



# PENSIONS BOARD

Wednesday, 21st March, 2018  
at 10.00 am

Room 76

Hackney Town Hall

## Membership

**Members:** Samantha Lloyd  
Kay Brown  
Henry Colthurst  
Michael Hartney

**Tim Shields**  
Chief executive

**Contact:**  
Peter Gray  
Governance Services  
Tel: 020 8356 3266  
Email: [Peter.Gray@hackney.gov.uk](mailto:Peter.Gray@hackney.gov.uk)


The press and public are welcome to attend this meeting

# **AGENDA**

## **Wednesday, 21st March, 2018**

### **ORDER OF BUSINESS**

<b>Item No</b>	<b>Title</b>	<b>Page No</b>
<b>1</b>	<b>Apologies for absence</b>	
<b>2</b>	<b>Declarations of Interest - Members to declare as appropriate</b>	
<b>3</b>	<b>Minutes of the previous meeting</b>	<b>1 - 4</b>
<b>4</b>	<b>Training</b>	
<b>5</b>	<b>Data Quality Progress Update</b>	
<b>6</b>	<b>Communications Policy Update</b>	<b>5 - 22</b>
<b>7</b>	<b>Pensions Administration Strategy</b>	<b>23 - 68</b>
<b>8</b>	<b>Risk Register Review</b>	<b>69 - 112</b>
<b>9</b>	<b>GMP Reconciliation</b>	<b>113 - 118</b>
<b>10</b>	<b>End of Administration Report</b>	<b>119 - 120</b>
<b>11</b>	<b>Any other business</b>	

<b>12</b>	<b>Exclusion of Press and Public</b>		
	Proposed resolution:  THAT the press and public be excluded from the proceedings of the Cabinet meeting during consideration of Exempt items on the agenda on the grounds that it is likely, in the view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in Schedule 12A to the Local Government Act 1972 as amended.		
	<b>Wards Affected</b>	<b>Contact Officer</b>  	
<b>13</b>	<b>Exempt Minutes of the Pensions Board on 25 October 2017</b>	121 - 122	
<b>14</b>	<b>GMP Reconciliation - Exempt Appendices</b>	123 - 166	

# 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](http://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](http://www.hackney.gov.uk)

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

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

## RIGHTS OF PRESS AND PUBLIC TO REPORT ON MEETINGS

Where a meeting of the Council and its committees are open to the public, the press and public are welcome to report on meetings of the Council and its committees, through any audio, visual or written methods and may use digital and social media providing they do not disturb the conduct of the meeting and providing that the person reporting or providing the commentary is present at the meeting.

Those wishing to film, photograph or audio record a meeting are asked to notify the Council's Monitoring Officer by noon on the day of the meeting, if possible, or any time prior to the start of the meeting or notify the Chair at the start of the meeting.

The Monitoring Officer, or the Chair of the meeting, may designate a set area from which all recording must take place at a meeting.

The Council will endeavour to provide reasonable space and seating to view, hear and record the meeting. If those intending to record a meeting require any other reasonable facilities, notice should be given to the Monitoring Officer in advance of the meeting and will only be provided if practicable to do so.

The Chair shall have discretion to regulate the behaviour of all those present recording a meeting in the interests of the efficient conduct of the meeting. Anyone acting in a disruptive manner may be required by the Chair to cease recording or may be excluded from the meeting. Disruptive behaviour may include: moving from any designated recording area; causing excessive noise; intrusive lighting; interrupting the meeting; or filming members of the public who have asked not to be filmed.

All those visually recording a meeting are requested to only focus on recording councillors, officers and the public who are directly involved in the conduct of the meeting. The Chair of the meeting will ask any members of the public present if they have objections to being visually recorded. Those visually recording a meeting are asked to respect the wishes of those who do not wish to be filmed or photographed. Failure by someone recording a meeting to respect the wishes of those who do not wish to be filmed and photographed may result in the Chair instructing them to cease recording or in their exclusion from the meeting.

If a meeting passes a motion to exclude the press and public then in order to consider confidential or exempt information, all recording must cease and all recording equipment must be removed from the meeting room. The press and public are not permitted to use any means which might enable them to see or hear the proceedings whilst they are excluded from a meeting and confidential or exempt information is under consideration.

Providing oral commentary during a meeting is not permitted.

# ADVICE TO MEMBERS ON DECLARING INTERESTS

Hackney Council's Code of Conduct applies to **all** Members of the Council, the Mayor and co-opted Members.

This note is intended to provide general guidance for Members on declaring interests. However, you may need to obtain specific advice on whether you have an interest in a particular matter. If you need advice, you can contact:

- The Director of Legal,
- 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, Services, on 020 8356 6237 or email [suki.binjal@hackney.gov.uk](mailto:suki.binjal@hackney.gov.uk)



FS 566728

This page is intentionally left blank



## MINUTES OF A MEETING OF THE PENSIONS BOARD

WEDNESDAY, 25TH OCTOBER, 2017

**Councillors Present:** Samantha Lloyd in the Chair  
Kay Brown, Henry Colthurst and Michael Hartney

**Officers in Attendance:** Michael Honeysett, Rachel Cowburn,

**Also in Attendance:** Councillor Robert Chapman / Daniel Kinaron

### 1. Apologies for absence

1.1 There were no apologies for absence.

### 1 Declarations of Interest - Members to declare as appropriate

2.1 There were no declarations of interests.

### 3. Minutes of previous meeting

3.1 The minutes of the previous meeting was agreed as correct record with the correction of the spelling of Henry Colthurst' name at paragraph 5.1.

### 4 Training - GDPR and Cyber Security

4.1 Rachel Cowburn provided training for Board members with a broad overview of the new General Data Protection Regulation. The training covered how GDRR applied to the Pension Fund, actions taken, and the key areas of assurance the Board and the Committee required. It also covered the importance of information security, and what the Fund could do to minimise threats to member data. The Board noted the importance of having an understanding of the new regulations and of the importance of cyber security in helping to ensure that Pension Board members are able to discharge their duty to assist the administering authority in the efficient and effective administration of the Pension Fund. In relation to schools the Board stressed the need to only hold the necessary amount of data.

### RESOLVED:

To note the report.

### 5 Review work of the Pensions Committee

5.1 Rachel Cowburn introduced the report outlining the work undertaken by the Pensions Committee at its meetings in the period from April to September 2017 and

to note items that are relevant to the work of the Pensions Board. This had been agreed by the Pensions Committee.

**RESOLVED:**

To note the report.

**6. Third Party Administration Procurement Update**

6.1 Rachel Cowburn introduced the report providing an update on the outcome of the Fund's third party administration procurement exercise, which concluded in May 2017, and a timetable for implementation of the new contract. The report proposed the award of a five year contract term, with the option to extend by up to 3 years. The new contract would provide the Fund with an enhanced level of service at a competitive cost per member. In response to a member question in relation to scores awarded and recommendation Rachel Cowburn told the Board that prices charged were averaged out.

**RESOLVED:**

To note the report.

**7. Employer Data Audit**

7.1 Rachel Cowburn introduced the report outlining the results of an updated employer data audit undertaken on behalf of the Fund and by its benefits advisers, AON.

**RESOLVED:**

To note the report.

**8.TPR Code of Compliance Checklist**

8.1 Rachel Cowburn introduced the report providing the Board with an updated Compliance Checklist for the London Borough of Hackney Pension Fund. The Board noted that from 1<sup>st</sup> April the Pensions Regulator assumed responsibility for public service pension schemes covering a number of area relating to the management of schemes. The Code of Practice for Public Service Pension Schemes came into force from 1<sup>st</sup> April 2017 and all schemes must now consider whether they comply with the scheme. Rachel Cowburn would circulate all relevant documents to the Board.

**RESOLVED:**

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

**9. Administering Authority Training Policy**

9.1 Rachel Cowburn introduced the report providing the Pensions Board with an update on the training policy. She introduced a version updated to reflect guidance for administering authorities on governance principles for investment pooling, issued by Aon Hewitt on behalf of the CIPFA Pensions Panel. The Board would now have scheduled training sessions before the start of each meeting.

**RESOLVED:**

1. To note the report.
2. To ensure adherence to the Training Policy and maintenance of the required level of knowledge and skill.

**10. Annual Pensions Administration Annual Report - 2016/17**

10.1 Rachel Cowburn introduced the report outlining the work undertaken by the London Borough of Hackney and the performance of the pension administrators, in regard to the administration of the LGPS Hackney Pension Scheme for the financial year 2016/17.

**RESOLVED:**

To note the report

**11. Pension Board Self Assessment Survey**

11.1 Rachel Cowburn introduced the report providing members with background to the annual self-assessment questionnaire.

**RESOLVED:**

1. To note the report.
2. That members complete the self-assessment questionnaire.

**12. Pensions Board - Work Plan**

**RESOLVED:**

To agree the indicative work plan for the Board for 2017-2018.

**13. Any other non confidential business**

31.1 There was no other non-confidential business

**14. Exclusion of Press and Public**

That the press and public be excluded from the proceedings of the Pensions Board meeting during consideration of the exempt items on the agenda on the grounds that it is likely, in the view of the nature of the business transacted that were members of

the public to be present, there would be a disclosure of exempt information as defined in Schedule 12A of the Local Government Act 1972 as amended.

<b>REPORT OF THE GROUP DIRECTOR, FINANCE &amp; CORPORATE RESOURCES</b>		
<b>Pension Fund Communications Policy Statement 2018/19 - updated</b>	<b>Classification</b> <b>PUBLIC</b>	<b>Enclosures</b> <b>1</b>
	<b>Ward(s) affected</b>  <b>ALL</b>	<b>AGENDA ITEM NO.</b>
<b>Pensions Board</b> <b>21<sup>st</sup> March 2018</b>		

## 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 Board is recommended to:
- Note the update to the Communications Policy Statement 2018/19

## 3. RELATED DECISIONS

- Pension Sub-Committee 6<sup>th</sup> March 2006 – Approval of first Communications Policy Statement.
- Pension Sub-Committee 23<sup>rd</sup> June 2010, 27<sup>th</sup> March 2013, 16<sup>th</sup> January 2014, then Pensions Committee 31<sup>st</sup> March 2015, 13<sup>th</sup> January 2016, 24<sup>th</sup> January 2017, 4<sup>th</sup> December 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 Pensions 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 documents for the Board 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 was amended for 2018/19 to reflect the introduction of the General Data Protection Regulation (GDPR) from 25<sup>th</sup> May 2018 and approved Committee on 4<sup>th</sup> December 2017 for publication on the Pension Fund website.
- 6.3 Following the 4<sup>th</sup> December 2017 update, the Policy has been further updated to incorporate the future use of customer satisfaction surveys, which will be developed, in conjunction with our 3rd party pension administrators Equiniti, and launched during 2018/19. The additions to the Policy are noted on page 11, 'Communications Material, Feedback' and detail how the Fund will undertake the surveys and report results to the Pensions Committee and Pension Board as appropriate.
- 6.4 The surveys will be undertaken at least on an annual basis, and will be aimed at both members and employers in the Fund. They will be used to assess the member experience when interacting with the administrators, either by phone or when they have used any of the on-line facilities. Quick and easy questions will be put to the user or 'customer', and responses will be analysed and reported back to the Fund by Equiniti.
- 6.5 A series of more 'targeted' surveys will be aimed at more specific members of the Fund, for example pensioners on how the Fund engages with them, and the results/feedback from these 'targeted' surveys will be used to make future improvements to our communications strategy.
- 6.6 The surveys will help the Fund, and the administrators, formulate better engagement strategies, make changes to administration practices that will result in improvements to service, and increase efficiency and add value.
- 6.7 Below is the relevant extract from the Local Government Pension Scheme Regulations 2013, Regulation 61, which sets out the requirements of the Communications Policy for LGPS Funds:

**Statements of policy concerning communications with members and Scheme employers**

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

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

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

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

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

Ian Williams

**Group Director, Finance & Corporate Resources**

Report Originating Officer: Julie Stacey ☎020-8356 3565

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

## **Appendix**

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

This page is intentionally left blank



**LONDON BOROUGH OF  
HACKNEY PENSION FUND**

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



# COMMUNICATIONS POLICY STATEMENT

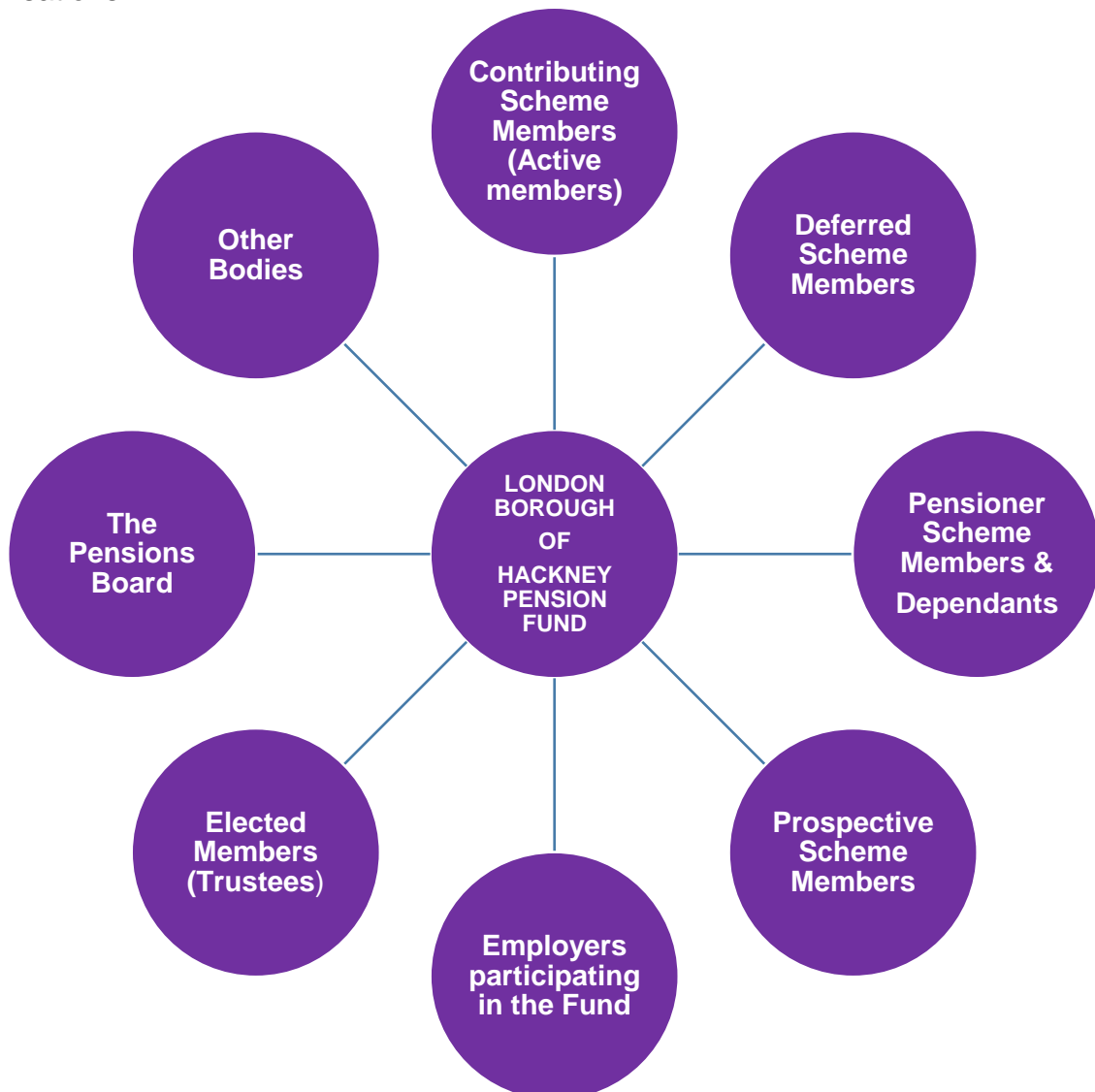
## Legislative background

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](http://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](mailto:hackney.pensions@equiniti.com)
- for Administration staff – [hackney.employers@equiniti.com](mailto: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](http://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](http://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](mailto: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](http://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 (31<sup>st</sup> 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](mailto: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](mailto: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](http://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](http://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](http://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](http://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](http://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 Ministry of Housing, Communities & Local Government (MHCLG)** (formerly the DCLG) – regular contact with MHCLG 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, use of on-line facilities and direct communication with the Financial Services Section, which oversees all aspects of the Pension Fund.

Feedback Mechanism	Paper form	Electronic form	Website	Frequency	Intended Audience (active, deferred, pensioner, prospective members, employers or ALL)
Employer Forum	✓	✗	✗	Annually (Feb/March)	Employers
Pensions Administration Strategy (PAS)-consultation period	✗	✓	✗	Annually (Jan/Feb)	Employers (& schools)

Weekly Inductions/Pre-retirement seminars	✓	✓	✗	When held	Prospective/Actives
Customer Satisfaction Surveys	✓	✓	✗	Annually	ALL
Ad hoc Surveys	✓	✓	✗	When required	ALL/specific audience

The feedback received on the PAS, Employer Forums and Weekly Inductions/Pre-retirement seminars are reported to the Pension Committee on a regular basis. Committee reports will also incorporate the results and feedback on annual bulk or specific surveys that may be undertaken by the Fund in conjunction with the pension administrators, Equiniti.

The results and feedback will be used to assist the Fund to continually make improvements to the service by amending/updating its administration practices, increasing efficiency and thereby improve members experience when contacting/interacting with the Fund and the administrators. Enhancements and efficiencies to the service will be reported to Pensions Committee and/or Pensions Board as appropriate.

### **Contact Details**

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](mailto:hackney.pensions@equiniti.com)
- for Administration staff – [hackney.employers@equiniti.com](mailto:hackney.employers@equiniti.com)

For other queries and feedback issues, please contact:

Financial Services Section  
Finance and Resources Directorate  
4<sup>th</sup> Floor Hackney Service Centre  
1 Hillman Street  
London  
E8 1DY

Tel no: 020 8356 2521

Email: [pensions@hackney.gov.uk](mailto: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.

## **Regulatory Background**

### **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).

This page is intentionally left blank

<b>REPORT OF THE GROUP DIRECTOR, FINANCE &amp; CORPORATE RESOURCES</b>		
<b>Pension Administration Strategy 2018/19</b>	<b>Classification</b> <b>Public</b>	<b>Enclosures</b> <b>1</b>
	<b>Ward(s) affected</b>  <b>ALL</b>	<b>AGENDA ITEM NO.</b>
<b>Pensions Board</b> <b>21<sup>st</sup> March 2018</b>		

## 1. INTRODUCTION

- 1.1 The Local Government Pension Scheme Regulations (2013), Regulation 59, gives Administering Authorities the discretion to issue a Pension Administration Strategy (PAS) following consultation with employers and other interested parties. This report introduces the draft PAS for 2018/19, which has been updated to reflect changes to the Fund's third party administration contract.

## 2. RECOMMENDATION

- 2.1 The Pensions Board is recommended to:
- Note the updated Pension Administration Strategy for publication

## 3. RELATED DECISIONS

- 3.1 Pensions Committee meetings 21<sup>st</sup> March 2017, 23<sup>rd</sup> March 2016, 31<sup>st</sup> March 2015, 20<sup>th</sup> March 2014, 27<sup>th</sup> March 2013, 6<sup>th</sup> January 2010 and 19<sup>th</sup> March 2008 for approval of Pension Administration Strategy following consultation.

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

- 4.1 Putting a Pension Administration Strategy in place helps ensure that the role and responsibilities of both the administering authority and employers is clear. It is particularly important that employers are aware of their responsibilities in relation to the Pension Fund to help ensure that the accuracy of Scheme data is maintained and that scheme members have accurate pension records. In addition it ensures that the administration of the pension scheme is efficient, will help to keep costs to a minimum and ensure best practice. Where poor administration on the part of an employer leads to additional costs for administration, there is a mechanism for recouping those additional costs and these are set out in the Pensions Administration Strategy. Whilst these are only charged as a last resort and the costs are not significant in the overall cost of running the scheme, recouping additional charges helps to reinforce the need for employers to fulfil their administration responsibilities.
- 4.2 In addition it should be noted that there is now an enhanced role for the Pensions Regulator in respect of LGPS funds; having accurate data and good administrative practices will ensure that the Fund is able to meet the Regulator's requirements for data and avoid undue scrutiny and potentially significant fines.

## **5. COMMENTS OF THE DIRECTOR, LEGAL**

- 5.1 The Local Government Pension Scheme Regulations (2013), Regulation 59 states that Administering Authorities may prepare a written statement on their pension administration strategies. It is therefore not a legal requirement to do so; however, it would seem best practice, thereby ensuring that the roles and responsibilities are clearly defined bringing overall benefits to the Fund by improving communication and maintaining good record keeping.
- 5.2 The Regulations require publication of the Strategy, which includes providing copies of the Strategy to employers and to the Secretary of State and keeping any Strategy under review and notifying revisions. This paper and the associated Appendix, Pension Administration Strategy, follow a review of the previous document demonstrating that the Strategy is being kept under proper review and that appropriate consultation is being undertaken.
- 5.3 There are no immediate legal implications arising from this report.

## **6. SUMMARY**

- 6.1 The London Borough of Hackney act as the Administering Authority for the London Borough of Hackney Pension Fund; responsibility for the management of the Pension Fund has been delegated to the Pensions Committee, with the Pensions Board carrying out an overview function.
- 6.2 The Local Government Pension Scheme Regulations 2013 (Regulation 59) give Administering Authorities the discretion to issue a Pension Administration Strategy document, following consultation with Employing Authorities and other interested parties. The Strategy covers areas such as the procedures for communication and liaison with employing authorities, performance levels of both the Administering and Employing Authorities and procedures for pension scheme administration.
- 6.3 In addition, Regulation 59(2)e of the 2013 regulations, allows a Fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. The Pension Administration Strategy (PAS) 2018/19 clearly sets out the standards expected, and deadlines for the submission of data to the scheme administrators. It also sets out the associated costs of any additional administration the Fund may incur as a result of the unsatisfactory level of performance of a Scheme Employer.
- 6.3 The PAS has been updated to include greater detail on the support that can be provided to employers from the Administering Authority when dealing with other employment matters, not always directly associated with pension administration. The in-house pension team can help employers with individual or large scale redundancy exercises and calculations, ill health retirement and monitoring, admission agreements and school conversion to academy status. Any additional administration charges associated with these tasks has been clarified in pages 35 & 36 of the PAS.



- 6.4 The draft Strategy was circulated to all employers (including schools) and other interest parties, with a deadline of 9 February for comments. No comments were received in respect of the Strategy itself, only some clarity required for 1 employer in regard to the role of the in-house pension team.
- 6.5 Once approved, the Strategy will be published and circulated to all employers and interested parties, to take effect from 1<sup>st</sup> April 2018, with performance monitored accordingly. The Strategy will also be forwarded to CLG for information in accordance with the Regulations and a report on performance will be included in the Pension Fund Annual Report and Accounts.
- 6.6 The Pensions Committee receives as part of its quarterly reporting, an update on administration performance and key issues that affect the administration of the Scheme. In addition, the Committee and Board both receive an annual pension administration report which includes the performance of the third party administrator.
- 6.7 Since 1<sup>st</sup> April 2015, The Pensions Board comprising equal numbers of employer and scheme member representatives, has assisted the Administering Authority in ensuring compliance with the regulations and in particular as this affects the administration of the Pension Fund. The Pensions Board therefore reviews the effectiveness of the Fund's Pension Administration Strategy on an annual basis and also receives reports on the Administration Strategy and its effectiveness.
- 6.8 The PAS will be kept under review and revised as appropriate following any material changes to policies. Any material changes or major revisions to the Strategy will be brought back to Committee for review prior to consultation. The attached appendix to this report, Pension Administration Strategy 2018/19, has been put before the Pensions Committee for final approval prior to publication and distribution.

## **List of Appendices**

Appendix 1 - London Borough of Hackney Pension Fund, Pension Administration Strategy 2018/19

Ian Williams  
**Group Director**  
**Finance & Corporate Resources**

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

This page is intentionally left blank

**LONDON BOROUGH OF HACKNEY  
PENSION FUND**

**PENSION ADMINISTRATION  
STRATEGY  
2018/19**

**For the Local Government Pension Scheme  
(LGPS)**



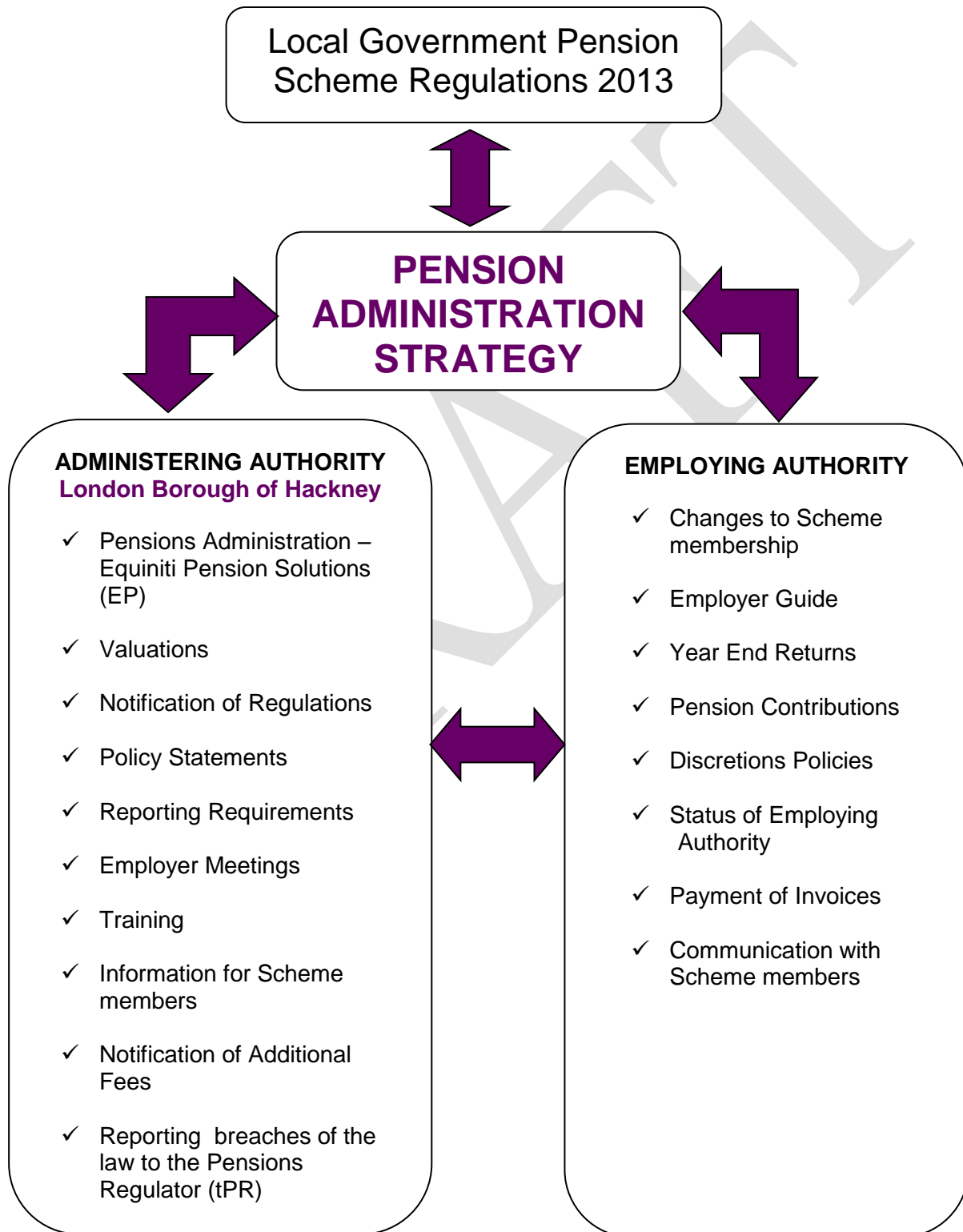
# CONTENTS

---

<b>Introduction</b>	<b>3</b>
<b>Administration in the London Borough of Hackney</b>	<b>6</b>
<b>Performance Standards</b>	<b>9</b>
<b>Fund Responsibilities</b>	<b>10</b>
<b>Scheme Administrator Responsibilities</b>	<b>13</b>
<b>Scheme Employer Responsibilities</b>	<b>18</b>
<b>Monitoring Performance and Compliance</b>	<b>26</b>
<b>Role of the Pensions Regulator (tPR)</b>	<b>28</b>
<b>Policy on the Recovery of Additional Administration Costs from Employers</b>	<b>31</b>
<b>Employer Contribution Rates / Additional Employer Assistance &amp; Associated Costs</b>	<b>35</b>
<b>Service and Communication Improvement Planning</b>	<b>37</b>
<b>Consultation and Review Process</b>	<b>38</b>
<b>Regulations</b>	<b>39</b>

# INTRODUCTION

This is the Administration Strategy Statement of the London Borough of Hackney Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS – the Scheme), which is administered by the London Borough of Hackney (LBH) and Equiniti Pension Solutions (EP). Below is a diagram showing the roles and responsibilities of the parties in the administration of the scheme



## Aims

The aim of this Pension Administration Strategy is to set out the quality and performance standards expected of the Fund and its scheme employers. The Administration Strategy will assist in clarifying the roles and responsibilities of both the Administering Authority and the Employing Authorities, i.e. those employers who participate in the Pension Fund.

In addition, there are approximately 70 local authority schools that operationally are part of the London Borough of Hackney, but use separate payroll providers. Unless specifically mentioned otherwise, all references in this strategy to employers apply to these local authority schools, and they are required to provide information as if they are separate employers.

Effective and efficient administration of the pension fund is beneficial to all stakeholders in the Pension Fund, the Administering Authority, employers and scheme members. The following are some of the benefits to be had from having efficient pension scheme administration; the list is by no means exhaustive and is not in order of importance.

For the Administering Authority, effective administration means:

- It can fulfil its obligations under the regulations for administering the pension scheme
- Lower costs, improved use of resources
- Easier and swifter provision of services to employers and scheme members
- Improved communication between Administering Authority, employers and scheme members
- Improved monitoring of performance
- Clean data enabling faster and more accurate monitoring of the Pension Fund by the Fund actuaries
- Improved decision making in relation to policies and investments

For Employing Authorities, effective administration means:

- Greater understanding of the Pension Fund and its impact upon them as an employer
- Lower costs
- Improved communication
- Employee satisfaction
- Improved decision making for budgeting
- Fulfilling its obligations as an Employing Authority under the LGPS regulations

For Scheme members, efficient administration means:

- Accurate records of their pension benefits
- Earlier issuance of annual benefit statements
- Faster responses to their pension record queries
- Faster access to benefits at retirement
- Improved communications
- Enhanced understanding of the pension scheme and the benefits of being a member

Setting out the expectations of the Administering Authority and Employing Authorities will help to ensure that both parties are aware of their roles and responsibilities in relation to the administration of the pension scheme. Both employer and administrator are dependent on the other for effectual communication and accurate flows of information without which the pension scheme cannot be administered effectively. The scheme members are reliant on both the employer and the administrator to ensure that their pension records are accurate and that they are well informed.

The Pension Administration Strategy is not meant to supersede existing procedures or policies but to complement them. The Admission Agreement or Protocol sets out some basic requirements of both the Administering Authority and the employer and the Employer Guide sets out in detail how to carry out day to day administration of the Pension Fund within the employer's site.

## **Implementation**

The Administration Strategy is effective from 1 April 2018.

## **Regulatory basis**

The Scheme is a statutory scheme, established by an Act of Parliament. The following regulations governing the Scheme are shown below:

- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
- Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended)
- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions and savings) Regulations 2013

Regulation 59(1) of the Local Government Pension Scheme Regulations 2013, enables a Local Government Pension Scheme Fund to prepare a written statement of the authority's policies ("its pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, Regulation 59(2)e of the 2013 regulations, allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

# ADMINISTRATION IN THE LONDON BOROUGH OF HACKNEY

---

## Responsibility

The London Borough of Hackney has delegated responsibility for the management of the Pension Fund to the Pension Committee. The Pension Committee will monitor the implementation of this Administration Strategy on an annual basis.

In addition the Pensions Board, will assist and advise the Administering Authority in ensuring compliance with the Regulations and will receive reports on the Administration Strategy and its effectiveness.

## Objective

The Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members. Operationally the administration of the Fund is partly outsourced to Equiniti Pension Solutions and partly carried out by Council staff.

The Council and Equiniti Pension Solutions staff work together to provide a seamless service to scheme employers and scheme members.

## Communications

The Fund has published a Communication Strategy Statement, which describes the way the Fund communicates with:-

- scheme members
- members representatives
- prospective members
- scheme employers
- other stakeholders/interested parties

The latest version of the Communication Strategy Statement can be obtained from the Fund website:- <http://hackney.xpmemberservices.com>

The table below summarises the current methods the Fund uses to communicate:

Website <a href="http://hackney.xpmemberservices.com">http://hackney.xpmemberservices.com</a>	Information about the Fund, the LGPS, administrative procedures, policies and forms for use
Newsletters	Annual newsletter and additional newsletters issued as may be necessary to highlight new issues and forthcoming events



Employer meetings	Held annually to provide Employers with a forum to address the Fund's staff and advisers
Helplines:- Equiniti Pension Solutions London Borough of Hackney Pensions Team	01293 603085 020 8356 2521
E-mail addresses:  For the Equiniti Pension Solutions team: <a href="mailto:Hackney.pensions@equinitipaymaster.com">Hackney.pensions@equinitipaymaster.com</a>  For the London Borough of Hackney team: <a href="mailto:pensions@hackney.gov.uk">pensions@hackney.gov.uk</a>	To answer day to day questions about administering the Scheme
Individual Employer meetings	Offered to Employers who need advice about how to carry out the day to day administration of the Scheme
Annual Benefit Statements	Sent to active and deferred scheme members
Individual Scheme member meetings	1-2-1 meetings available with a member of the Pensions team as required
Pension Presentations	Presentations to staff, managers, new employees, etc on pension related matters

## Training and Engagement

The objectives of the Fund have always been to keep stakeholders informed of new developments by sending emails and newsletters, and by providing free training, forums and workshops for Employers when new Regulations are implemented or are under consideration. Additionally free training is offered on an ongoing basis to new scheme employers or relevant new HR/Payroll staff.

It is important that Employers ensure that their staff have the right level of skills and knowledge to support any changes, starting with a sound foundation of existing regulations and administrative processes. There is an ongoing need to continuously maintain the quality of member records and the administrative processes by improving the quality of information received from Employers.

The aims of this approach are therefore:-

- To maintain a high standard of customer service for members and Employers
- To ensure that relevant staff within each Employer have sufficient knowledge and skills to effectively discharge administrative processes
- To ensure that Employers are fully aware of the risks involved in poor administration and maintenance of member pension records and if they fail to discharge of their discretionary functions
- To provide ongoing training on relevant employer responsibilities
- To support the implementation of new technology within the Fund to enable self-service for the Employer and streamlined administration

To achieve this, the Fund will:-

- Work with Employers' Human Resources, Payroll and other staff to help develop relevant skills and knowledge by providing appropriate assistance, guidance and training
- Organise free workshops and forums for Employers to debate new issues as they emerge

This strategy will ensure that Employers have a common understanding of their obligations under the Local Government Pension Scheme, and that administrative processes are designed to maximise efficiency and effectively manage risk.

The Fund will provide free training for Employers' relevant staff, to build up and maintain a level of professional expertise which will enable Employers to deliver information required by the Fund to efficiently administer the Scheme.

## PERFORMANCE STANDARDS

---

The Scheme prescribes that certain decisions be taken by either the Fund or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Fund has agreed levels of performance between itself and scheme employers which are set out below:

### Overriding legislation

Scheme employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations
- Pensions Acts 2004 & 2011 and associated disclosure legislation
- Public Service Pensions Act 2013 and associated record keeping legislation
- Freedom of Information Act 2000
- Equality Act 2010
- Data Protection Act 2003/GDRP legislation effective from 25 May 2018
- Finance Act 2013
- Relevant Health and Safety legislation
- Any other legislation that may apply at the current time

### Internal quality standards

The Fund and scheme employers will ensure that all functions and tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the Employers' Guide
- all information required by the Fund to be provided in the required format and/or on the appropriate forms referred to in the Employers' Guide which are accessible from the Fund website at <http://hackney.xpmemberservices.com>
- information to be legible and accurate
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately qualified member of staff
- information provided to be authorised by an appropriate officer
- actions are carried out, or information provided, within the timescales set out in this Administration Strategy.

### Timeliness

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the Scheme. The Scheme itself sets out a number of requirements for the Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. The following sections on responsibilities set out the locally agreed timescales for these requirements.

## FUND RESPONSIBILITIES

The London Borough of Hackney is the Administering Authority of the London Borough of Hackney Pension Fund and has delegated powers to the Pensions Committee to oversee the management of the Pension Fund. The role of the Administering Authority is to administer the Pension Fund and act as a quasi-trustee body for the management of the Pension Fund.

The Pensions Board comprising equal numbers of employer and scheme member representatives will assist the Administering Authority in ensuring compliance with the regulations and in particular as this affects the administration of the Pension Fund and will therefore review the effectiveness of the Fund's Pension Administration Strategy on an annual basis.

This section outlines the key responsibilities of the Fund and the performance standards scheme employers and scheme members should expect. It is focussed on the key activities which scheme employers and scheme members are involved in and should not be viewed as a complete list of all activities. It includes the performance standards that the Administering Authority has agreed with the pension administrators, Equiniti Pension Solutions (EP).

### Administering Authority - Fund Administration

This section details the functions which relate to the whole Fund, rather than individual scheme members' benefits.

Function/Task	Performance Target
Publish and keep under review the Fund's <b>Administration Strategy</b> .	Consult with employers following any significant revisions to the Administration Strategy Notify employers of agreed Strategy within 2 months of being agreed by the Pensions Committee
Publish and keep up to date the <b>scheme guide and Employers' Guide</b> .	30 working days from any significant revision.
Publish and keep up to date all <b>forms</b> required for completion by scheme members, prospective scheme members or scheme employers.	30 working days from any significant revision.
Upon receipt of <b>accurate information</b> on the <b>appropriate form</b> , the provision of 1 <b>estimate</b> per member/employee, per 12 month rolling period, in relation to retirement of an active member due to age, redundancy, efficiency or flexible retirement	20 working days from date of receipt of correct estimate request  <i>Refer pages 35 &amp; 36 if you require any assistance</i>

Function/Task	Performance Target
Host a <b>meeting</b> for all scheme employers.	Annually
Organise <b>training</b> sessions for scheme employers.	Upon request from scheme employers, or as required.
Notify scheme employers and scheme members of <b>changes</b> to the scheme rules.	Within two months of the change(s) coming into effect.
Notify a scheme employer of issues relating to the scheme employer's <b>unsatisfactory performance</b> .	As soon as a performance issue becomes apparent.
Notify a scheme employer of decisions to recover <b>additional costs</b> associated with the scheme employer's unsatisfactory performance (including any interest that may be due).	Within 10 working days of scheme employer's failure to improve performance, as agreed.
Issue <b>annual benefit statements</b> to active and deferred members as at 31 March each year.	To be issued no later than five months after the end of the Scheme year to which it relates.
Issue formal <b>valuation</b> results (including individual employer details).	10 working days from receipt of results from the Fund's actuary (but in any event no later than 31 March following the valuation date).
Carry out <b>interim valuation</b> exercises on cessation of admission agreements or a scheme employer ceasing participation in the Fund.	Upon each cessation or occasion where a scheme employer ceases participation on the Fund.
Arrange for calculation of <b>FRS17/IAS19</b> valuations for employers as required	Within 10 working days from receipt of results from the Fund's actuary
Arrange for the setting up of separate <b>admission agreement</b> , where required (including the allocation of assets and notification to the Secretary of State).	Within 3 months of agreement to set up
Publish, and keep under review, the Fund's <b>Governance Policy and Compliance Statement</b> .	Within 30 working days of policy being agreed by the Pensions Committee.
Publish and keep under review the Fund's <b>Funding Strategy Statement</b> .	To be reviewed at each triennial valuation, following consultation with scheme employers and the Fund's actuary. Revised statement to be published at the same time as the final valuation report is issued.
Publish the Fund's <b>Annual Report and Accounts</b> and any report from the auditor.	By 30 September following the year end or following the issue of the auditor's opinion

Function/Task	Performance Target
Publish and keep under review the Fund's <b>Communications Policy Statement</b> .	Within 30 working days of policy being agreed by the Pensions Committee
Publish and keep under review the Fund's <b>Statement of Investment Principles</b> .	Within 30 working days of policy being agreed by the Pensions Committee
Publish and keep under review the <b>Administering Authority Discretions Policies</b>	Within 30 working days of policy being agreed by the Pensions Committee
Agree with integrated bodies (e.g. maintained & VA schools) the arrangements with regards to <b>statutory auto-enrolment communications</b> for each 3 year auto-enrolment cycle, and provide written confirmation of those arrangements.	No less than 6 weeks prior to the staging date

DRAFT

# SCHEME ADMINISTRATOR RESPONSIBILITIES

Provider - Equiniti Pension Solutions



## Service Standards Agreement

The following provisions apply to the operation of the Service Standards in relation to Services provided: -

- All Service Standards are quoted in Working Days unless otherwise indicated.
- All Service Standards are net of any third party action and from receipt of correct data/information.

Category	Task	Actions	Service Standards
<b>Calculations</b> <b>Active</b> <b>Members</b>	Retirement of Active member due to redundancy	Provision of retirement quotation.  Finalisation of retirement and issue of tax-free cash sum	10 days from receipt of correct request for quotation.  5 days from receipt of complete & correct data
	Late retirement of active member	Provision of retirement quotation.  Finalisation of retirement and issue of tax-free cash sum	10 days from receipt of correct request for quotation  5 days from receipt of complete & correct data
<b>Deferred</b> <b>Members</b>	Early Retirement of Deferred member	Provision of early retirement quotation.  Finalisation of retirement and issue of tax-free cash sum.	10 days from receipt of correct request for quotation.  5 days from receipt of complete & correct data
	Normal Retirement of Deferred Member	Provision of a provisional statement of retirement benefits  Provision of final statement of benefits  Finalisation of retirement and issue of tax-free cash lump sum.	3 months prior to member's NRD  10 days from receipt of request for quotation  5 days from receipt of complete data
	Ill health retirement of Deferred Member	Provision of Ill health retirement quotation.	10 days from receipt of correct confirmation that retirement has been approved and is to proceed.

<b>Deferred Members cont...</b>		Finalisation of retirement and issue of tax-free cash sum	5 days from receipt of complete & correct data
	Late Retirement of a Deferred Member	Provision of retirement quotation.  Finalisation of retirement and issue of tax-free cash sum	10 days from receipt of correct request for quotation.  5 days from receipt of complete & correct data
<b>Ad Hoc Quotations</b>	Ad-hoc quotation requests	Provision of quotation as requested	10 days from receipt of correct request for quotation

<b>Category</b>	<b>Task</b>	<b>Actions</b>	<b>Service Standards</b>
<b>Calculations - Active Members</b>	Refund of Contributions	Provide a statement of contributions and a refund	10 days from receipt of complete & correct data
	Deferred Benefits	Provide a statement of deferred benefits.	10 days from receipt of complete & correct data
	Early retirement of active member	Provision of early retirement quotation.  Finalisation of retirement and issue of tax-free cash sum.	10 days from receipt of correct request for quotation.  5 days from receipt of complete & correct data.
	Ill health retirement of active member	Provision of Ill health retirement quotation.  Finalisation of retirement and issue of tax-free cash sum	10 days from receipt of correct request for quotation.  5 days from receipt of correct confirmation that retirement has been approved and is to proceed.
<b>Normal Retirement of Active member</b>		Provision of a provisional statement of retirement benefits	3 months prior to member's NRD
		Provision of final statement of benefits.	10 days from receipt of complete & correct data.
		Finalisation of retirement and issue of tax-free cash sum	5 days from receipt of complete & correct data.



Category	Task	Actions	Service Standards
<b>Transfer Values</b>	Transfer In Quotation	Obtain transfer details.  Calculate and provide quotation to member.	10 days from receipt of request for quotation  20 days from receipt of complete & correct data
	Acceptance of Transfer In	Request Transfer Value.  Establish benefits and record.	5 days from receipt of confirmation that TV is to go ahead  10 days from receipt of transfer cheque
	Transfer Out Quotation	Provision of details of Transfer Value available to member	10 days from receipt of request for quotation
	Payment of Transfer Value	Provision of payment for transfer value to nominated recipient	5 days from receipt of confirmation that the transfer value is to be paid
	Divorce proceedings	Earmarking Order received, Pension sharing Order	5 days from receipt of order
<b>Deaths</b>	Active Member – Death in Service	Calculation of death benefits. Establishment of beneficiaries.  Payment of death benefits as directed.	5 days from receipt of notification of death  1 day from instruction to pay
	Deferred Member – Death in Deferment	Calculation of death benefits. Establishment of beneficiaries.  Payment of death benefits as directed.	5 days from receipt of notification of death  1 day from instruction to pay
	Pensioner – Death in Retirement	Calculation of death benefits. Establishment of beneficiaries.  Payment of death benefits as directed.	5 days from receipt of notification of death  1 day from instruction to pay
	Death of Spouse	Calculation of death benefits. Establishment of beneficiaries.  Payment of death benefits as directed.	5 days from receipt of notification of death  1 day from instruction to pay

Category	Task	Actions	Service Standards
<b>Data</b>	Maintenance of database	Amendment of member records and issue of acknowledgement	10 days from receipt of notification of change to data.
	Cheque Receipt	Acknowledgement of receipt of cheque	1 day from receipt of cheque
	New Entrant	Addition of new member to database. Issue of letter of acknowledgement.	10 days from receipt of completed application form.
	Annual Pension increases	Calculation of increases  Notification to pensioners	For implementation on scheduled payment date  Not more than one month before scheduled payment date.
<b>AVCs</b>	AVC Set Up	Establishment of AVC record on database. Notification sent to Payroll dept.	10 days from receipt of completed application form.
	AVC Quotation	Provision of an AVC quotation	10 days from receipt of complete data
<b>Valuation</b>	Production of various information	Supply of valuation information to the Actuary.	As agreed with the Client and Actuary.
<b>FRS17/IAS19 Valuations</b>	Production of various information	Supply of valuation information to the Actuary.	As agreed with the Client and Actuary.
<b>Payroll</b>	Payments	Issue BACS payments to pensioners designated bank accounts	To be received in the designated bank account on the due pay date
		Issue payslips to pensioners' home addresses	To be issued second class post via the Royal Mail so as to be expected to be received at the pensioners' home address on the due pay date
		Undertake relevant investigation for returned payments and action to Pensioner Record and inform Administration when relevant	Within 10 working days of receipt

Category	Task	Actions	Service Standards
Payroll cont...	Payments cont....	Payment of PAYE to HMRC	To be received electronically by the Collection Office by the 22 <sup>nd</sup> of the month following deduction.
		Pay statutory/voluntary deductions to relevant recipients.	To be issued within one week of the pay date
	Record Amendments	Establish new pensioner record	By first available payment date following date of notification
		General amendments to pensioner records in accordance with instructions provided	By next available payment date
	Enquiries	Respond to pensioner enquiries in writing	Within 10 working days of receipt
		Respond to third party enquiries in writing	Within 10 working days of receipt
	Year-end	Issue P60s to pensioners	By 31 <sup>st</sup> May following tax year end
		Issue P35/P14 year-end returns to HMRC	By 19 <sup>th</sup> May following tax year end
Legislation and Regulations	PAYE regulations	All regulations and legislation regarding PAYE will be complied with	
Pension Verification Process	One verification exercise per year to include life certificates, NFI, or any other method which may be agreed	As agreed with the Council	

## SCHEME EMPLOYER RESPONSIBILITIES

This section outlines the responsibilities of all scheme employers in the Fund and the performance standards scheme employers are expected to meet to enable the Fund to deliver an efficient, quality and value for money service.

### External providers

Scheme employers must ensure that appropriate record-keeping is maintained and where they outsource their payroll, HR or pension administration functions to a third party, the legal responsibility for the provision of pension data to the Administering Authority or the third party pension administrator, lies with the Scheme employer and not the third party.

Any external service providers with responsibility for carrying out any functions relating to the administration of the Local Government Pension Scheme must be made aware of the standards that are to be met.

Scheme employers must therefore ensure, as part of any contract entered into with a third party, that the third party has sufficiently robust processes in place to fulfil the statutory duties of the Scheme and the performance levels set out in the Pension Administration Strategy.

All information must be provided in the format prescribed by the Fund and within the prescribed timescales. Information and guidance is provided in the Employers' Guide which is available from the funds web site <http://hackney.xpmemberservices.com>

### Employer Responsibilities/Functions

This section details the functions which relate to employers responsibilities and tasks:

Function/Task	Performance Target
Confirm a <b>nominated representative</b> to receive information from the Fund and to take responsibility for disseminating it within the organisation. Ensure the Fund is kept up to date with any change to the nominated representative.	30 working days of employer joining fund or change to nominated representative.
Formulate, publish and update (as necessary) an <b>Employer Discretions Policy</b> in relation to all areas where the employer may exercise a discretion within the LGPS Regulations. A copy of the Employer Discretions Policy must be provided to the Fund.	Within 30 working days of policy being agreed the employer. <i>Failure to provide the Fund with a copy of your policies could impact on the release/payment of individuals' benefits.</i>
Respond to <b>enquiries</b> from the Fund	10 working days from receipt of enquiry.
Attend free administration <b>training</b> provided on admission by the Fund.	On agreed date

Function/Task	Performance Target
<p>Pay over employer and employee <b>contributions</b> to the Fund and <b>provide schedule of payments in the <u>correct format stipulated</u> by the Fund.</b></p>	<p>Cleared funds to be received by/on 19<sup>th</sup> calendar day of the month following the deduction.</p> <p><i>Failure to provide the Fund with a schedule of payments by the target date and/or not in the correct format stipulated by the Fund, could result in additional administration costs being levied against you.</i></p>
<p><b>NOTE</b></p> <p><b>Late payment of pension contributions</b> by Scheme employers is a serious offence and the Pensions Regulator or the Pensions Ombudsman has significant powers of sanction.</p> <p>Scheme managers must report payment failures which are likely to be of material significance to the Pensions Regulator within a reasonable period, in the case of employee contributions; and as soon as reasonably practicable in the case of employer contributions</p> <p>The Pensions Regulator can impose fines of up to £50,000 for each instance of persistent offence. Recent changes to the Pensions Act have made it easier to prosecute employers for late payment of contributions.</p> <p><b>Any fines imposed on the Fund by the Regulator, which is deemed to be the fault of an Employer, will be passed on to that Employer</b></p>	
<p>Implement <b>changes to employer contribution</b> rates as instructed by the Fund.</p> <p><i>Note - Employer contributions are expressed as a percentage of pensionable pay and are payable at such rate(s) as may be advised by London Borough of Hackney Pension Fund following the completion of each triennial actuarial valuation of the pension fund.</i></p>	<p>At date specified on the actuarial advice received by the Fund.</p>
<p>Provide <b>year end information</b> required by the Fund <b>in the <u>format stipulated</u></b> in the instructions issued to the nominated representative in March each year.</p>	<p>By 30 April following the year end.</p>
<p>To provide any <b>additional information</b> that may be requested by the Fund for the production of the annual benefit statements in each year</p>	<p>By the timescale stated by the Fund at the time of the request</p>
<p>To ensure all <b>errors highlighted</b> by the Fund from the contribution information and year end information, are responded to and the <b>corrective action</b> is taken promptly.</p>	<p>By the timescale stated by the Fund at the time of the request</p>

Function/Task	Performance Target
Ensure that any staff who are not already scheme members are assessed for <b>Auto-enrolment</b> according to their age and earnings.	Assessment to be made according to pay periods (e.g. staff paid monthly should be monitored on a monthly basis)
Ensure that any staff who are not scheme members are <b>auto-enrolled within statutory deadlines</b> if they become an Eligible Jobholder and none of the statutory exceptions apply.	With effect from the employee's auto-enrolment date
Where employers are providing their own Automatic Enrolment communications, they must ensure that any <b>staff affected by AE (including new starters)</b> are provided with the necessary <b>AE information within statutory deadlines</b>	Within 6 weeks of the date they become eligible for automatic enrolment
Where auto-enrolment (AE) communications are provided by the Fund, employers must provide <b>AE data sufficient</b> to permit the production of the necessary staff letters <b>within statutory deadlines.</b>	Within 5 working days of the payroll date
Contact the Fund if <b>considering contracting out services</b> which will involve a <b>TUPE transfer</b> of staff to another organisation.	At the very beginning of the tender process so that important pension information can be provided for inclusion in the tender documentation.
Work with the Fund to arrange for an <b>admission agreement</b> to be put in place when contracting out a service and assist in ensuring it is complied with.	Agreement to be in place by the time the service is contracted out.
Distribute any <b>information</b> provided by the Fund to scheme members/potential scheme members	Within 15 days of its receipt or on joining the scheme
Provide new/prospective scheme members with a <b>starter form and a scheme guide</b> (or refer them to the Fund website).	5 working days of commencement of employment or change in contractual conditions.
Payment of <b>additional fund payments</b> in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency retirement, where a strain cost applies	Within 30 working days of receipt of invoice from the Fund.
Ensure payment of <b>additional costs</b> to the Fund associated with the poor performance of the scheme employer.	Within 30 working days of receipt of invoice from the Fund.

## Scheme Administration (forms)

This section details the **employer responsibilities** and tasks which relate to scheme member benefits from the Scheme.

Function/Task	Performance Target
<p>To ensure that <b>all</b> employees subject to <b>automatic or contractual enrolment</b> are brought in to the Scheme from their employment start date.</p> <p>Complete a starter form for each new employee admitted to the pension scheme and ensure that the employee completes their element of the process.</p> <p>Where there is <b>more than one contract</b> of employment with the same employer, each contract must have its own starter form as <b>each employment and pension membership must be maintained separately under the Regulations.</b></p>	<p>Within 15 working days of employee's start date.</p>
<p>Arrange for the correct deduction of employee contributions from a scheme member's <b>actual pensionable pay</b> (including overtime) on becoming a scheme member.</p>	<p>Immediately on joining the scheme, opting in or change in circumstances.</p>
<p>Ensure <b>correct employee contribution rate</b> is applied in accordance with the LGPS contribution bandings</p>	<p>Immediately upon commencing scheme membership and in line with the employer's policy and as a minimum in each April payroll thereafter.</p>
<p>To apply the correct employee contribution rate according to the scheme the member is in – <b>either 50/50 or the main scheme (100/100)</b>. To reassess employee contribution rate in line with employer's policy on adjusting employee contribution rates and notify the employee of their change in rate.</p>	<p>Review as per policy and notification within 10 working days of change in rate.</p>
<p>After receipt of the appropriate forms, commence deduction of <b>Additional Pension Contributions (APC)</b> or amend such deductions, as appropriate.</p>	<p>Month following election to pay contributions or notification received from the Fund</p>



Function/Task	Performance Target
After receipt of the appropriate forms, cease deduction of <b>Additional Regular Contributions (ARC)</b> or <b>Additional Pension Contributions (APC)</b> .	Immediately following receipt of election form from scheme member.
Arrange for the <b>deduction of AVCs</b> via your payroll provider and the payment over of contributions to the approved AVC provider(s)	Commence deduction of AVCs in month following the month of election  Pay over contributions to the AVC provider(s) on/by the 19 <sup>th</sup> of the month
<b><i>Failure to provide the Fund with a schedule of additional pension payments – added years, ARCs, APCs, AVCs - by the target date and/or not in the correct format stipulated by the Fund, could result in additional administration costs being levied against you.</i></b>	
<p><b>NOTE</b></p> <p><b>Monthly AVC deductions</b> should be paid directly to the AVC provider (Prudential) as soon as the payrolls are processed. A schedule must be sent with the payment, giving details of all contributions paid over to Prudential which must reach Prudential by the 19th day of the month following the month they were deducted.</p> <p>Scheme managers must report payment failures which are likely to be of material significance to the Pensions Regulator within a reasonable period, in the case of employee contributions; and as soon as reasonably practicable in the case of employer contributions</p> <p><b>Failure to do so is in breach of legislation and may be reported to the Pensions Regulator. Any fines imposed on the Fund by the Regulator, which is deemed to be the fault of an Employer, will be passed on to that Employer</b></p>	
<b>Refund of contributions via your own payroll provider</b> - any employee contributions that have been <b>deducted in error</b> .	Month following month of incorrect deduction.
Using the appropriate form, notify the Fund when any employees <b>opt out</b> of the scheme <b>within 3 months</b> of their start date.  Cease deduction of employee contributions where a scheme member opts to leave the Scheme.	Month following month of election, or such later date specified by the scheme member.
<b>Refund employee contributions via your own payroll provider</b> - where the member has <b>opted out</b> of the Scheme <b>within 3 months</b> and does not have previous LGPS membership.	Month following month of election to opt out.



Function/Task	Performance Target
<p>Using the appropriate form, provide the Fund with details of all contractual changes to scheme members <b>conditions of service</b>: e.g.</p> <ul style="list-style-type: none"> <li>• contractual hours</li> <li>• actual pay – including overtime</li> <li>• remuneration changes due to promotion or re:grading</li> <li>• honorariums</li> <li>• contribution rate</li> <li>• election to join 50/50 section of the scheme</li> <li>• election, or move, into the main scheme (100/100)</li> </ul>	<p>Within 20 working days of change.</p>
<p>Using the appropriate form, notify the Fund of material changes in employees' <b>personal circumstances</b>: e.g.</p> <ul style="list-style-type: none"> <li>• marital or civil partnership status</li> <li>• change of name</li> <li>• national insurance number</li> </ul>	<p>Immediately following notification by the scheme member of a change in circumstances</p>
Function/Task	Performance Target
<p>Using the appropriate forms, notify the Fund of any <b>periods of reduced pay or nil pay</b> as a result of:</p> <ul style="list-style-type: none"> <li>• sickness</li> <li>• injury</li> <li>• or relevant child related leave – <ul style="list-style-type: none"> <li>- ordinary maternity, paternity or adoption leave</li> <li>- paid shared parental leave</li> <li>- any additional maternity or adoption leave</li> </ul> </li> </ul> <p>then <b>Assumed Pensionable Pay (APP)</b> <b>MUST</b> be applied for pension purposes. Both employee and employer contributions must be deducted against the amount of APP.</p> <p>Employers must notify the Fund of the date the reduction is effect from for sickness or injury OR the date from which the relevant child related leave began.</p>	<p>Within 20 working days of notice from employee.</p>
<p>Using the appropriate forms, notify the Fund of any <b>periods of reduced pay or nil pay</b> as a result of:</p> <ul style="list-style-type: none"> <li>• unpaid additional maternity, paternity or adoption leave</li> </ul>	<p>Within 20 working days of notice from employee.</p>

<ul style="list-style-type: none"> <li>unpaid shared parental leave taken at the end of the relevant child related leave, as Assumed Pensionable Pay (APP) does <b>NOT</b> apply. <b>This is treated as unpaid leave.</b></li> </ul>	
<p>Using the appropriate forms, notify the Fund of any <b>periods of reduced pay or nil pay</b> as a result of:</p> <ul style="list-style-type: none"> <li>authorised/unauthorised unpaid leave of absence (sabbatical etc)</li> <li>industrial action</li> </ul> <p>as Assumed Pensionable Pay (APP) does <b>NOT</b> apply. <b>This is treated as unpaid leave.</b></p>	<p>Within 20 working days of notice from employee.</p>
<p>Using the appropriate form, notify the Fund when a scheme member <b>leaves your employment</b> – this must include an accurate assessment of their final pay.</p>	<p>Within 15 working days of month end of leaving.</p>

Function/Task	Performance Target
<p>Using the appropriate form, notify the Fund when a scheme member is <b>due to retire</b>, including an accurate assessment of their final pay.</p> <p>You must also provide the authorisation form, stating the reason for retirement, signed by the employer as agreement to meet any associated costs with the retirement.</p>	<p>Within 15 working days <b>before</b> retirement date.</p>
<p>Notify the Fund immediately of the <b>death</b> of a scheme member, or when a member is suffering from a <b>potentially terminal illness</b>, as this will enable the Fund to ensure next of kin details are held and any benefits due are paid in accordance with the members' wishes, if appropriate.</p>	<p>As soon as practicable, but within 5 working days.</p>
<p>Appoint an <b>independent medical practitioner</b> qualified in occupational health medicine, in order to consider all <b>ill health retirement applications</b> and agree appointment of such with the Fund</p>	<p>Within one month of commencing participation in the scheme or date of resignation of existing medical adviser</p>

<p>To <b>determine</b>, based in medical opinion from your independent medical practitioner and assistance from the Administering Authority, whether <b>ill health retirement benefits are to be awarded</b> and to determine <b>which tier of benefits are to be paid e.g. Tier 1, 2 or 3.</b></p> <p>Once determination has been made, to submit all relevant paperwork to the Fund in order for the pension benefits to be put into payment.</p>	<p>Within one month of the final determination being made.</p> <p><i>Refer to page 35 – ill health retirements &amp; tier 3 awards – if you require any assistance</i></p>
<p>To keep a <b>record of all Tier 3 ill health retirements</b>, to undertake a <b>review</b> once the pension has been in payment for <b>18mths</b> to assess if the former employee is gainfully employed and to notify the Fund to cease payments, and to arrange subsequent appointments with the independent medical practitioner qualified in occupational health medicine, to assess whether an <b>increase in benefits</b> is applicable.</p>	<p>Notify the Fund as soon as the process is completed in accordance with the LGPS regulations, and to provide all necessary paperwork for the Fund to either continue or cease payments or to increase the level of benefits to be paid.</p> <p><i>Refer to page 35 – ill health retirements &amp; tier 3 awards – if you require any assistance</i></p>

DRAFT

## MONITORING PERFORMANCE AND COMPLIANCE

---

Ensuring compliance with the Scheme regulations and this Administration Strategy is the responsibility of the Fund **and** Scheme Employers. We will work closely with all Scheme employers to ensure compliance with all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation or in this Administration Strategy.

This section describes the ways in which performance and compliance will be monitored.

### **The Pension Board, the National Scheme Advisory Board & the Pensions Regulator (tPR)**

The Public Service Pensions Act 2013 established the requirement for local Pension Boards in the LGPS with responsibility for assisting the Administering Authority in relation to the following:

- Securing compliance with the scheme regulations
- Ensuring the effective and efficient governance and administration of the scheme
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Such other matters as the LGPS regulations may specify.

As a result the Local Pension Board of the London Borough of Hackney Pension Fund was established from 1 April 2015. A key aim of the Pension Board is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.

In addition, the Pensions Regulator's remit was extended to include the public sector, and a national Scheme Advisory Board was created. The Administering Authority and scheme employers are expected to fully comply with any guidance produced by the Scheme Advisory Board and the Pensions Regulator. Any recommendations made by any of these entities will be considered by the Administering Authority, and where appropriate duly implemented (following discussions with employers where necessary).

### **Audit**

The Fund is subject to an annual external audit of the accounts and, by extension the processes employed in calculating the figures for the accounts, by KPMG. The key findings of their work are presented to the Pensions Committee in an Annual Governance Report and the Fund is set an action plan of recommendations to implement.

In addition the Fund is subject to internal audits by the Council of its processes and internal controls. Any subsequent recommendations made are considered by the Fund and where appropriate duly implemented (following discussions with scheme employers where necessary).

## **Performance monitoring**

The Fund monitors Equiniti Pension Solutions' performance against the contract with them and the agreed Service Level Agreement. Monitoring occurs on a monthly basis and Equiniti Pension Solutions are asked to explain variations from agreed Service Level Agreement targets.

## **Feedback from employers**

Employers who wish to provide feedback on the performance of the Fund against the standards in this Administration Strategy should e-mail comments to the following address: [pensions@hackney.gov.uk](mailto:pensions@hackney.gov.uk) . This will be acknowledged within 5 working days and an investigation of the matter will then be undertaken. Following the investigation a response will be provided to the scheme employer within 15 working days of the initial acknowledgment.

## **Annual report on the strategy**

The Scheme regulations require the Fund to undertake a formal review of performance against the Administration Strategy on an annual basis. This report details the performance of the pension administrators and the Fund's Employers. It is presented to Pensions Committee, Pensions Board and is included within the Pension Fund Annual Report and Accounts.

## Background

Section 17 and Schedule 4 of the Public Service Pensions Act 2013 extended the role of the Pensions Regulator to include public sector pension schemes including the Local Government Pension Scheme (LGPS) from 1 April 2015. With regard to the LGPS, the Pensions Regulator now has responsibilities in relation to governance and particularly administration.

Schedule 4 of the Public Service Pensions Act 2013 requires the Pensions Regulator to issue a Code of Practice or Codes of Practice in respect of certain specified matters. In response to this requirement, the Pensions Regulator Code of Practice No 14 **“Governance and administration of public service pension schemes”** which came into effect from 1 April 2015.

This Code of Practice is applicable both to the Pension Fund and the individual Employers within the Fund.

## Code of Practice No 14 Governance and Administration of Public Service Pension Schemes

Code of Practice No 14 covers the following:-

### Governing your scheme

- Knowledge and understanding required by pension board members
- Conflicts of interest and representation
- Publishing information about schemes

### Managing risks

- Internal Controls

### Administration

- Scheme record-keeping
- Maintaining contributions
- Providing information to members

### Resolving issues

- Internal dispute resolution
- Reporting breaches of the law

It is crucial that all Employers within the London Borough of Hackney Pension Fund are aware of, and comply with, the legal requirements and standards covered in the Code.

Failures by an Employer to fulfil legal requirements and follow the expected standards within the Code may result in that Employer (rather than the Pension Fund) being subject to legal enforcement action by the Pensions Regulator.

Sections that have particular relevance for Employers in the Fund are Administration and Resolving Issues

## **Administration**

### **Scheme record-keeping**

#### **Key points**

- The Scheme should work with employers to ensure they understand what information they're required to provide and when they need to do this.
- The Scheme should work with participating employers to seek to ensure they understand the key events and information they need to provide, and have processes in place to provide timely and accurate data.
- If an employer fails to provide the required information (meaning that they and/or the Scheme Manager may not be complying with legal requirements), the Scheme should consider whether to report the breach to the Pensions Regulator (tPR).

Schemes require participating employers to provide them with timely and accurate data in order for the scheme manager to be able to fulfil their legal obligations. Schemes should seek to ensure that employers understand the main events which require information about members to be passed from the employer to the scheme and/or another employer, such as when an employee:

- joins or leaves the scheme
- changes their rate of contributions
- changes their name, address or salary
- changes their member status, and
- transfers employment between scheme employers.

If any Employer fails persistently to act according to the procedures set out in this Pension Administration Strategy, meaning that they and/or the Fund may not be complying with legal requirements, the Fund will assess whether there has been a relevant breach and take action as necessary to report breaches of the law to the Regulator under Section 70 of the Pensions Act 2004.

## **Maintaining contributions**

### **Reporting payment failures**

The Scheme must report payment failures that are likely to be of 'material significance' to the Pensions Regulator (tPR) as soon as possible – usually within 10 working days.

A late payment is likely to be of material significance where it was caused by:

- the employer not being willing or able to pay contributions

- possible dishonesty or misuse of assets or contributions
- fraudulent evasion of the duty to pay contributions
- the employer having inadequate procedures or systems in place to ensure the correct and timely payment of contributions due, for example where there are repetitive and regular payment failures,
- contributions having been outstanding for more than 90 days

If any Employer has 5 or more repetitive or regular payment failures in any one financial year, the Fund will deem this as being of 'material significance' and in-line with its legal responsibilities, report this to the Pensions Regulator (tPR). The Employer may then be subject to legal enforcement action by the Pensions Regulator.

## Resolving issues

### Internal dispute resolution (IDRP)

Where a person with an interest in the scheme isn't satisfied with any matter relating to the scheme, they have the right to ask for that matter to be reviewed.

A person has an interest in the scheme if they:

- are a member or surviving non-dependant beneficiary of a deceased member of the scheme
- are a widow, widower, surviving civil partner or surviving dependant of a deceased member of the scheme
- are a prospective member of the scheme
- have ceased to be a member, beneficiary or prospective member or
- claim to be in one of the categories mentioned above and the dispute relates to whether they are such a person.

The Fund has a clear internal disputes resolution procedure (IDRP) set out for members of the LGPS which can be found on the Pension Fund's website <http://hackney.xpmemberservices.com>. Scheme employers are however, required to nominate an adjudicator to deal with disputes at Stage 1 of the process.

Scheme employers are asked to supply the details of their Stage 1 adjudicator as part of their discretionary policy statement and should advise the Fund immediately of changes made in this regard.

Where a Scheme employer is in dispute with a decision or action taken by the Fund, the Fund will in the first instance attempt to resolve the matter internally and may seek an independent senior mediator from within London Borough of Hackney as the Administering Authority to make a final determination. Should this prove to be unsuccessful, a suitable, mutually agreeable and independent third party shall be appointed to determine the outcome of the matter.



## **POLICY ON THE RECOVERY OF ADDITIONAL ADMINISTRATION COSTS FROM EMPLOYERS**

---

The Scheme regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the Scheme incurred as a result of the unsatisfactory level of performance of that Scheme Employer.

Where a fund wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the Scheme Employer's unsatisfactory level of performance contributed to the additional cost
- The amount of the additional cost incurred
- The basis on how the additional cost was calculated
- The provisions of the Administration Strategy relevant to the decision to give notice.

### **Circumstances where costs might be recovered**

It is the policy of the Fund to recover additional costs incurred in the administration of the Scheme as a direct result of the unsatisfactory level of performance of any scheme employer (including the Council) or third party service provider. This includes the payment of fees levied against the scheme employer.

The circumstances where such additional costs will be recovered from the scheme employer are:

- persistent failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this Administration Strategy (either as a result of timeliness of delivery or accuracy/quality of information)
- failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this Administration Strategy
- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales
- instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator (tPR), Pensions Ombudsman or other regulatory body.

For the avoidance of doubt, "accuracy/quality" in this Strategy is defined as when we have received a completed form, or transfer of information, with no gaps in mandatory areas and with no information which is either contradictory or which we need to query.

## Approach to be taken by the Fund

The Fund will seek, at the earliest opportunity, to work closely with scheme employers in identifying any areas of unsatisfactory performance, provide the necessary training and put in place appropriate processes to improve the level of service delivery in the future. Consideration for seeking additional administration costs where persistent failure occurs and no improvement is demonstrated by a scheme employer would be seen as a failure and will only be taken once the steps described below are taken to resolve the situation:

1. Write to the scheme employer, setting out area(s) of concern and offer training.
2. If no improvement is seen within one month of the training or no response is received to the initial letter, the scheme employer will be asked to attend a meeting with representatives of the Fund to discuss area(s) of concern and to agree an action plan to address them. Where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.
3. If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.
4. An invoice will then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance, in accordance with the fee scale set out in this document.
5. An annual report will be presented to the Pensions Committee meeting detailing any fees levied against scheme employers and outstanding payments.

## Fees for additional administration

The table below sets out the fees which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. Each task is referenced to the Employer Responsibilities section. Charging is a last resort and the approach outlined above will be followed before a fee is levied.

Employer Responsibility	Charge
<b>Monthly Contributions Payment</b> - Late payment of <b>employee and employer</b> contributions to the administrators <b>by the 19<sup>th</sup> calendar day of month following deduction</b> (must be cleared funds by/on 19 <sup>th</sup> of the month)	£65 plus interest*, calculated on a daily basis until contributions received.  <i>*Interest will be charged in accordance with regulation 44 of the LGPS Administration regulations, which states interest should be charged at Bank of England Base Rate plus 1%.</i>

Employer Responsibility	Charge
<p><b>Monthly Contributions Schedule (HK221)</b> – Non-provision of the correct schedule of payments <b>and/or not</b> in the format stipulated by the Fund, accompanying the contributions <b>by the 19<sup>th</sup> calendar day of month following deduction</b></p>	<p>£65 per occasion</p>
<p><b>NOTE</b> - Any fines imposed on the Fund by the Pensions Regulator, in relation to employer, employee and AVC contributions which is deemed to be the fault of the Employer, will be passed on to that Employer</p>	<p>Re-charge amount to be paid within 30 days of receipt</p>
<p><b>Change Notifications</b> – failure to notify the administrators of any change to a members</p> <ul style="list-style-type: none"> <li>- working hours</li> <li>- leave of absence with permission (maternity, paternity, career break) or</li> <li>- leave of absence without permission (strike, absent without permission)</li> <li>- <b>within 20 days of the change in circumstance.</b></li> </ul>	<p>£65 per form, per occasion</p>
<p><b>Year End Data</b> – failure to provide year end data <b>by 30<sup>th</sup> April</b> following the year end or the non-provision of year end information <b>or the accuracy/quality</b> of the year end data <b>is poor</b> requiring additional data cleansing</p> <p><i>For the avoidance of doubt “accuracy/quality” in this Strategy is defined as when we have received a completed form or transfer of information with no gaps in mandatory areas and with no information which is either contradictory or which we need to query</i></p>	<p>Late receipt - initial fee of £300 then a fee of £150 for every month the information remains outstanding</p> <p>Quality/format of data – fee of £150 should data provided not be in the correct format and/or the quality is poor</p>
<p><b>Year End Data Queries</b> – failure to respond to the administrators requests for information to resolve data queries within the prescribed timescale</p>	<p>Initial fee of £65 per occasion, then a fee of £35 for each month the information requested remains outstanding</p>
<p><b>New Starter(s)</b> - failure to notify the administrators of new starter(s) and the late or non-provision of starter form(s) – <b>within 15 days of employee joining the scheme</b></p>	<p>Initial fee of £65 per form, then a fee of £35 per form for each month the form(s) remains outstanding</p>

Employer Responsibility	Charge
<p><b>Automatic Enrolment (AE)</b> – failure to provide the administrators full details of staff affected by Automatic Enrolment on a monthly basis - <b>within 6 weeks of the date they become eligible for automatic enrolment</b></p> <p><b>NOTE</b> - Any fines imposed on the Fund by the Pensions Regulator due to failure to provided information for Auto enrolment process, which is deemed to be the fault of the Employer, will be passed on to that Employer</p>	<p>Initial fee of £100 then a fee of £50 for every month the information remains outstanding</p> <p>Re-charge amount to be paid within 30 days of receipt</p>
<p><b>Leaver(s)</b> – failure to notify the administrators of any leaver(s) and the late or non-provision of leaver form(s) including an accurate assessment of final pay – <b>within 15 days of employee leaving the scheme or employment</b></p>	<p>Initial fee of £65 per form, then a fee of £35 per form for each month the form(s) remains outstanding</p>
<p><b>Retirees</b> – failure to notify the administrators when a scheme member is due to retire <b>15 working days before</b> the retirement date - including an accurate assessment of final pay and authorisation of reason for retirement.</p>	<p>Initial fee of £65 per form, then a fee of £35 per form for each month the form(s) remains outstanding</p>
<p><b>Late payment of pension benefits</b> - as a result of the <b>employers failure</b> to notify the administrators of a scheme members retirement &amp; not providing the correct paperwork, interest becomes payable on any lump sum paid. The administrators will recharge the total amount of interest paid back to the employer</p>	<p>Calculation will be provided – payment due is as invoiced within 30 days of receipt of invoice</p>

## EMPLOYER CONTRIBUTION RATES / ADDITIONAL EMPLOYER ASSISTANCE & ASSOCIATED COSTS

### Employers Contribution Rates

Employers' contribution rates are not fixed. Employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.

The London Borough of Hackney has an actuarial valuation undertaken every 3 years by the Fund's actuary. The actuary balances the fund's assets and liabilities in respect of each employer, and assesses the appropriate contribution rate for each employer to be applied for the subsequent 3 years.

### Additional Employer Assistance & Associated Costs

The cost of running the London Borough of Hackney Pension Fund is charged directly to the Fund, and the actuary takes these costs into account in assessing the employers' contribution rates.

If an employer wishes the \*London Borough of Hackney to carry out work not attributable to pension's administration they will be charged directly for the cost of that work.

**The following functions have been designated Employer Functions – this means that they are outside of the normal scope of pension administration responsibilities for the Fund but the Administering Authority is willing to assist employers with these services.**

**They will be subject to a charge depending on the level of work required and whether external suppliers have to be engaged such as the Fund's Actuary, Occupational Health, etc.**

Function/Task	Description & Associated cost
*Redundancy & Severance calculations (excluding/including pension calculation)	Information, guidance, calculations and the preparation of associated paperwork for employee signature and payroll instructions
*Efficiency Retirements	Cost – 1 estimate per employee, per rolling 12 month period is provided free of charge. Subsequent requests from the employer due to a change of circumstance (e.g. last day of service, change of earnings) will be charged at £50 per case
*Flexible Retirements	
Ill health retirements & Tier 3 awards.	Monitor and review tier 3 ill health awards to cessation, liaise with Occupational Health Services, and provide support at the IHRP meetings to determine cessation of benefits or a potential uplift in benefits  Cost – as charged by the Occupational Health Service used for each case

Function/Task	Description & Associated cost
Injury payments	<p>Calculation and payment of injury awards</p> <p>Cost – standard administration charge £100 plus any cost as invoiced from the Actuary + any chargeable Actuary time as invoiced</p>
FRS17/IAS19	<p>Provision of data required for FRS17/IAS19 calculations to the Actuary, plus any chargeable Actuary time</p> <p>Cost – standard administration charge £100 Plus as invoiced from the Actuary + any chargeable Actuary time as invoiced</p>
Admission Agreements	<p>Setting up and amendment of admission agreements for Contractors/new Employers admitted to the Fund</p> <p>Cost – standard administration charge of £100 plus as invoiced from the Actuary/Legal + any chargeable Actuary/Legal time as invoiced, if required</p>
Cessation & Interim Valuations	<p>Provision of data required for interim and/provision of data required for interim and/or cessation valuations</p> <p>Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced</p>
Academy Conversions	<p>Any work related to this requiring input from the Administering Authority</p> <p>Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced</p>
Legal Work & non-standard actuarial work	<p>Any work in relation to this requiring input from the Administering Authority – e.g. contract review on outsourcing, employer policies, TUPE &amp; future pension provision etc.</p> <p>Cost – as invoiced from the Actuary/Legal + any chargeable Actuary/Legal time as invoiced</p>

\* the London Borough of Hackney Pensions Team, upon receipt of **accurate information** on the **appropriate estimate request form** in relation to an active member, or employee not in the LGPS, retiring due to age, redundancy, efficiency or flexible retirement, can provide 1 free estimate per member/employee, per 12 month rolling period.

Estimates are normally returned to the requesting employer within 20-30 working days of the receipt of the request – timeframe is dependent on checking employee employment/pension records, complexity of each case and the number of requests received at any one time.

## SERVICE AND COMMUNICATION IMPROVEMENT PLANNING

---

As set out earlier in this Administration Strategy, the Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members. This can only be achieved through continuously reviewing and improving the service. Communication between the Fund and scheme employers is key to providing the service and is therefore an important aspect of service improvement planning.

Equiniti Pension Solutions and the Council's in-house pension team work together on a programme of continuous improvement to the service.

The monitoring of the performance standards set out in this document will inform the programme going forward and feedback from scheme employers on the service and the way in which the Fund communicates is welcomed in developing plans. Feedback should be e-mailed to: [pensions@hackney.gov.uk](mailto:pensions@hackney.gov.uk).

The Fund will take responsibility for improving the service and determining the balance between implementing service improvements and the goal of providing a value for money service for the Fund.

Employers will be informed of any changes to the service provision which affect the way they interact with the Fund.

## CONSULTATION AND REVIEW PROCESS

---

In preparing this Administration Strategy the Fund has consulted with all the scheme employers with active contributors in the Fund. The strategy will be reviewed every 2 years and more frequently if there are changes to the Scheme regulations or requirements. All scheme employers will be consulted before any changes are made to this document.

The latest version of this document can be accessed from the Fund website <http://hackney.xpmemberservices.com>

DRAFT



# LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

---

The Regulations in relation to the Pension Administration Strategy are contained in the Local Government Pension Scheme Regulations 2013, and are set out below:

## Pension administration strategy

**59.** (1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters, or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

- (a) keep its pension administration strategy under review; and
- (b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

- (a) its pension administration strategy; and
- (b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer

### **Payment by Scheme employers to administering authorities**

**69.**—(1) Every Scheme employer must pay to the appropriate administering authority on or before such dates falling at intervals of not more than 12 months as the appropriate administering authority may determine—

- (a) all amounts received from time to time from employees under regulations 9 to 14 and 16 (contributions);
- (b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;
- (c) a contribution towards the cost of the administration of the fund; and
- (d) any amount specified in a notice given in accordance with regulation 70 (additional costs arising from Scheme employer's level of performance).

(2) But—

- (a) a Scheme employer must pay the amounts mentioned in paragraph (1)(a) within the prescribed period referred to in section 49(8) of the Pensions Act 1995**(41)**; and
- (b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (management of pension fund)**(42)**.

(3) Every payment under paragraph (1)(a) must be accompanied by a statement showing—

(a) the total pensionable pay received by members during the period covered by the statement whilst regulations 9 (contributions) applied (including the assumed pensionable pay members were treated as receiving during that period),

(b) the total employee contributions deducted from the pensionable pay referred to in subparagraph (a),

(c) the total pensionable pay received by members during the period covered by the statement whilst regulation 10 applied (including the assumed pensionable pay members were treated as receiving during that period),

(d) the total employee contributions deducted from pensionable pay referred to in subparagraph (c),

(e) the total employer contributions in respect of the pensionable pay referred to in subparagraphs (a) and (c),

(f) the total additional pension contributions paid by members under regulation 16 (additional pension contributions) during the period covered by the statement, and

(g) the total additional pension contributions paid by the employer under regulation 16 (additional pension contributions) during the period covered by the statement.

(4) An administering authority may direct that the information mentioned in paragraph (3) shall be given to the authority in such form, and at such intervals (not exceeding 12 months) as it specifies in the direction.

(5) If an amount payable under paragraph (1)(c) or (d) can not be settled by agreement, it must be determined by the Secretary of State.

---

### **Additional costs arising from Scheme employer's level of performance**

**70.** (1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and

(c)where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

DRAFT

<b>REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES</b>		
<b>Pension Fund Risk Register</b>  <b>Pensions Board</b> <b>21<sup>st</sup> March 2018</b>	Classification <b>PUBLIC</b>	Enclosures  Two
	Ward(s) affected  <b>ALL</b>	<b>AGENDA ITEM NO.</b>

**1. INTRODUCTION**

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

**2. RECOMMENDATIONS**

2.1 The Pensions Board is recommended to note the report.

**3. RELATED DECISIONS**

- Pensions Committee 4<sup>th</sup> December 2017 – Updated Pension Fund Risk Register
- Pensions Committee 24<sup>th</sup> 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 the Board and 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 the Pensions Committee, and hence the oversight role of the Board. 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 management of the risks associated with administering the Pension Fund would appear to properly fall within the Committee's functions, and therefore also within the purview of the Board.
- 5.3 There are no immediate legal implications arising from this report.

## **6. BACKGROUND**

- 6.1 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.
- 6.2 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. Board Members are reminded that the Pensions 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
- 6.3 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 3<sup>rd</sup> 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  
Financial Considerations: Michael Honeysett ☎020-8356 3332  
Legal Comments: Stephen Rix ☎020-8356 6122

## **Appendix**

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



# 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 73 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"> <li>• Cedar (accounting)</li> <li>• HSBCnet (custodian)</li> <li>• LloydsLink, RBS Bankline, Paris, Daisy, Bottom Line BACS uploads (banking)</li> <li>• PS live, King &amp; Shaxson, ICD Portal (treasury)</li> <li>• Compendia, Resourcelink (pensions)</li> <li>• Enterprise/Stars (insurance),</li> </ul> <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

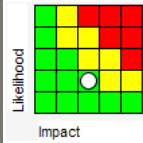
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRTP 0809 0004 A BIA/BCP and manual processes	All teams complete a Business Impact Analysis to assess timescales/impact of system failure etc. The Financial Services Business Continuity Plan (currently 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.

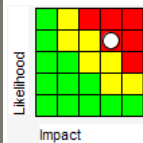
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 1213 0005A Continuity of team and ability cover different roles plus appropriate pay levels	Ensure continuity by having other members of the team able to cover essential functions such as Treasury 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.
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
---------------	---------------------	---------------------	-----------------	----------	-----------------------

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.

Page 77

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

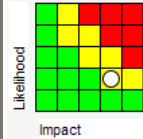
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
FRFSV 1213 0052A Budget Monitoring	Controls budget monitoring, performance fees, monthly budget monitoring, financial intelligence, etc.	Michael Honeysett	Pradeep Waddon/Michael Pegram/Julie Stacey/Rachel 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 78 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 <sup>st</sup> 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
--	---	-------------------	---	-------------	------------------------

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

Page 79

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"> <li>• Compliance with the Council’s ICT policy</li> <li>• Use of encrypted email for sensitive data</li> <li>• Use of confidential waste disposal</li> <li>• Use of secure courier to transmit sensitive hard copy files</li> <li>• Appropriate access control measures</li> <li>• Redaction of personal information where required.</li> </ul>	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"> <li>• Third parties are GDPR compliant</li> <li>• Secure methods of data for sensitive data transmission/storage built into contract</li> <li>• Appropriate risk sharing between the Council and the third party supplier is in place.</li> </ul>	Ian Williams	Michael Honeysett/Pradeep Waddon/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing

Page 80



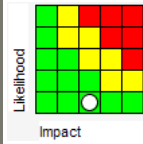
FR FSV 1213 010C Data Protection – Training	Tailored training to be provided to Financial Services staff, Pensions Committee and Pension Board Members	Ian Williams	Michael Honeysett/Pradeep Waddon/Julie Stacey/Michael Pegram/Rachel Cowburn	31-Dec-2018	Added November 2017 – Board training completed; refresher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

## PENSION FUND – ADMINISTRATION

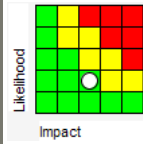
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0003 T & P - Poor stakeholder engagement  Page 82	Poor communication with stakeholders giving rise to disaffection and actions against Council	Finance & Corporate Resources		<p>Reviewed November 2017 – Rating 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

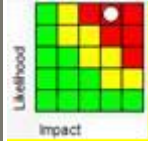
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
------------	---------------------	-------------	---------------------	--------------------

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.
---	---	-------------------------------	---	--

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.

Page 84

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
--	---	-------------------	-----------------------------	-------------	------------------------

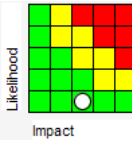
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
Page 85 FSV 1213 0050 Pension Administration Risk	Risks arising from administration of pensions by employers, the administering authority and the pension administrator. Poor administration could lead to incorrect pension 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 <sup>st</sup> 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.

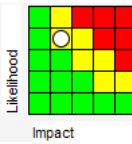
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1213 0054 Auto Enrolment Risk	Workplace Pensions or Auto-Enrolment came into effect 01/10/12 making auto-enrolment compulsory for all employers, albeit with different staging dates for implementation. LBH's staging 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
Page 86 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
------------	---------------------	-------------	---------------------	--------------------

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.
---	---	-------------------------------	---	--

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
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 87</p> FR FSV 1314 001 Teachers' Pension Scheme (TPS) changes and data management	<p>The 2015 changes to the Teachers' Pension Scheme have generally been successfully implemented. However, ongoing risks remain around transition members (those due to transition to the new scheme in the future) and the timing of those transitions.</p> <p>Additionally, auto-enrolment and scheme changes increase the risk that the data held by external payroll providers and Teachers Pensions is incorrect, which could result in the Council being held liable for backdated contributions. This could impact on both the Council's finances and its reputation.</p>	Finance & Corporate Resources		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.

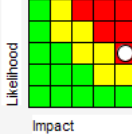
Page 88

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..

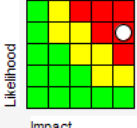


	policy statement is included in the Annual Report & Accounts				
FR FSV1213 0055D Governance Risk D – Succession Planning for Committees	Continuity of membership on the Corporate and Pensions Committees and the Pension Board for at least a portion of the Membership will ensure that knowledge and skill 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 90</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"> <li>• Transition risk – the Fund incurs excessive additional cost as a result of transition to the pooled arrangement, resulting in a loss of value</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Strategy risk – the Fund’s chosen asset pool does not deliver suitable investment strategies to allow the fund to meet its objectives</li> </ul>	<p>Finance &amp; 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>

<b>Control Title</b>	<b>Control Description</b>	<b>Responsible Officer</b>	<b>Service Manager</b>	<b>Due Date</b>	<b>Control - Latest Note</b>
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"> <li>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.</li> <li>Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.</li> <li>Currency risk – The risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities).</li> <li>Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate long-term returns.</li> <li>Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.</li> </ul> <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"> <li>The Fund’s strategic asset allocation benchmark invests in a diversified range of asset classes</li> <li>Rebalancing arrangements in place to ensure the Fund’s “actual allocation” does not deviate substantially from its target</li> <li>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</li> </ul>	Michael Honeysett	Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing.

FR FSV 1718 001B - Cashflow monitoring	<ul style="list-style-type: none"> <li>Investment across a range of assets, including liquid quoted equities and bonds, as well as property</li> <li>Majority of the Fund's assets realisable at short notice</li> <li>Medium term future cash flow position assessed at least triennially to indicate likely future income requirements.</li> <li>Actual cashflows monitored on a regular (quarterly) basis to provide early warning of any insufficient</li> </ul>	Michael Honeysett	Rachel Cowburn	31-Dec-2018	Added November 2017 - ongoing.
FR FSV 1718 001C - Currency hedging	<ul style="list-style-type: none"> <li>Investment in a range of overseas markets, providing a diversified approach to currency markets.</li> <li>Maintenance of a 50% hedge to USD, EUR and JPY exposures within active global equity mandates.</li> </ul>	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"> <li>Appointment of more than one manager</li> <li>Having a proportion of the Scheme's assets managed on a passive basis.</li> <li>Regular assessment of performance</li> <li>Replacement of managers if underperformance persists</li> </ul>	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"> <li>Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.</li> <li>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.</li> </ul>	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"> <li>Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.</li> <li>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.</li> </ul> <p>Further detail on the treatment of funding risks can be found within the Funding Strategy Statement</p>			
--	---	--	--	--

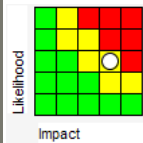
Control Title	Control Description	Responsible Officer	Service Manager	Due Date	Control - Latest Note
Page 94 FR FSV 1718 002A – Asset Liability Monitoring	<ul style="list-style-type: none"> <li>Strategic asset allocation underpinned by by asset liability modelling (ALM), focused on the probability of success and downside risk</li> <li>Risks assessed relative to the strategic benchmark by monitoring the Fund’s asset allocation and investment returns</li> <li>Risk assessed relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.</li> <li>Some investment in bonds assists in liability matching</li> <li>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)</li> </ul>	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"> <li>financial mismatch</li> <li>falling risk free returns on govt bonds</li> <li>higher than anticipated inflation.</li> <li>Increasing fund maturity</li> <li>Insufficient deficit reduction payments</li> </ul>	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.
--	--	-------------------	----------------	-------------	--------------------------------

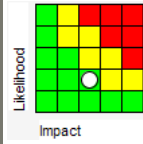
Risk Title	Description of Risk	Directorate	Current Risk Matrix	Risk - Latest Note
FR FSV 1718 003 T & P – Other provider risks  Page 95	<p>Other provider risks include:</p> <ul style="list-style-type: none"> <li>Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.</li> <li>Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.</li> <li>Credit default - The possibility of default of a counterparty in meeting its obligations.</li> </ul> <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
------------	---------------------	-------------	---------------------	--------------------

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.
---	---	-------------------------------	---	---

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				
--	--	--	--	--	--

## 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*

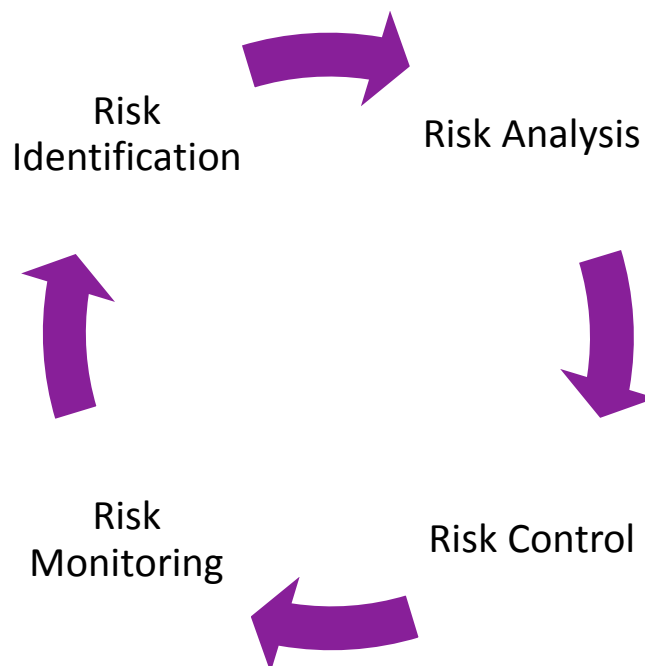
Hackney Council adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to London Borough of Hackney Pension Fund. This Risk Policy highlights how the Administering Authority strives to achieve those principles through use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

<b>Potential impact if risk occurred</b>	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  
4<sup>th</sup> Floor, Hackney Service Centre  
1 Hillman Street  
London E8 1DY  
E-mail [rachel.cowburn@hackney.gov.uk](mailto: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](mailto:pensions@hackney.gov.uk) (Governance)

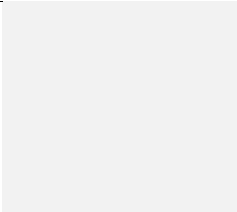
[hackney.pensions@equiniti.com](mailto:hackney.pensions@equiniti.com) (Administration)

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

Hackney Council Website: [www.hackney.gov.uk](http://www.hackney.gov.uk) (Minutes, Agendas, etc.)

## Appendix: Key Internal Controls

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



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



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





<b>REPORT OF THE GROUP DIRECTOR, FINANCE &amp; CORPORATE RESOURCES</b>		
<b>GMP Reconciliations</b>	<b>Classification</b> <b>PUBLIC</b>	<b>Enclosures</b>
	<b>Ward(s) affected</b>	<b>One (Exempt)</b>
<b>Pensions Board</b> <b>21<sup>st</sup> March 2018</b>	<b>ALL</b>	<b>AGENDA ITEM NO.</b>

## 1. INTRODUCTION

- 1.1 This report provides the Pensions Board with an update on the Fund’s GMP reconciliation (Guaranteed Minimum Pensions) exercise, which is being undertaken to ensure that scheme member records for periods spent contracted out of the second state pension are properly accounted for. The report provides an update on the progress of Phase 2 of the reconciliation exercise and outlines factors for considering and agreeing an increase in the Phase 2 budget, and consider the proposal for the final phase of the project - Phase 3 – Certification & Rectification.

## 2. RECOMMENDATIONS

- 2.1 The Pensions Board is recommended to note the report

## 3. RELATED DECISIONS

- Pensions Committee 21<sup>st</sup> March 2018 – GMP reconciliation update
- Pensions Committee 29<sup>th</sup> March 2017 – GMP reconciliation exercise
- Pension Board 20<sup>th</sup> March 2017 – GMP Reconciliations
- Pension Board 26<sup>th</sup> January 2016 – GMP Reconciliations – Update and Training
- Pensions Committee 21<sup>st</sup> September 2015 – Pensions Update

## 4.1 COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

- 4.1 This report sets out for the Pensions Board the issues faced by the Fund as it tries to reconcile historical data for its scheme members for periods during which they were contracted out of the second state pension.
- 4.2 At this time it is difficult to quantify the full financial impact of the GMP data reconciliation exercise, but the Fund has commenced initial investigative phases, using the Fund’s external administrators to match the data held on the pension administration system and that held by HMRC.
- 4.3 Whilst the cost of undertaking a GMP reconciliation exercise is likely to be significant, failure to undertake this work would result in the Fund being made responsible for the payment of any GMP liability that HMRC deems to be associated with it. Indications are that the differences between the Fund’s administration data and HMRCs records

are considerable, exposing the Fund to significant risk if no reconciliation exercise is undertaken.

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

## **5. COMMENTS OF THE DIRECTOR, LEGAL**

- 5.1 As quasi-trustees of the Pension Fund, the Pensions Committee have a fiduciary duty to ensure that the Fund is well managed. The end of contracting out and consequent requirement for pension funds to undertake GMP reconciliation exercises could have considerable implications for the Fund's liabilities, whilst the costs of carrying out a reconciliation exercise can be substantial. Given the potential impact on the Fund, It is consistent with the responsibilities of the Pension Board to review the approach taken by the Committee in this area.
- 5.2 There are no immediate legal implications arising from this report.

## **6. GMP RECONCILIATION - BACKGROUND**

- 6.1 From 6<sup>th</sup> April 2016 the government introduced the new State Pension (nSP). This was designed to radically simplify pension provision, removing layers of complexity whilst ensuring security in retirement. Amongst the provisions removed was the Additional State Pension (AP), an earnings-related element of the old system. Members of defined benefit occupational schemes such as the LGPS were able to 'contract out' of this element, permitting both employee and employer to pay lower National Insurance contributions as a result. In exchange, schemes guaranteed to provide members with a pension at least as high as they would have received had they not been contracted out. This guaranteed amount is the GMP; it applies to all those who were contracted out between 6 April 1978 and 5 April 1997.
- 6.2 Currently, HMRC offers a service whereby schemes can check their GMP records against those held by HMRC and resolve any differences. HMRC have announced that this will be scaled back considerably in April 2018. In December 2018, HMRC plans to write to all scheme members for whom its records indicate a GMP liability with details of the amount owing and the scheme responsible for payment. Following this, the Scheme Reconciliation Service (SRS) will be withdrawn altogether, with no further support offered for GMP queries. Where schemes have not undertaken a reconciliation of their contracted out liabilities, HMRC takes the stance that its own calculations are final; schemes will become responsible for any GMP liabilities which HMRC believe they hold.
- 6.3 The reconciliation of GMP values is not a mandatory regulatory requirement; however the Fund faces significant risks if its GMP liabilities are not reconciled before the withdrawal of support for queries by HMRC in December 2018. These include:
- Incorrect calculation of GMPs by HMRC, potentially increasing the fund's overall liabilities
  - Assumed liability for GMPs if HMRC holds records for a fund that are not the fund's responsibility
  - Unexpected increase in liabilities if the Fund does not hold records of all the liabilities it is responsible for

- Breach of The Pensions Regulator's (TPR) code of practice regarding record keeping
- Over and underpayment of pension benefits to individual scheme members
- Queries following HMRC notifications to scheme members in 2018
- Reputational issues

6.4 Officers have been working with the pension administrators, Equiniti and the Fund's benefits consultant, AON on a phased reconciliation project. The project is being undertaken by a specialist team within Equiniti's discontinuance department, and is separate from the main administration service provided to the Fund. It is run on a phased basis, with the scope and estimate costings being agreed for each phase prior to approval.

## 7. GMP RECONCILIATION PROJECT - UPDATE

7.1 As reported in March 2017, Phase 1 of the project was completed which involved requesting and receiving data from both HMRC and the Fund's administrator, a bulk analysis to identify sets of defined queries e.g. records that appear on Compendia, the administration system but not on HMRC's NICO database and vice versa. This also included any records for which the NICO data is insufficient, incorrect or missing and all initial queries submitted in bulk to HMRC for analysis. Phase 1 of the project was completed within the agreed budget of £28,000.

7.2 The project proposal and budget of £208,096 for Phase 2, was presented to Pensions Committee in March 2017. The scope of the work and budget were agreed and work commenced, and still continues, on:

- Finalising the '*in scope membership*' for the project by resolving queries over disputed membership (i.e. those records which appear on one database but not the other)
- Agreeing GMP amounts and State Scheme Premiums for records already matched (i.e. members definitively in scope as records appear) on both databases
- Identifying corrections to data anomalies or populating missing data items in either data set

7.3 In Q1 of 2017/18, Equiniti conducted an analysis on the 'Gap' members (i.e. members whose status changed between the date of the initial data run of April 2016 and April 2017), to assess the additional members to be brought into the scope of Phases 2 & 3 of the project. This analysis identified a further 353 pensioners and 1,049 deferred members to be brought into scope. In addition, it was agreed to analyse the Funds active membership of 7,531 (as at April 2017) to assess the number of active records that needed to be brought into the project, and this analysis was completed at an agreed cost of £2,325, increasing the Phase 2 budget to £210,421.

7.4 Further analysis undertaken on the additional records against HMRC's NICO system, during Q2 & Q3 of 2017/18, has identified a significant increase in the number of records that need to be included in the scope of the project. These include not only the 8,933 additional records (see 7.3) but also those records that appear on NICO but not on the administration record (Not on Admin) and also those that appear on the administration record but not on the NICO extract (Not on NICO), as this makes up the overall '*in scope*' numbers. Indications are there are 10,834 records to bring

into scope, taking the total to 27,600 from the initial number of 16,706. A breakdown of the additional 'in scope' records is as follows:

5,963	Records <b>corresponded</b> and appeared on <b>both</b> the Admin and on NICO records
421	Records on the NICO file but did not appear on the Admin records
4,450	Records appeared on the Admin records but did not appear on the NICO records
<b>10,834</b>	Is the total number of "in scope actives" that need addressing

- 7.5 The result of including the 'actives' in the project, has not only increased the records requiring investigation, and possible rectification, but has severely impacted on the Phase 2. A breakdown of the cost so far is provided below:

<b>Period (2017/18)</b>	<b>Costs/reported spend (£)</b>
Q4 (2016/17) – March (start of Phase 2)	12,750
Q1 – April to June	91,729
Q2 – July to September	102,659
Q3 – October	2,743
<b>Total spend</b>	<b>209,881</b>

- 7.6 During Q3 the Phase 2 budget was exhausted, but due to the time constraints on the project, Equiniti have continued to work 'at risk' during the remainder of October and into early December 2017, and as such have accumulated further costs which the Fund is yet to be invoiced for. In order not to accumulate any additional '*unauthorised*' cost, the project has been paused and but it is now '*at risk*' of not being completed on time or not at all, if the increase in budget is not approved.
- 7.7 Costs for completing Phase 2 are shown at Appendix 1 to this report. Whilst the additional cost is significant and is mainly due to the inclusion of the active membership, failure to undertake this work would leave the Fund exposed to the risks described in section 6.3 of this report. As the increase in budget is significant, officers of the Fund have requested further information on the active members in scope, as it is understood that the current estimates relate to all active members, rather than those with pre-1997 service only.
- 7.8 If, by the date of the Committee, members and officers are satisfied that the cost estimates presented are reasonable, the Committee will be asked to consider formal approval for the increase in budget for completing Phase 2, so that work can immediately commence to get the project back on track and completed within the deadline. Officers will receive a monthly report from Equiniti detailing progress made and costs incurred; summaries of these reports can be provided to the Committee as required. Additionally, Equiniti will provide a budget tracker as set out in Appendix 1.
- 7.8 Phase 3 of the project is the Certification and Rectification of the Fund's administration data and benefits:

- Certification – ‘all in scope’ records; records on the administration system to have indicator that data is fully reconciled and whether or not any changes have been made & what those changes are
- Rectification – ‘some in scope’ records; the physical change to the data and and/or any payments made/changes in benefits.

7.9 The detailed proposal set out in Appendix 2, breaks this phase into several ‘sub-phases’ to gather information and develop scheme specific calculations in order to assist the Fund in making informed decisions as the work progresses. Each phase will have its own associated costs that will need to be monitored.

- Phase 3a – Initiation  
Comparison of pension & GMP values, provides high level view of cases that can be rectified using an agreed automated method, or are more complex and need to be rectified manually
- Phase 3b – Certification  
Indicator added to member records confirming a reconciliation has been undertaken – several cycles of this will need to be done as records are agreed/matched/cleared
- Phase 3c – Pilot Phase  
Enhanced comparison of complex data from Phase 3a – to reduce number of cases needing manual rectification
- Phase 3d – Rectification casework  
Physical amendments to the admin system and necessary corrections to benefits in payment

7.10 Equiniti have indicated that once ‘sub-phases’ 3a and 3c have been actioned, it will give the Fund a more realistic timescale and budget estimate for the future rectification work in 3d. They have also set out a recommend approach (as detailed in Appendix 2, page 14) in the form of ‘data cycles’. A series of ‘notification caps’ set at each data cycle, will assist the Fund in monitoring the on-going costs for Phase 3.

7.10 Therefore, Pensions Committee will be asked to consider formal approval for Equiniti to commence sub-phase 3a. The ‘notification cap’ of this first data cycle is estimated at £4,960, this is for the preparation a first version of the Certification and Rectification approach, including project management.

7.11 The Fund will need to formulate its own ‘Rectification Policy’; by considering rectification tolerance levels, identify any priority cases, dealing with cases of under and/or over payment of pensions, any budget constraints to rectify benefits already in payment and any member communications. As Phase 3 progresses, and decisions and policies are required, officers will bring the reports and recommendations to Committee as necessary.

7.12 The provision of accurate cost information for the project as a whole is a particular challenge associated with GMP reconciliation. The work is time intensive, and as the project progresses the costs will increase as we filter the data and approach the rectification of member benefits. Until the details of the extent of the discrepancies are known, the Fund is reliant on estimated costings.

Ian Williams

## **Group Director, Corporate Finance and Resources**

Report Originating Officers: Julie Stacey ☎020-8356 3565

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Stephen Rix ☎020-8356 6122

EXEMPT - Appendix 1 – rationale for increase in budget for completing Phases 2

EXEMPT - Appendix 2 – proposal for Phase 3 & estimated costs



<b>REPORT OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES</b>		
<b>END OF ADMINISTRATION REPORT – 2014 -2018</b>	<b>Classification</b> <b>PUBLIC</b>	<b>Enclosures</b>  N/A
	<b>Ward(s) affected</b>  <b>ALL</b>	<b>AGENDA ITEM NO.</b>
<b>Pensions Board</b> <b>21<sup>st</sup> March 2018</b>		

## 1. INTRODUCTION

- 1.1 The purpose of this report is to detail the role of the Pensions Committee and summarise its key activities over the 2014-2018 administration. These help demonstrate for the Board the range of decisions taken by the Pensions Committee over the medium term.

## 2. RECOMMENDATIONS

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

## 3. RELATED DECISIONS

N/A

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

- 4.1 The Pensions Committee acts in the capacity of quasi trustee for the Pension Fund and its Administering Authority, the London Borough of Hackney. It is responsible for the management of nearly £1.5bn of assets and for ensuring the effective and efficient running of the Pension Fund. The decisions taken by the Committee impact directly on the financial standing of the Fund and on its ability to meet its liabilities (pension benefit payments). The decisions taken by the Pensions Committee may therefore impact the contribution rates payable by all participating employers, including the Council as the Fund's largest employer.

- 4.1 Overview of the range and outcomes of decisions taken by the Pensions Committee lies within the remit of the Pensions Board

## 5. COMMENTS OF THE DIRECTOR, LEGAL

- 5.1 The Council's Constitution gives the Pensions Committee responsibility for a wide range of functions relating to management of the Council's Pension fund. In carrying out those functions the Committee must have regard to the various legislative obligations imposed on the Council as the Fund's Administering Authority, particularly by the suite of Local Government Pension Scheme (LGPS) Regulations. The LGPS Regulations also give local Pension Boards oversight powers in relation to their respective Pensions Committees.

5.2 The End of Administration report demonstrates how the Committee has undertaken and fulfilled its statutory and constitutional responsibilities during the 2014-2018 administration and therefore lies within the remit of the Pension Board.

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

## **6. BACKGROUND/TEXT OF THE REPORT**

6.1 The purpose of this report is to detail the role of the Pensions Committee and summarise its key activities and achievements over the 2014-2018 administration. The report places these achievements in the context of the considerable changes that have taken place across both the LGPS and wider local government.

6.2 A copy of the report will be made available at the Board meeting.

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 612



Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank