 2023. It was determined that many actions are still on hold due to the delay in the regulatory timetable, and there were no new risks to be added to the risk log. A further meeting to specifically discuss the SAB data guidance was held on 11 May 2023, following this some further changes are required to be made to the Data Acceptance Principles (DAP) document where some data mismatch categories for payroll provided data will be treated the same as HK221 sourced data. Some categories will also be separated between active and non-active members. The changes, along with supporting rationale, will then be submitted to the PMG for approval. The next workstream meeting has been scheduled for 6 June 2023.

- Communications: The Communications workstream is up to date, with most of the actions such as reviewing BAU communications deferred until regulations are issued by DLUHC. The last communication workstream meeting was held on 20 April 2023 where it was agreed to publish the DLUHC member factsheet to the Fund website. It was also agreed that

Equiniti will be asked about their plans for McCloud communications in relation to the updated version of Compendia and what their plans are for the interim period between 1 October 2023 and the software migration date. The next communication meeting is scheduled for 7 June 2023.

- Finance and Governance: These workstreams' actions are up to date, and meetings will be scheduled when required to ensure future planning of programme deliverables. There may be some further actions to consider once the regulatory changes are confirmed by DLUHC.

- The Benefit Rectification workstream is progressing as expected and the last meeting took place on 20 April 2023. Equiniti provided an update at this meeting on the progress being made with the rectification tool. It was also agreed that Equiniti would revisit the project plan and remediation specification document in line with the consultation response published on 6 April 2023 to determine if any updates need to be made. The next workstream meeting has been scheduled for 7 June 2023.

- Planning work is still required for the Ongoing Administration workstream to ensure that all programme deliverables are achieved as set out in the Programme Charter. The progress of this workstream has previously been on hold due to the work that was ongoing with regards to the contract with Equiniti which has now been resolved. As noted above, the current software will not be developed to support the delivery of this work. However, it is expected as part of the software migration that a project plan will be formulated by Equiniti which will include provisions for the Ongoing Administration workstream. As referred to above Equiniti representatives will be in attendance at the Communications workstream meeting on 7 June and it is expected an update on Ongoing administration will also form part of this meeting.

- Specialist cases: For this workstream, an initial workshop was held in 2021, and it has been agreed within the project team to put this workstream on hold until after the draft regulations have been published, with the expectation of guidance for certain types of cases.

Risks for all workstreams continue to be actively managed within the programme and these are reviewed regularly by the Programme Management Group (PMG).

Whilst the overall project is running slightly behind the original schedule, principally due to the slower than expected progress with the Ongoing Administration workstream, this needs to be considered in the context of the regulatory timetable, which has continued to change. The biggest risk for the programme at the present time remains the software migration and Equiniti's plans to support this. Therefore, until a migration plan has been shared and agreed, the scale of any impact to each individual workstream is unknown. The Programme Management Group's next meeting will take place on 28 June 2023 and the software migration will be discussed at this meeting, and key risks updated as appropriate. A further update will be provided at the next Committee meeting.

9.8 **Annual Benefit Statements**

There is a legal timescale for issuing annual benefit statements to all active and deferred members of the scheme, which is 31 August. This is a major exercise carried out by Equiniti, but it relies on all the Fund's employers providing them with pensions information relating to the scheme members in a timely manner. Requests were sent in April to the Fund's employers that are still required to submit a year end return. The vast majority of data has now been received, the few very small employers yet to submit are being chased by the inhouse pension team. Equiniti are carrying out data validations on submissions received and any queries will then go back to the employers in the coming weeks.

A further update on the benefit statement work will be provided at the next meeting.

9.9 **Guaranteed Minimum Pension (GMP) Reconciliation**

As previously reported to the committee a number of members were "descoped" from the main GMP reconciliation process (members who became entitled to their GMP before reaching their SPA, some post 2016 SPA cases and certain survivor pensioners). Several discussions have taken place between the Fund and Equiniti on this and Equiniti has provided some more details on the groups and possible remedial next steps to take. The Fund is currently still liaising with Equiniti on this. A further update will be provided at the next meeting.

9.11 **Other administration and communications related developments and news**

Pension tax allowances
There were significant changes from 6 April 2023 to the pensions tax allowances announced in the budget on 15 March 2023. The key changes that will impact LGPS members relate to:

- the Lifetime Allowance threshold, which allowed scheme members to have pension benefits equivalent to a capital value of £1,073,100 in total at the point they are crystallised,
- the Pension Commencement Lump Sum, which is the maximum permitted lump sum at retirement that can be paid tax free,

- the Annual Allowance threshold, which allowed scheme members to save an overall value of £40,000 each year towards their pensions (albeit higher earners could have this tapered down to as little as £4,000).

Beyond these levels, tax must be paid. The changes announced in the budget include the following, most of which apply from 2023/24:

- The Lifetime Allowance tax charge, and ultimately the Lifetime Allowance, has been abolished. The charge has been abolished from 6 April 2023, and a future finance bill is expected to abolish the Lifetime Allowance altogether.
- The maximum Pension Commencement Lump Sum for those without historical protections has been retained at £268,275 and will remain frozen at that level.
- The standard Annual Allowance has increased from £40,000 to £60,000.
- The tapered Annual Allowance will now commence for individuals with 'adjusted income' in excess of £260,000 (previously it was from £240,000).
- The minimum tapered Annual Allowance has increased from £4,000 to £10,000.

Further information can be found on the SAB homepage [LGPS Scheme Advisory Board - Home (lgpsboard.org)]

9.12 *Pension Dashboards*

Pensions Dashboards are a national initiative which will allow people to see what they have in their various pensions – including their State Pension – in a single place online, at any time they choose. All pension schemes will be included within the programme, including the LGPS.

It is expected that there will be delays to the national Pension Dashboards programme as in March, DWP announced its intention to amend the staging timetable for schemes but it is not yet understood the affect this will have on the LGPS. The Pensions Dashboards Programme issued a useful update in April 2023 which can be found here - https://www.pensionsdashboardsprogramme.org.uk/pur/. It highlights the areas schemes should still be progressing with including:

- "*deciding on how you will connect to dashboards – whether directly or through a third-party*
- *preparing your data – make sure your pensions information is accurate, up-to-date and in a digital format*
- *choosing your matching criteria – which categories of data will be used to check whether a user has a pension with you*
- *increasing dashboards awareness – ensure that your organisation knows that dashboards are coming, and that it is a regular agenda item for trustees' meetings*

- *understanding legal and regulatory obligations – become familiar with requirements and guidance from DWP, The Pensions Regulator (TPR) and the Financial Conduct Authority (FCA), as well as guidance from organisations like PASA"*

Further useful information on the latest position can also be found on the Pension Regulators website https://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/dashboards-guidance.

Appendices

Appendix 1 – **EXEMPT** - Cyber Security
Appendix 2 - Investment Performance Report
Appendix 3 - Market Update
Appendix 4 - **EXEMPT** - Voting - Exceptions to LAPFF policy
Appendix 5 - LAPFF Engagement Report

By Virtue of Paragraph 3, Part 1 of schedule 12A of the Local Government Act 1972 the appendices 1 and 5 of the report ar exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Background documents

None

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MANAGER PERFORMANCE REPORT

Q1 2023

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CONTENTS

Pete Drewienkiewicz (CIO, Global Assets)

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Market Summary

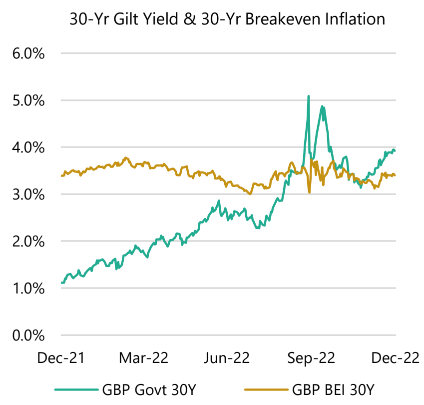
The prevailing themes of inflation and higher interest rates were rudely interrupted by volatility in the banking sector in March. In the US, we saw the failure of Signature Bank and Silicon Valley Bank in quick succession, while Credit Suisse was acquired by Swiss rival UBS a week later. This spurred a risk-off interlude, sending Treasury yields and stock prices lower in tandem. However, markets seemed to shrug off the events quite quickly and the end of Q1 saw a rally in risk assets. This helped equity markets record a strong quarter overall, with some mean reversion seen from 2022, as growth stocks led the way.

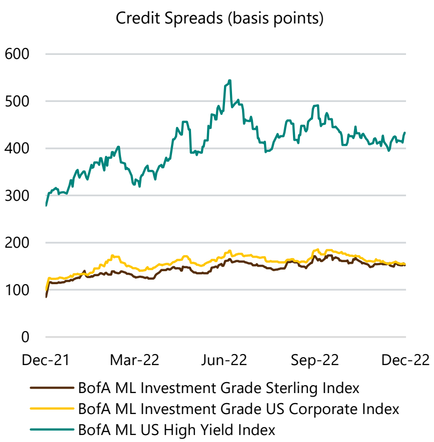
Central Banks continued to raise rates consistently through the quarter, with an aggregate 225bps of rate hikes split between the Bank of England, Federal Reserve and European Central Bank. All three now appear closer to a level of terminal rates as inflation appears to have moderated somewhat, although the UK's March CPI print of 10.1% slowed less than economists had hoped for.

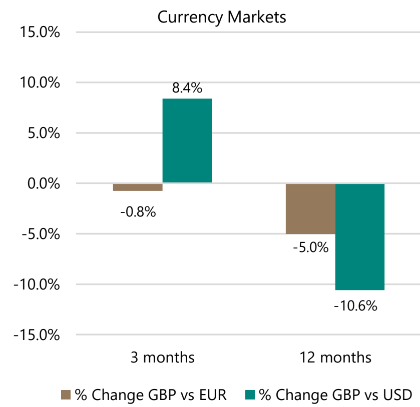
Sustainable Investment Update

A historic deal to protect oceans that lie outside national boundaries was agreed in March, known as the UN High Seas Treaty. More than 60% of oceans are considered international waters, meaning all countries have the right to ship, fish, and do research. The treaty will aim to protect 30% of international waters by 2030.

Redington has launched its Enhanced Stewardship Platform (ESP), designed to enable Trustees to take more control of their stewardship activities and hold their investment managers to account more fully. ESP aims to help Trustees meet recently updated DWP stewardship guidance.







VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Kate Mijakowska** **UK Gilts and Inflation**	The first quarter of 2023 saw growing uncertainty in the banking sector, which drove global government yields down. During the quarter, UK 20-year nominal gilt yields fell 22bps, while 20-year index-linked gilt yields fell 24bps. In March, the UK policy rate increased by another 25bps to 4.25%. The UK Consumer Price Index (year-on-year) print was 10.4% in February, which was higher than the market expected, primarily due to soaring food prices. The March CPI figure is at 10.1%. Towards the end of the quarter, the Bank of England Financial Policy Committee published a paper recommending LDI funds should be resilient to a "severe but plausible stress", quantified by the Committee to amount to c.250bps interest rate shock. An additional buffer is advised over and above that level but has not been quantified. The Pension Regulator has recently published guidance supporting the Bank of England Financial Policy Committee's recommended buffers.
 **Oliver Wayne** **Liquid Markets (Equities)**	Global developed markets ('DM') and emerging markets ('EM') both delivered positive absolute returns in Q1. Central banks continued to raise rates in an attempt to control rising inflation. However, speculation that further rate hikes will be limited supported equity market returns. The collapse of Silicon Valley Bank caused significant volatility in the banking sector for equity investors. This was largely contained as the Fed effectively provided liquidity back stops to the troubled regional banks. There was high dispersion in sector performance, with Information Technology and Consumer Discretionary delivering very strong double digit returns. Financials, Energy and Healthcare were amongst the worst performers, delivering negative absolute returns. Quality and Growth factors performed strongly in DM and Value was the best performing factor in EM. Larger companies outperformed smaller companies on a relative basis in both DM and EM, which created a moderate headwind for the majority of active managers.
 **Tom Wake-Walker** **Liquid Markets (Multi-Asset)**	Turbulent market moves in March negatively affected those liquid alternative managers who had significant short fixed income positioning. This was most acutely felt by trend following strategies who suffered negative returns for the quarter as a result. Long biased multi-asset funds finished the quarter largely positive as both equities and bonds rose. Most diversified risk premia strategies benefitted from strong risk parity performance, but results overall were mixed – driven by the managers' relative exposure to trend following and style premia. Defensive as a factor was the worst performer, with other factors struggling to generate meaningful positive performance.

VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Chris Bikos** **Liquid & Semi-Liquid Credit**	2022 saw credit markets experience substantial losses globally, however 2023 got off to a more positive start with a volatile end in March. The Financials sector had a turbulent March, following the failure of Silicon Valley Bank and the write-off of Credit Suisse's Additional Tier 1 Capital bonds (AT1s) before the troubled lender was bought by UBS. Fears of a banking crisis pushed government bond yields lower, providing a tailwind across all major credit asset classes and especially those with a longer duration profile. Credit spreads moved tighter in European and US high yield, while investment corporate spreads moved slightly wider across the maturity spectrum except for long-dated US credit. Commodities were led lower by the energy complex as natural gas and oil prices continued to ease. Within emerging markets ("EM"), local currency sovereigns had another strong quarter followed by EM investment-grade corporates and sovereigns.
 **Tricia Ward** **Illiquid Credit**	Against an uncertain macro backdrop Private Debt fundraising fell over Q1, decreasing by 20% vs Q4 2022 according to Preqin data. Although Q1 represents the third consecutive quarterly decrease in fundraising, the first quarter of both 2020 and 2021 were also the lowest in the year. Private Debt deals saw a small drop off over Q1, driven by reduction in M&A activity. M&A, which accounted for 69% of European Direct Lending deals over 2022, fell 23% over Q1 making it the least active quarter since the start of COVID-19 lockdowns in Q2 2020. Anecdotally, the lack of equity capital has been an emerging issue for lenders over the quarter. The upper end of the market was impacted by a slight increase in the unusually low bank lending activity we saw in the syndicated market over 2022.
 **Sarah Miller** **Illiquid Markets**	As the UK economic outlook remains volatile and unpredictable, many property investors continue to take a "wait and see" approach. Transaction volume in commercial property totalled £5.6bn in the UK in the first quarter of 2023, the lowest quarterly volume since 2009 with the exception of Q2 2020. However, confidence has started to return to the market as pricing levels steady after a swift recalibration downwards in Q4. In some cases, prices moved inward, as experienced in industrial and regional offices where yields have moved inwards by 25bps over the quarter meaning the average Savills prime yield now stands at 5.57%. Over the year, it is expected that transaction volumes will increase due to prices stabilising and a build-up of dry powder. In the infrastructure sector, the energy and power sectors in Europe, North America, and APAC saw several regulatory and windfall taxes implemented to combat the sharp rises in prices in 2022.

HOW HAVE YOUR MANAGERS PERFORMED FOR YOU?

Long Term (Since Inception and 3 Year Returns)

Fund	Benchmark	Inception Date	Current Holdings £m	Since Inception Return (Annualised if >12m)			3 Year Return (Annualised)		
				Fund	Bmk	Excess	Fund	Bmk	Excess
Liquid Markets: Equities									
LCIV Global Alpha Growth Paris Aligned Fund	MSCI All Country World Gross Index (GBP)	September 2021	200.5	-12.9%	1.6%	-14.5%	-	-	-
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	75.5	-7.9%	-7.4%	-0.5%	-	-	-
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	292.4	8.1%	9.2%	-1.0%	13.8%	16.5%	-2.7%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	128.8	-6.8%	5.3%	-12.1%	-	-	-
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	119.8	8.7%	-	-	16.3%	15.8%	0.5%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	231.7	9.1%	8.7%	0.4%	15.2%	14.7%	0.5%
Liquid and Semi-Liquid Credit									
BMO Bonds	Bond Composite	September 2003	214.0	4.5%	4.0%	0.5%	-5.4%	-6.8%	1.2%
BlackRock Short Bond	3-month SONIA	February 2019	100.1	1.8%	1.6%	0.2%	1.0%	0.8%	0.2%
Illiquid Credit									
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	61.9	5.4%	6.0%	-0.6%	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	83.4	7.9%	7.0%	0.8%	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	117.4	-	-	-	-	-	-
Illiquid Markets									
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	37.3	-	-	-	-	-	-
Columbia Threadneedle Pension Property (TPEN)	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	142.1	4.1%	3.6%	0.4%	2.7%	2.6%	0.2%
Columbia Threadneedle Low Carbon Property	-	May 2016	17.3	-1.7%	-	-	-9.4%	-	-

Source: Fund Managers

The information above describes the past performance of the investment. Past performance is not a reliable indicator of the future results or performance of any investment. If the investment described above is not denominated in pounds sterling, the return generated by the investment may increase or decrease as a result of fluctuations in exchange rates between currencies.

HOW HAVE YOUR MANAGERS PERFORMED FOR YOU?

Short Term (12 Month and 3 Month Returns)

Fund	Benchmark	Inception Date	Current Holdings £m	Previous Holdings £m	12 Month Return			3 Month Return		
					Fund	Bmk	Excess	Fund	Bmk	Excess
Liquid Markets: Equities										
LCIV Global Alpha Growth Paris Aligned Fund	MSCI All Country World Gross Index (GBP)	September 2021	200.5	191.6	-5.4%	-1.0%	-4.4%	4.6%	5.3%	-0.6%
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	75.5	73.4	-1.1%	-4.9%	3.8%	2.8%	1.1%	1.7%
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	292.4	291.8	-7.7%	-1.0%	-6.7%	0.2%	4.8%	-4.7%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	128.8	126.0	-8.5%	5.9%	-14.4%	2.2%	1.8%	0.4%
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	119.8	157.8	-6.2%	-6.6%	0.4%	7.3%	7.2%	0.2%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	231.7	224.7	-4.1%	-4.7%	0.6%	3.2%	3.0%	0.2%
Liquid and Semi-Liquid Credit										
BMO Bonds	Bond Composite	September 2003	214.0	208.4	-16.5%	-17.8%	1.3%	2.7%	2.9%	-0.2%
BlackRock Short Bond	3-month SONIA	February 2019	100.1	63.7	2.4%	2.2%	0.2%	1.0%	0.9%	0.0%
Illiquid Credit										
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	61.9	66.5	-	-	-	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	83.4	79.7	-	-	-	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	117.4	120.2	-	-	-	-	-	-
Illiquid Markets										
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	37.3	34.6	-	-	-	-	-	-
Columbia Threadneedle Pension Property (TPEN)	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	142.1	141.1	-13.8%	-14.5%	0.7%	0.5%	-0.2%	0.7%
Columbia Threadneedle Low Carbon Property	-	May 2016	17.3	20.0	-28.8%	-	-	-13.6%	-	-

Source: Fund Managers

The information above describes the past performance of the investment. Past performance is not a reliable indicator of the future results or performance of any investment. If the investment described above is not denominated in pounds sterling, the return generated by the investment may increase or decrease as a result of fluctuations in exchange rates between currencies.

YOUR FUND DETAILS AND COMMENTS

Fund	Inception Date	Commentary on the Quarter
Liquid Markets: Equities		
LCIV Global Alpha Growth Paris Aligned Fund	September 2021	The fund delivered a return of 4.6% over Q1 2023, underperforming the benchmark by 0.6%. The fund posted strong returns in January as investors felt more confident over prospects for the global economy and the outlook for interest rates became more constructive. This rally, however, was short-lived as sentiment quickly turned negative following several high-profile failures in the banking market. This led to a much weaker February and March and an overall flat quarter in relative performance terms.
LCIV Emerging Market Equity Fund	September 2021	The fund delivered a return of 2.8% over Q1 2023, outperforming the benchmark by 1.7%. Stock selection remained a constant source of alpha generation for yet another quarter. Across sectors, this was led by effective stock selection in consumer discretionary and communication services, whereas security selection within information technology attributed negatively for a second consecutive quarter. Sector allocation also contributed positively over the first quarter, mainly due to the underweight to utilities and energy, and overweight to information technology.
LCIV Sustainable Equity Fund	June 2018	The fund delivered a return of 4.6% over Q1 2023, underperforming the benchmark by 0.6%. The fund underperformed during both the strongly positive start of 2023 for the market, and the 'risk-off' period that followed the dramatic collapse of the U.S. regional banks, Silicon Valley Bank (SVB) and Signature. Roughly one third of the fund's underperformance occurred during the January rally and the remainder two thirds occurred following the sell-off led by the banking sector.
LCIV Diversified Growth Fund	October 2021	The fund delivered a return of 2.2% over Q1 2023. Although exposure to equities had been cut, this segment of the portfolio did well because of exposure to growth stocks and the recovering Chinese equity market. The fund was also well positioned to benefit from the rally in long-dated government debt and credit. Government bonds were the biggest source of profits in Q1. 'High beta' forms of credit, emerging markets debt and structured finance specifically, also made significant positive contributions.
BlackRock World Equity	June 2018	The fund delivered a return of 7.3% over Q1 2023, performing roughly in line with the benchmark, as expected for a passive fund.
BlackRock Low Carbon	June 2018	The fund delivered a return of 3.2% over Q1 2023, performing roughly in line with the benchmark, as expected for a passive fund.
Liquid and Semi-Liquid Credit		
BMO Bonds	September 2003	The fund delivered a return of 2.7% over Q1 2023, underperforming the benchmark by 0.2%. Tactical duration and cross market positioning in the UK added to performance, whilst short positions in Italy, longs in government related and curve steepeners subtracted from performance. Sterling credit assets outperformed government bonds over the quarter. Although BMO did reduce credit risk over the quarter, the fund overall maintains an overweight credit risk position relative to its benchmark. This overweight position contributed positively to relative returns.
BlackRock Short Bond	February 2019	The fund delivered a return of 1% over Q1 2023, performing roughly in line with the benchmark, as expected for a passive fund.

YOUR FUND DETAILS AND COMMENTS

Fund	Inception Date	Commentary on the Quarter
Illiquid Credit		
Churchill Senior Loans	December 2018	The net internal rate of return of the fund was 5.4% over Q1 2023, with the fund having drawn 94% of its commitments as at 31 March 2023.
Permira Senior Loans	December 2019	The net internal rate of return of the fund was 7.9% over Q1 2023, with the fund having drawn c.87% of its commitments as at 31 March 2023.
LCIV Private Debt Fund	March 2021	Overall, the Fund was drawn c.59% as at 30 December 2022, an increase of c.7% from last quarter end. In accordance with the trust deed, the performance of the Fund is not formally assessed against its objective until after the fourth year of the investment period.
Illiquid Markets		
LCIV Renewable Infrastructure Fund	March 2021	As of 30 December 2022, the fund had drawn c.30% of its commitments. In accordance with the trust deed, the performance of the Fund is not formally assessed against its objective until after the fourth year of the investment period.
Columbia Threadneedle Pension Property	March 2004	The fund delivered a return of 0.5% over Q1 2023, outperforming the benchmark by 0.7%.
Columbia Threadneedle Low Carbon Property	May 2016	The fund delivered a return of -13.6% over Q1 2023.

APPENDICES

ASSET CLASS GROUPINGS

Government Bonds & LDI

- Manage unrewarded interest rate and inflation risk through efficient use of entire universe of hedging instruments.
- Examples: gilt portfolios, swap overlay strategies, LDI pooled funds.

Liquid Markets

- Highly marketable asset classes that generate returns through market risk premia.
- Examples: equities, commodities, liquid multi-asset strategies.

Liquid & Semi-Liquid Credit

- Steady income via regular coupon payments.
- Bulk of excess returns are compensation for credit risk.
- Examples: investment grade and high yield corporate bonds, "go-anywhere" credit.

Illiquid Credit

- Long-dated, hold-to-maturity instruments that pay an illiquidity premium.
- Potential for inflation-linked cashflows.
- Examples: infrastructure debt, secured leases, direct lending.

Illiquid Markets

- High potential returns but often difficult to access and relatively complex.
- Generally aim to take advantage of market dislocation and more exotic risk premia.
- Examples: private equity, property, infrastructure equity.

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2021 FINANCIAL NEWS **INVESTMENT CONSULTANT OF THE YEAR**

2021 PIPA AWARDS **INVESTMENT CONSULTANT OF THE YEAR**

2020 PROFESSIONAL PENSIONS UK PENSIONS AWARDS **DC INNOVATION OF THE YEAR**

2018 CEO MONTHLY MAGAZINE **CEO OF THE YEAR: LONDON**

2017 PENSION INSIGHT DC AWARDS **BEST INNOVATION IN DC**

2017 EUROPEAN PENSIONS AWARDS **RISK MANAGEMENT FIRM OF THE YEAR**

2017 FINANCIAL NEWS AWARDS FOR EXCELLENCE **INVESTMENT CONSULTANT OF THE YEAR**

2017 INVESTMENT WEEK WOMEN IN INVESTMENT AWARDS **YOUNG INVESTMENT WOMAN OF THE YEAR**

2016 LONDON STOCK EXCHANGE **1000 COMPANIES TO INSPIRE BRITAIN**

2016 EUROPEAN PENSIONS AWARDS **CONSULTANCY OF THE YEAR**

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Hackney

Title of Report	High Level Monitoring Report
For Consideration By	Pensions Committee
Meeting Date	14 June 2023
Classification	Public
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. **Introduction**

1.1. This report is a high level update on key strategic Pension Fund matters, including progress against the Business Plan, Strategic Objectives Scorecard and Risk Register. It also includes Breaches of the law. It provides the Committee with latest information on the position of the Fund since that reported at the last Committee. An overview of each area is given in the main body of the report and further detail can be found in the appendices.

2. **Recommendations**

2.1. The Pensions Committee is recommended to consider and note:

- **the progress against the Business Plan tasks and actions, and agreed Budget**
- **the current measures on the Strategic Objectives Scorecard**
- **the Risk Register and the risks identified**
- **the Breaches Register.**

3. **Related Decisions**

3.1. Pensions Committee 30 March 2023 – Business Plan, plus various previous policies and strategies agreed at Pensions Committees.

4. **Comments of the Group Director of Finance and Corporate Resources.**

4.1. The Pensions Committee acts as scheme manager for the Pension Fund and is responsible for the management of £1.8 billion worth of assets and for ensuring the effective and efficient running of the Fund for around 26,000 scheme members and over 40 employers.

4.2. The three-year business plan and associated budget progress report, strategic objectives scorecard, risk register and breaches register help ensure that the Committee is able to plan and understand the financial decisions required over the coming years, to monitor progress against strategic objectives, manage risks and consider breaches of the law. The decisions taken by the Committee impact directly on the financial standing of the Fund and can affect its ability to meet its liabilities. Ensuring prudent financial management helps to improve the overall financial position of the Fund, potentially impacting on the contribution rates payable by participating employers.

5. **Comments of the Director of Legal, Democratic and Electoral Services**

5.1. The Council's Constitution gives the Pensions Committee responsibility for various specified functions relating to management of the Council's Pension fund. These include:

- To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pension legislation.
- To act as Scheme Manager for the Pension Fund.
- To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium-term plan to deliver the objectives.
- To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.

5.2. In carrying out its delegated functions the Committee must have regard to the various legislative obligations imposed on the Council as the Fund's Administering Authority, particularly by the Local Government Pension Scheme (LGPS) Regulations 2013 and the Local Government Pension Scheme(Management and Investment of Funds) Regulations 2016. Those obligations include producing and maintaining various policies and strategies, calculating and paying pension benefits, complying with various statutory deadlines and investing the fund's assets.

5.3. It is sensible against this background, and consistent with good administration and governance, to set out and monitor progress against a three-year business plan, measure progress against strategic objectives, manage risks, consider breaches and schedule the work of the Committee to ensure that the regulatory requirements of the Fund are met in a timely fashion.

6. **Business Plan Progress Update**

6.1. Key actions and tasks

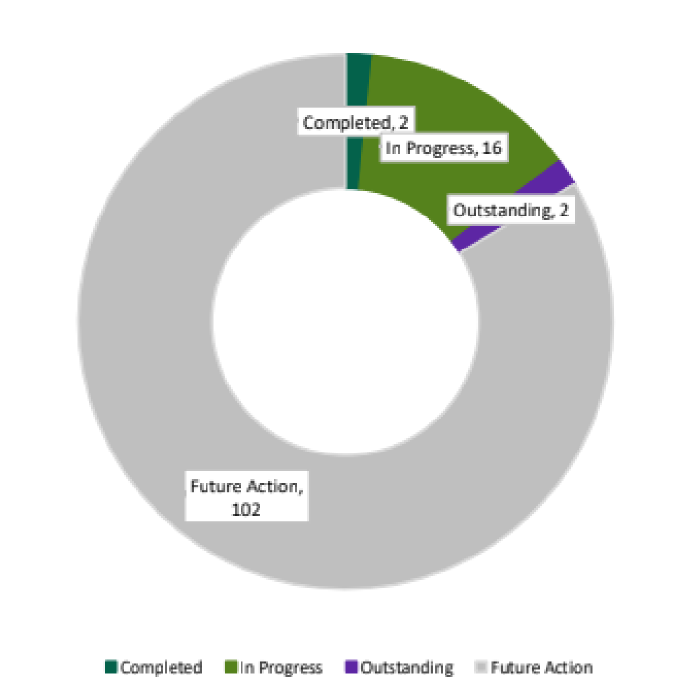
A summary of progress overall and in each of "Governance", "Funding and

Investments”, “Administration and Communication” and “Supplier Reviews” is shown below. The information provided in the “Funding and Investments” section relates to Q4 2022/23 as this is the most recent information available; the updates for the remaining sections cover Q1 2023/24.

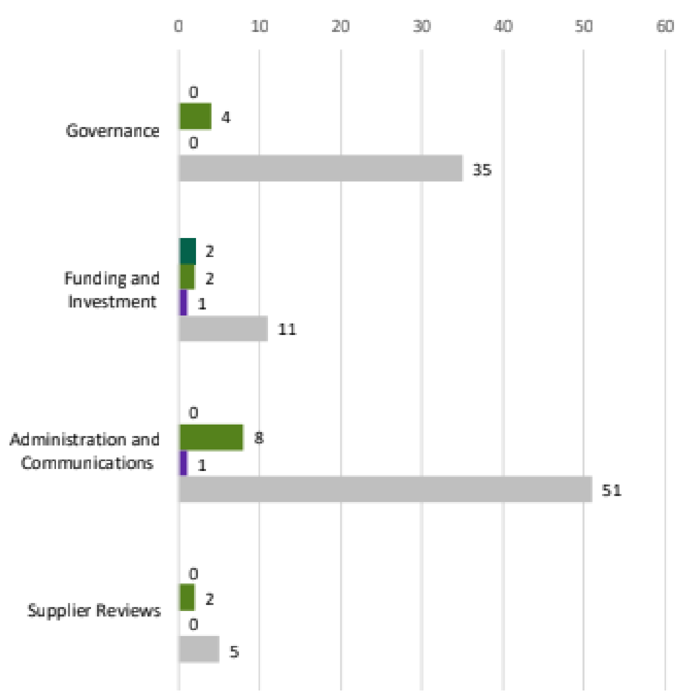
The appendix “Business Plan Progress Update” provides details of each key action/task.

Total 2023/24 Business Plan Actions

Q1 Update as at 31 May 2023



Split by Area



All Actions

Current Progress: Behind Target

Rating:

Total Number of Actions: 51

Progress overall is generally positive with only two areas that have not commenced as planned.

Governance

Current Progress: On Track

Rating:

Total Number of Actions: 14

Progress is a bit slower than hoped in the internal initiated tasks. Government initiated tasks have not commenced due to Government delays.

Funding and Investment

Current Progress: Behind Target

Rating:

Total Number of Actions: 7

In all but one area, good progress has been made.

Administration and Communications

Current Progress: Behind Target

Rating:

Total Number of Actions: 22

The administration and Communications actions are generally on track although some of the work is still in progress given the complex nature of it, coupled with the new contract terms and resourcing constraints

Supplier reviews

Current Progress: On Track

Rating:

Total Number of Actions: 8

Both current tenders are in progress although are likely to go into Quarter 2

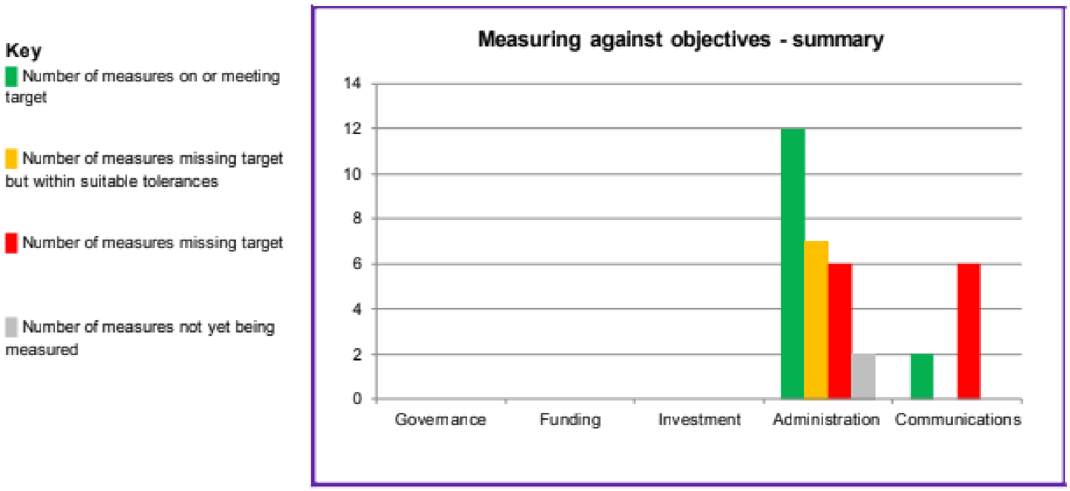
6.2. Budget - Budget monitoring for Q1

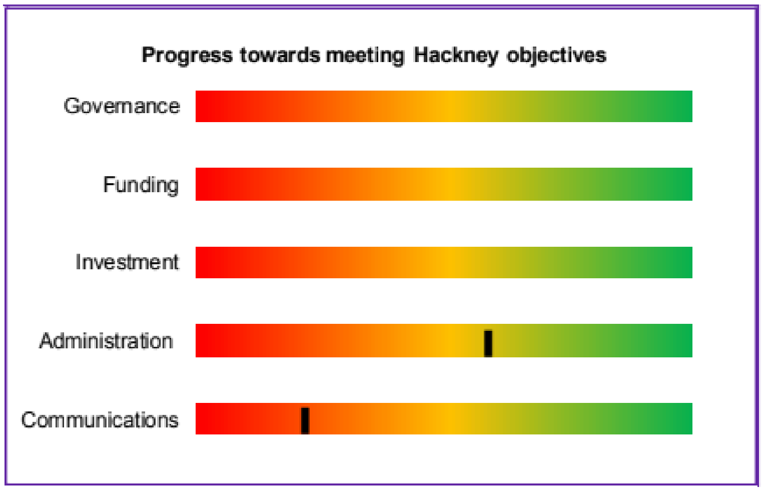
7. **Strategic Objectives Scorecard**

7.1. The Strategic Objectives Scorecard currently includes Administration and Communications only but will be extended to include Governance, Funding and Investment in future.

7.2. The graphic below summarises progress towards meeting objectives for both administration and communications.

7.3. A high number of communication measures are red due to customer satisfaction surveys for members and employers not having been carried out during the past year, due to other competing priorities. Therefore, this is not a reflection that there have been high levels of dissatisfaction in the service being provided but is due to the fact that there has not been any data to analyse.





7.4. The appendix “Strategic Objectives Scorecard” sets out information relating to each specific measure showing:

- the current position
- the frequency of the measure
- a comparison of the current position against the previous report (this is the first report so this will be shown from the next committee meeting onwards).

8. <u>RISK REGISTER</u>

8.1. The Fund’s risks are shown in the appendix “Risk Register”.

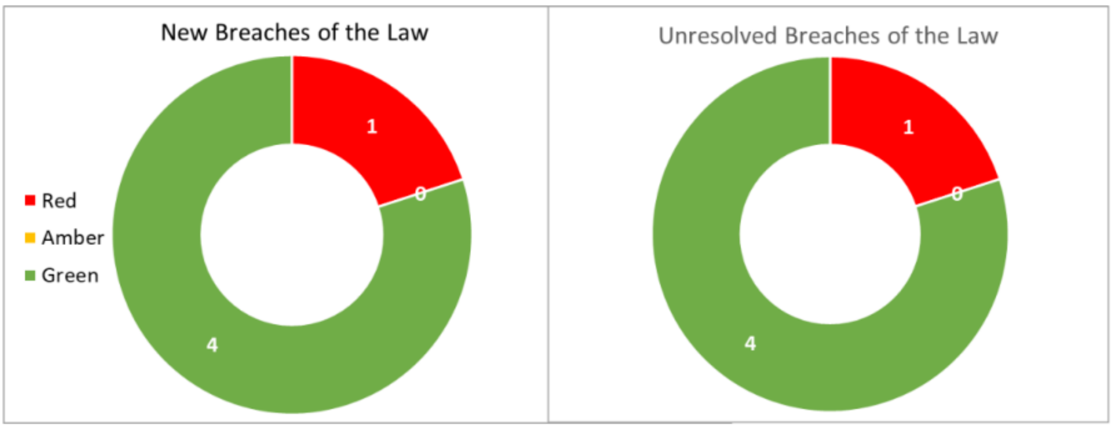
8.2. The Risk Register's All Fund Risk Heat Map provides an overview of the risks and how they have moved since the last review of the register. The colour within each number's box also indicates the target for that risk. There are three detailed Risk Registers (Governance, Funding and Investment, and Administration and Communications) which detail the individual risks.

8.3. The areas currently categorised as high risk where the target is amber or green are:

- Potential financial/data loss or systems downtime due to cybercrime (governance risk 10)
- The increase in inflation which can erode asset values causing cashflow issues (funding and investment risk 7)
- Poor delivery of administration contract resulting in poor member experience and potential breaches of legislation/failure to meet SLA's (administration risk 1)
- The impact of the McCloud remedy on the quality and timeliness of the administration of the Fund (administration risk 7)
- Service Interruption due to the administration system software upgrade which may impact the ability to effectively administer benefits to members (administration risk 9)

9. BREACHES OF THE LAW

9.1. The breaches register as at 31 May 2023 is attached as appendix "Breaches Register" to this report. There were five breaches identified since 1 April 2023, relating to late contributions, late remittance advice and vacant positions on the Pension Board. Four are rated green and one is rated red. Generally, only breaches rated red might be of material significance to the Pensions Regulator and hence reportable albeit they are considered on their individual merits.



9.2. The red breach relates to two vacant scheme member representative members on the Pension Board. Application forms have now been received that will be considered by the Appointments Panel. Given the Board hasn't met since September 2022 and are unlikely to meet for another month or two, this breach is being reported to The Pension Regulator.

9.3. Unfortunately due to the transition to the new contract with Equiniti, information relating to breaches relating to late disclosure of information to scheme members (for example, retirements not being finalised within legal deadlines or new members not receiving scheme information within legal deadlines) is not yet available. This is hoped to be available for the next Committee meeting. It is worth noting that such delays can be for various reasons, including the employer failing to provide information to Equiniti in good time, a scheme member not responding quickly with requested information or Equiniti being slower in their processes than is required.

Appendices

Appendix 1 - Business Plan Progress Update
Appendix 2 - Strategic Objectives Scorecard
Appendix 3 - Risk Register
Appendix 4 - Breaches Register

Background documents

None

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