



PENSIONS BOARD

Tuesday, 28th July, 2015

at 3.00 pm

Room 56, Hackney Service Centre,
1 Hillman Street, E8 1DY

Membership: Samantha Lloyd (Chair)
Richard Dearing
Matthew Waterfall
Hamza Yusef

Gifty Edila
Corporate Director
Legal, HR and Regulatory Services

Contact: Natalie Williams
Governance Services Officer
Tel: 020 8356 8407
Email: Natalie.Williams@hackney.gov.uk

The press and public are welcome to attend this meeting

AGENDA

Tuesday, 28th July, 2015

ORDER OF BUSINESS

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ACCESS AND INFORMATION

Location

Hackney Town Hall is on Mare Street, bordered by Wilton Way and Reading Lane, almost directly opposite Hackney Picturehouse.

Trains – Hackney Central Station (London Overground) – Turn right on leaving the station, turn right again at the traffic lights into Mare Street, walk 200 metres and look for the Hackney Town Hall, almost next to The Empire immediately after Wilton Way.

Buses 30, 48, 55, 106, 236, 254, 277, 394, D6 and W15.

Facilities

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall.

Induction loop facilities are available in Committee Rooms and the Council Chamber

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

Copies of the Agenda

The Hackney website contains a full database of meeting agendas, reports and minutes. Log on at: www.hackney.gov.uk

Paper copies are also available from Governance Services whose contact details are shown on the front of the agenda.

Council & Democracy- www.hackney.gov.uk

The Council & Democracy section of the Hackney Council website contains details about the democratic process at Hackney, including:

- Mayor of Hackney
- Your Councillors
- Cabinet
- Speaker
- MPs, MEPs and GLA
- Committee Reports
- Council Meetings
- Executive Meetings and Key Decisions Notice
- Register to Vote
- Introduction to the Council
- Council Departments

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 room. 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:

- The Corporate Director of Legal, HR and Regulatory 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.

1. Do you have a disclosable pecuniary interest in any matter on the agenda or which is being considered at the meeting?

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

- 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;
- 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
- 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.

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

- 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).
- You must leave the room when the item in which you have an interest is being discussed. You cannot stay in the meeting room or public gallery 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.
- If you have, however, obtained dispensation from the Monitoring Officer or Standards Committee you may remain in the room 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.

3. 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.

4. 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 room, 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 room unless you have obtained a dispensation from the Monitoring Officer or Standards Committee. You cannot stay in the room or public gallery 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 room. Once you have finished making your representation, you must leave the room 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 room. 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 Gifty Edila, Corporate Director of Legal, HR and Regulatory Services, on 020 8356 3265 or email Gifty.Edila@hackney.gov.uk



FS 566728

REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
Pensions Board – Terms of Reference	Classification PUBLIC	Enclosures One
	Ward(s) affected ALL	AGENDA ITEM NO. 3
Pensions Board - 28th July 2015		

1. INTRODUCTION

- 1.1 The purpose of this report is for the Pensions Board to consider and note the Terms of Reference for this Committee.

2. RECOMMENDATIONS

2.1 The Pensions Board is recommended to:

- **Note the Terms of Reference of the Pensions Board as set out at Appendix 1 of the submitted report.**

3. RELATED DECISIONS

- Council Meeting 25th February 2015 – Approval for the establishment of a Pension Board and its Terms of Reference

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 The requirement to establish a Pension Board was enshrined in the Public Service Pensions Act 2013 and is now a regulatory requirements. The costs of the Pension Board and any resourcing for the Pension Board will be met direct from the Pension Fund, although in the context of a £1.1bn Pension Fund, the costs are expected to be immaterial.

5. COMMENTS OF THE COPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The Public Service Pensions Act 2013 sets out the need for Pensions Boards to assist Scheme Managers to be established for all public sector pension schemes, including the LGPS. Under the regulations Pension Boards were to be established by 1st April 2015 and operational by 1st August 2015. The meeting being held by the Pensions Board ensures that the London Borough of Hackney is meeting its statutory requirements within the deadlines laid down in regulation.
- 5.4 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 The Council agreed at its meeting on 25th February 2015 to approve the establishment of a new Pensions Board meeting its requirements under the 2013 Public Sector Pensions Act to establish a Pensions Board prior to the 1st April 2015. In addition the Council approved the Terms of Reference for the Pensions Board which are shown as an appendix to this report.
- 6.2 The Pensions Board are asked to note the Terms of Reference for the Board.

Ian Williams
Corporate Director of Finance & Resources

Background papers: None

Report Originating Officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

London Borough of Hackney

Pensions Board



TERMS OF REFERENCE

 **Hackney**

PENSION BOARD

Pension Board

The local Pension Board which is an advisory Board of the Council is responsible for the governance and administration of the London Borough of Hackney's Pension Fund. The Pension Board has the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. (The Local Government Pension Scheme (Amendment) (Governance Regulations 2015)

Terms of Reference

The Council as administering authority may determine the procedures applicable to the pension board in accordance with The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015. The Pension Board will operate in accordance with its Terms of Reference contained in Part 3 of this Constitution. The Constitution applies to the Pension Board unless specifically excluded by the Terms of Reference.

Pension Board

It is considered that the Pension Board should be formally established as a statutory advisory Board of the Council with the following terms of reference:

1) Introduction

The Pension Board is established by Hackney Council under the powers of the Public Service Pensions Act 2013 and The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 ("the Regulations"). The Council as administering authority may determine the procedures applicable to the pension board in accordance with the Regulations including as to the establishment of sub-committees, formation of joint committees and payment of expenses. The Constitution applies to the Pension Board unless specifically excluded by the Terms of Reference.

2) Powers of the Pension Board

The Pension Board will exercise all its powers and duties in accordance with legislation and the Terms of Reference. The Pension Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of its functions.

3) Role of the Pension Board

Under the Public Service Pensions Act 2013 by sections 5 (1) and (2) the role of the Pension Board is to assist Hackney Council as Scheme Manager of the London Borough of Hackney Pension Fund:

- a) to secure compliance with the Local Government Pension Scheme (LGPS) Regulations and any other legislation relating to the governance and administration of the Scheme, and any requirements imposed in relation to the LGPS by the Pensions Regulator
- b) to ensure the effective and efficient governance and administration of the London Borough of Hackney Pension Fund"

The Pension Board provides oversight of these matters and, accordingly, is not a decision making body in relation to the management of the Pension Fund. The Pension Fund's management powers and responsibilities which have been, and may be, delegated by the Council to committees, sub-committees and officers of the Council, remain solely the responsibility of those committees, sub-committees and officers including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers.

The Pension Board will ensure that in performing their role it is:

- undertaken effectively and efficiently and
- complies with relevant legislation; and
- undertaken by having due regard to and in the spirit of the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator and any other relevant statutory or non-statutory guidance.

The Board must provide minutes of each meeting to the following Pensions Committee, copied to the Corporate Director Finance & Resources, and may make reports and recommendations to the Pensions Committee insofar as they relate to the role of the Pension Board. Any such reports or recommendations must be provided at least 15 working days in advance of the next Pensions Committee to the Assistant Director, Financial Management and Corporate Director Finance & Resources.

In addition, an annual report of the Pension Board (as prepared by the Chair of the Pension Board), must be provided to the Lead Member for Finance, Corporate Director Finance & Resources, Assistant Director - Financial Management, the Assistant Director - Legal and Democratic Services, Pension Fund Committee and Council but as well as being published in the Fund's Annual Report and Accounts

In the exceptional circumstances that the Board considers that a matter brought to the attention of the Pensions Committee and Corporate Director Finance & Resources has not been acted upon or resolved to their satisfaction by the Pensions Committee and/or Corporate Director Finance & Resources within a reasonable period, the Pension Board will provide a report to Council.

4) Composition of the Pension Board

The Appointments Panel will oversee the appointment process and decide which individuals should be appointed to the Pension Board. The Appointments Panel will consist of:

- the Lead Member for Finance
- Corporate Director, Finance & Resources
- the Assistant Director, Financial Management
- the Assistant Director, Legal and Democratic Services

a) Membership

The Pension Board shall consist of 4 or 5 members and be constituted as follows:

- i) Two Employer Representatives
- ii) Two Scheme Member Representatives
- iii) One Independent Member (optional as outlined in clause 4(f) below).

Substitutes for the Employer or Scheme Member Representatives are not permitted. The Independent Member, if appointed, may have an Alternate who will carry out Pension Board business if the Independent Member is not available to do so.

b) Eligibility and selection criteria

- i) Two Employer Representatives who have the capacity to represent Pension Fund employers – at least one of the employer representatives must be an employee, or an elected member of Hackney Council.
- ii) Two Scheme Member Representatives who have the capacity to represent Pension Fund members – at least one of the representatives must be a member of the London Borough of Hackney Pension Fund and membership may be any of the following categories: active, deferred or pensioner. Where the other member is not a member of the Pension Fund, they must have the requisite knowledge and skills to be able to represent the interests of the scheme members of the Pension Fund.

The Appointments Panel will jointly define and keep under review any further eligibility and/or selection criteria that will apply to Pension Board members having due regard to the LGPS Regulations and any other relevant Code of Practice and guidance (statutory or otherwise).

In accordance with the LGPS Regulations, no officer or elected member of Hackney Council who is responsible for the discharge of any function of the Administering Authority under the LGPS Regulations may be a member of the Hackney Pension Board.

c) Appointment of Members

The process for selecting members of the Pension Board is as set out below.

Step 1 – All Fund employers will be invited to nominate individuals to represent employers on the Pension Board. All scheme members will be invited to nominate themselves or other scheme members to represent scheme members on the Pension Fund. Applications will be invited in relation to any Independent Advisor.

The Appointments Panel can reject any nomination/application made where:

- they consider the individual does not appropriately meet their eligibility and/or selection criteria.
- the number of nominations/applications for any category of Board member merit a short-list being created for interview purposes and where that is the case, the information provided on the nomination/application will be assessed by the Appointments Panel against the selection criteria to determine who should be short-listed.

Step 2 – The Appointments Panel will determine who should be appointed as members of the Pension Board based on whatever process they consider appropriate, which may include but is not restricted to a formal interview.

Step 3 - Where Step 1 and 2 fails the Appointments Panel will take any other action they consider appropriate to appoint suitable Pension Board members.

Where appointments to the Board have been made, Hackney Council shall publish the name of Board members and the process followed in their appointment.

d) Term of Office

- i) The Employer and Scheme Member Representatives are appointed for a period of three years from the date of establishment of the Pension Board or the date of their appointment if later. This period may be extended to up to four years if jointly agreed by the Appointments Panel. An appointment will cease if:
- an employer representative is no longer in the employment of that employer or becomes responsible for the discharge of any function of the Administering Authority under the LGPS Regulations in relation to the Pension Fund
 - a scheme member representative is no longer able to demonstrate that they represent the interests of the scheme members
 - A Pension Board member can no longer demonstrate their capacity to attend and prepare for meetings or to participate in the required training
 - A Pension Board member has a conflict of interest which cannot be managed in accordance with Clause 7 of these terms of Reference
 - A Pension Board member for any other reason does not meet the criteria required to be a Pension Board member.

ii) Any Independent Member's term of office will be determined by separate contract terms agreed by the Appointments Panel but will not be longer than a period of 10 years and will be subject to ongoing review as defined in those terms.

Any Pension Board member may be re-appointed for further terms following an appointment process.

Other than ceasing to be eligible (as set out above) a Pension Board member may only be removed from office during the term of appointment by the unanimous agreement of the Appointments Panel. Such reasons may include non-compliance with these Terms of Reference including inappropriate conduct, conflicts of interest, avoidance of training or low meeting attendance.

Term dates may not be exact due the period of the appointment process. The actual date of appointment may therefore be extended for this purpose or other exceptional circumstances by up to three months, or by a further reasonable period with the agreement of the Appointments Panel.

e) Quorum

All Members of the Pension Board are expected to regularly attend meetings. Records of attendance of all Members will be maintained and reported to the Assistant Director, Financial Management and Assistant Director, Legal and Democratic Services on at least an annual basis and included in the Board's annual report.

A meeting of the Pension Board will only be quorate when two of the four Employer and Scheme Member Representatives are present, and where the Board has an Independent Member they must also be present.

A meeting that is (or becomes at any point) not quorate will cease immediately.

f) Chair and Vice Chair

The Appointments Panel will appoint a Chair and a Vice Chair from the membership of the Pension Board.

Where the Appointments Panel do not consider that any of the members of the Board to have the requisite knowledge and skills for the role of Chair at the point in time they are to appoint the Chair, they will appoint an Independent Member to the Pension Board who will also undertake the role of Chair to the Pension Board. The Independent Member may have an Alternate who can undertake the role of Chair in his absence.

The appointments to Chair and Vice Chair will be reviewed at such times as considered appropriate by the Appointments Panel, unless the Chair is an Independent Member, in which case the position will be linked to the term of appointment for the Independent Member.

The role of the Chair is to:

- Ensure that all members of the Board show due respect for process, that all views are fully heard and considered and to determine that decisions are democratically made where consensus cannot be reached.
- To uphold and promote the purpose of the Board and to interpret its Terms of Reference when necessary
- Ensure that the Pension Board members have the knowledge and skills as determined in the Fund's Training Policy and other guidance or legislation and maintain a training record.
- Agree the agenda for each Pension Board meeting.
- Approve minutes for Pension Board meetings.
- Ensure an attendance record is maintained along with advising Hackney Council on remuneration and expenses to be paid.
- Advise Hackney Council on an appropriate budget (e.g. for the use of advisers, training, accommodation, remuneration and expenses) for the Board, which should be formally approved by the Pension Committee with the Pension Fund Annual Budget.
- Write reports required by Hackney Council on the work of the Board.
- Liaise with the Head of Financial Services on the requirements of the Board, including advanced notice for Hackney Council officers to attend and arranging dates and times of Board meetings.
- Other tasks which may be deemed appropriate by Hackney Council for the Chair of the Pension Board.
- Other tasks that may be requested by the members of the Pension Board, within the remit of these Terms of Reference and subject to agreement with the Assistant Director, Financial Management.
- Annually reviewing and reporting on the performance of the Board.
- The Chair will act in consultation with the Board remembering at all times it is unlawful to delegate Council side matters to an individual Chair of a Committee, Panel or Advisory Board.

Where the Independent Member is the Chair, the role includes:

- Acting as professional adviser for the Board or arranging such advice as required subject to agreement by the Assistant Director, Financial Management.

The decision of the Chair on all points of procedure and order shall be final.

g) Voting

Scheme Member and Employer Representatives will have individual voting rights. Any other person attending a meeting will not have a right to vote. Where the Chair is a Scheme Member or Employer Representative, he or she will have the deciding vote in cases where an equality of votes exists.

Any decision being reported to Council must receive agreement from a majority of voting members. It is expected that the Pension Board will as far as possible reach a consensus in all voting matters.

The results of any voting outcomes will be reported in the Board minutes

5) Location and Timing

The Pension Board will normally meet at an office of Hackney Council.

Meetings will take place at any point on a Monday to Friday if it is a normal working day apart from in exceptional circumstances agreed by all Pension Board members and other individuals expected to attend the Pension Board.

The Board will meet a minimum of twice each calendar year. The Chair may call, or agree to call, additional meetings.

Urgent business of the Pension Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Pension Board including telephone conferencing and e-mails.

6) Remuneration and Expenses

An allowance may be made to both Employer and Scheme Member Representatives for attending meetings relating to Pension Board business (including attending training). The Appointments Panel will determine the level of allowance to be paid.

Attendance at training events will be at the basic allowance in accordance with the preceding paragraph.

It is hoped that employers of Representatives on the Pension Board will provide appropriate support to allow the Representative to perform this role within their normal working day without any reduction in pay. Even if that is the case, the Representative may be entitled to an allowance.

In addition, Employer and Scheme Member Representatives will also be entitled to claim travel and subsistence allowances.

Allowances and expenses will only be paid if claimed by the representative and must be claimed within four weeks of each meeting.

Payments to any Independent Member will be in accordance with the terms of his/her contract.

7) Conflicts of Interest

Though members of the Pension Board include representatives of specific categories of stakeholder (i.e. scheme members and employers) each member is required to have due regard to the role of the Pension Board as outlined in these Terms of Reference. Accordingly all members are expected to work jointly in the best interests of the Pension Fund, putting aside any individual views of any stakeholders. This should not prevent members from sharing their knowledge on how matters might impact specific stakeholders of the Fund.

Each member of the Pension Board (as well as any other attendees participating in the meeting) will be expected to declare, on appointment and at each meeting, any interests which may lead to conflicts of interest in the subject area or specific agenda of that Pension Board.

The Chair of the Pension Board must be satisfied that the Board is acting within:

- the conflicts of interest requirements of the Public Service Pensions Act and the LGPS Regulations, and
- in the spirit of any national guidance or code of practice in relation to conflicts of interest at the Pension Board, and
- in accordance with any London Borough of Hackney Pension Fund Conflicts of Interest Policy or Procedures that apply to the Board.

Part 2 of Hackney Council's Code of Conduct for Members and Co-optees shall apply in relation to the management of conflicts of interest on the Pension Board with the exception of the registration of pecuniary interests and how interests are to be disclosed which are detailed below.

Each member of the Pension Board, or a person proposed to be appointed to the Board, (as well as attendees participating in the meeting) must provide the Assistant Director, Financial Management and the Assistant Director, Legal and Democratic Services with such information as he or she reasonably requires for the purposes of demonstrating that there is no conflict of interest.

The Assistant Director, Financial Management and Assistant Director, Legal and Democratic Services will jointly adopt the role of ensuring that the Chair and Vice Chair of the Pension Board does not have a conflict of interest. Further they must be satisfied that the Chair is carrying out his or her responsibilities under this part appropriately.

A conflict of interest is defined in the Public Service Pensions Act as:

"in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."

8) Receipt of advice and information

The Board will be supported in its role and responsibilities by the Independent Member, if there is one appointed. In addition Pension Board members will receive the final reports, minutes and agendas relating to all Pensions Committees and may attend Pensions Committee meetings (including during exempt items).

Insofar as it relates to the role of the Pension Board, it may also:

- request and receive information and reports from the Pensions Committee or any other body or officer responsible for the management of the Fund
- examine decisions made or actions taken by the Pensions Committee or any other body or officer responsible for the management of the Fund.

Any further requests for information and advice are subject to the approval of the Assistant Director, Financial Management, who will be required to consider positively all reasonable requests in relation to the role of the Pension Board whilst being mindful of value for money.

9) Knowledge and Skills

Under the requirements of the Public Service Pensions Act, a member of the Pension Board must be conversant with:

- a) the legislation and associated guidance of the Local Government Pension Scheme (LGPS), and
- b) any document recording policy about the administration of the LGPS which is adopted by the London Borough of Hackney Pension Fund.

In addition, a member of the Local Pension Board must have knowledge and understanding of –

- The law relating to pensions, and
- Any other matters which are prescribed in regulations.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to:

- participate in training events (a written record of relevant training and development will be maintained)
- undertake a personal training needs analysis or other method to identify gaps in

skills, competencies and knowledge.

- comply with the Pension Fund's Training Policy insofar as it relates to Pension Board members.

10) Standards of Conduct

The Code of Conduct for Members and Co-optees in Hackney Council's Constitution shall apply in relation to the standards of conduct of Pension Board members as if they are Co-opted Members of Hackney Council insofar as it can be reasonably considered to apply to the role of members of the Pension Board and unless excluded elsewhere within these Terms of Reference.

11) Administration

The Chair shall agree with the Head of Financial Services (the 'Board Secretary') an agenda prior to each Pension Board meeting. The agenda and any papers for the Pension Board will be issued at least 5 working days (where practicable) in advance of the meeting except in the case of matters of urgency. High level minutes of each meeting including all actions, decisions and matters where the Board was unable to reach a decision will be recorded and circulated to all Board members within 10 working days after the meeting. These minutes will be subject to formal agreement by the Chair taking consideration of comments by Board members (which may be done electronically between meetings).

The minutes may, at the discretion of the Chair, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Pension Board must comply with Hackney Council's data protection policy. It must also adhere to Hackney Council's requirement, controls and policies for Freedom of Information Act compliance.

The Board Secretary's responsibilities shall include:

- Ensuring that the Board members meet and maintain the knowledge and skills requirements in accordance with Clause 9 of these terms of reference
- Arranging such advice as may be required and appropriately approved in accordance with Clause 8 of these terms of reference
- Ensuring an attendance record is maintained.

12) Access to the Public and publication of Pension Board information

The following will be entitled to attend Pension Board meetings in an observer capacity:

- Members of the London Borough of Hackney Pension Fund Pensions Committee

- The Corporate Director Finance & Resources, Monitoring Officer, Assistant Director - Financial Management, Head of Financial Services, Assistant Director - Legal and Democratic Services, the Lead Member for Finance
- other officers or advisers of Hackney Council or other employers involved with the management of the Pension Fund subject to approval in advance by the Chair, or on request by the Chair
- any other person requested to attend by the Chair
- any other person subject to approval in advance by the Chair.

Any such attendees will be permitted to speak on request to the Chair.

Otherwise, the Pension Board will be treated in the same way as a Committee of the Hackney Council and, as such, members of the public may attend and papers will be made public in accordance with the Access to Information Procedure Rules in Hackney Council's Constitution.

In addition, the Board will need to consider any additional communication necessary with scheme members and employers, and liaise with the Board Secretary with a view to carrying this out in an efficient and effective manner.

13) Accountability

The Pension Board will be collectively and individually be accountable to Hackney Council.

14) Review, Interpretation and Publication of Terms of Reference

These Terms of Reference have been agreed by full Council. The Council will monitor and evaluate the operation of the Pension board and may review these Terms of Reference from time to time.

Changes to these Terms of Reference will only be approved by full Council.

The Monitoring Officer is authorised to make minor amendments, consequential upon statutory or regulatory change, or to rectify errors, or to update arrangements consequential upon other external factors.

The ruling of the Assistant Director, Financial Management and Assistant Director, Legal and Democratic Services as to the construction or application of these Terms of Reference, will be final, such interpretation will have regard to the role of the Pension Board

The Terms of Reference will also form part of the London Borough of Hackney Pension Fund's Governance Policy and Compliance Statement which will be made available in accordance with the requirements of the LGPS Regulations.

15) Definitions and Interpretation

Points of interpretation:

- All references to job titles of officers are to officers within Hackney Council unless otherwise stated.

The undernoted terms shall have the following meaning when used in this document:

<i>"Pension Board" or "Board"</i>	The local Pension Board for Hackney Council, administering authority for the London Borough of Hackney Pension Fund as required under the Public Service Pensions Act 2013
<i>"Code of Practice"</i>	The Pension Regulators Code of Practice No 14 governance and administration of public service pension schemes The Public Services Pensions Act 2013 (as amended)
<i>"the Act"</i>	The London Borough of Hackney Pensions Committee or any committee or sub-committee that may be established with delegated powers for the management and administration of the Fund on behalf of Hackney Council as Administering Authority
<i>"the Pensions Committee"</i>	
<i>"Fund" or "Pension Fund"</i>	London Borough of Hackney Pension Fund
<i>"the LGPS Regulations"</i>	The Local Government Pension Scheme Regulations 2013 (as amended) and The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015
<i>"Scheme Manager"</i>	Hackney Council as administering authority of the London Borough of Hackney Pension Fund.
<i>"Chair"</i>	The appointed Chairperson of the Pension Board
<i>"LGPS"</i>	The Local Government Pension Scheme
<i>"Scheme"</i>	The Local Government Pension

Scheme

REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
Conflicts of Interest Policy	Classification PUBLIC	Enclosures Two
	Ward(s) affected ALL	AGENDA ITEM NO. 4
Pensions Board - 28th July 2015		

1. INTRODUCTION

- 1.1 The Public Service Pensions Act 2013 requires that Administering Authorities ensure that members of the Pension Board do not have conflicts of interest, this is further enshrined in the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015. Furthermore the Pensions Regulator (TPR) Code of Practice for Public Service Pension Schemes covers conflicts of interest and provides guidance on how these might be identified. In order to ensure compliance with both the Regulations and the Code, members of the Pensions are asked to note the Conflicts of Interest Policy that has been approved by Pensions Committee and to complete relevant declarations of interest which will be provided at the Board meeting.

2. RECOMMENDATIONS

- 2.1 **The Pensions Committee is recommended to:**
- **Note the policy**
 - **Complete declarations of interest in respect of the position as members of the Pensions Board.**

3. RELATED DECISIONS

- 3.1 Council 25th February 2015 – Approval of Establishment of Pensions Board
 3.2 Pensions Committee 31st March 2015 – Approval of the Conflicts of Interest Policy and the Pensions Regulator Code of Practice

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 Members of the Pensions Board are required to disclose at the start of Pensions Board meetings if they have any conflicts of interest regarding their role as Board members.
- 4.2 A good standard of governance is crucial in minimising the key risks involved in managing the Pension Fund. The Regulations cover requirements for the Pensions Board in terms of managing conflicts of interest, the policy has been broadened to

cover Members of the Pensions Committee as well as officers involved in managing the Pension Fund. Any costs associated with meeting the conflicts of interest policy and related legal changes are immaterial in the context of the Pension Fund and any such costs are recharged to the Pension Fund. The costs of not adhering to either the legislation or indeed applying best practice in regards to conflicts of interest could be significantly higher and pose risks to the financial management of the Pension Fund.

5. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The responsibilities given to the Pensions Committee, Pension Board members and senior officers in respect of the management of the Pension Fund are both broad and onerous. The responsibilities are exercised in a legal framework that is both complex and changing.
- 5.2 The Public Service Pensions Act 2013 (Regulation 5(4) and the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 (Regulation 108 – Local Pension Board – Conflicts of Interest) require that the Administering Authority is satisfied that Pension Board members do not have conflicts of interest with their roles as Board Members and that Board members must supply such information as is necessary for the authority to make that determination. In addition TPR Code of Practice for Public Service Pension Schemes sets out the legal requirements in respect of conflicts of interest, practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.
- 5.3 Not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Pension Fund. In addition, where scheme managers or pension boards fail to address poor standards and non-compliance with the law, TPR will consider undertaking further investigations and taking regulatory action, including enforcement action.
- 5.4 The Policy coming before Pensions Board for noting helps to demonstrate compliance with both regulation and guidance provided by TPR.
- 5.5 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 The Public Service Pensions Act 2013, the LGPS Governance Amendment Regulations and TPR Code of Practice lay down that members of the Pensions Board should not have a conflict of interest in respect of their duties as members of the Board. In addition the TPR guidance provides for how such conflicts can be identified, monitored and managed. Appendix 1 to this report shows the relevant extracts from the LGPS Regulations and TPR Code of Practice.
- 6.2 Although following the code itself is not a regulatory requirement, should TPR identify a situation where the legal requirements are being breached, he will use the code as a core reference document when deciding appropriate action.

- 6.3 Whilst the Act specifically relates to conflicts of interest declarations for members of the Pension Board, the attached Conflicts of Interest Policy as approved by Pensions Committee was widened to encompass both the Committee and senior officers involved in the management of the Fund. The Policy as approved is attached as an appendix to this report (appendix 2 to this report).
- 6.4 The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Pension Fund whether directly or in advisory capacity. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions and appendix 2C of the Policy document sets out some examples of how conflicts of interest might arise.
- 6.5 The Policy document also contains an example (appendix 2D) of a declaration form for completion by those involved in the Pension Fund with an annual register (appendix 2E) for recording potential and actual conflicts of interest to be reviewed annually by the Board. Members of the Board will be provided with individual declarations for completion at the first meeting of the Pensions Board.
- 6.6 The Conflicts of Interest Policy helps to ensure that the London Borough of Hackney as Scheme Manager of the Pension Fund understands its responsibilities and the potential conflicts of interest that could arise, how these are identified, managed and monitored. This will ensure that it is compliant with both the regulatory requirements and TPR Code of Practice.

Ian Williams
Corporate Director of Finance & Resources

List of appendices:

Appendix 1- LGPS Scheme Regulations and TPR Code Practice – Extracts in relation to conflicts of interest

Appendix 2- Conflicts of Interest Policy

Background papers: None

Report Originating Officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015

Local pension boards: conflict of interest

108.—(1) Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest (a).

(2) An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.

(3) A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).

(4) A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).

The Pensions Regulator – Draft Code of Practice – Governance and Administration of Public Service Pension Schemes

Conflicts of interest and representation

Legal requirements

61. A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the pension board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established.

62. In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied:

- that a person to be appointed as a member of the pension board does not have a conflict of interest and
- from time to time, that none of the members of the pension board has a conflict of interest.

63. Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above

64. Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers.

65. In relation to the scheme advisory board, the regulations must also include provision requiring the responsible authority to be satisfied:

- that a person to be appointed as a member of the scheme advisory board does not have a conflict of interest and
- from time to time, that none of the members of the scheme advisory board has a conflict of interest.

66. Scheme regulations must require each member of a scheme advisory board to provide the responsible authority with such information as the responsible authority reasonably requires for the purposes of meeting the requirements referred to above.

Practical guidance

67. This guidance is to help scheme managers to meet the legal requirement to be satisfied that pension board members do not have any conflicts of interest. The same requirements apply to responsible authorities in relation to scheme advisory boards, (apart from the requirement regarding employer and member representatives), but the regulator does not have specific responsibility for oversight of scheme advisory boards.

68. Actual conflicts of interest are prohibited by the 2013 Act and cannot, therefore, be managed. Only potential conflicts of interest can be managed.

69. A conflict of interest may arise when pension board members:

- must fulfil their statutory role³⁸ of assisting the scheme manager in securing compliance with the scheme regulations, other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator or with any other matter for which they are responsible, whilst
- having a separate personal interest (financial or otherwise), the nature of which gives rise to a possible conflict with their statutory role.

70. Some, if not all, of the 'Seven principles of public life' (formerly known as the 'Nolan principles')³⁹ will already apply to people carrying out roles in public service pension schemes, for example through the Ministerial code, Civil Service code or other codes of conduct. These principles should be applied to all pension board members in the exercise of their functions as they require the highest standards of conduct. Schemes should incorporate the principles into any codes of conduct (and across their policies and processes) and other internal standards for pension boards.

71. Other legal requirements to conflicts of interest may apply to pension board members and/or scheme advisory board members. The regulator may not have specific responsibility for enforcing all such legal requirements, but it does have a particular role in relation to pension board members and conflicts of interest.

While pension board members may be subject to other legal requirements, when exercising functions as a member of a pension board they must meet the specific requirements of the 2013 Act and are expected to satisfy the standards of conduct and practice set out in this code.

72. It is likely that some pension board members will have dual interests, which may include other responsibilities. Scheme managers and pension board members will need to consider all other interests, financial or otherwise, when considering interests which may

give rise to a potential or actual conflict. For example, a finance officer appointed as a pension board member can offer their knowledge and make substantial contributions to the operational effectiveness of the scheme, but from time to time they may be involved in a decision or matter which may be, or appear to be, in opposition to another interest. For instance, the pension board may be required to take or scrutinise a decision which involves the use of departmental resources to improve scheme administration, while the finance officer is at the same time tasked, by virtue of their employment, with reducing departmental spending. A finance officer might not be prevented from being a member of a pension board, but the scheme manager must be satisfied that their dual interests are not likely to prejudice the pension board member in the exercise of any particular function.

73. Scheme regulations will set out matters for which the pension board is responsible⁴¹. Schemes⁴² should set out clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards in scheme documentation. This should cover, for example, whether they have responsibility for administering or monitoring the administration of the scheme; developing, delivering or overseeing compliance with requirements for governance and/or administration policies; and taking or scrutinising decisions relating to governance and/or administration.

Regardless of their remit, potential conflicts of interest affecting pension board members need to be identified, monitored and managed effectively.

74. Schemes should consider potential conflicts of interest in relation to the full scope of roles, responsibilities and duties of pension board members. It is recommended that all those involved in the management or administration of public service pension schemes take professional legal advice when considering issues to do with conflicts of interest.

A three-stage approach to managing potential conflicts of interest

75. Conflicts of interest can inhibit open discussions and result in decisions, actions or inactions which could lead to ineffective governance and administration of the scheme. They may result in pension boards acting improperly, or lead to a perception that they have acted improperly. It is therefore essential that any interests, which have the potential to become conflicts of interest or be perceived as conflicts of interest, are identified and that potential conflicts of interest (including perceived conflicts) are monitored and managed effectively.

76. Schemes should ensure that there is an agreed and documented conflicts policy and procedure, which includes identifying, monitoring and managing potential conflicts of interest. They should keep this under regular review. Policies and procedures should include examples of scenarios giving rise to conflicts of interest, how a conflict might arise specifically in relation to a pension board member and the process that pension board members and scheme managers should follow to address a situation where board members are subject to a potential or actual conflict of interest.

77. Broadly, schemes should consider potential conflicts of interest in three stages:

- identifying
- monitoring, and
- managing.

Identifying potential conflicts

78. Schemes should cultivate a culture of openness and transparency. They should recognise the need for continual consideration of potential conflicts. Disclosure of interests which have the potential to become conflicts of interest should not be ignored. Pension board members should have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest. They should know how to manage potential conflicts.

79. Pension board members, and people who are proposed to be appointed to a pension board, must provide scheme managers with information that they reasonably require to be satisfied that pension board members and proposed members do not have a conflict of interest.

80. Schemes should ensure that pension board members are appointed under procedures that require them to disclose any interests, including other responsibilities, which could become conflicts of interest and which may adversely affect their suitability for the role, before they are appointed.

81. All terms of engagement, for example appointment letters, should include a clause requiring disclosure of all interests, including any other responsibilities, which have the potential to become conflicts of interest, as soon as they arise. All interests disclosed should be recorded. See the section of this code on 'Monitoring potential conflicts'.

82. Schemes should take time to consider what important matters or decisions are likely to be considered during, for example, the year ahead and identify and consider any potential or actual conflicts of interest that may arise in the future. Pension board members should be notified as soon as practically possible and mitigations should be put in place to prevent these conflicts from materialising.

Monitoring potential conflicts

83. As part of their risk assessment process, schemes should identify, evaluate and manage dual interests which have the potential to become conflicts of interest and pose a risk to the scheme and possibly members, if they are not mitigated. Schemes should evaluate the nature of any dual interests and assess the likely consequences were a conflict of interest to materialise.

84. A register of interests should provide a simple and effective means of recording and monitoring dual interests and responsibilities.

Schemes should also capture decisions about how to manage potential conflicts of interest in their risk registers or elsewhere. The register of interests and other relevant documents should be circulated to the pension board for ongoing review and published, for example on a scheme's website.

85. Conflicts of interest should be included as an opening agenda item at board meetings and revisited during the meeting, where necessary. This provides an opportunity for those present to declare any interests, including other responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed to prevent an actual conflict arising.

Managing potential conflicts

86. Schemes should establish and operate procedures which ensure that pension boards are not compromised by potentially conflicted members. They should consider and determine the roles and responsibilities of pension boards and individual board members carefully to ensure that conflicts of interest do not arise, nor are perceived to have arisen.

87. A perceived conflict of interest can be as damaging to the reputation of a scheme as an actual conflict of interest. It could result in scheme members and interested parties losing confidence in the way a scheme is governed and administered. Schemes should be open and transparent about the way they manage potential conflicts of interest.

88. When seeking to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of the pension board, schemes should consider obtaining professional legal advice when assessing any option.

Examples of conflicts of interest

89. Below are some examples of potential or actual conflicts of interest which could arise, or be perceived to arise, in relation to public service pension schemes. These will depend on the precise role, responsibilities and duties of a pension board. The examples provided are for illustrative purposes only and are not exhaustive.

They should not be relied upon as a substitute for the exercise of judgement based on the principles set out in this code and any legal advice considered appropriate, on a case-by-case basis.

a. Investing to improve scheme administration versus saving money

An employer representative, who may be a Permanent Secretary, finance officer or local councillor, is aware that system X would help to improve standards of record-keeping in the scheme, but it would be costly to implement. The scheme manager, for instance a central government department or local administering authority, would need to meet the costs of the new system at a time when there is internal and external pressure to keep costs down. In order to meet the costs of the new system, the scheme manager would need to find money, perhaps by using a budget that was intended for another purpose. This decision could prove unpopular with taxpayers. A conflict of interest could arise where the employer representative was likely to be prejudiced in the exercise of their functions by virtue of their dual interests.

b. Outsourcing an activity versus keeping an activity in-house

In an extension of the previous example, a member representative, who is also an employee of a participating employer, is aware that system X would help to improve standards of record-keeping in the scheme, but it would mean outsourcing an activity that is currently being undertaken in-house by their employer. The member representative could be conflicted if they were likely to be prejudiced in the exercise of their functions by virtue of their employment.

c. Representing the breadth of employers or membership versus representing narrow interests

An employer representative who happens to be employed by the administering authority and is appointed to the pension board to represent employers generally could be conflicted if they only serve to act in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if they only act in the interests of their union and union membership, rather than all scheme members.

d. Assisting the scheme manager versus furthering personal interests

i. A pension board member, who is also a scheme adviser, may recommend the services or products of a related party, for which they might derive some form of benefit, resulting in them not providing, or not being seen to provide, independent advice or services

ii. A pension board member who is involved in procuring or tendering for services for a scheme administrator, and who can influence the award of a contract, may be conflicted where they have an interest in a particular supplier, for example, a family member works there.

e) Sharing information with the pension board versus a duty of confidentiality to an employer

An employer representative has access to information by virtue of their employment, which could influence or inform the considerations or decisions of the pension board. They have to consider whether to share this information with the pension board in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the pension board.

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London Borough of Hackney

Pension Fund



Conflicts of Interest Policy



Conflicts of Interest Policy

Introduction

Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an Elected Member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy of the London Borough of Hackney Pension Fund, which is managed by the London Borough of Hackney Council. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the London Borough of Hackney Pension Fund whether directly or in an advisory capacity.

This Conflicts of Interest Policy is established to guide the Pensions Committee members, local Pension Board members, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

Aims and Objectives

In relation to the governance of the Fund, the Administering Authority's objectives are to ensure that:

- all staff and Pensions Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is open in all its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund is at the forefront of best practice for LGPS funds
- all Conflicts of Interest are managed appropriately

The identification and management of potential and actual conflicts of interest is therefore integral to the Administering Authority achieving its governance objectives.

To whom this Policy Applies

This Conflicts of Interest Policy applies to all members of the Pensions Committee and the Pension Board, including scheme member and employer representatives, whether voting members or not. It applies to all members of the Hackney Council Pension Fund Management Team and the Chief Finance Officer (Section 151 Officer).

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.

The Head of Financial Services will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as he or she considers appropriate.

This Policy also applies to all advisers and suppliers to the Fund, whether advising the Pension Board, Pensions Committee or Fund officers, in relation to their role in advising or supplying the Fund.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Administering Authority on any conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

There are a number of overriding requirements relating to the management of potential or actual conflicts of interest for those involved in LGPS funds which are included in legislation or guidance. These are summarised in Appendix 1.

Other Administering Authority Requirements

Individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:

- Pension Fund Committee Members who are required to adhere to the Hackney Council Members' Code of Conduct

- local Pension Board Members who are required to adhere to the Hackney Council Members' Code of Conduct
- employees who are required to adhere to the Hackney Council Employees' Code of Conduct
- advisers who are expected to have their own policies or protocols.

Further information is provided in Appendix 2.

What is a Conflict or Potential Conflict and how will they be managed?

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by Hackney Council, and
- at the same time, has:
 - a separate personal interest (financial or otherwise) or
 - another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in Appendix 3.

Hackney Council encourages a culture of openness and transparency and encourages individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

Hackney Council will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on Pension Fund operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pensions Committee meeting)
- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)

Provided that the Administering Authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, Hackney Council shall endeavour to avoid the need for an individual to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

Responsibility

The Administering Authority for the London Borough of Hackney Pension Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Head of Financial Services is the designated individual for ensuring the procedure outlined below is adhered to. For Pension Board members, the Assistant Director, Financial Management and the Assistant Director, Legal and Democratic Services must be satisfied that no conflict of interest exists and, accordingly, all information relating to Pension Board members will be shared with the Head of Financial Services.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

Operational procedure for officers, Pensions Committee members and Pension Board members

What is required	How this will be done
<i>Step 1 - Initial identification of interests which do or could give rise to a conflict.</i>	<p>On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same or similar to that included in Appendix 4.</p> <p>The information contained in these declarations will be collated into the Pension Fund's Register of conflicts of interest in a format the same or similar to that included in Appendix 5.</p>
<i>Step 2 - Ongoing notification and management of potential or actual conflicts of interest</i>	<p>At the commencement of any Pensions Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the Fund's Register of conflicts of interest. In addition, the latest version of the register will be made available by the Head of Financial Services to the Chairman of every meeting prior to that meeting.</p> <p>Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chairman and the Head of Financial Services prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chairman, in consultation with the Head of Financial Services, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.</p>

	<p>If such a conflict is identified outside of a meeting the notification must be made to the Head of Financial Services and where it relates to the business of any meeting, also to the Chairman of that meeting. The Head of Financial Services, in consultation with the Chairman where relevant, will consider any necessary action to manage the potential or actual conflict.</p> <p>Where information relating to any potential or actual conflict has been provided, the Head of Financial Services may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on how to address any identified conflicts.</p> <p>Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest.</p>
<p><i>Step 3 - Periodic review of potential and actual conflicts</i></p>	<p>At least once every 12 months, the Head of Financial Services will provide to all individuals to whom this Policy applies a copy of the Fund's Register of conflicts of interest. All individuals will complete a new Declaration of Interest (see Appendix 4) confirming that their information contained in the Register is correct or highlighting any changes that need to be made to the declaration. The updated Register will then be circulated by the Head of Financial Services to all individuals to whom it relates.</p>

Conduct at Meetings

There may be occasions / circumstances when a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pensions Committee meeting, and that this will be recorded in the minutes.

Operational procedure for advisers

Although this Policy applies to all of the key advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to the Head of Financial Services in relation to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to Hackney Council as Administering Authority

- notify the Head of Financial Services immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

Monitoring and Reporting

The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request to the Head of Financial Services. In addition information relating to conflicts of interest will be published in the Fund's Annual Report and Accounts.

In order to identify whether the objectives of this Policy are being met the administering authority will review the Register of conflicts of interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

Key Risks

The key risks to the delivery of this Policy are outlined below all of which could result in an actual conflict of interest arising and not being properly managed. The Head of Financial Services will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting.

Costs

All costs related to the operation and implementation of this Policy will be met directly by London Borough of Hackney Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

Approval, Review and Consultation

This Conflicts of Interest Policy was approved at the London Borough of Hackney Pensions Committee meeting on 31 March 2015. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

London Borough of Hackney Pension Fund
Financial Services Department
Finance & Resources Directorate
Keltan House
89-115 Mare Street
London
E8 4RU

Telephone: 020 8356 2745

Fax: 020 8356 3035

Email: pensions@hackney.gov.uk

Legislative and Related Context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the administering authority) must be satisfied that a local pension board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires local pension board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue (see below).

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each administering authority to satisfy itself that local pension board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to administering authorities and local pension boards. At the point of writing this Policy, the shadow LGPS national scheme advisory board has issued guidance relating to the creation of local pension boards including a section on conflicts of interest. It is expected that this guidance will be adopted by the scheme advisory board when it is created by statute and possibly also by the Secretary of State. This Conflicts of Interest Policy has been developed having regard to that guidance.

The Pensions Act 2004

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

The Localism Act 2011

Chapter 7 of this Act requires councillors to comply with the code of conduct of their local authority and that code of conduct must be consistent with the Seven Principles of Public Life (considered further below). In addition the Act requires that the code of conduct must include provisions requiring the disclosure and registration of pecuniary interests and interests other than pecuniary interests.

The Seven Principles of Public Life

Otherwise known as the 'Nolan Principles', the seven principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service
- local government
- the police
- the courts and probation services
- non-departmental public bodies
- health, education, social and care services

The principles also apply to all those in other sectors that deliver public services.

Many of the principles are integral to the successful implementation of this Policy. The principles are as follows:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership.

Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Other Administering Authority Requirements

Pension Fund Committee Members

In addition to the requirements of this Policy, Pensions Committee members and co-opted members (including non-voting co-opted members) are required to adhere to the Hackney Council Members' Code of Conduct which, in Part 2, includes requirements in relation to the disclosure and management of pecuniary and other interests.

Local Pension Board Members

In addition to the requirements of this Policy, Local Pension Board members are required to adhere to Part 7 of the Terms of Reference of the Local Pension Board. This includes the following requirements:

“Part 2 of Hackney Council's Code of Conduct for Members and Co-optees shall apply in relation to the management of conflicts of interest on the Pension Board with the exception of the registration of pecuniary interests and how interests are to be disclosed which are detailed below.

Each member of the Pension Board, or a person proposed to be appointed to the Board, (as well as attendees participating in the meeting) must provide the Assistant Director, Financial Management and the Assistant Director, Legal and Democratic Services with such information as he or she reasonably requires for the purposes of demonstrating that there is no conflict of interest.

The Assistant Director, Financial Management and Assistant Director, Legal and Democratic Services will jointly adopt the role of ensuring that the Chair and Vice Chair of the Pension Board does not have a conflict of interest. Further they must be satisfied that the Chair is carrying out his or her responsibilities under this part appropriately.”

Employees

In addition to the requirements of this Policy, officers of Hackney Council are required to adhere to the Hackney Council Code of Conduct for Employees which includes requirements in relation to aiming to avoid conflicts of interests and declaring them in writing should they occur.

Advisers

The Administering Authority appoints its own advisers. There may be circumstances where these advisers are asked to give advice to Hackney Council or other scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Hackney Council Pension Fund and on which advice is required. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so.

Where the Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pensions Committee or Fund officers as long as there is no conflict of interest between the two roles.

The key advisers are all expected to have their own policies or protocols on how conflicts of interest will be managed in their relationships with their clients, and these should have been shared with Hackney Council.

Examples of Potential Conflicts of Interest

- a) An elected member on the Pension Committee is asked to provide views on a funding strategy which could result in an increase in the employer contributions required from the employer he or she represents.
- b) A member of the Pension Committee is on the board of a Fund Manager that the Committee is considering appointing.
- c) An officer of the Fund or member of the Pension Committee accepts a dinner invitation from a Fund Manager who has submitted a bid as part of a tender process.
- d) An employer representative on the Local Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Local Pension Board is reviewing the standards of service provided by that company.
- e) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- f) An officer of the Fund is asked to provide guidance to the Local Pension Board on the background to an item considered at the Pension Committee. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that Pension Committee item.
- g) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Corporate Director Finance and Resources, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Committee, which, if agreed, would result in a material reduction in the recharges to the Council from the Fund.
- h) Officers of the Fund are asked to provide a report to the Local Pension Board or Pension Committee on whether the administration services should be outsourced which, if it were to happen, could result in a change of employer or job insecurity for the officers.
- i) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only acts in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.
- j) A Fund adviser is party to the development of a strategy which could result in additional work for their firm, for example, delegated consulting of fund monies or providing assistance with monitoring the covenant of employers.
- k) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Committee or Local Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Committee or Local Pension Board.

Declaration of Interests relating to the management of the London Borough of Hackney Pension Fund administered by Hackney Council

I, [insert full name], am:

Tick as appropriate

- an officer involved in the management
- a Pension Fund Committee Member
- a Pension Board Member

of the London Borough of Hackney Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under the London Borough of Hackney Pension Fund Conflicts of Interest Policy. I have put “none” where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest (please list and continue on a separate sheet if necessary):

1. Relating to me

a. Responsibilities relating to an employer in the pension fund

b. Membership of the LGPS

c. Other (see examples)

2. *Relating to family members or close colleagues*

a. *Responsibilities relating to an employer in the pension fund*

b. *Membership of the LGPS*

c. *Other (see examples)*

Undertaking:

I declare that I understand my responsibilities under the London Borough of Hackney Pension Fund Conflicts of Interest Policy. I undertake to notify the Head of Financial Services of any changes in the information set out above.

Signed _____ Date _____

Name (CAPITAL LETTERS) _____

Position _____

London borough of Hackney Pension Fund - Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by Hackney Council, the Administering Authority.

Date identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified(1)	Action taken(2)	Follow up required	Date resolved
Page 41								

(1) E.g. verbal declaration at meeting, written conflicts declaration, etc

(2) E.g. withdrawing from a decision making process, left meeting

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REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
Training Policy Pensions Board - 28th July 2015	Classification PUBLIC	Enclosures Two
	Ward(s) affected ALL	AGENDA ITEM NO. 5

1. INTRODUCTION

- 1.1 At a national level, there are expanding requirements for LGPS Pension Committee members, Pension Board members and officers to have an appropriate level of knowledge and skills. These are being driven by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Pensions Regulator (TPR) and legislation.
- 1.2 This report seeks the Pensions Board to note the Training Policy for the London Borough of Hackney Pension Fund, which will apply to all Pensions Committee, Pension Board and senior officers responsible for managing the Fund. Members of the Pensions Board are asked to attend the training sessions provided to Pensions Committee and also agree to a wider programme of training.

2. RECOMMENDATIONS

- 2.1 **The Pensions Board is recommended to:**
- **Formally adopt the Training Policy for the London Borough of Hackney Pension Fund, as it relates to the Pensions Board**
 - **Note the need for each Pension Board Member, Pensions Committee Member and senior officer to adhere to the Training Policy and maintain the required level of knowledge and skills**

3. RELATED DECISIONS

Training reports and plans at most previous Pensions Committee meetings

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 The responsibilities for the Pension Fund are complex and varied covering the whole spectrum of investments, administration and financial management. Training in all aspects of the Pension Fund and understanding the factors that will impact on the Fund mean that those charged with governance will be able to undertake effective decision making, including having an understanding of the financial impact of such decisions.
- 4.2 Having a formally approved and having a transparent training policy in place will ensure those persons charged with governance and management of the Pension Fund understand what is expected of them as well as meeting with good practice. Any costs associated with delivering this Policy are immaterial in the context of the

Pension Fund as many of the training sessions are provided free of charge or the costs are minimal. Any such costs are recharged to the Pension Fund.

5. COMMENTS OF THE COPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The responsibilities given to the Pensions Committee, Pension Board members and senior officers in respect of the management of the Pension Fund are both broad and onerous. For example, as quasi trustees of the Pension Fund, they would owe a fiduciary duty to fund members and participating employers, which imposes the highest standard of care in equity and law. The responsibilities are exercised in a legal framework that is both complex and changing.
- 5.2 The CIPFA Code of Practice on Knowledge and Skills Framework, the Public Service Pensions Act 2013 and The Pension Regulator's Code of Practice for Public Service Pension Schemes require those charged with governance of the Pension Fund to have a level of knowledge and skills appropriate to their roles. Training is required to enable those charged with the management of the Fund to continue to carry out their responsibilities in the best interests of fund members and employers. This Training Policy is a contributory factor which demonstrates the Committee's desire to meet its obligations including the legal responsibilities in managing the Fund.
- 5.3 Delivery of this policy will require a time commitment for training events from Pensions Committee members, Pension Board members and senior officers. It will also result in potentially increased workloads for senior officers in the Pension Fund management team.
- 5.4 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

National Requirements

- 6.1 In recent years CIPFA has placed much greater focus on the need for administering authorities to embrace the requirement for a high level of knowledge and skills in the management of LGPS Funds and it has issued a Code of Practice and Framework which can be adopted. The Pensions Committee has been a keen supporter of ensuring that training forms part of the Committee's role and receives a training session at each Committee meeting in advance of the main business meeting. Indeed the training undertaken by the Committee and officers was recognised by an award in 2013 from the LGC for Knowledge and Skills.
- 6.2 In accordance with the Public Service Pensions Act 2013 (PSPA) for each administering authority in the LGPS to introduce a Pension Board by 1 April 2015, the London Borough of Hackney established a Pensions Board and this is the first meeting of the Pension Board. All Board members are legally required to have knowledge and understanding of pension scheme matters at a level that will allow them to properly exercise the functions of their role.
- 6.3 It is possible that this legal requirement will be extended in future to cover LGPS Pension Fund Committee members. These requirements will also be expanded on as part of The Pension Regulator's Public Sector Code of Practice and LGPS specific guidance, both expected to be issued early in 2015. The Code and

guidance are both expected to state that all LGPS Pension Funds should have a Training Policy in place outlining how this level of knowledge will be achieved and maintained.

London Borough of Hackney Pension Fund Training Policy

- 6.4 The Training Policy details the training strategy for members of the Pensions Board, Pensions Committee and senior officers responsible for the management of the Fund. The Training Policy has been created to provide a formal framework and greater transparency on the training regime in accordance with the national requirements. It will aid existing and future Pensions Committee Members, Pension Board Members and senior officers in their personal development and performance in their individual roles, providing a structure which will ensure that the Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. The Training Policy was formally approved by the Pensions Committee at its meeting on the 14th January 2015. The training policy is set out in Appendix 2 to this report.
- 6.5 The Pensions Board are now being asked to formally adopt the Training Policy of the London Borough of Hackney Pension Fund and to note the need for them individually and as a Board to undertake training in order to ensure that they are able to meet the requirements of being fully trained members of the Pensions Board. With the agreement of the Board, officers will arrange to provide a dedicated training session for Pensions Board Members to attend, which will outline the various areas of the CIPFA Knowledge and Skills Framework and set out the requirements under the Pensions Regulator.
- 6.6 Pension Board Members can find more information about their role as Board Members on the Pensions Regulator's (TPR) website, please see link to relevant area: <http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx> and in addition should review the section which sets out their role as Board Members, a copy of which is attached as Appendix 1 to this report. In particular, TPR states that: 'The law requires you to have knowledge and understanding of relevant pensions' law, and to have a working knowledge of your scheme regulations and documentation. Your responsibilities begin from the day you first take up your post, so you should start to familiarise yourself with the scheme documents and regulations as soon as possible. Finding time to gain this knowledge may be a challenge, but you will need to do so in order to meet the legal requirement and carry out your role.'
- 6.7 In addition the Pensions Board are asked to log onto TPR's public sector education toolkit <https://education.thepensionsregulator.gov.uk/login/index.php> and to avail themselves of this training module and to aim to complete over time all the areas covered by the toolkit and to keep records of the successful completion of the toolkit sections. Board Members are also asked to notify the Head of Financial Services to enable an ongoing individual training record to be maintained, which will also be covered in an annual report of the Pensions Board to demonstrate compliance with the Regulations and TPR Code of Practice.
- 6.5 Pension Board Members, Pensions Committee Members and senior officers will continue to be provided with ongoing opportunities to attend training events to assist them in adhering to the policy.

Ian Williams
Corporate Director of Finance & Resources

Background papers: None

Report Originating Officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

London Borough of Hackney

Pension Fund



Training Policy



TRAINING POLICY

Introduction

This is the Training Policy of the London Borough of Hackney Pension Fund in relation to the Local Government Pension Scheme (LGPS), which is managed and administered by Hackney Council. The Policy details the training strategy for members of the Pensions Committee and Pension Board, and senior officers responsible for the management of the Fund.

The Training Policy is established to aid Pensions Committee and Pension Board members and senior officers in performing and developing personally in their individual roles, with the ultimate aim of ensuring that the London Borough of Hackney Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills.

Hackney Council has delegated responsibility for the implementation of this Training Policy to the Corporate Director of Finance and Resources.

Aims and Objectives

Hackney Council recognises the significance of its role as Administering Authority to the London Borough of Hackney Pension Fund on behalf of its stakeholders which include:

- around 20,000 current and former members of the Fund, and their dependants
- over 20 employers within the Hackney Council area or with close links to Hackney Council
- the local taxpayers within the London Borough of Hackney.

In relation to the governance of the Fund, our objectives are to ensure that:

- all staff and Pensions Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund aims to be at the forefront of best practice for LGPS funds
- the Fund manages Conflicts of Interest appropriately

This Policy has been put in place to assist the Fund in achieving these objectives and all Pensions Committee Members, Pension Board members and senior officers

to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives, the London Borough of Hackney Pension Fund will aim to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes

as well as any other LGPS specific guidance relating to the knowledge and skills of Pensions Committee members, Pension Board members or pension fund officers which may be issued from time to time.

To whom this Policy Applies

This Training Policy applies to all Members of the Pensions Committee and the local Pension Board, including scheme member and employer representatives. It also applies to all managers in the Hackney Council Pension Fund Management Team and the Chief Finance Officer (Section 151 Officer) (from here on in collectively referred to as the senior officers of the Fund).

Less senior officers involved in the daily management of the Pension Fund will also be required to have appropriate knowledge and skills relating to their roles, which will be determined and managed by the Pension Fund Manager and his/her team.

Personnel of the third party administrator that provides the day to day administration of the London Borough of Hackney Pension Fund are also expected to be able to meet the objectives of this Policy, as are all other advisers to the Fund.

Officers of employers participating in the London Borough of Hackney Pension Fund who are responsible for pension matters are also encouraged to maintain a high level of knowledge and understanding in relation to LGPS matters, and Hackney Council will provide appropriate training for them. This is considered separately in the London Borough of Hackney Pension Fund Administration Strategy.

CIPFA and TPR Knowledge and Skills Requirements

CIPFA Knowledge and Skills Framework and Code of Practice

In January 2010 CIPFA launched technical guidance for Representatives on Pensions Committees and non-executives in the public sector within a knowledge and skills framework. The Framework sets the skill set for those responsible for pension scheme financial management and decision making.

The Framework covers six areas of knowledge and skills identified as the core requirements-

- Pensions legislative and governance context
- Pension accounting and auditing standards
- Financial services procurement and relationship development
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practice

CIPFA's Code of Practice recommends (amongst other things) that Local Government Pension Scheme administering authorities -

- formally adopt the CIPFA Knowledge and Skills Framework (or an alternative training programme)
- ensure that the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 (PSPA13) requires Pension Board members to:

- be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.

These requirements are incorporated and expanded on within the TPR Code of Practice - Governance and administration of public service pension schemes issued in early 2015. It is expected that guidance will also be issued by the Local Government Pension Scheme Advisory Board which will explain further how these requirements will relate to LGPS administering authorities.

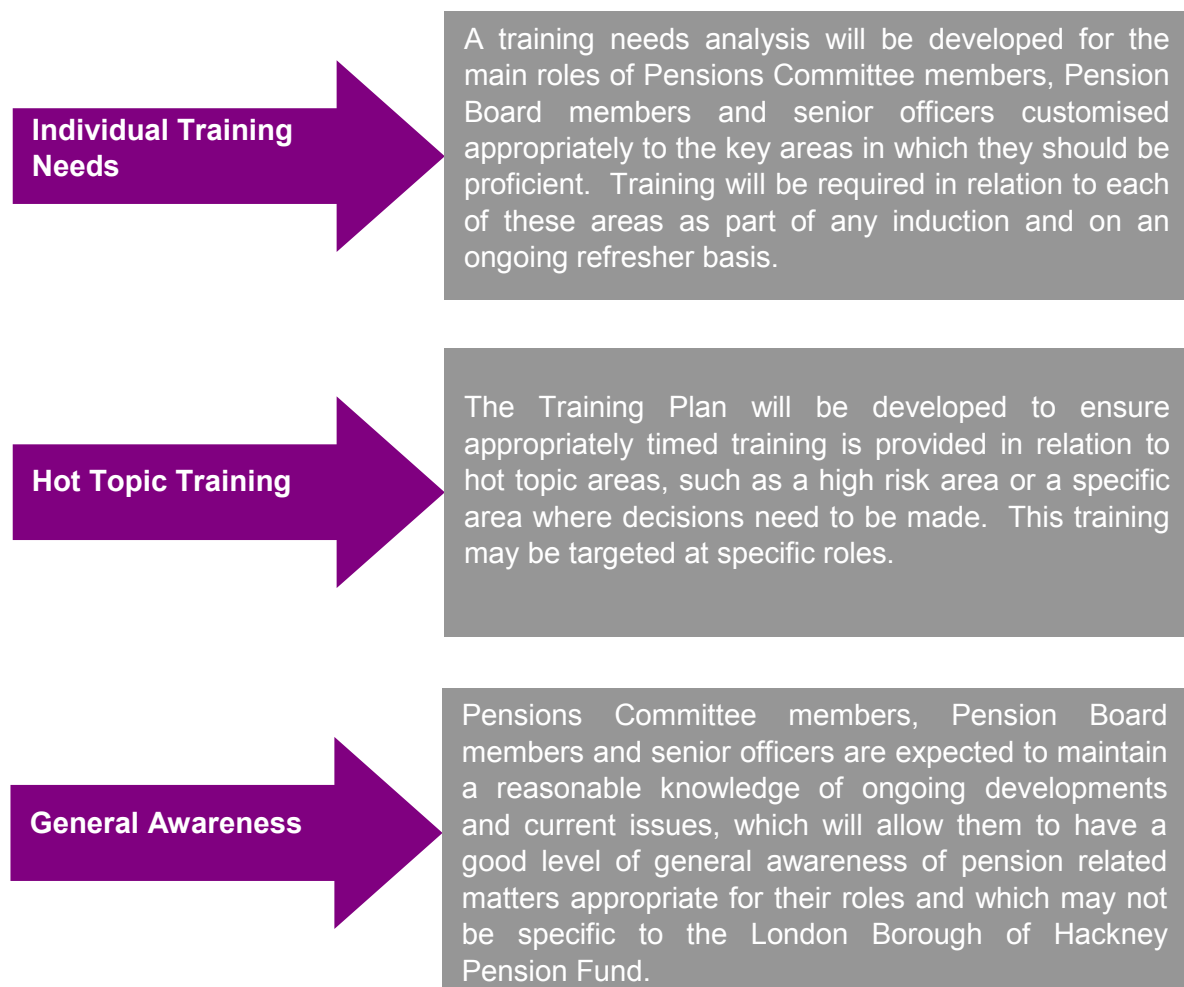
Application to the London Borough of Hackney Pension Fund

Hackney Council recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills. Accordingly it fully supports the use of the CIPFA Knowledge and Skills Framework, and TPR's Code of Practice. Hackney Council adopts the principles contained in both publications in relation to the London Borough of Hackney Pension Fund, and this Training Policy highlights how the

Council will strive to achieve those principles through use of a rolling Training Plan together with regular monitoring and reporting.

The London Borough of Hackney Pension Fund Training Plan

Hackney Council recognises that attaining, and then maintaining, relevant knowledge and skills is a continual process for Pensions Committee members, Pension Board members and senior officers, and that training is a key element of this process. Hackney Council will develop a rolling Training Plan based on the following key elements:



Each of these training requirements will be focussed on the role of the individual i.e. a Pensions Committee member, a Pension Board member or the specific role of the officer.

The Pensions Committee agrees a training plan on an annual basis at the first meeting of the Municipal Year. The training plan is developed taking into consideration the needs of the Committee, the Board and officers to both enhance existing knowledge and skills and to develop new areas of understanding. This ensures that training is accessible to all Committee and Board members and key officers involved in the management of the Pension Fund.

Training will be delivered through a variety of methods including:

- In-house training days provided by officers and/or external providers
- Training as part of meetings (e.g. Pensions Committee) provided by officers and/or external advisers
- External training events
- Circulation of reading material
- Attendance at seminars and conferences offered by industry-wide bodies
- Attendance at meetings and events with the London Borough of Hackney Pension Fund's investment managers and advisors
- Links to on-line training
- Access to the London Borough of Hackney Pension Fund website where useful London Borough of Hackney Pension Fund specific material is available

In addition London Borough of Hackney Pension Fund officers and advisers are available to answer any queries on an ongoing basis including providing access to materials from previous training events.

Initial Information and Induction Process

On joining the Pensions Committee, the Pension Board or the London Borough of Hackney Pension Fund Management Team, a new member or officer will be provided with the following documentation to assist in providing them with a basic understanding of London Borough of Hackney Pension Fund:

- The members' guide to the Local Government Pension Scheme (LGPS)
- The latest Actuarial Valuation report
- The Annual Report and Accounts, which incorporate:
 - The Funding Strategy Statement
 - The Governance Policy and Compliance Statement
 - The Statement of Investment Principles including the London Borough of Hackney Pension Fund's statement of compliance with the LGPS Myners Principles
 - The Communications Policy
 - The Administration Strategy
- The administering authority's Discretionary Policies
- This Training Policy

In addition, an individual training plan will be developed to assist each Pensions Committee member, Pension Board member or officer to achieve, within six months, their identified individual training requirements.

Monitoring Knowledge and Skills

In order to identify whether Pensions Committee members, Pension Board members and senior officers are meeting the objectives of this policy we will:

- 1) Compare and report on attendance at training based on the following:
 - Individual Training Needs – ensuring refresher training on the key elements takes place for each individual at least once every three years.
 - Hot Topic Training – attendance by at least 80% of the required Pensions Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group of Pensions Committee members, Pension Board members or senior officers depending on the subject matter.
 - General Awareness – each Pensions Committee member, Pension Board member or officer attending at least one day each year of general awareness training or events.
 - Induction training – ensuring areas of identified individual training are completed within six months.

- 2) Consider whether the objectives have been met as part of the annual self-assessment carried out each year which is completed by all Pensions Committee members, Pension Board members and senior officers.

Key Risks

The key risks to the delivery of this Policy are outlined below:

- Changes in Pensions Committee and/or Pension Board membership and/or senior officers' potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Pensions Committee Members, Pension Board Members and/or other senior officers resulting in a poor standard of decision making and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided not being to an acceptable standard.

The Pensions Committee members, with the assistance of London Borough of Hackney senior officers and Pension Board members, will monitor these and other key risks and consider how to respond to them.

Reporting

A report will be presented to the Pensions Committee on an annual basis setting out:

- The training provided / attended in the previous year at an individual level
- Attendance at Pensions Committee and Pension Board meetings
- The results of the measurements identified above.

This information will also be included in the London Borough of Hackney Pension Fund's Annual Report and Accounts.

At each Pensions Committee meeting, members will be provided with details of forthcoming seminars, conferences and other relevant training events as well as a summary of the events attended since the previous meeting.

Costs

All training costs related to this Training Policy are met directly by the London Borough of Hackney Pension Fund.

Approval, Review and Consultation

This Training Policy was approved at the London Borough of Hackney Pensions Committee meeting on 14 January 2015. This Training Policy was also formally adopted by the London Borough of Hackney Pension Board at its first meeting. It will be formally reviewed and updated at least every year or sooner if the training arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Training Policy, please contact:

Jill Davys
Head of Financial Services
London Borough of Hackney Pension Fund
Hackney Council

Keltan House
89-115 Mare Street
London
E8 4RU

E-mail jill.davys@hackney.gov.uk

Telephone 020 8356 2646

Further information on the London Borough of Hackney Pension Fund can be found as shown below:

Telephone: 020 8356 2745

Fax: 020 8356 3035

Email: pensions@hackney.gov.uk (Governance)

hackney.pensions@equiniti.com (Administration)

Pension Fund Website: <http://hackney.xpmemberservices.com>

Hackney Council Website: www.hackney.gov.uk (Minutes, Agendas, etc)

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A quick guide for

public service pension board members

This short introductory guide will help you to become familiar with your role as a member of a public service pension board.

You will play an important part in the governance and administration of public service pension schemes. Scheme members will benefit from the work you do in helping to ensure that their scheme is well managed.

The issues that you will consider as a pension board member may be sensitive and complex. You should carry out your duties with the utmost care and attention.

Your role and responsibilities

Your role as a pension board member will be to assist your scheme manager in ensuring that the scheme complies with legislation relating to its governance and administration, its own rules and any requirements of The Pensions Regulator. If your scheme regulations specify additional responsibilities for your pension board, these will be communicated to you by, or on behalf of, the scheme manager.

The scheme managers are:

- ▶ the administering authorities in the local government scheme
- ▶ the chief police officers, and various others, in the police scheme
- ▶ a fire and rescue authority board
- ▶ a relevant minister or secretary of state
- ▶ a Northern Ireland department

Scheme management

To assist you with your role and responsibilities as a pension board member you may require information from the scheme manager, administrator or advisers. You should only make a decision or come to a conclusion once you feel you have received all the information you need.

In local government pension schemes which have investment funds, the scheme manager will be responsible for administering, investing and managing the pension fund, and may delegate these responsibilities to a committee, an officer or an investment manager (as appropriate). It is probable that the pension board will not share these responsibilities directly, but will check that the scheme manager (and those with delegated responsibilities) complies with scheme regulations and other legislation relating to the governance and administration of the scheme.

Knowledge and understanding

The law requires you to have knowledge and understanding of relevant pensions law, and to have a working knowledge of your scheme regulations and documentation. Your responsibilities begin from the day you first take up your post, so you should start to familiarise yourself with the scheme documents and regulations as soon as possible. Finding time to gain this knowledge may be a challenge, but you will need to do so in order to meet the legal requirement and carry out your role.

Training is an important feature of a well-run scheme. We provide a free online learning programme for public service pension schemes. Our 'Public service toolkit' provides information and education on key legal requirements for public service pension schemes and our code of practice. We recommend that pension board members complete our educational material, or an alternative programme covering the same topics to the same depth. The toolkit can be found at www.pensionseducationportal.com.

The role of a pension board member is different from that of a trustee in a trust-based pension scheme. It is important you understand the difference between pension board members and trustees because some training and guidance on pensions governance is aimed at trustees and may not be entirely relevant to pension board members.

Reporting breaches

If you believe you may have detected a breach of any duty imposed by law, you should immediately follow your scheme's procedure for considering whether this needs to be reported to The Pensions Regulator and to the scheme manager.

Conflicts of interest

You must provide the scheme manager with any information required so that they can be satisfied that you do not have conflicts of interest. If you become aware of a potential conflict of interest involving yourself or another pension board member or prospective member, you should ensure that the scheme manager is aware of this. Anyone with a conflict of interest may not be appointed to pension boards and may be required to resign if they are already members of the board.

Help from The Pensions Regulator

Our website provides guidance and learning resources to help you carry out your role. See www.tpr.gov.uk/publicservice.

You should become familiar with our code of practice for public service schemes, which provides further guidance on governance and administration. It can be found at www.tpr.gov.uk/code14.

Other sources of help

Other sources that may provide information or assistance to pension boards include the following:

- ▶ Scheme advisory boards may provide advice to the local government, firefighters' and police schemes on the effective and efficient administration and management of their scheme and any pension fund of the scheme.
- ▶ Employer associations, such as the Local Government Association and the NHS Confederation, may provide information and assistance to employer representatives.

- ▶ Trade unions and the Police Federation may provide information and assistance to member representatives.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA), a public finance accountancy body, is active in the local government pension schemes, providing advice and setting standards – see www.cipfa.org.
- ▶ The Pensions Advisory Service (TPAS) attempts to resolve disputes which scheme managers and trustees have failed to resolve. It also provides free information on pensions governance – see www.pensionsadvisoryservice.org.uk.
- ▶ Pensions Management Institute (PMI) provides a range of professional qualifications and training for pensions professionals – see www.pensions-pmi.org.uk.
- ▶ National Association of Pension Funds (NAPF) represents funded pension schemes and their advisers. It also provides pension training courses – see www.napf.co.uk.

Feedback

We are interested to hear your thoughts on the information we have available for pension board members – including this guide.

Let us know what you think by emailing us at pspsr@tpr.gov.uk

How to contact us

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www.pensionseducationportal.com
Free online learning for those running public service schemes

A quick guide for
public service pension board members

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REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
Reporting Breaches Procedure Pensions Board - 28th July 2015	Classification Public	Enclosures Two
	Ward(s) affected ALL	AGENDA ITEM NO. 6

1. INTRODUCTION

- 1.1 Those involved in running or advising Pension Schemes have a statutory obligation to report 'materially significant' breaches of the law to The Pensions Regulator (TPR) under section 70 of the Pensions Act 2004. Since 1st April 2015, TPR's oversight powers have been extended to cover the administration and governance of public service schemes, including the Local Government Pension Scheme (LGPS). Part of TPR's remit has been to put in place a Code of Practice covering these aspects of scheme management; the Code includes a section providing guidance on how to identify and assess the significance of breaches of the law.
- 1.2 This report sets out the 'Reporting Breaches Procedure' for the Fund, to help ensure compliance with section 70 of the Pensions Act 2004 and with the 'reporting breaches' section of TPR's Code of Practice. The report provides a summary of the recommendations set out in the Code and details the actions taken by the Hackney Pension Fund to ensure that all those involved in the management of the Pension Scheme understand its requirements. This report largely reproduces the report provided to Pensions Committee at its meeting in June.

2. RECOMMENDATIONS

The Pensions Board is recommended to:

- **Adopt the Reporting Breaches Policy (at Appendix 2 to this report) as it relates to the Pensions Board.**

3. RELATED DECISIONS

- Pensions Committee 31st March 2015 – TPR Code of Practice Compliance Checklist
- Pensions Committee 24th Jun 2015 – TPR Code of Practice and draft Reporting Breaches Procedure
- Pensions Board 28th July 2015 – Adoption of Training Policy as it relates to Pension Board

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES

- 4.1 In recent years there has been an increased focus on the governance of LGPS funds, with the introduction of oversight powers for TPR and the publication of the Code of Practice being good examples of this. Ensuring compliance with the Code may result in additional work for the Fund's officers and advisers, bringing an

associated increase in cost to be met by the Fund; however, any such costs will be immaterial in the context of a £1.1bn Fund.

- 4.2 The Pensions Regulator's Compliance and Enforcement policy sets out the Regulator's approach to regulatory compliance. It makes clear that the Regulator expects to educate and enable schemes to improve their standard of governance. However, where no action is taken by scheme managers address poor standards, enforcement action will be taken, which may include financial penalties.

5. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The Public Sector Pensions Act (2013) extended the oversight powers of the Pensions Regulator to the administration and governance of public service schemes, including the LGPS. As such, those involved with the management of LGPS funds are now required to report breaches of scheme regulations to The Pensions Regulator under section 70 of the Pensions Act 2004.

- 5.2 Scheme regulations under this duty includes any legislation relevant to the administration and governance of the scheme. Such regulations will include:

- LGPS Regulations 2013
- LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014
- LGPS (Amendment) (Governance) Regulations 2015.

Additionally, the Regulator stipulates that scheme regulations include:

- Certain legislative provisions, to the extent that they override provisions of the scheme regulations, or which have effect in relation to a scheme and are not otherwise reflected in the scheme regulations, and
- Any provision which the scheme regulations do not contain but which the scheme rules must contain if it is to conform with the requirements of Chapter 1 of Part 4 of the Pension Schemes Act 1993 (preservation of benefit under occupational pension schemes)

- 5.3 There are no immediate legal implications arising from this report.

6. REGULATORY BACKGROUND

- 6.1 Section 70 of the Pensions Act 2004 requires that certain people involved in running or advising a pension scheme must report 'materially significant' breaches of the law to TPR. For public service schemes, those subject to this reporting requirement ('Reporters') are:

- Scheme managers (in this case the Council as the Administering Authority, with responsibility delegated to the Pensions Committee)
- Pension Board Members
- Persons otherwise involved in the administration of the scheme
- Employer
- Professional advisers
- Persons otherwise involved in advising the Scheme Manager in relation to the scheme.

- 6.2 The Regulator's Code of Practice helps reporters to determine whether or not a breach needs to be reported, setting out two key judgements to enable a decision:

- Does the reporter have reasonable cause to believe there has been a breach of the law
- If so, does the reporter believe that this is likely to be of material significance to the Regulator?

The Code provides practical guidance on the factors reporters should consider in making these key judgements, and the process for making a report to the Regulator should this be required.

- 6.3 The Code also highlights the need for schemes to be satisfied that those with statutory responsibility for reporting breaches have a sufficient level of knowledge and understanding to fulfil their duty. The Code recommends that training be provided for Scheme Managers and Pension Board members, and for all others with a duty to report to be familiar with the legal requirements and processes and procedures for reporting.
- 6.4 TPR also recommends that schemes should establish and operate 'appropriate and effective' procedures that enable people to raise concerns and allow the objective consideration of any breaches identified. They should also set out appropriate timescales for reporters to consider whether or not a breach should be reported.
- 6.5 The relevant section (points 241-275) of The Pensions Regulator's Code of Practice can be found at Appendix 1 to this report.

7. HACKNEY PENSION FUND – ACTIONS TAKEN

- 7.1 The Reporting Breaches Policy for the Hackney Pension Fund at Appendix 2 to this report was formally approved for the London Borough of Hackney Pension Fund at its meeting on the 24th June 2015.
- 7.2 As per the Regulator's guidance, the policy:
- Sets out the law on reporting breaches, and those to whom it applies
 - Provides guidance on how to confirm the facts when a breach is suspected
 - Provides guidance on determining whether or not a breach is likely to be of material significance to the Regulator
 - Sets out the appropriate level of seniority for decision-making when determining whether or not to report
 - Provides appropriate timescales for reporting
 - Provides guidance on dealing with complex cases
 - Sets out an early reporting procedure for serious breaches (e.g. where dishonesty is suspected)
 - Sets out the procedure for reporting a breach to the Regulator
- 7.3 In line with the Regulator's recommendation for training to be provided to Scheme Managers and Pension Board Members, the training session at the 24th June Pensions Committee covered in brief the reporting of regulatory breaches as part of the wider session on Pensions Legislation and Governance. In addition, it is proposed that further dedicated training for the Pensions Board covers this area in more detail for the Board.
- 7.4 The policy also sets out a quarterly reporting procedure for all breaches, irrespective of whether or not they are reported to the Regulator. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board, as they are being provided with copies of the Pensions Committee papers.

Appendices

1. Reporting Breaches – The Pensions Regulator Code of Practice extract on Reporting Breaches
2. LBH Pension Fund Procedure for Reporting Breaches of the Law

Background papers: None

Ian Williams

Corporate Director of Finance & Resources

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Financial Considerations: Michael Honeysett ☎020-8356 3332

Legal Considerations: Stephen Rix ☎020-8356 6122

240. When reviewing an application, scheme managers and specified persons (where relevant) should ensure that they have all the appropriate information to make an informed decision. They should request further information if required. Scheme managers and specified persons should be satisfied that the times taken to reach a decision and notify the applicant are appropriate to the situation and that they have taken the necessary action to meet the reasonable time periods. Scheme managers should be able to demonstrate this to the regulator if required.

Reporting breaches of the law

Legal requirements

241. Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:

- a legal duty¹²⁶ which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions¹²⁷.

For further information about reporting late payments of employee or employer contributions, see the section of this code on 'Maintaining contributions'.

242. People who are subject to the reporting requirement ('reporters') for public service pension schemes are:

- scheme managers¹²⁸
- members of pension boards
- any person who is otherwise involved in the administration of a public service pension scheme
- employers¹²⁹: in the case of a multi-employer scheme, any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers
- professional advisers¹³⁰ including auditors, actuaries, legal advisers and fund managers: not all public service pension schemes are subject to the same legal requirements to appoint professional advisers, but nonetheless the regulator expects that all schemes will have professional advisers, either resulting from other legal requirements or simply as a matter of practice
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme¹³¹.

243. The report must be made in writing as soon as reasonably practicable¹³². See paragraph 263 for further information about how to report breaches.

126

The reference to a legal duty is to a duty imposed by, or by virtue of, an enactment or rule of law (s70(2)(a) of the Pensions Act 2004).

127

Section 70(2) of the Pensions Act 2004.

128

The legal requirement to report breaches of the law under section 70(1)(a) is imposed on the 'managers' of a scheme, which the regulator generally takes to be the 'scheme manager' identified in scheme regulations in accordance with the 2013 Act.

129

As defined in s318 of the Pensions Act 2004.

130

As defined in s47 of the Pensions Act 1995.

131

Section 70(1) of the Pensions Act 2004.

132

Section 70(2), *ibid.*

Practical guidance

244. Schemes¹³³ should be satisfied that those responsible for reporting breaches are made aware of the legal requirements and this guidance. Schemes should provide training for scheme managers and pension board members. All others under the statutory duty to report should ensure they have a sufficient level of knowledge and understanding to fulfil that duty. This means having sufficient familiarity with the legal requirements and procedures and processes for reporting.

Implementing adequate procedures

245. Identifying and assessing a breach of the law is important in reducing risk and providing an early warning of possible malpractice in public service pension schemes. Those people with a responsibility to report breaches, including scheme managers and pension board members, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations. Procedures should enable people to raise concerns and facilitate the objective consideration of those matters. It is important that procedures allow reporters to decide within an appropriate timescale whether they must report a breach. Reporters should not rely on waiting for others to report.

246. Procedures should include the following features:

- a process for obtaining clarification of the law around the suspected breach where needed
- a process for clarifying the facts around the suspected breach where they are not known
- a process for consideration of the material significance of the breach by taking into account its cause, effect, the reaction to it, and its wider implications, including (where appropriate) dialogue with the scheme manager or pension board
- a clear process for referral to the appropriate level of seniority at which decisions can be made on whether to report to the regulator
- an established procedure for dealing with difficult cases
- a timeframe for the procedure to take place that is appropriate to the breach and allows the report to be made as soon as reasonably practicable
- a system to record breaches even if they are not reported to the regulator (the record of past breaches may be relevant in deciding whether to report future breaches, for example it may reveal a systemic issue), and
- a process for identifying promptly any breaches that are so serious they must always be reported.

133
See paragraph 25
for the definition of
'schemes'.

Judging whether a breach must be reported

247. Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and, for funded pension schemes, making investment or investment-related decisions.

Judging whether there is 'reasonable cause'

248. Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

249. Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets where they have seen in the annual accounts that the scheme's assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behaviour of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.

250. Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to check with the pension board or scheme manager or with others who are in a position to confirm what has happened. It would not be appropriate to check in cases of theft, suspected fraud or other serious offences where discussions might alert those implicated or impede the actions of the police or a regulatory authority. Under these circumstances the reporter should alert the regulator without delay.

251. If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

252. In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the regulator may require before taking legal action. A delay in reporting may exacerbate or increase the risk of the breach.

Judging what is of 'material significance' to the regulator

253. In deciding whether a breach is likely to be of 'material significance' to the regulator. It would be advisable for those with a statutory duty to report to consider the:

- cause of the breach
- effect of the breach
- reaction to the breach, and
- wider implications of the breach.

254. When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the regulator.

Cause of the breach

255. The breach is likely to be of material significance to the regulator where it was caused by:

- dishonesty
- poor governance or administration
- slow or inappropriate decision making practices
- incomplete or inaccurate advice, or
- acting (or failing to act) in deliberate contravention of the law.

256. When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

257. A breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances. But in such a situation, it is also important to consider other aspects of the breach such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.

Effect of the breach

258. Reporters need to consider the effects of any breach, but with the regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to the regulator:

- pension board members not having the appropriate degree of knowledge and understanding, which may result in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- pension board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- adequate internal controls not being established and operated, which may lead to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
- accurate information about benefits and scheme administration not being provided to scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement
- appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- pension board members misappropriating any assets of the scheme or being likely to do so, which may result in scheme assets not being safeguarded, and
- any other breach which may result in the scheme being poorly governed, managed or administered.

259. Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

Reaction to the breach

260. Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the regulator will not normally consider this to be materially significant.

261. A breach is likely to be of concern and material significance to the regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

Wider implications of the breach

262. Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or pension board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.

Submitting a report to the regulator

263. Reports must be submitted in writing and can be sent by post or electronically, including by email or by fax. Wherever possible reporters should use the standard format available via the Exchange online service on the regulator's website.

264. The report should be dated and include as a minimum:

- full name of the scheme
- description of the breach or breaches
- any relevant dates
- name of the employer or scheme manager (where known)
- name, position and contact details of the reporter, and
- role of the reporter in relation to the scheme.

265. Additional information that would help the regulator includes:

- the reason the breach is thought to be of material significance to the regulator
- the address of the scheme
- the contact details of the scheme manager (if different to the scheme address)
- the pension scheme's registry number (if available), and
- whether the concern has been reported before.

266. Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.
267. Reporters should ensure they receive an acknowledgement for any report they send to the regulator. Only when they receive an acknowledgement can the reporter be confident that the regulator has received their report.
268. The regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.
269. The reporter should provide further information or reports of further breaches if this may help the regulator to exercise its functions. The regulator may make contact to request further information.
270. Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.
271. In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, the regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the regulator to the breach.

Whistleblowing protection and confidentiality

272. The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.
273. The statutory duty to report does not, however, override 'legal privilege'¹³⁴. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

134
Section 311 of the
Pensions Act 2004.

274. The regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.
275. The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The regulator expects such individual reports to be rare and confined to the most serious cases.

London Borough of Hackney

Pension Fund



Procedure for Reporting Breaches of the Law



Reporting Breaches Procedure

Introduction

This document sets out the procedures to be followed by certain persons involved with the London Borough of Hackney Pension Fund, the Local Government Pension Scheme managed and administered by Hackney Council, in relation to reporting breaches of the law to the Pensions Regulator.

Hackney Council, as Administering Authority, has delegated responsibility for the implementation of these procedures to the Corporate Director of Finance and Resources and the Head of Financial Services.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

This Procedure document applies, in the main, to:

- all members of the Pensions Committee and the local Pension Board
- all officers involved in the management of the Pension Fund including members of the Hackney Financial Services Team, the Assistant Director, Financial Management and the Corporate Director, Finance Officer (Section 151 Officer)
- personnel of the third party administrator providing day to day administration services to the Fund, and any professional advisers including auditors, actuaries, legal advisers and fund managers
- officers of employers participating in the London Borough of Hackney Pension Fund who are responsible for pension matters.

The next section clarifies the full extent of the legal requirements and to whom they apply.

Requirements

Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme
- a member of the pension board of a public service pension scheme
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme
- the employer in relation to an occupational pension scheme
- a professional adviser in relation to such a scheme
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,

to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

The Pension Regulator's Code of Practice

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures
- judging whether a breach must be reported
- submitting a report to The Pensions Regulator
- whistleblowing protection and confidentiality.

Application to the London Borough of Hackney Pension Fund

Hackney Council has developed this procedure which reflects the guidance contained in The Pension Regulator's Code of Practice in relation to the London Borough of Hackney Pension Fund and this document sets out how the Council will strive to achieve best practice through use of a formal reporting breaches procedure.

Training on reporting breaches and related statutory duties, and the use of this procedure is provided to Pension Committee members, Pension Board members and key officers involved with the management of the London Borough of Hackney Pension Fund on a regular basis. Further training can be provided on request to the Head of Financial Services.

The London Borough of Hackney Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the London Borough of Hackney Pension Fund.

It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

1. Clarification of the law

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents

- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- The Pensions Regulator's Code of Practice:
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>
 In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Head of Financial Services and the Corporate Director of Finance and Resources, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

2. Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred.

Where the individual does not know the facts or events, it will usually be appropriate to check with the Head of Financial Services or Corporate Director of Finance and Resources at Hackney Council, a member of the Pensions Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3. Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach.

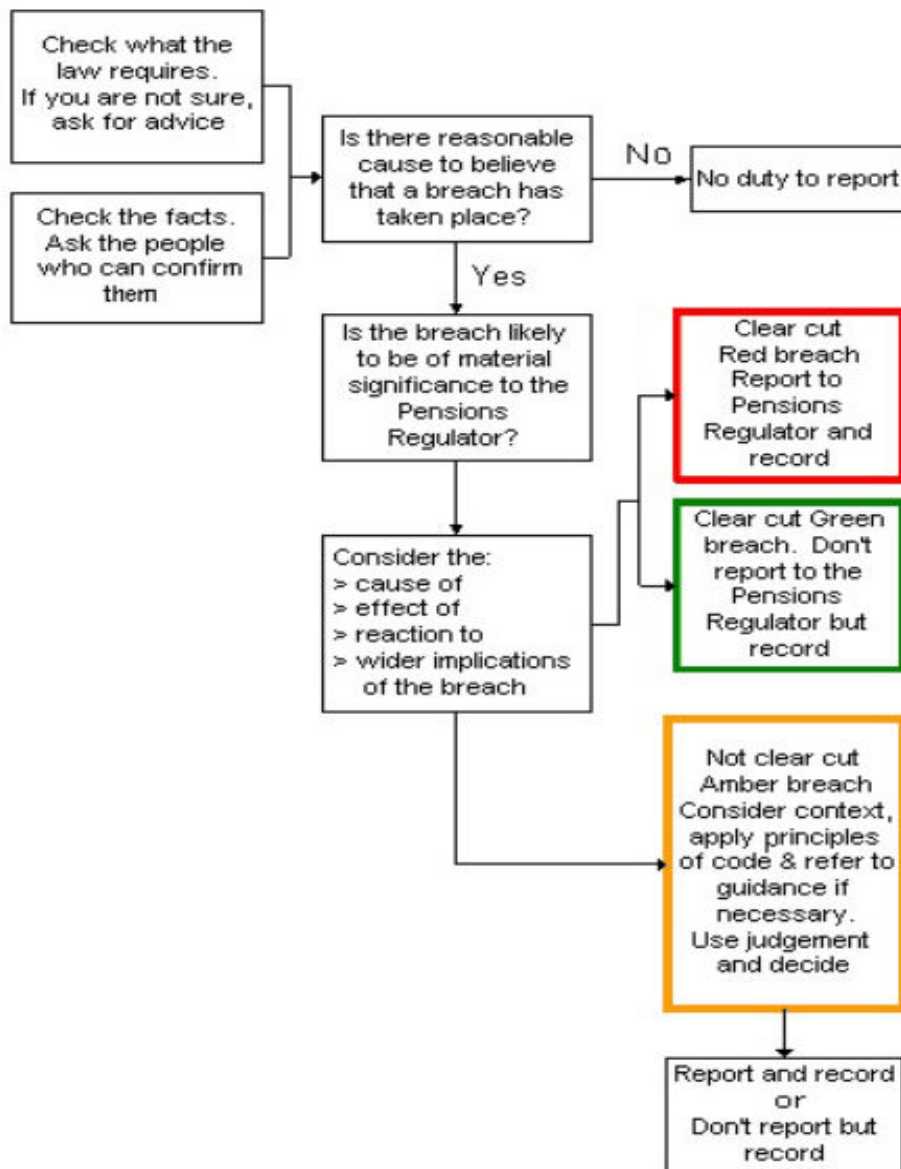
Individuals may also request the most recent breaches report from the Head of Financial Services and the Corporate Director of Finance and Resources, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision-tree: deciding whether to report



4. Referral to a level of seniority for a decision to be made on whether to report

Hackney Council has designated officers (the Head of Financial Services and Corporate Director of Finance and Resources) to ensure this procedure is appropriately followed. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate.

If breaches relate to late or incorrect payment of contributions or pension benefits, information the matter should be highlighted to the Head of Financial Services and /or Corporate Director of Finance and Resources at the earliest opportunity to ensure the matter is resolved as a matter of urgency.

Individuals must bear in mind, however, that the involvement of the Head of Financial Services and/or Corporate Director of Finance and Resources is to help clarify the potential

reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to either of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

5. Dealing with complex cases

The Head of Financial Services and Corporate Director of Finance and Resources may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases, information on which will be retained by Hackney Council, or via discussions with those responsible for maintaining the records. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - <http://www.lgpsregs.org/>).

If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Committee or Board meeting.

6. Timescales for reporting

The Pensions Act and Pension Regulators Code requires that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

7. Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary.

The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

8. Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Hackney Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports submitted to The Pensions Regulator to the Head of Financial Services or the Corporate Director of Finance and Resources. Records of unreported breaches should also be provided to the Head of Financial Services or the Corporate Director of Finance and Resources as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported

breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board.

Reporting a breach

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary a written report can be preceded by a telephone call.

Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (London Borough of Hackney Pension Fund)
- description of breach(es)
- any relevant dates
- name, position and contact details
- role in connection to the scheme
- employer name or name of scheme manager (the latter is Hackney Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator
- scheme address (provided at the end of this procedures document)
- scheme manager contact details (provided at the end of this procedures document)
- pension scheme registry number (PSR – [JD to complete])
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so.

If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

Reporting to Pensions Committee

A report will be presented to the Pensions Committee on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates.
- in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- any future actions for the prevention of the breach in question being repeated
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings).

An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

Review

This Reporting Breaches Procedure was originally developed in June 2015. It will be kept under review and updated as considered appropriate by the Head of Financial Services and the Corporate Director of Finance and Resources. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Jill Davys
Head of Financial Services
London Borough of Hackney Pension Fund
Hackney Council
Keltan House
89-115 Mare Street
London
E8 4RU

Designated officer contact details:

1) Head of Financial Services - Jill Davys

E-mail jill.davys@hackney.gov.uk

Telephone 020 8356 2646

2) Corporate Director of Finance and Resources – Ian Williams

E-mail ian.williams@hackney.gov.uk

Telephone 020 8356 3003

Further information on the London Borough of Hackney Pension Fund can be found as shown below:

Telephone: 020 8356 2745

Fax: 020 8356 3035

Email: pensions@hackney.gov.uk (Governance)

hackney.pensions@equiniti.com (Administration)

Pension Fund Website: <http://hackney.xpmemberservices.com>

Hackney Council Website: www.hackney.gov.uk (Minutes, Agendas, etc)

Appendix A – Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- Acting, or failing to act, in deliberate contravention of the law.
- Dishonesty.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time

- Misappropriation of assets, resulting in scheme assets not being safeguarded
- Other breaches which result in the scheme being poorly governed, managed or administered

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

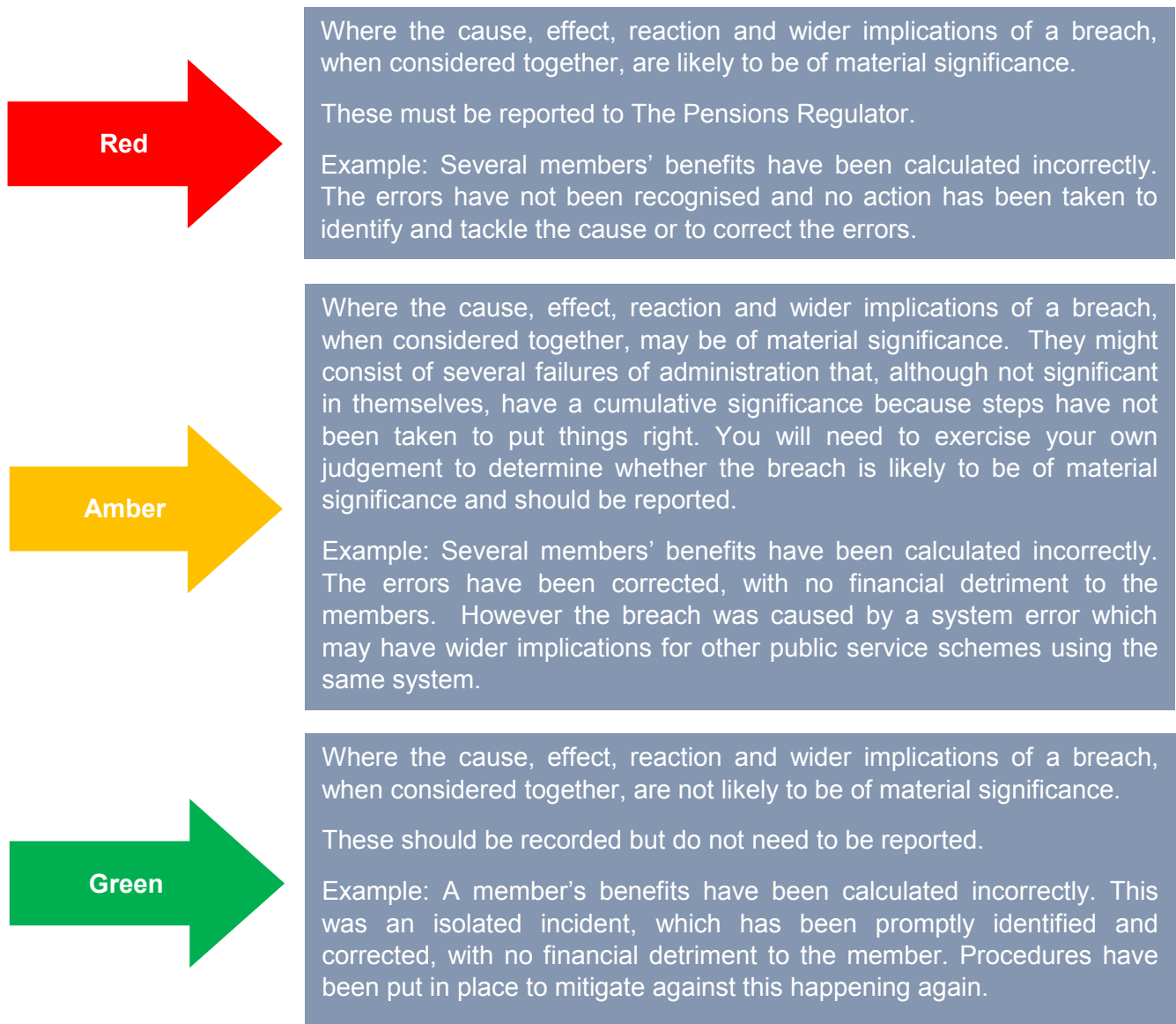
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix B - Traffic light framework for deciding whether or not to report

Hackney Council recommends those responsible for reporting to use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated



below:

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this framework is provided by The Pensions Regulator at the following link

[http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)

Appendix C – Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

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*New breaches since the previous meeting should be highlighted

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REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
ANNUAL REPORT OF THE PENSIONS COMMITTEE 2014-2015 Pensions Board - 28th July 2015	Classification PUBLIC	Enclosures One
	Ward(s) affected ALL	AGENDA ITEM NO. 7

1. INTRODUCTION

1.1 The purpose of this report is to provide the Pensions Board with an update on the work undertaken by the Pensions Committee during the previous municipal year 2014-15.

2. RECOMMENDATIONS

2.1 **The Pensions Board is recommended to note the report.**

3. RELATED DECISIONS

Pensions Committee (25th June 2014) – Annual Report of the Pensions Committee

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

4.1 Whilst it is for the Pensions Committee to act in the capacity of quasi trustees for the Pension Fund and its Administering Authority, the London Borough of Hackney and as such are responsible for the management of approximately £1.2 billion worth of assets and for ensuring the effective and efficient running of the Pension Fund, it is for the Pensions Board to assist the Scheme Manager in helping it to comply with regulations. The annual report of the work of the Pensions Committee provides the Pension Board with an overview of the work of the Committee during the last municipal year.

4.2 There are no immediate financial impacts arising from this report.

5. COMMENTS OF THE COPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

5.1 The Pensions Board has been established under the Public Service Pensions Act 2013 and Local Government Pension Scheme Regulations to assist the Scheme Manager with ensuring compliance against the regulations. The Council's Constitution gives the Pensions Committee responsibility for a wide range of functions relating to management of the Council's Pension fund. In carrying out those functions the Committee must have regard to the various legislative obligations imposed on the Council as the Fund's Administering Authority, particularly by the suite of Local Government Pension Scheme (LGPS) Regulations.

5.3 The annual report of the Pensions Committee's activities demonstrates how it has undertaken and fulfilled its statutory and constitutional responsibilities during 2014/15 and it is therefore appropriate that the Pensions Board should review the

annual report of the work of the Committee in fulfilling its role in assisting the scheme manager to demonstrate compliance with the regulations.

5.4 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

6.1 The annual report on the work of the Pensions Committee provides the Pensions Board with a brief summary of the agenda items that have been considered by the Pensions Committee over the last year and the decisions taken by that Committee. Whilst this report has been included in the Committee papers for June, as this is the first meeting of the Pensions Board, it was felt appropriate to include the annual report as a specific item for the Pensions Board to consider at its meeting.

6.2 The attached report covers the 2014/15 Municipal Year where the Committee has met 6 times to cover a broad spectrum of pension related business. The full programme of work and training undertaken by the Committee is set out in the Appendix to this report.

6.3 Members continued with an extensive training programme during the year which reflected the key requirements laid down in the CIPFA Knowledge and Skills Framework. Given the adoption of a new training policy which covers both the Pensions Committee and the Pensions Board, this aspect of the Committee will also be carried across to the Pensions Board for the current year, with Pension Board Members required to undertake an extensive training programme. Ensuring that the Pensions Committee receives appropriate training helps to demonstrate that the Committee are able to make effective decisions. However, in order for the Pensions Board to be able to evaluate the effectiveness of those decisions, it too needs to understand the context in which those decisions are made and therefore will also need to undertake training.

6.7 The Annual Report of the Committee evidences the work that the Committee has undertaken and demonstrates that it has discharged its responsibilities effectively both in terms of its legal responsibilities under the LGPS Regulations and the Committees Terms of Reference.

6.8 Of particular note for the Pensions Board is the work undertaken by the Pensions Committee to review governance arrangement for the Fund and the approval of a new governance policy and compliance statement in order to meet the updated requirements including the introduction of a local Pensions Board. In addition the Pensions Committee approved new training and conflicts of interest policies, which are the subject of additional papers for the Pensions Board at its first meeting.

6.9 The Pensions Board should also be aware that as part of the quarterly reporting for Pensions Committee, they consider a range of key indicators for the Pensions Fund, namely the funding position, monitoring of investment managers and an administration report which helps to ensure that the Committee is kept informed on key issues and are able to take action or review should this be appropriate.

Appendix: Annual Report of the Pensions Sub-Committee 2014-15

Background papers: none

Ian Williams
Corporate Director of Finance & Resources

Report Originating Officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

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Annual Report of the Pensions Committee

2014-2015



ANNUAL REPORT OF THE PENSIONS COMMITTEE 2014/15

1. CHAIR'S INTRODUCTION – COUNCILLOR ROBERT CHAPMAN

- 1.1 The Pensions Committee has responsibility for the management of the Pension Fund acting as quasi-trustees on behalf of the Administering Authority, the London Borough of Hackney.
- 1.2 During the 2014/15 municipal year the Pensions Committee undertook an extensive work and training programme meeting 6 times during the year. Following local elections in May 2014, the previous Chair stood down as a local Councillor and I assumed Chairmanship of the Committee at a time of considerable change and challenge to the Local Government Pension Scheme (LGPS). The Committee carries with it a considerable responsibility to ensure that the management of a Pension Fund valued in excess of £1bn with over 20,000 scheme members is managed in an efficient and effective way. The Committee has responsibility for all aspects of the Pension Fund including managing the investments, ensuring governance arrangements are appropriate and scheme members and employers are kept informed of key information.
- 1.3 We welcomed new members to the Committee, Cllr Jonathan McShane and Cllr Feryal Demirci as well as welcoming back previous members. Key officers to the Fund remain the Corporate Director of Finance and Resources, the Assistant Director, Financial Management, Head of Financial Services with the Head of Litigation providing legal support. Officer support is supplemented by a range of external advisers including actuarial, investment and benefits.
- 1.4 Key areas of focus for the Committee during the year revolved around the new governance requirements to establish a Pensions Board along with ensuring that the Fund is able to meet the challenges posed by Central Government to ensure that the Scheme is affordable and sustainable in the future as well as responding to consultations on this issue. To this end the Committee has been very supportive of efforts to work collaboratively with other funds being a key part of the London Collective Investment Vehicle (CIV) development along with participating in the development of the National LGPS Procurement Framework initiatives.
- 1.5 The Pensions Committee has also focused heavily on how it can develop its role in shareholder engagement with the underlying companies in which it invests. It has committed to greater engagement with its managers and to seek to follow the Local Authority Pension Fund Forum recommendations on voting. In addition the Committee agreed signing up to the UK's Stewardship Code and is continuing to investigate ways in which it might further enhance its shareholder engagement activities.
- 1.6 The Pensions Committee agreed the procurement and appointment of actuarial and benefits advisers during the year, along with giving approval to commence two investment programmes of £50m each to be made in to multi-asset and emerging market funds, which should complete early in the new municipal year. The Committee also undertook a number of policy reviews during the year.
- 1.7 The Committee agrees a training programme each year to ensure that it is able to evidence it has met the requirements of the CIPFA Knowledge and Skills

programme and is able to fulfil the governance role with which it is charged. The Committee takes this aspect extremely seriously and training forms a key part of the agenda for each meeting, along with Committee Members and officers attending additional external training on a regular basis.

- 1.8 Details on the work and training undertaken by Committee during the municipal year 2014/15 are set out in section 3 of this report. Section 4 provides an outline of the anticipated work for the forthcoming year.

2. COMMITTEE MEMBERSHIP AND ATTENDANCE

- 2.1 The following Councillors were members of the Committee during the 2014/15 municipal year –

Cllr Robert Chapman (Chair)
 Cllr Michael Desmond (Vice Chair)
 Cllr Brian Bell
 Cllr Feryal Demirci
 Cllr Jonathan McShane
 Cllr Geoffrey Taylor

In addition the Committee has employer and scheme member representation; Neil Isaac was the representative on the Committee for Employers participating in the Pension Fund and Jonathan Malins-Smith was the Scheme Member Representative.

- 2.2 The table below outlines Members' attendance at Pensions Committee meetings during the 2014/15 municipal year and the training sessions at which members were in attendance. It is noted that Members have a large number of commitments, including other public meetings and ward commitments, and are therefore not always available to attend meetings of the Committee.

Committee Members Attendance 2014/15													
	25th June		29th September		8th October (Special)		1st December (Strategy)		14th January		31st March		
	Meeting	Training	Meeting	Training	Meeting	Training	Meeting	Training	Meeting	Training	Meeting	Training	
Cllr Robert Chapman (Chair)	P	P	P	P	P	P	P	P	P	P	P	P	
Cllr Michael Desmond (Vice Chair)	P	P	P	P	P	P	P	P	P	P	A	A	
Cllr Brian Bell	P	P	P	P	A	A	A	A	P	P	P	P	
Cllr Feryal Demirci	P	P	P	P	A	A	P	P	P	P	A	A	
Cllr Jonathan McShane	P	P	P	P	A	A	A	A	A	A	P	P	
Cllr Geoff Taylor	P	P	P	P	P	P	P	P	P	P	P	P	
Co-Opted Members													
Neil Isaac	P	P	P	P	A	A	P	P	P	P	P	P	
Jonathan Malins-Smith	P	P	P	P	P	P	P	P	P	P	P	P	
P = Present													
A = Absent													

3. WORK UNDERTAKEN IN THE 2014/15 MUNICIPAL YEAR

- 3.1 The Pensions Committee has responsibility for the strategic management of the Pension Fund, which by the end of the financial year held £1.17bn worth of assets with 21,581 scheme members. The Committee is responsible for deciding the broad asset allocation of the Pension Fund along with its strategic direction and for ensuring the long term solvency of the Fund, i.e. the ability to pay the pensions of all past, present and future scheme members. The Committee has considered a total of 56 papers during the year covering a wide range of issues and taking some key decisions that affect the Pension Fund. The work of the Committee has broadly fallen under the following categories during the Municipal Year:

Governance

- 3.2.1 New regulatory requirements to establish a Pensions Board to assist the Administering Authority featured strongly on the Committee's agenda ensuring that the Administering Authority was in a position to meet regulatory requirements despite delays in the legislation being issued. In addition, the Committee considered the wider governance requirements being introduced including the role of the Pensions Regulator and the Code of Practice, work which is being carried forwards into the new municipal year.
- 3.2.2 In addition the Committee undertook a review of its Governance Policy and Compliance Statement ensuring that it was updated to reflect the new regulatory requirements. This has also involved the Committee considering and approving a new Training Policy and a Conflicts of Interest Policy in order to ensure that it is compliant with the new Code.
- 3.2.3 At the start of the municipal year, the Committee reviews the business plan for the year and also the longer term objectives for the Fund to ensure that they remain appropriate for the Fund.

Investments/Asset Allocation

- 3.2.4 The Fund benefitted from strength in asset classes over the year, with a positive year for all assets, equities, bonds and property to varying degrees, this was despite some volatility due to geopolitical concerns in the Ukraine and Middle East. Economic recovery continued in the US and UK boosted by lower oil prices and even European markets were showing some strength by the year end. The Committee continued to monitor the investment portfolios and the performance of the Fund Managers it employs on a quarterly basis. By the end of the financial year the Pension Fund had seen a rise in value of around 14% to £1,175m increasing from £1,029m at the end of March 2014.
- 3.2.5 Towards the end of the year, the decision was taken to invest £100m into a new multi-asset fund and an emerging market fund split 50/50. The review of possible options is currently underway and a decision on which specific funds to invest will be taken by Committee early in the new municipal year.

3.2.6 During the year 2014/15 the Pensions Sub-Committee met with investment managers employed by the Fund on a rolling programme with a series of meetings as set out below:

- UBS (Passive UK Equities) – December
- Wellington (Global Equities) – January

3.2.7 In addition to the meetings held with Fund Managers, the Committee has also reviewed the performance of all the managers and the overall performance of the Fund on a quarterly basis as well as reviewing the rolling annual performance. The Committee also looked in some depth at the impact of the currency hedging that the Fund has in place for its global equity portfolios.

3.2.8 The Committee approved an updated Statement of Investment Principles (SIP), which sets out the Fund's objectives, funding position and investment policies to reflect the asset allocation to multi-asset absolute return strategies during the year.

Stewardship and Corporate Governance

3.2.9 The Committee recognises that it has responsibilities as a shareholder in the underlying companies that it holds in the portfolio and considerable time and discussion has taken place on ways to improve the Funds stewardship arrangements including having a strategy meeting dedicated to the subject which included a training session on Fiduciary Responsibility and Responsible Investing.

3.2.10 As a result of the discussions held at the strategy meeting and at subsequent meetings the Committee have agreed to seek additional assurances from its managers on their approach to corporate governance and ethical and social considerations when they invest the Fund's money. It has reaffirmed its membership of the Local Authority Pension Fund Forum (LAPFF), which is a collection of Local Authority funds who by acting collectively are able to apply pressure to management of companies to try to improve their governance standards.

3.2.11 The Committee also confirmed that it wanted to be a signatory to the UK's Stewardship Code, which sets out how the Fund will approach its stewardship of companies. The Committee are also considering a range of other measures to enhance its approach to wider corporate governance, ethical and social issues.

Financial Monitoring including Annual Report and Accounts

3.2.12 At the Pensions Committee meeting on 25th June the Committee were presented with the Pension Fund Annual Report and Accounts for approval prior to audit. The Audit was reviewed at its meeting on 29th September confirming that there were no major issues with the accounts and that the auditors were satisfied with their findings.

3.2.13 A draft audit plan for the Pension Fund for the 2014/15 Financial Statements was considered at a meeting on 31st March 2015.

3.2.14 The Committee also received and approved the Pension Fund Annual Budget for 2015/16 and a review of the position for the budget for 2014/15 at its meeting on

the 31st March 2015. Quarterly budget monitoring was also undertaken during the year in order to better monitor the cashflow position of the Fund.

- 3.2.15 The Committee reviewed and approved an updated Treasury Management Strategy for the Pension Fund at its meeting in January.

Public Sector Pension Reform

- 3.2.16 CLG issued a consultation on structural reform of the LGPS which sought views on options around setting up collective investment vehicles for the LGPS, how many there should be and whether there should be enforced moves into passive equities. The Fund submitted a response, however, the Government has yet to provide its own response to the consultation which produced a large number of responses from funds and indeed the wider investment community. The Committee is ready to consider and react to future consultations. However, it is not simply waiting for future proposals, preferring instead to work collaboratively with other funds both in London and more widely to deliver efficiency savings for both Hackney and other LGPS funds.

Collaborative Working and the London CIV

- 3.2.17 The Pensions Committee has been kept informed of developments to establish the London Collective Investment Vehicle and has supported funding the establishment. This is now nearing a position where the vehicle will be regulated and available to accept funds. The establishment of the London CIV will offer the Fund opportunities for significant cost savings at the same time as providing opportunities to access a range of investment opportunities. However, the decision on how the Fund will invest and in which asset classes will very much remain with the Committee as the body responsible for the management of the Fund.
- 3.2.18 In addition the Committee has been kept informed of the work that the Fund has been involved in to establish National LGPS Frameworks for procurement, again delivering efficiency savings for the Fund and others. Indeed the Fund has used the National Frameworks to call off for procurement of a custodian for the Fund and for actuarial and benefits consultancy services during the municipal year.

Training

- 3.2.19 As part of the process of enabling Committee Members to fulfil their roles as quasi-trustees of the Pension Fund and the need to meet their fiduciary and regulatory responsibilities, the Committee were provided with a training session prior to each meeting. The CIPFA Knowledge and Skills Framework sets out in considerable detail the level of knowledge and skills that are expected of Committee Members who hold responsibility for the management of LGPS Funds, placing a considerable additional burden on ensuring that appropriate levels of training are available Committee Members.
- 3.2.20 The topics covered in the training programme for Members were provided in line with the Knowledge and Skills Framework to help ensure that the Committee are able to achieve high levels of the specialist knowledge required of them.

3.2.21 The topics covered during the year in line with the Knowledge and Skills Framework are outlined in the table below:

Dedicated Training	Date
LGPS and Pension Fund Fundamentals (KSF1,4,5 & 6)	25/06/14
Actuarial (KSF6)	29/09/14
Fiduciary Responsibility and Responsible Investing (KSF1,4 & 5)	01/12/14
Asset Allocation and De-Risking (KSF4,5 & 6)	14/01/15
Multi-Asset Investments/Strategies (KSF4 & 5)	31/03/15
Supplemental Training	Date
Regulatory – Discretions (KSF1)	29/09/14 & 14/01/15
Pension Fund Report & Accounts and Audit (KSF2)	25/06/14 & 29/09/14
Pensions Board (KSF1)	25/06/14
Currency Hedging (KSF5)	29/09/14
Actuarial & Benefits consultancy procurements (KSF3 & 6)	08/10/14
Global Equities (KSF5)	14/01/15
Longevity Monitoring (KSF6)	14/01/15
Pension Risk Register (KSF4)	14/01/15
Investment Update (KSF4 & 5)	31/03/15
Stewardship Code (KSF5)	31/03/15
Voting and Governance Overlay (KSF5)	31/03/15
The Pensions Regulator Code of Compliance (KSF1)	31/03/15
Strategy Meeting Supplemental Training	Date
Corporate Governance, Stewardship and ESG	01/12/2014

Ad-hoc Projects

3.2.22 The Committee also reviewed a number of other projects during the municipal year covering a range of topics as set out below:

- Pension Fund Risk Register – The Committee considered an updated Pension Fund Risk Register at its Committee meeting in January, ensuring a good understanding of the wider risks facing the Fund.
- Procurement – The Committee undertook a procurement exercise during the year for actuarial and benefit services and re-appointed Hymans as the Fund Actuary, but also appointed AON as benefits adviser to the Fund.
- Discretions – The Committee reviewed and approved the Administering Authority Discretions Policies following a number of minor changes and also reviewed and recommended changes to the Employing Authority Discretions Policies on behalf of the Council to the Corporate Committee.
- Policy Reviews – Both the Communications Policy and the Pensions Administration Strategy were reviewed and approved by the Committee during the year as part of a rolling programme to ensure that policy documents are reviewed on a regular basis and any necessary changes are considered and approved.

4. WORK PROGRAMME 2015/16

4.1 During the 2015/16 municipal year, the following reports are expected to be submitted to the Committee for consideration –

- The Pensions Regulator Code of Practice for Public Sector Pension Funds
- Investment decisions for a multi-asset fund and emerging markets fund
- Stewardship and Corporate Governance
- Report and Accounts 2015/16
- 2016/17 Budget
- Business Plan 2015/18
- Asset Allocation and Investment Strategy
- Quarterly monitoring – covering Funding, Budget, Investment, Administration
- Governance
- Procurement exercises to cover Pension Fund services
- Asset Allocation Review
- Fund Manager Reports
- Public Sector Pension Reform and Collaborative Working
- Regulatory changes and consultations
- Pension Fund Risk Register
- Training Programme
- Policy reviews

REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
The Pensions Regulator Code of Practice Compliance Checklist	Classification PUBLIC	Enclosures Two
	Ward(s) affected	AGENDA ITEM NO.
Pensions Board - 28th July 2015	ALL	8

1. INTRODUCTION

- 1.1 From 1st April 2015 the Pensions Regulator (TPR) has assumed responsibility for public service pension schemes with a range of oversight powers as well as a requirement to put in place codes of practice for public service pension schemes covering a number of areas relating to the management of schemes. The new Code of Practice for Public Service Pension Schemes came into force from 1st April and all schemes must now consider whether they comply with the Code.
- 1.2 In addition the Pensions Regulator issued a policy to cover compliance and enforcement for public sector pension schemes which sets out their approach to compliance with the Code and how they will support, monitor and enforce compliance where appropriate.

2. RECOMMENDATIONS

2.1 The Pensions Board is recommended to:

- **Note the contents of the Code of Practice and the measures in place to comply with the requirements under the Code and where further work is required and being undertaken.**

3. RELATED DECISIONS

- 3.1 Pensions Committee 14th January 2015 – Approval of Training Policy
- 3.2 Council 25th February 2015 – Approval of Establishment of Pensions Board
- 3.3 Pensions Committee 31st March 2015 – Conflicts of Interest Policy
- 3.4 Pensions Committee 31st March 2015 – TPR Code of Compliance Checklist
- 3.5 Pensions Committee 24th June 2015 – Risk Management and Internal Controls Policy, Reporting Breaches Procedure and the Pensions Regulator Code of Practice and Compliance

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 In recent years there has been much greater focus on whether the governance of LGPS pension funds is appropriate. The introduction of local Pension Boards and requirements to demonstrate appropriate levels of knowledge and skills from those charged with governance of the Pension Fund are just two areas where this focus has been seen. The TPR's greater legal powers of oversight extend this further and the Code of Practice is a useful means to understand what good practice looks like in these areas.
- 4.2 A good standard of governance is crucial in minimising the key risks involved in managing the Pension Fund. Although there are clear benefits for many schemes

of the greater oversight powers that have been given to TPR, ensuring compliance with these areas and the much greater focus on governance results in additional work for officers and advisers of the Fund. Any costs associated with delivering the requirements of this Code and the related legal changes are immaterial in the context of the Pension Fund and any such costs are recharged to the Pension Fund.

- 4.3 The Pensions Regulator's Policy on compliance and enforcement sets out his powers and the consequences of not meeting the requirements under the Code which could have financial consequences and could in extreme cases lead to financial penalties.

5. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The responsibilities given to the Pensions Committee, Pension Board members and senior officers in respect of the management of the Pension Fund are both broad and onerous. The responsibilities are exercised in a legal framework that is both complex and changing.

- 5.2 The extended powers of TPR and his Code of Practice for Public Service Pension Schemes require a high standard of governance in the management of the Fund and it is appropriate that a procedure is put in place to ensure we adhere to these requirements. The compliance checklist that has been developed will assist in this regard and allow the Pensions Board to monitor the requirements on an ongoing basis.

- 5.3 Not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Pension Fund. In addition, where scheme managers or pension boards fail to address poor standards and non-compliance with the law, TPR will consider undertaking further investigations and taking regulatory action, including enforcement action.

- 5.4 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 Whilst the Code of Practice and the Fund's review of its compliance with the Code have been reviewed by the Pensions Committee and form part of the Committee papers which have been provided the Pensions Board, the significance of the Code for the Pensions Board should not be underestimated. The Compliance checklist will assist the Pension Board in gauging how well the Fund is meeting a range of regulatory requirements and help it fulfil its role to assist the Scheme Manager in ensuring compliance with the regulations.

- 6.2 TPR finalised its 14th Code of Practice in January following a consultation with interested parties on the original draft and the Regulator's new powers under the Public Services Pensions Act 2013 (the 2013 Act).

- 6.2 Although following the code itself is not a regulatory requirement, should TPR identify a situation where the legal requirements are being breached, he will use the code as a core reference document when deciding appropriate action.

- 6.3 The matters covered by Code 14 are:
- knowledge and understanding for members of pension boards;
 - conflicts of interest;
 - publication of information about pension boards, governance and administration;
 - internal controls;
 - record-keeping;
 - late payment of employer and employee contributions;
 - information about member benefits and disclosure of information to members;
 - internal dispute resolution, and
 - reporting breaches of the law.
- 6.4 Given the legal powers that have now been placed on TPR and the increasing focus on the governance of public service pension schemes, it is appropriate to consider whether the management of the London Borough of Hackney Pension Fund meets the overriding legal requirements and the recommended ways of working outlined in TPR's Code of Practice. Indeed there are a number of areas, where the Fund is only able to confirm compliance with the first meeting of the Pensions Board, for example whether Pension Board Members have been provided with key documents, do they understand their responsibilities in respect of training and understanding of the Pension Fund. It is anticipated that following the meeting of the Pensions Board, the compliance checklist can be further updated to provide more areas where the Fund is able to demonstrate compliance.
- 6.5 The compliance checklist has been completed with reference to the London Borough of Hackney and Members are able to identify from the checklist where the Administering Authority and the Pension Fund are able to demonstrate compliance with the Code. There remain a number of areas currently under development or where further improvements are required. The full checklist is attached for review by the Board. As can be seen in most areas, the Fund is able to demonstrate high levels of compliance with the Code and these are highlighted in green. There are a few areas which are showing as amber meaning that there remains some further work to do to reach compliance. At this stage there is only one area where the Fund is failing to meet the Code and this is shown as red on the checklist and this relates to developing a formalised escalation process for late contributions, where the practice is that these are chased by Equiniti and only passed to Hackney after Equiniti have failed to get a response. This process will now be formalised with a clear policy setting out the process. Members will also note that in some instances there are issues with obtaining information from employers including the Council. The Pensions team within Financial Services works hard to liaise with employers and to emphasise the importance of timely notification of scheme member changes, including new joiners and leavers and accurate contribution information. The introduction of the new LGPS 2014 led to some significant issues in terms of additional complexity both for employers and for the pension administrators and this has led to additional problems. We are aware that this is not an issue specific to the London Borough of Hackney Pension Fund and that the introduction of the new Scheme has led to significant backlogs in other funds. We continue to work hard with employers to resolve issues and ensure that scheme membership data is accurate and up to date.
- 6.6 Also attached to this report is tPR's compliance and enforcement policy for public sector pension schemes issued at the start of June, which takes immediate effect

and applies to the LGPS as well as other public sector schemes and underlines the fact that tPR is now a full time scrutiniser of the LGPS Funds. In terms of ensuring compliance this regime sets out the areas covered by the Code as being areas that the Regulator wants to ensure that funds are compliant with. The Regulator is now able to investigate any issues and is likely to conduct surveys and will also pick up on other sources to review including fund data, scheme returns, media analysis and reports. The policy makes clear that the Regulator now has real powers to investigate and intervene in funds where standards are seen as not complying with the regulations.

- 6.7 The Pensions Board will be provided with a further update on the progress for the compliance checklist at its meeting in January and it is intended to keep the checklist under review on an annual basis.
- 6.8 Given the importance of the Code and the increased role of the Pensions Regulator in respect of public sector schemes, it was felt appropriate to include this as a separate paper for the Pensions Board to highlight its importance to the Board and to help the Board in being able to demonstrate compliance with the regulations.

Ian Williams

Corporate Director of Finance & Resources

List of appendices:

Appendix 1- The Pensions Regulator's Code of Practice – Compliance Checklist

Appendix 2- The Pensions Regulator's Compliance and Enforcement Policy for Public Service Pension Schemes

Background papers: None

Report Originating Officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

Compliance and enforcement policy for public service pension schemes

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1. Introduction

The Pensions Regulator (the regulator) was established under the Pensions Act 2004 (the 2004 Act) as a non-departmental public body, sponsored by the Secretary of State for Work and Pensions, to regulate work-based pensions.

The Public Service Pensions Act 2013, together with the Public Service Pensions Act (Northern Ireland) 2014, introduces an expanded role for the regulator in overseeing the major work-based pension schemes for those working in the public services throughout the UK. Our expanded role includes regulating public service schemes in relation to the new governance and administration requirements introduced by those Acts¹.

This policy sets out our approach to compliance and enforcement in relation to public service pension schemes, which are those principally covering civil servants, the judiciary, local government workers, teachers, health service workers, fire and rescue workers and members of police and armed forces. It describes our expectations for compliance with relevant legal requirements and how we will proceed in cases of non-compliance, including when we may use our enforcement powers.

This document sits under our approach to regulating work-based pensions and our public service regulatory strategy. We refer throughout to provisions of English law. References to provisions of English legislation which do not apply to Northern Ireland or Scotland should be read as references to the provisions of any corresponding Northern Ireland and Scottish legislation.

1
The Public Service Pensions Act 2013 (in NI, the Public Service Pensions Act (Northern Ireland) 2014) introduces new requirements about the governance and administration of public service pension schemes and extends our regulatory responsibility, including by making amendments to the 2004 Act (in NI, the Pensions (Northern Ireland) Order 2005).

1.1 Approach to regulation of public service schemes

Our public service regulatory strategy sets out how we approach the regulation of public service schemes in light of our statutory objectives. We aim to ensure that all schemes meet the new governance and administration requirements as soon as possible.

Our primary focus will be on educating and enabling schemes to improve standards of governance and administration and comply with legal requirements. We will also be developing our own systems and processes to enable us to better monitor standards, assess where schemes are falling short and best direct our resources to enable them to improve standards and become compliant. We will share this information with the public service schemes to enable them to understand how they are performing alongside their peers.

Public service pension schemes have a total membership of around 13 million and there are approximately 25,000 participating employers spanning the public, private and third sectors. These reforms are significant and those involved with public service schemes face complex and challenging conditions. There are new governance and administration requirements and therefore there may be some scheme managers and pension board members who will fail to comply with the duties because they have not fully understood them. In these cases, we will focus on working with schemes in the early stages of the new regulatory regime to help them become compliant.

We expect those involved in the governance and administration of public service schemes to comply with the law and strive to deliver good outcomes for members, recognising that governance and administration standards and practices impact upon the overall service provided to members and other beneficiaries throughout their membership, including the payment of the correct benefits to the right people at the right time.

However, we are aware that there may be situations where some schemes do not fulfil their responsibilities. We regard failures to address poor standards and non-compliance with the law as unacceptable. Should a scheme manager or pension board member (or other person responsible for complying with legal requirements) fail to comply with their legal requirements under pensions legislation, we may select from one or more of our enforcement options. These range from statutory compliance notices and monetary penalties, to criminal prosecution.

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1.1 Approach to regulation of public service schemes continued...

We expect scheme managers, assisted by pension boards as appropriate, to:

- ▶ identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
- ▶ develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
- ▶ demonstrate implementation of their plan.

Most of our activities will be focused on educating and enabling schemes to improve standards of governance and administration – particularly in the early stages of the new regulatory regime as schemes reform and adapt to meet the new legal requirements. We will focus on:

- ▶ promoting the public service code of practice and educational tools for public service schemes
- ▶ surveying schemes to understand the extent to which they are meeting the standards and practices we expect
- ▶ engaging with schemes to understand how they are addressing poor standards and non-compliance through the development and implementation of improvement plans, focusing on key risk areas, and
- ▶ undertaking thematic reviews, focusing on key risk areas, to gather information in relation to a particular issue or set of issues and report back to our regulated community about best practice and risks.

Where scheme managers or pension board members fail to address poor standards resulting in non-compliance with the law, we may consider escalating our activities and taking enforcement action.

In considering whether to use our regulatory powers, including any enforcement action, we will take into account all of the circumstances and will act fairly and proportionately.

We will keep this policy under review and update it as required.

1.2 Who does this policy relate to?

This policy relates to public service pension schemes established under the Public Service Pensions Act 2013 and Public Service Pensions Act (Northern Ireland) 2014, new public body pension schemes and other statutory pension schemes which are connected to those schemes. It is not relevant to schemes in the wider public sector which are not public service pension schemes within the meaning of section 318 of the Pensions Act 2004 or Article 2 of the Pensions (Northern Ireland) Order 2005.

This policy is relevant to anyone who has legal requirements or responsibilities relating to the management or administration of a public service pension scheme, or where those responsibilities have been delegated or outsourced – for example scheme managers, pension boards and administrators. It is also relevant to anyone else who could be subject to any of our statutory powers of investigation and enforcement, such as employers and professional advisers.

2. Risk framework

2.1 Our approach to risk in relation to public service pension schemes

In this section, we explain how we will take a risk-based and proportionate approach. A key aspect underpinning our approach is how we will identify and respond to risks and prioritise our activities. In setting our strategic approach to regulating public service schemes, we are primarily guided by two of our five statutory objectives:

- ▶ To protect the benefits of members of occupational pension schemes, and
- ▶ To promote, and to improve understanding of, the good administration of work-based pension schemes.

All public service schemes must be governed and administered in accordance with the requirements of the law. Across all public service schemes, governance and administration standards and practices impact upon the overall service provided to members and other beneficiaries, including the payment of benefits.

Code of practice 14² provides practical guidance for schemes to support them in improving standards of governance and administration and complying with the legal requirements. In considering where to focus our resources on improving standards we will initially concentrate on the risks we have identified as posing the greatest threats to the effective governance and administration of public service schemes and legal requirements not being met, as well as the protection of member benefits where relevant.

We will ensure that any action we take is proportionate and evidence-based. While our key risk areas will be consistent across all public service schemes, what we consider to be tolerable at a particular point in time may vary. We will develop internal risk assessment processes, which will support our operational activity and ensure we are targeted and proportionate. We will ensure our approach to managing risk is proportionate and consistent by obtaining and analysing information from a variety of sources in order to maintain an informed strategic view across public service schemes. This will enable us to:

- ▶ swiftly detect patterns and causes of potential non-compliant behaviour, and
- ▶ establish and maintain effective risk assessment processes to direct and inform our activities.

² The Pensions Regulator is required to issue a code of practice relating to the following specific matters: i) Knowledge and understanding required by pension board members, ii) Conflicts of interest and representation, iii) Information to be published about schemes, iv) Internal controls, v) Scheme record-keeping, vi) Maintaining contributions, vii) Information to be provided to members, viii) Internal dispute resolution and ix) Reporting breaches of the law (section 90A of the 2004 Act).

2.2 Monitoring and reviewing our compliance activities

Gathering information

In order to maintain an informed strategic view, we will identify, obtain and analyse information from a variety of sources, which may include:

- ▶ scheme returns
- ▶ enquiries and reports we receive
- ▶ media analysis
- ▶ horizon scanning
- ▶ intelligence reports
- ▶ internal and external research, and
- ▶ exchange of information with key parties.

We are required to maintain a register of scheme information which forms the bedrock of information about schemes. We will assist managers for new public service schemes which have arisen out of the new legislation, to meet the legal requirement to register with us and we plan to introduce a bespoke version of the statutory scheme return for all public service schemes. This will request 'registrable information'³ (including information about the scheme, managers of the scheme and employers linked to the scheme) as well as other information which we may reasonably require to exercise our functions.

We plan to engage with schemes in the early stages of the new regulatory regime. While these interactions are primarily intended to enable schemes to raise standards of governance and administration and comply with the legal requirements, we will also gather information. This will be used to inform the risk-based prioritisation of our regulatory activities.

We will conduct an annual governance and administration survey with schemes to understand the extent to which they are meeting the standards and practices we expect. The first survey, which we plan to conduct in 2015, will comprise of a short online questionnaire. This will serve as an enablement tool for schemes and will help inform our risk assessment processes.

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³ 'Registrable information' is certain information relating to a scheme specified in section 60 of the 2004 Act. Managers must provide this information when registering a scheme and keep it up to date. The regulator must ask for this information in scheme return notices and record it in the register of pension schemes.

2.2 Monitoring and reviewing our compliance activities continued...

Generally, we do not expect to specify how schemes should evidence any improvement activities, although we may seek or require information in a certain format on a case-by-case basis. Wherever possible, we will seek to make use of information that has already been gathered or reported by a scheme, to avoid duplication and unnecessary burdens. We will be proportionate in our activities, focusing on key areas that will help managers and others involved with public service schemes to improve governance and administration standards and comply with the law, and we will consistently work to minimise burdens on schemes.

Reporting breaches of the law

People involved in running or advising public service schemes are required by statute to report 'materially significant' breaches of the law to us under section 70 of the Pensions Act 2004. Those people include scheme managers, members of pension boards, anyone else involved in the administration of a scheme, employers, professional advisers and anyone who is otherwise involved in advising the scheme manager in relation to the scheme. Our public service code of practice provides guidance on how to assess 'material significance'.

We expect whistleblowers to follow our guidance on reporting breaches, which requires two key judgements:

1. Does the reporter have reasonable cause to believe there has been a breach of the law?
2. If so, does the reporter believe the breach is likely to be of material significance to The Pensions Regulator?

Receiving a report of a breach will not necessarily result in enforcement action. It may inform our education and enablement activities or the focus of a thematic review. In line with our risk framework, we will initially concentrate on the risks we have identified as posing the greatest threats to the effective governance and administration of public service schemes and legal requirements not being met, as well as the protection of member benefits where relevant. We will assess reports against a range of risk factors to determine the best course of action.

continued over...

2. Risk framework

2.2 Monitoring and reviewing our compliance activities continued...

Whistleblowing is an important component in our public service monitoring activity. We understand that when an individual provides information to us it may have a potential impact on the relationship between them and those to whom they report, particularly in the case of a scheme manager and member of a pension board. Individuals can always opt to report anonymously to us. However, having an individual's contact details is useful in case we need to ask for more information so we can investigate the concerns raised.

The Employment Rights Act 1996 provides certain protection for employees and workers making a whistleblowing disclosure to us. We will seek to protect a reporter's identity (if requested) and will not explicitly disclose the information except where lawfully required to do so. We will take all reasonable steps to maintain confidentiality, but we cannot give any categorical assurances as the circumstances may mean that the identity of a reporter becomes apparent during the course of an investigation, or we may be ordered by a court to disclose it. We will ensure that individuals who provide information have a specific point of contact and any witnesses are supported throughout our process.

2.3 Risk-based prioritisation

When undertaking risk assessment, we will focus on risks in the following critical areas:

▶ **Knowledge and understanding⁴**

Members of pension boards must comply with the requirement to have the appropriate knowledge and understanding, to be able to assist their scheme manager effectively. Failure to do so is a breach of law.

4
As required under section 248A of the 2004 Act.

▶ **Conflicts of interest⁵**

Scheme managers must ensure that pension board members do not have any conflicts of interest. A failure to do so is a breach of the law and could, for example, result in the advice and/or decisions of the pension board being open to challenge and, ultimately, the ineffective governance of the scheme.

5
Scheme regulations must require scheme managers to be satisfied that pension board members do not have a conflict of interest (section 5(4) of the Public Service Pensions Act 2013).

▶ **Records⁶**

Legislation specifies the records that must be kept and failure to comply is a breach of the law. The completeness and accuracy of these records will be key to the effective and efficient operation of schemes, including ensuring that the right benefits are paid to the right person at the right time. This will be supported by operating appropriate internal controls.

6
Section 16 of the Public Service Pensions Act 2013 and the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 (in particular).

▶ **Internal controls⁷**

Scheme managers must establish and operate internal controls. Failure to comply with this requirement is a breach of the law and it may also result in schemes not being run in accordance with the law and/or risks not being identified, mitigated and managed properly.

7
Section 249B of the 2004 Act.

▶ **Member communication⁸**

The quality of the information provided to members in terms of accuracy, timeliness and clarity is an important factor in achieving good member outcomes. Failure to comply with disclosure requirements is a breach of the law and may indicate incomplete or inaccurate record-keeping and/or inadequate internal controls.

8
Section 14 of the Public Service Pensions Act 2013, section 113 of the Pension Schemes Act 1993 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (in particular).

▶ **Dealing with internal disputes⁹**

Where we become aware of matters that are raised under internal dispute resolution procedures, this can be an indicator of wider systemic issues which may impact the effective governance and administration of schemes.

9
Dispute resolution procedures must be made and implemented in accordance with section 50 of the Pensions Act 1995.

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2. Risk framework

2.2 Risk-based prioritisation continued...

In prioritising risk-based regulatory activities, we will consider factors such as schemes' ability and willingness to put matters right and the likely impact of the various types of intervention available to us.

We will adopt a 'test and learn' approach to investigations and regulatory action in relation to public service pension schemes. We plan to use a governance and administration survey, conducted in 2015, to baseline standards and monitor improvement in the following years. We will also learn through our early scheme engagements and feed that learning into the development of our risk-based approach.

3. Our activities to support compliance and enforcement

3.1 Education and enablement

In addition to Code of practice 14 providing practical guidance for schemes to support them to improve standards of governance and administration and comply with the legal requirements on how to comply with regulations, we will produce specific guidance for schemes through educational tools.

These will include e-learning modules aligned to the themes covered in code of practice 14, such as conflicts of interest, managing risk, internal controls and maintaining accurate member data.

We expect scheme managers and pension boards to make use of educational tools and products, whether they are products the regulator has provided, or others. This will help schemes address gaps in knowledge and understanding and assist in compliance. We will consider requests for us to attend training sessions for board members, although we will not lead these sessions.

The practical guidance in Code of practice 14 and the educational tools we have developed may also be used by employers and others to understand the legal requirements of the Public Service Pensions Acts and how their role may be relevant in helping scheme managers comply with them.

We will engage with scheme managers and pension boards to understand how they are addressing poor standards and non-compliance through the development and implementation of improvement plans, focusing on key risk areas.

We will encourage and facilitate those involved with different public service schemes to learn from each other via peer support, challenge networks and action learning sets. We will share best practice that we see as part of these engagements, working with scheme advisory boards, as appropriate, where they have a remit to promote best practice.

We plan to annually survey schemes to assess the extent to which they are meeting the standards and practices that we expect. We intend to publish the results of our surveys and encourage schemes to use the findings to review and refresh systems and controls, monitor risks and prioritise actions.

3.2 Thematic reviews

We will undertake thematic reviews, focusing on key risk areas, to gather information in relation to a particular issue or set of issues. The main purpose of these reviews will be to report back to our regulated community about best practice and risks. They will also improve our understanding of public service schemes and key risk areas, which will inform our activities and enable us to provide targeted and proportionate support.

Thematic reviews across all or part of the public service scheme landscape will be a particularly useful way for us to engage and communicate efficiently with the numerous scheme managers and pension boards of the locally administered schemes. Where appropriate, they will also enable us to engage and communicate with those to whom legal requirements or responsibilities relating to the management or administration of a public service pension scheme apply, or have been delegated or outsourced – for example, employers, administrators and professional advisers.

Selecting a theme for review

We will select the theme for each review based on key risk areas and issues that are identified through different channels, including:

- ▶ educating and enabling activities
- ▶ enquiries and reports we receive
- ▶ horizon scanning
- ▶ intelligence reports
- ▶ information from key parties, which may include scheme advisory boards
- ▶ media analysis.

We may select a theme based on a particular risk area such as record-keeping or internal controls, in order to understand practices in a particular area and help us develop our ongoing regulatory work.

Alternatively, we may choose to focus a review on a particular segment of public service schemes – for example, funded or unfunded, locally or centrally administered schemes – or groups involved in the management or administration of schemes such as scheme managers, pension boards, employers or administrators.

Participation in the review

Where we commence a review, we will expect scheme managers, pension boards and any other parties involved in the management or administration of public service schemes to respond to all requests for information or provide an explanation as to why they can't or won't supply the information. We expect to be able to gather the information on a voluntary basis, but if needed, we may also consider using our formal information-gathering powers under section 72 of the 2004 Act.

3.3 Enforcement

We may become aware of breaches of the law, or significant risks of breaches and a failure to address them, by any of the ways in which we gather information, as well as enquiries or reports we receive.

Actual or potential breaches may be identified via engagement with schemes, thematic reviews or reports. Where an actual or potential breach is identified, we will assess the risk and decide how to proceed.

We expect scheme managers, assisted by pension boards as appropriate, to:

- ▶ identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
- ▶ develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
- ▶ demonstrate implementation of their plan.

Generally, we expect to educate and enable scheme managers and pension board members, so they comply with legal requirements. However, where scheme managers or pension boards fail to address poor standards and non-compliance with the law within a reasonable time period, we will consider escalating our activities, undertaking further investigations and taking regulatory action where there has been a breach of pensions legislation. In certain circumstances we may consider it appropriate to go straight to enforcement action. Further information about how we undertake investigations, our powers and our decision-making process can be found in the Appendix on page 16.

A number of our powers extend to third parties such as employers, for example the power to provide information, education and assistance, or to issue third party notices when we believe a breach by a person is, wholly or partly, a result of a failure of another person.

Appendix

Our regulatory powers and decision-making process

Undertaking investigations

Where we investigate, we may need to make some further enquiries to gather evidence, including for those schemes where we have already made information requests as part of a thematic review. This could include assessing the individual circumstances, the context of any breach of the law, any factors which may affect a decision to take enforcement action and the form that enforcement action might take.

We may seek information, documentation or an explanation from scheme managers and/or pension boards or any other relevant person. A reasonable period of time will be allowed for a response to be provided, taking into account the complexity and amount of information requested and the breach to which it relates.

Before making decisions, we may ask scheme managers and/or pension boards to provide us with information or other evidence of compliance with legal requirements. This may include (but is not limited to) copies of:

- ▶ pension board meeting minutes
- ▶ pension board training plans or logs
- ▶ registers of interest
- ▶ risk registers
- ▶ third party contracts and service level agreements
- ▶ scheme-approved policies and procedures
- ▶ stewardship reports
- ▶ statements of assurance
- ▶ audit reports
- ▶ annual reports and accounts.

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Appendix continued...

Undertaking investigations continued...

We may also contact other persons or third parties if we believe they may be in possession of relevant information or documents. These parties may include:

- ▶ third parties giving advice or providing business services to scheme managers and/or pension boards, and
- ▶ participating employers.

We may gather information through written requests, telephone calls or face-to-face meetings.

All information and evidence gathered during an investigation which amounts to personal data will be held securely and disposed of in accordance with the Data Protection Act 1998. We will disclose information only where we can lawfully do so and in line with the 2004 Act¹⁰ and the Data Protection Act 1998, which govern the disclosure of information we receive in the exercise of our statutory functions.

Any investigation activity will only be undertaken when it is proportionate and reasonable to do so. We will record our decision-making and the justification for our actions and we will assess the risk of each case to ensure the appropriate course of action is taken. Investigations will be conducted in line with our legal obligations including compliance with the Human Rights Act 1998 and the Equality Act 2010.

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10
Sections 82 to 87
of the 2004 Act.

Statutory information-gathering powers

While we expect to be able to gather information on a voluntary basis, where a person fails to respond to information requests without explanation, or we otherwise consider it necessary, we may consider using our formal information-gathering powers.

Under section 72 of the 2004 Act, we can require any person to provide information, or produce any documents in the manner, place and period as specified in the notice.

If we consider it necessary and to be a reasonable and proportionate way of obtaining the relevant information we need during an investigation, we can enter premises at any reasonable time (potentially including those of an employer or other third party) and conduct an inspection for the purpose of investigating whether scheme managers and pension boards have not complied, or are not complying, with certain legislative provisions, as set out under section 73(2) of the 2004 Act.

We may conduct an inspection where we have reason to believe the information could not be obtained under a section 72 request as the information or documents may be destroyed or altered. In these circumstances, we may decide to inspect premises without prior notice and arrive at premises unannounced.

Where a person does not have access to the documents or the information requested in the section 72 notices or they require a longer period in which to locate or gather together the requested information, they should tell us, otherwise sanctions may be imposed for non-compliance with the notice¹¹. We will not refuse reasonable requests for an extension of time without good reason.

Where there is a failure to comply with a section 72 notice without reasonable excuse, we may consider criminal prosecution under section 77, or if false or misleading information is provided, under section 80 of the 2004 Act.

We may also consider the use of a 'Skilled Persons' report under section 71 of the 2004 Act. Provided the appropriate conditions are met, we may also use our powers to apply for a warrant under section 78 of the 2004 Act.

11
Section 77 of
the 2004 Act.

Deciding whether to take enforcement action

Once we have completed our investigations, we will determine what, if any, action should be taken in relation to a particular breach of the law, including enforcement action where there has been a breach of pensions legislation. Where enforcement action is undertaken, we will follow our case team and Determinations Panel procedures¹² which describe how determinations on cases are made and how they can be appealed.

In deciding our approach and whether to take enforcement action in relation to a breach of pensions legislation, we will take into account factors such as the immediacy and materiality of the risk or issue, or the reaction of the parties involved. We will focus on the outcome that the action would provide.

The factors we will consider when deciding whether or not to take enforcement action will vary on a case-by-case basis. However, a key factor will be the extent to which scheme managers, assisted by pension boards as appropriate, have taken steps to:

- ▶ identify and understand the root causes of an issue which is resulting in poor standards of governance and administration and non-compliance with legal requirements
- ▶ develop an improvement plan which will address the root causes of that issue within a reasonable time period, and
- ▶ demonstrate implementation of their plan.

continued over...

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Available at: www.tpr.gov.uk/procedures

Deciding whether to take enforcement action continued...

Some general examples of other factors are provided below. These examples are not exhaustive, nor are they prescriptive or weighted in any way:

- ▶ The number of members affected.
- ▶ The extent to which there is a systemic problem.
- ▶ The financial impact on individual and/or groups of members.
- ▶ The severity and duration of the breach.
- ▶ Whether the breach could have easily been prevented.
- ▶ The degree to which practices relating to the breach in question are inconsistent with Code of practice 14.
- ▶ Whether the scheme manager or pension board has deliberately sought to conceal their non-compliant behaviour by giving false or misleading information to members and/or us.
- ▶ Whether members of pension boards are able to demonstrate that they have adequate knowledge and understanding and have training plans in place.
- ▶ Reaction of the scheme manager and pension board once the non-compliance has been brought to their attention. For example:
 - the speed and co-operation shown to resolve any issues brought to their attention
 - whether they accept responsibility for the non-compliance or demonstrate negative/non-compliant entrenched behaviours, and
 - willingness to engage and co-operate with us.
- ▶ The track record of the scheme manager and/or pension board in complying with their duties and obligations, and
- ▶ Evidence of dishonesty or wilful failures to comply.

Deciding what enforcement action to take

Our enforcement options derive from legislation. We may select from one or more enforcement options, which range from statutory compliance notices and monetary penalties to criminal prosecution.

Our enforcement powers can variously be applied to scheme managers, members of pension boards, employers or third parties such as administrators. We will ensure that we act in accordance with all our legal obligations, including those contained within the Data Protection Act 1998 and Human Rights Act 1998.

Statutory notices

If we believe that a breach of pensions legislation has occurred (as defined in section 13 of the 2004 Act) and that a statutory remedy is needed to secure compliance, we can issue statutory notices to scheme managers, pension board members or third parties, such as participating employers or outsourced payroll providers.

There are specific rules governing the use of different statutory notices. They may be used to direct a person to take, or not to take, specific actions within a specified timeframe. We will consider the circumstances in each case when deciding the most appropriate course to achieving compliance. We may consider the following interventions:

- ▶ Under section 13 of the 2004 Act, we may issue an Improvement Notice requiring specific action to be taken within a certain time, if a person has contravened pensions legislation. An Improvement Notice may direct compliance with a code of practice and will be preceded by a Warning Notice under section 96 of the 2004 Act.
- ▶ Under section 14 of the 2004 Act, we may issue a Third Party Notice requiring specific action to be taken (or to be refrained from being taken) within a certain time. This notice may be issued when we believe a contravention of pensions legislation is, wholly or partly, a result of a failure of another person (as defined in section 13 of the 2004 Act) and will be preceded by a Warning Notice under section 96 of the 2004 Act.

Non-compliance with a statutory notice may result in a penalty.

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Civil penalties

We may impose a penalty under section 10 of the Pensions Act 1995. The maximum amount of a penalty in relation to each breach is £5,000 in the case of an individual and up to £50,000 in any other case.

Other statutory powers and orders

We have a variety of statutory powers, which include the following:

- ▶ **Power to recover unpaid contributions**
If an employer does not make a contribution payment towards an occupational or personal pension scheme on or before the due date, we may, on behalf of the scheme manager, exercise such powers as the scheme managers have to recover that contribution payable under section 17 of the 2004 Act.
- ▶ **Power to appoint a skilled person**
Under section 14A of the 2004 Act, we can assist a pension board in the discharge of its functions where we consider it desirable for the purpose of ensuring compliance with pensions legislation (within the meaning given in section 13 of the 2004 Act). The pension board must have regard to the advice of the skilled person and their costs will be met by the scheme manager.

Publishing the outcome of activity

We may publish reports of our regulatory activities in order to encourage learning and show lessons learned through our work. A decision to publish a report (under section 89 of the 2004 Act) will be taken on a case-by-case basis in line with our publication policy. We will usually engage with those directly involved in advance of publication.

Publishing the outcomes of our regulatory activities is an important way of encouraging improved standards and practices. Publication also raises awareness of the risks to the good governance and administration of schemes and should assist others in avoiding problems.

Publication also enables third parties to understand how their actions may have an impact on schemes. We put great emphasis on preventing problems from occurring, providing guidance to build good practice in collaboration with the regulated community.

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Free online learning for those running public service schemes

Compliance and enforcement policy for public service pension schemes

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The Pensions
Regulator

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The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Date of Completion - 10/6/2015

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Introduction

This document outlines how Hackney Council complies with the Pensions Regulator's (TPR) Code of Practice No 14 Governance and administration of public service pension schemes ('the TPR Code') in relation to the management of the London Borough of Hackney Pension Fund which is part of the Local Government Pension Scheme (LGPS). It will be updated regularly by officers of the Fund and reported annually to the Pensions Committee and Pension Board (generally in June/July each year).

This document highlights all the key elements of the TPR Code and then evidences whether Hackney Council meets these areas of best practice. As part of this evidence it shows when the element was last checked and whether, at that point, it was considered fully, partially or not compliant. Where they are partially or not compliant, it also highlights whether the Council have identified actions to be carried out to improve their current practices. Where an element is not yet active, the commentary will generally still highlight where advanced progress is being made.

Those reading this document should be mindful that the TPR Code applies equally to all public service pension schemes and therefore it is generic in nature. There may be a number of elements that are more specifically stipulated within LGPS legislation and it is not the purpose of this compliance checklist to consider that level of detail.

Further, Hackney Council may also incorporate key elements of national guidance from the LGPS Scheme Advisory Board into this compliance checklist. This version contains the checklists included as part of the Shadow Scheme Advisory Boards "Guidance on the creation and operation of Local Pension Boards in England and Wales".

Key

Frequency of review and last review date: Where a process, policy or practice is officially reviewed at a set interval, the actual interval will be shown as well as the last interval date. However, in many circumstances processes and procedures are ongoing and part of the day – to – day operation of the Fund. In these circumstances, an annual check will be carried out to ensure that the ongoing process meets the TPR Code expectations and therefore the date shown will be the date that annual check was carried out and the frequency will be shown as “ongoing (annual check)”.

Completed:

Fully completed
In progress
Not started
Not yet relevant

Compliant:

Fully compliant
Partially compliant
Non-compliant
Not yet relevant

Where responsibility relates to employers:

Employers - Fully compliant
Employers - Partially compliant
Employers - Non-compliant
Not yet relevant

Definitions:

<i>PSPA13</i>	Public Service Pensions Act 2013
<i>LGPS</i>	Local Government Pension Scheme
<i>TPR</i>	The Pensions Regulator
<i>TPR Code</i>	The Pensions Regulator's Code of Practice No 14 Governance and administration of public service pension schemes
<i>Scheme Manager</i>	For the London Borough of Hackney Pension Fund, this is Hackney Council.
<i>Administering Authority</i>	The LGPS specific term for Scheme Manager. For the London Borough of Hackney Pension Fund, this is Hackney Council.
<i>IDRP</i>	Internal Dispute Resolution Procedure
<i>SAB</i>	The national LGPS Scheme Advisory Board
<i>PC</i>	Pensions Committee
<i>PB</i>	Pension Board

Summary Results Dashboard

No.	Completed	Compliant
Reporting Duties		
A1	Green	Green
A2	Grey	Grey
A3	Green	Green
A4	Green	Green
Knowledge & Understanding		
B1	Green	Green
B2	Green	Green
B3	Grey	Grey
B4	Green	Green
B5	Grey	Grey
B6	Grey	Grey
B7	Green	Green
B8	Grey	Grey
B9	Grey	Grey
B10	Grey	Grey
B11	Grey	Grey
B12	Grey	Grey
Conflicts of Interest		
C1	Green	Green
C2	Grey	Grey
C3	Grey	Grey

No.	Completed	Compliant
C4	Grey	Grey
C5	Green	Green
C6	Grey	Grey
C7	Grey	Grey
C8	Grey	Grey
C9	Grey	Grey
C10	Green	Green
C11	Yellow	Grey
Publishing Scheme Information		
D1	Grey	Grey
D2	Grey	Grey
D3	Grey	Grey
D4	Grey	Grey
Risk and Internal Controls		
E1	Green	Green
E2	Green	Green
E3	Green	Green
E4	Green	Green
E5	Green	Green
E6	Grey	Grey
E7	Green	Green
E8	Green	Green

	Maintaining Accurate Member Data	
F1	Green	Green
F2	Green	Green
F3	Green	Green
F4	Grey	Grey
F5	Grey	Grey
F6	Green	Green
F7	Green	Green
F8	Green	Yellow
F9	Green	Green
F10	Green	Yellow
F11	Green	Green
Maintaining Contributions		
G1	Green	Green
G2	Green	Green
G3	Green	Yellow
G4	Green	Green
G5	Green	Yellow
G6	Green	Green
G7	Green	Yellow (Employers)
G8	Green	Red
G9	Green	Green
Providing Information to Members and Others		

No.	Completed	Compliant
H1	Green	Yellow (Employers)
H2	Grey	Grey
H3	Green	Green
H4	Green	Yellow
H5	Green	Green
H6	Green	Green
H7	Green	Yellow (Employers)
H8	Green	Yellow
H9	Yellow	Grey
H10	Yellow	Grey
H11	Green	Green
H12	Yellow	Green
H13	Green	Yellow
Internal Dispute Resolution		
I1	Green	Green
I2	Green	Green
I3	Green	Green
I4	Green	Green
I5	Green	Green
I6	Green	Yellow
I7	Green	Yellow
I8	Green	Green

No.	Completed	Compliant
I9	Green	Green
Reporting Breaches		
J1	Green	Yellow
J2	Green	Green
J3	Green	Yellow
Scheme Advisory Board Requirements		
K1	Green	Green
K2	Grey	Grey
K3	Green	Green
K4	Green	Green
K5	Grey	Grey
K6	Grey	Grey
K7	Grey	Grey
K8	Green	Green
K9	Grey	Grey
K10	Grey	Grey
K11	Green	Green
K12	Grey	Grey
K13	Grey	Grey
K14	Grey	Grey
K15	Green	Green

A- Reporting Duties

Note the requirements in this section are not included in the TPR Code but they are a fundamental to the relationship with TPR.

Legal Requirements

All public service pension schemes have to be registered with TPR. In addition, all schemes must provide a regular scheme return to TPR, containing prescribed information. A return is required when the scheme receives a scheme return notice from the regulator. The scheme manager must also keep the regulator informed of any changes to registrable scheme details.

Note the requirements in this section are not included in the TPR Code but are a requirement for all schemes.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
A1	Is your scheme registered with the Pension Regulator?	Will be reassessed annually to ensure new registration is not required	Annual	1/6/15			New registration will only be required if a new LGPS is created that is deemed to be a separate scheme	
A2	Is the information held on the Pensions Regulator's website about the scheme up-to-date?	Intention will be to update as employers join or leave the scheme and check annually for overall accuracy.	Ongoing (annual check)				Will commence when log in facility is made available to the public sector schemes.	
A3	Have you completed this latest Scheme Return in the required timescale?	Response submitted to TPR on 27/03/13 by JD	As and when received	1/6/15			No return received since March 2013	
A4	Have you responded to the latest TPR public service pension scheme survey /questionnaire?	Intention is to respond to any such survey that is received, including on a voluntary basis.	As and when received	March 2013				

B - Knowledge and Understanding

Legal Requirements

A member of the pension board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a pension board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
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No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
B1	Are there policies and arrangements in place to support pension board members in acquiring and retaining knowledge and understanding?	Pension Fund Training Policy with appropriate objectives and measurements in place.	Annual	14/1/2015			To be adopted by Pension Board at its first meeting in July 2015.	
B2	Has a person been designated to take responsibility for ensuring the framework is developed and implemented?	In training policy. Responsibility delegated to the Corporate Director of Finance and Resources.	Ongoing (annual check)	14/1/2015				
B3	Is the Fund providing assistance to pension board members to determine the degree of knowledge and understanding required?	Dedicated induction training will be provided based on CIPFA requirements and TPR Toolkit also incorporated – final details to be determined. Also all new members will be provided with key documents as per Training Policy Ongoing PB members will be required to go to the training for Pension Committee in addition to carrying out additional ad - hoc training as other needs arise. Annual self -assessment will be completed through the effectiveness survey.	Ongoing (annual check)	Due Summer 2015			Deferred until Pension Board appointments made	
B4	Are the roles and responsibilities of pension boards and members of pension board clearly set out in scheme documentation?	Including in the PB Terms of Reference.	Ongoing (annual check)	1/6/15				
B5	Are pension board members aware of their legal responsibility in terms of Knowledge and Understanding?	Articulated in Training Policy and part of Induction Training. All members to be provided with copy of Training Policy as part of induction pack and reminded of Policy on an annual basis.	Ongoing (annual check)	Due Summer 2015			Deferred until Pension Board appointments made	
B6	Have all pension board members got access to copies of the scheme rules and relevant Fund documentation?	Will be part of induction training including welcome pack with key documents included. Ongoing training part of normal Committee business (which PB members will be given access to).	Ongoing (annual check)	Due Summer 2015			Deferred until Pension Board appointments made	
B7	Is there an up-to-date list of the Fund specific documents with which pension board members need to be conversant in?	Induction list in Training Policy	Ongoing (annual check)	1/6/15				

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
B8	Are all pension board members investing sufficient time in their learning and development?	Training plans are agreed each June as part of the PC business plan. Monitoring of attendance at training is undertaken in accordance with Training Policy and recorded annually in governance update in annual report and accounts.	Ongoing (annual check)	Due Summer 2015			Deferred until Pension Board appointments made. However, a model is being developed to capture individual training needs against CIPFA requirements/TPR toolkits and to monitor against those specific requirements. Each June, PC will highlight any individuals (PB, PC & officers) with outstanding requirements.	
B9	Does the Fund offer pre-appointment training for new pension board members or mentoring by existing members?	Induction process in Training Policy including providing all with copies of key documents.	Ongoing (annual check)	Due Summer 2015			Deferred until Pension Board appointments made.	
B10	Is there a process in place for regularly assessing the pension board members' level of knowledge and understanding is sufficient for their role, responsibilities and duties?	There is a Training Plan (annual) which it is focussed at whole PC/PB level. Annual self-assessment already carried out for PC members and will be extended to PB going forward.	Ongoing (annual check)	Due Summer 2015			Deferred until Pension Board appointments made. However, a model is being developed to capture individual training needs against CIPFA requirements/TPR toolkits and to monitor against those specific requirements, including providing individual certificates. Each June PC will highlight any individuals with outstanding requirements (PC, PB and officers). In addition it is proposed that the annual effectiveness questionnaire will be expanded (in March 2016) to ask if any individuals have further training requirements (March 2016).	
B11	Are records of learning activities being maintained?	This is included in the annual report and accounts at whole PC/PB level.	Ongoing (annual check)	Due Summer 2015			Deferred until Pension Board appointments made. However, a model is being developed to capture this information at individual level (for at least last three years) and each individual will be provided with an annual certificate as well as it being reported to each June PC.	

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
B12	Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?	It is the intention that all PB and PC members will carry this out. Initially it will be incorporated into training as part of meetings. Meeting 1 of the Pension Board will include the conflicts of interest and breach module questions.	Ongoing (annual check)	Due Summer 2015			Deferred until Pension Board appointments made.	

C - Conflicts of interest

Legal Requirements

The Public Service Pensions Act 2013 sets out the legal requirements for scheme managers and pension boards for conflicts of interest.

In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied:

- that a person to be appointed as a member of the pension board does not have a conflict of interest and
- from time to time, that none of the members of the pension board has a conflict of interest.

Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.

Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
C1	Does the Fund have a conflict of interest policy and procedure, which include identifying, monitoring and managing potential conflicts of interest?	Pension Fund Conflict Policy with appropriate objectives and measurements in place which includes procedures to identify, monitor and manage potential conflicts of interest.	Annual	31/3/2015			Will be adopted by Pension Board at its first meeting	
C2	Do pension board members have a clear understanding of their role, the circumstances in which they may have a conflict of interest and how to manage potential conflicts?	PB members must complete a declaration which requires them to sign that they understand the requirements. Declarations must be completed by all PB members and reaffirmed annually. In addition, opportunity for new declarations is provided at the start of each meeting. Training on conflicts planned for first PB meeting and they will adopt the conflicts policy at first PB meeting.	Annual	Due summer 2015			Deferred until Pension Board appointments made.	

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
C3	Have all Pension Board members provided appropriate information for the Administering Authority to determine whether a conflict exists (on appointment and from time to time)?	<p>Policy requires each PB member to complete a declaration on appointment and annually.</p> <p>The Head of Financial Services will ensure that all are received and collated within six weeks of the first meeting.</p> <p>The register is reviewed annually to ensure conflicts are being registered at the earliest opportunity.</p>	Annual	Due summer 2015			Deferred until Pension Board commences.	
C4	Does the appointment process for pension board members require disclosure of interests and responsibilities which could become conflicts of interest?	<p>The Policy and procedures and the declarations require PB members to highlight potential, as well as actual, conflicts.</p> <p>The procedure requires declaration at interview, annually and at each meeting (if not already declared).</p> <p>The Head of Financial Services has responsibility for ensuring the procedure is followed.</p>	Ongoing (annual check)	Due summer 2015			Deferred until Pension Board commences.	
C5	Is the conflicts policy regularly reviewed?	Every three years or earlier if considered appropriate	Triennially	31/3/2015				
C6	Does the Fund have a conflicts register and it is circulated for ongoing review and published?	<p>There is a register of interests which is updated on an ongoing basis based on information in individual declarations and provided to the Chair prior to each meeting.</p> <p>The information is incorporated in annual report and accounts and available on request.</p> <p>All declarations made at meetings will be recorded in the minutes which are public.</p> <p>Refer to policy – regularly reviewed (annual basis etc).</p>	Ongoing and annual	Commencing Summer 2015 (but existing one before then for PC)			Deferred until Pension Board commences.	
C7	Is appropriate information included in the register?	<p>Register of interests updated on an ongoing basis but this will be reviewed annually to ensure it is being used correctly.</p> <p>Register includes all this information and is included as an appendix to the Conflicts policy.</p>	Ongoing (annual check)	Commencing Summer 2015			Deferred until Pension Board commences.	
C8	Is there a standing item on the agenda for declaring conflicts of interest?	Part of standard PC meeting agenda and intention to be part of PB meeting agenda too.	Ongoing (annual check)	Commencing Summer 2015			Deferred until Pension Board appointments made	

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
C9	Do those involved know how to report a conflict of interest?	Members trained on appointment and provided with copy of Conflicts Policy annually. Also Policy referred to at start of each meeting.	Ongoing (annual check)	Due Summer 2015			Deferred until Pension Board appointments made	
C10	Is the number of employer and member representatives on the board in line with legal requirements?	Outlined in the terms of reference.	Ongoing (annual check)	18/3/2015				
C11	Is the board made up of the appropriate mix of representatives in order to minimise potential conflicts?	To be completed as part of appointment process and then reviewed annually to ensure this continues. Appointment Process completed including appointments panel interview to assess capacity of individuals to fulfil role as Pension Board Member Only 6 applications received for 4 posts despite contacting all scheme members by post, advertising on website and notice on Council intranet.	Ongoing (annual check)	Commencing Summer 2015			Cannot be determined until Pension Board appointments made and potential conflicts finally confirmed (mid-June 2015).	

D - Publishing information about schemes

Legal Requirements

The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date.

The information must include:

- who the members of the pension board are
- representation on the board of members of the scheme(s), and
- the matters falling within the pension board's responsibility.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
D1	Does the Administering Authority publish information about the pension board?	See - http://hackney.xpmemberservices.com/Scheme/Pensions-Board.aspx Currently shows recruitment information. Will be expanded to include names and minutes of PB meetings once PB appointments made.	Ongoing (annual check)	Commencing Summer 2015			Deferred until Pension Board commences.	

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
D2	Does the Administering Authority publish other useful related information about the pension board?	See - http://hackney.xpmemberservices.com/Scheme/Pensions-Board.aspx Already has appointment process, terms of reference and roles and responsibilities. The remaining information will be added after appointment process.	Ongoing (annual check)	Commencing Summer 2015			Deferred until Pension Board commences.	
D3	Is all the information about the Pension Board kept up-to-date?	Information regularly checked.	Ongoing (annual check)	Commencing Summer 2015			Deferred until Pension Board commences.	
D4	Does the Administering Authority public information about pension board business?	All pension board meetings are public meetings and information will be contained on the Hackney Council website.	Ongoing (annual check)	Commencing Summer 2015			Deferred until Pension Board commences.	

E - Managing risk and internal controls

Legal Requirements

The scheme manager must establish and operate internal controls which adequately ensure the scheme is administered and managed in accordance with the scheme rules and the requirements of the law.

Internal controls are defined in the legislation as:

- arrangements and procedures to be followed in the administration and management of the scheme
- systems and arrangements for monitoring that administration and management
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme

The legal requirements apply equally where a scheme outsources services connected with the running of the scheme.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
E1	Is there an agreed process for identifying and recording scheme risks?	A risk management policy is in place that outlines the procedure for identifying, managing and recording risk. It covers all the key areas identified by the TPR Code.	Annual	Risk management policy to be agreed at June 2015 PC.				
E2	Does the Fund have an adequate process to evaluate risks and establish internal controls?	The risk management process includes how risks are to be evaluated and internal controls established. It makes use of a RAG status based on impact and likelihood and the associated control is then shown as part of the risk register. The risk management policy also lists the key internal controls.	Annual	Risk management policy to be agreed at June 2015 PC.				

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
E3	Does the Administering Authority have a risk register to record all risks identified and action taken?	Risk register is in place which includes all internal controls and action taken.	Annually (annual check)	1/6/15				
E4	Does the Administering Authority review the effectiveness of the risk management and internal control systems of the Fund?	Our risk management and internal controls are continually reviewed for effectiveness as part of a number of processes including: <ul style="list-style-type: none"> The ongoing updating of the risk register which includes the control of those risks Issues identified through regular monitoring reports such as performance monitoring for PC, IDRPs updates, monthly reports from Equiniti and breaches notifications. The triennial (at least) review of the risk management policy which includes a list of the key controls Regular internal and external audit reports. Annual internal control reports from Equiniti, custodian and fund managers. Annual update of TPR Code compliance checklist. Periodic ad-hoc reviews (e.g. LGPS2014 audit). 	Annually (annual check)	1/6/15				
E5	Does the Administering Authority regularly review the risk register?	Risk management is ongoing and therefore the register can be updated as a result of risk identification through a number of means including: <ul style="list-style-type: none"> annual review at pensions committee performance measurement against agreed objectives monitoring against the Fund's business plan findings of internal and external audit and other adviser reports feedback from the local Pension Board, employers and other stakeholders informal meetings of senior officers or other staff involved in the management of the Fund liaison with other organisations, regional and national associations, professional groups, etc. 	Annually (annual check)	1/6/15				
E6	Is there a standing item on the Pension Board agenda to review scheme risks?	It is a standing item on the Pensions Committee each January and, as a matter of course, is then shared with the Pension Board.	Annually (annual check)	To commence from Summer 2015			Deferred until Pension Board commences	

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
E7	Does the Administering Authority have adequate systems, arrangements and procedures (internal controls) in place for the administration and management of the Fund and are they documented?	It is considered that there are adequate internal controls in place. These are articulated in the risk register and many of the key ones outlined in the appendix to the Risk Management Policy.	Annually (annual check)	1/6/15				
E8	Do these procedures apply equally to outsourced services, are internal controls reflected in contracts with third party providers and is there adequate reporting in relation to those controls?	The key outsourced services for this purpose are Equiniti (third party administration), HSBC (custodian) and Fund managers. These providers are required to provide annual internal control reports and a control sheet is used to ensure they are received and reviewed.	Annually (annual check)	1/6/15				

F - Maintaining accurate member data

Legal Requirements

Scheme managers must keep records of information relating to:

- member information
- transactions, and
- pension board meetings and decisions.

The legal requirements are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations').

The Data Protection Act 1998 and the data protection principles set out additional requirements for using, holding and handling personal information. Other requirements are set out in the:

- Pensions Act 1995 and 2004
- Pensions Act 2008 and the Employers' Duties (Registration and Compliance) Regulations 2010
- Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715)
- Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 (SR 1997 No 94)
- Registered Pension Schemes (Provision of Information) Regulations 2006 (SI 2006/567)

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
F1	Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?	Scheme member records are maintained by Equiniti our third party administrators. Therefore much of the information here and in later questions relates to the records they hold on Hackney's behalf. However, as the scheme manager, Hackney is required to be satisfied the regulations are being adhered to. Checks were carried out in relation to each of the requirements in the Record Keeping Regulations and all were considered compliant except for in relation to clause 4(3) which relates to information for members who pay AVCs. This is held and maintained by	Annually (Equiniti) or if change provider. Part of actuarial valuation (triennial)	21/4/15 (ad hoc check) Autumn 2013 (valuation)			Aon Hewitt audit (June/July 2015) will also highlight any issues with basic scheme information being held.	Investigate legal requirements in relation to AVCs. Further information to be provided by Equiniti in future years to verify compliance.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
		<p>Prudential with an annual update provided to Hackney Council. It is considered this is sufficient but legal clarification will be obtained to ensure this is the case.</p> <p>Data accuracy and completeness reports are also received via the triennial valuation, which cover some of these elements.</p> <p>Going forward Equiniti will providing an annual statement confirming they are adhering to this requirement on the accuracy and completeness of the data.</p>						
F2	Does the Fund have the appropriate processes in place so employers can provide timely and accurate information?	<p>The Fund's Pension Administration Strategy includes a list of all employer responsibilities and duties including timescales. In addition they were provided with the LGA payroll and HR guides.</p> <p>They have been provided with a suite of standard forms and a monthly returns/spreadsheet (HK221) with explanatory notes. This includes contributions, changes of address, change of hours, change of salary, date of joining, date of leaving etc. for cross-checking against forms completed.</p> <p>For some employers, interfaces are being developed e.g. to create joiners for Hackney Council, rather than waiting for specific forms.</p>	PAS reviewed each January for PC in March	14/1/15				Ongoing development of interfaces.
F3	Does the Fund keep records of and reconcile transactions as required by the Record Keeping Regulations?	<p>All info on scheme records and also on the client cash manager (Lloyds pension fund bank account with Equiniti) that then flows across to the Hackney PF account and all feeds into annual report and accounts. This includes all write offs. There are also some spreadsheets that are used for further checks (e.g. transfers in, overpayments).</p> <p>There is reconciliation between actual and expected costs with a quarterly update against budget in PC papers.</p>	Ongoing (annual check)	1/6/15				
F4	Are records kept of pension board meetings as required by the Record Keeping Regulations?	Full minutes are maintained and published on the Hackney Council website. Annual check to ensure this continues to be the case.	Ongoing (annual check)	Commencing summer 2015.			Deferred until pension board meetings commence	
F5	Are records kept of decisions made by the pension board, outside of meetings as required by the Record Keeping Regulations?	We do not expect there to be decisions outside of the PB. The secretary will monitor the situation.	Ongoing (annual check)	Commencing summer 2015.			Deferred until pension board meetings commence	

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
F6	Are records retained for as long as they are needed?	Hackney consider it necessary to retain records for long as is possible due to the number of enquiries from employees relating to periods many decades ago. Accordingly personal records are maintained in addition to other data such as contribution lists, spreadsheets of old cases and pensions increases reports.	Ongoing (annual check)	1/6/15				
F7	Does the Administering Authority have policies and processes to monitor data on an ongoing basis?	<p>There are a number of separate processes in place to monitor data on an ongoing basis (generally carried out by Equiniti) including:</p> <ul style="list-style-type: none"> • Monthly HK221 spreadsheets to check against changes received from employers • Year-end annual returns provide a further opportunity to highlight any data discrepancies • All data entry is checked for input accuracy • Various tolerance checks such as changes in pay • Processes if pensioner payslips are returned (including suspension of pension on second return), using only BACs payments for pensioners and life certificate exercises (overseas and over a certain age annually and then all cases every 2 or 3 years) and national fraud initiative every 2 years. • Triennial valuation highlights data issues. Process exists for warning and charging levies to employers if incomplete monthly data is provided or if provided late • checks on 'common' data 	Ongoing (annual check)	1/6/15				
F8	Does the Administering Authority carry out a data review at least annually?	<p>Annual year end reconciliations as described above plus for annual report and accounts, pension increases and benefit statements.</p> <p>Equiniti carry out a common data and intend to commence a conditional data review.</p>	Ongoing (annual check)	1/6/15				Conditional data review to be finalised by Equiniti and ongoing programme of reporting to be developed for it and common data.
F9	Is a data improvement plan in place which is being monitored with a defined end date?	Monthly meeting held between Equiniti and Hackney where improvement plan is discussed and actions/timescales agreed. Employers are charged an administration fee where they fail to meet standards.	Monthly	1/6/15				

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
F10	Are processes and policies in place to reconcile scheme data with employer data?	Monthly and year end spreadsheets assist with reconciling data. Interfaces being developed for main employers to provide final checks.	Ongoing (annual check)	1/6/15				Ongoing work on interfaces
F11	Do the Administering Authority's member data processes meet the requirements of the Data Protection Act 1998 and the data protection principles?	Ensure all those involved with data understand the DPA: <ul style="list-style-type: none"> Equiniti get annual training Hackney staff periodic training DPA officer at both Equiniti and Hackney Council data protection policy in place and guidance on intranet Evidence of processes includes: <ul style="list-style-type: none"> Sharefile is used for data transfer with all employers, Equiniti and Hackney Focalpoint used for data transfer with actuary Actuary – use Focalpoint. Otherwise any sensitive e-mails are encrypted unless scheme member insists otherwise. 	Ongoing (annual check)	Equiniti training - Summer 2014 Hackney training – February 2014 Other checks 1/6/15				

G - Maintaining contributions

Legal requirements

Contributions must be paid as detailed below, and where not done, they should be reported to TPR in circumstances where the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to TPR in the exercise of any of its functions. Reporting must be carried out as detailed below.

Contribution Type	Contributions must be paid	When a failure should be reported
Employer	on or before the due date as defined by the scheme regulations	To The Regulator: As soon as reasonably practicable
Employee	Paid within the prescribed period (19 th day of the month, or 22 nd day if paid electronically) or earlier date if required by the scheme regulations	Regulator: Within a reasonable period – 10 working days

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
G1	Does the Fund have procedures and processes in place to identify payment failures?	<p>There is a master spreadsheet where all contributions received are entered and monitored by Equiniti.</p> <p>All payments are made by BACS to reduce risk of payment failure.</p> <p>Hackney Council and Equiniti hold monthly meetings to determine how to deal with any issues arising.</p>	Ongoing (annual check)	1/6/15				
G2	Do those processes and procedures include a contributions monitoring record to determine whether contributions are paid on time and in full?	<p>The spreadsheet highlights where a payment is not received by 19th each month. It also highlights if contributions could be incorrect by comparing salary vs contribution rate to give employee and employer rates. The HK221 detailed information (per employee) is used to cross check the amounts that are coming through correctly to the gross totals. It also carries out tolerance checks compared to previous entries and it shows where historical added years or ARCs are due to stopped (to avoid overpayments).</p> <p>Interest is automatically charged for late contributions in accordance with LGPS regulations and discretionary policy. Details of the charges applied and the interest are provided in the administration strategy.</p>	Ongoing (annual check)	1/6/15				
G3	Do those processes and procedures include monitoring payments against the contributions monitoring record on an ongoing basis?	<p>The process includes reconciliation with the payment received and shown in the financial system.</p> <p>No process is currently in place in relation to reconciling AVC payments with contributions record.</p>	Ongoing (annual check)	1/6/15				Process being implemented to monitor date of payment of AVCs.
G4	Are these procedures regularly reviewed to ensure they are effective?	<p>Payments are generally always on time.</p> <p>Monthly meeting between Equiniti and Hackney consider any late cases.</p> <p>Within Equiniti, the finance team meet every Monday to discuss what is expected, what is coming up, timetables, including highlighting any late payments and escalating to service review meetings.</p>	Ongoing (annual check)	1/6/15				

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
G5	Do the Administering Authority's processes include managing overdue contributions in line with TPR's suggested approach?	For main scheme contributions, monitoring spreadsheet maintained by Equiniti and separately by Hackney Council. Identification and escalation process, however, needs to be formalised. Prudential automatically notify the scheme manager if any AVC payments are received late from employers (very few – only 4 or 5 in last 10 years).	Ongoing (annual check)	1/6/15 for 2014/15				Equiniti spreadsheet being updated to incorporate formula which will more quickly identify non-compliance and an escalation process is to be formalised, which will be incorporated into the same spreadsheet. This escalation process can be included in next version of PAS (2016 review).
G6	Does the Fund maintain a record of any investigations and communications with employers?	Information is collated in individual records relating to each employer. A summary of late payments is included in annual report and accounts (although employers are not specifically named). Information is also available on the historic monitoring spreadsheets. Equiniti system Compendia stores email and letter communications with employers	Ongoing (annual check)	1/6/15				
G7	Do employers provide sufficient information to monitor contributions and is this in accordance with the LGPS regulations?	During 2014/15 there were ongoing issues with employers not providing sufficient information with HK221 spreadsheets. This is all captured on the Equiniti spreadsheet including what action has been taken and whether escalated to the Council. Year-end returns have been received from the majority of employers to verify the information, and queries responded to, to enable reconciliation of member contributions with service.	Ongoing (annual check)	1/6/15 for 2014/15		Employers	Employers who were not compliant in relation to providing sufficient information (as at the end of the year) were: <ul style="list-style-type: none"> • Hackney Council • Hackney Homes • Outward • Family Mosaic 	Ongoing work with employers to ensure data is received in accordance with requirements.
G8	Is there a satisfactory process in place to assess the materiality of any payment failures and ensure that those which are material are reported to the Regulator within a reasonable period?	Existing spreadsheets in place (both Equiniti and Hackney Council) identify late payment. However, current process does not consider significance of failures and whether they should be reported.	Ongoing (annual check)	1/6/15 for 2014/15				Procedure being designed to formalise escalation process including materiality and whether to report to TPR. This will be detailed in PAS (2016 review) and incorporated into the spreadsheet.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
G9	If the administration of contributions outsourced to a service provider, is there a process in place to obtain regular information on the payment of contributions to the scheme?	Yes, for main scheme (administered by Equiniti), spreadsheet maintained and shared monthly with Hackney Council and discussed as part of monthly service review meeting. Contribution monitoring is a requirement of service provision by Equiniti. In relation to AVCs (administered by Prudential), all late payments are notified directly to Hackney Council.	Ongoing (annual check)	1/6/15 for 2014/15				

H - Providing information to members and others

Legal requirements

The law requires schemes to disclose information about benefits and scheme administration to scheme members and others. This includes requirements relating to benefit statements and certain other information which must be provided under the requirements of the 2013 Act, HM Treasury directions and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 ('the Disclosure Regulations 2013'). In addition to these duties, there are other legal requirements relating to the provision of information to members and others under other legislation.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
H1	Has an annual benefit statement been provided to all active members within the required timescales?	Sent annually. Statements as at 31 st March 2014 were issued in December 2014 All cases were sent out unless there is no address to send to.	Annual	December 2014		Employers		A number of statements came back as incorrect address and internal work is being undertaken to encourage employees to keep address up to date (e.g. via self-service facility). Equiniti are also working with employers to ensure addresses are updated but sometimes the employer does not have a current address
H2	Do these meet the legal requirements in relation to format?	Treasury Direction was issued in March 2014 but is only effective from 1 April 2015.	Annual	Due before 31 August 2015.			Will be checked in relation to statements as at 31 March 2015.	
H3	Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales?	Benefit statements are issued automatically to all active and deferred members annually, which is more proactive than this provision (which just relates to issuing them on request). Pension credit statements issued within 10 working days. It is monitored that they meet the 10 working day deadline on Equiniti workflow system Pulse.	Annual	November/ December 2014 for year end 31/3/14 (deferred/ active statements respectively)			Around 1,000 deferred not issued as no last known address. See above re active statements. In 2014/15 there were no requests for PC benefit statements.	Tracing exercise to be carried out to help reduce the number of unknown addresses.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
H4	Does this meet the legal requirements in relation to format?	The information in the standard active and deferred statements does not fully comply with the disclosure requirements for information to be provided on request. However, it is possible information provided on individual requests is more compliant but this needs further investigated.	Ongoing (annual check)	1/6/15				Further investigation and discussion required to decide whether to change format of statements to adhere to Disclosure Requirements or just to apply those requirements for individual requests.
H5	Has an annual benefit statement been provided to all members with AVCs within the required timescales?	Provided by Prudential to Equiniti to distribute. The total of the statements is compared with the total AVCs shown on the HK221 employer submissions to ensure statements for all active members are included. No further checks carried out in relation to other members.	Annual	May 2015 relating to 2014/15 statements.				
H6	Do these meet the legal requirements in relation to format?	Statement provided by Prudential checked against requirements and all appropriate information is included.	Annual	1/6/15				
H7	Is basic scheme information provided to all new and prospective members within the required timescales?	<p>New starter information is issued by Equiniti. This is done by issuing a notification of joining with a nomination form, transfer form and a link to the LGPS website. Equiniti aim to provide this information within 10 working days of being notified of joiners by employers (which is the official SLA as part of their contract). However, because the SLA relates to when notified, it does not necessarily mean the legal timescale has been met which is within 2 months of joining the scheme.</p> <p>For 2014/5:</p> <ul style="list-style-type: none"> • Only 55.4% of cases were issued with information within the 2 month legal deadline from date of joining. • 96% of cases were issued with information within the 10 working day SLA from date of receipt of information. • This highlights that the majority of the 44.6% of cases where the legal deadline was not met relates to no or late notifications from employers. <p>Equiniti often identify cases from contribution spreadsheets and auto-enrolment reports to chase outstanding information from employers with a review to improving this process.</p>	Ongoing (annual check)	1/6/15 for 2014/15		Employers	There is ongoing work to improve transfer of information from employers to Equiniti, including developing interfaces and charging administration cost for late notifications.	

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
H8	Does this meet the legal requirements in relation to format?	A check against the requirements has been carried out. In the main the website is compliant but some areas are excluded or not as explicit as they might be, for example, in relation to the lack of charges for scheme members and the fact the scheme is registered by HMRC.	Ongoing (annual check)	1/6/15 for 2014/15				The website is being redesigned and the new version will pick up on these requirements.
H9	Is all other information provided in accordance with the legal timescales?	Equiniti are asked to provide an annual statement confirming that they have met these requirements in relation to the main scheme for the previous financial year. Prudential (the AVC provider) are asked to provide an annual statement confirming they have met the requirements in relation to lifestyling. All standard communications to members from Hackney Council and Equiniti provide the postal contact details and the pensions@hackney.gov.uk email address.	Ongoing (annual check)	1/6/15 for 2014/15 Information May 2015 by Prudential			Unfortunately it is not possible to carry out a retrospective check for 2014/15 relating to the main scheme in appropriate timescales but Equiniti are confident the requirements have been met.	Compendia automatically highlights the disclosure dates/requirements and they can report on this. Going forward monthly Equiniti reports will have a statement saying they have not breached disclosure requirements, or if they have what.
H10	Is all other information provided in the format and methods required by law?	Equiniti are asked to provide an annual statement confirming that they have met these requirements for the main scheme in relation to the previous financial year. Prudential (the AVC provider) are asked to provide an annual statement confirming they have met the requirements in relation to lifestyling.	Ongoing (annual check)	1/6/15 for 2014/15 Confirmed by Prudential 20/5/15.			Unfortunately it is not possible to carry out a retrospective check for 2014/15 relating to the main scheme in appropriate timescales but Equiniti are confident the requirements have been met.	Compendia automatically highlights the disclosure dates/requirements and they can report on this. Going forward monthly Equiniti reports will have a statement saying they have not breached disclosure requirements, or if they have what.
H11	Where any information is only provided electronically (i.e. instead of any hard copy) does it comply with the legal requirements?	Everything is hard copy (including info leaflets such as Freedom changes) except the basic scheme information which must be provided for new starters. In these circumstances a hard copy statutory notice is provided directing them to the information on the website.	Ongoing (annual check)	1/6/15 for 2014/15				

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
H12	Does the Administering Authority aim to design and deliver communications in a way that ensures scheme members are able to engage with their pension provision?	Objectives are included in the Communications Strategy that focus on these requirements. Currently only feedback is in relation to a survey from induction presentations. Results for 2014/15 covered approximately 226 attendees and found: <ul style="list-style-type: none"> 97.3% found the presentation informative and engaging 96.9% understand the benefits of being in the scheme 94.8% found the presentation relevant and understandable. 	Ongoing (annual check)	1/6/15 for 2014/15				Equiniti are planning further surveys with scheme members to gather wider feedback.
H13	Does the Administering Authority use a tracing service?	Pensioners – if a pensioner becomes untraceable, Equiniti use the DWP tracing service. Deferred and frozen refunds – no tracing service currently used.						Plans to start using a tracing service for deferred members.

I - Internal Dispute Resolution

Legal requirements

The Pensions Act 1995 requires scheme managers to set up and implement an Internal Dispute Resolution Procedure (IDRP) to help resolve disputes between the scheme manager and people with an interest in the scheme.

The act states that a person has an interest in the scheme if they:

- are a member or beneficiary
- are a prospective member
- have ceased to be a member, beneficiary or prospective member
- claim to be any of the above and the dispute relates to this claim.

The Act also states that the procedure must include:

- how an application is to be made
- what must be included in an application
- how decisions are to be reached and notified
- a specified period (which is reasonable) within which applications must be made.

The procedure may require people with an interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. This decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters. However, legislation provides flexibility for scheme managers to decide the details of these.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
I1	Has the Administering Authority put in place an internal dispute resolution procedure?	Yes – leaflet outlining procedure is available on website.	Ongoing (annual check)	1/6/15				

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
I2	Does the Administering Authority's process highlight or consider whether a dispute is exempt?	Leaflet outlining IDRPs procedure includes this information.	Ongoing (annual check)	1/6/15				
I3	Does the information made available to applicants about the procedure clearly state the procedure and process to apply for a dispute to be resolved including: <ul style="list-style-type: none"> • who it applies to • who the specified person (stage 1) is • the timescales for making applications • who to contact with a dispute • the information that an applicant must include • the process by which decisions are reached? 	Leaflet outlining IDRPs procedure includes this information.	Ongoing (annual check)	1/6/15				
I4	Has the Administering Authority ensured that employers who make first stage decisions also have IDRPs in place?	Where the employer has not responded with their own stage 1 person, the Council's stage 1 person is undertaking the role. This is communicated regularly including: <ul style="list-style-type: none"> • mentioned at employer forum in January 2015. • email sent to employers June 2015 with a copy of the IDRPs leaflet and pointing out that JW to act as appointed person if the employers don't have their own or don't respond. 	Ongoing (annual check)	1/6/15 Employers reminded June 2015				
I5	Are the timescales in the procedure adhered to including sending an acknowledgment on receipt of an application?	Acknowledgements issued within 2 days and responses are sent within 2 month deadline (albeit usually within 6 weeks due to SLA). This will be checked annually for both stages 1 and 2.	Ongoing (annual check)	1/6/15 for 2014/15				
I6	Does the Administering Authority notify and advertise the procedure appropriately?	Leaflet included on the website (which is where joining information also is). Not all notification of benefit letters currently includes this (e.g. missing from deferred, refund, retirements, and death benefits). Also missing from new starter notice. Not currently in administration or communications strategy but they will be updated appropriately in 2016 review.	Ongoing (annual check)	1/6/15				Administration and communications strategy will be updated in 2016. New starter notice and remaining benefit notification letters to be updated.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
17	Are the notification requirements in relation to TPAS and the Pensions Ombudsman being adhered to?	Process needs updated to enclose guide when acknowledging receipt of an IDR. Notifications always include information about TPAS/PO in the decision letter.	Ongoing (annual check)	1/6/15 for 2014/15				All future acknowledgements will include a copy of the IDR guide.
18	Does the Administering Authority regularly assess the effectiveness of its arrangements?	Information included in Pension Committee quarterly reporting. More formal review of the arrangements on an annual basis as part of the annual administration report.	Ongoing (annual check)	1/6/15				
19	Does the Administering Authority regularly assess the effectiveness where employers carry out a stage one process?	We have not been notified that any employers carry out their own process. Accordingly Equiniti act as stage 1 by default.	Ongoing (annual check)	1/6/15				

J - Reporting breaches of the law

Legal Requirements

Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions.

People who are subject to the reporting requirement ('reporters') for public service pension schemes are:

- scheme managers
- members of pension boards
- any person who is otherwise involved in the administration of a public service pension scheme
- employers: in the case of a multi-employer scheme, any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers
- professional advisers including auditors, actuaries, legal advisers and fund managers: not all public service pension schemes are subject to the same legal requirements to appoint professional advisers, but nonetheless the regulator expects that all schemes will have professional advisers, either resulting from other legal requirements or simply as a matter of practice
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme.

The report must be made in writing as soon as reasonably practicable.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
J1	Is the Administering Authority satisfied that those responsible for reporting reaches under the legal requirements and TPR guidance understand the requirements?	Training at PC in June 2015 and at July PB initial meeting to include this. Procedure will be shared with all PB, PC and key officers & put on website.	Ongoing (annual check)	1/6/15				Training and Procedure to be completed on 24/6/15 at Pension Committee meeting and then shared with Pension Board at first meeting in July 2015.
J2	Does the Administering Authority have appropriate procedures in place to meet their legal obligations for identifying and	Breaches procedure is in place (developed May 2015).	Annual	1/6/15				

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
	assessing breaches?							
J3	Are breaches being recorded in accordance with the agreed procedures?	Procedure launched May/June 2015 so no historical recording. The Head of Financial Services will maintain a record of breaches and this will be included in the quarterly PC governance update report from June 2015 including a comment on whether any breaches are systemic and action taken. Some details may need to be withheld for confidentiality reasons.	Ongoing (annual check)	1/6/15				Record being developed as part of procedure.

K - Scheme Advisory Board - Guidance on the creation and operation of Local Pension Boards in England and Wales

Legal Requirements

Clause 7 of the Public Service Pensions Act provides that the national Scheme Advisory Board (SAB) may provide advice to scheme managers or pension boards in relation to the effective and efficient administration and management of the scheme.

It also provides that a person to whom advice is given by virtue of subsection (1) or (2) must have regard to the advice.

The Scheme Advisory Board has published guidance on the creation and operation of Local Pension Boards in England and Wales which incorporates a number of action point check lists at the end of some of the sections. The following are the items in those checklists.

No.	SAB Requirement	SAB Section	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
K1	Administering Authority to have approved the establishment (including Terms of Reference) of the Local Pension Board by 1 April 2015.	5	Hackney Council approved 27/2/15.	Ongoing (annual check)	27/2/15				
K2	The Local Pension Board must be operational (i.e. had its first meeting no later than 4 months after the 1 April 2015).	5	First meeting planned for 16/7/15.	Ongoing (annual check)	Due Summer 2015			Deferred until after first PB meeting	
K3	Once established a Local Pension Board should adopt a knowledge and understanding policy and framework (possibly in conjunction with the Pensions Committee if appropriate).	6	Training Policy approved by PC 14/1/15. Will be part of agenda of first meeting on 16/7/15 and it is then reviewed annually.	Annual	Due Summer 2015			To be adopted by Pension Board at its first meeting	
K4	A Local Pension Board should designate a person to take responsibility for ensuring that the knowledge and understanding policy and framework is developed and implemented.	6	Designated to Corporate Director of Finance & Resources as part of Training Policy which will be adopted by the Board.	Ongoing (annual check)	14/1/15				

No.	SAB Requirement	SAB Section	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
K5	The Administering Authority should offer access to high quality induction training and provide relevant ongoing training to the appointed members of the Local Pension Board.	6	Training plan being developed including induction training for all board members.	Ongoing (annual check)	Due Summer 2015			Deferred until PB commences	
K6	A Local Pension Board should prepare (and keep updated) a list of the core documents recording policy about the administration of the Fund and make the list and documents (as well as the rules of the LGPS) accessible to its members.	6	Part of Training Policy. Documents part of induction pack and on website.	Ongoing (annual check)	Due Summer 2015			Deferred until PB commences	
K7	Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.	6	There is a Training Plan (annual) but it is focussed at whole PC/P B level. Annual self -assessment will be completed through effectiveness survey.	Ongoing (annual check)	1/6/15			Deferred until PB commences	A model is being developed to capture individual training needs against CIPFA requirements/TPR toolkits and to monitor against those specific requirements. Each June PC/Summer PB will highlight any individuals with outstanding requirements.
K8	An Administering Authority should prepare a code of conduct and a conflicts policy for its Local Pension Board for approval in accordance with the Administering Authority's constitution and at the first meeting of the Local Pension Board. The Local Pension Board should keep these under regular review.	7	Code of conduct is part of PB Terms of Reference. Conflicts of Interest Policy approved by PC on 31/3/15 is going to first meeting for adoption.	Annual	31/3/15			To be adopted by Pension Board at its first meeting	
K9	Training should be arranged for officers and members of a Local Pension Board on conduct and conflicts.	7	Planned for first PB meeting	Ongoing (annual check)	Due Summer 2015			Deferred until PB commences	
K10	A Local Pension Board should establish and maintain a register of interests for its members.	7	Included as part of Policy requirements.	Ongoing (annual check)	Due Summer 2015			Deferred until PB commences	
K11	An Administering Authority should agree the ongoing reporting arrangements between the Local Pension Board and the Administering Authority.	8	Outlined in PB Terms of Reference	Ongoing (annual check)	1/5/15				

No.	SAB Requirement	SAB Section	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
K12	A Local Pension Board should understand the Administering Authority's requirements, controls and policies for FOIA compliance so that the Local Pension Board is aware of them and can comply with them.	8	Copy of Council's FOI policy will be provided to all PB members as part of induction pack.	Ongoing (annual check)	Due Summer 2015			Deferred until PB commences	
K13	A Local Pension Board should put in place arrangements to meet the duty of its members to report breaches of law.	8	Planned for first PB meeting	Ongoing (annual check)	Due Summer 2015			Deferred until PB commences	A breaches procedure is being prepared for approval at June PC and July PB.
K14	A Local Pension Board should consider (with its Administering Authority) the need to publish an annual report of its activities.	8	A requirement outlined in PB Terms of Reference	Annual	Due Summer 2016			Deferred until one year after PB commences	
K15	An Administering Authority should consult on, revise and publish its governance compliance statement to include details of the terms, structure and operational procedures relating to its Local Pension Board.	8	Completed and updated at March 2015 PC.	Annual	31/3/15				

REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
REVIEW OF PENSIONS COMMITTEE PAPERS – JUNE 2015	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO. 9
Pensions Board - 28th July 2015		

1. INTRODUCTION

- 1.1 The purpose of this report is for the Pensions Board to consider the work undertaken by Pensions Committee at its meeting in June and to note items that are relevant to the work of the Pensions Board.

2. RECOMMENDATIONS

- 2.1 **The Pensions Board is recommended to note the report**

3. RELATED DECISIONS

- Pensions Committee (25th June 2014)

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 The Pensions Board's role is to assist the Administering Authority in ensuring compliance with the regulations. Consideration of the Pensions Committee agenda's and being able to understand the remit of the Committee and its work is therefore key to the understanding of the Pension Board.
- 4.2 There are no immediate financial implications arising from this report.

5. COMMENTS OF THE COPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The Pensions Board has been established in accordance with the Public Service Pensions Act 2013 and in accordance with the Local Government Pensions Scheme (Amendment) (Governance) Regulations 2014. In order to demonstrate the Board is meeting its broad terms of reference it will need to consider the ongoing work of the Pensions Committee to ensure that the powers and responsibilities delegated to it by the Administering Authority are being met. There reviewing the work of the Pensions Committee on a regular basis will form part of the ongoing work of the Pensions Board.
- 5.4 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 Whilst not a decision making body for the Pension Fund, the Board does have a broad remit to review the decision-making process of the Pensions Committee and in particular, matters relating to scheme administration and governance. Members

will have received copies of the Pensions Committee meeting held on the 24th June 2015. A link to the Committee papers is provided here: <http://mginternet.hackney.gov.uk/ieListDocuments.aspx?CId=499&MId=3343>

- 6.2 There are a number of papers from the Committee meeting which have on this occasion been largely replicated for the Pensions Board where they require the Board to adopt the policy themselves and this includes the Breaches Procedure. In addition, the Pensions Regulator Code of Practice and Compliance Checklist, has been replicated for the Pensions Board, given that this is considered to be document of particular significance for the Board in providing a level of assurance that the Pension Fund has the necessary policies and procedures in place to meet both regulatory requirements and demonstrates levels of compliance with the Code of Practice. Given the Board's focus to ensure compliance with the regulations and the impact on scheme membership, the annual pension administration report will be of interest to members of the Pensions Board enabling an assessment of how well the Fund is performing basic administration functions and ensuring that scheme members receive an effective and efficient service in respect of their pension benefits.
- 6.3 A number of the other papers provide the Pension Board with a broad overview of the working of the Pensions Committee and the Pension Fund with the Annual Report and Accounts 2014-15 providing the Board with an overview of the financial wellbeing of the Fund and the performance of the Fund over the year on a wide range of measures. Further this document provides copies of a number of key documents including the Funding Strategy Statement, Pensions Administration Strategy and Governance Policy. Whilst this is in draft format, it is not anticipated that major changes will occur during the process of the audit and provides the Board with a useful reference document. Board Members will be supplied with the final version of this document on publication.
- 6.4 Other papers of particular relevance to the Pensions Board are the Business Plan 2015-18 which sets out the key milestones over the next 3 years which will include the actuarial valuation in 2016 and regular reviews by Pensions Committee of the major policy documents of the Fund.
- 6.5 The Pensions Board will also have an interest in the risk management and internal controls policy which again form part of the TPR Code of Compliance and the paper sets out the Fund's approach to risk and how it controls those risks. In addition the Pensions Committee reviews as a minimum on an annual basis the Pension Fund Risk Register, a link to the relevant committee paper can be found here for the Board:
<http://mginternet.hackney.gov.uk/documents/s40766/Pension%20Fund%20Risk%20Register%20Report%20-%20Jan%202015.pdf> along with the risk register itself: <http://mginternet.hackney.gov.uk/documents/s40767/Pension%20Fund%20Risk%20Register%202015.pdf> The next scheduled review of the Pension Fund Risk Register is due to take place in January 2016, although it should be noted that this is very much a living document and that where appropriate officers will bring additional risks to the Committee as they arise where they are deemed to be significant in terms of potential impact on the Fund.
- 6.6 Pension Board Members will also note that the Pensions Committee undertake an annual self-assessment and assessment of the Fund's advisors which is another

demonstration of best practice from a governance perspective. This asks Pensions Committee Members to assess their level of understanding of the Pension Fund, the Committee papers and the adequacy of the information that they receive from officers and advisers to the Fund. In general the outcome of the recent self-assessment exercise was broadly positive, although there are a number of areas where additional training is assessed as being required and this will be addressed during the current municipal year.

- 6.7 The Pensions Committee will receive as a matter of course a training session at the start of Pension Committee meetings with the training provided at the meeting in June covering Pensions Legislation and Governance. Pensions Board Members are asked to also attend these training sessions to assist in their wider training programme to ensure that they are able to meet the knowledge and skills requirements for being Pension Board Members.

Appendix: Annual Report of the Pensions Sub-Committee 2014-15

Background papers: None

Ian Williams
Corporate Director of Finance & Resources

Report Originating Officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

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REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES		
PENSIONS BOARD WORK PLAN 2015-2016	Classification PUBLIC	Enclosures One
	Ward(s) affected ALL	AGENDA ITEM NO. 10
Pensions Board - 28th July 2015		

1. INTRODUCTION

- 1.1 The purpose of this report is to provide an indicative work plan for the Pensions Board meetings for 2015-16

2. RECOMMENDATIONS

- 2.1 **The Pensions Board is recommended to agree the indicative work plan for the Board for 2015-16**

3. RELATED DECISIONS

- Pensions Committee (25th June 2014) – Pension Fund Business Plan 2015-2018

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE & RESOURCES

- 4.1 The Pensions Board's role is to assist the Administering Authority in ensuring compliance with the regulations. The work plan as set out in the appendix to this report ensures that the Pensions Board is able to cover key areas of work in line with the Regulatory requirements. There are no immediate financial implications attached to this report, although it is recognised that the Pensions Board are able to ask for additional information or resourcing in order to help them to fulfil their role as the Pension Board

5. COMMENTS OF THE COPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

- 5.1 The Pensions Board has been established in accordance with the Public Service Pensions Act 2013 and in accordance with the Local Government Pensions Scheme (Amendment) (Governance) Regulations 2014. Consideration of a schedule of work for the Pensions Board helps to demonstrate that the Board is meeting its Terms of Reference in assisting the Administering Authority to comply with regulations.
- 5.4 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 Under the regulations, responsibility for decision-making with regards to the management of the Fund remains with the Pensions Committee; the Pension Board is not a decision-making body. The Board will, however, have a broad remit to

review the decision-making process of the Pensions Committee in matters of scheme administration and governance. As such, members of the Pension Board will be provided with the final reports, minutes and agendas relating to all Pensions Committees and may attend Committee meetings as observers.

- 6.2 The Pensions Committee is scheduled to meet a minimum of 2 times per municipal year with the scope for additional meetings as required. The meetings will be recorded and copies provided to the Pensions Committee
- 6.3 The Board may make reports or recommendations to Pensions Committee; these must be provided at least 15 days in advance of the next Committee meeting. Additionally, the Chair of the Pension Board will prepare an annual report, which will be distributed to Pensions Committee, the Cabinet Member for Finance, the Corporate Director of Finance and Resources, the Assistant Director - Financial Management and the Assistant Director – Legal and Democratic Services. In the event that the Board considers that a matter brought to the attention of the relevant Directors and the Pensions Committee has not been acted upon within a reasonable period of time, it may also provide a report to Council.
- 6.4 As this is the first meeting of the Pensions Board and indicative work plan for the year 2015-16 has been drawn up, but at this stage this is subject to amendment and will depend on a number of circumstances including the work undertaken by the Pensions Committee, any key changes to wider regulations or pension related issues and any further guidance or direction from the Pensions Regulator. The Pensions Board may also consider that other issues may increase in importance and will require additional work or review, particularly after embarking on a training programme.

Appendix: Annual Report of the Pensions Sub-Committee 2014-15

Background papers: None

Ian Williams
Corporate Director of Finance & Resources

Report Originating Officers: Jill Davys ☎020-8356 2646

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

Indicative Work Plan for Pensions Board 2015 -2016

28th July 2015 – Agenda

1. Apologies for Absence
2. Declarations of Interest
3. Terms of Reference
4. Conflicts of Interest Policy
5. Training Policy
6. Breaches Procedure
7. Annual Report of Pension Committee 2014-15
8. The Pensions Regulator Role Code of Compliance
9. Pension Committee Reports from 24 June 2015
10. Pension Board Work Plan for 2015/16
11. Any Other Business

26th January 2016 – Agenda

1. Apologies for Absence
2. Declarations of Interest
3. Consideration of the minutes of the previous meeting
4. Review work of Pensions Committee September & January Meetings
5. Third Party Pensions Administration Audit
6. Communications Policy
7. Governance Update
8. Governance – Self Assessment
9. TPR Code of Practice Update
10. Contracting out and GMP
11. Auto-enrolment
12. Pensions Admissions Policy
13. AVC Provision
14. Any Other Business

