



PENSIONS BOARD

Friday, 2nd December, 2016

at 10.00 am

1st Floor Conference Room Christopher
Addison House

Membership

Members: Samantha Lloyd (Chair)

Tim Shields
Chief Executive

Contact:
Peter Gray
Governance Services
Tel: 020 8356 6279

The press and public are welcome to attend this meeting

AGENDA

Friday, 2nd December, 2016

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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



MINUTES OF A MEETING OF THE PENSIONS BOARD

TUESDAY, 26TH JANUARY, 2016

Board Members Present: Samantha Lloyd (Chair) and Richard Dearing (Vice Chair)

Apologies: Hamza Yusuf and Matthew Waterfall

Officers in Attendance: Rachel Cowburn (Project Accountant), Jill Davys (Head of Financial Services), Michael Honeysett (AD Financial Management)

Also in Attendance: Karen McWilliam (AON)

1 APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Matthew Waterfall and Hamza Yusuf.

1 DECLARATIONS OF INTEREST - Members to declare as appropriate

2.1 Samantha Lloyd, Chair of the Pensions Board declared an interest as a member of the governing body Mossbourne Federation, member of the Finance Committee Mossbourne Federation, Hackney Homes board member and a deferred Local Government Pension Scheme member.

2.2 Richard Dearing, declared an interest as Director of Central Services Mossbourne Federation, member of the governing body Mossbourne Federation, member of the Finance Committee Mossbourne Academy, and a deferred Local Government Pension Scheme member.

3 MINUTES OF THE PREVIOUS MEETING

3.1 **RESOLVED:** That the minutes of the meeting be agreed as a true and accurate record of proceedings.

3.2 The following matters arising were noted:

- Paragraph 5.3 – With reference to training, Pensions Committee dates for 2016/17 to be circulated to Board Members (**ACTION-Jill Davys/Governance Services**).

- Paragraph 10.3 – With reference to work programmes of other Pension Boards, a provisional date of 22nd February 2016 was identified for a joint training exercise with Tower Hamlet's Pensions Board (**ACTION-Jill Davys**)

4 TRAINING POLICY

4.1 Jill Davys, Head of Financial Services introduced the report as set out. It was noted that a training policy for the London Borough of Hackney Pension Fund, as it relates to the Pension Board was formally adopted at the last board meeting on 28th July 2015. Board Members were informed that the updated policy, now includes the new CIPFA Technical Knowledge and Skills Framework, which was issued shortly after the last board meeting.

4.2 In reference to the updated training policy, Karen McWilliam (AON Hewitt) advised that there was little difference between the competencies specified of Pensions Board Members and Pensions Committee Members. It was explained that it is the responsibility of each individual board member as well as the Board as a collective to ensure they are adequately trained and have the appropriate knowledge and skill requirement to fulfil the role. Board Members were informed that training records would be maintained and every time an event or training session is attended it would be marked against the relevant competencies. Members would be asked to refresh their competencies every three years. Information pertaining to training would also be included in the annual accounts report.

4.3 In response to a question from the Chair regarding non attendees, it was noted that board members not in attendance would be sent information from training sessions and asked to read and confirm their understanding. However, board members should make every effort to ensure regular attendance at board meetings and training sessions.

4.4 RESOLVED:

- **To formally adopt the updated Training Policy for the London Borough of Hackney Pension Fund, as it relates to the Pensions Board.**
- **To 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.**

5 REVIEW WORK OF PENSIONS COMMITTEE – SEPTEMBER –JANUARY MEETINGS

5.1 Jill Davys introduced the report as set out. In reference to the work of the Pensions Committee, she stated that anything that was considered to be of particular interest to the Board was highlighted or addressed in a separate report as part of the agenda.

- 5.2 The Board was advised that should they feel that there are any issues that the Committee and/or administering authority are not adequately dealing with, board meetings would provide the opportunity to challenge officers.
- 5.3 In response to a question from Richard Dearing relating to possible concern of the performance of a pension fund manager, Jill Davys explained that fund managers are usually appointed on a long term basis. Examples were given where fund managers were terminated in the short term due to a change in direction or personnel which resulted in a deviation from the original brief. Board Members were advised that the introduction of the Collective Investment Vehicle (CIV) would enable the administering authority to allocate fund managers in a more timely way.
- 5.4 In response to a question from the Board, it was noted that a new employer representative for the Pensions Committee would be sought in due course and this would be mentioned at the forthcoming employment forum. In reference to employee blocks, it was highlighted that employee representatives are to be representative of all employees not specific to their block.
- 5.5 It was noted that Co-opted Members are re-appointed annually and the position is subject to review.
- 5.6 **RESOLVED: To note the report**

6 TRAINING – THE ADMINISTRATION OF PENSIONS

- 6.1 Board Members received a presentation (hand-outs circulated) led by Karen McWilliam and Jill Davys on Hackney Pension Fund – Pension Board Training Administration. The main focus was on: the legislative framework, LGPS contributions and benefits, and key aspects of how administration is delivered within Hackney.
- 6.2 Board Members noted that the vast majority of people within the scheme have their benefits capped on three different bases which require very complicated calculations. In response to a question from Richard Dearing regarding the level of information contained within annual benefit statements, Jill Davys agreed to meet with him outside of the meeting to clarify. **(ACTION: Jill Davys)**
- 6.3 In response to a question regarding year end data audit, Jill Davys advised that although information is required from employers to monitor employee contributions as part of the annual year end accounts, it is not mandatory that employers submit correct/sufficient information relating to its employees.
- 6.4 In response to a question regarding the allocated costs of the pension scheme, Jill Davys advised that the annual costs are allocated to the pension fund treasury and costs are distilled where appropriate.
- 6.5 **RESOLVED: to note the report.**

7 PENSIONS ADMINISTRATION AUDIT AND EMPLOYER AUDIT

- 7.1 Jill Davys introduced the report which provided details of the results of pension administration audits undertaken on behalf of the Fund by its advisors AON. The Board was advised that the results of the audit provided an overview of the level of compliance in terms of the administration of the fund by Equiniti. The audit highlighted a number of positive aspects, however it revealed that not all employers had adapted to the new Scheme, some of which were supplying inaccurate data and late submission of information. It was noted that many payroll providers had not been successful in meeting the standards required since the introduction of the new scheme.
- 7.2 In direct response to the results of the audit, the Chair highlighted the importance that the Board is satisfied that the Administering Authority is authorised going forward to ensure that the systematic issues identified, are addressed and not repeated. The Chair questioned what the results of the audit identified about the future and emphasised the need to address and manage the identified issues as part of an ongoing work programme. It was requested that the results be used as a marker to be further addressed in one year's time.
- 7.3 Michael Honeysett informed the Board that a meeting would be convened with the Corporate Director of Finance and Resources, the Lead Member for Finance and Resources, the Lead Member for Human Resources and the individuals that run payroll to agree an action plan to improve performance. It was felt that the audit has helped to crystallise, what the issues are. It was noted that the Council is the largest individual employer.
- 7.4 Jill Davys gave assurances that council officers and Equiniti would continue to work with every employer to ensure the submission of complete and accurate data. It was noted that there are recurring issues with schools, some of which use external payroll providers.
- 7.5 **RESOLVED: To note the report.**

8 TPR CODE OF PRACTICE UPDATE INCLUDING PUBLIC SECTOR PENSIONS SURVEY

- 8.1 Jill Davys introduced the report as set out. The report covered an updated Compliance Checklist for the LBH Pension Fund. It was noted that the fund demonstrates high levels of compliance with the Code, a significant improvement from the initial checklist provided to the Pensions Committee in June 2015. The Board was advised that the results are considered to be very positive in comparison to most other funds.
- 8.2 **RESOLVED:**
- **To note the updated Code of Compliance Checklist and where further work is required and being undertaken.**
 - **To Note The Pensions Regulator survey**

9 PENSIONS BOARD WORK

- 9.1 Jill Davys introduced the report, which looks at the remit of the Board and work undertaken by other Pension Boards as requested at its first meeting in July 2015. It was highlighted that feedback from other funds, is that most other boards are focussed on the work of the Pensions Committee.
- 9.2 In response to a question from the Chair relating to the Collective Investment Vehicle (CIV), Jill Davys advised that toward the end of last year, the Government published its long awaited Investment Reform Criteria and Guidance alongside a consultation on new draft Investment Regulations. Authorities are required to provide details on how they plan to pool investments and arrange assets and secondly whether the amended regulations provide sufficient flexibility for authorities to undertake pooling by 19th February 2016. Responses are required by July 2016. It was noted that LBH has been involved in the establishment of the London CIV and is not thinking of joining any other pools at present.
- 9.3 **RESOLVED: To note the report.**

10 GMP RECONCILIATION

- 10.1 Karen McWilliam introduced the report as set out. A brief presentation (hand-outs circulated) was delivered which provided background on Guaranteed Minimum Pensions (GMP) and the issues faced by the Hackney Pension Fund. It was noted that should the decision be taken to not undertake GMP reconciliations, this will pose a significant administrative risk to the fund.
- 10.2 The Board was informed that initial work on this had begun and the fund's external administrators have been commissioned to recover information relating to NI contributions and from the pension fund scheme records. It was noted that other pension funds are facing similar issues of mismatched records. Equiniti have been tasked with looking at bulk issues to ascertain why data is not consistent. In relation to the pension fund, it was noted that there is some small risk and it is expected to escalate the fund's costs. However assurances were given that although there are lots of complexities, the London Borough of Hackney is doing as much as it can at this present time.
- 10.3 **RESOLVED: To note the report**

ANY OTHER BUSINESS

- 11.1 There was no other business for consideration.

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Pensions Board – Terms of Reference	Classification PUBLIC	Enclosures One
	Ward(s) affected ALL	AGENDA ITEM NO.
Pensions Board 2nd December 2016		

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 GROUP DIRECTOR, FINANCE & CORPORATE 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 DIRECTOR, LEGAL

- 5.1 The Public Service Pensions Act 2013 set out the need for Pensions Boards 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 Council agreed at its meeting on 25th February 2015 to approve the establishment of a new Pensions Board and approved its Terms of Reference.
- 5.2 There are no direct 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 these Terms of Reference, which have been provided here for reference for both new and existing members.

Ian Williams
Group Director, Finance and Corporate Resources

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

London Borough of Hackney

Pensions Board



TERMS OF REFERENCE



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

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Pension Fund Administration Annual Report 2015/16	Classification Public	Enclosures: None
	Ward(s) affected	AGENDA ITEM NO.
Pension Board 2nd December 2016	ALL	

1. INTRODUCTION

- 1.1 This report outlines the work undertaken by the London Borough of Hackney and the performance of the pension fund administrators, in regard to the administration of the LGPS Hackney Pension Scheme for the financial year 2015/16. The contract for pension administration, and pension payroll, is managed externally by the Fund's pension administrators, Equiniti Pensions Solutions, with the contract being overseen by the Financial Services Section based at London Borough of Hackney. The contract with Equiniti commenced on 1 April 2009 for an initial period of 5 years, and approval was given on 1 April 2014 to extend for a further 3 years until 31 March 2017

2. RECOMMENDATIONS

- 2.1 The Pension Board is recommended to note the report.

3. RELATED DECISIONS

- 3.1 Pensions Sub-Committee (17 January 2013) – Pensions Administration Contract, approval of 3 year extension
- 3.2 Pensions Sub-Committee (9 December 2008) – Procurement of Pension Scheme Administrator and Pension Payroll Provider

4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

- 4.1 The costs of administration as a whole for the Pension Fund are relatively small compared to the overall value for the Fund. The cost in 2015/16 was £570k, compared to £638k in 2014/15 although it should be noted the cost in 2014/15 included additional costs for the implementation of CARE Scheme 2014.
- 4.2 It is evident that having efficient administration is crucial to the effective management of the Pension Fund. The cost is made up of the cost of the third party administrators, including the administration of the pension payroll, and the internal costs of administering the Fund. This year the average cost of administering the Fund per member was £25.37, based on the current cost and membership at 31 March 2016, compared to £29.63 at 31 March 2015.
- 4.2 Good administration is key to ensuring that the Fund is able to meet its pension commitments in a timely manner and avoid additional charges to the Fund from late payments and fines. The administration of the Pension Fund is closely monitored

by officers of the Council to ensure efficient service delivery.

5. COMMENTS OF THE DIRECTOR, LEGAL

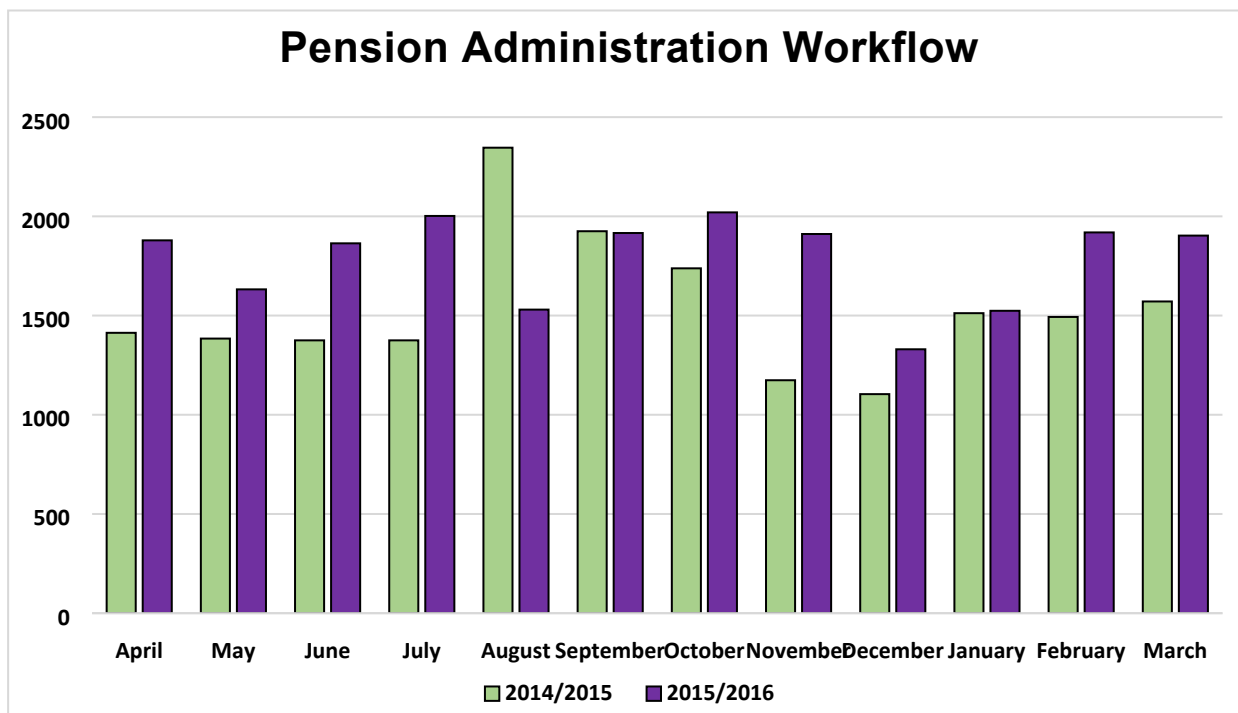
- 5.1 The Local Government Pension Scheme Regulations 2013 set out in detail the administration of the Pension Scheme and how the Scheme rules are to be applied. If these were to be applied incorrectly then this would pose a risk to the Pension Fund.
- 5.2 The Pensions Board have responsibilities to ensure that the Fund is managed in accordance with the regulations. Receiving regular updates on the performance of the administration function will assist the Board in ensuring that it fulfils its regulatory obligations.
- 5.3 There are no immediate legal implications arising from this report.

6. SUMMARY

- 6.1 The pension administrators, Equiniti Pensions Solutions, have a dedicated team of qualified pension professionals who manage the day to day administration of the scheme on behalf of the London Borough of Hackney. The contract is monitored by the Financial Services Section of the London Borough of Hackney on a monthly basis and performance is measured against Service Level Agreements (SLA). Over the year the pension administrators handled 20,234 cases, an increase of 1,824 on the previous year.
- 6.2 Overall performance against the SLA is slightly improved for 2015/16 at 95.1%, compared to 94.2% for 2014/15, which considering the increased workflow and the difficulties faced by the administrators, can be attributed to their hard work and dedication in ensuring that member records are up to date and correct. Equiniti have also successfully issued 5,096 annual benefit statements to active members, and 7,358 benefit statements to deferred members, including Councillors.

7. ADMINISTRATION PERFORMANCE

- 7.1 The performance of the pension fund administrators, Equiniti, is monitored by the Financial Services Section at Hackney Council. Meetings are held monthly to discuss performance against service level agreements, workflows, data cleanse issues and planning of future work projects. Meetings also include discussion of specific administration cases and recommendations for enhancements to the service provision both to Hackney and to members of the scheme.
- 7.2 Over the last financial year the total case load for the administrators has increased significantly from just under 18,500 cases in 2014/15 to 20,234 for 2015/16. The average monthly case load has increased from 1,534 in the previous year, to 1,786 in 2015/16. This increase has been primarily driven by the increased complexity of the scheme, starters and leavers having to be processed manually and the need for some manual calculations. The flow of work over 2015/16 in comparison to 2014/15 is shown in the chart below:-

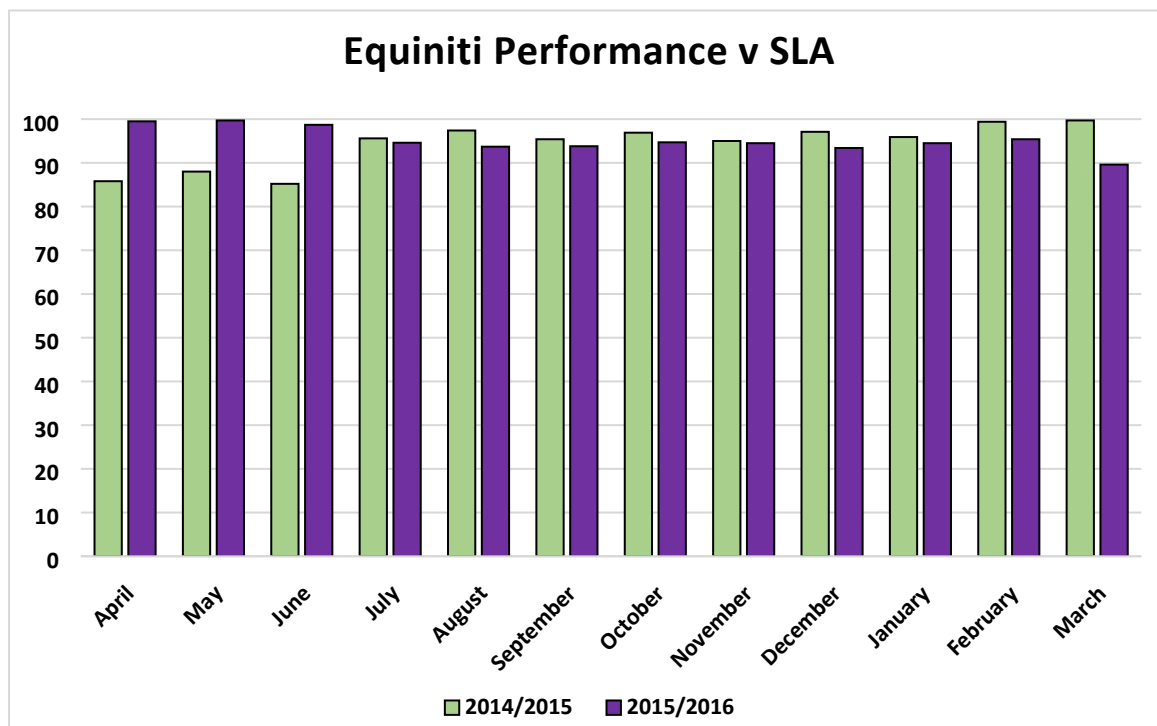


7.3 The increased workload is still being driven by the need for starters and leavers to be processed manually, as the monthly payroll interface could not be relied upon to input accurate member data. Also the increased processing time for cases continues to impact on the workflow, and is due to the complexity of the scheme and the need for some manual calculations.

7.4 The impact of the introduction of the CARE scheme on 1 April 2014, is still having a major effect on the overall workflow, due to the lack in quality data and the timeliness of data received from employers and their payroll providers. This has continued to result in extra work both for the third party administrators, Equiniti, and the internal Financial Services team. In addition, considerable problems still remain with the Council's payroll system as a year-end file that was fit for purpose was not provided, the data from which is used to produce members annual benefit statements.

7.5 As the year-end file was not provided, the Fund was not able to comply with its regulatory duty of providing annual benefit statements to its members by the end of August 2015. However, all benefit statements were issued in late September with the addition of a 'health warning' requesting members check their statement for accuracy, with the exception of circa 1,000 active member statements which were issued in January 2016. This was attributed to the lack of accurate pensionable pay data from employers. Hackney were not alone in this as many authorities across the country experienced the same issues, to the extent that the Pensions Regulator (tPR) were forced to issue a statement informing Funds of an extension to the deadline for benefit statements. Despite this, the Fund breached the regulations, and as advised by tPR, reported itself to tPR, setting out what had happened and the steps that will be taken in future, to correct this. No further action was taken by tPR.

7.6 Performance under the pension administration contract when compared to the service level agreement (SLA), was 95.1% for 2015/16 as a whole, which is a very slight increase on 94.2% in 2014/15. This in its self is an achievement considering the difficulties the administrators have had to overcome again this year. The performance v SLA over 2015/16 in comparison to 2014/15 is shown in the chart below:-



7.7 In addition to dealing with the day to day administration cases, Equiniti have also undertaken a number of tasks on behalf of the Fund, some of which are listed below:

- The year end pension payroll process has been completed for both the monthly and annual payrolls including the application of the pension increase (PI), reconciliation of the payrolls, production of P60s and reporting to HMRC
- System year end update of pension increase; Lifetime Allowance and Annual Allowance earnings and contribution histories was completed
- FRS17 data submitted to the Actuary, valuation extract submitted to GAD, data submission for Club Vita longevity studies and cessation valuation calculations for ceased employers
- Overpayment of pensions - identified overpayments to a value of £49,813. These were as a result of late death notifications. To date £20,550 has been recovered.

7.8 Employers and schools administration performance has been monitored over the year, and assistance and additional training has been provided to help support them with administering the scheme to ensure more accurate data is provided to Equiniti. Additional administration charges have been issued to a small number of employers where persistent failure to deliver accurate and timely information, despite support, has arisen. There were 8 instances of contributions being received late from various employers during the year, in most instances this was by one day only and employers have been reminded of the regulatory requirements to meet payments due to the Fund by the 19th of the month.

8. OTHER WORK UNDERTAKEN IN 2015/16

8.1 One year after the introduction of the CARE Scheme in 2014 and its additional complexities, it was reasonable and appropriate to carry out an audit of the administration arrangements at Equiniti and also to audit the data quality submissions from employers to the Fund. During the autumn of 2015 the Funds benefit

consultants undertook a comprehensive audit and the findings were submitted to Committee in January 2016.

- 8.2 Whilst it was clear the administrators demonstrated a willingness to deliver high quality administration to members of the scheme and to the Fund, they were often hampered by quality and timeliness issues of data submissions from some of the employers. It was noted from the audit, that some employers are still clearly struggling with implementing the new reporting requirements with their payroll providers. It is an on-going objective for the in-house Pensions team to provide assistance to those employers who are still struggling to meet the new requirements.
- 8.3 In October 2015, the Chief Executive launched a voluntary redundancy scheme as part of a Council wide savings programme, open to all employees of both the Council and Hackney Homes Ltd. The in-house Pensions team held 21 briefing sessions, attended by 421 members of staff and processed circa 600 application forms, providing redundancy, severance and pension estimates for individuals and the Corporate Panels. Of the 600 applications, circa 300 individuals were issued with redundancy offer letters. Following their acceptance of the offer, and completing their statutory notice period, 179 members of staff left the organisation by 31 March 2016. Also under the scheme, there are a further 67 members of staff set to leave the organisation from April 2016 to the end of March 2017.
- 8.4 The Fund's annual Employers' Forum was held on 1 February 2016, and was well attended with most employers able to send a representative. The Forum's agenda was varied, covering the triennial valuation, the pension administration audit, employers' roles and responsibilities, the Pension Board, a Fund overview and an update on the economy.
- 8.5 In the last year, the in-house Pensions team based at the Council, have presented at a number of pre-retirement seminars for the Council and Hackney Homes Limited, providing information on the scheme benefits and processes at retirement. The Pensions team also present at weekly induction sessions for the Council ensuring that all new employees are provided with information on the benefits of the Pension Scheme. Feedback from these sessions continues to be extremely positive with attendees ranking the sessions either good or very good.

9. THE PENSIONS REGULATOR

- 9.1 Changes introduced by the Public Service Pensions Act 2013, have meant that from the 1 April 2015, the Pensions Regulator assumed responsibility for setting standards of governance and administration in public service pension schemes, together with increased regulatory oversight.
- 9.2 As part of the Pension Regulator's new governance and administration framework, a new Public Service Code of Practice was introduced to provide practical guidance and standards of conduct and practice, to help maintain and improve the governance and administration of pension schemes. The Code is directed at Scheme Managers (Funds) and the local Pension Boards. The role of each local Pension Board is to help ensure their scheme complies with governance and administration requirements as defined by the Code.
- 9.3 In the summer of 2015, the Pensions Regulator conducted a survey of all public sector scheme to assess how they are meeting the governance and administration legal requirements and the standards to which they are being run. Participation in the survey was voluntary, with 48% of Funds responding (the Hackney Fund

included), equating to 85% of public scheme members. Key observations at the time of the survey were:-

- Pension Board set-up – 92% of schemes had established Boards
- Internal Controls – 76% of Funds have procedures to manage risk and 82% have a risk register
- Record Keeping – 55% of schemes have measured themselves against the record-keeping requirements and only 27% have undertaken a data cleanse exercise.
- Breaches of the Law – only 55% have procedures for identifying and assessing breaches
- Self-assessment against the Law & Code of Practice – only 44% of schemes have done this review.

With reference to all of the above, the Hackney Fund was able to demonstrate compliance in each area.

9.4 However, as a result of the survey, tPR has indicated that during 2016/17 its focus will be on the following key areas; internal controls, record keeping and the provision and high quality communications to members. The increased scrutiny in these areas has no doubt resulted from the problems many schemes faced in the delivery of the 2015 benefit statements within the regulatory deadline.

9.5 The Pensions Regulator will be assessing standards of schemes on an annual basis and have closer scrutiny of the accuracy of the data held by pension schemes. The emphasis for the Fund will therefore remain on building relationships with employers and ensuring that the data supplied in respect of members is accurate.

Ian Williams
Group Director, Finance & Corporate Resources

Report Originating Officers: Julie Stacey ☎020-8356 3565
Financial Considerations: Michael Honeysett ☎020-8356 3332
Legal Considerations: Stephen Rix ☎020-8356 6122

REPORT OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES		
ANNUAL REPORT OF THE PENSIONS COMMITTEE 2015-2016 Pension Board 2nd December 2016	Classification PUBLIC	Enclosures One
	Ward(s) affected ALL	AGENDA ITEM NO.

1. INTRODUCTION

1.1 The purpose of this report is to detail the role of the Pensions Committee and summarise the key activities and achievements in 2015/16 that demonstrate how the Committee has fulfilled its role effectively acting in its capacity as quasi-trustees of the Council’s Pension Fund. This report will be presented to full Council in due course as a Committee of the Council at its meeting 30th November 2016.

2. RECOMMENDATIONS

2.1 The Pension Board is recommended to note the report.

3. RELATED DECISIONS

- Pensions Committee (27th June 2016) – Business Plan

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

4.1 The Pensions Committee 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 £1.17 billion worth of assets and for ensuring the effective and efficient running of the Pension Fund. The decisions taken by the Committee impact directly on the financial standing of the Fund and, given the need to ensure that the Fund is able to meet its liabilities (pension benefit payments), the decisions taken will affect its ability to meet such liabilities. The Administering Authority has a responsibility to ensure that over time the Pension Fund is able to meet all its future liabilities and ensuring prudent financial management will directly impact on the contribution rates payable by all employers participating in the Fund, with the Council representing the largest employer in the Fund.

5. COMMENTS OF THE DIRECTOR, LEGAL

- 5.1 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.
- 5.2 The Committee has legal responsibilities for the prudent and effective stewardship of the Pension Fund and a clear fiduciary duty in the performance of its functions.
- 5.3 The annual report of the Pensions Committee's activities demonstrates how it has undertaken and fulfilled its statutory and constitutional responsibilities during 2015/16.
- 5.4 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 Delegated powers under the Council Constitution have been given to the Pensions Committee to oversee the management of the Pension Fund as the Administering Authority and are set out in the Terms of Reference for the Committee.
- 6.2 The Pensions Committee is a committee of the Council and reports annually on the work undertaken at Committee. The attached report covers the 2015/16 Municipal Year where the Committee has met 7 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.
- 6.6 Committee papers have been provided in accordance with the agreed timeframe with no late reports.
- 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 Committee's Terms of Reference.
- 6.8 The coming year will continue to provide the Committee with an extensive work programme which includes work on asset pooling in line with the Government's investment reform agenda. In addition the Committee will continue with the work on climate change issues begun in 2015/16. With The Pensions Regulator now having oversight of the governance and administration of the LGPS, there will be a continued focus on ensuring that the Fund is able to demonstrate compliance. A number of policy reviews will also be undertaken to update current arrangements. The Committee will continue to review the appropriateness of its asset allocation, alongside development of the new Investment Strategy Statement. Ongoing training

for the Committee in relation to both the Knowledge and Skills Framework and pertinent investment and governance issues will continue to be a regular feature as will monitoring of funding levels and the Pension Fund budget.

Ian Williams
Group Director of Finance & Corporate Resources

Report Originating Officers: Rachel Cowburn ☎020-8356 2630
Financial considerations: Michael Honeysett ☎020-8356 3332
Legal comments: Stephen Rix ☎020-8356 6122

APPENDIX

Annual Report of the Pensions Committee 2015-16

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APPENDIX 1

Annual Report of the Pensions Committee
2015-2016

ANNUAL REPORT OF THE PENSIONS COMMITTEE 2015/16

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 2015/16 municipal year the Pensions Committee undertook an extensive work and training programme, and met 7 times during the year. The Committee carries with it a considerable responsibility to ensure that the Pension Fund, which was valued at £1,172m at 31 March 2016 and has over 22,000 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 Key areas of focus for the Committee during the year revolved around ensuring that the Fund is able to meet the challenges posed by Central Government around investment reform. To this end the Committee has been very supportive of the establishment of the London Collective Investment Vehicle (CIV) with key officers being heavily involved in the working groups that set out the original plans and development of the CIV right through to the Financial Conduct Authority (FCA) Authorisation. The Mayor of the Council and Corporate Director of Finance and Resources were also on the Interim Board of the company during its initial set-up stages. The Committee fully support the development of the CIV but believe its future success will depend on the extent of flexibility, rather than compulsion, national government allows.

1.4 The Fund has also supported collaborative working more generally, playing a key role in the development of the National LGPS Procurement Framework.

1.5 The Pensions Committee has also focused heavily on how it can manage the potential impacts of climate change on the financial position of the Fund, holding a special strategy meeting in January 2016 to allow for a full discussion of the issues. This has resulted in the development of a series of resolutions set out below, with work beginning in Q4 2015/16 to be taken forward into the new municipal year:

- Develop a policy statement regarding the London Borough of Hackney's approach to fossil fuel investment for inclusion within the new Investment Strategy Statement;
- Agree to monitor carbon risk within the London Borough of Hackney Pension Fund and to appoint a specialist contractor to conduct a carbon footprint of the Fund;

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

1.6 The Pensions Committee commenced two investment programmes during the year, with investments of £53m and £48m being made to new multi-asset and emerging market funds respectively. These were fully invested by 31st December 2015.

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 2015/16 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 2015/16 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 2015/16 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 2015/16												
	24th June		16th July	21st September		18th November(Strategy)		13th January		28th January (Strategy)	23rd March	
	Meeting	Training	Meeting	Meeting	Training	Meeting	Training	Meeting	Training	Meeting	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	A	P	P	P	P	P	P	P	P	P
Cllr Brian Bell	P	P	P	A	A	P	P	P	P	P	A	A
Cllr Feryal Demirci	P	P	A	A	A	P	P	A	A	P	A	A
Cllr Jonathan McShane	A	A	A	P	P	P	P	A	A	A	A	A
Cllr Geoff Taylor	P	P	P	P	P	P	P	P	P	P	P	P
Co-Opted Members												
Neil Isaac	P	P	P	P	P	P	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 2015/16 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 22,510 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 58 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:

3.2 Governance

3.2.1 Compliance with The Pension Regulator's new Code of Practice featured strongly on the Committee's agenda during 2015/16. Although following the Code itself is not a legal requirement, it sets out how the Regulator expects the requirements of the Public Sector Pensions Act 2013 should be met. The Regulator has the power to take action where the provisions of the Act are not being met, and will use the Code as a core reference document in deciding on the appropriate action to take. The Committee has considered whether the management of the LB Hackney Pension Fund meets the standards set out in the Code through use of a compliance checklist, and ensured that appropriate processes are being developed for the few areas in which the Fund has not yet achieved full compliance.

3.2.2 The Committee also reviewed the results of an audit of the administration arrangements for LGPS 2014, carried out by the Fund's Benefit Consultants, AON. The audit covered both the performance of the third party administrators, Equiniti, and the quality and timeliness of data being supplied to the Fund by Employers. The audits highlighted both positive aspects and some areas for improvement; whilst many employers are providing good quality data, others have struggled to provide data by requested deadlines and to the quality standards expected. The Pensions Regulator has raised this as a national issue, as many payroll providers have struggled since the introduction of the new scheme. Officers have been working closely with the relevant parties to resolve the issues, and this work will continue into the new municipal year.

3.2.3 The Committee were also kept updated on the establishment of Hackney's new Local Pension Board under the LGPS Regulations 2013. The Board met twice during 2015/16, with Board members also attending Committee training sessions.

3.2.4 At the start of the municipal year, the Committee reviewed the business plan for the year and also the longer term objectives for the Fund to ensure that they remain appropriate for the Fund.

3.3 Investments/Asset Allocation

3.3.1 2015/16 was a difficult year for the Fund in terms of investment performance, resulting in a slight fall in the overall value of the Fund. Much of the poor performance was driven by the Fund's exposure to global equity markets which saw considerable volatility over the year, with particular concerns over stalling growth in China. The rout during August and September and further slide over the New Year both detracted from performance, although both were followed by periods of recovery. Performance across other asset classes was also mixed, with market sentiment dominated by worries over global growth and central bank policy.

3.3.2 The Committee continued to monitor the investment portfolios and the performance of the Fund Managers it employs on a quarterly basis, as well as reviewing the rolling annual, 3yr and 5yr performance. By the end of the financial year the Pension Fund had seen a slight fall in value of around 0.2% to £1,172m decreasing from £1,175m at the end of March 2015. The Committee met with some investment managers employed by the Fund, with meetings being held as follows:

- Lazard (Global equity mandate) – 21st September 2015
- Threadneedle (Property) – 23rd March 2016

3.3.3 Towards the end of the 2014/15 municipal year, the decision was taken to invest £100m into a new multi-asset fund and an emerging market fund split 50/50. A review of possible options was carried out by officers during Q1 of 2015/16 with the decision on which specific funds to invest in being taken by Committee in July 2015. The outcome of the process was an investment of

£53m in Invesco Perpetual's Global Targeted Returns Fund, and an investment of £48m in RBC's Global Emerging Markets Equity Funds; both were fully invested at 31st December 2015.

3.4 Stewardship and Corporate Governance

3.4.1 The Committee appreciates 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 Fund's stewardship arrangements. One issue particularly recognised is that of fossil fuels and their impact on climate change. The Committee has recognised that these issues could present systemic risks to the planet, but could also have a material impact on the financial position of the Pension Fund; it therefore held a dedicated strategy meeting for discussion of these issues in January 2016.

3.4.2 The outcome of the strategy meeting was a series of resolutions around future workstreams designed to help the Fund fully understand its carbon footprint and the risks this poses and, over the longer term, promote decarbonisation of the portfolio through positive investment in low carbon or clean energy funds. Work on meeting the resolutions began in the final quarter of 2015/16, with a review of the options for switching £25m of the existing property mandate into a low carbon property fund. By June 2016, an investment of £10m had been made into the Threadneedle Low Carbon Workplace Fund, with further investments to be made as and when the fund has projects available for investment. Work is also scheduled on other workstreams for later in the year.

3.4.3 The Committee has also considered a range of other measures to enhance its approach to wider corporate governance, ethical and social issues, including reviewing the options for a governance overlay service. The Fund 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.

3.5 Financial Monitoring including Annual Report and Accounts

3.5.1 At the Pensions Committee meeting on 24th June the Committee were presented with the 2014/15 Pension Fund Annual Report and Accounts for approval prior to audit. The Audit was reviewed at the meeting on 29th September; this confirmed that there were no major issues with the accounts and that the auditors were satisfied with their findings.

3.5.2 A draft audit plan for the Pension Fund for the 2015/16 Financial Statements was considered at a meeting on 23rd March 2016.

3.5.3 The Committee also received and approved the Pension Fund Annual Budget for 2016/17 and a review of the position for the budget for 2015/16 at its meeting on the 23rd March 2015. Quarterly budget monitoring was

undertaken during the year in order to better monitor the cashflow position of the Fund.

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

3.6 LGPS Structural Reform and the London CIV

3.6.1 2015/16 was an extremely eventful year for the LGPS, with fundamental changes being made to the way investments will be managed in the future. On 25th November 2015, the Government published its long awaited Investment Reform Criteria and Guidance alongside a consultation on new draft Investment Regulations to replace the 2009 LGPS (Management and Investment of Funds) Regulations.

3.6.2 This was the culmination of a considerable period of consultation and debate on the future for the management of pension funds in the LGPS. The document sought responses from authorities on how they planned to pool investments in line with the Government's criteria of scale, governance, cost and capacity and commitment to invest in infrastructure. Hackney's initial response was submitted in February 2016, in line with Government deadlines, by the Corporate Director (Finance & Resources) in consultation with the Chair of Pensions Committee.

3.6.3 Having been involved in the establishment of the London Collective Investment Vehicle (CIV), the Hackney Pension Fund was already participating in a pooled vehicle when the Criteria were published. Given the funds committed to participation in the CIV, the pool meets the Government's criteria including the requirement for at least £25bn of assets under management. The CIV was authorised by the FCA in December 2015 and is regulated as an AIFM (Alternative Investment Fund manager). To provide the CIV with the regulatory capital required for authorisation, the Committee approved an investment by the Pension Fund in the CIV of £150,000. This approach was also followed by the other Funds participating in the London CIV.

3.6.4 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.

3.7 Other Collaborative Working

3.7.1 The Committee has been kept informed of the work that the Fund has been involved in on the National LGPS Frameworks for procurement, delivering efficiency savings both for the Fund itself and across the LGPS. The Fund has remained an active participant in the project during 2015/16, being involved in the setup of a framework for third party pension administration as well as the re-letting of the Actuarial, Benefits and

Governance Consultancy Framework. This work will continue into the new year, with the setup of a new Stewardship Framework and a planned call-off from the Third Party Administration Framework.

3.8 Training

3.8.1 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; it is therefore vital to ensure that appropriate levels of training are available to Committee Members.

3.8.2 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.

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

Dedicated Training	Date
Pensions Legislation and Governance (KSF1)	24/06/2015
Accounting and Auditing Standards (KSF2)	21/09/2015
Actuarial (KSF6)	18/11/2015
Financial Markets and Product Knowledge (KSF5)	13/01/2016
Property Investment (KSF5)	31/03/2016
Supplemental Training	Date
Pensions Board (KSF1)	24/06/2015
Pension Fund Report & Accounts and Audit (KSF2)	24/06/2015
TPR(KSF1) Code of Practice Compliance	24/06/2015
Investment Update (KSF4, KSF5)	21/09/2015
Collaborative Working Update (KSF3)	21/09/2015
Pensions Update – Key Developments (KSF1)	21/09/2015
Pension Fund Risk Register (KSF4)	13/01/2016
LGPS Investment Reform (KSF1)	13/01/2016
Investment Pooling Update (KSF1, KSF4)	31/03/2016
Actuarial Valuation and Longevity Monitoring (KSF6)	31/03/2016
Strategy Meeting Supplemental Training	Date
Investment Strategy (KSF4, KSF5)	18/11/2015
LGPS Pooling and Collaboration (KSF1, KSF3)	18/11/2015
MiFID II (KSF1)	18/11/2015
Fiduciary Responsibilities (KSF1)	28/01/2016

3.9 Ad-hoc Projects

3.9.1 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.
- 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 2016/17

4.1 During the 2016/17 municipal year, the following reports are expected to be submitted to the Committee for consideration –

- Stewardship and Corporate Governance
- Report and Accounts 2016/17
- 2017/18 Budget
- Business Plan 2016/19
- Investment reform/asset pooling update
- Asset allocation review
- Development of new Investment Strategy Statement (ISS), including the Fund's Climate Change Policy
- Update on climate change resolutions, including carbon footprinting
- Quarterly monitoring – covering Funding, Budget, Investment, Administration
- Governance
- Procurement exercise (call off from National Framework) to cover third party administration services
- Fund Manager Reports
- Public Sector Pension Reform and Collaborative Working
- Regulatory changes and consultations
- Pension Fund Risk Register
- Training Programme
- Policy reviews, including administering and employing authorities' discretions policies

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
REVIEW OF PENSIONS COMMITTEE PAPERS – MARCH – SEPTEMBER 2016 Pension Board 2nd December 2016	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO.

1. INTRODUCTION

1.1 The purpose of this report is for the Pension Board to consider the work undertaken by Pensions Committee at its meetings in the period from March to September 2016 and to note items that are relevant to the work of the Pension Board.

2. RECOMMENDATIONS

2.1 The Pension Board is recommended to note the report

3. RELATED DECISIONS

- Pensions Committees (23rd March 2015, 27th June 2016 and 19th September 2016)

4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

4.1 The Pension Board’s role is to assist the Administering Authority in ensuring compliance with the regulations. Consideration of Pensions Committee agendas 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 DIRECTOR, LEGAL

- 5.1 The Pension 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. For the Board to demonstrate that it 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. Reviewing the work of the Pensions Committee on a regular basis forms part of the ongoing work of the Pension Board.
- 5.2 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 be provided with copies of the Pensions Committee meetings held on the 23rd March 2016, 27th June 2016 and 19th September 2016. A link to the Committee papers is provided here:
<http://mginternet.hackney.gov.uk/ieListMeetings.aspx?CId=499&Year=0>
- 6.2 Over the period March to September 2016, Pensions Committee have considered reports covering a wide range of issues including investments, pensions administration, accounts, government consultations and actuarial matters. Members of the Board have been provided with copies of the agenda and associated reports for the Pensions Committee meetings.
- 6.3 Where Pensions Committee work has specific relevance to the Pension Board and where the subject matter is such that it would be helpful to expand further for the Board to fulfil the role, these have become dedicated papers for the Board agenda. In other areas, it is worth highlighting either reports or elements of Committee reports that are of particular relevance to the Board.
- 6.4 The quarterly monitoring report provides both the Pensions Committee and the Board with an update on the key facts pertaining to the Pension Fund with updates provided on funding, investment performance, budget monitoring, corporate governance and engagement, pensions administration and reporting of breaches either to the Committee or where appropriate to the Pensions Regulator. Key to the role of the Board is ensuring that the Fund is being administered in accordance with the regulations and the quarterly report helps demonstrate that the Committee is taking all aspects of their role in managing the Pension Fund in to account and not just investment related issues. Of particular relevance to this Board is the quarterly reporting on administration performance and also the reporting of breaches sections.
- 6.5 Key items from the 23rd March meeting included an updated Training Policy, a self-assessment questionnaire to allow the Committee to assess their Knowledge and Skills requirements and the performance of advisors, and an updated Pension Administration Strategy. The Training Policy has direct relevance to the Pension Board, as the arrangements it sets out also apply to Board Members. The current

policy was approved by the Board at its initial meeting; a copy has been included in the current agenda for new members to note.

- 6.6 The self-assessment questionnaire is completed by the Pensions Committee each year, and the Board also will be asked to complete this in due course. It has particular relevance to Board members thanks to the legal requirement placed upon them to maintain a certain level of Knowledge and Understanding. The questionnaire is key in identifying where members of both the Committee and Board may feel they lack the necessary knowledge, and therefore helps to dictate the training programme for both bodies.
- 6.7 Items of relevance from the 27th June committee include an update on LGPS pooling, the annual report of the Pensions Committee and the Pension Fund Administration annual report (both provided for further discussion in this agenda). The Pension Fund Business Plan 2016-19 is also of relevance to the Board. The business plan covers all the known key strategic matters for the financial years 2016-2019, the majority of which will be covered by the Committee in some detail. The key items for the coming financial year include the actuarial valuation and review of the Funding Strategy Statement and Statement of Investment Principles/Investment Strategy Statement the latter of which will be subject to new legislation from 1st April 2017. Also key are the Third Party Administration procurement, and the ongoing work on the development of the London CIV, which has implications for Fund governance. As usual the Committee will also be asked to consider a range of policy documents, many of which require updating on an annual or biennial basis.
- 6.8 The 19th September meeting included initial results from the Fund's valuation and a review of TPRs Code of Practice Compliance Checklist (included in this agenda for further discussion). The initial valuation results set out the indicative Whole Fund funding level, and the timetable for the process through to 2017.
- 6.9 Board Members will note that the Compliance Checklist includes a reference to the fact that the Pension Fund has reported itself to the Pensions Regulator for failing to meet its statutory duty to provide all active members of the Fund with an annual benefit statement by 31st August 2016. Whilst statements for deferred members and the majority of statements for active members were sent out by the deadline, around 3200 statements could not be produced as a result of lack of data. After discussion with the Council's payroll provider, a revised deadline of 31st October was agreed. Whilst the Council did produce updated year end data by the new deadline, this was not of sufficient quality to permit statements to be sent by 31st October. After further analysis of the data available, it has been agreed that these will now be sent in batches, with the final batch to be sent by 31st December.
- 6.6 The Fund has remained in contact with TPR throughout this period, providing an initial breach report ahead of 31st August, and a further report once the 31st December deadline had been set. The Fund has recently received confirmation that no action will be taken by the Regulator in this instance, provided that all statements are sent by 31st December 2016. However, it should be noted that, as the Council is currently changing payroll provider, problems with the receipt of data are likely to persist into 2016/17. The Fund is closely involved with the implementation project and has raised the issue with TPR; this is covered in more detail in the 2nd December Pension Report, 'TPR Code of Practice Compliance'.

Ian Williams

Group Director, Finance and Corporate Resources

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Reporting Breaches Procedure	Classification Public	Enclosures: Two
	Ward(s) affected ALL	
Pension Board 2nd December 2016		

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 provides new Board members with an introduction to the procedure.

2. RECOMMENDATIONS

The Pensions Board is recommended to:

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

3. RELATED DECISIONS

- Pensions Committee 19th September 2016 – TPR Code of Practice Compliance Checklist update
- Pensions Committee 24th Jun 2015 – TPR Code of Practice and draft Reporting Breaches Procedure
- Pension Board 28th July 2015 – Adoption of Training Policy as it relates to Pension Board

4. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES

- 1.1 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.

- 1.2 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 DIRECTOR, LEGAL

- 1.3 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.

- 1.4 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

- 1.5 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.

- 1.6 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.

- 1.7 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.
- 1.8 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.
- 1.9 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

- 1.10 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. Minor updates have been made since this date to reflect changes to both the operational structure of the Financial Services team and the Council's management structure.
- 1.11 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
- 1.12 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 2015 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.
- 1.13 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.

Ian Williams

Corporate Director of Finance & Resources

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial Considerations: Michael Honeysett ☎020-8356 3332

Legal Considerations: Stephen Rix ☎020-8356 6122

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

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 Group Director, Finance and Corporate Resources and the Head of Pension Fund Investment.

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 Director, Financial Management and the Group 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 Pension Fund Investment.

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 Pension Fund Investment 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 Pension Fund Investment or Group Director, Finance and Corporate 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.

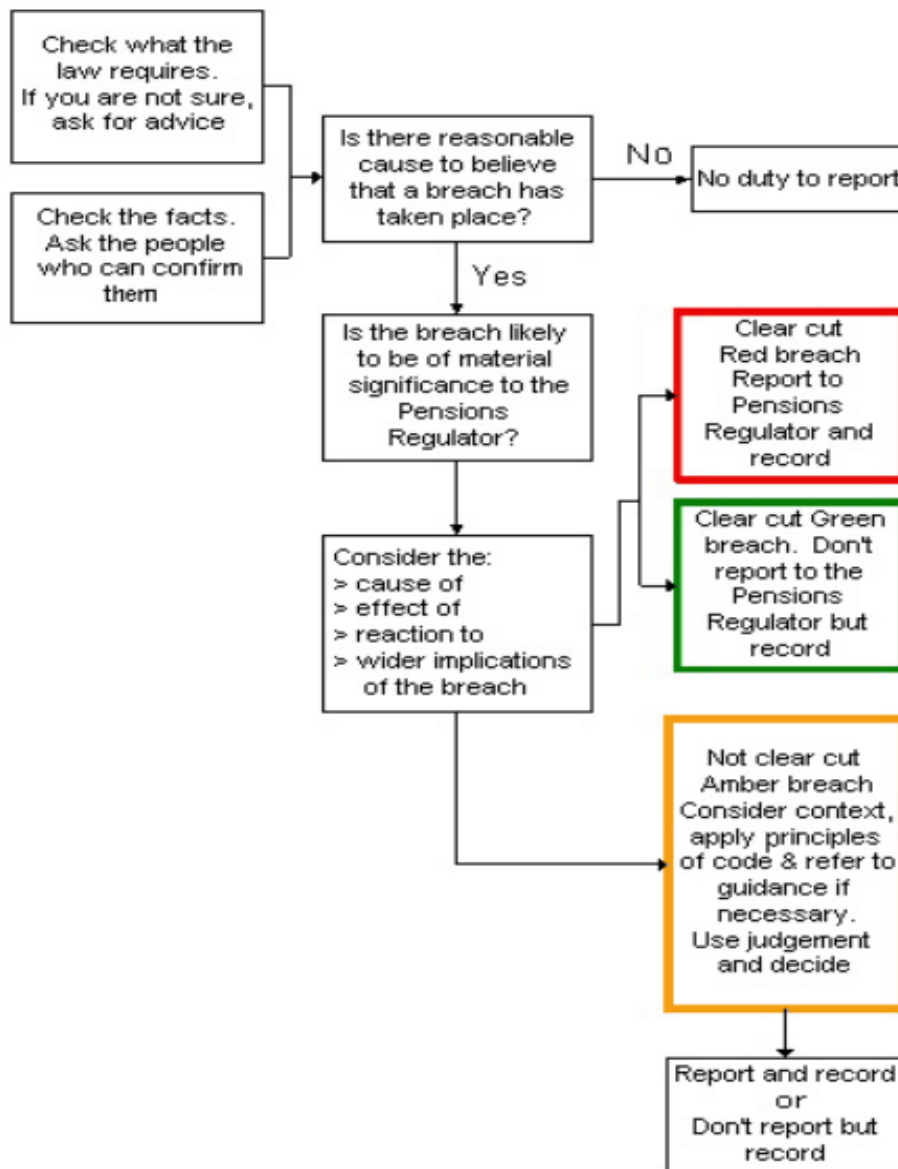
Individuals may also request the most recent breaches report from the Head of Pension Fund Investment and the Corporate Director of Finance and Resources, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

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 Pension Fund Investment 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 Pension Fund Investment and /or Group Director, Finance and Corporate 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 Pension Fund Investment and/or Group Director, Finance and Corporate 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 Pension Fund Investment and Group Director, Finance and Corporate 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 Pension Fund Investment or the Corporate Director of Finance and Resources. Records of unreported breaches should also be provided to the Head of Pension Fund Investment or the Group Director, Finance and Corporate 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
- 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, with minor changes made in November 2016 to reflect changes to both the operational structure of the Financial Services team and the management structure of the Council. It will be kept under review and updated as considered appropriate by the Head of Pension Fund Investment 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:

Rachel Cowburn
 Head of Pension Fund Investment
 London Borough of Hackney Pension Fund
 Hackney Council
 4th Floor, Hackney Service Centre
 1, Hillman Street
 London
 E8 1DY

Designated officer contact details:

1) Head of Pension Fund Investment – Rachel Cowburn

E-mail rachel.cowburn@hackney.gov.uk

Telephone 020 8356 2630

2) Group Director, Finance and Corporate 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

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:

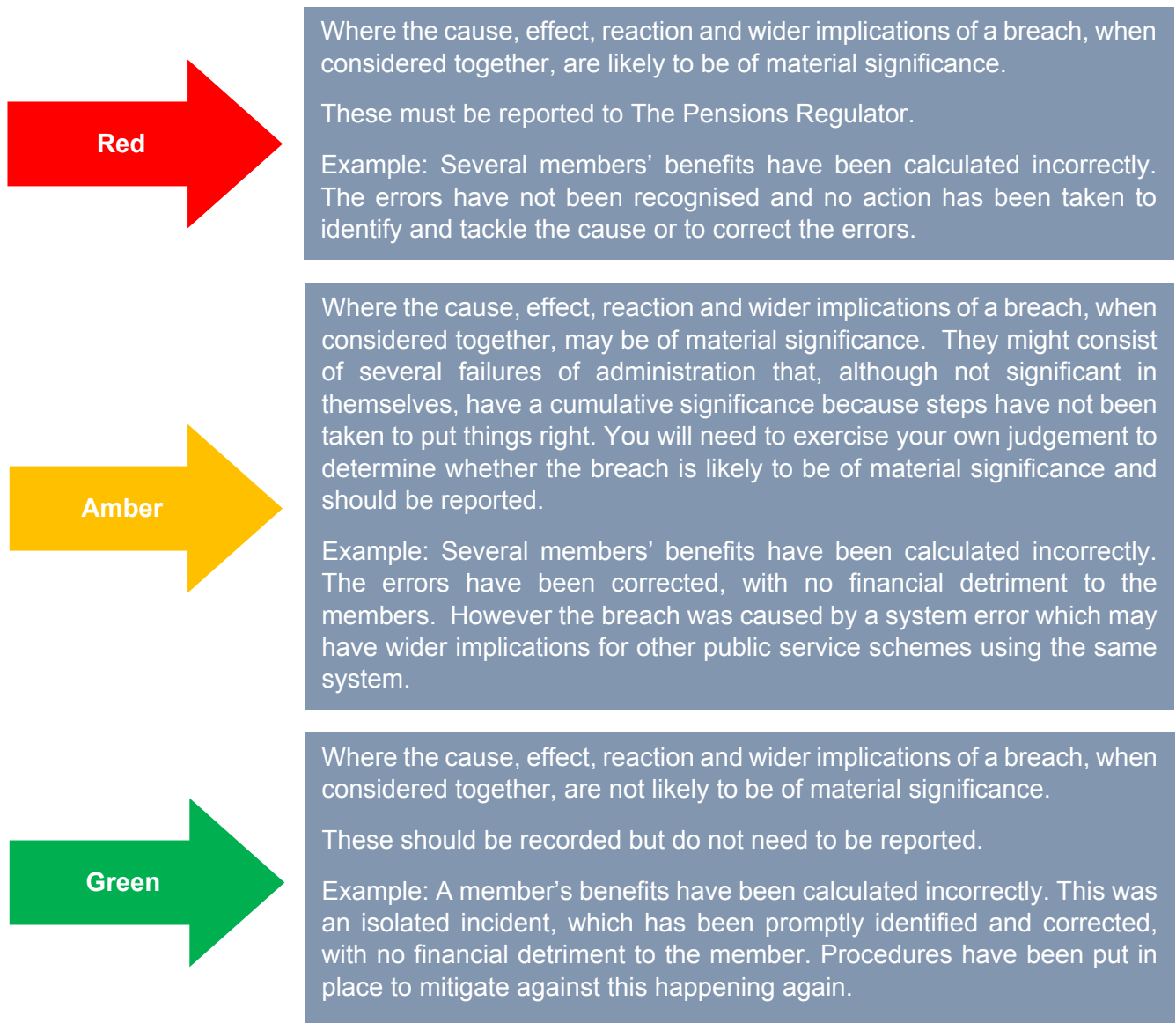
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

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)

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REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Conflicts of Interest Policy	Classification PUBLIC	Enclosures Two
	Ward(s) affected ALL	AGENDA ITEM NO.
Pension Board 2nd December 2016		

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 GROUP DIRECTOR, CORPORATE 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 DIRECTOR, LEGAL

- 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 Board meeting.
- 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.
- 6.7 Minor amendments have been made to this policy since its introduction in 2015 to reflect the new operational structure of the Financial Services team and changes to the management structure of the Council.

Ian Williams
Group Director, Finance and Corporate 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 – amended November 2016

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

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.

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 Pension Fund Investment and Head of Pensions Administration will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as they consider 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 Pension Fund Investment is the designated individual for ensuring the procedure outlined below is adhered to. For Pension Board members, the Director, Financial Management and the Director, Legal 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 Pension Fund Investment.

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 Pension Fund Investment 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 Pension Fund Investment 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 Pension Fund Investment, 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 Pension Fund Investment and where it relates to the business of any meeting, also to the Chairman of that meeting. The Head of Pension Fund Investment, 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 Pension Fund Investment 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 Pension Fund Investment 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 Pension Fund Investment 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 Pension Fund Investment 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 Pension Fund Investment 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 Pension Fund Investment. 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 Pension Fund Investment 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
Corporate Finance & Resources Directorate
4th Floor, Hackney Service Centre
1, Hillman Street
London
E8 1DY

Telephone: 020 8356 2745

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 Director, Financial Management and the Director, Legal with such information as he or she reasonably requires for the purposes of demonstrating that there is no conflict of interest.

The Director, Financial Management and Director, Legal 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 Group Director, Finance and Corporate 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 Pension Fund Investment 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
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(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 GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES		
The Pensions Regulator Code of Practice Compliance Checklist Pension Board 2nd December 2016	Classification PUBLIC	Enclosures One AGENDA ITEM NO.
	Ward(s) affected ALL	

1. INTRODUCTION

- 1.1 From 1st April 2015 the Pensions Regulator (TPR) assumed responsibility for public service pension schemes and put in place codes of practice for public service pension schemes covering a number of areas relating to the management of schemes. The 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 This report covers an updated Compliance Checklist for the London Borough of Hackney Pension Fund.

2. RECOMMENDATIONS

- 2.1 The Pension Board is recommended to:
 - Note the Code of Compliance Checklist and where further work is required and being undertaken.

3. RELATED DECISIONS

- 3.1 Pensions Committee 13th January 2016 – Pension Fund Risk Register for noting
- 3.2 Pensions Committee 13th January 2016 – TPR Code Compliance Checklist
- 3.2 Pensions Committee 13th January 2016 – Pension Administration Audits for noting
- 3.3 Council 25th February 2015 – Approval of Establishment of Pensions Board
- 3.4 Pensions Committee 31st March 2015 – Conflicts of Interest Policy and TPR Code of Compliance Checklist
- 3.5 Pensions Committee 24th June 2015 – Risk Management and Internal Controls Policy; Reporting Breaches Procedure

4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE 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 focus on increased training are just two areas which we have seen. 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 DIRECTOR, LEGAL

- 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 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 is being developed will assist in this regard and allow us 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 TPR finalised its 14th Code of Practice in January 2015 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 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. Given the changes to the membership of the Board, it is anticipated that following this and subsequent meetings, the checklist can be further updated to reflect more areas where the Fund is able to demonstrate compliance.
- 6.5 The full updated checklist as at September 2016 is attached for review by the Board. As can be seen in many areas, the Fund is generally able to demonstrate good levels of compliance with the Code and these are highlighted in green. This has reduced from the previous update, largely due to the need to appoint new members to the Pension Board. There are a large number of areas associated with the Pensions Board showing as amber – in many cases these reflect areas where the underlying arrangements are in place, but were only partially put into practice at the time of the September Committee as the Board had only one member. There are also other areas highlighted as amber, where further work need to be undertaken to reach full compliance.
- 6.6 There are also 2 areas where the Fund is failing to meet the requirements of the Code, one of which is the number of members on the Board. The Board requires a minimum of 4 members, but only one was in post as at September 2016. This situation arose as a result of resignations – both employer representatives left employment and so were no longer eligible, whilst one scheme member representative resigned his post as a Board member. An explanatory note has been submitted to the Pensions Regulator, and we hope to able to advise him of a full complement of members shortly.
- 6.7 The second red area relates to the issuance of Annual Benefits Statements to active scheme members. Statements to deferred members were submitted by the deadline of 31st August, as were around 4,000 statements to active members. The remaining 3,200 statements to actives were not issued by the deadline. Equiniti initially committed to producing these by 31st October but have since required a further extension to 31st December 2016. The primary cause of the breach in both instances was a failure by the Council, as the Fund's main employer, to submit year end data of suitable quality in line with agreed timescales. A formal breach report has been submitted to TPR in each instance; we have recently been informed that no action will be taken provided the outstanding statements are issued by 31st December 2016.
- 6.8 Whilst this is not an issue that is confined to the London Borough of Hackney, submitting good quality data to the Fund has been an ongoing problem for the Council. The Council is currently in the process of changing its payroll supplier and, whilst this does not resolve the issue in the short term, the Fund is working with the project team for the new system to ensure that reporting from the new supplier is developed in line with the Fund's requirements. Midland HR, the new supplier, has recognised that there have been difficulties in producing LGPS reporting, and is working constructively with its LGPS payroll clients to develop its reporting capabilities.
- 6.9 Improvement to the Council's reporting is therefore likely to be a long term project for the Fund. However, the year-end report for 2016/17 will still need to be produced

using the existing ResourceLink system – improvements to the specification of the existing report and interface have been made since the 15-16 year end, and it is hoped that this will permit improvements to the data for the 2016/17.

Ian Williams
Group Director of Finance & Corporate Resources

List of appendices:

Appendix 1- The Pensions Regulator's Code of Practice – Compliance Checklist
(September 2016)

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Date of Completion: 08/09/2016

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- G - Maintaining contributions
- H - Providing information to members and others
- I - Internal Dispute Resolution
- J - Reporting breaches of the law
- K - Scheme Advisory Board - Guidance on the creation and operation of Local Pension Boards in England and Wales

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:	Compliant:	Where responsibility relates to employers:
Page 96	Fully completed	Fully compliant	Employers - Fully compliant
	In progress	Partially compliant	Employers - Partially compliant
	Not started	Non-compliant	Employers - Non-compliant
	Not yet relevant	Not yet relevant	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 Dashboard

A dashboard showing the summary of the results of the latest compliance checklist is shown below:

No.	Completed	Compliant
Reporting Duties		
A1	Fully completed	Fully compliant
A2	Fully completed	Partially compliant
A3	Fully completed	Fully compliant
A4	Fully completed	Fully compliant
Knowledge and Understanding		
B1	Fully completed	Fully compliant
B2	Fully completed	Fully compliant
B3	In progress	Partially compliant
B4	Fully completed	Fully compliant
B5	In progress	Partially compliant
B6	In progress	Partially compliant
B7	Fully completed	Fully compliant
B8	In progress	Partially compliant
B9	In progress	Fully compliant
B10	In progress	Partially compliant
B11	In progress	Partially compliant
B12	In progress	Partially compliant
Conflicts of Interest		
C1	Fully completed	Fully compliant
C2	In progress	Partially compliant
C3	In progress	Partially compliant
C4	Fully completed	Fully compliant
C5	Fully completed	Fully compliant
C6	Fully completed	Fully compliant
C7	Fully completed	Fully compliant
C8	Fully completed	Fully compliant
C9	Fully completed	Fully compliant
C10	In progress	Non-compliant
C11	In progress	Partially compliant
Publishing Information		
D1	In progress	Partially compliant
D2	Fully completed	Fully compliant
D3	In progress	Partially compliant
D4	Fully completed	Fully compliant

No.	Completed	Compliant
Risk and Internal Controls		
E1	Fully completed	Fully compliant
E2	Fully completed	Fully compliant
E3	Fully completed	Fully compliant
E4	Fully completed	Fully compliant
E5	Fully completed	Fully compliant
E6	Fully completed	Fully compliant
E7	Fully completed	Fully compliant
E8	Fully completed	Fully compliant
Maintaining Accurate Member Data		
F1	Fully completed	Partially compliant
F2	Fully completed	Fully compliant
F3	Fully completed	Fully compliant
F4	Fully completed	Fully compliant
F5	Fully completed	Fully compliant
F6	Fully completed	Fully compliant
F7	Fully completed	Fully compliant
F8	Fully completed	Partially compliant
F9	Fully completed	Partially compliant
F10	Fully completed	Partially compliant
F11	In progress	Partially compliant
Maintaining Contributions		
G1	Fully completed	Fully compliant
G2	Fully completed	Fully compliant
G3	In progress	Partially compliant
G4	Fully completed	Fully compliant
G5	Fully completed	Partially compliant
G6	Fully completed	Fully compliant
G7	Fully completed	Employers - Partially compliant
G8	Fully completed	Partially compliant
G9	Fully completed	Fully compliant
Providing Information to Members and Others		
H1	Fully completed	Employers - Non-compliant
H2	In progress	Partially compliant
H3	Fully completed	Fully compliant
H4	Fully completed	Partially compliant
H5	In progress	Fully compliant
H6	Fully completed	Fully compliant

No.	Completed	Compliant
H7	Fully completed	Employers - Partially compliant
H8	In progress	Partially compliant
H9	In progress	Partially compliant
H10	In progress	Partially compliant
H11	Fully completed	Fully compliant
H12	In progress	Fully compliant
H13	Fully completed	Partially compliant
Internal Dispute Resolution		
I1	Fully completed	Fully compliant
I2	Fully completed	Fully compliant
I3	Fully completed	Fully compliant
I4	Fully completed	Fully compliant
I5	Fully completed	Fully compliant
I6	Fully completed	Partially compliant
I7	Fully completed	Fully compliant
I8	Fully completed	Fully compliant
I9	Fully completed	Fully compliant
Reporting Breaches		
J1	Fully completed	Fully compliant
J2	Fully completed	Fully compliant
J3	Fully completed	Partially compliant
Scheme Advisory Board Requirements		
K1	Fully completed	Fully compliant
K2	Fully completed	Partially compliant
K3	In progress	Partially compliant
K4	Fully completed	Fully compliant
K5	Fully completed	Partially compliant
K6	Fully completed	Fully compliant
K7	In progress	Partially compliant
K8	Fully completed	Fully compliant
K9	In progress	Partially compliant
K10	Fully completed	Fully compliant
K11	Fully completed	Fully compliant
K12	In progress	Partially compliant
K13	Fully completed	Fully compliant
K14	In progress	Partially compliant
K15	Fully completed	Fully compliant

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	01/09/2016	Fully completed	Fully compliant	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)	01/09/2016	Fully completed	Partially compliant	Scheme return submitted to TPR, a few employer details need to be updated. A report will be submitted to TPR to state breach in number of representatives currently on the Board.	Update TPR with new PB member details once they are appointed.
A3	Have you completed this latest Scheme Return in the required timescale?	Response submitted to TPR on 11/08/16	As and when received	01/09/2016	Fully completed	Fully compliant	Last return received and completed in August 2016	
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.	01/09/2016	Fully completed	Fully compliant	Last survey received and completed in July 2015	

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
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	14/01/2016	Fully completed	Fully compliant	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 Group Director of Finance and Corporate Resources.	Ongoing (annual check)	01/09/2016	Fully completed	Fully compliant		
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)	03/01/2016	In progress	Partially compliant	Pensions Board Meeting 16/07/15 - Board Members provided with key documents. Board Members have attended training sessions at Pensions Committee	
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)	01/06/2016	Fully completed	Fully compliant		
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)	03/01/2016	In progress	Partially compliant	3 new board members to be made aware when recruited	
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 be given access to).	Ongoing (annual check)	03/01/2016	In progress	Partially compliant	PB Members expected to attend training at PC and also to attend other relevant training when available	
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)	01/06/2016	Fully completed	Fully compliant		

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)	03/01/2016	In progress	Partially compliant	<p>Pensions Board adopted the training policy</p> <p>However, a model is being developed to capture individual training needs against CIPFA requirements/TPR toolkits and to monitor against those specific requirements.</p> <p>Each June PC will highlight any individuals (PB, PC & officers) with outstanding requirements.</p>	- Training to be set up for PC, PB and senior staff. This will be induction training for new members and refresher training for existing members.
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)	03/01/2016	In progress	Fully compliant	Pre-appointment training to be offered to new members on recruitment - plans in place	
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 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)	03/01/2016	In progress	Partially compliant	<p>Pensions Board appointed with a training plan. PC/PB will be required to undergo individual self assessment.</p> <p>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.</p> <p>Each June PC will highlight any individuals with outstanding requirements (PC, PB and officers).</p> <p>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).</p>	
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)	03/01/2016	In progress	Partially compliant	<p>Annual report and Accounts for 2015/16 will include when issued in June.</p> <p>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.</p>	
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)	03/01/2016	In progress	Partially compliant	Pensions Board appointed and provided with information on TPR Toolkit. First Board meeting included Breaches and conflict module. In addition they have all attended a training day as well as attending PC training sessions.	

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. Conflicts of interest register records conflicts of interest declared by PB & PC members	Annual	03/01/2016	Fully completed	Fully compliant	Adopted by Pensions Board at 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?	PC & 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	01/09/2016	In progress	Partially compliant	All Pensions Board will complete declarations on appointment. PC members have all completed annual declarations. Declaration forms have been sent out to new PC members.	
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)?	Policy requires each PC & PB member to complete a declaration on appointment and annually. The Head of PF Investments will ensure that all are received and collated within six weeks of the first meeting. The register is reviewed annual to ensure conflicts are being registered at the earliest opportunity.	Annual	01/09/2016	In progress	Partially compliant	All Pensions Board will complete declarations on appointment. PC members have all completed annual declarations. Declaration forms have been sent out to new PC members.	
C4	Does the appointment process for pension board members require disclosure of interests and responsibilities which could become conflicts of interest?	The Policy and procedures and the declarations require PB members to highlight potential, as well as actual, conflicts. The procedure requires declaration at interview, annually and at each meeting (if not already declared). The Head of PF Investments has responsibility for ensuring the procedure is followed.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant	Both actual and potential conflicts of interest have been highlighted by members of the Pensions Board	
C5	Is the conflicts policy regularly reviewed?	Every three years or earlier if considered appropriate	Triennially	31/03/2015	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
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	03/01/2016	Fully completed	Fully compliant	Register of interests now available following establishment of Pensions Board	
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)	03/01/2016	Fully completed	Fully compliant	Noted by Pension Board.	
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)	03/01/2016	Fully completed	Fully compliant	Declarations are part of standard agenda for PB	
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)	03/01/2016	Fully completed	Fully compliant	Pension Board provided with background on Conflicts Policy and referred to in meetings	
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)	01/09/2016	In progress	Non-compliant	The Pension Board is currently recruiting new Board members	
C11	Is the board made up of the appropriate mix of representatives in order to minimise potential conflicts?	<p>To be completed as part of appointment process and then reviewed annually to ensure this continues.</p> <p>Appointment Process completed including appointments panel interview to assess capacity of individuals to fulfil role as Pension Board Member.</p> <p>In 2015, only 6 applications received for 4 posts despite contacting all scheme members by post, advertising on website and notice on Council intranet.</p>	Ongoing (annual check)	01/09/2016	In progress	Partially compliant	Pension Board members are being required to submit statement outlining skills appropriate to their role on the Board. Interviews will be conducted to select most suitable Board Members	

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	Ongoing (annual check)	03/01/2016	In progress	Partially compliant	There is information available about the PB and PC on the website, however more details of the Board members could be included directly on the website.	Contact details of the PB members to be published once members are appointed
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.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant		
D3	Is all the information about the Pension Board kept up-to-date?	Information regularly checked.	Ongoing (annual check)	03/01/2016	In progress	Partially compliant	There is information available about the PB and PC on the website, however more details of the Board members could be included directly on the website.	Contact details of the PB members to be published once members are appointed
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)	03/01/2016	Fully completed	Fully compliant	Pension Board Agenda and papers are published on Council website	

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 agreed at June 2015 PC.	Fully completed	Fully compliant		
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 agreed at June 2015 PC.	Fully completed	Fully compliant		
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. Risk Register last reviewed at Pensions Committee meeting in January 2016	Annually (annual check)	01/06/2016	Fully completed	Fully compliant		
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: - 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)	01/06/2016	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
E5	Does the Administering Authority regularly review the risk register?	<p>Risk management is ongoing and therefore the register can be updated as a result of risk identification through a number of means including:</p> <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. <p>Risk Register last reviewed at Pensions Committee meeting in January 2016</p>	Annually (annual check)	01/06/2016	Fully completed	Fully compliant		
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)	03/01/2016	Fully completed	Fully compliant	Risk register for discussion January PC/PB	
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)	01/06/2016	Fully completed	Fully compliant		
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?	<p>The key outsourced services for this purpose are Equiniti (third party administration), HSBC (custodian) and Fund managers.</p> <p>These providers are required to provide annual internal control reports and a control sheet is used to ensure they are received and reviewed.</p>	Annually (annual check)	01/06/2016	Fully completed	Fully compliant		

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?	<p>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.</p> <p>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 Prudential with an annual update provided to Hackney Council/Equiniti. Hackney are currently investigating gaining access to view these AVC records.</p> <p>Data accuracy and completeness reports are also received via the triennial valuation, which cover some of these elements. In the autumn of 2015, Aon Hewitt carried out a audit of employer provided data. It highlighted a number of issues with the quality of data being provided by employers.</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>	<p>Annually (Equiniti) or if change provider.</p> <p>Part of actuarial valuation (triennial)</p>	01/09/2016	Fully completed	Partially compliant	<p>This was previously shown as fully compliant but has been downgraded at this review due to the findings of the employer audit.</p> <p>Equiniti have been unable to provide complete and accurate annual benefit statements for all scheme members because they have not received year-end files from the scheme's largest employer (Hackney Council).</p>	<p>- Ongoing data improvement work in relation to quality of employer data.</p> <p>- Ongoing investigating securing access to view AVCs records.</p> <p>- Further information to be provided by Equiniti in future years to verify compliance.</p>

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
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 Hackney Council, quality of data is below standard and interfaces are being developed to improve this. Some other employers are not providing the information in the format requested.</p>	PAS reviewed each January for PC in March	01/09/2016	Fully completed	Fully compliant	Fully compliant as processes are in place.	<p>- As part of Pension Admin Strategy review, there will be further examples of the quality of data to be accepted. Then information will not be accepted in alternative formats (and charges applied where this is not the case).</p> <p>- Ongoing development of interfaces in relation to Hackney Council.</p>
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)	01/06/2016	Fully completed	Fully compliant		
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)	01/09/2016	Fully completed	Fully compliant		
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 (R Cowburn) will monitor the situation.	Ongoing (annual check)	01/09/2016	Fully completed	Fully compliant		
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)	01/09/2016	Fully completed	Fully compliant		
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 (ad-hoc) 	Ongoing (annual check)	01/09/2016	Fully completed	Fully compliant		- Equiniti will be asked to carry out a common data check on at least an annual basis, due to be carried out during September.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
F8	Does the Administering Authority carry out a data review at least annually?	Annual year end reconciliations as described above plus for annual report and accounts, pensions increases and benefit statements. Equiniti carry out a common data and intend to commence a conditional data review.	Ongoing (annual check)	01/09/2016	Fully completed	Partially compliant		Conditional data review to be finalised by Equiniti and ongoing programme of reporting to be developed for it and common data, both due to be carried out during September.
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 some elements of improvement are discussed and actions/timescales agreed. However, a clear statement of all improvement areas with a plan is not currently in place. Employers are charged an administration fee where they fail to meet standards.	Monthly	01/09/2016	Fully completed	Partially compliant	This was previously shown as fully compliant but has been downgraded at this review due to the findings of the employer audit.	- Formal data improvement plan to be put in place
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 Hackney Council to assist with reconciliation.	Ongoing (annual check)	01/09/2016	Fully completed	Partially compliant		Ongoing work on interfaces for Hackney Council
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: - Equiniti get annual training - Hackney staff periodic training but some staff have not received yet received training - DPA officer at both Equiniti and Hackney - Council data protection policy in place and guidance on intranet Evidence of processes includes: - Share file 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 generally encrypted unless scheme member insists otherwise.	Ongoing (annual check)	01/09/2016	In progress	Partially compliant	This was previously shown as fully compliant but has been downgraded a newer team members at Hackney have not yet had training	-DPA training to be arranged for all Hackney pension team staff members, including ensuring all understand the process if a breach occurs.

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

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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?	There is a master spreadsheet where all contributions received are entered and monitored by Equiniti. All payments are made by electronic transfer to reduce risk of payment failure. Hackney Council and Equiniti hold monthly meetings to determine how to deal with any issues arising.	Ongoing (annual check)	01/06/2016	Fully completed	Fully compliant	There has been an improvement in monitoring contributions by sample testing the data in supporting documents.	Further communication with employers to submit supporting documents in specified format.
G2	Do those processes and procedures include a contributions monitoring record to determine whether contributions are paid on time and in full?	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. 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.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant	There is a robust monitoring process in place and the capability to receive interest on late contributions in the PAS. The PAS could be more strictly enforced	
G3	Do those processes and procedures include monitoring payments against the contributions monitoring record on an ongoing basis?	The process includes reconciliation with the payment received and shown in the financial system. No process is currently in place in relation to reconciling AVC payments with contributions record.	Ongoing (annual check)	01/06/2016	In progress	Partially compliant		Process being implemented to monitor date of payment of AVCs.
G4	Are these procedures regularly reviewed to ensure they are effective?	Payments are generally always on time. Monthly meeting between Equiniti and Hackney consider any late cases. 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.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
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)	1/6/16 for 2015/16	Fully completed	Partially compliant		Generally compliant - escalation procedure formalised in PAS but need to be clearer on when would report to regulator. Include in next update of PAS.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
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)	01/06/2015	Fully completed	Fully compliant		
G7	Do employers provide sufficient information to monitor contributions and is this in accordance with the LGPS regulations?	During 2015/16 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)	01/06/2016	Fully completed	Employers - Partially compliant		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 fully investigate the significance of failures and the escalation process.	Ongoing (annual check)	01/06/2016	Fully completed	Partially compliant		Procedure formalised in PAS 2016 but lacks detail on consideration of when to report to the Regulator. Ameliorated by Breaches Reporting Procedure being in place but needs to make link. To be included in PAS 2017.
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)	01/09/2016	Fully completed	Fully compliant		

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. 4,008 (out of 7,286) statements as at 31st March 2016 were issued by end of August 2016. The remaining statements are due to be issued by end of October 2016. All cases were sent out unless there is no address to send to. During 2016, there are no such cases.	Annual	01/09/2016	Fully completed	Employers - Non-compliant	Delay in issuing is due to Hackney Council payroll information not being accurate. Breach reported to the Pensions Regulator	- Ongoing work with Hackney Council to improve data. - Will monitor that final batch of statements are issued by end of October 2016.
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	03/01/2016	In progress	Partially compliant	Standard statements do not fully comply with if receive a member request for information	Further work to be carried out on template for statements sent on request

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
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). Active statements issued by October 2016. Deferred statements issued August 2016. 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	01/09/2016	Fully completed	Fully compliant	Around 473 deferred not issued as no last known address. In 2014/15 there were no requests for PC benefit statements. In 2015/16 there were 73 requests for PC benefit statements.	Tracing exercise being carried out to help reduce the number of unknown addresses (originally 1,600 unknown addresses have now been reduced to 473 with ongoing investigation).
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)	01/09/2016	Fully completed	Partially compliant		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?	In the process of receiving confirmation from Prudential when AVC statements were issued to all relevant members in 2016.	Annual	01/09/2016	In progress	Fully compliant		
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	01/06/2015	Fully completed	Fully compliant		
H7	Is basic scheme information provided to all new and prospective members within the required timescales?	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. For 2014/5: - 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. Equiniti often identify cases from contribution spreadsheets and auto-enrolment reports to chase outstanding information from employers with a review to improving this process.	Ongoing (annual check)	1/6/15 for 2014/15	Fully completed	Employers - Partially compliant		There is ongoing work to improve transfer of information from employers to Equiniti, including developing interfaces and charging administration cost for late notifications.
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)	01/06/2016	In progress	Partially compliant		The website is being redesigned and the new version will pick up on these requirements.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
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)	01/09/16 for 2015/16 Information by Prudential 01/09/16	In progress	Partially compliant	Confirmation required from Equiniti Prudential has met the requirements and inform members on an annual basis whether they are in the growth or accumulation phase of lifestyle via their annual benefit statement	Pulse (work monitoring system) 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)	1/6/16 for 2015/16 Confirmed by Prudential 01/09/16.	In progress	Partially compliant	Confirmation required from Equiniti Prudential has met the requirements and inform members on an annual basis whether they are in the growth or accumulation phase of lifestyle via their annual benefit statement	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)	01/09/2016	Fully completed	Fully compliant		
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 2015/16 (2014/15 in brackets) covered approximately XXX (226) attendees and found: - XX% (97.3%) found the presentation informative and engaging - XX% (96.9%) understand the benefits of being in the scheme - XX% (94.8%) found the presentation relevant and understandable.	Ongoing (annual check)	01/09/2016	In progress	Fully compliant		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 – tracing service used in summer 2016. Originally 1,600 unknown addresses have now been reduced to 473 with ongoing investigation.		01/09/2016	Fully completed	Partially compliant		- Continue investigations in relation to remaining untraceable records. - Tracing exercises will be carried out on a period basis

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)	01/06/2015	Fully completed	Fully compliant		
I2	Does the Administering Authority's process highlight or consider whether a dispute is exempt?	Leaflet outlining IDRP procedure includes this information.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
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: - 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 IDRP procedure includes this information.	Ongoing (annual check)	01/06/2015	Fully completed	Fully compliant		
I4	Has the Administering Authority ensured that employers who make first stage decisions also have IDRP 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: - mentioned at employer forum in January 2015. - email sent to employers June 2015 with a copy of the IDRP 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	Fully completed	Fully compliant		
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	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
16	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)	01/06/2015	Fully completed	Partially compliant		Administration and communications strategy will be updated in 2016. New starter notice and remaining benefit notification letters to be updated.
17	Are the notification requirements in relation to TPAS and the Pensions Ombudsman being adhered to?	Guide enclosed when acknowledging receipt of an IDPR. Notifications always include information about TPAS/PO in the decision letter.	Ongoing (annual check)	03/01/2016	Fully completed	Fully compliant		
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)	01/06/2015	Fully completed	Fully compliant		
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)	01/06/2015	Fully completed	Fully compliant		

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. Procedure will be shared with all PB, PC and key officers & put on website.	Ongoing (annual check)	01/09/2016	Fully completed	Fully compliant		
J2	Does the Administering Authority have appropriate procedures in place to meet their legal obligations for identifying and assessing breaches?	Breaches procedure is in place (developed May 2015).	Annual	01/09/2016	Fully completed	Fully compliant		
J3	Are breaches being recorded in accordance with the agreed procedures?	Procedure launched May/June 2015 so no historical recording. The Head of Pension Fund Investment and Actuarial Services will maintain a record of breaches and this is included in the quarterly PC governance update report including a comment on whether any breaches are systemic and action taken. Some details may need to be withheld for confidentiality reasons. Some concerns at the moment in relation to insufficient monitoring and recording of breaches at Equiniti.	Ongoing (annual check)	01/09/2016	Fully completed	Partially compliant	Both reported and unreported breaches are included within the Quarterly Report to Pensions Committee and provided to the PB.	- Ongoing work with Equiniti to ensure all breaches are identified, notified and recorded.

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)	27/02/2015	Fully completed	Fully compliant		
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)	03/01/2016	Fully completed	Partially compliant	First meeting of PB 16/07/15 The Pension Board is currently recruiting new members so the Board is not as effective or operational as it could be.	
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	01/07/2015	In progress	Partially compliant	To be reviewed once new members appointed to Pensions Board	
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)	14/01/2016	Fully completed	Fully compliant		
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)	03/01/2015	Fully completed	Partially compliant	Training plan in place - training to be provided once new Board members appointed	
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)	03/01/2016	Fully completed	Fully compliant		
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)	03/01/2015	In progress	Partially compliant	Self-assesment completed in summer 2016	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.

No.	SAB Requirement	SAB Section	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
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	31/03/2016	Fully completed	Fully compliant	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)	03/01/2015	In progress	Partially compliant	Training to be provided to new members once appointed	
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)	03/01/2016	Fully completed	Fully compliant		
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)	01/05/2016	Fully completed	Fully compliant		
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)	03/01/2015	In progress	Partially compliant	To be provided to new PB members once appointed	
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)	03/01/2015	Fully completed	Fully compliant	Breaches policy agreed by PB and breaches included in quarterly reporting	
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	In progress	Partially compliant	Draft annual report produced - to be agreed autumn 2016	
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	31/03/2016	Fully completed	Fully compliant	Statement carried forward to 2015/16 Annual Report	

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
PENSION BOARD WORK PLAN 2016-2017	Classification PUBLIC	Enclosures One
	Ward(s) affected ALL	AGENDA ITEM NO.
Pension Board 2nd December 2016		

1. INTRODUCTION

1.1 The purpose of this report is to provide an indicative work plan for the Pension Board meetings for 2016-17

2. RECOMMENDATIONS

2.1 The Pension Board is recommended to agree the indicative work plan for the Board for 2016-17

3. RELATED DECISIONS

- Pensions Committee (27th June 2016) – Pension Fund Business Plan 2016-2019

4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

4.1 The Pension 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 Pension 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 Pension 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 DIRECTOR, LEGAL

5.1 The Pension 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 Pension Board helps to demonstrate that the Board is meeting its Terms of Reference in assisting the Administering Authority to comply with regulations.

5.2 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 Pension Board 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 Group Director, Finance and Corporate Resources, the Director, Financial Management and the Director, Legal. 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 An indicative work plan for the year 2016-17 has been drawn up, but 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 Pension 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.

Ian Williams

Group Director, Corporate Finance and Resources

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Legal comments: Stephen Rix ☎020-8356 6122

APPENDIX

Pension Board Indicative Work Schedule 2016-17

Indicative Work Plan for Pensions Board 2016 -2017

2nd December 2016 – Agenda

1. Apologies for Absence
2. Declarations of Interest
3. Terms of Reference
4. Conflicts of Interest Policy
5. TPR Code of Practice Compliance
6. Breaches Procedure
7. Annual Report of Pension Committee 2015-16
8. Committee Update 2016-17
9. Annual Pensions Administration Report 2015-16
10. Work Plan
11. Training Policy
12. Any Other Business

March 2017 – Agenda

1. Apologies for Absence
2. Declarations of Interest
3. Consideration of the minutes of the previous meeting
4. Review work of Pensions Committee
5. Third Party Pensions Administration Procurement
6. Pension Fund Risk Register
7. Communications Policy
8. GMP reconciliation update
9. TPR Code of Practice Update
10. Any Other Business

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