



PENSIONS BOARD

Monday, 20th March, 2017

at 10.30 am

1st Floor Conference Room CAH - CAH

Membership

Members: Samanthan Lloyd
Kay Brown
Henry Coldhurst

Contact:
Peter Gray
Governance Services
Tel: 020 8356 3326
Email: Peter.Gray@hackney.gov.uk


The press and public are welcome to attend this meeting

AGENDA

Monday, 20th March, 2017

ORDER OF BUSINESS

Item No	Title	Page No
1	APOLOGIES FOR ABSENCE	
2	DECLARATIONS OF INTEREST - Members to declare as appropriate	
3	MINUTES OF THE PREVIOUS MEETING - TO FOLLOW	
4	REVIEW OF PENSIONS COMMITTEE - SEPTEMBER 2016 -MARCH 2017	1 - 4
5	YEAR END DATE/ITRENT IMPLEMENTATION UPDATE	5 - 8
6	PENSIONS FUND RISK REGISTER	9 - 48
7	PENSIONS FUND COMMUNICATION POLICY 2017/18	49 - 66
8	GMP RECONCILIATION UPDATE	67 - 70
9	TPR CODE OF COMPLIANCE CHECKLIST	71 - 98
10	ANY OTHER BUSINESS	

11	EXCLUSION OF PRESS AND PUBLIC		
	Proposed resolution: THAT the press and public be excluded from the proceedings of the Cabinet meeting during consideration of Exempt items on the agenda on the grounds that it is likely, in the view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in Schedule 12A to the Local Government Act 1972 as amended.		
	Wards Affected	Contact Officer 	
12	THIRD PARTY PENSIONS ADMINISTRATION PROCUREMENT		99 - 384

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

This page is intentionally left blank

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
REVIEW OF PENSIONS COMMITTEE PAPERS – SEPTEMBER 2016 – MARCH 2017 Pension Board 20th March 2017	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 September 2016 to March 2017 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 (6th December 2016 and 24th January 2017)

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 reports considered at Pensions Committee meetings held on the 6th December 2016 and 24th January 2017. A link to the Committee papers is <http://mginternet.hackney.gov.uk/ieListMeetings.aspx?CId=499&Year=0> provided here:
- 6.2 Over the period September 2016 to March 2017, the Pensions Committee have considered reports covering a wide range of issues including investments, asset pooling, pensions administration, procurement 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 the Board is the quarterly reporting on administration performance and also the reporting of breaches sections.
- 6.5 Key items from the 6th December meeting included a draft for consultation of the Investment Strategy Statement (ISS) and a decision to use the National LGPS Framework for Third Party Administration Services for the Fund's administration procurement. The draft of the ISS helps indicate that the Fund is on target to have its ISS formally approved by 1st April 2017 in accordance with the new LGPS (Investment and Management of Funds) Regulations 2016. Following a consultation meeting in

early March, a final draft has now been prepared for review and approval by the Committee at its meeting on 29th March.

- 6.6 A specific update on the third party administration procurement has been provided with the papers for this Board meeting. The paper details the procurement process being followed by officers following the decision to use the National LGPS Framework and the decision making structure in place for the final selection of an administration provider.
- 6.7 Items of relevance from the 24th January Committee include an update on LGPS pooling, the 2016 Funding Strategy Statement for consultation, and a review of the Fund's Treasury Management policy. Specific updates on the Communications Policy and Risk Register have been provided with the papers for this Board meeting. LGPS pooling has material implications for fund governance, as it will requires changes to the Fund's approach to investment decision making. A key element of a successful transition to the new arrangements is liaison with the London CIV, who attended the Committee meeting on 24th January to provide on update on recent progress.
- 6.8 The LGPS Regulations 2013 set out the statutory framework under which the Fund must produce its Funding Strategy Statement (FSS). The statement addresses the issue of managing the need to fund member benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure. Under Regulation 58 of the LGPS 2013 Regulations, it must be amended whenever there is a material change in either the policy on the matters set out in the FSS or the ISS. The most recent update has been triggered by the Fund's 2016 actuarial valuation and is out for consultation at the time of writing.
- 6.9 The Treasury Management Strategy helps the Fund ensure compliance with Regulation 11 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which states that the Pension Fund must invest, in accordance with its investment policy, any fund money that is not needed immediately to make payments from the fund. The Strategy document sets out how the Fund's cash is to be invested and policies for distribution of surplus cash to the fund's external managers for investment.

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

This page is intentionally left blank

REPORT OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES		
Year End Data & Payroll Implementation Update	Classification PUBLIC	Enclosures None
	Ward(s) affected	AGENDA ITEM NO.
Pension Board 20th March 2017	ALL	

1. INTRODUCTION

1.1 This report covers an update to the Board on progress of the Council’s payroll implementation project, which has significant implications for the future provision of accurate pension contribution data. It also details actions taken to help ensure that adequate year end contribution data is provided for 2016/17 despite the end of the Council’s existing payroll contract on 30th June 2017.

2. RECOMMENDATIONS

2.1 The Pension Board is recommended to:

- Note the implementation update and actions taken to secure adequate year end contribution data

3. RELATED DECISIONS

3.1 Pension Board 2nd December 2016 – TPR Code Compliance Checklist

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

4.1 The standard of monthly and year end contribution data provided by the Council to the Pension Fund has declined in recent years, as the 2014 scheme changes and introduction of auto-enrolment have made the provision of adequate data more challenging. The financial implications of poor quality data for the Pension Fund are considerable; not only does it raise the risk that member benefits will not be calculated in accordance with scheme regulations, but could also reduce the accuracy of the Fund’s actuarial valuation and lead to inefficient management of investment risks. This could result in employers, including the Council, paying insufficient or excessive contributions with a material impact on their own finances. The involvement of the Pension Regulator (tPR) in this areas also raises the risk of financial penalties and reputational damage.

4.2 The introduction in 2017 of a new payroll provider for the Council, the Fund’s main employer, creates additional risks around data provision but also provides opportunities for improvement. Management of the provision of final data from the old provider and the timely introduction of good quality reporting from the new are key to ensuring improvement. Some additional cost is inevitable; however, this is negligible in comparison to the financial risks posed by failing to act.

5. COMMENTS OF THE DIRECTOR, LEGAL

- 5.1 The Pension Fund is required, under Section 4 of the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 to hold certain information about its members. Failure to maintain complete and accurate records could result in the Fund failing to pay benefits in accordance with scheme regulations, inefficient management of investment risk and potentially excessive or insufficient contribution rates for employers.
- 5.2 Failure to adhere to the overriding legal requirements could therefore 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.
- 5.3 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 Whilst this is not an issue that is confined to the London Borough of Hackney, submitting good quality data to the Pension Fund has been an ongoing problem for the Council for a number of years. The increased complexity of the 2014 CARE scheme and the introduction of auto-enrolment have made the provision of accurate data more challenging; the quality of the data held by the Fund has declined sharply since 2013.
- 6.2 This issue poses significant financial and reputational risks to both the Pension Fund and the Council itself. Clearly, inaccurate contribution data raises the risk that member benefits will be calculated incorrectly, but could also reduce the accuracy of the Fund's actuarial valuation. This could result in employers, including the Council, paying insufficient or excessive contributions with a material impact on their own finances. The involvement of the Pension Regulator (tPR) in this areas also raises the risk of significant financial penalties and reputational damage.
- 6.3 The Council is currently in the process of changing its payroll provider, with the new contract with Midland HR taking effect from 1st July 2017. This creates significant additional risk around the provision of contribution data; not only is the Council reliant upon the timely introduction of good quality monthly and year end reporting from Midland HR but it must also manage the provision of 2016/17 year end contribution data which is held by the departing provider (Northgate Arinso)
- 6.4 A further contributor to the decline in data quality has been the absence of proper quality assurance on data produced by the payroll provider. Whilst aspects of the payroll process have been outsourced, it remains the responsibility of the Council as a Fund employer to ensure that the monthly and year end reporting to the Pension Fund is of sufficient quality. The Council must ensure that this issue is resolved within the new payroll arrangements, through the provision of either outsourced or internal quality assurance.
- 6.5 The Fund has played an active role in assisting the Council with its data provision. It has taken an active role in the implementation of the new payroll contract and has established a constructive working relationship with Midland HR. A new monthly

interface and year-end report have been developed by Midland together with the Fund and Equinti, the Fund's administrator, and are now ready for testing ahead of implementation in July. Whilst timescales are tight, the development of new reporting is currently on track.

- 6.6 A significant risk around the development of the new system reporting is the Fund's tender for Third Party Administration services. The current contract expires on 31st March 2017; a 9-month extension has been secured, taking the effective date for the new contract to 1st January 2018. It is therefore a possibility that the Fund may change administration provider shortly after the introduction of the Council's new payroll system. This would require the development of further new monthly and year end reporting prior to 1st January 2018, as a change of provider would result in the implementation of a new administration system.
- 6.7 The Fund is monitoring this risk closely and, to mitigate it, has tried to ensure that the reports developed to Equiniti's specification refer as closely as possible to the generic categories and terminology used in the Local Government Association (LGA) payroll guidance on the LGPS, which all major payroll providers and administrators should be familiar with. This helps to ensure that, if a new administration provider is selected, the changes required to monthly and year end reports are not extreme.
- 6.8 In addition to working with the Council's new payroll provider, the Fund has also taken action where possible to manage the risks presented by the provision of 2016/17 year end data. As the effective date for the new contract is 1st July 2017, 2016/17 year end data (to 31st March 2017) must be supplied by the outgoing provider. This presents a clear risk in terms of the timeliness and quality of data provision. Since the 2015/16 year end, improvement has been made to the year-end report specification to correct the most significant errors. The current contract holder has been formally notified of the final data requirements from Northgate Arinso and apprised of the risks to both the Fund and the Council if this data is not supplied in a timely fashion and to a suitable standard.

Ian Williams
Group Director of Finance & Corporate Resources

List of appendices:

None

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

This page is intentionally left blank

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Pension Fund Risk Register	Classification PUBLIC	Enclosures One
	Ward(s) affected ALL	AGENDA ITEM NO.
Pension Board 20th March 2017		

1. INTRODUCTION

- 1.1 This report introduces the updated Pension Fund Risk Register, which details potential significant risks to which the Fund is exposed and which the Board as an oversight body for the Pension Fund should be aware of. The Register also details the controls in place to manage these risks.

2. RECOMMENDATIONS

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

3. RELATED DECISIONS

- Pensions Committee 24th January 2017 – Updated Pension Fund Risk Register
- Pensions Committee 24th June 2015 – Approval of the Risk Policy

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

- 4.1 There are no immediate direct financial consequences arising as a result of this report. However, understanding the risks that are present in the Pension Fund and how to manage those risks is part of the overall strategic management of the Fund and the governance role of the Pension Board.
- 4.2 The likely financial and reputational impact and categorisation of a risk as high, medium or low will impact on the decision making processes of the Pensions Committee; these distinctions should be borne in mind in the Board's review of risk management processes. Some risks are clearly difficult to transfer or manage, such as the impact of increased longevity on the liabilities of the Pension Fund; however, the understanding of such risks could impact on other aspects of the decision making process to lower risks elsewhere.

4.3 Not all risks are quantifiable from a financial perspective, but could impact on the reputation of the Fund or of the Council and these also need to be taken into account.

5. COMMENTS OF THE DIRECTOR, LEGAL

5.1 Under the Section 106 of the Local Government Pension Scheme Regulations 2013, the role of the Pension Board is to:

a) secure compliance with the Local Government Pension Scheme (LGPS) Regulations, 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) ensure the effective and efficient governance and administration of the scheme (in this case the London Borough of Hackney Pension Fund).

These requirements are transposed into the Board's Terms of Reference.

5.2 The report before the Board concerning the review of the Fund's risk register is consistent with the Board meeting its responsibilities under the regulations and its terms of reference.

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

6. BACKGROUND

- 6.1 The Pension Board has an oversight function in relation to the management of the Fund, ensuring that the Fund is compliant with relevant legislation and statutory guidance. Understanding both the risks associated with non-compliance and those that affect the Fund more broadly helps ensure that Board is meeting its responsibilities as set out in legislation and in its Terms of Reference.
- 6.2 Risk management for the Pension Fund involves identifying, prioritising, managing and monitoring the opportunities and risks that challenge the financial position, reputation or objectives of the Fund. It helps ensure that strategic decisions are effectively managed, safeguarding the wellbeing of stakeholders in the Pension Fund and increasing the likelihood of achieving the Fund's objectives.
- 6.3 The effective management of risk is covered within the CIPFA Knowledge and Skills framework, which recognises the importance of ensuring that those charged with governance have an understanding of the risks facing the Pension Fund. The Pensions Committee considered and approved a Risk Policy for the Fund as part of the new requirements from the Pensions Regulator in June 2015. A copy of the Policy is attached for information at Appendix Two
- 6.4 Whilst the Risk Policy sets out the Fund's approach to risk management, Risk Register (included at Appendix One to this report), highlights the key risks faced by the Pension Fund and the measures that can and have been put in place to control those risks. The appendix has been drawn up in conjunction with the Council's risk management team to ensure that the risks are monitored not just from the perspective of the Pension Fund but also for the Council as a whole, as the materialisation of risks associated with the Pension Fund will ultimately impact upon it.
- 6.5 It is best practice for the Pensions Committee to review the Risk Register on at least an annual basis and this is built into the Business Plan for the Fund. The last review by the Committee was undertaken in January 2017.

7. STRUCTURE OF THE RISK REGISTER

- 7.1 The magnitude of risks within the register is assessed along two dimensions:

- Likelihood – the probability that a risk will materialise
- Impact – the consequences if the risk were to materialise

These are scored on a matrix, which indicates overall levels of risk as follows:

- High risk (red) – need for early action / intervention where feasible,
- Medium risk (amber) – action is required in the near future
- Low risk (green) – willing to accept this level of risk or requires action to improve over the longer term

- 7.2 There are four general approaches to the treatment of risk: avoid by not engaging in an activity; reduce by the use of appropriate controls, transfer to an external party such as through the use of insurance or acceptance of risk by acknowledging that such risks cannot be avoided.

7.3 As can be seen from the risk register the number of risks in each category is:

- High (Red) – Eight (2016 – Eight)
- Medium (Amber) – Fourteen (2016 – Eleven)
- Low (Green) – Five (2016 - Eight)

Where a risk has been categorised as high, the controls in place can only hope to mitigate some of the risk; in a number of cases, there are high risks for which few suitable mechanisms to reduce the risk can be put in place. There are a number of risks which cover all aspects of the Financial Services section and not just the Pension Fund, however, these have been included where they remain relevant to the Fund.

7.4 The key high risk areas for the Pension Fund are:

1. Increasing longevity – People living longer and therefore drawing pension benefits for longer than was anticipated at the time the Scheme was set up. This is impacting on the costs of managing the Scheme and whilst this is clearly a risk the Fund is unable to control, by monitoring the longevity profile of the Fund, it is able to anticipate and plan for future cost increases. Increasing longevity is being addressed to a certain extent by linking the Scheme retirement age to State Pension Age. However, this risk remains high as this will only cover scheme members who have not yet reached retirement age and does not affect those whose pensions are already in payment.
2. Asset/Liability Mismatch – Assets could fail to keep pace with growth in the liabilities of the Pension Fund resulting in additional costs for employers participating in the Fund. Preliminary Whole Fund results for the 2016 valuation suggest an increase in the funding level to 77%, partly as a result of aligning assumptions around pay rises more closely to member experience. However, it should be noted that the investment outlook over the medium term is highly uncertain and that gilt yields remain extremely low, driving up the value of the Fund's liabilities.
3. Investment Performance – Poor performance from either the Fund's investment managers or from the asset classes the Fund invests could result in investment returns below expectations. Performance monitoring should assist in providing warning signals to take action where necessary to terminate a manager or exit an asset class. Although the performance of some of the Fund's investment managers has improved relative to 2015, the improvements have been modest and the global economic environment remains highly volatile
4. Poor membership data – The provision of accurate and timely membership data from continues to pose a problem for some employers, most notably the Council; as such, the risk rating here remains high. Whilst the Fund has now been able to issue to Annual Benefits, a significant proportion of the statements for active members were sent after 31st August 2016. This is the second year the Fund has been required to report to the Pensions Regulator on the issue and there are significant concerns over the ability of the Council (now 95% of the Fund) to provide membership data that is fit for purpose. Accurate membership information is vital for individual members to be assured that they are receiving their correct benefits, and this has intensified with the new CARE (career average revalued earnings) Scheme. It is also

essential for the correct calculation of the liabilities by the Fund actuary at the valuation. In addition the Fund, like all others in the public sector faces additional scrutiny over the quality of the data by the Pensions Regulator (TPR), who has the ability to issue significant fines.

5. Regulatory – This risk continues be rated highly as the fast pace of regulatory change continues for the LGPS, with structural reform ongoing and MiFID II on the horizon. Another aspect of this risk is ensuring compliance with existing regulations; difficulties in compliance can also start to impact on day to day operations and put the Fund at risk of fines from TPR.
6. Failure to manage costs – Consideration has been given as to whether this risk should be reduced, given that there is a clear government agenda to ensure that Pension Funds are able to manage costs and to deliver savings in particular from pooling of investments. Whilst the work underway at the London CIV and other pools has demonstrated that there is significant potential to reduce investment costs, the pooling programme is an early stage and it is increasingly clear that the set up costs associated with the pools will be considerable. In addition it is clear that the 2014 CARE Scheme has led to additional costs in the short term given the additional complexities of administering the Scheme and having to effectively administer 3 schemes concurrently (1/80th final salary, 1/60th final salary and 1/49th CARE). Further the governance burden has continued to increase, whilst recognising that this will lead to improvements, there are costs with the additional requirements of TPR and Pensions Board. In addition, the requirement to undertake GMP reconciliations could cause costs to increase in the short term due to both the cost of administering the reconciliation exercise and potential to amend pension amounts.
7. Pension Funding Risk – This remains a risk for the Fund over the medium/longer term given the need to close the funding gap. Whilst the funding position looks to have improved at the 2016 valuation, deficit reduction remains a key objective for the Fund. Funding levels and deficit recovery plans are coming under increasing scrutiny as a result of Section 13 and the involvement of the Government Actuary's Department (GAD); it is therefore key that the Fund is able to put in place a realistic deficit recovery plan to move towards a fully funded position.
8. Investment Pooling – This was introduced as a new risk in the 2015 register. Investment pooling is now compulsory for LGPS funds and, whilst considerable progress has been made over the past 2 years, the programme is still at an early stage with a degree of uncertainty remaining over costs. Despite the compulsory nature of the project, resourcing and delivery sits wholly with LGPS funds and the new pooled vehicles, exposing the funds, rather than central government, to the risks associated with the project.

7.5 All risks are regularly reviewed to ensure that they remain appropriate and that the controls are in place to manage risks where feasible. An annual review of the Risk Register is included within the business plan for the Pension Fund so that both the Committee and Board understand the risks involved in managing the Pension Fund and can make or review decisions accordingly.

Ian Williams

Group Director, Finance and Corporate Resources

Report Originating Officer: Rachel Cowburn ☎020-8356 2630
Financial Considerations: Michael Honeysett ☎020-8356 3332
Legal Comments: Stephen Rix ☎020-8356 6122

Appendices

Appendix 1 - Pension Fund Risk Register – January 2017
Appendix 2 – Pension Fund Risk Policy

Pension Fund Risks

Report Type: Risks Report – January 2017

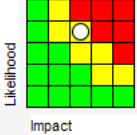


FINANCIAL SERVICES – OPERATIONAL

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 15 FSV 1213 0004 Reliance on External Systems	<p>Heavy reliance on external systems across all sections of Financial Services which includes the following systems:</p> <ul style="list-style-type: none"> • Cedar (accounting) • HSBCnet (custodian) • LloydsLink, RBS Bankline, Paris, Daisy, Bottom Line BACS uploads (banking) • PS live, King & Shaxson, ICD Portal (treasury) • Compendia, Resourcelink (pensions) • Enterprise/Stars (insurance), <p>Failure of systems could result in significant issues, such as an inability to make payments, process claims, etc.</p>	Finance & Corporate Resources		Reviewed November 2016 - Score maintained as the no. of systems used by Financial Services has remained constant. The impact of failure of these systems is potentially very significant

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0809 0004 A BCP and manual processes	Business Continuity Plans includes use of manual process in an emergency, backing up of records, etc.	Michael Honeysett	Chris Ellmore/Rachel Cowburn/Michael Pegram/Julie Stacey	30-Dec-2017	November 2016 - updated & ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

FR FSV 1213 0005 T & P - Recruitment and retention of experienced (and specialised) Financial Services staff	The Authority is unable to recruit or retain experienced or suitably qualified staff because the salaries offered are not competitive enough. Also, there are specialist and niche positions in the Financial Services team and if they were to become vacant, the delivery of effective Treasury, Pension and Insurance Services would become more difficult, leading to potential financial, regulatory and reputational issues.	Finance & Corporate Resources		Updated November 2016 - ongoing. Likelihood has increased here as the anticipated risk has materialised. The departure in May 2016 of a very experienced Head of Service has resulted in a restructure for the Financial Services Team. Additionally, the Head of Treasury and Banking will be leaving in January 2016. Recruitment of existing team members to key posts has provided a degree of continuity but the team collectively is less experienced than previously. New appointments have also been made to allow a new phase of succession planning to begin.
--	--	-------------------------------	---	---

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Page 16 FRFSV 1213 0005A Continuity of team and ability to cover different roles plus appropriate pay levels	Ensure continuity by having other members of the team able to cover essential functions such as Treasury management. Benchmarking of salaries for the section both against other local authorities and private sector payment of supplements where appropriate	Michael Honeysett	Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	30-Dec-2017	November 2016 - ongoing with controls in place.
FRFSV1213 0005B Detailed policies and procedures in place to enable others to take on key tasks	Ensure there are detailed policies and comprehensive procedure notes (e.g. - an Accounting Manual) which enable others to take on key roles.	Michael Honeysett	Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	30-Dec-2017	November 2016 - ongoing with controls in place.
FRFSV1213 0005C Succession Planning	Succession planning, involvement of different team members to ensure that specialist knowledge is not confined to one or two individuals. FS staff should be trained to cover other areas in event of an emergency. Staff (to a level) have shadowed colleagues to be able to carry out elements of their roles. Also staff are to be developed - delegation of work can now be passed from Senior Managers to Junior Officers once appropriately trained. Graduate trainees provide high quality support when on placement in the Financial Services area.	Michael Honeysett	Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	30-Dec-2017	November 2016 - ongoing with controls in place

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0020 Financial Services Management of Third Party Contracts	Financial Services manages a large number of external supplier contracts – lack of control could result in financial and reputational risks. Financial Services manages in excess of 20 external contracts, which carry significant financial and reputational risks if not managed appropriately for example leading to higher costs or legal challenges.	Finance & Corporate Resources		Reviewed November 2016 - score has remained the same, as the number and nature of contracts managed has not changed significantly since the last review.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0809 0020 A Contract Monitoring and Service Level Agreements	Regular monitoring of key contracts, including performance monitoring, service level agreements, reviewing internal controls reports of third party providers.	Michael Honeysett	Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2017	Reviewed November 2016 - ongoing
F RTP 0809 0020 B Market Testing of contracts and benchmarking	Market testing of contracts through procurement exercises and/or benchmarking of costs on a regular basis.	Michael Honeysett	Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2017	Reviewed November 2016 - ongoing
F RTP 0809 0020 C Market Intelligence gathering	Regular reviews of developments in the market place to ensure the section maintains up to date knowledge and is in a position to act on market intelligence such as changes to financial standing of external third party.	Michael Honeysett	Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2017	Reviewed November 2016 - ongoing

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

FR FSV 1213 0051 Financial Services- Lack of adequate professional advice on strategies, projects and decisions	Decisions made in respect of Financial Services, Treasury, Pensions and Insurance can have a major financial impact on the Council and Pension Fund. Lack of adequate or inappropriate professional advice on strategies, projects and decisions could give rise to financial and reputational risks.	Finance & Corporate Resources		Reviewed November 2016 - ongoing
---	---	-------------------------------	--	----------------------------------

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSC 1213 0051B Market intelligence gathering	Monitoring wider developments and ensuring that officers and Members are kept informed. Wider networking and collaboration with other authorities where appropriate to ensure best practice.	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie Stacey/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
FRFSV 0809 0051A Monitoring of advice	Controls – monitoring of advice received, risk assessment for procurements, Committee review of recommendations. Also ensure there is a good level of 'in-house expertise'.	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie Stacey/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0047 Regulatory Risks	Regulatory Risks encompass both compliance with existing legislation and regulatory changes – this particularly affects LGPS structural reform, the introduction of MiFID II and MoJ Jackson reforms & Insurance Act 2015 for insurance. The Pensions Regulator now has oversight of the administration and governance of the LGPS , meaning increased scrutiny, and more pressure on the team. Also EU money market regulatory changes increase the likelihood of a loss of capital. This impacts on the security of capital investments.	Finance & Corporate Resources		Reviewed November 2016 - ongoing. Score remains high with numerous developments and new regulatory risks (as detailed in the description) emerging.

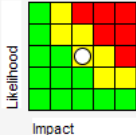
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 0809 047B Compliance with regulation policies	Ensure processes and policies in place to meet regulatory compliance	Michael Honeysett	Chris Ellmore/Mich	30-Dec-2017	Reviewed November 2016 - ongoing.

			ael Pegram/Julie Stacey/Rachel Cowburn		
FR FSV 0809 047C Compliance with regulation knowledge and skills	Ensure adequate training and specialist knowledge and skills for both staff and Members charged with governance	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie Stacey/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
FRFSV 0809 047A Regulatory Changes – monitoring developments and responding to changes	Monitor proposed changes and respond to consultations to influence outcome. Amend systems, processes to ensure compliance, use of specialist advisors to prepare for anticipated changes	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie Stacey/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0052 Failure to manage costs	Failure to manage the costs of running the various services within Financial Services would give rise to significant additional financial costs for the Council along with reputational risks of poor value for money.	Finance & Corporate Resources		Reviewed November 2016 - ongoing. The score for this risk remains high. Government's asset pooling agenda is likely to increase costs in the short to medium term as new arrangements are put into place. Additionally, the increased focus on costs in the LGPS increases reputational risk

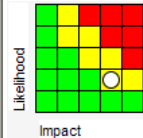
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 1213 0052A Budget Monitoring	Controls budget monitoring, performance fees, monthly budget monitoring, financial intelligence, etc.	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie Stacey/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
FRFSV 1213 0052B Benchmarking	Benchmarking costs with other authorities to ensure costs for LBH are not disproportionate. Additionally, the London Collective Investment Vehicle should help reduce fund management costs.	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie	30-Dec-2017	Reviewed November 2016 - ongoing.

			Stacey/Rachel Cowburn		
FRFSV 1213 0052D Frameworks/ Collaborative Working/ Shared Services	Use of Framework Agreements and other joint working where appropriate to control costs and to work with other authorities to deliver value for money and efficiency savings	Michael Honeysett	Chris Ellmore/Michael Pegram/Julie Stacey/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0056 Procurement Risk	Financial Services is heavily reliant on the use of external contractors in all areas. All the contracts have to be tendered on a regular basis which brings procurement risks in terms of both timetables for procurement (often several procurements having to take place at the same time) and potential challenges to procurements.	Finance & Corporate Resources		Updated November 2016. Both the likelihood and impact for this risk have been increased to account for the requirement to tender for Third Party Administration services in 2017. Considered in isolation, this is a significant procurement exercise; however, it is complicated in this instance by the requirement to tender at the same time as the Council implements a new payroll system.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV1213 0056A Procurement Risk A – Ensuring adequate resources	Given the number of highly specialist contracts within Financial Services and a relatively small specialist team, the team will look to use external advisers to supplement internal resources when undertaking procurement exercises.	Michael Honeysett	Chris Ellmore/Michael Pegram/Rachel Cowburn/Julie Stacey	30-Dec-2017	Updated November 2016 – Aon appointed to assist with TPA procurement
FR FSV1213 0056B Procurement Risk B – Timing of Procurements	Where feasible, procurement exercises will be spread across different time periods, although this is not always feasible.	Michael Honeysett	Chris Ellmore/Michael Pegram/Rachel Cowburn/Julie Stacey	30-Dec-2017	Updated November 2016. This has not been feasible in the case of the TPA contract. A 9 month contract extension to 31 st December 2017 has been sought to provide sufficient transition time if required, and to reduce

					the impact of the clash with the payroll procurement (Go live date July 2017)
FR FSV1213 0056C Procurement Risk C – Collaborate with other authorities	Where the timing and scope of procurement exercises are likely to coincide with other authorities and where practical to do, joint exercises including Frameworks will be undertaken.	Michael Honeysett	Chris Ellmore/Michael Pegram/Rachel Cowburn/Julie Stacey	30-Dec-2017	Updated November 2016

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0057 Internal Fraud within Team	Financial Services is involved in the management of large scale financial resources on behalf of the Council and there is a potential risk that the area could be subject to internal fraud leading to significant financial and reputational risks.	Finance & Corporate Resources		Reviewed November 2016 – rating unchanged as the recent restructure has not significantly impacted separation of duties.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV1213 0057A Internal Fraud A – Policies and Procedures	Detailed policies and procedures and internal controls to ensure segregation of duties for key roles within Financial Services, e.g. reconciliations are undertaken by an individual not involved in Treasury operations.	Michael Honeysett; Ian Williams	Chris Ellmore/Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing. Additional staff are to be trained as banking system administrators with other roles being adjusted as required to maintain separation of duties.
FR FSV1213 0057B Internal Fraud B – Internal Audit	Financial Services is subject to internal audit scrutiny on an annual basis with different areas being tested to ensure compliance.	Michael Honeysett; Ian Williams	Chris Ellmore/Rachel Cowburn/Michael Pegram/Julie Stacey	30-Dec-2017	Reviewed November 2016 - ongoing
FR FSV1213 0057C Internal Fraud C – External Audit	All aspects of the work of Financial Services are subject to annual external audit covered by the audit	Michael Honeysett; Ian Williams	Chris Ellmore/Rac	30-Dec-2017	Reviewed November 2016 - ongoing

	of the Financial Statements with the Pension Fund also being subject to a separate audit opinion.		hel Cowburn		
--	---	--	-------------	--	--

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 10 Data Protection Act	There are a wide range of possibilities (computer hacking, 3rd party carelessness, employee lack of care, lost laptops) which could result in serious breach of the Data Protection Act. This could lead to damaging claims to the Council having financial (including fines) and reputational consequences.	Finance & Corporate Resources		Reviewed November 2016 - ongoing

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1213 010 Data Protection Act	Compliance with ICT Policy, procedure and guidance including refresher training to be provided in early 2017. Encryption of data and sensitive email both to and from external stakeholders. Use of secure courier to transfer sensitive hard copy files – Confidential Waste disposal. Redaction of personal information where authority not available/provided. Ensuring appropriate access control measures in place and monitored for all data sites and claims handling systems. Continuous monitoring and regular auditing.	Ian Williams	Michael Honeysett/Chris Ellmore/Julie Stacey/Michael Pegram/Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing

PENSION FUND – ADMINISTRATION

Risk Title	Description of Risk	Directorate	Current	Risk - Latest Note
------------	---------------------	-------------	---------	--------------------

			Risk Matrix	
FR FSV 1213 0003 T & P - Poor stakeholder engagement	Poor communication with stakeholders giving rise to disaffection and actions against Council	Finance & Corporate Resources	<p>Likelihood</p> <p>Impact</p>	<p>Updated November 2016 – Likelihood has increased slightly, reflecting delays to updates to the scheme website. A revamp of the website is now underway.</p> <p>Auto-enrolment is now business-as-usual, with re-enrolment completed in 2016. Risks remain around ensuring that good communication is maintained with schools, who may use different staging dates and payrolls to the Council.</p> <p>Anticipated risks around the Freedom and Choice agenda have not materialised to date, with little interest shown by members in transferring out to DC schemes.</p>

Page 23

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0809 0003 A Comprehensive range of communication options		Michael Honeysett	Julie Stacey	30-Dec-2017	Reviewed November 2016 - updated and ongoing
F RTP 0809 0003 B Triennial schools comms for auto-enrolment	Schools receive a formal update prior to re-enrolment events to ensure school staff are aware	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Added November 2016 - ongoing

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0009 T & P - Pension Overpayments	Pension Overpayments arising as a result of non-notification of death, re-employment, or ceasing education. This has financial and reputational consequences.	Finance & Corporate Resources	<p>Likelihood</p> <p>Impact</p>	Reviewed November 2016 - ongoing.

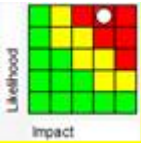
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
---------------	---------------------	---------------------	-----------------	----------	-----------------------

FRTP 0809 0009 A Pension Fraud : NFI	Management of NFI matches and follow up. NFI exercises to identify checks	Michael Honeysett	Julie Stacey	30-Dec-2017	Reviewed November 2016 - ongoing.
FRTP 0809 0009 B Pension Fraud : Annual Review	Write to pensioners each year over age 90 and overseas seeking confirmation of ongoing pension entitlement.	Michael Honeysett	Julie Stacey	30-Dec-2017	Reviewed November 2016 - ongoing.

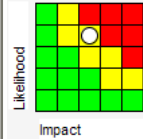
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0044 T & P - Discretionary Policies	Regulations allow the Pension Fund and employers certain areas where they are able to exercise discretion. Excessively generous or insufficiently robust policies of the Pension Fund and employers exposed to higher costs and reputational risks.	Finance & Corporate Resources		Reviewed November 2016 - ongoing. Scheme changes (April 2014) prompted a revision of some discretions.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTP 0809 0044 A Discretionary Policies in place.	Controls – Agreed policies and procedures to control such risks, which are regularly reviewed and approved by Pensions Committee.	Michael Honeysett	Julie Stacey	30-Dec-2017	Reviewed November 2016 - ongoing.
FRTP 0809 0044 B Awareness of employers	Ensuring that employers are aware of the additional costs that could arise from the exercise of their discretions or lack of policy.	Michael Honeysett	Julie Stacey	30-Dec-2017	Reviewed November 2016 - ongoing.

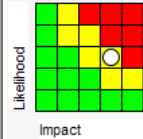
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

FR FSV 1213 0043 T & P - Poor Membership Data	<p>Poor administration by the Pension Fund, employers and payroll providers participating in the Fund giving rise to inaccurate data giving rise to financial, reputational risks, actuary unable to set contribution rates, higher contribution rates, member dissatisfaction, inaccurate benefit statements produced, overpayment of benefits etc.</p>	Finance & Corporate Resources		<p>November 2016 – the likelihood of this risk has increased to very high. Significant problems with the payroll data being provided by the Council has meant that the quality of membership data has deteriorated since the introduction of the 2014 scheme. The complexity of the scheme has increased significantly and the Council’s payroll provider has been unable to respond to these changes, resulting in consistently poor provision of vital data across the Fund’s largest employer.</p>
---	--	-------------------------------	---	---

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTP 0809 0043 A Monitoring of membership data	Controls – annual monitoring of membership records, valuation checks, external data validations	Michael Honeysett	Rachel Cowburn/Julie Stacey	30-Dec-2017	Reviewed November 2016 - ongoing.
FRTP 0809 0043 B Contributions monitoring	Monthly monitoring of contributions to ensure that employers paying across correct contributions along with membership data being supplied	Michael Honeysett	Rachel Cowburn/Julie Stacey	30-Dec-2017	Reviewed November 2016. Good communication with payroll, as accurate data is very important.
FRTP 0809 0043 C Performance Monitoring	Service Level Agreement with external administrator and monthly monitoring of contract. Monitoring of employers and Pensions Administration Strategy which enables Fund to recoup additional administration costs for sub-standard performance.	Michael Honeysett	Rachel Cowburn/Julie Stacey	30-Dec-2017	Reviewed November 2016
FRTP 0809 0043 D New Payroll Implementation	Early and consistent involvement in the implementation of the Council’s new payroll system (Go live date - July 2017). The Council’s payroll supplies data for the vast majority of the Fund – the Fund’s involvement with the implementation helps ensure the importance of good quality pension reporting is recognised	Michael Honeysett	Rachel Cowburn/Julie Stacey	30-Dec-2017	Updated November 2016

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0050 Pension Administration Risk	Risks arising from administration of pensions by employers, the administering authority and the pension administrator. Poor administration could lead to incorrect pension payments, financial and reputational damage	Finance & Corporate Resources		Updated November 2016 - ongoing. Higher score has been maintained for this risk – elevated as a result of upcoming procurement of new Third Party Administration contract

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 0809 0050A Clear policy and procedures for the administration of pensions	Ensuring there are detailed policies and procedures for all parties involved in administering the pension scheme – Pension Administration Strategy	Michael Honeysett	Julie Stacey	30-Dec-2017	Updated November 2016 - ongoing.
FRFSV 1112 0050B Monitoring of Performance	Regular performance monitoring of the third party administrator (monthly), employer checks (monthly), Pensions Committee reviewing of administrative performance. Benchmarking of performance against other authorities	Michael Honeysett	Julie Stacey	30-Dec-2017	Updated November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0054 Auto Enrolment Risk	Workplace Pensions or Auto-Enrolment came into effect 01/10/12 making auto-enrolment compulsory for all employers, albeit with different staging dates for implementation. LBH's staging date was 01/07/2013, with re-staging taking place on 01/07/2016. Clearly the initial risks have now passed, but issues around accurate reporting from the various payrolls persist, making the production of statutory communications difficult. This raises the possibility that the Council (as an employer) could receive a fine for non-compliance, which presents both financial and reputational risks.	Finance & Corporate Resources		Reviewed November 2016 - ongoing. Score maintained as a result of ongoing data issues relating to both the Council and the schools' outsourced payroll providers.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
---------------	---------------------	---------------------	-----------------	----------	-----------------------

FR FSV1213 0054B Auto Enrolment Risk B – Communications	Use of different forms of communications to reach wider possible audience to understand what Auto-Enrolment means for individuals and employers within the Pension Fund. Use of poster campaign, individual letters, presentations, internet, etc. Communications with employees and employers remains key.	Michael Honeysett; Ian Williams	Julie Stacey/Rachel Cowburn; Dan Paul	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV1213 0054C Auto Enrolment Risk C – Cost Management	Calculation of the cost of implementing Auto-Enrolment both in terms of additional contributions from employers and the actual cost of implementation and ongoing monitoring needs to be clear and built into employer budgets.	Michael Honeysett; Ian Williams	Julie Stacey/Rachel Cowburn; Dan Paul	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV1213 0054E Auto Enrolment Risk E - Monitoring	Monthly monitoring of Auto-Enrolment to ensure all new employees are auto-enrolled and to ensure that any existing employees who were previously not eligible or who had previously opted out are auto-enrolled should their circumstances change. Use of payroll/ pension /middleware to ensure compliance with legislation.	Michael Honeysett; Ian Williams	Julie Stacey/Rachel Cowburn; Dan Paul	30-Dec-2017	Updated November 2016 - ongoing.

Page 27

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1415 001 Freedom and Choice in pensions.	This change in the rules to pension schemes in the UK introduces the potential risk that scheme members could transfer all their benefits to a defined contributions (DC) scheme in order to access all their savings. This could result in a significant outflow of resources from the Council's fund and therefore have notable financial implications.	Finance & Corporate Resources		Updated November 2016 - ongoing. The likelihood of this risk materialising has been revised significantly downwards, as there has been very little interest and no take up from the membership since the changes were introduced.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1415 001A Freedom and Choice	Continue to monitor interest and take-up of transfers out – however, likelihood that risk will materialise now appears very low.	Michael Honeysett	Julie Stacey/Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

FR FSV 1314 001 Teachers' Pension Scheme (TPS) changes and data management	<p>The 2015 changes to the Teachers' Pension Scheme have generally been successfully implemented. However, ongoing risks remain around transition members (those due to transition to the new scheme in the future) and the timing of those transitions.</p> <p>Additionally, auto-enrolment and scheme changes increase the risk that the data held by external payroll providers and Teachers Pensions is incorrect, which could result in the Council being held liable for backdated contributions. This could impact on both the Council's finances and its reputation.</p>	Finance & Corporate Resources		Updated November 2016 – ongoing. The risks relating to the scheme changes themselves have decreased substantially; however, the rating has been maintained to allow for new risks relating to ongoing administration.
--	--	-------------------------------	--	---

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1314 001A – TPS return	Completion of TPS return acts a reconciliation of membership numbers	Michael Honeysett	Julie Stacey/Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV 1314 001B – TPS return	Review of auto-enrolment and scheme data for payroll transition	Michael Honeysett	Julie Stacey/Rachel Cowburn	30-Dec-2017	Added November 2016 - ongoing.

PENSION FUND – GOVERNANCE

Risk Title	Description of Risk	Directorate	Current	Risk - Latest Note
------------	---------------------	-------------	---------	--------------------

			Risk Matrix	
FR FSV 1213 0055 Governance Risk	<p>Governance of both the Treasury function and the Pension Fund resides with Corporate and Pension Committees respectively. Both areas carry significant financial and reputational risks. It is therefore crucial that those charged with governance understand the full implications of the decisions which are being taken in these areas. Membership turnover on Committees poses risks due to lack of understanding of the responsibilities.</p> <p>New Governance regulations for LGPS were introduced in 2015, requiring the set-up of a Local Pension Board for each fund. This has presented a potential recruitment risk; as the Fund now has fewer large employers, ensuring that the Board has the required number of members meeting the necessary standards is becoming increasingly challenging. The Pensions Regulator now has oversight of the governance and administration of the LGPS.</p>	Finance & Corporate Resources		<p>Updated November 2016 - ongoing.</p> <p>The risk score here has been maintained – despite no new requirements for 2016/17, the reduction in the number of Fund employers has ensured that staffing the Pensions Committee and Pension Board remains challenging.</p>

Page 29

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1213 Governance Risk A – Knowledge and Skills Training Programme	Training programme for Committee and Board Members to ensure that they have the requisite knowledge and skills to be in a position to question and understand the agenda and recommendations put before them to make high level strategic decisions.	Michael Honeysett; Ian Williams	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV1213 0055B Governance Risk B – Assessment	Committees and the Pension Board to undertake assessment to ensure that their level of understanding is adequate for the decisions being made. Monitoring potential changes to ensure that arrangements can be put in place to meet new regulatory requirements	Michael Honeysett; Ian Williams	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV1213 0055C Governance Risk C – S141 Responsibilities	CIPFA have issued a Code of Practice on the Knowledge and Skills Framework for the Pension Fund and the Section 151 Officer has responsibility for the implementation of its requirements. The GD of F&CR will ensure that the Code is implemented and that a policy statement is included in the Annual Report & Accounts	Michael Honeysett; Ian Williams	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV1213 0055D Governance Risk D – Succession Planning for Committees	Continuity of membership on the Corporate and Pensions Committees and the Pension Board for at	Michael Honeysett; Ian Williams	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing

	least a portion of the Membership will ensure that knowledge and skill is maintained to a reasonable level. Succession planning to ensure some continuity of Membership and access to suitable training will help to ensure that the knowledge base is maintained within Committees and the Pension Board.				
--	--	--	--	--	--

PENSION FUND – INVESTMENTS & ACTUARIAL

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 30 FR FSV 1617 001 Asset Pooling	<p>In October 2015, the Government called for the assets of the 89 LGPS funds in England and Wales to be merged into (approx.) 6 pools of £25bn+ of assets. The pooling agenda introduces a number of new risks for the Pension Fund (as well as for the pools themselves) including but not limited to:</p> <ul style="list-style-type: none"> • Transition risk – the Fund incurs excessive additional cost as a result of transition to the pooled arrangement, resulting in a loss of value • Concentration and capacity risks – pooling arrangements result in excessive concentration of assets amongst relatively few institutions. The large scale of the pooling arrangements also creates potential capacity issues, with the pools potentially forced to focus on only the larger end of the market. • Political risk – the Government has made clear its wish that the pools set an aspiration to invest in UK infrastructure. This presents a potential conflict of interest for the Fund in setting its asset allocation strategy. • Reputational risks – the pooling agenda is a highly ambitious one, involving the use of relatively new investment vehicles (the ACS) and entirely new governance arrangements. The failure of a pooled 	Finance & Corporate Resources		Introduced November 2016 - ongoing. Score is high to reflect the scale and pace of change demanded, with significant impact if the new arrangements are not successful.

	<ul style="list-style-type: none"> arrangement could have significant consequences for the future of the LGPS. Strategy risk – the Fund’s chosen asset pool does not deliver suitable investment strategies to allow the fund to meet its objectives 			
--	--	--	--	--

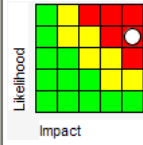
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1617 001A Monitoring developments and responding to consultations	Monitor proposed changes, consultations and guidance from Government on the pooling agenda, responding where appropriate to influence outcomes. Amend process where required to ensure compliance	Michael Honeysett	Rachel Cowburn/Chris Ellmore	30-Dec-2017	Reviewed November 2016 - ongoing.
FR FSV 1617 001B Maintain close working relationship with chosen asset pool	Maintain good working relationship to ensure that the Fund is fully aware of developments at the pool level and the pool is aware of and responds to the Fund’s strategic requirements	Michael Honeysett	Rachel Cowburn/Chris Ellmore	30-Dec-2017	Reviewed November 2016 - ongoing.
FR FSV 1617 001C Transition planning	Planning for transition considered as part of Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes.	Michael Honeysett	Rachel Cowburn/Chris Ellmore	30-Dec-2017	Reviewed November 2016 - ongoing.

Page 31

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0041 T & P - Asset/Liability mismatch	Assets and liabilities impacted by investment performance Assets could fail to increase at the same rate as liabilities giving rise to a larger deficit and therefore increased cost to the Pension Fund	Finance & Corporate Resources		Reviewed November 2016 - ongoing. Risk remains high, particularly as recent geopolitical events (Brexit, US election outcome) are likely to result in market volatility. Impact has been increased to bring into line with FR FSV 1213 0042 (T & P - Investment Performance)

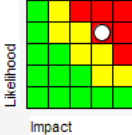
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0809 0041 A Asset allocation reviews	Controls in place to monitor assets and liabilities of the pension fund and to review asset allocation on a regular basis to ensure it remains appropriate.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

F RTP 0809 0041 B Use of external advisers	Use of external advisers- actuarial and investment, to advise the Fund on how to manage the asset/liability mismatch. Pensions Committee also helps support this.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
F RTP 0809 0041 C Strategic goal Setting	Set strategic goals to achieve full funding and set targets to make changes to the assets when appropriate to do so	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

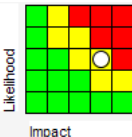
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0042 T & P - Investment Performance	As a result of the types of assets invested in, or performance of individual fund managers, there is a poor investment performance, impacting on the overall finances of the Council.	Finance & Corporate Resources		Updated November 2016 - ongoing. Likelihood has been increased to reflect increased uncertainty and likely volatility in investment markets as a result of Brexit and other geopolitical concerns.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1213 0053B Pension - Valuation Monitoring	Triennial Valuation assesses the funding position, inter-valuation monitoring ensures that movements in the Funding position can be assessed and strategies to manage any deterioration are put in place.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FR FSV 1213 0053C Identifying the external risk factors that affect the funding position	Identifying the various risk factors, asset/liability, investment, longevity, interest rates, inflation, liquidity, etc. and how the interaction of these impacts on the funding position and adapting the strategy and business plans to manage these risk where feasible.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
F RTP 0809 0042 D Appropriate levels of knowledge and skills to make decisions	Use of external advisers to assist in making investment decisions and ensuring that decision takers understand the investments of the fund	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

FR FSV 1213 0040 T & P - Increased Longevity	Pensioners living longer, therefore drawing pensions for longer than had been accounted for within the funding position. This is leading to increasing liabilities of the pension fund giving rise to higher costs and major financial implications. Longevity Risk.	Finance & Corporate Resources		November 2016 - reviewed and this risk remains high. There has been a reduction in the rate of increase in life expectancy; however, this is based on greater than expected mortality during 2012/13 and is not currently sufficient to warrant a decrease in the risk rating. It should be noted that post 2014, the scheme pension age mirrors that of the state, thus reducing the liability slightly compared to previous years.
--	--	-------------------------------	---	--

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTP 0809 0040 A Monitoring of Pension Fund position	Controls in place to monitor developments with Fund Actuary and Triennial valuations, targeting increased funding level to be able to cope with increased longevity.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
Page 33 FRTP 0809 0040 B Raising retirement ages to match increasing longevity	Scheme retirement age in line with the state pension (as of April 2014), regulatory changes to reflect increase in State Pension Age Retirement and a linking of future increases in longevity with increasing retirement age, would help it be possible to downgrade the risk rating associated with people living longer.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
FRTP 0809 0040 C Fund profiling to monitor specific experience	Club Vita membership to annually monitor the LBH specific fund longevity profile.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.
FRTP 0809 0040 D Consideration of a range of developing options	Monitoring of developing financial instruments which may provide insurance for the Fund; e.g. longevity swap and buy out, should these be deemed appropriate for the Fund.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1617 0001 T & P Climate Change/Stranded Assets	The implementation of COP21 political commitments dramatically reduces the proportion of fossil fuel reserves that can be used, with a subsequent impact on the business models and valuations of fossil fuel companies. This could materially reduce the value of the Fund's holdings.	Finance & Corporate Resources		Added November 2016 - ongoing. Likelihood dependent on strength of international political commitment to carbon reduction. Impact if proposals fully carried through could be considerable if no action taken.

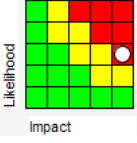
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1617 0001A – Monitoring of exposure	Periodic monitoring of the Fund’s exposure to fossil fuel reserves and power generation to assess level of risk. Initial assessment carried out in July 2016.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Added November 2016 - ongoing.
FR FSV 1617 0001B – Policy Statement	Inclusion of a policy statement setting out the Fund’s approach to climate risk within the Investment Strategy Statement	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Added November 2016 - ongoing.
FR FSV 1617 0001C – Consideration of low carbon investment options	Review options for low carbon investment, including: -Low Carbon Workplace property Fund (£20/25m completed) -Review of passive equity investment -Allocation to sustainable active equity fund	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Added November 2016 - ongoing.
FR FSV 1617 0001D – Engagement activities	Maintain active approach to engagement on climate issues with Fund managers and investee companies	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Added November 2016 - ongoing.

Page 34

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0048 T & P - Admission/Scheduled Body failures or deficits on termination	Risk employer goes into default, deficit on termination, change of status, financial risk	Finance & Corporate Resources	 Likelihood Impact	Updated January 2016 - ongoing.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTF 0809 0048 A Admission/Scheduled Body failures or deficits on termination	Controls – valuation and inter-valuation monitoring, monitoring of contributions, employer covenant check, putting bonds/guarantees in place for admission bodies. Ensure funding levels remain high for individual employers	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

FR FSV 1213 0053 Pension Funding Risk	The fund is unable to meet its liabilities, due to a mismatch of assets/liabilities. The Funding position as at March 2016 was 77% i.e. 77p of assets to cover every £1 of liabilities. Further deterioration of the funding position either through poor asset returns or increasing liabilities could result in the Council and other employers being required to make significant additional employer contributions to cover the deficit in the Fund. Significant financial and reputational risks.	Finance & Corporate Resources		Updated November 2016 - ongoing.
---------------------------------------	--	-------------------------------	---	----------------------------------

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 1213 0052D Knowledge and Skills	Ensuring those charged with governance of the Fund and for managing the day to day operations have the requisite knowledge and skills to make informed decisions when managing the funding position.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
Page 35 FRFSV 1213 0053B Pension - Valuation Monitoring	Triennial Valuation assesses the funding position, inter-valuation monitoring ensures that movements in the Funding position can be assessed and strategies to manage any deterioration are put in place.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FRFSV 1213 0053C Identifying the external risk factors that affect the funding position	Identifying the various risk factors, asset/liability, investment, longevity, interest rates, inflation, liquidity, etc. and how the interaction of these impacts on the funding position and adapting the strategy and business plans to manage these risk where feasible.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.
FRFSV 1213 0053E Cashflow Monitoring	Quarterly monitoring of Pension Fund cashflows to ensure that there is sufficient cash inflows from contributions and income to meet the cash outflows from benefit and cost payments. This will also provide early warning of potential cashflow mismatch and possible changes to investment strategy. Longer term cashflow monitoring in conjunction with the Fund Actuary to establish trigger points for the Fund becoming cashflow negative.	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Updated November 2016 - ongoing.

PENSION FUND – ACCOUNTANCY

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0001 T & P - Pension fund Underlying financial information is incorrect	Information contained in Report & Accounts is inaccurate due to poor financial controls and recording of financial information leading to qualification of accounts and inaccurate valuations with financial and reputational impact.	Finance & Corporate Resources		Reviewed November 2016 - This is ongoing, although a successful transfer to the Fund's new custodian was completed during 2014/15

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0809 0001 A Pension fund Underlying financial information is incorrect: Monitoring Reconciliations of key financial transactions.	Monthly, quarterly & annual reconciliations of all accounting data	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1415 003 Accounts deadlines	A new deadline for the closure of accounts (31/05/2016) will formally take effect for 2016/17. All the teams in Financial Services will have to complete work a month earlier than previously and this will place an additional strain on resources at a time when numerous other changes and demands are occurring. This could have serious implications on services delivery with such demanding deadlines aligned with limited resources.	Finance & Corporate Resources		Updated November 2016 - Likelihood has reduced slightly following a largely successful trial run in 2016 and the recruitment of additional accounting staff. However, this remains an amber level risk, as the deadlines involved remain tight.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1415 003A Accounts deadlines.	Comprehensive timetables prepared for both Corporate and Pension Fund closedown; regular updates on progress	Michael Honeysett	Rachel Cowburn	30-Dec-2017	Reviewed November 2016 - ongoing.



London Borough of Hackney

Pension Fund

Risk Policy



Introduction

This is the Risk Policy of the London Borough of Hackney Pension Fund, which is managed and administered by Hackney Council (the Administering Authority). The Risk Policy details the risk management strategy for the London Borough of Hackney Pension Fund, including:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the Fund's risk management process
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

Hackney Council recognises that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Administering Authority can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats.

The Administering Authority adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the London Borough of Hackney Pension Fund at a strategic and operational level.

To whom this Policy Applies

This Risk Policy applies to all members of the Pensions Committee and the local Pension Board, including scheme member and employer representatives. It also applies to all members of the Hackney Council Pension Fund Management Team and the Chief Finance Officer (Section 151 Officer).

Less senior officers involved in the daily management of the Pension Fund are also integral to managing risk for the London Borough of Hackney Pension Fund and will be required to have appropriate understanding of risk management relating to their roles, which will be determined and managed by the Head of Financial Services.

Advisers and suppliers to the London Borough of Hackney Pension Fund are also expected to be aware of this Policy, and assist officers, Committee members and Board members as required, in meeting the objectives of this Policy.

Aims and Objectives

In relation to understanding and monitoring risk, the Administering Authority aims to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders

- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Fund the Administering Authority will aim to comply with:

- the CIPFA Managing Risk publication and
- the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

Risk Management Philosophy

The Administering Authority recognises that it is not possible or even desirable to eliminate all risks.

Accepting and actively managing risk is therefore a key part of the risk management strategy for the London Borough of Hackney Pension Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in the light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable the Fund to anticipate and respond positively to change
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided
- make sure that any new areas of activity (new investment strategies, joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

CIPFA and The Pensions Regulator's Requirements

CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 related to the requirement to have internal controls in public service pension schemes.

“249B Requirement for internal controls: public service pension schemes

(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—

(a) in accordance with the scheme rules, and (b)

in accordance with the requirements of the law.

(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.

(3) In this section, “enactment” and “internal controls” have the same meanings as in section 249A.”

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourages scheme managers to employ a risk based approach to assess the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator’s code of practice guidance on internal controls requires scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:

- setting the objectives of the scheme
- determining the various functions and activities carried out in the running of the scheme, and
- identifying the main risks associated with those objectives, functions and activities.

The code of practice goes on to say that schemes should consider the likelihood of risks arising and the effect if they do arise when determining the order of priority for managing risks and focus on those areas where the impact and likelihood of a risk materialising is high. Schemes should then consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. The code of practice includes the following examples as issues which schemes should consider when designing internal controls to manage risks:

- how the control is to be implemented and the skills of the person performing the control
- the level of reliance that can be placed on information technology solutions where processes are automated
- whether a control is capable of preventing future recurrence or merely detecting an event that has already happened
- the frequency and timeliness of a control process
- how the control will ensure that data are managed securely, and
- the process for flagging errors or control failures, and approval and authorisation controls.

The code states that risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk

assessment process will provide a mechanism to detect weaknesses at an early stage and that schemes should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, 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 internal controls are not being adhered to.

Application to the London Borough of Hackney Pension Fund

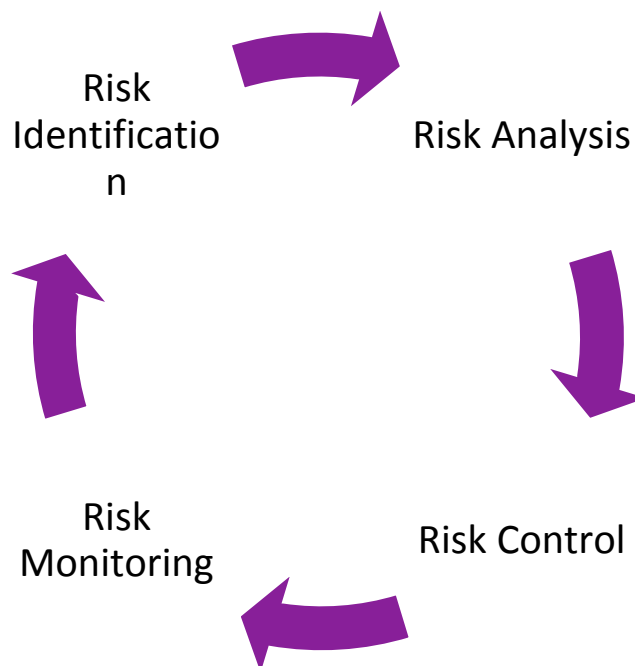
Hackney Council adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to London Borough of Hackney Pension Fund. This Risk Policy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

Responsibility

The Administering Authority for the London Borough of Hackney Pension Fund must be satisfied that risks are appropriately managed. For this purpose, the Head of Financial Services is the designated individual for ensuring the process outlined below is carried out, subject to the oversight of the Pensions Committee.

However, it is the responsibility of each individual covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

The London Borough of Hackney Pension Fund Risk Management Process



Risk identification

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises managed by the 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.

Risk analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the effect if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in the table below.

Potential impact if risk occurred	5 Catastrophic	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Insignificant	1	2	3	4	5
	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain	

Likelihood of risk occurring

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register. A summary of some of the Fund's key internal controls are also appended to this Risk Policy.

Risk control

The Head of Financial Services will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pensions Committee

approval may be required where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- Risk elimination – for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction – for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer – for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action. Where necessary the Administering Authority will update the Fund's business plan in relation to any agreed action as a result of an identified risk.

Risk monitoring

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pensions Committee. In monitoring risk management activity, the Committee will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to be learned for the future assessment and management of risks.

Reporting and monitoring of this Policy

Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pensions Committee.

The Pensions Committee will be provided with updates on an ongoing basis in relation to any significant changes to risks (for example where a risk has changed by a score of 3 or more) or new major risks (for example, scored 15 or more).

As a matter of course, the local Pension Board will be provided with the same information as is provided to the Pensions Committee and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Policy on an annual basis taking into consideration any feedback from the local Pension Board.

Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pensions Committee will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pensions Committee and/or local Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources being available to satisfactorily assess or take appropriate action in relation to identified risks

- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified.
- Conflicts of interest or other factors leading to a failure to identify or assess risks appropriately

Costs

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

Approval, Review and Consultation

This Risk Policy was approved at the London Borough of Hackney Pensions Committee meeting on 24 June 2015. It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

Further Information

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

Rachel Cowburn
London Borough of Hackney Pension Fund
4th Floor, Hackney Service Centre
1 Hillman Street
London E8 1DY
E-mail rachel.cowburn@hackney.gov.uk
Telephone 020 8356 2630

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

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: Key Internal Controls

	Control Objective	Description of Control Procedures
Authorising and processing transactions	Benefits payable are calculated in accordance with the Regulations and are paid on a timely basis	<ul style="list-style-type: none"> Fully tested and regularly audited administration system for automated calculations. Checking of calculations and other processes is carried out. Procedures to ensure appropriate authority in place prior to processing payments.
Maintaining financial and other records	Member records are up-to-date and accurate	<ul style="list-style-type: none"> Annual and monthly reconciliation of information supplied by employers and administration records. Reconciliation of member movements Pensioner existence checks carried out every 2 to 3 years Members provided with annual benefit statements and asked to confirm if any details are incorrect
Page 45	All cashflows and transactions are recorded in the correct period	<ul style="list-style-type: none"> Accounting journals are automatically created as part of the workflow system. Regular bank reconciliations and cash flow forecasting are carried out The administration records and treasury/accounting records are regularly reconciled
	Safeguarding assets	<ul style="list-style-type: none"> Member, employer and Fund information is appropriately stored to ensure security and protection from unauthorised access. Member correspondence scanned and stored in secure systems
	Cash is safeguarded and payments are suitably authorised and controlled	<ul style="list-style-type: none"> Separate bank account maintained for the Fund Access controlled and authentication required. Cash movements recorded daily Regular bank reconciliations carried out and pensioner payroll reconciled each pay period Pensioner existence checks are carried out every 2 to 3 years, annually if overseas and all pensioners paid only by BACs.
	Investment purchases and sales are correctly recorded and valuations are correct	<ul style="list-style-type: none"> Regular reconciliation of information provided by fund managers and custodian and Fund's records Assets held separately from LB Hackney by Custodian. Only authorised individuals, within specified signing limits can instruct / disinvest funds. All investment/disinvestment instructions are drafted by investment managers and advice taken from Fund's investment advisers prior to authorisation and action

	Control Objective	Description of Control Procedures
Monitoring compliance	Contributions are received in accordance with the Regulations and rate and adjustments certificate	<ul style="list-style-type: none"> • Payment dates monitored against expected / due dates and late payments notified • Employer contributions reconciled annually against Rates and Adjustments Certificate • Member contributions regularly reconciled against pay data received • Take up of the 50/50 option monitored and compared to contributions received • Rates and Adjustments Certificate updated as required when exit valuations carried out
	Outsourced activities are properly managed and monitored	<ul style="list-style-type: none"> • Monthly report provided by third party administrator, including a report on performance against the SLA. • Monthly meetings between third party administrator and Hackney Council officers and quarterly reporting to Pensions Committee. • All suppliers subject to regular review as part of tender and appointment process. • Annual monitoring of suppliers at Pensions Committee.
Reporting to stakeholders	<p>Reports to members and employers are accurate, complete and within required timescales</p> <p>Annual reports and accounts are prepared in accordance with regulations and guidance</p> <p>Regulatory reports are made if needed</p>	<ul style="list-style-type: none"> • Detailed planning of annual benefit statement exercise and testing carried out in advance • Timetable agreed for production of annual report and accounts, in consultation with auditors. Analytical reviews carried out regularly during the year. • Policies in place to ensure all staff aware of regulatory requirements relating to whistleblowing, money laundering and bribery • Reports to regulatory authorities such as SAB and DCLG provided in a timely manner.
Information technology	<p>Access is restricted to authorised individuals and tightly controlled</p> <p>Appropriate measures are implemented to counter the threat from malicious electronic attach</p> <p>IT processing is authorised appropriately and exceptions identified and resolved in a timely manner</p>	<ul style="list-style-type: none"> • Access to Council and Equiniti offices and IT systems restricted to authorised individuals. • Password security protocols in place and enforced • Any changes to user details or access rights require authorisation • Antivirus software used and updated regularly and firewalls in place • IT security reviews carried out regularly by external experts • Filters in place to manage email spam and viruses. Protocols in place to block certain emails (size or content) • All IT processes documented and monitored • Changes to systems can only be made by authorised staff

	Control Objective	Description of Control Procedures
	Data transmission is complete, accurate, timely and secure	<ul style="list-style-type: none"> Secure file transfer protocols available for transmitting data externally Sensitive data transmitted via encrypted or password protected email All staff trained on data security protocols
	Measures are in place to ensure continuity	<ul style="list-style-type: none"> Data and systems backed up regularly, retained off-site and regularly tested for recoverability Business continuity arrangements in place and regularly tested
	Physical IT equipment maintained in a controlled environment	<ul style="list-style-type: none"> IT infrastructure rooms protected against fire, power failure and unauthorised access Offset data centre has appropriate security measures in place IT asset register maintained Laptops and mobile devices encrypted or password protected
Maintaining and developing systems, hardware and software	Development and implementation of new systems, applications and software or changes to existing systems are authorised, tested and approved	<ul style="list-style-type: none"> Project controls in place prior to agreeing system update Test administration system environment used for developing system updates Appropriate authorisation required before updates are made live after functionality and user acceptance testing .
	Data migration or modification tested and reconciled back to data source	<ul style="list-style-type: none"> Change management procedures in place for any data migration or modification Scheme data reconciliations carried out as part of process
Recovery from processing interruptions	Data and systems are regularly backed up, retained offsite and regularly tested for recoverability	<ul style="list-style-type: none"> Servers are replicated to an offsite datacentre or backed up to tapes daily and taken to an offsite data storage facility. Recoverability testing is undertaken on a regular basis
	IT hardware and software issues monitored and resolved in a timely manner	<ul style="list-style-type: none"> Group IT Service Desk facility to log all incidents with prioritisation Service is monitored against Service Level Agreements
Appropriate governance	The Fund is managed with appropriate direction and oversight by the Pensions Committee	<ul style="list-style-type: none"> Business plan in place and updates provided to each Pensions Committee All key strategies and policies in place and regularly reviewed by Pensions Committee Update reports to each Pensions Committee highlighting progress against key objectives Risk management policy in place and regular updates to Pensions Committee Local Pension Board in place providing assistance with compliance

This page is intentionally left blank

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Pension Fund Communications Policy Statement	Classification PUBLIC	Enclosures 1
	Ward(s) affected ALL	AGENDA ITEM NO.
Pension Board 20th March 2017		

1. INTRODUCTION

- 1.1 This report introduces the updated Communications Policy Statement for the Pension Fund. It is a regulatory requirement for the Fund to have a Communications Policy Statement and for the Statement to be kept under review and updated as required. The Pension Fund Business Plan also includes provision for an annual review of the Communications Policy to ensure that it is reviewed on a regular basis.

2. RECOMMENDATIONS

- 2.1 The Pension Board is recommended to:
- Note the updated Communications Policy Statement.

3. RELATED DECISIONS

- Pensions Committee 24th January 2017 – Approval of updated Communications Policy Statement

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

- 4.1 The approval of a Communications Policy Statement has no immediate financial impact, however, a good communications policy for the pension fund helps the Fund to demonstrate good governance and maintain an efficient and cost effective Fund.
- 4.2 The implementation of an effective communications policy however is not without cost, given the need to keep members and employers informed. Where possible a lot of information is provided electronically with a dedicated Pension Fund website which forms part of the Third Party Administration Contract.

5. COMMENTS OF THE DIRECTOR, LEGAL

- 5.1 Regulation 61 of the Local Government Pension Scheme Regulations 2013, requires LGPS Funds to publish and keep under review their communications policies. The Regulations further set out the requirements for such statements, including the types of information to be covered and the frequency and recipients of communications.
- 5.2 Under the Section 106 of the Local Government Pension Scheme Regulations 2013, the role of the Pension Board is to:

- a) secure compliance with the Local Government Pension Scheme (LGPS) Regulations, 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) ensure the effective and efficient governance and administration of the scheme (in this case the London Borough of Hackney Pension Fund).

These requirements are transposed into the Board's Terms of Reference.

- 5.3 The report before the Board concerning the review of the Fund's Communications Policy Statement is consistent with the Board meeting its responsibilities under the regulations and its terms of reference.
- 5.4 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 The Communications Policy is updated on an annual basis to incorporate any procedural changes together with any updates to the relevant legislation..
- 6.2 In terms of the communications that have taken place during the financial year, presentations by officers in regard to the benefits of membership of the scheme continue to be included in the weekly induction sessions held for new employees of the Council.
- 6.4 Personal 1-2-1 meetings continue to prove very popular with individual scheme members, both active and deferred, who wish to discuss their options around pension benefit choices, flexible retirement and the potential effects on their pension benefits in regards to departmental restructures.
- 6.5 With the launch of Chief Executive's Voluntary Redundancy Scheme in October 2015, the Pensions Team facilitated at a large number of presentations that were available for all members of staff to attend regarding the VR scheme. Once staff had made their decision and were accepted for the Scheme, more specific briefing sessions were held explaining the next stage of the VR process. The sessions were split between members who were eligible to receive their pension benefits and were over the age of 55 and those who were under the age of 55 and were not eligible for pension release. These specific sessions have continued on a monthly basis throughout 2016 as staff leave the organisation and will continue until March 2017.
- 6.6 Several poster campaigns were undertaken by the in-house pension's team during 2016:-
- Ceasing of Contracting Out
To raise awareness of the end of 'contracting out of the State Second Pension' which means an increase in employees and employers National Insurance Contributions. The change is due to the introduction of the new flat rate State Pension which became effective from 1 April 2016. This change in legislation affects all members of both the LGPS and TPS. The posters informed that members would notice an increase to their National Insurance contribution rate and a likely reduction in their take home pay in their first salary payment of the new tax year 2016/2017.
 - Re-enrolment
Posters were distributed to all Hackney buildings and schools within the borough to raise awareness that for staff who were not already in qualifying pension scheme, the LGPS or TPS being qualifying schemes, that they would be automatically enrolled into the appropriate Scheme based on the auto enrolment criteria of anyone over the age of 22 and earn over £10,000.00 per annum.
 - LGPS - 50/50 Scheme
Posters were issued to highlight the benefits of the 50/50 element of the LGPS. The basis of the campaign was to make all staff aware that, if due to financial commitments they felt they were unable to continue being a member of the LGPS, or if they had previously opted out for other reasons, there is a way in which they can remain a member of the Scheme by only contributing half of their normal LGPS contribution rate. By electing to join the 50/50 element of the LGPS,

members can still enjoy the benefits of being in the pension scheme but with only half of the cost to themselves.

- 6.7 Annual benefit statements were sent to deferred scheme members in August 2016, but once again, statements for active members were delayed due to the poor quality data received from some employers, also the non-receipt or the delayed receipt of some year-end data files. Around 55% of statements for active members were issued by 31st August 2016; with the majority of the remainder issued by 31st December 2016. It is anticipated that the final remaining statements will be sent out in January 2017. As the pension administrators could not rely on the data, all benefit statements were issued with a clear 'health warning' that the figures may be incorrect but that measures are in place to ensure the quality, and timeliness, of data from their employers improves and future statements will be provided correct and within statutory deadlines.
- 6.8 The annual Employer Forum was held in early February 2017. It included presentations on the economy, the need and importance of accurate and timely information from employers and payrolls to the administrators, ensuring clear and transparent discretion policies are in place and an update on the triennial valuation of the Fund and the new employer contribution rates.
- 6.9 The pension website, hackney.xpmemberservices.com, hosted by the pension administrators, Equiniti, provides full access to electronic versions of scheme guides and standard forms. There is also Member Self-Service available whereby all scheme members can access their pension details held on the pension administrator's database via secure log-ins. Pensioner members are able to view payslips and P60's and their address details.
- 6.10 Following approval by Committee of the amended Communications Policy, it will then be published on the Pension Fund website.
- 6.11 In addition to the normal annual communications outlined in the policy document the Fund will also monitor wider pension issues and communicate with employers and scheme members as required. The Fund has begun to communicate to employers the issues surrounding the requirements placed on the Fund by the Pension Regulator, in particular the Code of Practice 2014 (COP14). This sets out clear standards that are expected of Funds and the potential 'fines' that can be imposed if they are found to be failing in their duties. Should the Fund be subject to a 'fine' imposed by the Regulator that is attributed to the failing of one or more of its employers, the 'fines' can, and will be, passed onto the relevant employers. In December 2016, the Fund also issued its first quarterly Newsletter to all employers and schools which gives them information on the latest news and developments in the LGPS, updates from the Fund and a reminder of their roles and responsibilities. The publication of the new quarterly Newsletter is incorporated in the draft Pensions Communication Statement.
- 6.12 The first issue, amongst other things, covered the potential introduction of an 'Exit Cap' of £95k on the total amount of exit payment made to people leaving employment in the public sector, and also new 'Claw Back' rules that places a duty on an employee, earning £80k or more, to pay back all or part of an exit payment if the employee re-joins any part of the public sector within a 12month period. These changes were due to be effective from April 2017, but the draft LGPS (Amendment) Regulations have, as yet, not been passed. Once the amendments to the regulations

have been ratified, full details will be communicated to ensure employers are aware of the impending changes. Future Newsletters will also incorporate the impending amendments to allow members to access the Government's new 'Freedom and Choice in Pensions' via their AVCs (additional voluntary contributions). Where a member is contributing to an AVC, they may take advantage of the new draw down freedoms currently afforded to defined contribution pension funds. This will mean members will be able to use 'income drawdown' instead of buying an annuity, and as the rest of their AVC pot remains invested, it will continue to benefit from any investment growth.

- 6.13 The in-house pensions' team continue to make regular contact with all schools to offer and provide additional support to their management team and to offer presentations to the support staff in regard to the LGPS or to their teachers regarding the Teachers' Pension Scheme. The team will also commence a data cleanse exercise for all schools in respect of their support staff who are, and who have been, members of the LGPS to ensure that the pension records held by the pension administrators are an accurate history for each member of staff
- 6.15 Below is the relevant extract from the Local Government Pension Scheme Regulations 2013, Regulation 61, which sets out the requirements of the Communications Policy for LGPS Funds:

Statements of policy concerning communications with members and Scheme employers

61. (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.

(2) In particular the statement must set out its policy on—

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

Ian Williams
Group Director, Finance & Corporate Resources

Report Originating Officer: Julie Stacey ☎020-8356 3565
Financial considerations: Michael Honeysett ☎020-8356 3332
Legal comments: Stephen Rix ☎020-8356 6122

Appendix

Appendix 1 – Draft Pension Fund Communications Policy Statement (LGPS) 2017/18

LONDON BOROUGH OF HACKNEY

PENSION FUND

**COMMUNICATION POLICY
STATEMENT
(LGPS)
2017/18**



COMMUNICATIONS POLICY STATEMENT

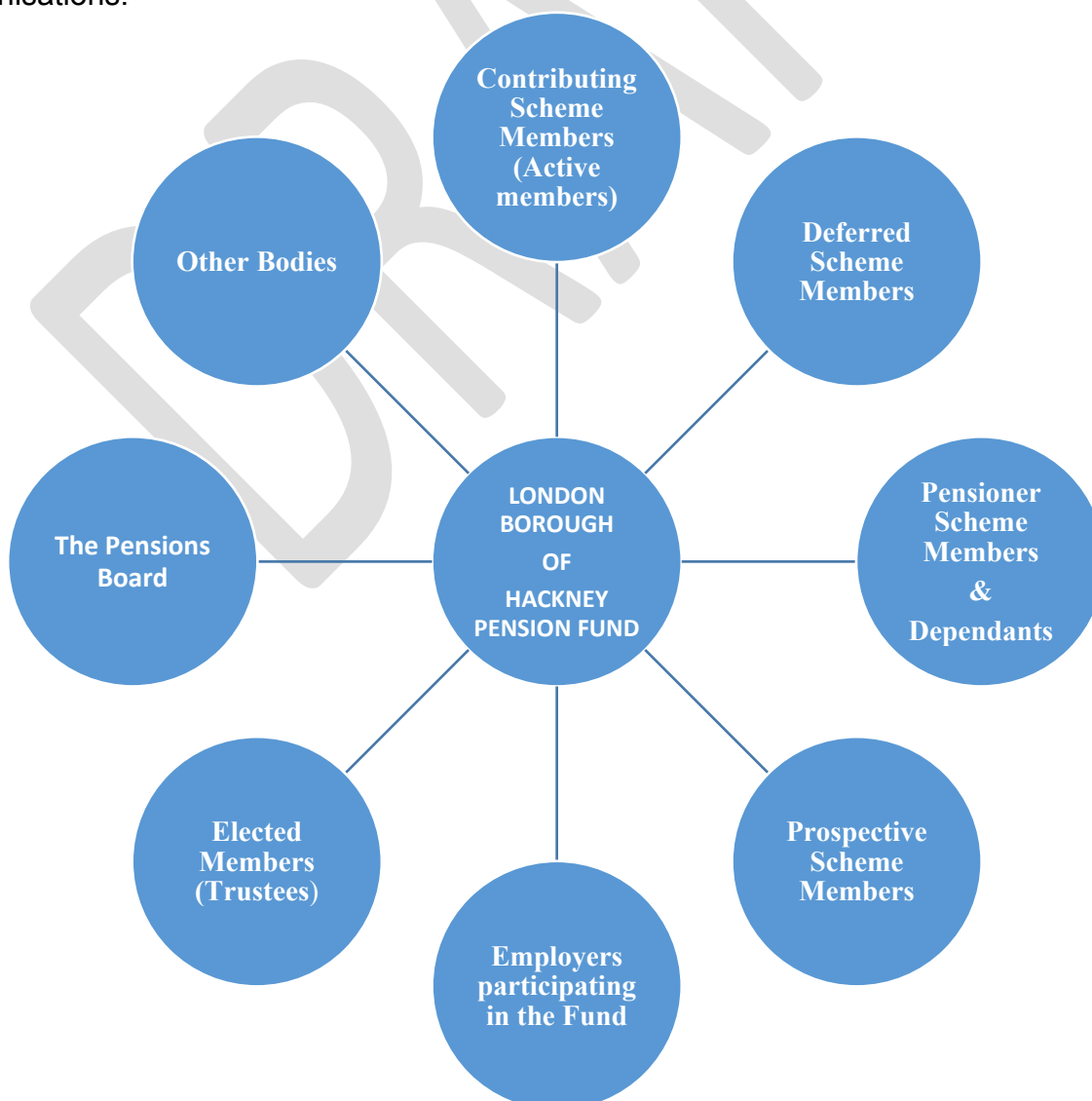
Legislative background

This document sets out the Communications Policy of the Administering Authority of the London Borough of Hackney Pension Fund as required under the Local Government Pension Scheme Regulations (2013), Regulation 61.

The Public Service Pensions Act 2013 also introduced a framework for the governance and administration of public sector service pension schemes and provided an extended regulatory oversight of the LGPS to the Pensions Regulator. The Regulator's Code of Practice No14 has detailed guidance on providing good quality communications to members and others, with reference to the Occupational & Personal Pensions Scheme (Disclosure of Information) Regulations 2013 and HM Treasury Directions 2014 on Information about Benefits.

Objectives

The aim of this communications strategy is to make sure that all stakeholders are kept informed of developments within the Pension Fund. We want to ensure transparency and an effective communication process will help to maintain the efficient running of the Scheme. Regulations require each Administering Authority to prepare, maintain and publish a statement setting out their policy on communicating with the following stakeholders and organisations:



Communications Methodology

The administering authority has at its disposal a wide range of options for communicating with the diverse groups that it needs to serve. The method of communication will vary depending on what needs to be communicated and to whom. The methods used by the Administering Authority to communicate with all interested parties are detailed below.

General Communications

We use a range of methods to communicate including a variety of paper-based and electronic means. The Fund has a dedicated Pensions website: hackney.xpmemberservices.com and the use of a secure portal 'Sharefile' for employers to upload confidential information.

We will accept some communications electronically and will respond electronically where possible. For security reasons, we will not use email for communicating sensitive information or where it is necessary to verify the address or identity of the sender

- **Pension Scheme Administrators** – The Fund's administrators, Equiniti, will assist with the overall administration of the scheme to ensure the smooth operation of the administrative function.

They can be contacted via the helpline number - 01293 603085 or by email:-

- for Members of the scheme – hackney.pensions@equiniti.com
- for Administration staff – hackney.employers@equiniti.com
- **Website** – Communication in the form of a dedicated Pension Fund website is available which contains a wide range of information for not only scheme members but also scheme employers and other interested parties. The website can be accessed via hackney.xpmemberservices.com. The website contains copies of scheme guides, newsletters and other relevant information pertaining to the LGPS
- **Policy Documents** – These are available for all stakeholders to access either on the website at hackney.xpmemberservices.com, in hard copy or electronically on application. Copies of all policy documents are held within the Financial Services Section, Finance and Resources Directorate.
- **Posters** – These will be designed to help those who are both members and non-members of the LGPS, to understand the full range of benefits when participating in the scheme, and providing guidance on how to obtain more information and also how to join the scheme.
- **Council Intranet** – Updates on the scheme and any other relevant news in regards to LGPS is available through communication updates via the Council intranet, which is the Fund's largest employer.

Branding

As the pension fund is administered by Equiniti, all literature and communications will include a combination of the branding of the London Borough of Hackney, Hackney Pensions and Equiniti.



pensions@hackney

EQUINITI

Data Protection Statement

To protect any personal information held on computer, the London Borough of Hackney Pension Fund and the pension administrators, Equiniti, are registered under the Data Protection Act 1998. This allows members to check that their details held are accurate.

The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider. Members who wish to apply to access their data on Data Protection grounds should contact the pension administrators, Equiniti, on 01293 603085 or by email hackney.pensions@equiniti.com

National Fraud Initiative (NFI)

This authority is under a duty to protect the public fund it administers, and to this end may use information for the prevention and detection of fraud. This includes our participation in the Government's National Fraud Initiative (NFI), and it may also share information with other bodies responsible for auditing, or administering public funds, solely for the purposes of preventing and/or detecting fraud.

Policy on Communicating with Contributing (active) Scheme Members, Deferred and Pensioner Members

All members of the Scheme (active, deferred and pensioner members) will be kept informed about their benefits, developments in the Scheme and any changes to the scheme of a regulatory or operational nature. This includes consultation with representative groups as required.

- **Scheme Guides** – There are scheme guides available for members setting out the conditions of membership and main scheme benefits that apply under the Local Government Pension Scheme (LGPS). A copy of these will be provided to new employees of the scheme and at other times on request. The scheme guides can also be found on the Pension Fund website at hackney.xpmemberservices.com which is available for any member to access.
- **Member Self-Service** – Via the Fund's website, all scheme members can securely access their pension details held on the pension administrator's database. This

facility allows scheme members to check their personal details and advise the administrators of any changes. It also has the ability for scheme members to produce an estimate of their potential LGPS benefits due to them at retirement. Pensioner members will be able to view payslips and P60's and their address details.

- **Annual Benefit Statements** – Active and deferred scheme members are entitled to an annual benefit statement detailing the benefits that they might expect at retirement. These are issued annually and would normally be issued within 5 months of the financial year end (31st March). These contain vital information for scheme members and enable individuals to make informed choices about their retirement options.
- **Pension Surgeries** – based at Hackney Service Centre, 1 Hillman Street, London, E8 1DY. Pension Officers can be contacted by email pensions@hackney.gov.uk or alternatively contact by telephone 020 8356 2521/2507/4266, for members (active, deferred and pensioners) to make an appointment to discuss their benefits, retirement issues and the options available in the Scheme.
- **Pension Roadshows/Presentations** – Roadshows and presentations are used to target specific topics or when major scheme changes occur, enabling all members of the LGPS to have access to information. General meetings and presentations will be held at intervals to communicate the benefits and options available to scheme members and prospective members.
- **Pre-retirement seminars** – Presentations on the scheme and benefit choices at pre-retirement seminars that are facilitated by the London Borough of Hackney Human Resources Department, to help scheme members approaching retirement prepare for the financial and lifestyle changes retirement brings.
- **Newsletters** – These will be sent to scheme members to communicate changes in regulations, developments in the fund and to inform members of changes in policy. The exact timing and nature of these newsletters will vary depending on what developments are taking place. However if there are regulatory changes which are likely to impact on individuals benefits or scheme membership in any significant way, then newsletters will be sent to members in sufficient time for them to be able to act upon that information. An annual accounts newsletter is sent to all scheme members providing information on the state of the fund, performance of the fund and any major changes which have taken place during the year.
- **Pensioner Payslips** – All pensioners receive a payslip each month along with their P60 at the end of the year. Electronic payslips are also available to those registered for self-service.
- **Pension Increase notifications** – The notification of the annual increase to pensioner benefits is sent out to every member in receipt of a pension each April.
- **Certificates of Continued Entitlement to Pensions (Life Certificates)** – The Fund will undertake an annual exercise, conducted through correspondence, in order to establish the continued existence of the following pensioners:
 - All pensioners living abroad (outside the UK).
 - Those over the age of 80
 - Those pensioners receiving pension benefits by cheque
 - Those retired on ill health grounds.

This exercise will also be undertaken every 3 years to establish the continued existence of ALL members in receipt of a pension.

- **Pension Fund Report and Accounts Summary** – This provides a summary of the Pension Fund during the financial year and will be distributed annually to all scheme members

Policy on Communicating with Prospective Scheme Members

We will make information available to all prospective scheme members, new employees and prospective employees. All new employees will be contractually enrolled into the LGPS where their employer is a scheduled body or a contractor has an open admission agreement, the terms of which are to enrol new members and will receive information regarding the scheme. They can still choose to opt-out should they choose to do so.

- **Initial Contact** - All permanent new members of staff are contractually enrolled into the LGPS, where the employer is a scheduled body or open admission agreement contractor. Each new member is sent a welcome letter statutory notice by the pension administrators confirming their membership of the LGPS along with a scheme guide.
- **Induction seminars** – Presentation on the scheme and its benefits at the weekly induction seminars for all new employees of the Council, which are facilitated by HR, providing prospective new members of the scheme information in order for them to make an informed decision in regard to membership of the scheme. Induction seminars are also provided for other employers on request.
- **Liaison Officer, Pensions** – based at Hackney Service Centre, 1 Hillman Street, London E8 1DY, the Liaison Officer, Pensions is easily contactable by email: pensions@hackney.gov.uk telephone 020 8356 6802, or letter. It is also possible to arrange a one-to-one meeting to discuss the benefits and options available to prospective members.
- **Scheme Guides** – There are scheme guides available for prospective members setting out the conditions of membership and main scheme benefits that apply under the Local Government Pension Scheme (LGPS). A copy of these will be provided electronically to new employees and prospective members of the scheme, and at other times, on request. The scheme guides can also be found on the Pension Fund website hackney.xpmemberservices.com which is available for any member to access.

Policy on Communicating with Employers participating in the Fund

We will keep employers in the Pension Fund informed about developments in the Scheme and consult on changes to the Scheme as required. Potential scheme employers will also have access to information about the Pension Fund to ensure that they are fully informed in their relationship with the Fund.

- **Employer Guide** – This is a guide for scheme employers outlining the details of the scheme and the administrative arrangements for the scheme. This has been distributed to all employers in the scheme and all new employers will receive copies. Training on procedures in relation to the employer guide is also available upon request.

- **Employer Seminars/Meetings** – Annual employer forums are held to update employers of relevant current issues, policy changes and investment updates. Further seminars/meetings will be held as appropriate to communicate changes in policy within the Scheme or to discuss major issues affecting all employers such as the triennial actuarial review. Individual meetings with separate employers will be held annually or as required. Employers will also be notified in writing of any changes which affect them or the way that the scheme is administered.
- **Email** – Periodic emails are sent to keep scheme employers up to date with topical pension matters, and payroll issues that may have an effect on pensions, including articles from LGA Circulars and Bulletins, and any relevant external training courses they may wish to attend
- **Quarterly Newsletter** – A quarterly newsletter is sent to all Employers and Schools to ensure that the scheme employers are aware of current issues, policy changes and amendments to pension matters that affect themselves and/or their members
- **Secure Portal** – The Fund has a secure portal ‘Sharefile’ which facilitates the transfer of sensitive information and data between the Fund and Employers electronically. Access rights are strictly controlled by the pension administrators, Equiniti.
- **Website** – The website has a dedicated area for Scheme Employers and is used to access detailed information on procedures which must be followed to administer the LGPS and holds a wide range of information in regard to Employer Guides, pension forms, newsletters and policies. The website can be accessed via hackney.xpmemberservices.com.
- **Pensions Administration Strategy (PAS)** – The administration strategy sets out the roles and responsibilities of the Administering Authority (the London Borough of Hackney), the third party administrator and employers in the Pension Fund and can be found on the website at: hackney.xpmemberservices.com. It sets out the service level agreement and targets which all are expected to meet.
- **Employer Training** – The Fund offers all Scheme Employers training on the LGPS and their role in the administration of the scheme. This covers the full range of administrative and regulatory duties under the scheme regulations.
- **Annual Report and Accounts** – This contains details of the Pension Fund during the financial year, income and expenditure as well as other related details. This is a detailed and lengthy document and will therefore not be routinely distributed, except to employers participating in the Fund or on request. The full document will be published on the website at hackney.xpmemberservices.com.

Policy on Communicating with Elected Members

Information will be provided to Council Members in order for them to be able to fulfil their duties under the role of administering authority.

- **Access to Pensions Committee** – The Pensions Committee is the Committee which has delegated power to review, administer and monitor the Pension Fund. The Committee meets a minimum of four times a year or more frequently, as required.

Meetings are open to members of the public, although there may be occasions when members of the public are excluded due to the confidential nature of matters under discussion.

- **Committee Reports** – Reports to Pensions Committee and to other Committees as necessary, for example Corporate Committee and Council, ensures that Council Members are kept informed of developments in relation to Pension Fund issues and the impact that these can have on overall Council policies and procedures. These are published on the Council's website. The agenda, reports and minutes of the meetings are available on the Council's website at <http://www.hackney.gov.uk/l-mayor-cabinet-councillors.htm>
- **Training** – Committee Member training is a standing agenda item and the Committee liaise with Officers on training needed and received on an on-going basis each year. They are also kept informed of any relevant external training course
- **Presentations** – Officers and advisers to the Fund deliver presentations on investment and administration matters to the Committee

Policy on Communicating with the Pensions Board

The Pension Board will meet at least twice a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work.

- **Reports to The Pensions Board** - The Pension Board will be treated in the same way as a Committee of Hackney Council and, as such, members of the public may attend and papers will be made public in the same way as described above for the Pension Committee.
- **Training** – The Pension Board will be provided with, and be required to undertake, appropriate training, either provided internally by Officers or externally.

Policy on Communicating with Other Bodies

There are a number of other interested parties with whom we will communicate with as required, this includes:

- **The Department for Communities and Local Government (DCLG)** – regular contact with DCLG as regulator of the scheme, participating and responding to consultations as required.
- **Trade Unions** – we will work with relevant trade unions to ensure the Scheme is understood by all interested parties. Efforts will be made to ensure all pension related issues are communicated effectively with the trade unions.
- **Employer Representatives** - we will work with relevant employer representative bodies to ensure that the Fund's views are represented to employer groups.
- **Pension Fund Investment Managers, Advisers and Actuaries** –
 - Regular meetings with the Fund Managers who invest funds on behalf of the Fund.

- Regular meetings with Investment Advisers who provide help and advise on the asset allocation and investments of the Fund
 - Regular meetings with the Fund Actuary to discuss funding levels, employer contributions and valuation of the assets and liabilities of the Fund
- **Pension Fund Custodian** – The Fund’s Custodian is HSBC, who ensures the safekeeping of the Funds investment transactions and all related share certificates.
 - **AVC Provider** – Additional Voluntary Contributions (AVC) are a way to top up your pension benefits, and in some instances provide tax free lump sum depending on the policy, and are held and invested separately from the LGPS. The Funds preferred AVC provider is Prudential
 - **Pensions and Lifetime Savings Association (PLSA) (previously known as NAPF)** – The Fund is a member of PLSA, which provides an opportunity for administering authorities to discuss issues of common interest and share best practice.
 - **Local Authority Pension Fund Forum (LAPFF)** – The Fund is a member of LAPFF which was established to help local authority funds share information and ideas about socially responsible investing.
 - **London Pension Officers Group (LPOG) & London Pension Officers Forum (LPOF)** – the Fund is a member of these voluntary groups. Meetings are held on a quarterly basis to share information and ensure standardised interpretation of LGPS regulations and best practice.
 - **Requests for Information (FOI)** - Requests for information either under the Freedom of Information Act or otherwise, will be dealt with as openly and swiftly as allowed providing that such information does not breach confidentiality.
 - **Consultations** – There are occasions when the administering authority will consult with interested parties either as a result of potential changes to the regulations governing the LGPS or specific policy changes relating to the London Borough of Hackney Pension Scheme. In these instances, the most effective way of communicating with interested parties is to hold a period of consultation, during which, they are given the opportunity to respond to specific changes. Interested parties and representative groups will be approached to provide feedback to the policy changes before amendments are enacted.
 - **Minority Groups** – It is recognised that there may be occasions when some minority groups may not be able to access all the information available to others. The Pension Fund will try to ensure that information is available to the widest possible audience and as such will try to ensure that minority groups do have access to information. This is however a developing area, but feedback on how to promote better access for all minority groups is welcome.

Communication Material

The table below shows the Fund communications along with their publication frequency and the format in which they are available to their intended audience.

Communication Material	Paper form	Electronic form	Website	Frequency	Intended Audience (active, deferred, pensioner, prospective members, employers or ALL)
Annual Benefit Statements	✓	✓	✗	Annually	Active, Deferred
Annual Newsletter	✓	✓	✓	Annually	ALL
Pension Updates	✓	✓	✓	When details available	Active, Prospective, Employers
Ad hoc Newsletters	✓	✓	✓	As required	ALL
Newsletter	✗	✓	✓	Quarterly	Employers (& schools)
Payslips	✓	✓	✗	Monthly	Pensioners
Notice of Pension Increase (PI)	✓	✗	✓	Annually (April)	Pensioners
Scheme Updates/Changes workshop	✓	✓	✗	As required	Active members/Employers (& schools)
Scheme Guides	✓	✓	✓	When requested	ALL
Induction Sessions	✓	✓	✗	Weekly	Prospective
Pre-Retirement Seminars	✗	✓	✗	As required	Active
Employer Forum	✗	✓	✓	Annually	Employers
Pensions Administration Strategy (PAS)	✓	✓	✓	Annually (April)	Employers (& schools)
Pension Committee	✓	✓	✓	4 to 6 meetings per financial year	ALL
Pension Board	✓	✓	✓	2 meetings per financial year	ALL

Communications Policy Statement	✓	✓	✓	Annually (April)	ALL
Full Report & Accounts	✓	✓	✓	Annually (November)	ALL
Summary Report & Accounts	✓	✓	✓	Annually	Active, Deferred, Pensioner
Statement of Investment Principles	✓	✓	✓	Annually (April)	ALL
Ad-Hoc Queries	✓	✓	✗	Within set timescales	ALL

Feedback

The Fund welcomes comments and feedback from scheme members, scheme employers, prospective members and other interested parties. The mechanisms for feedback include consultation periods, direct communication with the scheme administrators and direct communication with the Financial Services Section which oversees all aspects of the Pension Fund. Contact details are provided below for the relevant departments.

General administrative queries relating to pension scheme membership issues should be addressed to:

London Borough of Hackney Pensions
Equiniti Pension Solutions
Russell Way
Crawley
West Sussex
RH10 1UH

Tel No: 01293 603085

To contact them by email -

- for members of the scheme - hackney.pensions@equiniti.com
- for Administration staff – hackney.employers@equiniti.com

For other queries and feedback issues:

Financial Services Section
Finance and Resources Directorate
4th Floor Hackney Service Centre

1 Hillman Street
London
E8 1DY

Email: pensions@hackney.gov.uk

Review of the Communications Policy

This policy document will be reviewed annually and updated as required when there are significant changes to be made and, if appropriate, will be consulted upon with the relevant stakeholders.

Local Government Pension Scheme Regulations 2013

Below is the relevant extract from the Local Government Pension Scheme Regulations 2013, Regulation 61, which sets out the requirements of the Communications Policy for LGPS Funds

Statements of policy concerning communications with members and Scheme employers

61. (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—

- (a) members;
- (b) representatives of members;
- (c) prospective members; and
- (d) Scheme employers.

(2) In particular the statement must set out its policy on—

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
GMP Reconciliations Pension Board 20th March 2017	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO.

1. INTRODUCTION

1.1 This report provides the Pension Board with an introduction to GMP reconciliations (Guaranteed Minimum Pensions), which the Fund is required to undertake to ensure that scheme member records for periods spent contracted out of the second state pension are properly accounted for. The report also provides an update on the progress of Phase 1 of the Fund’s reconciliation exercise and outlines factors for consideration before the Fund embarks on Phase 2

2. RECOMMENDATIONS

2.1 The Pension Board is recommended to note the report

3. RELATED DECISIONS

- Pension Board 26th January 2016 – GMP Reconciliations – Update and Training
- Pensions Committee 21st September 2015 – Pensions Update

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

4.1 This report sets out for the Pension Board the issues faced by the Fund as it tries to reconcile historical data for its scheme members for periods during which they were contracted out of the second state pension.

4.2 At this time it is difficult to quantify the full financial impact of the GMP data reconciliation exercise, but the Fund has commenced initial phases, using the Fund’s external administrators to match the data held on the pension administration system and that held by HMRC. The cost of the initial work has amounted to around £28,000, with estimated costs for Phase 2 being approx. £200,000. At the time of writing, indicative costs for Phase 3 are not yet known.

4.3 Whilst the cost of undertaking a GMP reconciliation exercise is likely to be significant, failure to undertake this work would result in the Fund being made responsible for the payment of any GMP liability that HMRC deems to be associated with it. Indications from Phase 1 of the project and from other funds’ experiences are that the differences between the Fund’s administration data and HMRCs records are considerable, exposing the Fund to significant risk if no reconciliation exercise is undertaken.

- 4.3 The LGA in a letter to administering authorities provided an indication of the level of costs across LGPS for the GMP reconciliation exercise which suggested that total costs could be somewhere between £30m to £100m.

5. COMMENTS OF THE DIRECTOR, LEGAL

- 5.1 Under the Section 106 of the Local Government Pension Scheme Regulations 2013, the role of the Pension Board is to:

- a) secure compliance with the Local Government Pension Scheme (LGPS) Regulations, 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) ensure the effective and efficient governance and administration of the scheme (in this case the London Borough of Hackney Pension Fund).

These requirements are transposed into the Board's Terms of Reference.

- 5.2 The report before the Board concerning the GMP reconciliation process is consistent with the Board meeting its responsibilities under the regulations and its terms of reference.

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

6. GMP RECONCILIATION - BACKGROUND

- 6.1 From 6th April 2016 the government introduced the new State Pension (nSP). This was designed to radically simplify pension provision, removing layers of complexity whilst ensuring security in retirement. Amongst the provisions removed was the Additional State Pension (AP), an earnings-related element of the old system. Members of defined benefit occupational schemes such as the LGPS were able to 'contract out' of this element, permitting both employee and employer to pay lower National Insurance contributions as a result. In exchange, schemes guaranteed to provide members with a pension at least as high as they would have received had they not been contracted out. This guaranteed amount is the GMP; it applies to all those who were contracted out between 6 April 1978 and 5 April 1997.

- 6.2 Currently, HMRC offers a service whereby schemes can check their GMP records against those held by HMRC and resolve any differences. HMRC have announced that this will be scaled back considerably in April 2018. In December 2018, HMRC plans to write to all scheme members for whom its records indicate a GMP liability with details of the amount owing and the scheme responsible for payment. Following this, the Scheme Reconciliation Service (SRS) will be withdrawn altogether, with no further support offered for GMP queries. Where schemes have not undertaken a reconciliation of their contracted out liabilities, HMRC takes the stance that its own calculations are final; schemes will become responsible for any GMP liabilities which HMRC believe they hold.

- 6.3 A GMP reconciliation exercise lists all the members who have a GMP liability according to scheme records and compares this against a list of all members for whom HMRC holds a GMP record under that same scheme. The lists are rarely fully

aligned at the start of the process, with discrepancies usually occurring both in terms of membership and GMP amounts. Where there is a discrepancy, this should be investigated and a decision taken on whether or not to accept the HMRC record as correct and adjust the individual's pension entitlements accordingly.

6.4 The reconciliation of GMP values is not a mandatory regulatory requirement; however the Fund faces significant risks if its GMP liabilities are not reconciled before the withdrawal of support for queries by HMRC in December 2018. These include:

- Incorrect calculation of GMPs by HMRC, potentially increasing the fund's overall liabilities
- Assumed liability for GMPs if HMRC holds records for a fund that are not the fund's responsibility
- Unexpected increase in liabilities if the Fund does not hold records of all the liabilities it is responsible for
- Breach of The Pensions Regulator's (TPR) code of practice regarding record keeping
- Over and underpayment of pension benefits to individual scheme members
- Queries following HMRC notifications to scheme members in 2018
- Reputational issues

6.5 In considering its approach to GMP reconciliation, the Fund should not only have regard to the risks above but also to the outcome of the government consultation on GMP indexation and equalisation. The removal of the Additional State Pension not only resulted in the need for large scale reconciliation exercises but also removed the link between public service and state pension systems that ensured that GMPs were fully indexed and equalised. If the government does not act, there will be no mechanism in place to fully index pension payments for members with contracted out service between April 1978 and April 1997 who reach State Pension age (SPa) after December 2018. Additionally, an inequality in the payment of public service pensions between men and women may also be introduced.

6.6 The consultation closed in February 2017 and the outcome is still pending. The Government has proposed three possible options: case by case comparison, full indexation and 1:1 conversion. All will require some degree of reconciliation of a scheme's GMP liabilities.

7. LB HACKNEY GMP RECONCILIATION PROJECT

7.1 Officers have been working with the pension administrators, Equiniti and the Fund's benefits consultant, AON on a phased reconciliation project. The project is being undertaken by a specialist team within Equiniti's discontinuance department, and is separate from the main administration service provided to the Fund. Equiniti is carrying out GMP reconciliations for a number of funds and this project forms part of their Contracted-Out Liabilities Reconciliations Programme, It is run on a phased basis, with the scope and estimate costings being agreed for each phase prior to approval.

7.2 To date Phase 1 has been completed at a cost of £28,000. This has involved requesting and receiving data from both HMRC and the Fund's administrator, and bulk analysis to identify sets of defined queries e.g. records that appear on Compendia, the administration system but not on HMRC's NICO database and vice

versa, plus records for which the NICO data is insufficient, incorrect or missing. These initial queries have been submitted in bulk to HMRC for analysis.

- 7.3 Equiniti have now put together a proposal for Phase 2, which is due to be considered by the Pensions Committee at their meeting on 29th March. Costs are estimated at approx. £200,000. The scope for Phase 2 includes:
- Finalising the 'in scope membership' for the project by resolving queries over disputed membership (i.e. those records which appear on one database but not the other)
 - Agreeing GMP amounts and State Scheme Premiums for records already matched (i.e. members definitively in scope as records appear) on both databases
 - Identifying corrections to data anomalies or populating missing data items in either data set
- 7.4 Phase 3 of the project includes the certification and rectification of the Fund's administration data. Certification records on the administration system that reconciliation has been carried out, and what changes have been made. Rectification involves physical changes being made to the administration data held.
- 7.5 The provision of accurate cost information for the project as a whole is a particular challenge associated with GMP reconciliation. The work is time intensive, and until the details of the number of records in scope and the extent of the discrepancies are known, the Fund is reliant on estimated costings. Prior to formal commencement of Phase 2, the Fund is seeking an estimate of the costs of Phase 3 relative to Phase 2, to give an early indication of the likely costs of the overall project. Whilst the costs are likely to be significant, failure to undertake this work would leave the Fund exposed to the risks described in the previous section.
- 7.6 A further update on the proposals will be provided at the meeting, as further clarifications from Equiniti on Phase 3 estimated costs are expected over the coming days. .

Ian Williams
Group Director, Corporate Finance and 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 OF FINANCE AND CORPORATE RESOURCES		
The Pensions Regulator Code of Practice Compliance Checklist	Classification PUBLIC	Enclosures One AGENDA ITEM NO.
	Ward(s) affected	
Pension Board 20th March 2017	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 19th September 2016 2016 – TPR Code Compliance Checklist
- 3.2 Council 25th February 2015 – Approval of Establishment of Pensions Board
- 3.3 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 assists in this regard and allows us to monitor the requirements on an ongoing basis.
- 5.3 Failure to adhere 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 An updated checklist as at March 2017 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. Two areas stand out as having more amber items than others; Knowledge and Understanding and Providing Information to Members and Others. The amber items on Knowledge and Understanding relate largely to the provision of key information and training to new members. These are in progress as at 1st March 2017 and it is hoped that many can be updated following the Board meeting on 20th March.
- 6.6 A number of amber items can also be found in Section H: Providing Information to Members and Others. Most are in progress and relate to the format of information; however, there remains one area where the Fund is failing to meet the requirements of the Code. This 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 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 was submitted to TPR in each instance; no action has been taken on this occasion but it is crucial that statements are produced on time for 2016/17. The Fund has now been required to report to the Regulator 2 years running; it is unlikely that a 3rd consecutive failure will be tolerated.
- 6.7 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 the Council to develop new reports to the Fund's specifications
- 6.8 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. The payroll contract holder has been formally notified of the importance of receiving an adequate year end report for 2016/17, as well as ensuring that appropriate legacy data arrangements are in place to permit resolution of previous errors.

Ian Williams
Group Director of Finance & Corporate Resources

List of appendices:

Appendix 1- The Pensions Regulator's Code of Practice – Compliance Checklist (March 2017)

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: 09/03/2017

Contents

Introduction
Summary Results Dashboard
A - Reporting Duties
B - Knowledge and Understanding
C - Conflicts of interest
D - Publishing information about schemes
E - Managing risk and internal controls
F - Maintaining accurate member data
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)".

Page 76

	Completed:	Compliant:	Where responsibility relates to employers:
	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	In progress	Partially compliant
A3	Fully completed	Fully compliant
A4	Fully completed	Fully compliant
Knowledge and Understanding		
B1	In progress	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	Partially 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	Fully completed	Fully compliant
C11	Fully completed	Fully compliant
Publishing Information		
D1	In progress	Partially compliant
D2	In progress	Partially compliant
D3	In progress	Fully 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	In progress	Partially compliant
F9	In progress	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	Fully compliant
G6	Fully completed	Fully compliant
G7	Fully completed	Employers - Partially compliant
G8	Fully completed	Fully 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 - Fully 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	In progress	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	01/03/2017	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)	01/03/2017	In progress	Partially compliant	Scheme return submitted to TPR, a few employer details need to be updated. Details of new Board members to be added	
A3	Have you completed this latest Scheme Return in the required timescale?	Response submitted to TPR on 11/08/16	As and when received	01/03/2017	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.	01/03/2017	Fully completed	Fully compliant	Last survey received and completed in November 2016	

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	In progress	Fully compliant	Next review scheduled for June 2017	
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)	01/03/2017	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)	01/03/2017	In progress	Partially compliant	After recent recruitment, the Board has 3 new members. An LGPS Fundamentals training session is currently being planned, with the self assessment review due to go out later in March 2017.	
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)	01/03/2017	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)	01/03/2017	In progress	Partially compliant	Details of responsibility made available to new members during application process. 1st meeting with all 3 new members due 20th March - discussion planned	
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)	01/03/2017	In progress	Partially compliant	To be sent to new Board members during March 2017	
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)	01/03/2017	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)	01/03/2017	In progress	Partially compliant	Pensions Board adopted the training policy However, a model is being developed to capture individual training needs against CIPFA requirements/TPR toolkits and to monitor against those specific requirements. Each June PC will highlight any individuals (PB, PC & officers) with outstanding requirements	- 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)	01/03/2017	In progress	Partially compliant	Fundamentals training session planned for new and existing Board and Committee members - new members to be sent relevant Docs during March 2017	
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)	01/03/2017	In progress	Partially compliant	Pensions Board appointed with a training plan. PC/PB will be required to undergo individual self assessment. However, a model is being developed to capture individual training needs against CIPFA requirements/TPR toolkits and to monitor against those specific requirements, including providing individual certificates. Each June PC will highlight any individuals with outstanding requirements (PC, PB and officers). In addition it is proposed that the annual effectiveness questionnaire will be expanded (in March 2016) to ask if any individuals have further training requirements (March 2016).	
B11	Are records of learning activities being maintained?	This is included in the annual report and accounts at whole PC/PB level.	Ongoing (annual check)	01/03/2017	In progress	Partially compliant	Annual report and Accounts for 2015/16 will include when issued in June. 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.	
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)	01/03/2017	In progress	Partially compliant	Toolkit details to be sent to Board members following meeting on 20th March 2017	

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	01/03/2017	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	01/03/2017	In progress	Partially compliant	Declarations sent to new members Feb 2017 - awaiting return	
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	01/03/2017	In progress	Partially compliant	Declarations sent - awaiting return+J23	
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)	01/03/2017	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	01/03/2017	Fully completed	Fully compliant	Register of interests now available following establishment of Pensions Board. Published annually in accounts but consider inclusion on website.	
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)	01/03/2017	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)	01/03/2017	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)	01/03/2017	Fully completed	Fully compliant	New members recruited	
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 2016/17, 13 applications received for scheme member rep post despite contacting all scheme members by post, advertising on website and notice on Council intranet. 1 applicant for non-Council employer rep post - employer representation more challenging now HH returned to the Council</p>	Ongoing (annual check)	01/03/2017	Fully completed	Fully 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)	01/03/2017	In progress	Partially compliant	Details requested from new Board members for publication on website	
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)	01/03/2017	In progress	Partially compliant	As above, to be updated March 2017	
D3	Is all the information about the Pension Board kept up-to-date?	Information regularly checked.	Ongoing (annual check)	01/03/2017	In progress	Fully compliant	Review of info available currently underway	
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)	01/03/2017	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)	01/03/2017	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, IDRP 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)	01/03/2017	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?	Risk management is ongoing and therefore the register can be updated as a result of risk identification through a number of means including: - 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. Risk Register last reviewed at Pensions Committee meeting in January 2016	Annually (annual check)	01/02/2017	Fully completed	Fully compliant	Reviewed at Jan 2017 PC	
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)	01/03/2017	Fully completed	Fully compliant	Risk register for discussion January 17 PC/March 17 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)	01/03/2017	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?	The key outsourced services for this purpose are Equiniti (third party administration), HSBC (custodian) and Fund managers. These providers are required to provide annual internal control reports and a control sheet is used to ensure they are received and reviewed.	Annually (annual check)	01/03/2017	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 an 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>	01/03/2017	Fully completed	Partially compliant	<p>This was previously shown as fully compliant but has been downgraded at a previous 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>	<ul style="list-style-type: none"> - Ongoing data improvement work in relation to quality of employer data. - Ongoing investigating securing access to view AVCs records. - Further information to be provided by Equiniti in future years to verify compliance.
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	01/03/2017	Fully completed	Fully compliant	Fully compliant as processes are in place.	<ul style="list-style-type: none"> - 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). - Ongoing development of interfaces in relation to Hackney Council.

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
F3	Does the Fund keep records of and reconcile transactions as required by the Record Keeping Regulations?	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). There is reconciliation between actual and expected costs with a quarterly update against budget in PC papers.	Ongoing (annual check)	01/03/2017	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)	01/03/2017	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)	01/03/2017	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)	01/03/2017	Fully completed	Fully compliant		
F7	Does the Administering Authority have policies and processes to monitor data on an ongoing basis?	There are a number of separate processes in place to monitor data on an ongoing basis (generally carried out by Equiniti) including: - 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 <i>(Checks on 'common' data (ad hoc))</i>	Ongoing (annual check)	01/03/2017	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.
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	In progress	Partially compliant		Conditional data review to be finalised by Equiniti and ongoing programme of reporting to be developed for it and common data
F9	Is a data improvement plan in place which is being monitored with a defined end date?	Monthly meeting held between Equiniti and Hackney where 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	01/03/2017	In progress	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)	01/03/2017	Fully completed	Partially compliant		Ongoing work on interfaces for Hackney Council

No.	TPR Requirement	London Borough of Hackney Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
F11	Do the Administering Authority's member data processes meet the requirements of the Data Protection Act 1998 and the data protection principles?	<p>Ensure all those involved with data understand the DPA:</p> <ul style="list-style-type: none"> - 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 <p>Evidence of processes includes:</p> <ul style="list-style-type: none"> - 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)	01/03/2017	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 being 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

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)	01/03/2017	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)	01/03/2017	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)	01/03/2017	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)	01/03/2017	Fully completed	Fully 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)	01/03/2017	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)	01/03/2017	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)	01/03/2017	Fully completed	Fully compliant	Now included in PAS 2017 - due for Committee review/approval 29th March 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)	01/03/2017	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 being 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 carried out 2016 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)	01/03/2017	Fully completed	Employers - Fully 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)	01/03/2017	In progress	Partially compliant	Admin and Communications strategy updated (to be published from April 2017)	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)	01/03/2017	Fully completed	Fully compliant	Due a review in Training plan for PB but procedure in place and periodically reviewed	
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	01/03/2017	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)	01/03/2017	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	

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank