



PENSIONS COMMITTEE

Monday, 4th December, 2017

at 6.30 pm

Room 102, Hackney Town Hall, Mare Street,
London E8 1EA

Membership

Members:

Councillor Robert Chapman (Chair)
Councillor Michael Desmond (Vice-Chair)
Councillor Feryal Demirci
Councillor Geoff Taylor
Councillor Kam Adams
Councillor Patrick Moule
Councillor Abraham Jacobson

Co-optees:

Jonathan Malins-Smith

Tim Shields
Chief Executive

Contact:
Rabiya Khatun
Governance Services
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The press and public are welcome to attend this meeting

AGENDA

Monday, 4th December, 2017

ORDER OF BUSINESS

Item No	Title	Page No
1	Apologies for Absence	
2	Declarations Of Interest - Members To Declare As Appropriate	
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11	Any other business which in the opinion of the Chair is urgent	

12	Exclusion of The Press And Public	
	<p>Proposed resolution:</p> <p>THAT the press and public be excluded from the proceedings of the Pensions Committee meeting during consideration of Exempt item 5 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.</p>	
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ACCESS AND INFORMATION

Location

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

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

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

Facilities

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

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

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

Copies of the Agenda

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

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

Council & Democracy- www.hackney.gov.uk

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

- Mayor of Hackney
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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 Director of Legal, 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 Suki Binjal, Interim Director of Legal on 020 8356 6234 or email suki.binjal@hackney.gov.uk



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MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

MONDAY, 11TH SEPTEMBER, 2017

- Councillors Present:** Councillor Robert Chapman in the Chair
Cllr Michael Desmond (Vice-Chair),
Cllr Feryal Demirci and Cllr Patrick Moule
- Apologies:** Councillor Geoff Taylor and Councillor Kam Adams
- Officers in Attendance:** Ian Williams (Group Director of Finance and Corporate Resources), Michael Honeysett (Director of Financial Management), Rachel Cowburn (Head of Investment & Actuarial Services), Karen Chenery (Pensions) and Stephen Rix (Legal Services)
- Co- optee** Jonathan Malins- Smith
- Also in Attendance:** Michael Ferguson - AON
Andrew Johnston - Hymans Robertson
Henry Colthurst – Pensions Board
- Paul Williams } RBC Global Asset Management
Ben Yeoh }

1 Apologies for absence

- 1.1 Apologies for absence were received from Councillors Taylor and Adams.

2 Declaration of Interest - Members to declare as appropriate

- 2.1 Councillors Chapman, Desmond and Demirci declared a non-pecuniary interest as deferred members of the LGPS.

3 Consideration of the non-exempt minutes of the previous meeting

- 3.1 **RESOLVED** that the minutes of the previous meeting held on 27th June 2017 be agreed as a correct record of the proceedings.

4 Training - Accounting and Audit

- 4.1 Rachel Cowburn introduced the report and provided training on the Pensions Accounting & Auditing Standards
- Committee Responsibilities
 - Responsibilities of the Committee
 - Responsibilities of the Group Director of Finance & Corporate Resources
 - Regulation and Guidance

- The LGPS Regulations (2013)
 - Regulation 57 of the Regulations requires the Council (as administrative authority) to produce a Pension Fund Annual Report by 1st December following year end
- Pension Fund Accounts
- Sources of Income
 - Employer and Employee contributions
 - Transfers in
 - Investment income
- Categories of Expenditure
- Net Assets Statement
- Requirements for Employers
- Audit

4.2 Cllr Moule indicated that the induction for new members of the Pension Committee needed to be reviewed to ensure the training enabled new members to effectively carry out their role and responsibilities. Ms Cowburn advised that the training policy was in the process of being reviewed and a more comprehensive induction would be provided focusing on areas such as accounts, investment and actuary.

4.3 Cllr Desmond stated that it would be useful to learn lessons from other local authorities regarding issues of due diligence. Ms Cowburn said that officers had attended events discussing the challenges faced by local government Pensions Funds but there had been no reported cases of due diligence breaches in local authorities.

RESOLVED to note the contents of the report.

The Chair varied the order of business on the agenda and then considered exempt item 13.

5 Pensions Fund - Quarterly Update

5.1 Rachel Cowburn introduced the report providing an update on key quarterly performance measures, including an update on the funding position, investment performance, engagement and corporate governance, budget monitoring, administration performance and reporting of breaches.

5.2 The Chair referred to the breach reported to the Pensions Regulator and expressed concern that the ongoing issue with the quality of data had not been resolved for three years. Mr Honeysett stated that this issue related to the current payroll system and that the Fund's officers had been involved with the project for the Council's new payroll system, which had been implemented in July 2017 and it was expected that the quality of data would improve this year.

5.3 Mr Colthurst indicated that the ongoing issues with payroll for over three years was unsatisfactory and that this issue should be reported to the Chief Executive. The Head of Human Resources and Electoral Services should also be invited to a future meeting to discuss this issue. Mr Williams undertook to draft a letter to the Chief Executive to express Members' disappointment that the payroll issue had not yet been resolved.

ACTION: Ian Williams

5.4 The Chair noted the positive cashflow and the disappointing performance of property. Mr Johnston said although the property asset class had underperformed against the benchmark it had delivered a strong income yield for the Pension Fund.

RESOLVED to note the report.

6 Pension Fund Report and Accounts

6.1 Rachel Cowburn introduced the post audit Annual Report and Accounts of the London Borough of Hackney Pension Fund for the year ended 31st March 2017. Mr Honeysett added that the accounts had been audited and an audit opinion received however, the audit could not be closed until the certificate had been issued.

6.2 The Chair highlighted that the Pension Fund's investment had been positive this year increasing in value by £1.4m and the Fund's ESG policy had been publicised.

6.3 Mr Malins- Smith queried the reference to co-opted non-voting members as 'lay members' of the Committee and disagreed that section A in the selection and role of lay members was fully compliant at page 198 of the report. Ms Cowburn responded that a constitutional review of the Committee was being undertaken, which included a review of the terms of reference, roles and selection. This review was expected to conclude at the end of the year and this amendment could be included in the updated document which would be submitted to Council for approval. Mr Honeysett stated that the status, role and function of lay members had been clearly set out in the Council's advert when it been recruiting lay members.

6.4 Mr Colthurst queried why negative cashflow had not been included as a key risk. Ms Cowburn explained that the Fund's cashflow was currently strongly positive; whilst cashflows were closely monitored for any deterioration, the Fund's cashflow was expected to remain positive for the foreseeable future, and did not therefore pose an immediate risk.

RESOLVED to:

- 1. Approve the Pension Fund Annual Report and Accounts subject to the amendment at Section A under selection and role of lay members.**
- 2. Approve publication and distribution to interested parties.**

7 Implementation of MiFID II

7.1 Rachel Cowburn introduced the report outlining the impact of the implementation of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") and in particular the risk to the administering authority of becoming a retail client on 3 January 2018.

RESOLVED to:

- 1. Note the potential impact on investment strategy of becoming a retail client with effect from 3rd January 2018**

2. **Agree to the immediate commencement of applications for elected professional client status with all relevant institutions to ensure it can continue to implement an effective investment strategy.**
3. **Acknowledge and agree to forego the protections available to retail clients (detailed in Appendix 1 of the submitted report)**
4. **Delegate responsibility to the Group Director, Finance and Corporate Resources for the purposes of completing applications and determining the basis of each application as either full or single service.**

8 Administering Authority Training Policy

8.1 Rachel Cowburn introduced the report proposing that the Committee agree an updated Training Policy for the London Borough of Hackney Pension Fund, which would apply to Pensions Committee members, Pension Board members and senior officers responsible for managing the Fund. The policy had been updated to reflect guidance for administering authorities on governance principles for investment pooling, issued by Aon Hewitt on behalf of the CIPFA Pensions Panel.

8.2 Ms Cowburn advised that there were still places on the LGPS Fundamentals course running from October to December 2017. The Chair requested that details of the course be circulated again to members and that the training programme should be made available at the beginning of the next municipal year.

RESOLVED to:

1. **Approve the updated London Borough of Hackney Pension Fund Training Policy which is attached at Appendix 1 and that**
2. **Each Committee Member, Board Member and senior officer to adhere to the Training Policy and maintain the required level of knowledge and skills.**

9 Annual Report of the Pensions Committee

9.1 Rachel Cowburn introduced the report detailing the role of the Pensions Committee and summarising the key activities and achievements in 2016/17 that demonstrated how the Committee had fulfilled its role effectively acting in its capacity as quasi-trustees of the Council's Pension Fund. The report would then be presented to full Council in October 2017.

9.2 It was noted that the table at paragraph 2.2 of the report should be amended to show that Councillor Moule was in attendance for the training held on 29 March 2017.

RESOLVED to note the contents of the report subject to the above amendment.

10 TPR Code of Practice compliance

10.1 Rachel Cowburn introduced the report covering an updated Compliance Checklist for the London Borough of Hackney Pension Fund. Ms Cowburn advised that a technical issue relating to the Council's internal dispute resolution had been logged. This issue was being resolved by updating the policy to include whether or not the internal dispute was exempt. With regard to the training policy, officers were reviewing the training and adapting it to meet members' requirements.

RESOLVED to note the Code of Compliance Checklist and where further work is required and being undertaken.

11 Exclusion of Press and Public

RESOLVED

That the press and public be excluded from the proceedings of the meeting during consideration of the Items and 12 and 13 – Active Global Equity Proposal 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.

12 Consideration of the exempt minutes of the previous meeting

12.1 RESOLVED that the exempt minutes of the previous meeting held on 27th June 2017 be agreed as a correct record of the proceedings.

13 Active Global Equity Proposal

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

14 Any other business which in the opinion of the Chair is urgent

14.1 There was no other urgent business.

Duration of the meeting: 6.30 - 9.20 pm

Rabiya Khatun
Governance Services
020 8356 6279

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REPORT OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES		
Training – Transition and Risk Management	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	
Pensions Committee 4th December 2017		

1. INTRODUCTION

- 1.1 This report introduces the presentation of a training session for Members on approaches to asset transitions and the management of associated risks, to assist them in meeting the standards set out in the CIPFA Knowledge and Skills Framework and in the Fund’s training policy.

2. RECOMMENDATIONS

- 2.1 The Pensions Committee is recommended to note the report.

3. RELATED DECISIONS

- Pensions Committee 4th December 2017 – Active and Passive Equity Transition
- Pensions Committee 11th September 2017 – Administering Authority Training Policy
- Pensions Committee 27th June 2017 – Passive equity transition

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

- 4.1 Management of the Pension Fund is complex and varied, covering areas including investment, administration, governance and financial management. It is therefore essential that members of both the Pensions Committee and Pension Board are provided with training, to ensure that they are able to meet the various duties placed upon them. The cost of such training is immaterial in the context of the Pension Fund; many of the training sessions are provided free of charge or at minimal cost.
- 4.2 An understanding of the approaches to asset transitions and how the associated risks can be managed is crucial for Committee Members at this time. As a consequence of the pooling agenda, the Fund is required to move a significant proportion of its asset to new mandates, resulting in an increased risk of incurring trading costs and losing value through out of market risk.

5. COMMENTS OF THE INTERIM DIRECTOR, LEGAL

- 5.2 Knowledge and skills requirements for the Pensions Committee are set out in CIPFA’s Code of Practice on Public Sector Pensions Finance Knowledge and Skills. Although not statutory, this guidance provides a framework for both Administering Authorities

and individual Committee Members to assess their level of understanding and determine any training needs. An understanding of the nature and scope of the risks for the Pension Fund, which would include transition risks, is included within the framework

- 5.1 Members of the Pension Board are also encouraged to attend Committee training sessions where possible. Each member of the Pensions Board is required by Section 248a of the Pensions Act 2004 (as amended by the Public Service Pensions Act 2013) to obtain 'a degree of knowledge and understanding...appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.' The CIPFA Knowledge and Skills Framework for pension Boards also makes reference to the understanding of risk.
- 5.3 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 The Hackney Pension Fund has adopted the key recommendations of the CIPFA Code of Practice on Public Sector Pension Finance Knowledge and Skills. As such, training for Pensions Committee members is organised in line with the areas of knowledge set out in the Code; these include a section on Investment Performance and Risk Management
- 6.2 It is intended that Pension Board Members should also attend the training session if possible to help ensure that they meet the Knowledge and Understanding requirements set out by the Pensions Act 2004 and The Pensions Regulator's Code of Practice. CIPFA has produced a Technical Knowledge and Skills framework designed for Local Pension Boards, which sets out suggested training requirements for Members. The requirements are very similar to those set out in the Code of Practice on Public Sector Pension Finance Knowledge and Skills.
- 6.3 The training session will therefore provide members with a broad overview of the transition process, the potential risks incurred and how these can be managed. It will cover:
- Approaches to transition and types of transfer (e.g. cash, in specie)
 - Costs and risks associated with transition (trading costs, out of market risk etc.)
 - Risk management, including the use of transition management

Ian Williams
Group Director of Finance & Corporate Resources

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

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

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REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Pension Fund – Quarterly Update	Classification PUBLIC	Enclosures
	Ward(s) affected	None
Pensions Committee 4th December 2017	ALL	

1. INTRODUCTION

- 1.1 This report is an update on key quarterly performance measures, including an update on the funding position, investment performance, engagement and corporate governance, budget monitoring, administration performance and reporting of breaches.

2. RECOMMENDATIONS

- 2.1 **The Pensions Committee is recommended to note the report.**

3. RELATED DECISIONS

- Pensions Committee 29th March 2017 – Approval of Pension Fund Budget 2017/18
- Pensions Committee 29th March 2017 – Approval of 2016 Actuarial Valuation and Funding Strategy Statement

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

- 4.1 The Pensions Committee act as quasi-trustees of the London Borough of Hackney Pension Fund and as such, has responsibility for all aspects of the Pension Fund. Quarterly monitoring of the key financial variables which impact the Fund is crucial to ensuring good governance.
- 4.2 Monitoring the performance of the Fund and its investment managers is essential to ensure that managers are achieving performance against set benchmarks and targets. Performance of the Fund's assets will continue to have a significant influence on the valuation of the scheme's assets going forward. The investment performance of the Fund is a key factor in the actuarial valuation process and therefore directly impacts on the contributions that the Council is required to make into the Pension Scheme.
- 4.3 The Committee's responsibilities include setting a budget for the Pension Fund and monitoring financial performance against the budget. Quarterly monitoring of the budget helps to ensure that the Committee is kept informed of the progress of the Fund and can provide the Committee with early warning signals of cashflow issues and cost overruns.
- 4.4 Reporting on administration is included within the quarterly update for Committee as best practice governance. Monitoring of key administration targets and ensuring that the administration functions are carried out effectively will help to minimise costs and ensure that the Fund is achieving value for money.
- 4.5 Whilst there are no direct immediate impacts from the information contained in this report, quarterly monitoring of key aspects of the Pension Fund helps to provide assurance to the Committee of the overall financial performance of the Fund and enables the Committee to make informed decisions about the management of the Fund.

5. COMMENTS OF THE INTERIM DIRECTOR, LEGAL

- 5.1 The Pensions Committee, under the Council's Constitution, has delegated responsibility to manage all aspects of the Pension Fund.
- 5.2 The Local Government Pension Scheme Regulations 2013, Regulation 62, requires an Administering Authority to obtain an actuarial valuation of its fund every 3 years. The last valuation was carried out as at 31st March 2016, with the next due in 2019. There is no requirement for the Administering Authority to undertake interim valuations, although it has the ability to do so. Nevertheless, given the volatility of the financial markets it is a matter of good governance and best practice to monitor funding levels between formal valuations to ensure that all necessary steps can be taken in advance of any valuation.
- 5.3 The Council must monitor the performance of the pension fund in order to comply with its various obligations under the Local Government Pension Scheme Regulations. Those obligations include monitoring performance of investment managers and obtaining advice about investments. Ultimately the Council is required to include a report about the financial performance of the Fund in each year in the Annual Report. The monitoring of performance of the Fund is integral to the functions conferred on the Pensions Committee by the Constitution. The consideration of the present report is

consistent with these obligations.

- 5.4 The Committee's terms of reference provide the responsibility for setting an annual budget for the operation of the Pension Fund and for monitoring income and expenditure against the budget. In considering the draft budget the Committee must be clear that the financial assumptions on which the budget is based are sound and realistic. It must also satisfy itself that the budget is robust enough to accommodate the potential pressures outlined in the report whilst ensuring that the Fund is managed as efficiently as possible to maximise the benefits to members of the Scheme.
- 5.5 There are no immediate legal implications arising from this report.

6. FUNDING POSITION BASED ON 2016 TRIENNIAL VALUATION

- 6.1 The Fund's actuary, Hymans Robertson, provides a quarterly update on the funding position of the Fund illustrating how the overall position has changed since the last actuarial valuation. The actuarial valuation as at 31st March 2016 set the contribution rates which have been applied from 1st April 2017. As at the end of September 2017, the funding level was 83% compared to 77% as at the end of March 2016.
- 6.2 The chart below highlights the funding position as at 31st March 2016 (77%) compared to 30th September 2017 (83%) showing a slight decrease in the funding position at the start of the period, followed by recovery, then an increase towards the end.

Progression of Funding Level from 31st March 2016 to 30th September 2017



- 6.3 The funding level of 83% at 30th September 2017 is based on the position of the Fund having assets of £1,466m and liabilities of £1,773m, i.e. for every £1 of liabilities the Fund has the equivalent of 83p of assets. It should be noted that the monetary deficit remains high, but has reduced from £350m in March 2016 to £307m in September 2017, a decrease of £43m. The liabilities are a summation of all the pension payments which have been accrued up to the valuation date in respect of all scheme members, pensioners, deferred members and active members. These will be paid over the remaining lifetime of all members, which could stretch out beyond 60 years. The actuary then calculates the contributions which would be required in order for the Fund to meet its liabilities in respect of benefits accruing and to recover any deficit which has arisen.

7. GOVERNANCE UPDATE

- 7.1 The introduction of asset pooling for LGPS funds has resulted in a need for constitutional change in administering authorities, to ensure that the new asset pools are properly recognised within the governance structure of funds. An important part of these changes is updating Pensions Committees' Terms of Reference, to ensure that

the ongoing role of Committee members in asset allocation is recognised and to set out their new role in representing individual funds within the pools.

- 7.2 The proposed changes to the Terms of Reference for the Hackney Pensions Committee will need to be approved by Full Council; however, prior to this, all Committee Members will be invited to a consultation session to ensure that they have a full understanding of the changes and are satisfied that the Committee will continue to function effectively as the decision making body for the Pension Fund.
- 7.3 The proposed changes include a section updating the appointments procedure for co-opted scheme members and employer representatives on the Committee, to bring the process more into line with that used for the Pension Board representatives.
- 7.4 Following on from ongoing concerns over the quality of data received from Employers, the Fund has engaged in an ongoing dialogue with the Pensions Regulator with regards to its Annual Benefit Statements. Statements to deferred members were submitted by the deadline of 31st August, with 4341 statements for active members sent on 4th September 2017. A further 783 statements were sent w/c 2nd October, whilst the remaining 2,400 statements to actives have not yet been issued. The Fund has worked with Equiniti to draw up a plan for producing these statements, with a new target date of 31st December for statements to be issued.
- 7.5 Once again, this issue has resulted from the failure of the Fund's main employer, the Council, to provide satisfactory year end data. The Fund had planned for this contingency, and was able to use monthly data to produce the majority of active member statements; however, the additional work required to use this data and ongoing issues with the quality of monthly data received has resulted in the delay in sending out statements.

8. INVESTMENT UPDATE

8.1 Asset Allocation Q2 2017/18

The following table sets out the Fund's asset allocation as at 30th September 2017 against the target allocation. The valuations have been provided by the Scheme's investment managers.

Manager	Mandate	Asset Allocation £	Asset Allocation %	Target Allocation %	Relative %
UBS	UK Equities	336,809,909	24.3	25.0	-0.7
Lazard	Global Equities	228,714,160	16.5	15.5	1.0
Wellington	Global Value	229,893,337	16.6	15.5	1.1
RBC	Global Emerging Market Equities	76,258,008	5.5	4.5	1.0
Total Equities		871,675,414	62.8	60.5	2.3
BMO	Fixed Income	228,143,013	16.4	17.0	-0.6
Columbia Threadneedle	Property	115,407,121	8.3	10.0	0.1
Columbia Threadneedle	Low Carbon Property	25,100,247	1.8		
Invesco	Multi Asset	56,748,169	4.1	5.0	-0.9
GMO	Multi Asset	90,110,938	6.5	7.5	-1.0
Total Fund		1,387,184,902	100.0	100.0	0.0

Note: Numbers may not sum due to rounding

8.2 Performance summary

The following table sets out the performance of the Scheme's investment mandates as at 30th September 2017 against their respective benchmarks. The table also shows the total Scheme performance against benchmark as calculated by Hymans Robertson. The performance and benchmark numbers have been provided by the Scheme's investment managers.

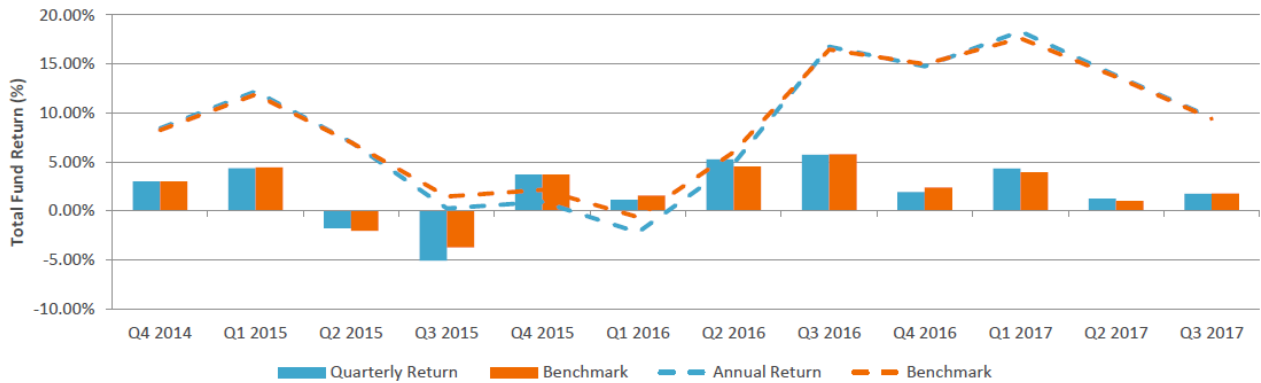
		UBS	Lazard	Wellington	RBC	BMO	Columbia Threadneedle	Columbia Threadneedle	Invesco	GMO	Total Scheme
		UK Eq	Global Eq	Global Eq	EM Eq	Fixed Income	Property	LCW	Multi Asset	Multi Asset	
Q3 17 (%)	Fund	2.2	2.6	2.1	3.5	-0.1	2.3	1.4	-1.3	1.7	1.7
	Benchmark	2.1	2.7	2.7	4.5	-0.3	2.4	2.4	0.1	0.3	1.8
	Relative	0.0	-0.1	-0.6	-0.9	0.2	-0.1	-1.0	-1.3	1.4	-0.1
12 Month (%)	Fund	12.1	11.8	16.0	15.2	-0.8	8.9	7.4	3.0	6.9	9.5
	Benchmark	11.9	16.1	16.1	18.5	-2.5	9.3	9.3	0.3	1.6	9.4
	Relative	0.1	-3.7	-0.1	-2.7	1.7	-0.4	-1.7	2.7	5.2	0.1
3 Year (% p.a.)	Fund	8.6	10.0	10.3		7.5	8.8			1.8	8.6
	Benchmark	8.5	11.9	11.9	n/a	7.1	8.9	n/a	n/a	0.8	8.9
	Relative	0.0	-1.7	-1.4		0.4	-0.1			1.0	-0.3
Since Inception (% p.a.)	Fund	8.7	8.9	9.3	29.4	6.8			3.2	3.5	
	Benchmark	8.6	9.9	9.9	32.5	6.4	n/a ¹	n/a ¹	0.5	1.1	
	Relative	0.1	-0.9	-0.5	-2.3	0.3			2.7	2.3	
Since Inception Dates		August 2003	April 2010	April 2010	December 2015	September 2003	March 2004	May 2016	December 2015	September 2012	

Note: Long term returns are calculated by rolling up historic quarterly returns and includes contribution of all current and historical mandates over the period.

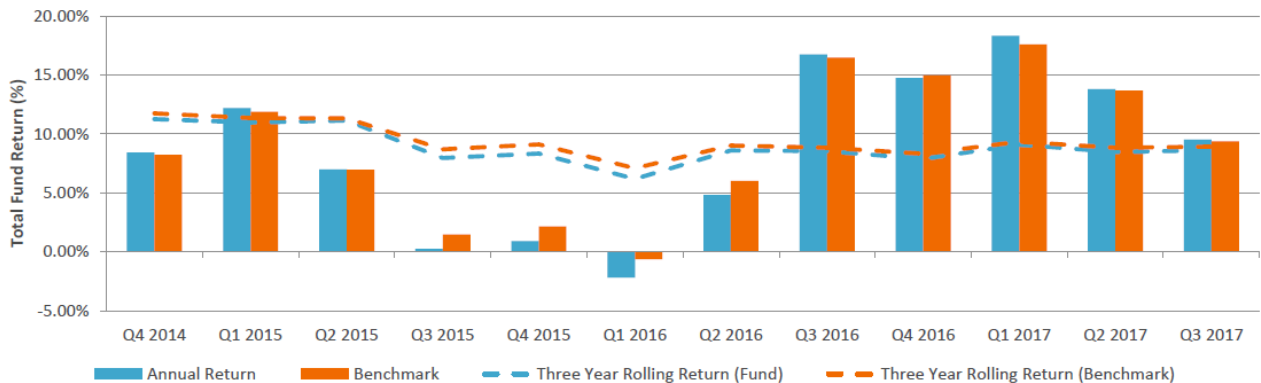
¹ Since Inception returns for Columbia Threadneedle Property mandates are unavailable.

8.3 The tables below show quarterly and annual returns, together with rolling 1 and 3 year performance respectively.

2.1 Performance summary – Quarterly returns and rolling one year performance



2.2 Performance summary – Annual returns and rolling three year performance



8.4 Performance analysis

The table below represents the manager performance over the quarter and illustrates Stock Selection contributions from each of the Fund's managers and the impact from over/underweight positions relative to benchmark/target weighting (Asset Allocation).

Manager	Asset Class	Benchmark	Market Value £'000 30 Sep	Weight % 30 Sep	Target %	Fund Return %	Benchmark Return %	Asset Allocation	Stock Selection
UBS	UK Equities	FTSE All Share	336,810	24.3%	25.0%	2.2	2.1	0.00	0.01
Lazard	Global Equities	MSCI AC World (50% hedged)	228,714	16.5%	15.5%	2.6	2.7	0.01	-0.02
Wellington	Global Equities	MSCI AC World (50% hedged)	229,893	16.6%	15.5%	2.1	2.7	0.01	-0.10
RBC	Global Emerging Market Equities	MSCI Emerging Markets	76,258	5.5%	4.5%	3.5	4.5	0.03	-0.05
Total Equities			871,675	62.8%	60.5%	1.5	1.6	0.04	-0.16
BMO	Bonds	Bonds Composite ¹⁾	228,143	16.4%	17.0%	-0.1	-0.3	0.00	0.03
Threadneedle	Property	IPD UK Quarterly All Balanced Property Index	115,407	8.3%	7.5%	2.3	2.4	0.01	-0.01
Threadneedle	Low Carbon Property	IPD UK Quarterly All Balanced Property Index	25,100	1.8%	2.5%	1.4	2.4	-0.01	-0.02
Invesco	Targeted Return	£LIBOR 3M	56,748	4.1%	5.0%	-1.3	0.1	0.01	-0.06
GMO	Absolute Return	OECD CPI G7 (GBP)	90,111	6.5%	7.5%	1.7	0.3	0.01	0.09
Total Scheme			1,387,185	100.0%	100.0%	1.7	1.8	0.07	-0.12

1. BMO benchmark is 37.5% FTA Govt All stocks; 37.5% ML £ Non-Gilt All Stocks Index; 25% FTA Govt IL >5yrs

Note: We do not have the details of the cash held in the trustee bank account. As a result, the effective asset allocation may differ from that shown in the table above.

- At the end of September the Fund was overweight to equities.

Positives

- Outperformance from GMO.

Negatives

- Underperformance from Wellington, RBC and Invesco.

The table below represents the manager performance over the **12 months to 30th September 2017** and illustrates Stock Selection contributions from each of the Fund's managers and the impact from over/underweight positions relative to benchmark/target weighting (Asset Allocation).

Manager	Asset Class	Benchmark	Market Value £'000 30 Sep	Weight % 30 Sep	Target %	Fund Return %	Benchmark Return %	Asset Allocation	Stock Selection
UBS	UK Equities	FTSE All Share	336,810	24.3%	25.0%	12.1	11.9	-0.04	0.03
Lazard	Global Equities	MSCI AC World (50% hedged)	228,714	16.5%	15.5%	11.8	16.1	0.07	-0.64
Wellington	Global Equities	MSCI AC World (50% hedged)	229,893	16.6%	15.5%	16.9	16.1	0.07	0.11
RBC	Global Emerging Market Equities	MSCI Emerging Markets	76,258	5.5%	4.5%	15.2	18.5	0.08	-0.15
Total Equities			871,675	62.8%	60.5%	8.2	8.9	0.17	-0.65
BMO	Bonds	Bonds Composite ¹⁾	228,143	16.4%	17.0%	-0.8	-2.5	-0.06	0.29
Threadneedle	Property	IPD UK Quarterly All Balanced Property Index	115,407	8.3%	7.5%	8.9	9.3	-0.01	-0.03
Threadneedle	Low Carbon Property	IPD UK Quarterly All Balanced Property Index	25,100	1.8%	2.5%	4.5	6.9	0.00	-0.04
Invesco	Targeted Return	£LIBOR 3M	56,748	4.1%	5.0%	3.0	0.3	0.04	0.12
GMO	Absolute Return	OECD CPI G7 (GBP)	90,111	6.5%	7.5%	6.9	1.2	0.05	0.36
Total Scheme			1,387,185	100.0%	100.0%	9.5	9.4	0.19	0.04

1. BMO benchmark is 37.5% FTA Govt All stocks; 37.5% ML £ Non-Gilt All Stocks Index; 25% FTA Govt IL >5yrs

Note: We do not have the details of the cash held in the trustee bank account. As a result, the effective asset allocation may differ from that shown in the table above.

Positives

- Outperformance from Wellington, BMO, Invesco and GMO

Negatives

- Underperformance from Lazard and RBC

The table below represents the manager performance over the **3 years to 30th September 2017** and illustrates Stock Selection contributions from each of the Fund's managers and the impact from over/underweight positions relative to benchmark/target weighting (Asset Allocation).

Manager	Asset Class	Benchmark	Market Value £'000 30 Sep	Weight % 30 Sep	Target %	Fund Return %	Benchmark Return %	Asset Allocation	Stock Selection
UBS	UK Equities	FTSE All Share	336,810	24.3%	25.0%	8.6	8.5	-0.22	0.00
Lazard	Global Equities	MSCI AC World (50% hedged)	228,714	16.5%	15.5%	10.0	11.9	0.03	-0.87
Wellington	Global Equities	MSCI AC World (50% hedged)	229,893	16.6%	15.5%	11.0	11.9	0.01	-0.45
RBC	Global Emerging Market Equities	MSCI Emerging Markets	76,258	5.5%	4.5%	n/a	n/a	0.16	-0.20
Total Equities			871,675	62.8%	60.5%	6.2	6.7	-0.01	-1.51
BMO	Bonds	Bonds Composite ¹⁾	228,143	16.4%	17.0%	7.5	7.1	0.04	0.22
Threadneedle	Property	IPD UK Quarterly All Balanced Property Index	115,407	8.3%	7.5%	8.8	8.9	-0.05	0.00
Threadneedle	Low Carbon Property	IPD UK Quarterly All Balanced Property Index	25,100	1.8%	2.5%	n/a	n/a	0.00	-0.04
Invesco	Targeted Return	£LIBOR 3M	56,748	4.1%	5.0%	n/a	n/a	0.05	0.27
GMO	Absolute Return	OECD CPI G7 (GBP)	90,111	6.5%	7.5%	1.8	0.5	0.18	0.24
Total Scheme			1,387,185	100.0%	100.0%	8.6	8.9	0.21	-0.82

1. BMO benchmark is 37.5% FTA Govt All stocks; 37.5% ML £ Non-Gilt All Stocks Index; 25% FTA Govt IL >5yrs

Note: We do not have the details of the cash held in the trustee bank account. As a result, the effective asset allocation may differ from that shown in the table above.

Positives

- Outperformance from Invesco, BMO and GMO.

Negatives

- Underperformance from Lazard, RBC and Wellington.

9. BUDGET MONITORING

9.1 The Pension Fund budget for 2017/18 was approved by pensions Committee at its 29th March 2017 meeting. The paper presented set out rolling forecast budgets to 2018-19, which predict an ongoing cash flow positive position for the Fund. The budget is shown in the table below.

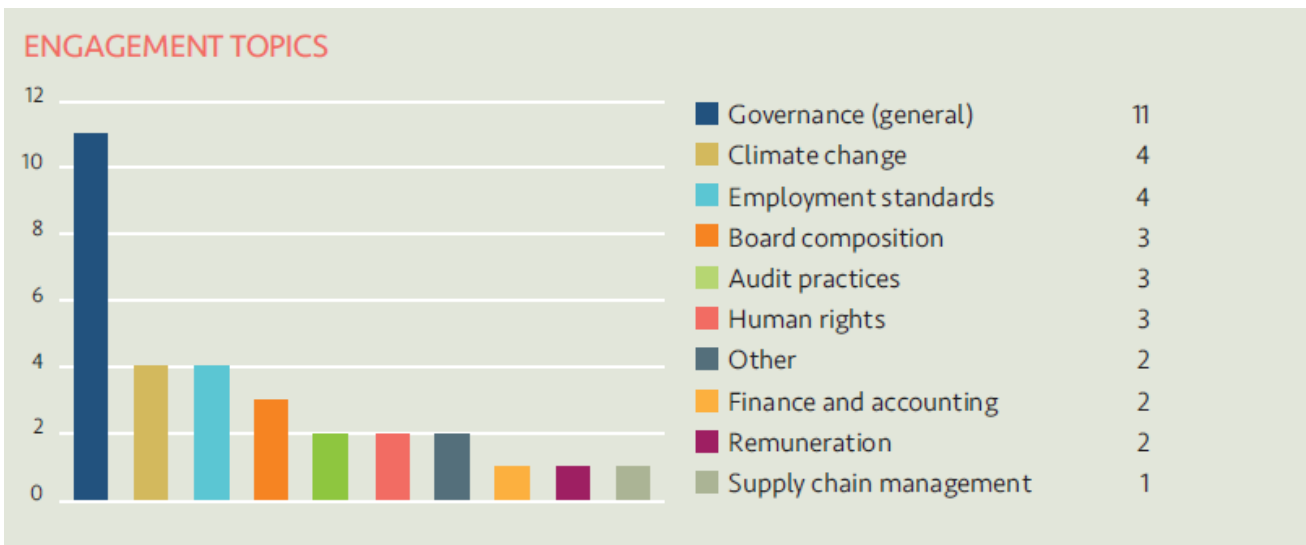
9.2 Full reporting against this budget will be provided at the next meeting. The Fund is currently moving to a new company setup within the Council's accounting system which, when set up, will permit more detailed in year reporting.

Description	2016/17 Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	Comments
Member Income				
Employers' Contribution	67,162	59,387	57,849	Future forecasts based on 2016/17 forecast with an assumption that employer contributions will reduce in line with the Council's proposed reduced rates. Active membership numbers are assumed to reduce by 1% pa, with an assumed 1% pa pay rise. Budget to be revised and realigned with 2016/17 outturn.
Employees' Contribution	12,155	12,293	12,416	See Above
Transfers In	4,719	3,560	3,560	16-17 forecast figure used to forecast - the level of transfers in is outside the Fund's control
Member Income Total	84,036	75,239	73,824	
Member Expenditure				
Pensions	(41,807)	(42,904)	(44,637)	Future forecasts based on 2016/17 forecast. A Pensions Increase rate of 1% has been applied for 2017/18, with 2% applied for each of the following years. A year on year increase in the number of pensioners of 2% has been applied across the 3 year period
Lump Sum Commutations and Death Grants	(13,547)	(13,736)	(14,291)	Uses assumptions as above, but challenging to forecast as this is outside the Fund's control.
Refund of Contributions	(201)	-6,633	-6,633	Adjusted for CPI as per above with a 1% uplift for 2017/18, followed by 2% pa thereafter
Transfers Out	(5,632)	(178)	(182)	2016/17 forecast used for following 3 years. Transfers out are challenging to estimate as they are outside the Fund's control.
Member Expenditure Total	(61,187)	(63,451)	(65,743)	
Net Member Surplus	22,849	11,788	8,081	
Management Expenses				
Administration, Investment Management and Governance & Oversight	(5,869)	(4,922)	(5,008)	Forecast based on 2016/17 forecast, with a 1% uplift for 2017/18, followed by 2% pa thereafter. Budget to be revised and realigned with the final outturn.
Net Administration Expenditure	(5,869)	(4,922)	(5,008)	
Surplus from Operations	16,980	6,866	3,073	
Investment Income/Expenditure				
Investment Income	14,423	13,105	13,105	Investment income expected to remain constant across the period. Budget to

				be revised in line with 2017 outturn
Net Investment Income/Expenditure	14,423	13,105	13,105	
Cash Flow before Investment Performance	31,403	19,971	16,178	

10. ENGAGEMENT AND CORPORATE GOVERNANCE

- 10.1 The Pensions Committee has looked to increase the level of engagement with the underlying companies in which it invests. This includes taking a more proactive role in encouraging managers to take into consideration the voting recommendations of the Local Authority Pension Fund Forum (LAPFF). This section of the quarterly report therefore provides the Committee with an update on the work of the LAPFF and also voting recommendations and how managers have responded. In addition the update will include key topical issues concerning environmental and social governance issues in order to provide scope for discussion on these key issues.
- 10.2 The table below shows LAPFF's engagement activities over the quarter, listed by company, area of interest and engagement activity. LAPFF members conducted 56 engagements over the quarter; Key topics of engagement included governance, climate change, employment standards and remuneration.



- 10.3 The Fund has direct holdings in 2 of the companies concerned; British American Tobacco and SSE. The Forum met with Richard Burrows, the Chair of British American Tobacco to understand the role public health plays in influencing the company's business strategy and business model. The meeting followed a previous meeting in 2013 on similar concerns and followed up with discussions about the necessary steps taken to address public health issues and comply with anti-smoking regulations, including the introduction of new next generation products.
- 10.4 LAPFF raised cybersecurity at the SSE AGM, asking the Chairman, Richard Gillingswater, for greater detail on cybersecurity protections and how they will protect both SSE and its customers from an attack on the network and systems failures. He

further asked about the results and the following recommendations of the company's internal audit on cybersecurity risks. SSE has now separately classified cybersecurity as a risk in its risk register and is managing the risk with a high priority level. A great deal of investment had taken place over the past three to four years, after the company had acknowledged its need to tighten up.

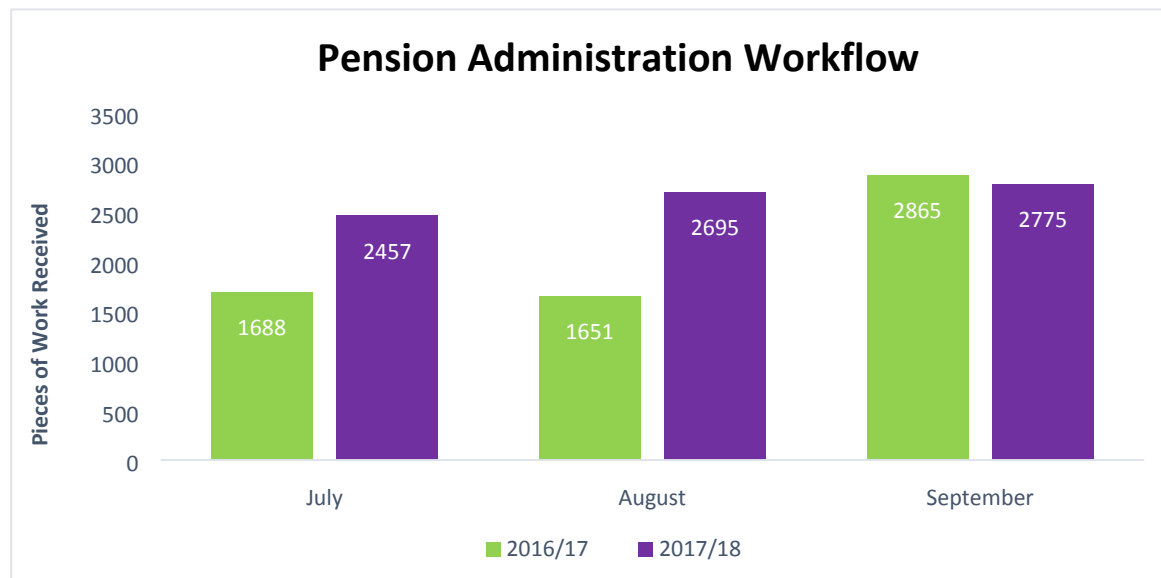
10.5 The Fund has continued to make progress on plans for implementation of its investment strategy, with plans now well underway for the implementation of a low carbon passive equity strategy. Further details are set out in the Active and passive equity transition paper. The implementation of a passive low carbon mandate will help move the Fund considerably closer to its target of reducing its exposure to fossil fuels by 50%.

11. PENSION ADMINISTRATION

11.1 Pension Administration Management Performance

The case load for the administrators during Q2 2017/18 has increased slightly in comparison to the same period in 2016/17. A total of 7,927 new cases were received during the current quarter, compared to 6,204 during Q2 in 2016/17

A comparison of the workflow for the administrators between Q2 2016/17 and the reporting quarter is set out below:-

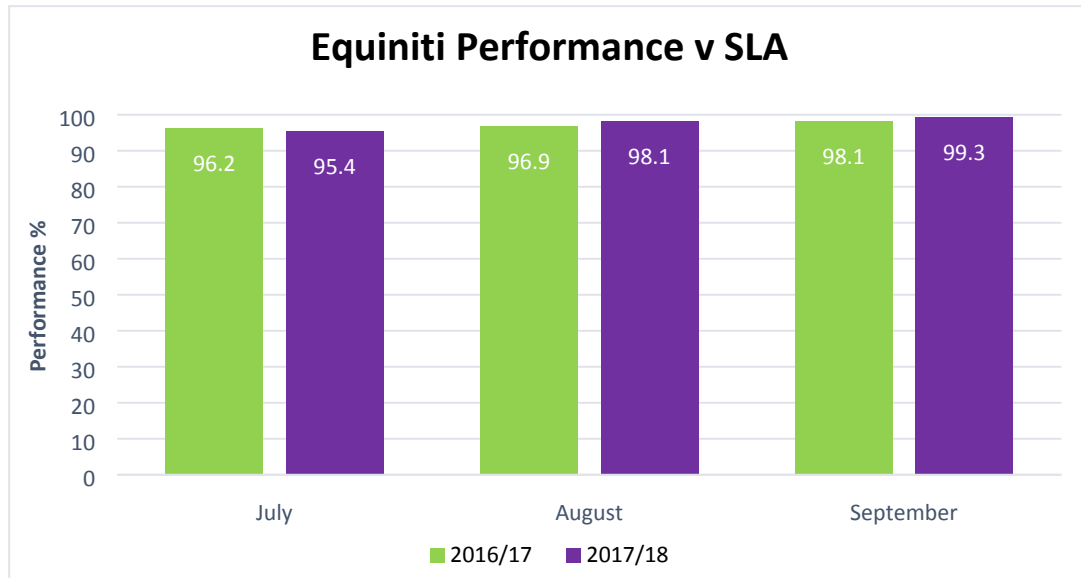


The average number of pieces of work received per month during Q2 2017/18 was 2,642 compared to an average of 2,068 received during the same period in 2016/17.

Much of this workload has been done manually as the new iTrent interface from the Council's payroll system still cannot be used to update member records automatically as a result of problems with the pension start dates migrated to iTrent from the previous system. Extra queries have also been raised during the quarter as a result of ongoing data verification for annual benefit statements.

The performance of the pension administrators is monitored by the Financial Services Section at Hackney on a monthly basis. Performance against the service level agreement (SLA) was an average of 97.6% for Q2 2017/18 compared to 97.0% for the same period in the previous year.

The administrator’s performance against the SLA for Q2 2016/17 and Q2 of the reporting period 2017/18 is set out below:



Whilst the administrator’s performance did gradually increase over Q2 of 2017/18, it should be noted that volumes of manual processing are still significantly above the norm. The majority of the additional work is due to the continued lack of an interface from the Council’s payroll provider that is fit for purpose and also the complexities of the CARE scheme. The Council is the largest employer in the Fund and has the majority of the work.

The lack of accurate and timely data continues to cause major issues at Equiniti. It is hoped that the introduction of the Council’s new payroll system will decrease the level of manual processing required; however, delays to the development of reports and problems with some of the data transferred to the new provider have meant that the impact of the new system cannot yet be assessed. No further concerns or issues were raised in regard to the SLA’s.

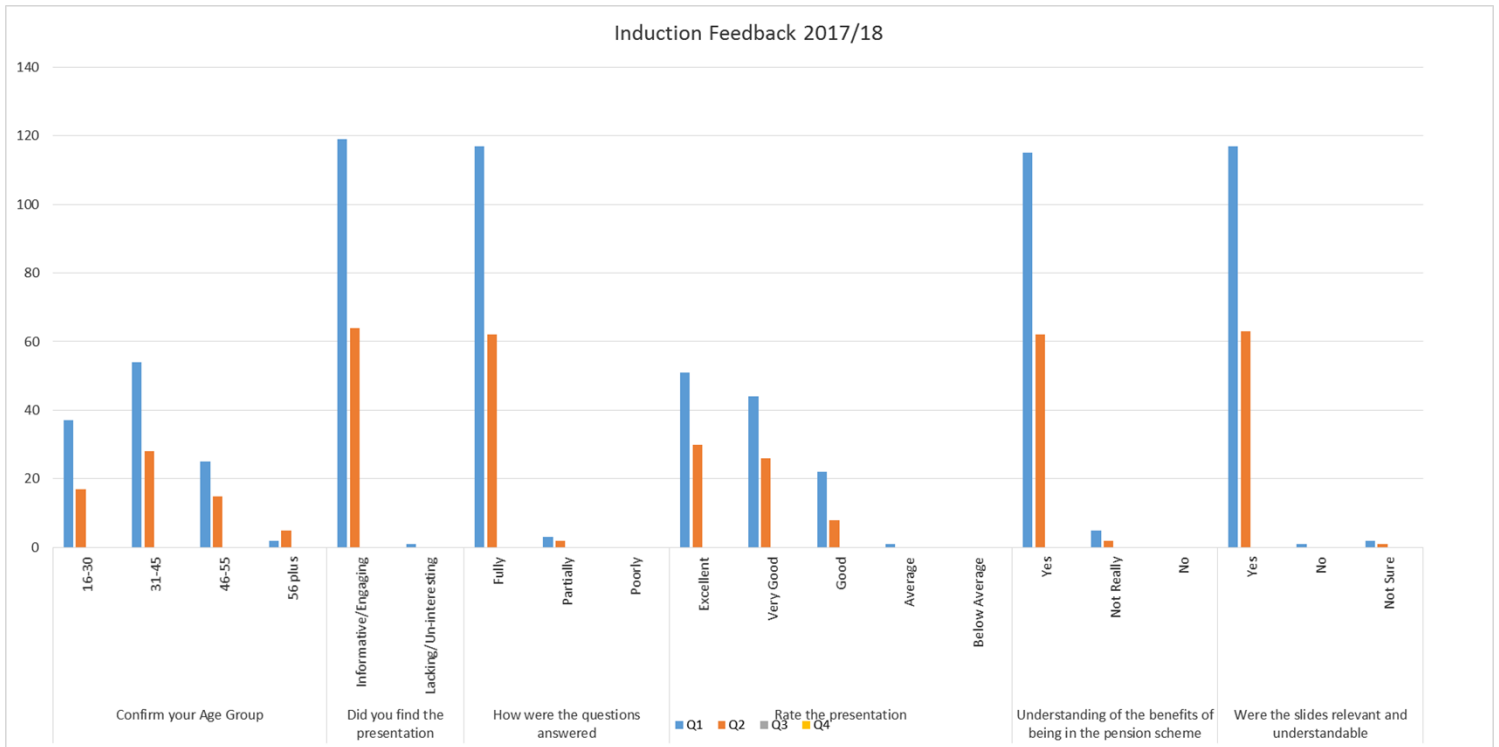
11.2 New Starters and Opt Outs

	Total Membership at End of Quarter	Total Opt Outs For Quarter
Q2 2016/17	7,521	308
Q2 2017/18	7,568	61

The opt outs in Q2 2017/18 are significantly lower compared to Q2 2016/17, and represent a significant decrease relative to the current average of around 100 opt outs per quarter. There were 47 more active members at the end of Q2 2017/18 than there were in the same quarter of 2016/17.

11.3 Scheme Administration

The Financial Services in-house pension team facilitated at weekly induction sessions for 64 new employees during the reporting period. These sessions continue to receive very positive feedback with respondents rating the presentations as 'Very Good' or 'Excellent'. And 97% of those who attended the sessions, have said they now have a greater understanding of the benefits of being in the scheme



11.4 Ill Health Pension Benefits.

The release of ill health benefits fall into 2 main categories, being those for deferred and active members. The Financial Services in-house pension team process all requests for the release of deferred member's benefits on the grounds of ill health, as well as assisting the Council's Human Resources team with the process for the release of active member's benefits on the grounds of ill health.

Deferred member's ill health benefits are released for life and are based on the benefits accrued to the date of leaving employment, with the addition of pension increase, but they are not enhanced by the previous employer.

Active members' ill health pensions are released on one of three tiers:

- Tier 1 - the pension benefits are fully enhanced to the member's normal retirement date and is typically only paid to those with very serious health conditions or life limiting health problems – paid for life, no review

- Tier 2 – the pension benefits are enhanced by 25% of the years left to the member’s normal retirement date - paid for life, no review
- Tier 3 - the pension benefits accrued to date of leaving employment - paid for a maximum of 3 years and a review is undertaken once the pension has been in payment for 18months.

For tier 3, a scheme member’s prognosis is that whilst they are unable to fulfil their current role on medical grounds to retirement, they may be capable of undertaking some form of employment in the relatively near future. However should the members’ health deteriorate further, there is provision under the regulations for their benefits to be uplifted from tier 3 to tier 2, if the former employer agrees that their health condition meets the qualifying criteria for the increase.

The chart below sets out the number of ill-health cases that have been processed during Q2 of 2017/18, compared to the same period in the previous year.

DEFERRED MEMBER’S ILL HEALTH RETIREMENT CASES					
	CASES RECEIVED	SUCCESSFUL	UNSUCCESSFUL	ONGOING	WITHDRAWN
Q2 2016/17	8	5	0	2	1
Q2 2017/18	1	0	0	1	0
ACTIVE MEMBER’S ILL HEALTH RETIREMENT CASES					
	NUMBER OF CASES	BENEFITS RELEASED ON TIER 1	BENEFITS RELEASED ON TIER 2	BENEFITS RELEASED ON TIER 3	UNSUCCESSFUL
Q2 2016/17	0	0	0	0	0
Q2 2017/18	2	2	0	0	0

11.5 Internal Disputes Resolution Procedure (IDRP)

This is the procedure used by the Fund for dealing with appeals from members both active and deferred. The majority of the appeals are in regard to either disputes around scheme membership or the non-release of ill health benefits. The process is in 2 stages:-

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

No cases were concluded in Q2 2017/2018:

11.6 Other work undertaken in Q2 2017/18

Third Party Administration

Following the recent procurement exercise for Third Party Pension Administrators using the National LGPS Framework, the Pensions Committee met on 25 April 2017 and approved the award of the contract to Equiniti, the previous holders of the contract. Service specifications and detailed contract negotiations are still taking place and it is hoped they will be finalised before the new contract commencement date of 1 January 2018. However, contract details are slightly delayed and it may be prudent to agree a continuation on the existing contract for at least 2 months and issue a letter of intent to Equiniti regarding the new contract. Legal advice will be sought before proceeding.

Redundancy Exercises for Departmental Budget Purposes

In Q2 of 2017-18, the in-house pensions' team have received a total of 179 redundancy estimate requests from various Directorates across the Council, some of these are for members over the age of 55 who will have pension released. The last day of service for these estimate requests vary from 29 January to 31 March 2018. Requests for estimates will no doubt increase over the coming months as Directorates finalise their budgets and staff restructures.

Additional Voluntary Contributions (AVC)

As mentioned earlier in the report, the migration of the Council's payroll to iTrent has caused many issues in regard to pensions and reporting. Not only does it impact on Equiniti, but also for LGSP & TPS members with AVC contracts with the Prudential. Although contributions are being paid across the Prudential, the payroll system has not been able to provide the statutory reporting since June 2017. This is required by the Prudential to identify individuals, their contributions and the contribution period to which it relates. This lack of information prevents the Prudential from investing the member contributions into the appropriate investment schemes, thus impacting on the members' expectations of investment growth and the disinvestment sums for those who are retiring are reduced due to missing investment income. We are working with the Prudential and payroll to resolve this issue as soon as possible, as we are in breach of regulations and could be subject to fines and compensation claims from members.

Newsletters

The Pensions Team produced their quarterly Newsletter in September 2017, which was issued to both Employers and Schools/Academies within the London Borough of Hackney Pension Fund. The newsletter covered updates on subjects relevant to LGPS and other topical matters relating to the pensions world. In this addition, the topics covered were an update on the Data Protection regulations with the introduction of GDPR in May 2018, the use of Assumed Pensionable Pay (APP), the increase in State Pension ages, levies for the late payment of member contributions to the Fund, the role of the tPR and a reminder of the benefits of the 50/50 section of the scheme.

12. REPORTING BREACHES

- 12.1 Fund has engaged in an ongoing dialogue with the Pensions Regulator with regards to its Annual Benefit Statements. Statements to deferred members were submitted by the deadline of 31st August, with 4,341 statements for active members sent on 4th September 2017. A further 783 statements were sent w/c 2nd October, whilst the remaining 2,400 statements to actives are being issued in batches. The Fund has worked with Equiniti to draw up a plan for producing these statements, with a new target date of 31st December for statements to be issued.
- 12.2 Once again, this issue has resulted from the failure of the Fund's main employer, the Council, to provide satisfactory year end data. The Fund had planned for this contingency, and was able to use monthly data to produce the majority of active member statements; however, the additional work required to use this data and ongoing issues with the quality of monthly data received has resulted in the delay in sending out statements.
- 12.3 This is the third year running that the Fund has been required to submit a report to the Regulator concerning this issue. This issue has been raised at the highest level of the Council; accurate membership data is of increasing importance since the introduction of the CARE scheme, and it is critical that the problems with the Council's membership data submissions are resolved. Officers of the Fund continue to work as part of the project team implementing the Council's new payroll system, iTrent, and transitioning towards business as usual. Whilst the template reports being produced appear to be of substantially higher quality than previously, problems with the pension scheme start dates migrated to the new systems have prevented the new iTrent interface from being used. It is hoped that this will be resolved by the end of 2017.

13. FUTURE TRAINING EVENTS

- 13th December 2017 - LGPS Trustee Training – Fundamentals Day 3 – London

Comprehensive training suitable for both new and existing Pension Committee and Board Members. Can be booked via the LGA website (<https://www.local.gov.uk/events?topic%5B5652%5D=5652&from=&to=®ion=All>) or via officers.

Ian Williams
Group Director of Finance & Corporate Resources

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

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
London CIV Update - Presentation	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	
Pensions Committee 4th December 2017		

1. INTRODUCTION

- 1.1 This report provides the Committee with an update from the London Collective Investment Vehicle (CIV) on progress to date and future planning. Members of the CIV's Client relationship team will be presenting at the Committee, covering subjects including changes to the staffing structure and CIVs priorities for the opening of new sub funds.

2. RECOMMENDATIONS

- 2.1 **The Pensions Committee is recommended to:**
- **Note the report**

3. RELATED DECISIONS

- Pensions Committee 24th January 2017 – London CIV Update
- Pensions Committee 27th June 2016 – Investment Pooling Update and July Submission

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

- 4.1 The CIV's presentation to the Fund will provide an update on progress to date as well as information with regards to future plans. Regular engagement with the London CIV going forwards is key to the Fund, ensuring that the Pool makes available the strategies and services that Hackney and other London funds require. Successful delivery of these objectives will be crucial in ensuring that the anticipated longer term investment manager fee savings can be delivered.
- 4.2 There are no immediate financial implications arising from this report.

5. COMMENTS OF THE INTERIM DIRECTOR, LEGAL

- 5.1 The presentation to Committee will consider the ongoing changes to the way in which LGPS investments are managed. Regular engagement with the CIV should help to ensure that the Fund is able to transition assets over to the Pool in a timely manner

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

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 The London CIV last attended the Pensions Committee in January 2017 to provide an update on progress on the active global equity procurement and work on fixed income. Since this meeting, considerable progress has been made on opening additional active equity sub funds, whilst progress on the development of fixed provision has been slow.
- 6.2 London CIV Ltd has seen a number of significant personnel changes since the last update to the Committee. Most notably, original CEO Hugh Grover has left the organisation, and has been replaced by Mark Hyde-Harrison, former chief of the Barclays UK Retirement Fund, who has been appointed as interim CEO. Jill Davys, formerly Client Relations Director, has also left London CIV Ltd with Kevin Cullen now appointed to the role.
- 6.3 Kevin has been invited to attend the Committee to introduce himself as the new Client Relations Director and to provide an update to the Committee. He will be providing an update on the recent personnel changes as well as considering future plans for the CIV, including priorities for sub-fund openings and how the CIV will be ensuring that Boroughs are able to fulfil their strategic commitments.
- 6.4 As the Fund is now planning to make its first investments via the Pool, an update will also be provided on reporting and the relationship with managers on the CIV. This will provide the Committee with an indication of the type and frequency of reporting to be expected, and how the relationship with the managers of underlying sub funds will operate, including opportunities for manager meetings.

Ian Williams
Group Director of Finance & Corporate Resources

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

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Pension Fund Risk Register	Classification PUBLIC	Enclosures
	Ward(s) affected	Two
Pensions Committee 4th December 2017		
	ALL	

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 Committee as Trustees of the Pension Fund should be aware of. The Register also details the controls in place to manage these risks.

2. RECOMMENDATIONS

- 2.1 **The Pensions Committee 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 key to the overall strategic management of the Fund and the governance role of this Committee.

- 4.2 The ability to assess the likely financial and reputational impact and if a risk should be categorised as high, medium or low will impact on the decision making process of this Committee. 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 INTERIM DIRECTOR, LEGAL

- 5.1 The Council as the Administering Authority is responsible for maintaining the Pension Fund under the Local Government Pension Scheme Regulations. The Constitution

delegates the Council's functions relating to local government pensions to the Pensions Committee within its terms of reference.

- 5.2 The Pensions Committee's terms of reference set out a broad range of functions relating to the management of the Pension Fund, including the function of acting as quasi trustee of the Pension Fund within the terms of the statutory scheme. The consideration of the risks associated with administering the Pension Fund would appear to properly fall within the Committee's functions.
- 5.3 There are no immediate legal implications arising from this report.

6. BACKGROUND

- 6.1 The Pensions Committee act as quasi Trustees to the London Borough of Hackney Pension Fund and therefore have responsibility for the strategic management of the assets of the Fund and the administration of benefits. As quasi trustees their overriding duty is to ensure the best possible outcomes for the Pension Fund, its participating employers and scheme members. Within their Governance role it is therefore key for Committee Members to understand the risks involved in the management of the Pension Fund and the controls put in place to manage those risks
- 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 the Pensions Committee to effectively manage strategic decisions, safeguarding the wellbeing of stakeholders in the Pension Fund and increasing the likelihood of achieving the Fund's objectives. It is best practice to review the Risk Register on at least an annual basis and this is built into the Business Plan for the Fund.
- 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. Members are reminded that the Committee also considered and approved a Risk Policy for the Fund as part of the new requirements from the Pensions Regulator at its Committee in June 2015. A copy of the Risk Policy is attached for information at Appendix Two
- 6.4 The Pension Fund 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 from the perspectives of both the Pension Fund and the Council as a whole, as the materialisation of risks associated with the Pension Fund will ultimately impact upon the Council.

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) – Seven (2017 – Eight)
- Medium (Amber) – Fourteen (2017 – Fourteen)
- Low (Green) – Five (2017 - Five)

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. A number of risks 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. Asset risks – 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 assists in providing warning signals to take action to terminate a manager or exit an asset class where necessary. Despite these controls, there remain few protections against systemic risk, and the global economic prospects over the medium term appear highly uncertain.
2. 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. 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.
3. Regulatory – This risk continues be rated highly as the fast pace of regulatory change continues for the LGPS, with structural reform ongoing and the MiFID II opt up deadline (January 3rd 2018) fast approaching. 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.
4. 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

5. Funding risks – This remains a significant 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. Increased longevity and ongoing downward pressure on gilt yields continue to put pressure on liabilities, raising the risk of a deterioration in the funding level.
6. 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 3 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. Data Protection – The forthcoming introduction of the General Data Protection Regulation (GDPR) in May 2018 has increased the potential impact of this risk, given the more stringent approach to demonstrating compliance and significant increase in potential fines.

- 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 has been included within the business plan for the Pension Fund and this report will therefore continue to be a regular feature so that the Committee understands the risks involved in managing the Pension Fund and is able to therefore to make informed decisions.

Ian Williams
Group Director, Finance and Corporate Resources

Report Originating Officer: Rachel Cowburn ☎020-8356 2630
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Appendix

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

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Pension Fund Risks

Report Type: Risks Report – November 2017



FINANCIAL SERVICES – OPERATIONAL

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 45 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 2017 - 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
FRTP 0809 0004 A BIA/BCP and manual processes	All teams complete a Business Impact Analysis to assess timescales/impact of system failure etc. The Financial Services Business Continuity Plan (currently being updated) sets out actions to take in the event of system failure.	Michael Honeysett	Pradeep Waddon/Rachel Cowburn/Michael Pegram/Julie Stacey	30-Dec-2018	Updated November 2017 – Business Impact Analysis currently being carried out for all Financial Services teams. All Heads of Services to provide input into Business Continuity Plan.

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	<p>Likelihood</p> <p>Impact</p>	Reviewed November 2017 - ongoing. Likelihood remains high here following the departure in 2016 of a very experienced Head of Service has resulted in a restructure for the Financial Services Team. Recruitment of existing team members to key posts has provided a degree of continuity but the team collectively is less experienced than previously.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 1213 0005A Continuity of team and ability 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	Pradeep Waddon/Julie Stacey/Michael Pegram/Rachel Cowburn	30-Dec-2018	Reviewed November 2017 - 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	Pradeep Waddon/Julie Stacey/Michael Pegram/Rachel Cowburn	30-Dec-2018	Updated November 2017 – Updates required to some procedure manuals (e.g. accounting)
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	Pradeep Waddon/Julie Stacey/Michael Pegram/Rachel Cowburn	30-Dec-2018	Updated November 2017 – The promotion of the previous Group Account to the Head of Treasury and Banking role increases the requirement for development & training for junior officers.

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 2017 - 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
FRTP 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	Pradeep Waddon/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2018	Reviewed November 2017- ongoing
FRTP 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	Pradeep Waddon/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - ongoing
FRTP 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	Pradeep Waddon/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - 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 2017 - ongoing

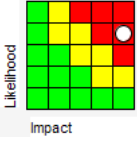
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSC 1213 0051B Market intelligence gathering	Monitoring wider developments and ensuring that officers and Members are kept informed. Wider networking and collaboration with other authorities where appropriate to ensure best practice.	Michael Honeysett	Pradeep Waddon/Michael Pegram/Julie Stacey/Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - ongoing.
Page 48 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	Pradeep Waddon/Michael Pegram/Julie Stacey/Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - 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 – e.g. LGPS structural reform, MiFID II. The Pensions Regulator now has oversight of the administration and governance of the LGPS , meaning increased scrutiny, and more pressure on the team. The introduction of GDPR is also likely to increase pressure on the Pensions Administration and insurance teams.	Finance & Corporate Resources		Reviewed November 2017 - 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
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FR FSV 0809 047B Compliance with regulation policies	Ensure processes and policies in place to meet regulatory compliance	Michael Honeysett	Pradeep Waddon/Michael Pegram/Julie Stacey/Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - ongoing.
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	Pradeep Waddon/Michael Pegram/Julie Stacey/Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - 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	Pradeep Waddon/Michael Pegram/Julie Stacey/Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - ongoing.

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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 2017 - 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	Pradeep Waddon/Michael Pegram/Julie Stacey/Rachel Cowburn	31-Dec-2018	Reviewed November 2017 – Pension Fund budget methodology to be reviewed to ensure inv management costs fully considered. .
FRFSV 1213 0052B Benchmarking	Benchmarking costs with other authorities to ensure costs for LBH are not disproportionate. Additionally,	Michael Honeysett	Pradeep Waddon/Mic	31-Dec-2018	Reviewed November 2017 - ongoing.

	the London Collective Investment Vehicle should help reduce fund management costs over the medium-long term. .		hael Pegram/Julie 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	Pradeep Waddon/Michael Pegram/Julie Stacey/Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 50 FRFSV 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		Reviewed November 2016. Both the likelihood and impact for this risk have been maintained for this risk. Whilst the Third Party Administration procurement was completed during 2017, a number of changes to the contract are due to be implemented from January 2018. Additionally, the Council's payroll system implementation programme is not yet entirely complete.

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	Pradeep Waddon/Michael Pegram/Rachel Cowburn/Julie Stacey	31-Dec-2018	Reviewed November 2017 – ongoing with controls in place
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	Pradeep Waddon/Michael Pegram/Rachel Cowburn/Julie Stacey	31-Dec-2018	Reviewed November 2017. This was not feasible in the case of the TPA contract. A 9 month contract extension to 31 st December 2017 remains in place.

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	Pradeep Waddon/Michael Pegram/Rachel Cowburn/Julie Stacey	31-Dec-2018	Reviewed November 2017
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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 2017 – rating unchanged

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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	Pradeep Waddon/Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - ongoing. Additional staff are being 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	Pradeep Waddon/Rachel Cowburn/Michael Pegram/Julie Stacey	31-Dec-2018	Reviewed November 2017 - 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 of the Financial Statements with the Pension Fund also being subject to a separate audit opinion.	Michael Honeysett; Ian Williams	Pradeep Waddon/Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - ongoing

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		Updated November 2017 – rating has changed to account for the potentially significant financial and reputational risk of fines under GDPR. Preparations are underway to ensure the service area is fully compliant with the provisions of the General Data Protection Regulation (GDPR), due to come into force in May 2018. Controls have been reviewed to take account of changing regulatory environment.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1213 010A Data Protection – Data Security	Security of data to be ensured through: <ul style="list-style-type: none"> • Compliance with the Council’s ICT policy • Use of encrypted email for sensitive data • Use of confidential waste disposal • Use of secure courier to transmit sensitive hard copy files • Appropriate access control measures • Redaction of personal information where required. 	Ian Williams	Michael Honeysett/Pradeep Waddon/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2018	Updated November 2017 - ongoing
FR FSV 1213 010B Data Protection – Third Parties	Contracts with third party suppliers acting as joint data processors must ensure that: <ul style="list-style-type: none"> • Third parties are GDPR compliant • Secure methods of data for sensitive data transmission/storage built into contract • Appropriate risk sharing between the Council and the third party supplier is in place. 	Ian Williams	Michael Honeysett/Pradeep Waddon/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing

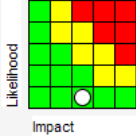
FR FSV 1213 010C Data Protection – Training	Tailored training to be provided to Financial Services staff, Pensions Committee and Pension Board Members	Ian Williams	Michael Honeysett/Pradeep Waddon/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2018	Added November 2017 – Board training completed; refresher required for some FS staff
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PENSION FUND – ADMINISTRATION

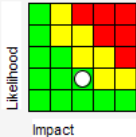
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0003 T & P - Poor stakeholder engagement Page 54	Poor communication with stakeholders giving rise to disaffection and actions against Council	Finance & Corporate Resources		<p>Reviewed November 2017 – Rating maintained, reflecting continued 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>

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTP 0809 0003 A Comprehensive range of communication options		Michael Honeysett	Julie Stacey	31-Dec-2018	Reviewed November 2017 - updated and ongoing
FRTP 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	31-Dec-2018	Reviewed November 2017 - ongoing

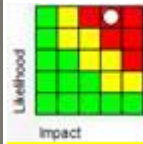
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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FR FSV 1213 0009 T & P - Pension Overpayments	Pension Overpayments arising as a result of non-notification of death, re-employment, or ceasing education. This has financial and reputational consequences.	Finance & Corporate Resources		Reviewed November 2017 – ongoing with controls in place.
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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0809 0009 A Pension Fraud : NFI	Management of NFI matches and follow up. NFI exercises to identify checks	Michael Honeysett	Julie Stacey	31-Dec-2018	Reviewed November 2017 - ongoing.
F RTP 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	31-Dec-2018	Reviewed November 2017 - 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 2017 - ongoing. Scheme changes (April 2014) prompted a revision of some discretions.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 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	31-Dec-2018	Reviewed November 2017 - ongoing.
F RTP 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	31-Dec-2018	Reviewed November 2017 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0043 T & P - Poor Membership Data	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.	Finance & Corporate Resources		Reviewed November 2017 – the likelihood of this risk remains 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. A new payroll system was introduced in July 2017; however, significant changes to processes are still bedding in and the long term impact of the new system is therefore difficult to determine.

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Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
F RTP 0809 0043 A Monitoring of membership data	Controls – annual monitoring of membership records, valuation checks, external data validations	Michael Honeysett	Rachel Cowburn/Julie Stacey	31-Dec-2018	Reviewed November 2017 - ongoing.
F RTP 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	31-Dec-2018	Reviewed November 2017. Good communication with payroll, as accurate data is very important.
F RTP 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	31-Dec-2018	Reviewed November 2017

F RTP 0809 0043 D New Payroll Implementation	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	31-Dec-2018	Reviewed November 2017
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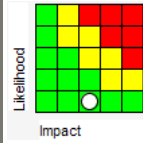
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 57 FSV 1213 0050 Pension Administration Risk	Risks arising from administration of pensions by employers, the administering authority and the pension administrator. Poor administration could lead to incorrect pension payments, financial and reputational damage	Finance & Corporate Resources		Reviewed November 2017 - ongoing. Higher score has been maintained for this risk – ongoing problems with the quality of data provided have made it difficult for the Fund's Pension Administrators to provide a high quality service. New contract provisions are due to come into force from 1 st January 2018.

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	31-Dec-2018	Reviewed November 2017 - 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	31-Dec-2018	Reviewed November 2017 - ongoing.

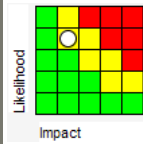
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0054 Auto Enrolment Risk	Workplace Pensions or Auto-Enrolment came into effect 01/10/12 making auto-enrolment compulsory for all employers, albeit with different staging dates for implementation. LBH's staging 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 2017 - 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	31-Dec-2018	Reviewed November 2017 - 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	31-Dec-2018	Reviewed November 2017 - 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	31-Dec-2018	Reviewed November 2017 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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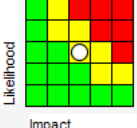
FR FSV 1415 001 Freedom and Choice in pensions.	This change in the rules to pension schemes in the UK introduces the potential risk that scheme members could transfer all their benefits to a defined contributions (DC) scheme in order to access all their savings. This could result in a significant outflow of resources from the Council's fund and therefore have notable financial implications.	Finance & Corporate Resources		Reviewed November 2017 - ongoing. The likelihood of this risk materialising has been maintained at the lowest level; there has been very little interest and no take up from the membership since the changes were introduced.
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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	31-Dec-2018	Reviewed November 2017 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 59 FR FSV 1314 001 Teachers' Pension Scheme (TPS) changes and data management	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. 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.	Finance & Corporate Resources		Reviewed November 2017 – 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, including the implementation of Monthly Data Collection.

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	31-Dec-2018	Reviewed November 2017 - ongoing.
FR FSV 1314 001B – TPS return	Review of auto-enrolment and scheme data for payroll transition; involvement in implementation of Monthly Data Collection (MDC) implementation.	Michael Honeysett	Julie Stacey/Rachel Cowburn	31-Dec-2018	Updated November 2017 - ongoing.

PENSION FUND – GOVERNANCE

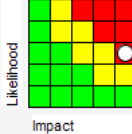
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0055 Governance Risk	<p>Governance of both the Treasury function and the Pension Fund resides with Corporate and Pension Committees respectively. Both areas carry significant financial and reputational risks. 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		Reviewed November 2017 - ongoing. The risk score here has been maintained – despite no new requirements for 2017/18, the reduction in the number of large Fund employers has ensured that staffing the Pensions Committee and Pension Board remains challenging.

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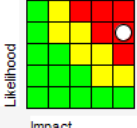
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1213 Governance Risk A – Knowledge and Skills Training Programme	Training programme for Committee and Board Members to ensure that they have the requisite knowledge and skills to be in a position to question and understand the agenda and recommendations put before them to make high level strategic decisions.	Michael Honeysett; Ian Williams	Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - 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	31-Dec-2018	Reviewed November 2017 - ongoing.
FR FSV1213 0055C Governance Risk C – S151 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	Michael Honeysett; Ian Williams	Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - ongoing..

	policy statement is included in the Annual Report & Accounts				
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 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.	Michael Honeysett; Ian Williams	Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - ongoing..

PENSION FUND – INVESTMENTS & ACTUARIAL

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
<p>Page 62</p> <p>FSV 1617 001 Asset Pooling</p>	<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 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 	<p>Finance & Corporate Resources</p>		<p>Reviewed November 2017 - ongoing. Score is high to reflect the scale and pace of change demanded, with significant impact if the new arrangements are not successful.</p>

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/Pra deep Waddon	31-Dec-2018	Reviewed November 2017 - 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/Pra deep Waddon	31-Dec-2018	Reviewed November 2017 - 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/Pra deep Waddon	31-Dec-2018	Reviewed November 2017 - ongoing..

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1718 001 T & P – Asset risks	<p>Asset risks include:</p> <ul style="list-style-type: none"> Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives. Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets. Currency risk – The risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities). Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate long-term returns. Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates. <p>Asset risks are covered in more detail in the Fund’s Investment Strategy Statement.</p>	Finance & Corporate Resources		Added November 2017 - ongoing. Asset risk includes a number of significant threats to the financial health of the fund. Likelihood is high, as conditions for investment markets over the medium term are likely to be challenging. Impact is also high, given the potential threat to the Fund’s ability to pay benefits as they fall due.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1718 001A - Investment in a range of asset classes	<ul style="list-style-type: none"> The Fund’s strategic asset allocation benchmark invests in a diversified range of asset classes Rebalancing arrangements in place to ensure the Fund’s “actual allocation” does not deviate substantially from its target The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund’s asset concentration risk 	Michael Honeysett	Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing.

FR FSV 1718 001B - Cashflow monitoring	<ul style="list-style-type: none"> Investment across a range of assets, including liquid quoted equities and bonds, as well as property Majority of the Fund's assets realisable at short notice Medium term future cash flow position assessed at least triennially to indicate likely future income requirements. Actual cashflows monitored on a regular (quarterly) basis to provide early warning of any insufficient 	Michael Honeysett	Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing.
FR FSV 1718 001C - Currency hedging	<ul style="list-style-type: none"> Investment in a range of overseas markets, providing a diversified approach to currency markets. Maintenance of a 50% hedge to USD, EUR and JPY exposures within active global equity mandates. 	Michael Honeysett	Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing.
FR FSV 1718 001D - ESG Policy	The Fund has an ESG policy in place in its Investment Strategy Statement. More detail on the management of carbon specific ESG risks is provided in the 'Climate Change' risk section	Michael Honeysett	Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing.
FR FSV 1718 001E - Multiple Managers & Performance assessment	<ul style="list-style-type: none"> Appointment of more than one manager Having a proportion of the Scheme's assets managed on a passive basis. Regular assessment of performance Replacement of managers if underperformance persists 	Michael Honeysett	Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1718 002 T & P - Funding risks	<p>Funding risks include:</p> <ul style="list-style-type: none"> Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities. Inflation risk. The risk that price and pay inflation is significantly more than anticipated, increasing the value of pension benefits accrued by active and deferred members of the Fund as well as increasing the value of pensions in payment. 	Finance & Corporate Resources		Added November 2017 – likelihood of risk materialising is relatively high, given the likelihood of challenging conditions in investment markets and the ongoing impact of changing demographics. Impact will vary, depending on the severity of issues faced, but this is one of the most significant risks faced by the Fund over the long term.

	<ul style="list-style-type: none"> Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits. Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting the Fund’s liabilities. <p>Further detail on the treatment of funding risks can be found within the Funding Strategy Statement</p>			
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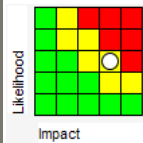
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Page 66 FR FSV 1718 002A – Asset Liability Monitoring	<ul style="list-style-type: none"> Strategic asset allocation underpinned by by asset liability modelling (ALM), focused on the probability of success and downside risk Risks assessed relative to the strategic benchmark by monitoring the Fund’s asset allocation and investment returns Risk assessed relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities. Some investment in bonds assists in liability matching Stabilisation modelling at whole Fund level allows for the probability that risk free returns on govt bonds will fall (leading to a rise in liabilities) 	Michael Honeysett	Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing.
FR FSV 1718 002B – Triennial valuation and Inter-valuation monitoring	<p>Assessment of liabilities at the triennial valuation and the roll-forward of liabilities between valuations helps identify:</p> <ul style="list-style-type: none"> financial mismatch falling risk free returns on govt bonds higher than anticipated inflation. Increasing fund maturity Insufficient deficit reduction payments 	Michael Honeysett	Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing.

FR FSV 1718 002C – Diversified Portfolio	The Fund seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.	Michael Honeysett	Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing.
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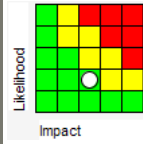
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1718 003 T & P – Other provider risks Page 67	<p>Other provider risks include:</p> <ul style="list-style-type: none"> Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice. Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded. Credit default - The possibility of default of a counterparty in meeting its obligations. <p>Other provider risks are covered in more detail in the Fund's Investment Strategy Statement.</p>	Finance & Corporate Resources		Added November 2017 – Has the potential for considerable impact on the Fund's asset values; however, other provider risk is perhaps more likely to be treatable than other investment and funding risks.

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 1718 003 – Provider scrutiny	Other provider risks are addressed through a process of regular scrutiny of providers, and audit of the operations they conduct for the Fund. Monitoring and management may be delegated to investment managers in certain situations (e.g. custody risk in relation to pooled funds. The Pensions Committee has the power to replace a provider should serious concerns exist.	Michael Honeysett	Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing.

Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
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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		Reviewed November 2017 - 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.
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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	31-Dec-2018	Reviewed November 2017 - 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	31-Dec-2018	Reviewed November 2017 - 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	31-Dec-2018	Reviewed November 2017 - 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	31-Dec-2018	Reviewed November 2017 - ongoing.

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		Reviewed November 2017 - 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	Michael Honeysett	Rachel Cowburn	31-Dec-2018	Reviewed November 2017 - ongoing

	admission bodies. Ensure funding levels remain high for individual employers				
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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 2017 - Ongoing

Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FR FSV 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	31-Dec-2018	Reviewed November 2017 - 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 (31/05/2018) will formally take effect for 2017/18. 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		Reviewed November 2017 – Rating maintained from previous year, following a largely successful trial in 2016/17 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	31-Dec-2018	Reviewed November 2017 - 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

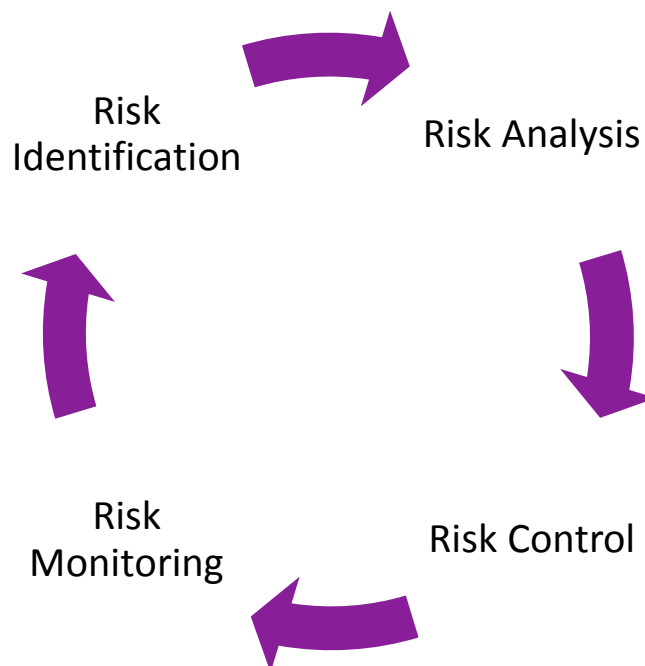
Hackney Council adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to London Borough of Hackney Pension Fund. This Risk Policy highlights how the Administering Authority strives to achieve those principles through use 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 Pension Fund Investment 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 was updated in 2016 to take account of staff changes, and is next due to be reviewed by the Pensions Committee in June 2018.

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)

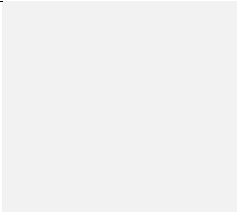
hackney.pensions@equiniti.com (Administration)

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
	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	Member, employer and Fund information is appropriately stored to ensure security and protection from unauthorised access.	<ul style="list-style-type: none"> Password security in place and enforced Access to member and Fund data restricted to authorised personnel 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	Access is restricted to authorised individuals and tightly controlled	<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
	Appropriate measures are implemented to counter the threat from malicious electronic attach	<ul style="list-style-type: none"> • 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)
	IT processing is authorised appropriately and exceptions identified and resolved in a timely manner	<ul style="list-style-type: none"> • 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

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Pension Fund Communications Policy Statement	Classification PUBLIC	Enclosures one
	Ward(s) affected ALL	
Pensions Committee 4th December 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 by the Committee on a regular basis.

2. RECOMMENDATIONS

2.1 The Pension Committee is recommended to:

- **Approve the updated Communications Policy Statement.**

3. RELATED DECISIONS

- Pension Sub-Committee 6th March 2006 – Approval of first Communications Policy Statement.
- Pension Sub-Committee 23rd June 2010, 27th March 2013, 16th January 2014, then Pensions Committee 31st March 2015, 13th January 2016, 24th January 2017– Approval of amended 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 INTERIM DIRECTOR, LEGAL

- 5.1 The Local Government Pension Scheme Regulations 2013, Regulation 61, require LGPS Pension Funds to publish and keep under review their Communications

Policies. The Regulations further set out the requirements for Administering Authorities to cover in such statements, the types of information to be covered, the frequency and recipients of such communications.

- 5.2 The Committee acting in its capacity as Administering Authority therefore has a responsibility to ensure that such Communications Policy Statements are kept under review and that they are re-considered as and when necessary. This report ensures that the Committee are meeting their obligations as quasi trustees in respect of the Communications Policy.
- 5.3 There are no immediate legal implications arising from this report.

6. COMMUNICATIONS POLICY DOCUMENT

- 6.1 The requirement for LGPS Pension Fund to have a Communications Policy Statement was introduced in 2005, with the then Pensions Sub-Committee approving its first Communications Policy Statement at its meeting in March 2006. The policy was subsequently updated in June 2010, March 2013 and annually thereafter.
- 6.2 The Policy has been amended for 2018-19 to reflect the introduction of the General Data Protection Regulation (GDPR) from 25th May 2018. Under the Regulation, the Fund has an obligation to provide members 'fair processing information'. This will be provided via a privacy notice sent to all existing and new members, setting out certain prescribed information including the purpose for which data is being collected, who will receive it and how it will be safeguarded.
- 6.3 Following approval by Committee of the amended Communications Policy, it will then be published on the Pension Fund website.
- 6.4 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).

7. COMMUNICATIONS ACTIVITY DURING 2017-18

- 7.1 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.
- 7.2 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.
- 7.3 The Pensions Team invited AON, the Fund's benefit consultants, to provide a series of workshops on pensions taxation aimed at high earners and those with long service. The workshops were held on 1st and 2nd November 2017 and provided members with information about how changes to the annual and lifetime allowances might impact them, and to raise awareness of the need for members to seek independent financial advice if necessary. Around 60 people in total attended the workshops.
- 7.4 The in-house pension team also run a series of poster campaigns to raise awareness of LGPS and wider pensions issues amongst staff. In March/April 2017 posters regarding the change to employee contribution rates & bands were distributed to employers to display in their offices. A further poster campaign has been run to raise awareness of the 50/50 section of the scheme that offers the opportunity for members to remain in the pension scheme but with the flexibility of reducing their contributions during times of financial difficulties.
- 7.5 Annual benefit statements were sent to all deferred scheme members in August 2017, but once again, statements for active members were delayed due to the poor quality data received from some employers and the non-receipt or the delayed receipt of some year-end data files. A total of 4,341 statements for active members sent on 4th September 2017. A further 783 statements were sent w/c 2nd October, whilst the remaining 2,400 statements to actives have not yet been issued. The Fund has worked with Equiniti to draw up a plan for producing these statements, with a new target date of 31st December for statements to be issued. The Fund has engaged in an ongoing dialogue with the Pensions Regulator (tPR) on this issue, and wishes to work with employers to ensure that future statements are accurate and produced by the statutory deadline.
- 7.6 The annual Employer Forum is due to be held in early February 2018 and it is usually well received by the large number of employers who attend. The forum provides an opportunity for employers to meet with the team as well as providing updates on matters such as changes to data requirements, the duties of the Fund and their own responsibilities as employers. The forum also includes updates on the financial health of the Fund and expectations for the wider economy. It will also focus on the changes to data protection taking effect in May 2018, with the introduction of the GDPR (general data protection regulations) and how the changes to data exchange and security will affect the scheme and those who process or receive data on its behalf.
- 7.7 The in-house pension team will be holding a pre-retirement seminar in February/March 2018, for members reaching 55 and over in the next financial year, providing details of the options available to them in the scheme, and to help members

approaching retirement prepare for the financial and lifestyle changes retirement brings.

- 7.8 The pension website hackney.xpmemberservices.com hosted by the pension administrators, Equiniti, provides full access to electronic versions of scheme guides and standard forms. The website is currently undergoing a major review with all member/employer areas, policy statements, pension forms and newsletters being updated, making the website more user friendly and the information on the employer areas of the site to be secure and accessed only by secure log-in. The review is to be completed by end of February 2018.
- 7.9 Member Self-Service is also undergoing a major change and rebrand to become Touch Self Service (TSS) and members, after registering for a secure log-in, will be able to view and update their personal details, check and request changes to their pensionable service details, view their annual benefit statements and run retirement estimates. Pensioner members will be able to view payslips and P60's and check/amend their address details.
- 7.10 In addition to the normal annual communications outlined in the policy document, the Fund also monitors wider pension issues and communicate with employers and scheme members as required. The Fund now communicates 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 those employers, and this has been made very clear in the Pension Administration Strategy 2017/18 when outlining employer responsibilities to the Fund.
- 7.11 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 also undertake periodic data cleanse exercises for 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

Ian Williams
Group Director, Finance & Corporate Resources

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

Appendix

Appendix 1 – Draft Pension Fund Communications Policy Statement (LGPS) 2018/19

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LONDON BOROUGH OF HACKNEY

PENSION FUND

**COMMUNICATION POLICY
STATEMENT
(LGPS)
2018/19**



COMMUNICATIONS POLICY STATEMENT

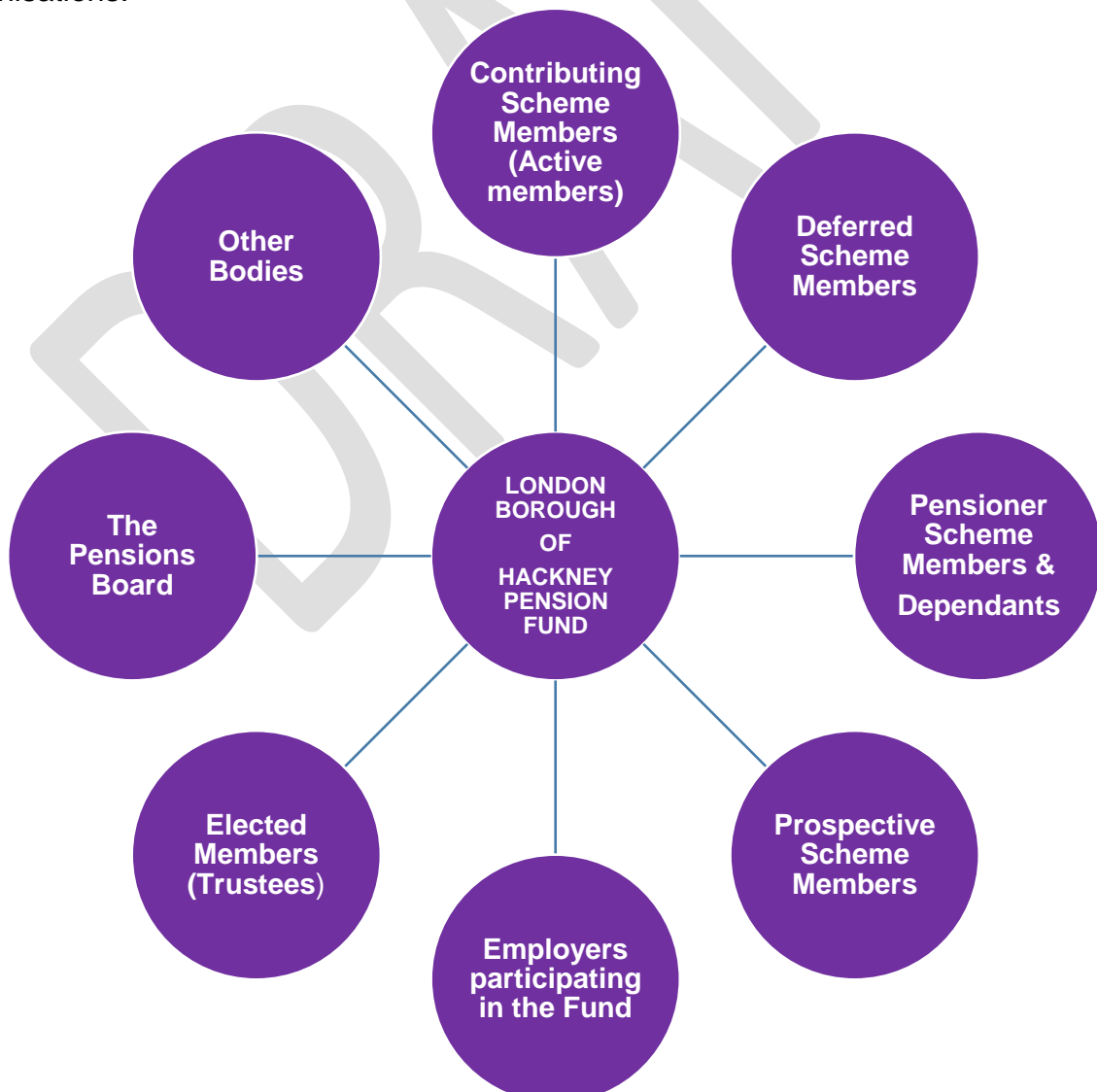
Legislative background

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.



Data Protection Statement

To protect members' personal information, 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

The new General Data Protection Regulation (GDPR) will apply in the UK from 25th May 2018. The new Regulation applies to both the Fund and to any organisations that process data on its behalf, including Equiniti.

The Regulation includes rules on providing privacy information which are more detailed and specific than those in the Data Protection Act. To ensure compliance with the Regulation, the Fund will be providing all members with a Privacy Notice, setting out certain prescribed information including the purpose for which member data is being collected, which organisations will receive it and how it will be safeguarded.

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 facilitated by the London Borough of Hackney Pensions team, 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 details of where to find an electronic copy of the scheme guide, and further details of the scheme.
- **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, and is available on the website hackney.xpmemberservices.com. 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 advice 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).

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Pension Fund Treasury Management Strategy – 2018/19 Pensions Committee 4th December 2017	Classification PUBLIC	Enclosures One
	Ward(s) affected ALL	

1. INTRODUCTION

- 1.1 This report sets out the Annual Treasury Management Strategy for the Pension Fund for 2018/19 and the context in which the strategy is being set.

2 RECOMMENDATIONS

- 2.1 The Committee is recommended to:
- Agree the Treasury Management Strategy for the Pension Fund for 2018/19
 - Delegate responsibility for Pension Fund treasury management to the Group Director, Finance and Corporate Resources, including the authority to add or remove institutions from the approved lending list and amend cash and period limits as necessary in line with the Council's own creditworthiness policy.

3. RELATED DECISIONS

- 3.1 Pensions Committee 4th December 2017 – Pension Fund Risk Register
- 3.2 Pension Sub-Committee 27th January 2017 – Approval of the updated Pension Fund Treasury Management Statement for 2016/17.
- 3.3 Pension Committee 23rd June 2009 – Approval of first Pension Fund Treasury Management Statement.

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

- 4.1 Whilst the treasury management function is undertaken by the Administering Authority on behalf of the Pension Fund and there is a segregation of monies held in the Fund with a separate bank account, it is important to recognise that the Pensions Committee needs to be aware of how cash is being invested outside of the main asset classes and to satisfy themselves that appropriate steps are taken to ensure the security of any deposits.
- 4.2 There are no immediate implications arising from consideration of this report or its recommendations, however, the report and associated treasury strategy will help to ensure good governance of the Fund and ensure that the Committee are informed about all aspects of Pension Fund management.

5. COMMENTS OF THE INTERIM DIRECTOR, LEGAL

- 5.1 Pursuant to Regulation 11 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, 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.
- 5.2 The Pensions Committee act as quasi trustees of the Pension Fund and this report, and the proposed Treasury Management Strategy, help to fulfil their role in respect of the cash management of the Fund.
- 5.3 There are no immediate legal implications arising from this report.

6. BACKGROUND TO THE REPORT

- 6.1 This report sets out the Pension Fund's policies in respect of cash deposits. The Fund has cash deposits held with its investment managers, the Fund's custodian and the pension administrator along with deposits held within the Pension Fund's own bank account managed within the Council's Treasury function
- 6.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which came into force 1st November 2016 stipulate that the Fund must have its own bank account, separate to that of its host authority and that it must invest any money not immediately needed to make payments from the Fund (Regulation 7(8)).
- 6.3 In accordance the Regulations, the Hackney Pension Fund maintains a bank

account separate to that of the Council. Surplus cash is invested separately to the Council's General Fund in accordance with the Fund's Treasury Management Strategy, which sets out arrangements for the management of Pension Fund cash.

6.4 The Pension Fund's cash is held across 3 locations:.

- in the Pension Fund bank account or managed using a range of deposits and Money Market Funds by the London Borough of Hackney Financial Services Section,
- with the Pension Fund custodian, HSBC, awaiting investment by the Fund's external fund managers
- with the Pension Fund administrators, Equiniti Paymaster, in order to meet benefit payments and transfers to other pension funds on behalf of former members

6.5 The Council manages the cash held in the Pension Fund bank account as part of the overall treasury process, with sums being invested separately to the main Council monies. The Treasury Management Strategy developed for the Council has a restricted list of counterparties; these restrictions are applied equally to the Pension Fund's cash balances. Pension Fund cash is therefore only invested with counterparties included on the wider Council lending list.

6.6 Pension Fund cash required by fund managers, but not currently invested in their respective asset classes, is held in a segregated account by the Fund's custodian, HSBC. Cash balances may arise for timing reasons on income, sales and purchases or because a manager wants to hold cash for tactical reasons, such as market conditions. Cash balances are swept in or out of a money market fund on a daily basis to maximise the available yield.

6.7 In addition to the cash held by HSBC, cash is also held by the Fund's pension scheme administrators in a separate designated account with Lloyds Banking Group. Officers of the Council monitor the level of cash held on a monthly basis to ensure that sufficient liquidity is retained by the administrators as required to fulfil their functions. Where sums collected exceed the requirements to pay out benefits and transfers, excess cash is returned to the Pension Fund bank account managed by the Council, from where it will be invested. If cash held with the administrators falls below certain levels, cash will be transferred back to the administrators to ensure that they have sufficient cash to meet demands for benefit and transfer payments.

7. TREASURY MANAGEMENT STRATEGY

7.1 The Treasury Management Strategy for the Pension Fund is designed to ensure that the Pension Fund has clear guidelines on its treasury management which are distinct from the Council, but which are compatible with wider Council treasury management policies and practices. CIPFA has defined Treasury Management as:

“the management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The Strategy therefore sets out limits for cash managed by the Council, how it is to be invested and policies for distribution of surplus cash to the fund's external managers for investment.

- 7.2 The treasury management strategy for the Pension Fund is reviewed on an ongoing basis taking into account changes to the overriding strategy adopted by the Administering Authority and changes in financial conditions. The Strategy is reviewed annually by the Pensions Committee to ensure that the Strategy remains appropriate to the needs of the Fund, and this is built into the Fund's Business Plan.

Ian Williams
Group Director of Finance & Corporate Resources

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

Appendix

Appendix 1 – Draft Pension Fund Treasury Management Policy 2018/19

LONDON BOROUGH OF HACKNEY

PENSION FUND

**TREASURY MANAGEMENT
STRATEGY
2018/19**



PENSION FUND TREASURY MANAGEMENT STRATEGY

Summary

The Pension Fund has sums invested in a wide range of assets, one of which is cash deposits. The Pension Fund Investment Strategy Statement copies of which can be found on the website <http://hackney.xpmemberservices.com>, sets out in greater detail the principles governing the investment of the Pension Fund and how funds will be invested. The following strategy outlines in particular how cash deposits are held, where they should be invested and criteria for investing.

The general principles adopted by the Pension Fund are in line with the wider treasury management strategies adopted by the Fund's Administering Authority, the London Borough of Hackney.

CIPFA has defined Treasury Management as:

“the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The main risks to the Pension Fund's treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels and thereby in the value of investments).
- Credit and Counterparty Risk (Security of Investments)
- Legal & Regulatory Risk (i.e. non-compliance with statutory and regulatory requirements, risk of fraud).

Investment Policy

There are three aspects to cash management within the Pension Fund, dependent on where the cash is held, namely:

- cash held on the Pension Fund bank account that is managed using a range of deposits and Money Market Funds by the London Borough of Hackney Financial Services Section,
- cash held by the Pension Fund custodian, HSBC which is awaiting investment by the Fund's external fund managers
- cash held by the Pension Fund administrators, Equiniti Paymaster, in order to meet benefit payments and transfers to other pension funds on behalf of former members

The Pension Fund's general policy objective is to invest its surplus funds prudently. The Pension Fund's investment priorities are:

- security of the invested capital;
- liquidity of the invested capital;
- an optimum yield which is commensurate with security and liquidity.

Cash managed by the Council's Financial Services Section

The Pension Fund will maintain a counterparty list based on the Council's lending criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include, for example-

- Credit Ratings (minimum long-term A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns)
- Credit Default Swaps (where quoted)
- GDP; Net Debt as a Percentage of GDP
- Sovereign Support Mechanisms/potential support from a well-resourced parent institution
- Share Prices (where quoted)
- Macro-economic indicators
- Corporate developments, news and articles and market sentiment

There may however be occasions when the Group Director of Finance and Corporate Resources is called upon to use the delegated powers with respect to Treasury to go outside the published Treasury Management Strategy. These are however only ever likely to be in exceptional circumstances and any decision will be in conjunction with professional advice and be properly recorded.

The Group Director of Finance and Corporate Resources, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements.

The Pension Fund's shorter term cash flow investments are made with reference to the outlook for the UK Bank Rate and money market rates. For these monies, the Pension Fund will mainly invest in:

- UK banks and building societies
- The Debt Management Agency Deposit Facility (DMADF)
- Business Reserve Accounts and Call Accounts
- Money Market Funds with a Constant Net Asset Value (CNAV)
- Money Market Funds with a Variable Net Asset Value (VNAV)
- UK Local Authorities
- UK Central Government
- UK Police and Fire Authorities
- Corporate Institutions

For credit rated counterparties, the minimum criteria will be the short-term, long-term and support ratings assigned by all three main agencies, Fitch, Moody's and Standard & Poor's. The credit rating criteria used for placing deposits will be in line with those of the main Council and a lending list outlining counterparties is updated to reflect any changes made to credit ratings. The Pension Fund will use the same list of counterparties as the Council when making deposits of Pension Fund cash.

When a counterparty/country is upgraded, and meets our other creditworthiness criteria, it will be added to the lending list. Alternatively if any counterparty/country is downgraded, they will be excluded from the list immediately and any outstanding investments will be left to maturity date, but no new investments will be made with the counterparty. In normal market conditions, no investments will be made with any other bank.

However, the Group Director of Finances and Corporate Resources may from time to time agree to invest or retain investments with a bank that falls below the minimum criteria where the risk to such an investment is assessed as being minimal. Such investments will only be undertaken after due consideration of the facts and under delegated powers to the Group Director of Finance and Corporate Resources.

Approved agreements are currently in place with the same bank as the Council for the conduct of banking business for the Pension Fund. The Group Director of Finance and Corporate Resources is authorised to negotiate appropriate changes to the mandates which may be needed to cover any exceptional market circumstances to protect the Council's finances.

Limits on cash held on deposit and the terms are set out in the below:

- Sufficient cash held on deposit either within the Pension Fund or at the Pension Fund administrators to cover one to two months' worth of benefit and transfer payments, with monies to be invested overnight or on short term deposits;
- Surplus cash outside of that which is required for payment of benefits or transfers will be placed on deposit in accordance with the lending list until such time as the funds are distributed to fund managers for investment. The lending list currently covers 6 funds with a limit of £5m each
- Delegated powers have been given to the Group Director of Finance and Resources to distribute surplus cash to fund managers in accordance with asset allocation benchmarks which have previously been determined by the Pensions Committee.

Cash Held by the Fund Custodian

The Fund's custodian, HSBC, holds cash on behalf of the Pension Fund awaiting investment by the Fund's external fund managers. Currently surplus cash held by the custodian denominated in GBP is swept in or out of a money market fund on a daily basis to maximise the available yield on cash. Cash held with the custodian is typically 1-3% of the total value of the Fund's assets.

The Fund reviews annually a report on the internal controls of HSBC as a service organisation, which is an external audited report detailing the key controls and procedures that the Custodian has in place. In addition to setting out the key operating controls it also details the governance structure. The report helps to provide assurance that there is adequate protection for the Fund's assets and records, ensuring that all transactions are properly recorded where the Custodian has management of the Pension Fund's assets.

Cash held by the Pension Fund Administrator

The Pension Fund Administrator, Equiniti Paymaster, holds cash on behalf of the Pension Fund as part of the normal third party administration process. This enables the administrators to pay benefits on behalf of the Pension Fund, and to make transfer payments to other funds when required for former employees transferring their pension benefits to a new employer. The level of cash is monitored on a monthly basis by officers of the Council to ensure that sufficient cash is held by the administrator to meet such cash requirements, with any surplus cash being returned to the Pension Fund bank account managed by the Council for in-house cash management. Sums held by the Pension Fund administrator are unlikely to exceed 1-2% of the Fund's total assets.

The Fund reviews an annual AAF 01/06 report, an externally audited report detailing the key controls and procedures that the Pension Administrator has in place. In addition to setting out the key operating controls it also details the governance structure. The reports help to provide assurance that there is adequate protection for the Fund's assets and records, ensuring that all transactions are properly recorded where the Pension Administrator has management of the Pension Fund's assets.

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

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