



PENSIONS COMMITTEE

Wednesday, 12th December, 2018

at 6.30 pm

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

Members:

Councillor Robert Chapman (Chair)
Councillor Michael Desmond (Vice-Chair)
Councillor Kam Adams
Councillor Polly Billington
Councillor Ben Hayhurst
Councillor Rebecca Rennison

Co-optees:

Jonathan Malins-Smith

Tim Shields
Chief Executive

Contact:

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Future Meetings
26 March 2019

The press and public are welcome to attend this meeting

AGENDA

Wednesday, 12th December, 2018

ORDER OF BUSINESS

Item No	Title	Page No
1	Apologies For Absence	
2	Declarations of Interest - Members to declare as appropriate	
3	Consideration of The Minutes of The Previous Meeting	1 - 8
4	Responsible Investment - Training/Discussion paper	9 - 12
5	LGPS Performance Universe Presentation	13 - 16
6	Alternative Credit - Strategy Decision	17 - 90
7	Third Party Administration Contract Implementation update	91 - 100
8	Pension Fund Risk Register and Policy Update	101 - 116
9	Pensions Fund Quarterly Update	117 - 146
10	Draft Pension Administration Strategy 2019/22	147 - 196
11	Training Needs Analysis	197 - 216
12	Pension Fund Treasury Management Strategy	217 - 224
13	Any Other Business Which in The Opinion Of The Chair Is Urgent	

14

Exclusion of The Press And Public

Proposed resolution:

THAT the press and public be excluded from the proceedings of the Pensions Committee 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.

ACCESS AND INFORMATION

Location

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

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

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

Facilities

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

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

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

Copies of the Agenda

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

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

Council & Democracy- www.hackney.gov.uk

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

- Mayor of Hackney
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RIGHTS OF PRESS AND PUBLIC TO REPORT ON MEETINGS

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

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

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

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

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

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

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

Providing oral commentary during a meeting is not permitted.

ADVICE TO MEMBERS ON DECLARING INTERESTS

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

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

- The Director of Legal and Governance Services;
- The Legal Adviser to the committee; or
- Governance Services.

If at all possible, you should try to identify any potential interest you may have before the meeting so that you and the person you ask for advice can fully consider all the circumstances before reaching a conclusion on what action you should take.

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

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

- relates to an interest that you have already registered in Parts A and C of the Register of Pecuniary Interests of you or your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner;
- relates to an interest that should be registered in Parts A and C of the Register of Pecuniary Interests of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner, but you have not yet done so; or
- affects your well-being or financial position or that of your spouse/civil partner, or anyone living with you as if they were your spouse/civil partner.

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

- Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you (subject to the rules regarding sensitive interests).
- You must leave the room when the item in which you have an interest is being discussed. You cannot stay in the meeting room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision.
- If you have, however, obtained dispensation from the Monitoring Officer or Standards Committee you may remain in the room and participate in the meeting. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a pecuniary interest.

3. Do you have any other non-pecuniary interest on any matter on the agenda which is being considered at the meeting?

You will have 'other non-pecuniary interest' in a matter if:

- i. It relates to an external body that you have been appointed to as a Member or in another capacity; or
- ii. It relates to an organisation or individual which you have actively engaged in supporting.

4. If you have other non-pecuniary interest in an item on the agenda you must:

- i. Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you.
- ii. You may remain in the room, participate in any discussion or vote provided that contractual, financial, consent, permission or licence matters are not under consideration relating to the item in which you have an interest.
- iii. If you have an interest in a contractual, financial, consent, permission or licence matter under consideration, you must leave the room unless you have obtained a dispensation from the Monitoring Officer or Standards Committee. You cannot stay in the room or public gallery whilst discussion of the item takes place and you cannot vote on the matter. In addition, you must not seek to improperly influence the decision. Where members of the public are allowed to make representations, or to give evidence or answer questions about the matter you may, with the permission of the meeting, speak on a matter then leave the room. Once you have finished making your representation, you must leave the room whilst the matter is being discussed.
- iv. If you have been granted dispensation, in accordance with the Council's dispensation procedure you may remain in the room. If dispensation has been granted it will stipulate the extent of your involvement, such as whether you can only be present to make representations, provide evidence or whether you are able to fully participate and vote on the matter in which you have a non pecuniary interest.

Further Information

Advice can be obtained from Suki Binjal, Director of Legal and Governance Services on 020 8356 6234 or email suki.binjal@hackney.gov.uk



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MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

WEDNESDAY, 12TH SEPTEMBER, 2018

- Councillors Present:** Councillor Robert Chapman in the Chair
Cllr Michael Desmond (Vice-Chair),
Cllr Kam Adams, Cllr Polly Billington and
Cllr Rebecca Rennison
- Co-optee** Jonathan Malins- Smith
- Apologies:** Councillor Ben Hayhurst
- Officers in Attendance:** Ian Williams (Group Director of Finance and Corporate Resources), Michael Honeysett (Director of Financial Management), Rachel Cowburn (Head of Investment & Actuarial Services) and Sean Eratt (Legal Services).
- Also in Attendance:** Henry Colthurst - Pension Board
Andrew Johnston - Hymans Robertson
Karen McWilliam – AON

1 Apologies For Absence

1.1 Apologies for absence were received from Councillor Hayhurst.

1 Declarations of Interest - Members to declare as appropriate

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

2.2 Councillor Adams declared a non-pecuniary interest as his partner was a member of the LGPS.

2.3 Karen McWilliam and Andrew Johnston declared a pecuniary interest in agenda item 11- Extension of Actuarial Services and Benefits Consultancy contracts.

3 Consideration of The Minutes of The Previous Meeting

RESOLVED that the minutes of the meeting held on 23 July 2018 were confirmed as a correct record.

4 Investment Strategy - Next Steps

4.1 Rachel Cowburn introduced the report detailing both liquid and illiquid opportunities available to institutional investors across the alternative credit asset class. Furthermore, a recommendation for the Pension Fund to make an allocation of

10% of the Fund's equity portfolio to alternative credit investment whilst also considering changes in the market environment since March 2017. It was emphasised that there was approximately £140m for re-allocation and a seminar would be arranged for Members providing more information on alternative credit strategy. There would also be further consultation with Members on the proposed options prior to the next meeting on 12 December 2018.

4.2 Andrew Johnston, Hymans Robertson, delivered a training session on alternative credit investment and a brief outline of the areas covered are below:

Where does alternative credit fit:

- Growth
- Short term and long term income
- Protection

Income asset universe – Return, risk and illiquidity

The strategic role of alternative credit

- Deliver absolute return with some predictability

Hunt for yield

The reliability of income

Alternative credit – types of assets included alongside traditional assets.

Multi- Asset Credit (MAC)

- What is multi –asset credit

Direct Lending

- What is direct lending - Issuer characteristics, capital structure, liquidity/term and loan purpose
- Direct lending: The structure - Debt and Equity capital

4.3 Councillor Billington enquired about the external factors influencing the proposed allocation to alternative credit and referred to the default analysis of ABS and the discrepancy in the default rate for the Dutch/Italian/Spanish RMBS. Mr Johnston stated that the proposals to invest in alternative credit were based on the future potential returns of the equity portfolio. The returns for equities had been positive so far however, this growth was not expected to continue in the future. Members were requested to consider the transfer of 10% of the Fund's passive equities portfolio to alternative credit to meet the Fund's objective of achieving full funding. With regard to the default rates, Mr Johnston stated that he would provide the correct rates following the meeting.

4.4 The Chair asked how the proposed allocation would impact on the Fund's de-risking strategy and whether there were other alternative assets such as bonds. Ms Cowburn stated that the funding level had increased from 77% but in recent months the level had ranged from 80% to 85%. In the previous quarter the estimated funding level of 86% had been revised down to 80% following submission of data. It was emphasised that bonds and gilts were fixed income securities that focused on liability whereas alternative credit had a potential return ranging from 4% to 6%. In addition alternative credit investments were predicted to outperform in the future and this investment class was in line with the Pension Fund's objectives.

4.5 In response to a question from Mr Malins-Smith, Mr Johnston confirmed that bonds rated higher than equities.

4.6 Councillor Adams enquired about the probability of a default, the open ended and closed ended investment structure and whether other Pension Funds had

invested in alternative credit. Mr Johnston explained that the economy in Western Europe was strong and as a result the default rate for alternative credit was low. Multi-asset credit are defined as a liquid asset and open ended investment. Private debt investments were considered close ended investments lasting for a period of 5 to 7 years. Direct lending opportunities had resulted from banks deleveraging and providing relatively attractive medium-term opportunities for investors lending to corporations. More Pensions Funds had been investing in alternative credit leading to a growth in this asset class and it was now considered an attractive investment opportunity.

4.7 Councillor Desmond requested that further information relating to alternative credit and the strategic reason for this investment be provided at the seminar. Mr Johnston stated that the purpose of the seminar was for the Committee to consider whether alternative credit would be a suitable strategy for the Fund and whether it would deliver returns.

4.8 Mr Colthurst expressed concern at the proposed reduction in the equity portfolio as the Fund was a long term investor and also the potential loss to the Fund from disinvesting from fossil fuel investments. It was suggested that the Fund could consider investing in 70% growth assets and 30% income assets. Mr Johnston stated that the Fund was currently cashflow positive and re-investment was necessary to generate income and reduce the funding gap.

4.9 Members agreed in principle to transfer 10% of the equities portfolio to alternative credit investments and that consideration should also be given to alternative investments such as high yield bonds and commercial real estate debt.

RESOLVED:

Approve in principle the below approach to implementation, following the decision in March 2017 to make a 10% allocation to alternative credit to be funded from the Fund's global passive equity portfolio:

- a. **consideration of illiquid private debt strategies as a suitable approach to meet the Fund's de-risking aims**
- b. **consideration of more liquid alternative credit strategies as a means of managing the drawdown requirements of an illiquid strategy**

5 Alternative Credit Options

5.1 Rachel Cowburn introduced the report on investment approaches to meet the Fund's current strategic aims of managing asset risk and reducing the Fund's exposure to equities. Ms Cowburn indicated that the companies listed at paragraph 7.6 of the report should be deleted as this information had not been made public by other London boroughs. Mr Eratt advised that the report had been published and the information was now public.

5.2 Councillor Desmond sought clarification regarding the average credit rating B+. Mr Johnston stated that B+ was considered an average rating for this portfolio and safe investment whilst a BB+ rating was below investment grade.

RESOLVED to:

Consider and note the report and the next steps in relation to the review of the private debt strategies available via both the London CIV and Project

Monument as the preferred approach to selecting a suitable private debt strategy.

6 Pension Fund Accounts

6.1 Rachel Cowburn introduced the post audit Annual Report and Accounts of the London Borough of Hackney Pension Fund for the year ended 31st March 2017. It was highlighted that the administration costs had increased from approximately £5m to £8m, which factored in the backdated contract pricing and inflation costs.

6.2 Mr Malins-Smith referred to page 61 of the report and enquired about the varied contributions rates paid by some members. Ms Cowburn stated that the contributions rates were set nationally and was currently at approximately 6.5%. The contribution rates for each employer were calculated based on the number employees within an organisation and the rates could also vary if an organisation had more higher earners.

6.3 Councillor Billington enquired in relation to the oversight and increase in administration costs. Ms Cowburn stated that the oversight had occurred due to a missed indexation price and that the administration costs included the backdated contract pricing. Officers were in the process of finalising the additional costs and this would impact on the administrative costs for 2018/19.

6.4 The Chair indicated that there would be some minor amendments to the Chair's introduction prior to publication.

RESOLVED

- 1. Note the final version of the Pension Fund Annual Report and Accounts**
- 2. Approve publication and distribution to interested parties.**

7 Pensions Committee - Annual Report of the Chair

7.1 Rachel Cowburn introduced the report detailing the role of the Pensions Committee and summarising the key activities and achievements in 2017/18. This demonstrated how the Committee had fulfilled its role effectively acting in its capacity as quasi-trustee of the Council's Pension Fund and the report would be presented to full Council in due course.

RESOLVED to note the contents of the report

8 Quarterly Update

8.1 **NOTED** Appendix 1 within the supplementary papers.

8.2 Rachel Cowburn introduced the report on the key quarterly performance measures, including an update on the funding position, fund governance, investment performance, responsible investment, budget monitoring, administration performance and reporting of breaches.

8.3 Ms Cowburn reported that approximately 650 Annual Benefits Statements for active scheme members had been issued within the deadline whilst approximately 6,500 statements had yet to be issued. In addition, the issues of submitting timely and accurate data to the Pension Fund had been an ongoing and significant issue for the Council. Since the implementation of the iTrent payroll system in July 2017 and the

ongoing issues with LGPS data, discussions had taken place with relevant Heads of Services and the quality of data received in the previous quarter had improved. It was believed that the underlying issues would be resolved in the near future. Mr Honeysett added that officers in HR Payroll and Pensions were working together to develop a new interface that would resolve the data issues.

8.4 The Chair reminded Members that at a previous meeting the Head of HR had committed to resolving the HR issues related to the quality of data.

RESOLVED to note the contents of the report.

9 Training Policy Review

9.1 Rachel Cowburn introduced the report considering potential improvements and changes to the Pension Fund's training policy which applied to Pensions Committee members and Board members, and senior officers responsible for managing the Fund. The potential changes included increasing the breadth and depth of the training on offer whilst ensuring that it remained accessible to all Members. Ms Cowburn added that the reclassification of the LGPS as a Retail client under MiFID II would have implications for the Pension Fund and all pensions training would now have to be recorded and disclosed on a regular basis. Officers had also explored online pensions training provision but no suitable provider had been identified.

9.2 Discussion ensued on how the current training could be improved. Members expressed that the contents and delivery of pensions training had to reflect Member's skills and knowledge with fewer use of jargons. It was suggested that Members have an individual training plan to reflect their different learning approaches and individual training needs. Members suggested a points approach to the training similar to CPD courses and an annual training programme to be circulated at the beginning of the municipal year outlining the areas to be covered during each training session. Members also indicated that the training material provided at meetings should also be made available electronically.

9.3 Ms Cowburn emphasised that the benefits of delivering training at Committee meetings ensured high attendance at training sessions and Member's gaining the appropriate knowledge and skills. Ms Cowburn stated that the Committee had to make best use of the limited training time available and that consideration would be given to carrying out a training needs assessment and analysis to identify Member's knowledge and skills and then produce individual training programs.

9.4 Mr Colthurst, Pensions Board, suggested listing core skills, identifying gaps in knowledge and skills and encouraging more online training. Ms Cowburn stated that The Pension Regulator offered an online Trustee toolkit training for trustees.

9.5 A member enquired whether there were any an accredited pensions courses for trustees. Ms Cowburn stated that there were no formal qualifications for pensions training.

9.6 The Chair reiterated that the pensions training policy had to be based on members' knowledge and skills. Mr Williams emphasised that a meeting had been arranged for next week to enable Members to feedback on future training and an update would be provided.

RESOLVED

- 1. Adopt the recommendations for improvements to training delivery set out in Section 8**

2. **Consider the options put forward in section 9 to increase the depth and breadth of training available, and agree which should be taken forward and how these should be incorporated into the Policy.**

10 The Pensions Regulator (TPR) Code of Practice Compliance

10.1 Rachel Cowburn introduced the report relating to the updated Compliance Checklist for the London Borough of Hackney Pension and advised that the TPR's Code of Practice for Public Service Pension Schemes had come into force on 1st April and all pension schemes had to consider compliance of the code.

10.2 Mr Colthurst commented that the list was too comprehensive and should be reduced to eleven key risks and updates provided regularly. Ms Cowburn stated that greater focus had been placed on good governance to minimise key risks involved in managing the Pension Fund however, the checklist could be reviewed and the information could be presented in a dashboard format. It was noted that an annual risk register was also submitted at the Pensions Committee.

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

(Karen McWilliam (AON) and Andrew Johnston (Hyman Robertson) declared a pecuniary interest and left the room during consideration of agenda item 11)

11 Extension of Actuarial Services and Benefits Consultancy contracts

11.1 Rachel Cowburn introduced the report recommending the approval of a two year extension for both the Fund's Actuarial Services contract and Benefits and Governance Consultancy contract. The option to extend was being utilised primarily to avoid a tender process for a new Fund actuary during the triennial valuation period. In addition the Fund's Investment consultancy contract was being re-tendered under the National LGPS Framework for Investment Consultancy Services in 2019/20 instead of a rolling contract.

11.2 Mr Colthurst enquired about the initial contract and further extension option of 3 years. Ms Cowburn stated that under the framework the option available had been a 4 year contract with an option to extend for a further 2 years.

11.3 In response to a question from the Chair, Ms Cowburn said that the investment consultancy would be re-tendered under a new framework.

RESOLVED

- **Approve the extension of the Actuarial Services Contract with Hymans Robertson for an additional two years to 31st October 2020**
- **Approve the extension of the Benefits & Governance Consultancy Contract with Aon for an additional two years to 31st October 2020**
- **Note plans to re-tender the Investment Consultancy contract during 2019-20**

12 Any Other Business Which in The Opinion Of The Chair Is Urgent

12.1 There was no other urgent business.

13 Exclusion of The Press And Public

RESOLVED

That the press and public be excluded from the proceedings of the meeting during consideration of the Item 14 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.

14 Consideration of the Exempt Minutes of the Previous Meeting

RESOLVED that the exempt minutes of the previous meeting held on 23 July 2018 be confirmed as a correct record.

Duration of the meeting: 6.30pm

Rabiya Khatun
Governance Services
020 8356 6279

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Responsible Investment – Training and Options Overview	Classification PUBLIC	Enclosures:
	Ward(s) affected ALL	
Pensions Committee 12th December 2018		

1. INTRODUCTION

1.1 This report provides the Pensions Committee with a broad overview of the Fund’s approach to Responsible Investment (RI) across two dimensions; sustainable investment and effective stewardship. The report considers applicable legislation and guidance and best practice across each dimension and sets out areas where the Fund could look to change and improve its approach. The report will be considered alongside a discursive training session delivered by Hymans Robertson’s RI team

2. RECOMMENDATIONS

2.1 **The Pensions Committee is recommended to:**

- **Note the report**
- **Consider priorities for improvement to the Fund’s approach to Responsible Investment**

3. RELATED DECISIONS

- Pensions Committee (27th June 2017) – Stewardship Framework – Engagement Overlay Options
- Pensions Committee (24th January 2017) – Voting and Engagement Overlay Services
- Pensions Committee (24th January 2017) – Investment Strategy Statement

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

4.1 Effective stewardship and sustainable investing are key components of the Fund’s investment approach. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund. Poor corporate governance and unsustainable business practices can impact on share prices and increases the risk that the Fund may experience a loss of value in its investments in the future.

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

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

5.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 Regulation 7 requires the Administering Authorities to publish and maintain an Investment Strategy Statement which includes, amongst other items, details of:

- The authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.
- The authority's policy on the exercise of the rights (including voting rights) attaching to investments.

5.2 In addition, Government guidance on the preparation and maintenance of the Investment Strategy Statement states that Administering Authorities should explain their policy on stewardship with reference to the Stewardship Code, the seven principles of which apply on a 'comply or explain' basis.

5.3 This report helps to demonstrate that the Fund regularly reviews and updates its policies with regards to ESG consideration and the exercise of voting rights, ensuring it remains compliant with the relevant LGPS Regulations and statutory guidance.

6. DEFINING RESPONSIBLE INVESTMENT

6.1 No consistent definition of Responsible Investment exists and the term has a variety of meanings. The UN Principles for Responsible Investment (PRI) uses a definition of responsible investment that emphasises the health of the market as a whole: *"Responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance factors, and of the long-term health and stability of the market as a whole. It recognises that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems."*

6.2 The subject of Responsible Investment has been considered by the Pensions Committee on a number of occasions. The Committee has aimed to reduce the extent to which the Fund is exposed to financial risk associated with Environmental, Social and Governance (ESG) factors but also to effectively express its views on ESG issues through the exercise of the Fund's voting rights and enhance the Fund's approach to engagement with its investee companies more generally. However, the rapid changes currently taking place across the sector have raised a number of questions about how RI approaches can best be delivered through the new pooled structures.

6.3 The report below considers the Fund's current approach across two dimensions of RI, sustainable investing and effective stewardship, and introduces for discussion practical ways in which these approaches could be improved.

7 SUSTAINABLE INVESTING

7.1 The term 'sustainable investing' refers to the idea that investors should recognise the potential financial impact of (ESG) factors in investment decision making. Under the LGPS (Investment and Management of Funds) Regulations 2016, the Fund is required to meet a minimum standard with regards to its position on sustainable investment and must disclose, in its Investment Strategy Statement, how social,

environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

- 7.2 The extent of investors' fiduciary duty with regards to ESG factors has been the subject of considerable debate in recent years. The Law Commission published a report, 'Fiduciary Duties of Investment Intermediaries', which offered guidance to investors on the circumstances under which they might have a fiduciary duty to consider ESG factors. A recent update to the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018, although not directly applicable to the LGPS, provided a further steer on the Government's view of the duties of trustees. It is therefore clear that investors are expected to take account of ESG factors where these are financially material and that such a stance should be assumed to be part of any compliant approach to this subject.
- 7.3 The Hackney Pension Fund takes an active approach to sustainable investing. The core legislative requirements are met via a clear statement on its approach to ESG factors within the Investment Strategy Statement, stating that the Fund will explicitly consider ESG factors in its decision making where these are financially material. The Fund, however, also takes a more active stance by using dedicated ESG reporting on a triennial basis to track its exposure to fossil fuel reserves and carbon emissions, and in 2016 set a target to reduce its exposure by 50% over 6 years.
- 7.4 The Fund could potentially look to improve this approach by acquiring a better understanding of some of its non-carbon related ESG exposures, and lending its support to broader industry initiatives, potentially through the Local Authority Pension Fund Forum (LAPFF).

8 EFFECTIVE STEWARDSHIP

- 8.1 Effective stewardship means investors acting as responsible and active owners, through considered voting of shares, and engagement with company management when required. The Hackney Pensions Committee has long taken an interest in being an active steward of its assets; however, as a relatively small investor the Fund has faced challenges in resourcing an active engagement programme and ensuring its views are properly reflected when voting shares. The Fund can therefore be viewed as being at a relatively early stage of its journey with regards to effective stewardship.
- 8.2 In common with many pension funds, The Fund currently delegates the exercise of its voting rights to its external equity managers, who are asked to comply as far as possible with the Fund's voting policies, most notably the request that its managers vote in line with alerts from the Local Authority Pension Fund Forum. However, the inefficiency of the investment chain and the introduction of asset pooling poses difficulties for the Fund in ensuring that its views are properly reflected.
- 8.3 The Fund now holds all of its equity assets (currently approx. 60% of total assets) through pooled funds. Whilst the exact structure of these vehicles varies, their pooled nature makes following individual investor preference extremely challenging as voting rights are exercised at pooled fund rather than individual investor level. Given this difficulty, the Pensions Committee has previously determined that pursuing a fund-level voting overlay approach is likely to be ineffective at this time.
- 8.4 Manager engagement is therefore essential if the Fund is to ensure its shares are voted in line with LAPFF alerts. The Fund is likely to have most traction where assets are actively managed and the Fund invests as part of a relatively small pool of

investors. Engagement with the London CIV is therefore a priority – the CIV currently requests that its third party vote in line with LAPFF alerts on a ‘comply or explain’ basis. Fund officers will monitor the effectiveness of this approach and step up engagement with the London CIV (together with other interested Boroughs) if necessary. It should be noted that the London CIV does not currently plan to use a pool level overlay approach to vote its shares.

- 8.5 The Fund also currently delegates broader engagement with investee companies around ESG issues to its external managers and to the Local Authority Pension Fund Forum (LAPFF), which comprises 79 local authority pension funds with combined assets of £230 billion. The Forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.
- 8.6 This arrangement remains appropriate in a pooled environment, and the Committee has stepped up its involvement in the LAPFF. However, it may be appropriate to consider further improvements to enhance this area of the Fund’s RI approach. Given the Fund’s size and available resources, use of an engagement overlay service is unlikely to prove economically viable at present. However, the Fund does conduct some company-specific engagement with its managers and a more formal approach to planning and reporting this could be considered to take a more active approach in this area

Ian Williams
Group Director, Finance & Corporate Resources

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial Considerations: Michael Honeysett ☎020-8356 3332

Legal Considerations: Sean Eratt ☎020-8356 6012

Background Papers

None



REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
LGPS Performance Universe Presentation	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	
Pensions Committee 12th December 2018		

1. INTRODUCTION

- 1.1 This report introduces a presentation from PIRC (Pensions and Investment Research Consultants) Ltd as the provider of the LGPS Performance Universe formerly delivered by WM (State Street)

2. RECOMMENDATIONS

The Pensions Committee is recommended to:

- **Note the report**

3. RELATED DECISIONS

- None

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

- 4.1 For the Fund to achieve its objective of reaching 100% funding over the longer term, it needs to be able to achieve the assumed returns on its investment portfolio. However, this must be considered in the context of the level of risk that the Fund is prepared to accept. Monitoring the Fund's performance relative to its peers will assist the Committee in understanding of the impact of investment performance, helping it to better manage investment risks and improve the efficiency of the Fund.

- 4.2 There are no direct financial implications arising from this report

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 5.1 The Council's Constitution gives the Pensions Committee responsibility for a range of functions, which under the terms of reference include:

- .To set the overall strategic asset allocation policy, the mandates to be given to the investment managers and the performance measures to be set for them
- To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles (Investment Strategy Statement).

- 5.3 The contents of this report help demonstrate that the Committee is adhering to its

Terms of Reference as set out in the Constitution. .

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 The Committee currently receives its quarterly investment performance reporting from Hymans Robertson. The reports assess the quarterly and annual performance of the Fund's managers, as well as the overall performance of the Fund for the most recent quarter, and the annual, 3 year and 5 year performances against the Fund's customised benchmark. Information on performance is also included within the Pension Fund Annual Report and Accounts.
- 6.2 Prior to 2016, the Fund received its performance reporting from WM/State Street. In addition to the reports described above, the service provided also included information on the Hackney Fund's performance relative to the other LGS funds in England and Wales. However, in 2016 WM ceased providing performance measurement for Local Authorities. Funds generally moved to receiving performance information from their custodians and investment consultants, leaving no single supplier immediately able to deliver the LGPS Performance Universe component.
- 6.3 Following the let of the National LGPS Framework for Investment Management Performance and Cost Monitoring and Reporting Services, PIRC Ltd have now been selected as the sole replacement supplier for the Universe. Funds have been able to appoint PIRC via direct call off using Lot 2 (LGPS Investment Performance Comparison and Reporting Services). The more funds that sign up with PIRC as the new supplier, the more useful the reporting becomes, as a wider range of comparative fund information can be provided. Take up has been particularly good in London, with Hackney the final London Fund to sign up.
- 6.4 The services provided by PIRC through the contract are as follows:
- The assimilation of historical client investment performance data (as provided to the client by the previous service supplier, or as otherwise supplied by the client)
 - The on-going collation of client investment performance data from all relevant sources (including but not limited to the client, their custodian and their asset managers as required)
 - The analysis of such data to provide overall investment performance of the client fund with respect both their own benchmark, the investment performance of the wider LGPS universe (i.e. the performance of all LGPS funds that are clients of the service) and any other specified investment performance benchmark
 - Basic attribution analysis of performance including allocating performance between strategic asset allocation/stock selection/manager selection discrepancies.
 - Ability to aggregate performance analysis, e.g. by asset class, including integration of overlays (e.g. currency hedging) on a pro rata basis if needed.
 - Quarterly and annual reporting of such performance to the client, annual reporting to include rolling 3, 5 year and 10 year investment performance

analysis against the specified benchmarks

- The maintenance of all historical client data
- Attendance at meetings as required by clients;

6.5 The Fund has now provided PIRC with the necessary data to commence reporting. Neil Sellstrom, of CIPFA, will be attending the Committee meeting to provide an overview of the reporting services offered and to answer any questions on the LGPS Performance Universe.

Ian Williams

Group Director, Finance & Corporate Resources

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Background Papers

None

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REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Third Party Administration Contract Implementation update	Classification PUBLIC	Enclosures Two
	Ward(s) affected	
Pensions Committee 12th December 2018	ALL	

1. INTRODUCTION

- 1.1 In January 2017 a procurement exercise commenced to identify a provider of Third Party Administration Services for the Hackney Pension Fund. The contract was due to commence 1st January 2018 for a period of 5 years, with the potential to extend this for up to a further 3 years. In May 2017 Equiniti, who were the existing third party administrator, were notified that they were successful in being awarded the new contract. Since then, the officers of the Fund, assisted by Aon, have been working with Equiniti to ensure the requirements of the new contract can, and are, being met. This report provides an update on progress made including the benefits of the new contract to the Fund and its stakeholders.

2. RECOMMENDATIONS

- 2.1 **The Pensions Committee is recommended to:**
- **Note the contents of the report and particularly the improvements the new third party administration contract will provide to the scheme members, employers and Hackney Council in its role as the administering authority to the Fund.**

3. RELATED DECISIONS

- Pensions Committee 6th December 2016 – Procurement of Third Party Pension Administration Services
- Pensions Committee 24th January 2017 – Third Party Pension Administration Procurement
- Pensions Committee 25th April 2017 – Procurement of Third Party Pension Administration Services

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

- 4.1 In recent years the benefits being offered by the LGPS have increased in complexity. However, recent advances in technology have expanded the ways by which administration can be carried out including how the benefits are communicated to scheme members. There is also much greater focus by the Pension Regulator (tPR), CIPFA and the LGPS Scheme Advisory Board, on ensuring good quality administration services including efficient and accurate data collection.

- 4.2 The review of Hackney Pension Fund's third party administration contract provided an opportunity to improve the standards of service for our scheme members, employers and the administering authority itself. The implementation period has been longer than hoped, but it is anticipated that this will result in a much higher standard of service than under the previous contract, but at a similar cost.
- 4.3 It will be critical for the officers of the Fund to continue the robust contract management to ensure that the final service improvements are implemented, that Equiniti continue to deliver the service to the standards required in the new contract and that the costs remain as outlined in their tender submission.

5. COMMENTS OF THE DIRECTOR OF LEGAL & GOVERNANCE

- 5.1 The responsibilities for the proper administration of the Fund have been delegated by the Council to the Pensions Committee with the assistance of Pension Board members and senior officers. This is an onerous responsibility given the complexity of the scheme and the difficulty to recruit sufficient experienced staff and, as such, the Committee previously decided to outsource much of this work to a private contractor. It is critical that this contract is monitored on an ongoing basis to ensure Equiniti are meeting their contractual requirements. This includes the Council's legal responsibilities in administering the fund, such as ensuring benefits are calculated in accordance with and paid within the timescales set out in legislation.
- 5.2 Not adhering to the overriding legal requirements relating to the administration of the Fund could impact on scheme members' benefits as well as services to the employers in the Fund. This could result in complaints and potential fines for maladministration.

6. BACKGROUND/TEXT OF THE REPORT

- 6.1 Equiniti was re-appointed as the successful provider of third party pension administration services following a robust tender process. They were advised of this re-appointment in May 2017 with a view to the new contract commencing 1st January 2018.
- 6.2 The requirements of the new contract included a number of changes and improvements to the services required, and these are laid out in a detailed specification of service. Some of the key elements of this, including the main improvements compared to the last contract, are outlined in Appendix 1. In addition, the new contract also includes a schedule of service standards, detailing the targets and timescales that must be adhered to, and the required reporting for specific tasks. This relates to processes involving scheme members, employers and other third parties such as HMRC. An extract of the service specification is in Appendix 2.
- 6.3 Since May 2017, the officers of the Fund, supported by Aon, have been working with Equiniti to ensure that the requirements of the new contract will be delivered. This has involved regular project meetings where Equiniti have evidenced their approach to each element of the specification. Unfortunately it has taken much longer than anticipated for the officers of the Fund to be assured that the requirements of the service specification are being met. However, most of the new service requirements have been met and signed off, enabling the contract to 'go live' on 1st July 2018.
- 6.4 The service requirements that are still being developed are:

- Data reports & on-line facilities - an employer interface file and secure portal facility for providing monthly information (see point 6.5)
- Engagement - an employer engagement strategy which will detail how Equiniti will engage with employers and provide support and education in respect to their responsibilities
- Communications - all communications such standard letters, forms and guides have been subject to a complete review, and improved versions are due to be implemented in the next few weeks. There is however still some ongoing work relating to a small number of letters and employer guides.
- Monthly reporting – Equiniti are required to provide a detailed monthly performance report to the officers of the Fund which details workloads, work completed and targets achieved, or if targets are not met they are to provide an explanation as to why. The report also highlights forthcoming projects, resources required and timeframes. The majority of the new reporting requirements has been developed, but some further work is required to ensure the information meets the expected standards.
- Member website and member self-service on-line functionality – these new facilities are very close to being signed off ready to launch to the membership. This will be a major improvement in how information is provided to scheme members and how members can access their own pension details directly.
- Greater quality controls and training – there is still some work to be done in this area to ensure compliance with the new contract (see point 6.6).

6.5 The most critical area of work that remains to be completed, relates to the employer interface and the overall strategy for engagement with employers. The Fund has, historically and still to date, had to deal with a number of major issues relating to data accuracy and compliance that have arisen from the data, or lack of data, that has been provided by Hackney Council in its capacity as an employer in the Fund (i.e. relating to employees of Hackney Council). The continued failure of Hackney Council to provide timely and accurate pension information to Equiniti has resulted in continued pressure on the administering authority try and rectify as much of the data as possible each year, a rise in the number of complaints from members of the LGPS, as well as the need for the Fund to report itself to the Pension Regulator for the last 3 years. The reason for this is that Fund has not been able to produce and issue the annual benefit statements within the regulatory timeframe, i.e. 31st August each year.

6.6 In July 2017, Hackney Council migrated their payroll from Northgate to Midland iTrent, and this change in provider has provided the opportunity for the officers of the Fund, Equiniti and Hackney Council ICT to focus efforts on building a suitable interface that will provide the detailed pension information that is required from Hackney Council to be sent to Equiniti on a monthly basis. The move to this monthly interface will be a major improvement, providing efficiencies for both Hackney Council and Equiniti, and much improved data quality.

6.7 The testing of this interface is now coming to a conclusion, albeit there is a large data cleansing exercise that will be required to match the information held by the Council's payroll system and the data held at Equiniti, before the monthly interface will be fully operational. This data cleansing is currently being carried out by Hackney Council payroll officers, Fund officers and Equiniti, and the success of the data cleansing will continue to rely on available, and additional, resources from all 3 of those areas. The current expectation is that the data cleansing will be complete in the next 2 to 3

months, with a view to the interface being fully functional in early 2019. It is critical that the interface is fully up and running before the 2018/19 year-end, in order to avoid another year of inaccurate data and delays which will then, once again, impact on the ability to issue annual benefit statements within the regulatory time-frame.

- 6.7 The officers of the Fund continue to have some concerns about the standard of quality controls, automation and training within Equiniti. In recent months there have been further examples of incorrectly calculated or communicated scheme benefits which have been highlighted to Equiniti by the administering authority, so they can take corrective action. This is a key part of the continued discussions with Equiniti, and will continue to be so as part of the monthly contract implementation meetings.

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List of appendices:

Appendix 1- Summary of specification of services and key improvements

Appendix 2- Extract of required service standards

Appendix 1 - Summary of specification of services and key improvements

	Area	Key improvements compared to previous contract
4	Relationship Management, Performance and Management Reporting	More comprehensive monthly reporting and service standards which include clearer targets and proactive reporting of all breaches of the law.
5	General Requirements	A greater customer focus, commitment to continual improvement and innovation, quality control and having appropriately skilled workforce.
6	Data and Record Keeping	New data checks at point of entry via a secure portal and development of a data improvement plan.
7	Other General Matters Relating to the Delivery of the Service	Greater clarity on exactly what is required in all of these areas and any limitations on the services being provided.
8	New Joiners and the 50/50 Scheme	
9	Additional Contributions and Benefits	
10	Transfers and Aggregation	
11	Pension Sharing and Earmarking Orders	
12	HMRC Restrictions	
13	Leavers	
14	Retirements	
15	Deaths	
16	Pensioner Payroll Services	
17	Accounting and Banking	Improved accounting processes, including details of transfer values and other financial information recorded at individual employer level.
18	Communication	<p>New scheme member website;</p> <ul style="list-style-type: none"> - User friendly - factsheets, guides, contact details & forms <p>On-line member self service facility;</p> <ul style="list-style-type: none"> - view/update some personal information & check service details - run early retirement/ normal retirement quotations. <p>Statistics will be provided on the use of both these facilities on a monthly basis</p>

		<p>A complete review of all communications;</p> <ul style="list-style-type: none"> - increased & improved range of scheme member and employer factsheets & guides <p>Introduction of a call centre telephone helpline;</p> <ul style="list-style-type: none"> - instant access to knowledgeable staff to provide information & guidance to members - monitoring number of calls, response times & customer feedback
19	Employer Services	<p>Introduction of a secure employer portal;</p> <ul style="list-style-type: none"> - employers to upload monthly information with data validation at point of entry - instant monitoring of data quality from employers - continued monitoring of data corrections required from employers <p>Employer Engagement Strategy</p> <ul style="list-style-type: none"> - Equiniti to be more proactive in the education of employers - additional support and training provided where employers are not fully meeting their responsibilities.
21	Complaints, Compliments and Errors	Proactive monitoring and reporting of all complaints, errors and issues.
22	Contracting Authority Support and Training	
23	Other Reporting and Liaison with Stakeholders	
24	IT Systems	<p>Improved data recording on pension administration system;</p> <ul style="list-style-type: none"> - detailed record keeping of all LGPS contributions - AVC contributions

Appendix 2 - Extract of required service standards (samples only)

Monitoring of Core Services:

	Specification Reference	Process	Initial target and Services Standard	100% Target Standard	KPI?
1)	Section 4– Performance Reporting	Reporting - provide monthly report	99% within 10 days from end of month	15 days from end of month	Yes
2)	Section 5.2 Customer Focus, Paragraph 21	Acknowledging communications (circumstances as agreed with Contracting Authority)	95% within 5 days	8 days	
3)	Section 7.1 – Other General Matters, Paragraph 46	Ad-hoc data requests and reports	95% within 5 days	8 days	
4)	Section 7.2 Estimates & Quotations, Paragraph 47	Estimates or quotations of benefits.	95% within 10 days	15 days	Yes
5)	Section 8 – New Joiners and the 50/50 Scheme	New Joiner – overall case target to issue notice of joining (unless a transfer in is being investigated)	95% within 1 month from initial notification	40 days from initial notification	
6)	Section 10 – Transfers and Aggregation	Transfers in (LGPS and non-LGPS) – Request details from previous pension arrangements	95% within 5 days	8 days	
7)	Refunds of Contributions, Paragraph 131	Calculate and pay refund of contributions	95% within 10 days	15 days	

	Specification Reference	Process	Initial target and Services Standard	100% Target Standard	KPI?
8)	Deferred Members, Paragraph 135	Calculate and notify deferred benefits	95% within 10 days	15 days	Yes
9)	Section 14 – Retirements	Overall case target to later of payment of lump sum and notification of final benefits	95% within 20 days from date of retirement	27 days from date of retirement	Yes
10)	Section 14 –Retirements - Paragraph 143-151	Notification of final benefits and payment of lump sum (both to be completed in timescale)	95% within 5 days	8 days	Yes
11)	Section 15 – Deaths	Overall case target to later of payment of lump sum and notification of final benefits	95% within 25 days from date of death	30 days from date of death	Yes
12)	Section 15 –Paragraph 155	Notification of benefits due and payment of lump sum death benefit (both to be completed in timescale)	95% within 3 days	5 days	
13)	Section 18 – Communications	Updating all communications in relation to a scheme or other change (note – repeated for potential services too)	100% Before effective date of change or 1 month from Regulations (or other information) being made if later	Before effective date of change or 1 month from Regulations (or other information) being made if later	Yes
14)	Section 18.3 – Website and Stakeholder On-line services	Respond to member for on-line request for information	95% within 5 days	8 days	Yes

	Specification Reference	Process	Initial target and Services Standard	100% Target Standard	KPI?
15)	Section 20 – Liaison with actuaries	Provision of all data for triennial actuarial valuation	100% by 31 st July	31 st July	Yes
16)	Section 21 – Complaints, Compliments and Errors	Providing full complaint response to a person complaining	75% within 5 days	8 days	

Monitoring of Employer Responsibilities:

	Specification Reference	Process	Standard	Target
17)	Section 8 – New Joiners and the 50/50 Scheme, paragraph 59	Employer provides new start information/starter form	15 days from date of joining	95%
18)	Section 13 - Leavers	Employer provides leaver information	15 days of month end of leaving	95%
19)	Section 14 – Retirements	Employer provides initial notice of retirement	15 days before date of retirement	95%
20)	Paragraph 146 and Section 17 – Accounting and Banking, paragraph 180	Employer pays invoice relating to strain payment or other costs or charges	1 month	95%
21)	Section 17 – Accounting and Banking, paragraph 183	Employer issues schedule of information relating to contribution payments (LGPS Regulation 69(3)) from employer	19 th of the month following the month to which they relate	100%

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Pension Fund Risk Register and Policy	Classification PUBLIC	Enclosures one
	Ward(s) affected ALL	
Pensions Committee 12th December 2018		

1. INTRODUCTION

- 1.1 This report introduces the updated Pension Fund Risk Register, which summarises potential significant risks to which the Fund is exposed and which the Committee as quasi Trustees of the Pension Fund should be aware of. The Register also provides details of the controls in place to manage these risks. The report also introduces an updated Risk Policy for review by the Committee

2. RECOMMENDATIONS

- 2.1 **The Pensions Committee is recommended to:**
- **Note the updates to the format of the risk register**
 - **Approve the updated risk policy**

3. RELATED DECISIONS

- Pensions Committee 4th December 2017 – Updated Pension Fund Risk Register
- Pensions Committee 24th June 2015 – Approval of updated Risk Policy

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

- 4.1 There are no direct financial consequences arising as a result of this report. However, understanding the risks that are present in the Pension Fund and how to manage those risks is key to the overall strategic management of the Fund and the governance role of this Committee.
- 4.2 The ability to assess the likely financial and reputational impact and if a risk should be categorised as high, medium or low will impact on the decision making process of this Committee. Some risks are clearly difficult to transfer or manage, such as the impact of increased longevity on the liabilities of the Pension Fund; however, the understanding of such risks could impact on other aspects of the decision making process to lower risks elsewhere.
- 4.3 Not all risks are quantifiable from a financial perspective, but could impact on the reputation of the Fund or of the Council and these also need to be taken into account.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 5.1 The Council as the Administering Authority is responsible for maintaining the Pension Fund under the Local Government Pension Scheme Regulations. The Constitution delegates the Council's functions relating to local government pensions to the Pensions Committee within its terms of reference.
- 5.2 The Pensions Committee's terms of reference set out a broad range of functions relating to the management of the Pension Fund, including the function of acting as quasi trustee of the Pension Fund within the terms of the statutory scheme. The consideration of the risks associated with administering the Pension Fund would appear to properly fall within the Committee's functions.

6. BACKGROUND

- 6.1 The Pensions Committee act as quasi Trustees to the London Borough of Hackney Pension Fund and therefore have responsibility for the strategic management of the assets of the Fund and the administration of benefits. As quasi trustees their overriding duty is to ensure the best possible outcomes for the Pension Fund, its participating employers and scheme members. A key component of this duty is an understanding of the risks associated with the Pension Fund and the controls put in place to manage those risks
- 6.2 Risk management for the Pension Fund involves identifying, prioritising, managing and monitoring the opportunities and risks that challenge the financial position, reputation or objectives of the Fund. It helps the Pensions Committee to effectively manage strategic decisions, safeguarding the wellbeing of stakeholders in the Pension Fund and increasing the likelihood of achieving the Fund's objectives.
- 6.3 The effective management of risk is covered within the CIPFA Knowledge and Skills framework, which recognises the importance of ensuring that those charged with governance have an understanding of the risks facing the Pension Fund. Members are reminded that the Committee also considered and approved a Risk Policy for the Fund as part of the new requirements from the Pensions Regulator at its Committee in June 2015. An updated version of the Risk Policy is attached for review at Appendix 1.
- 6.4 The Pension Fund Risk Register, which will be provide at the meeting, 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 register is Pension Fund specific, although its content is drawn from the full Financial Services Risk Register drawn up in conjunction with the Council's risk management team. Risks are therefore 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 As indicated above, a new presentation template for the pension fund risk register has now been introduced to help ensure that risk management is an ongoing iterative process throughout the year, rather than a one-off annual exercise. The template is assesses risks relative to the target level of risk which the Fund is willing (or required) to accept, and is designed to provide the Committee with a more regular high level risk summary, whilst still ensuring that the Fund's risk management system and processes are aligned to those of the Council. The summary highlights high level risks and those with a negative direction of travel relative to target, immediately pinpointing areas requiring further attention.

7.3 At the Committee meeting, members will be provided with both the high level summary and the underlying full register for review. It is anticipated that the Committee will generally make use of the high level summary for ongoing quarterly risk management, with periodic review (e.g. triennial) of the full register to ensure that the Fund's risk management processes remain fully aligned with those of the Council. The intention is to ensure that monitoring of risk is aligned more closely with the Fund's business plan to ensure that developing or worsening risk areas are highlighted early on.

8. RISK POLICY

8.1 The Policy sets out the aims and objectives for the management of risk, but also recognises that risk cannot be removed entirely from the management of the Pension Fund, by the very nature of the Fund itself and the environment in which it operates. The risk management process involves the identification of risk, analysing risks, controlling risks where appropriate and the monitoring of risk on an ongoing basis.

8.2 The appendix also sets out key internal controls identified and whilst this is not an exhaustive list, it form the basis at a high level of some of the internal controls in place to manage the Fund on a day to day basis. The Public Service Pensions Act 2013 has added provisions from the 2004 Pensions Act for Public Service Schemes to have internal controls procedures for the purpose of ensuring that the scheme is administered in accordance with regulations and scheme rules. In addition TPR'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. TPR also has powers to issue improvement notices where it is considered that the requirements relating to internal controls are not being adhered to.

8.3 Key changes to the Policy include updates to account for a restructure of the Financial Services Team since the last update, and changes to the frequency of risk reporting to the Committee. The new format of the register will permit quarterly risk reporting, allowing the frequency of review for the full underlying register to change to triennially.

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Appendices

Appendix 1 – Pension Fund Risk Policy



London Borough of Hackney

Pension Fund

Risk Policy

Introduction

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

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

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

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

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

To whom this Policy Applies

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

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

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

Aims and Objectives

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

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

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

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

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

Risk Management Philosophy

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

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

In managing risk, the Administering Authority will:

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

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

CIPFA and The Pensions Regulator's Requirements

CIPFA Managing Risk Publication

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

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

The Pension Regulator's Code of Practice

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

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

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

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

in accordance with the requirements of the law.

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

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

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

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

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

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

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

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

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

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

Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

Application to the London Borough of Hackney Pension Fund

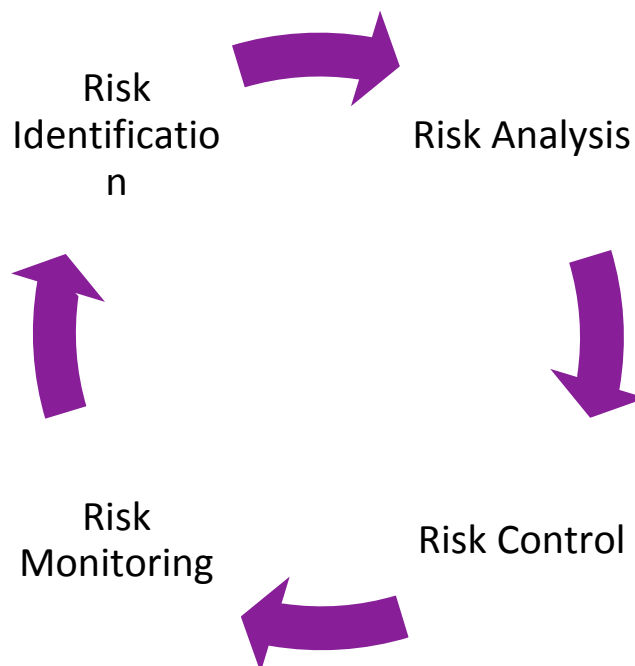
Hackney Council adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to London Borough of Hackney Pension Fund. This Risk Policy highlights how the Administering Authority strives to achieve those principles through use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

Responsibility

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

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

The London Borough of Hackney Pension Fund Risk Management Process



Risk identification

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

- formal risk assessment exercises managed by the Pensions Committee
- performance measurement against agreed objectives
- monitoring against the Fund's business plan
- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers and other stakeholders
- informal meetings of senior officers or other staff involved in the management of the Fund
 - liaison with other organisations, regional and national associations, professional groups, etc.

Risk analysis

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

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

Likelihood of risk occurring

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

Risk control

The Head of Pension Fund Investment, in liaison with the Head of Pension Administration where appropriate, 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. A high level risk summary will be provided to the Committee on a quarterly basis. The full underlying risk register will be maintained by officers and brought to the Committee for full review at least every 3 years, or following a significant change to internal controls or risk management process.

The risk summary will provide the Pensions Committee with updates on an ongoing basis in relation to any new risks or significant changes to risks (for example where a risk's score is deteriorating relative to its target).

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

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

Key risks to the effective delivery of this Policy

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

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pensions Committee and/or local Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources being available to satisfactorily assess or take appropriate action in relation to identified risks
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified.
- Conflicts of interest or other factors leading to a failure to identify or assess risks appropriately

Costs

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

Approval, Review and Consultation

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

Further Information

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

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

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

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

hackney.pensions@equiniti.com (Administration)

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

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

Appendix: Key Internal Controls

	Control Objective	Description of Control Procedures
Authorising and processing transactions	Benefits payable are calculated in accordance with the Regulations and are paid on a timely basis	<ul style="list-style-type: none"> Fully tested and regularly audited administration system for automated calculations. Checking of calculations and other processes is carried out. Procedures to ensure appropriate authority in place prior to processing payments.
Maintaining financial and other records	Member records are up-to-date and accurate	<ul style="list-style-type: none"> Annual and monthly reconciliation of information supplied by employers and administration records. Reconciliation of member movements Pensioner existence checks carried out every 2 to 3 years Members provided with annual benefit statements and asked to confirm if any details are incorrect
Page 11 of 13	All cashflows and transactions are recorded in the correct period	<ul style="list-style-type: none"> Accounting journals are automatically created as part of the workflow system. Regular bank reconciliations and cash flow forecasting are carried out The administration records and treasury/accounting records are regularly reconciled
	Safeguarding assets	<ul style="list-style-type: none"> Member, employer and Fund information is appropriately stored to ensure security and protection from unauthorised access.
	Cash is safeguarded and payments are suitably authorised and controlled	<ul style="list-style-type: none"> Separate bank account maintained for the Fund Access controlled and authentication required. Cash movements recorded daily Regular bank reconciliations carried out and pensioner payroll reconciled each pay period Pensioner existence checks are carried out every 2 to 3 years, annually if overseas and all pensioners paid only by BACs.
	Investment purchases and sales are correctly recorded and valuations are correct	<ul style="list-style-type: none"> Regular reconciliation of information provided by fund managers and custodian and Fund's records Assets held separately from LB Hackney by Custodian. Only authorised individuals, within specified signing limits can instruct / disinvest funds. All investment/disinvestment instructions are drafted by investment managers and advice taken from Fund's investment advisers prior to authorisation and action

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

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

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REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Pension Fund – Quarterly Update	Classification PUBLIC	Enclosures Three
	Ward(s) affected ALL	
Pensions Committee 12th December 2018		

1. INTRODUCTION

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

2. RECOMMENDATIONS

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

3. RELATED DECISIONS

- Pensions Committee 29th March 2017 – Approval of 2016 Actuarial Valuation and Funding Strategy Statement
- Pensions Committee 29th March 2017 – Approval of Investment Strategy Statement
- Pensions Committee 21st March 2018 – Approval of Pension Administration Strategy (PAS)

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

- 4.1 The Pensions Committee acts as quasi-trustee of the London Borough of Hackney Pension Fund and as such, has responsibility for all aspects of the Pension Fund. Quarterly monitoring of the key financial variables which impact the Fund is crucial to ensuring good governance.
- 4.2 Monitoring the performance of the Fund and its investment managers is essential to ensure that managers are achieving performance against set benchmarks and targets. Performance of the Fund's assets will continue to have a significant influence on the valuation of the scheme's assets going forward. The investment performance of the Fund is a key factor in the actuarial valuation process and therefore directly impacts on the contributions that the Council is required to make into the Pension Scheme.
- 4.3 The Committee's responsibilities include setting a budget for the Pension Fund and monitoring financial performance against the budget. Quarterly monitoring of the budget helps to ensure that the Committee is kept informed of the progress of the Fund and can provide the Committee with early warning signals of cashflow issues and cost overruns.
- 4.4 Reporting on administration is included within the quarterly update for Committee as best practice. Monitoring of key administration targets and ensuring that the

administration functions are carried out effectively will help to minimise costs and ensure that the Fund is achieving value for money.

- 4.5 Whilst there are no direct immediate impacts from the information contained in this report, quarterly monitoring of key aspects of the Pension Fund helps to provide assurance to the Committee of the overall financial performance of the Fund and enables the Committee to make informed decisions about the management of the Fund.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 5.1 The Pensions Committee, under the Council's Constitution, has delegated responsibility to manage all aspects of the Pension Fund.
- 5.2 The Local Government Pension Scheme Regulations 2013, Regulation 62, requires an Administering Authority to obtain an actuarial valuation of its fund every 3 years. The last valuation was carried out as at 31st March 2016, with the next due in 2019. There is no requirement for the Administering Authority to undertake interim valuations, although it has the ability to do so. Nevertheless, given the volatility of the financial markets it is a matter of good governance and best practice to monitor funding levels between formal valuations to ensure that all necessary steps can be taken in advance of any valuation.
- 5.3 The Council must monitor the performance of the pension fund in order to comply with its various obligations under the Local Government Pension Scheme Regulations. Those obligations include monitoring performance of investment managers and obtaining advice about investments. Ultimately the Council is required to include a report about the financial performance of the Fund in each year in the Annual Report. The monitoring of performance of the Fund is integral to the functions conferred on the Pensions Committee by the Constitution. The consideration of the present report is consistent with these obligations.
- 5.4 The Committee's terms of reference provide the responsibility for setting an annual budget for the operation of the Pension Fund and for monitoring income and expenditure against the budget. In considering the draft budget the Committee must be clear that the financial assumptions on which the budget is based are sound and realistic. It must also satisfy itself that the budget is robust enough to accommodate the potential pressures outlined in the report whilst ensuring that the Fund is managed as efficiently as possible to maximise the benefits to members of the Scheme.

6. FUNDING POSITION BASED ON 2016 TRIENNIAL VALUATION

- 6.1 The Fund's actuary, Hymans Robertson, provides a quarterly update on the funding position of the Fund illustrating how the overall position has changed since the last actuarial valuation. The actuarial valuation as at 31st March 2016 set the contribution rates which have been applied from 1st April 2017. As at the end of September 2018, the funding level was 81.8% compared to 77% as at the end of March 2016.

6.2 The funding level of 81.8% at 30th September is based on the position of the Fund having assets of £1,507m and liabilities of £1,842m, i.e. for every £1 of liabilities the Fund has the equivalent of 81.8p of assets. It should be noted that the monetary deficit remains high but has decreased slightly from £350m in March 2016 to £334m in September 2018. The liabilities are a summation of all the pension payments which have been accrued up to the valuation date in respect of all scheme members, pensioners, deferred members and active members. These will be paid over the remaining lifetime of all members, which could stretch out beyond 60 years. The actuary then calculates the contributions which would be required in order for the Fund to meet its liabilities in respect of benefits accruing and to recover any deficit which has arisen.

6.3 The progress of the funding level on both an ongoing and yield curve basis is shown in the Actuary's Funding and Risk Report at Appendix 1 to this report. The report also highlights the asset risks to which the Fund is exposed, providing a basic breakdown of the Fund's asset allocation along with returns of major asset classes since 31st March 2016.

7. GOVERNANCE UPDATE

7.1 The introduction of asset pooling for LGPS funds has resulted in a need for constitutional change in administering authorities, to ensure that the new asset pools are properly recognised within the governance structure of funds. An important part of these changes is updating Pensions Committees' Terms of Reference, to ensure that the ongoing role of Committee members in asset allocation is recognised and to set out their new role in representing individual funds within the pools.

7.2 The proposed changes to the Terms of Reference for the Hackney Pensions Committee will need to be approved by Full Council in early 2019; however, prior to this, the Council's processes for making constitutional changes must be followed. As part of this process, Committee Members will be consulted with to ensure they have a full understanding of the changes and are satisfied that the Committee will continue to function effectively as the decision making body for the Pension Fund.

7.3 The proposed changes include a section updating the appointments procedure for co-opted scheme members and employer representatives on the Committee, to bring the process more into line with that used for the Pension Board representatives. Following discussion at Pensions Board at its November 2018 meeting, it is however recommended that the Fund proceed with the appointment procedure in order that the recruitment to the vacant employer representative role on the Committee is progressed, pending formal changes being agreed by Council.

8. INVESTMENT UPDATE

8.1 Appendix 2 to this report provides a manager performance update from the Fund's Investment consultants, Hymans Robertson. The report includes an analysis of quarterly, 1 year and 3 year performance against benchmark, as well as Hymans Robertson's current ratings for each manager.

9. RESPONSIBLE INVESTMENT UPDATE

- 9.1 The Pensions Committee has looked to increase the level of engagement with the underlying companies in which it invests. This includes taking a more proactive role in encouraging managers to take into consideration the voting recommendations of the Local Authority Pension Fund Forum (LAPFF). This section of the quarterly report therefore provides the Committee with an update on the work of the LAPFF and also voting recommendations and how managers have responded. In addition the update will include key topical issues concerning environmental and social governance issues in order to provide scope for discussion on these key issues.
- 9.2 The LAPFF Quarterly Engagement report is attached at Appendix 3 to this report, setting out LAPFF's engagement activity over the Quarter in relation environmental, social and governance issues. Following the restructuring of its equity portfolio, the Fund no longer retains any segregated mandates and therefore has no direct holdings in any of the companies referenced
- 9.3 Given the above, it is now key for the Fund to engage with its new pooled fund managers (BlackRock and the London CIV) and to develop a new approach to voting and engagement which is practical to implement in a pooled fund context. The Responsible Investment Paper elsewhere on the agenda represents the start of this review process and will allow a discursive forum for the Committee to consider practical solutions.

10. BUDGET MONITORING

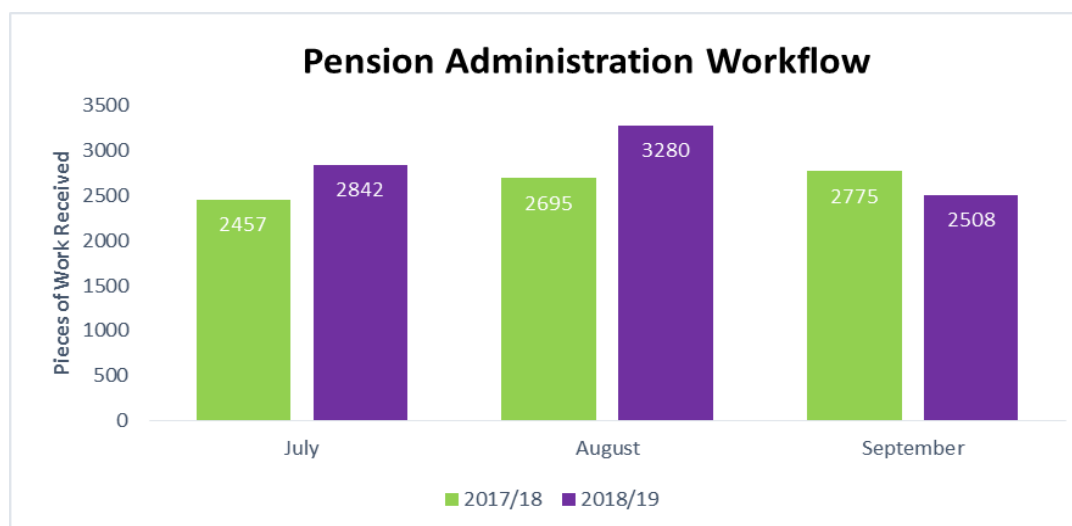
- 10.1 The Pension Fund has recently moved to a new company setup within the Council's accounting system which, when fully set up, will permit more improved in year reporting. The work to change the Fund's accounting system over to its own separate company is now almost complete and will permit a full business planning and budgeting reporting process for 2019/20 to commence in January 2019.

11. PENSION ADMINISTRATION

11.1 Pension Administration Management Performance

During Q2 2018/19, the administrators received a total of 8,630 new cases compared to 7,927 during Q2 in 2017/18.

A comparison of the monthly workflow between Q2 2017/18 and the reporting quarter is set out below:-



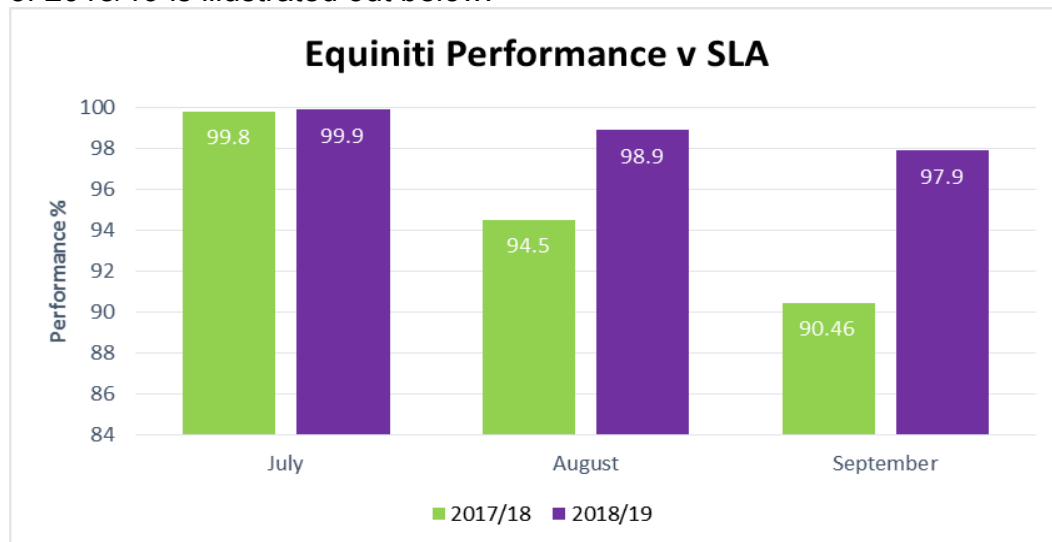
The average number of pieces of work received per month during Q2 2018/19 was 2,877, 200 pieces more than the same period in 2017/18.

Much of this workload along with all new starters and leavers, has to be processed via an initial paper form request and then entered manually onto the pension administration system. This is due to the iTrent interface from the Council's payroll system still being under construction by Hackney's ICT and the technical team at Equiniti. There have been a number of delays in producing this report due to various technical mis-interpretations, but also the availability of iTrent consultants is proving difficult and furthers the delay. In this quarter significant progress has been made and the interface is now ready to run in the test environment.

Once this has been done, it will then move to 'live' and it is at this point we will have an accurate picture of the quality of our data. We are expecting a high level of exceptions (error reports) and these will need to be corrected by the employer, LB Hackney. Therefore resources will be required to work through the data queries to ensure pension records are corrected for future benefits to be paid correctly.

The performance of the external pension administrators is monitored by the Pensions Administration team at Hackney on a monthly basis. Equiniti are still working under a 'relaxed SLAs' regime due to the number of data queries taking priority over the business as usual (BAU). Therefore performance against the service level agreement (SLA) is being monitored against priority work only (death grants, bank detail changes, pension into payment; i.e. all work relating to financials), and remains at an average of 98.9% for Q2 2018/19, compared to 97.6% for the same quarter last year.

The administrator's monthly performance against the SLA during Q2 2017/18 and Q2 of 2018/19 is illustrated out below:



It was hoped the introduction of the Council's new payroll system would decrease the level of manual processing required. However, as detailed above, delays to the development of monthly interfaces, and problems with some of the data transferred to the new payroll system, have meant that the administrators are unable to verify the accuracy of member data. Nor can they confirm the correct contributions are being paid by the Council and its LGPS members, as monthly reports are still not being

provided by payroll to Equiniti. This is contrary to the Regulations and tPR compliance but is being progressed with the HR/payroll.

The continued lack of useable data from Hackney, being the main employer in the Fund, has again impacted on the production of the statutory annual benefits statements (ABS) due to members at the end of August 2018. A pragmatic approach was taken very early on in order to meet the end of August deadline, and focus was directed to those employers who were able to provide a year-end report that could be validated, and the ABSs produced.

Therefore Equiniti were only able to send the following number of statements:

- 627 - active members
- 8,805 - deferred members
- 44 - Councillor deferred members

Further work continues to cleanse the data, provided by Hackney, by the in-house pension administration team, and Equiniti are hopeful they can run some validations in October/November. If successful, further batches of ABSs will be produced and sent to members accordingly.

We have, again, had to report this failure to the Pensions Regulator – full details are provided in the Breaches section of this report.

11.2 New Starters and Opt-Outs

	Total Active Membership at end of Quarter	Total Opt Outs for Quarter
Q2 2017/18	7,568	61
Q2 2018/19	6,857	126

The in-house pension administration team facilitated weekly induction sessions for 63 new employees during Q2 2018/19. These sessions continue to receive very positive feedback with respondents rating the presentations as 'Very Good' or 'Excellent', and those who attended the sessions have said they now have a greater understanding of the benefits of being in the scheme.

The number of employees who decided to opt-out in Q2 2018/19 remain in-line with previous months/quarters, and still average around 100 per month.

11.3 Ill Health Pension Benefits.

The release of ill health benefits fall into 2 main categories, being those for deferred and active members. The in-house pension administration team process all requests

for the release of deferred members' benefits on the grounds of ill health, as well as assisting the Council's Human Resources team with the process for the release of active members' benefits on the grounds of ill health.

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

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

- Tier 1 - the pension benefits are fully enhanced to the member's normal retirement date and is typically only paid to those with very serious health conditions or life limiting health problems – paid for life, no review
- Tier 2 – the pension benefits are enhanced by 25% of the years left to the member's normal retirement date - paid for life, no review
- Tier 3 - the pension benefits accrued to date of leaving employment - paid for a maximum of 3 years and a review is undertaken once the pension has been in payment for 18months.

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

The table sets out the number of cases that have been processed during Q2 of 2018/19, compared to the same period in the previous year

DEFERRED MEMBER'S ILL HEALTH RETIREMENT CASES					
	CASES RECEIVED	SUCCESSFUL	UNSUCCESSFUL	ONGOING	WITHDRAWN
Q2 2017/18	1	0	0	1	0
Q2 2018/19	1	0	0	1	0
ACTIVE MEMBER'S ILL HEALTH RETIREMENT CASES					
	CASES RECEIVED	BENEFITS RELEASED ON TIER 1	BENEFITS RELEASED ON TIER 2	BENEFITS RELEASED ON TIER 3	UNSUCCESSFUL
Q2 2017/18	2	2	0	0	0
Q2 2018/19	0	0	0	0	0

11.4 Internal Disputes Resolution Procedure (IDRP)

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

- Stage 1 IDRPs relating to ill health, are reviewed and determinations made by a senior technical specialist at the Fund's pension administrators, Equiniti, other appeals are determined by the Head of Pensions Administration.
- Stage 2 IDRPs are determined by the Group Director, Finance & Corporate Resources taking external specialist technical advice from the Fund's benefits consultants.

There were no cases concluded in the 2nd quarter 2018/19.

11.5 Other work undertaken in Q2 2018/19

Third Party Administration Implementation update

Progress continues to be made in various areas, but there are still a number of significant points of delivery on the new service specification that remain outstanding. It was agreed by both parties, that Equiniti automatically move to the new Contract Ts&Cs on 1 July regardless, but any non-deliverables could result in the retention of some of the monthly contract fees until the service is delivered to a reasonable standard.

There has been good progress made in regard to the contract fee structure, and performance rectification and resolution planning has been added to the new contract. The full Contract & Order were provided to Equiniti in September for signing.

New & Ceasing Employers

During Q2, the Fund has admitted 1 new scheduled body, Lubavitch Multi Academy Trust, whose start date was finally confirmed as 1 April 2018, and 1 new employer, CIS Security who have taken over the contract that was previously with G4S. There have been 2 employer contracts that have ceased during this period: breakdown is as follows:

Employer	Date Joined	Date Ceased	Deficit upon Ceasing Y/N
Lubavitch MAT (multi academy trust)	01/04/2018		
G4S Security Services		03/08/2018	TBA
Birkin Cleaning Services		20/07/2018	TBA
CIS Security Services	04/08/2018		

Redundancy Exercises for Departmental Budget Purposes

In Q2 of 2018/19, the in-house pensions' administration team have received a total of 35 redundancy estimate requests, some of these are for members over the age of 55 who will have pension automatically released. Of the 35 requests, only 6 employees received final paperwork and left the organisation.

Pre-retirement workshops

The in-house Pensions Team have set up a series of 'Pre-retirement workshops' in conjunction with a company called Affinity Connect. Affinity specialise in providing seminars/workshops on various aspects of pension and employment issues, such as retirement (as mentioned), mid-career financial planning and redundancy. Affinity provide the facilitator, learning material and bookings for the seminars/workshops free of charge to the Fund and are aimed at members who are thinking of retiring within the next 2 to 5 years. The first workshop was held on 10 May 2018 and the feedback from this session has been very positive. Further sessions are set for 10 Sept and 10 November 2018

12. REPORTING BREACHES

- 12.1 As at 31st August 2018 the Fund had sent out statements to all its deferred members and 627 active members. The Fund therefore breached the statutory deadline for statements for approximately 6,300 active members, the vast majority of whom were employed by Hackney Council or its maintained and voluntary-aided schools. The failure to send these statements primarily resulted from the failure of Hackney Council to provide data by the deadlines requested.
- 12.2 Approximately 3,600 additional statements were sent out by Equiniti for distribution in early November. Equiniti are continuing to work on the production of statements for the remaining 2,600 (approx.) active members. Progress on these statements has been delayed by an issue around transferred-in service affecting approximately 360 statements from the previous batch; further details on the timeframe for sending these statements will be provided as the remaining data issues are assessed
- 12.3 The failure to send these statements represents a clear breach of law, and this issue has been reported to the Pensions Regulator. The Fund has been required to report to the Regulator regarding this issue on 3 previous occasions (2015-2018). Provision of employer data by the Council has been a long term issue for the Fund; we recognise the scale of the issue and are committed to working with the Council and Equiniti to resolve this.
- 12.4 Only a minority of the Fund's employers (most significantly the Council) failed to submit year end data when requested, with most employers providing the relevant information by the deadline. Some challenges were experienced around queries with school data as a result of the holiday period but broadly speaking, the timeliness of data provided has improved since last year. Hackney Council's failure to submit timely data continues to cause significant problems, however, as the Council is by far the Fund's largest employer
- 12.5 The Council has made some progress on provision of LGPS data since the implementation of the iTrent payroll system in July 2017. However, this progress has been relatively slow, and has been delayed by Equiniti making changes to their own interface specification during the iTrent's first year of operation. Meaningful progress has been made on development of a new interface; however, this is likely to generate a significant backlog of data queries for Equiniti once up and running.

Ian Williams

Group Director of Finance & Corporate Resources

List of Appendices:

Appendix 1 –Funding & Risk Report (Hymans Robertson – Actuary)

Appendix 2 – Manager Performance Report (Hymans Robertson – Investment Consultant)

Appendix 3 – LAPFF Engagement Report Jan-March 2018

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Sean Eratt ☎020-8356 6012

Background Papers

None

London Borough of Hackney Pension Fund

Funding and risk report as at 30 September 2018

Reliances and limitations

This report was commissioned by and is addressed to the London Borough of Hackney in their capacity as the Administering Authority and is provided to assist in monitoring certain funding and investment metrics. It should not be used for any other purpose. It should not be released or otherwise disclosed to any third party except as required by law or with our prior written consent, in which case it should be released in its entirety. **Decisions should not be taken based on the information herein without written advice from your consultant.** Neither I nor Hymans Robertson LLP accept any liability to any other party unless we have expressly accepted such liability in writing.

The method and assumptions used to calculate the updated funding position are consistent with those disclosed in the documents associated with the last formal actuarial valuation, although the financial assumptions have been updated to reflect known changes in market conditions. The calculations contain approximations and the accuracy of this type of funding update declines with time from the valuation; differences between the position shown in this report and the position which a new valuation would show can be significant. It is not possible to assess its accuracy without carrying out a full actuarial valuation. This update complies with Technical Actuarial Standard 100.

	30 September 2018	Ongoing funding basis
Assets		£1,507m
Liabilities		£1,842m
Surplus/(deficit)		(£334m)
Funding level		81.8%

Summary

This funding update is provided to illustrate the estimated development of the funding position from 31 March 2016 to 30 September 2018, for the London Borough of Hackney Pension Fund ("the Fund"). It is addressed to the London Borough of Hackney in its capacity as the Administering Authority of the Fund and has been prepared in my capacity as your actuarial adviser.

At the last formal valuation the Fund assets were £1,172m and the liabilities were £1,522m. This represents a deficit of £350m and equates to a funding level of 77%. Since the valuation the funding level has increased by c4.8% to 81.8% as detailed in the table above.

This report has been produced exclusively for the Administering Authority. This report must not be copied to any third party without our prior written consent.

Should you have any queries please contact me.
Geoff Nathan FFA

London Borough of Hackney Pension Fund | Strategy and Risk Management dashboard

CURRENT POSITION

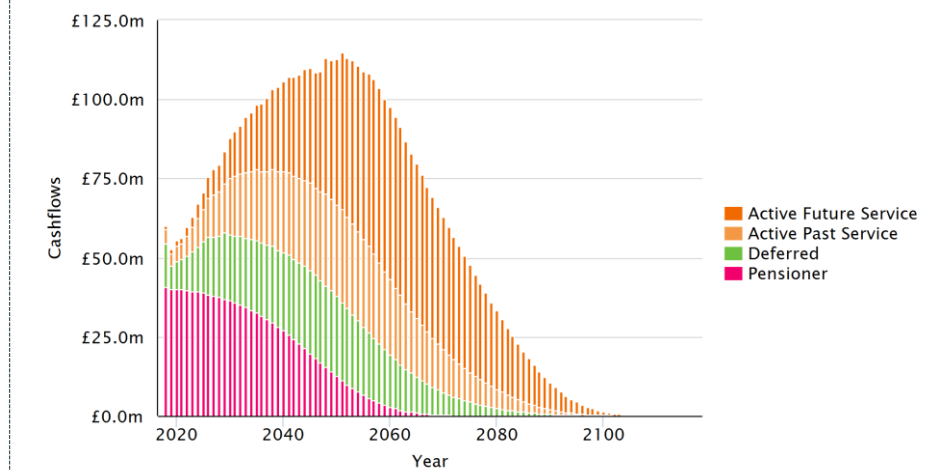
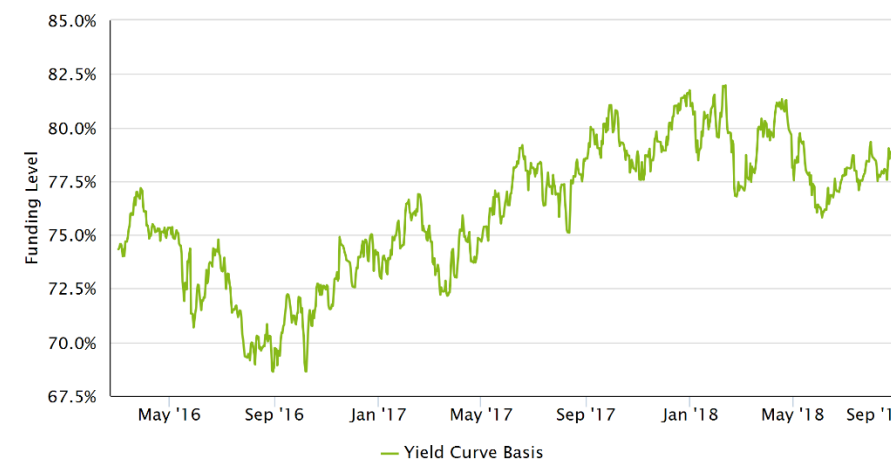
30 September 2018	Yield Curve Basis
Assets	£1,507m
Liabilities	£1,922m
Surplus/(deficit)	(£415m)
Funding level	78.4%

Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2016	(405)
Contributions (less benefits accruing)	33
Interest on surplus/(deficit)	(22)
Excess return on assets	205
Impact of change in yields & inflation	(226)
Surplus/(deficit) as at 30/09/2018	(415)

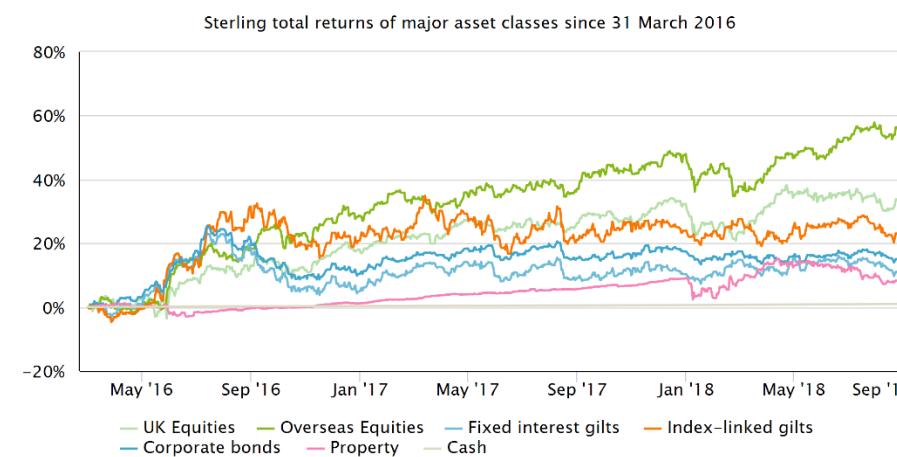
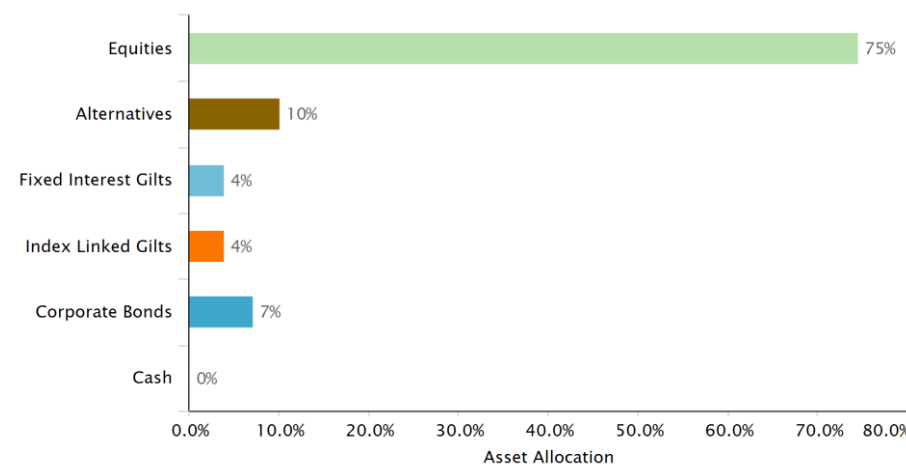
	31 March 2016	30 June 2018	30 September 2018
Market Yields (p.a)			
Fixed Interest Gilts	2.17%	1.67%	1.86%
Index-linked Gilts	-0.96%	-1.57%	-1.47%
Implied Inflation	3.16%	3.29%	3.38%
AA Corporate Bonds	3.36%	2.72%	2.81%
Price Indices			
FTSE All Share	3,395	4,202	4,128
FTSE 100	6,175	7,637	7,510

Page 128

PROGRESS



ASSETS AND RISKS



Sensitivity Matrix as at 26 November 2018 for basis Ongoing funding basis (£m)

Shift in bond yields (% p.a.)	Shift in equity level (using FTSE 100 levels as proxy)						
	4925 -30%	5629 -20%	6332 -10%	7036 0%	7740 10%	8443 20%	9147 30%
0.6	(611)	(490)	(369)	(248)	(127)	(6)	115
0.4	(663)	(542)	(421)	(300)	(179)	(58)	63
0.2	(717)	(596)	(475)	(354)	(233)	(112)	8
0.0	(775)	(654)	(533)	(412)	(291)	(170)	(50)
-0.2	(837)	(716)	(595)	(474)	(353)	(232)	(111)
-0.4	(902)	(781)	(660)	(540)	(419)	(298)	(177)
-0.6	(972)	(851)	(730)	(609)	(488)	(367)	(246)

< 50% 50% - 85% 85% - 95% 95% - 100% 100% - 105% 105% - 115% > 115%

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1 Asset allocation – Q3 2018

The following table sets out the Fund's asset allocation as at 30 September 2018 against the target allocation. The valuations have been provided by the Scheme's investment managers.

Manager	Mandate	Asset Allocation £	Asset Allocation %	Target Allocation %	Relative %
LCIV	Global Equities	208,263,359	13.8	13.0	0.8
BlackRock	Low Carbon	161,195,638	10.7	10.0	0.7
BlackRock	UK Equities	150,450,793	10.0	10.0	0.0
BlackRock	Global Equities	362,960,215	24.1	23.0	1.1
RBC	Global Emerging Market Equities	76,397,573	5.1	4.5	0.6
Total Equities		959,267,577	63.6	60.5	3.1
BMO	Fixed Income	230,089,000	15.3	17.0	-1.7
Columbia Threadneedle	Property	126,365,273	8.4		
Columbia Threadneedle	Low Carbon Property	26,687,960	1.8	10.0	0.2
Invesco	Multi Asset	66,352,077	4.4	5.0	-0.6
GMO	Multi Asset	98,605,019	6.5	7.5	-1.0
Total Fund		1,507,366,907	100.0	100.0	0.0

Note: Numbers may not sum due to rounding

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2 Performance summary – Q3 2018

The following table sets out the performance of the Scheme's investment mandates as at 30 September 2018 against their respective benchmarks. Details of the performance benchmarks for each mandate are set out in Appendix 1.

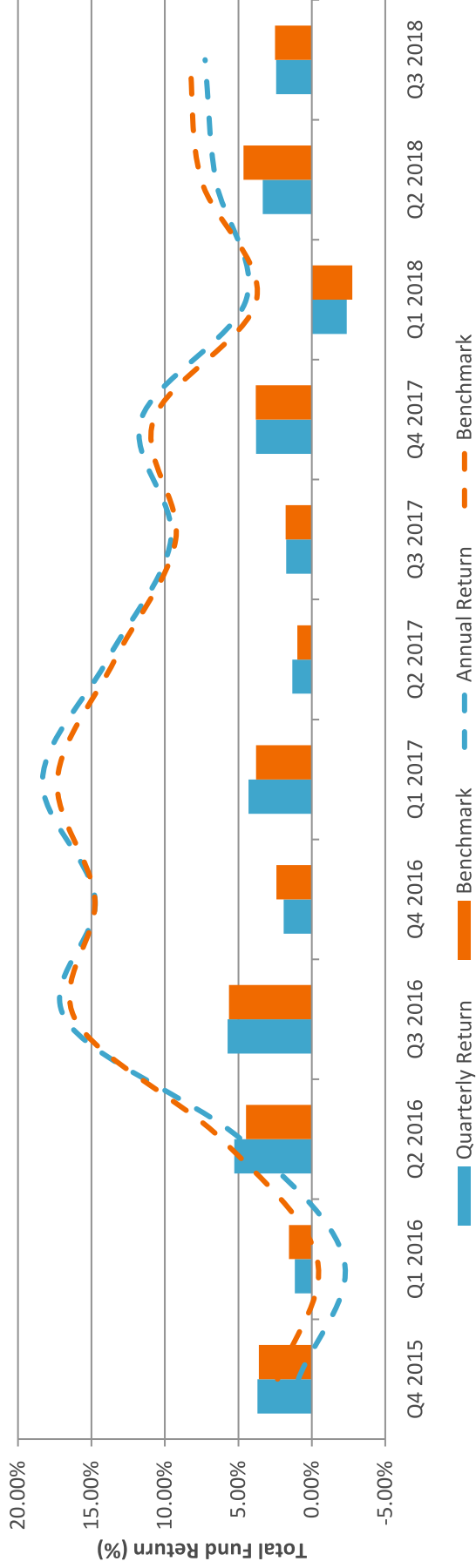
The table also shows the total Scheme performance against benchmark as calculated by Hymans Robertson. The performance and benchmark numbers have been provided by the Scheme's investment managers.

	LCIV LC Eq	BlackRock LC Eq	BlackRock UK Eq	BlackRock Global Eq	RBC EM Eq	BMO Fixed Income	Columbia Threadneedle Property	Columbia Threadneedle LCW	Invesco Multi Asset	GMO Multi Asset	Total Scheme
Fund	5.3	6.1	-0.8	5.3	0.0	-1.1	1.4	1.0	-0.7	-0.1	2.4
Q3 2018 (%)	Benchmark	6.3	-0.8	5.2	0.1	-1.1	1.6	1.6	0.2	0.1	2.5
	Relative	-1.0	0.1	0.1	-0.1	0.1	-0.2	-0.6	-0.9	-0.2	-0.1
Fund					0.2	0.9	8.8	8.9	-1.0	-1.2	7.3
12 Month (%)	Benchmark	n/a	n/a	n/a	2.0	0.7	8.9	8.9	0.6	1.8	8.3
	Relative				-1.8	0.2	-0.1	0.1	-1.6	-2.9	-1.0
Fund						5.5	7.0			3.5	11.1
3 Year (% p.a.)	Benchmark	n/a	n/a	n/a	n/a	4.7	7.1	n/a	n/a	1.6	11.2
	Relative					0.7	-0.1			1.9	0.0
Fund		4.6	0.7	5.6	18.1	6.4	8.8	7.7	1.7	2.7	
Since Inception	Benchmark	4.7	0.6	5.5	20.7	6.0	7.7	9.0	0.5	1.3	
(% p.a.)	Relative	-1.3	0.2	0.1	-2.2	0.3	1.0	-1.2	1.2	1.4	
Since Inception		June 2018	June 2018	June 2018	December 2015	September 2003	March 2004	May 2016	December 2015	September 2012	
Dates											

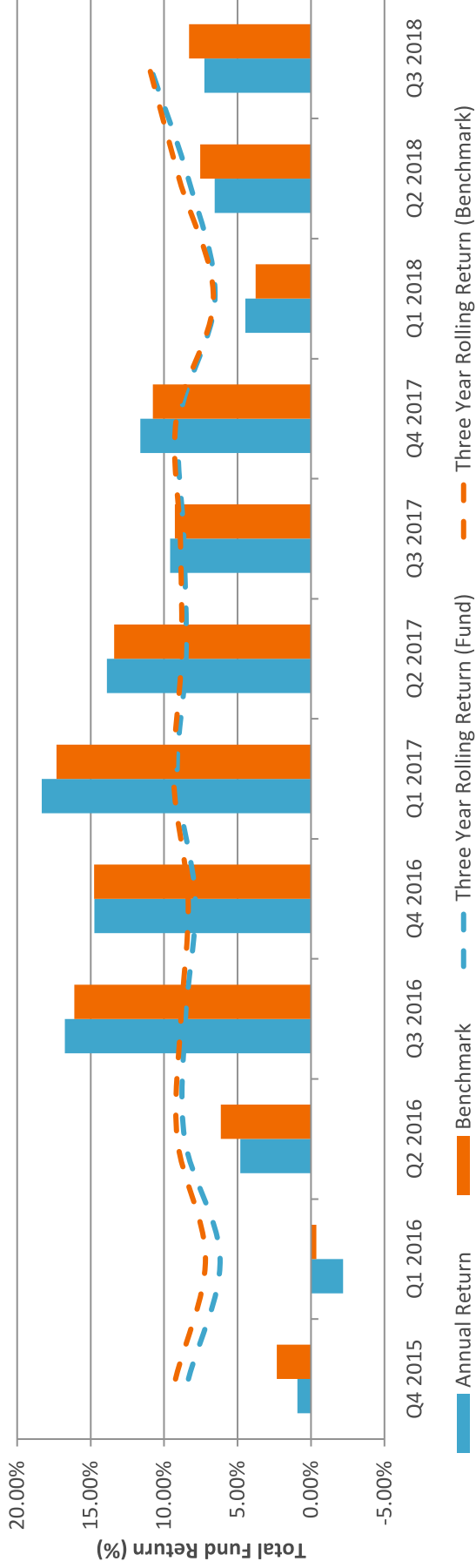
Note: Long term returns are calculated by rolling up historic quarterly returns and includes contribution of all current and historical mandates over the period. LCIV and BlackRock Since Inception returns are not annualised.

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2.1 Performance summary – Quarterly returns and rolling one year performance



2.2 Performance summary – Annual returns and rolling three year performance



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4 Performance Analysis

4.1 Estimated Performance Analysis Q3 2018

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

Manager	Asset Class	Benchmark	Market Value £'000 30 Sep	Weight % 30 Sep	Target %	Fund Return %	Benchmark Return %	Asset Allocation	Stock Selection
LCIV	Global Equities	MSCI World Index Total Return	208,263	13.8%	13.0%	5.3	6.3	0.02	-0.14
BlackRock	Low Carbon	MSCI World Low Carbon Index	161,196	10.7%	10.0%	6.1	6.0	0.01	0.01
BlackRock	UK Equities (indexed)	FTSE All-Share	150,451	10.0%	10.0%	-0.8	-0.8	-0.01	0.00
BlackRock	Global Equities	MSCI World Net Total Return 95% hedged	362,960	24.1%	23.0%	5.3	5.2	0.01	0.03
RBC	Global Emerging Market Equities	MSCI Emerging Markets	76,398	5.1%	4.5%	0.0	0.1	-0.02	-0.01
Total Equities			959,268	63.6%	60.5%	2.5	2.5	0.01	-0.10
BMO	Bonds	Bonds Composite ^[1]	230,089	15.3%	17.0%	-1.1	-1.1	0.04	0.01
Threadneedle	Property	IPD UK Quarterly All Balanced Property Index	126,365	8.4%	7.5%	1.4	1.6	-0.01	-0.02
Threadneedle	Low Carbon Property	IPD UK Quarterly All Balanced Property Index	26,688	1.8%	2.5%	1.0	1.6	0.01	-0.01
Invesco	Targeted Return	£LIBOR 3M	66,352	4.4%	5.0%	-0.7	0.2	0.01	-0.04
GMO	Absolute Return	OECD CPI G7 (GBP)	98,605	6.5%	7.5%	-0.1	0.1	0.02	-0.01
Total Scheme			1,507,367	100.0%	100.0%	2.4	2.5	0.09	-0.17

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

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

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4.2 Estimated Performance Analysis – 12 months to 30 September 2018

The table below represents the manager performance over the 12 months to 30 September 2018 and illustrates Stock Selection contributions from each of the Fund's managers and the impact from over/underweight positions relative to benchmark/target weighting (Asset Allocation).

Manager	Asset Class	Benchmark	Market Value £'000 30 Sep	Weight % 30 Sep	Target %	Fund Return %	Benchmark Return %	Asset Allocation	Stock Selection
LCIV	Global Equities	MSCI World Index Total Return	208,263	13.8%	13.0%	n/a	n/a	n/a	n/a
BlackRock	Low Carbon	MSCI World Low Carbon Index	161,196	10.7%	10.0%	n/a	n/a	n/a	n/a
BlackRock	UK Equities (indexed)	FTSE All-Share	150,451	10.0%	10.0%	n/a	n/a	n/a	n/a
BlackRock	Global Equities	MSCI World Net Total Return 95% hedged	362,960	24.1%	23.0%	n/a	n/a	n/a	n/a
RBC	Global Emerging Market Equities	MSCI Emerging Markets	76,398	5.1%	4.5%	0.2	2.0	-0.05	-0.10
Total Equities			959,268	63.6%	60.5%	8.5	10.1	-0.05	-0.10
BMO	Bonds	Bonds Composite ^[1]	230,089	15.3%	17.0%	0.9	0.7	0.06	0.02
Threadneedle	Property	IPD UK Quarterly All Balanced Property Index	126,365	8.4%	7.5%	8.8	8.9	-0.01	-0.01
Threadneedle	Low Carbon Property	IPD UK Quarterly All Balanced Property Index	26,688	1.8%	2.5%	8.9	8.9	0.00	0.00
Invesco	Targeted Return	£LIBOR 3M	66,352	4.4%	5.0%	-1.0	0.6	0.03	-0.07
GMO	Absolute Return	OECD CPI G7 (GBP)	98,605	6.5%	7.5%	-1.2	1.8	0.03	-0.20
Total Scheme			1,507,367	100.0%	100.0%	7.3	8.3	0.06	-0.36

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

Note:

We do not have the details of the cash held in the trustee bank account. As a result, the effective asset allocation may differ from that shown in the table above. Attribution analysis excludes the stock selection and asset allocation impact of mandates which have been fully redeemed.

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4.3 Estimated Performance Analysis – 3 years to 30 September 2018

The table below represents the manager performance over the 3 years to 30 September 2018 and illustrates Stock Selection contributions from each of the Fund's managers and the impact from over/underweight positions relative to benchmark/target weighting (Asset Allocation).

Manager	Asset Class	Benchmark	Market Value £'000 30 Sep	Weight % 30 Sep	Target %	Fund Return %	Benchmark Return %	Asset Allocation	Stock Selection
LCIV	Global Equities	MSCI World Index Total Return	208,263	13.8%	13.0%	n/a	n/a	n/a	n/a
BlackRock	Low Carbon	MSCI World Low Carbon Index	161,196	10.7%	10.0%	n/a	n/a	n/a	n/a
BlackRock	UK Equities (indexed)	FTSE All-Share	150,451	10.0%	10.0%	n/a	n/a	n/a	n/a
BlackRock	Global Equities	MSCI World Net Total Return 95% hedged	362,960	24.1%	23.0%	n/a	n/a	n/a	n/a
RBC	Global Emerging Market Equities	MSCI Emerging Markets	76,398	5.1%	4.5%	n/a	n/a	n/a	n/a
Total Equities			959,268	63.6%	60.5%	9.8	10.6	0.00	0.00
BMO	Bonds	Bonds Composite ^[1]	230,089	15.3%	17.0%	5.5	4.7	0.01	0.39
Threadneedle	Property	IPD UK Quarterly All Balanced Property Index	126,365	8.4%	7.5%	7.0	7.1	0.08	0.00
Threadneedle	Low Carbon Property	IPD UK Quarterly All Balanced Property Index	26,688	1.8%	2.5%	n/a	n/a	n/a	n/a
Invesco	Targeted Return	£LIBOR 3M	66,352	4.4%	5.0%	n/a	n/a	n/a	n/a
GMO	Absolute Return	OECD CPI G7 (GBP)	98,605	6.5%	7.5%	3.5	1.6	0.21	0.49
Total Scheme			1,507,367	100.0%	100.0%	11.1	11.2	0.31	0.87

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

Note:

We do not have the details of the cash held in the trustee bank account. As a result, the effective asset allocation may differ from that shown in the table above. Attribution analysis excludes the stock selection and asset allocation impact of mandates which have been fully redeemed.

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5 Risk Warnings

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets.

Exchange rates may also affect the value of any investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

Private equity investments, whether held directly or in pooled fund arrangements carry a higher risk than publicly quoted securities; the nature of private equity pooling vehicles makes them particularly illiquid and investment in private equity should be considered to have a long time horizon.

Hymans Robertson LLP has relied upon third parties and may use internally generated estimates for the provision of data quoted, or used, in the preparation of this report. Whilst every effort has been made to ensure the accuracy of such estimates or data, we cannot accept responsibility for any loss arising from their use.

Prepared by:-

Andrew Johnston, Partner

Dave Gilmour, Investment Analyst

For and on behalf of Hymans Robertson LLP

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QUARTERLY ENGAGEMENT REPORT

JULY TO SEPTEMBER 2018



Vote recommendations to oppose the election of Ryanair and Sports Direct Chairs amid employment concerns

Response to the Kingman Review sets out that the Financial Reporting Council is 'beyond repair'

Meetings with the Chairs of Sainsbury's and Pearson on governance risks prove useful

Executive Summary

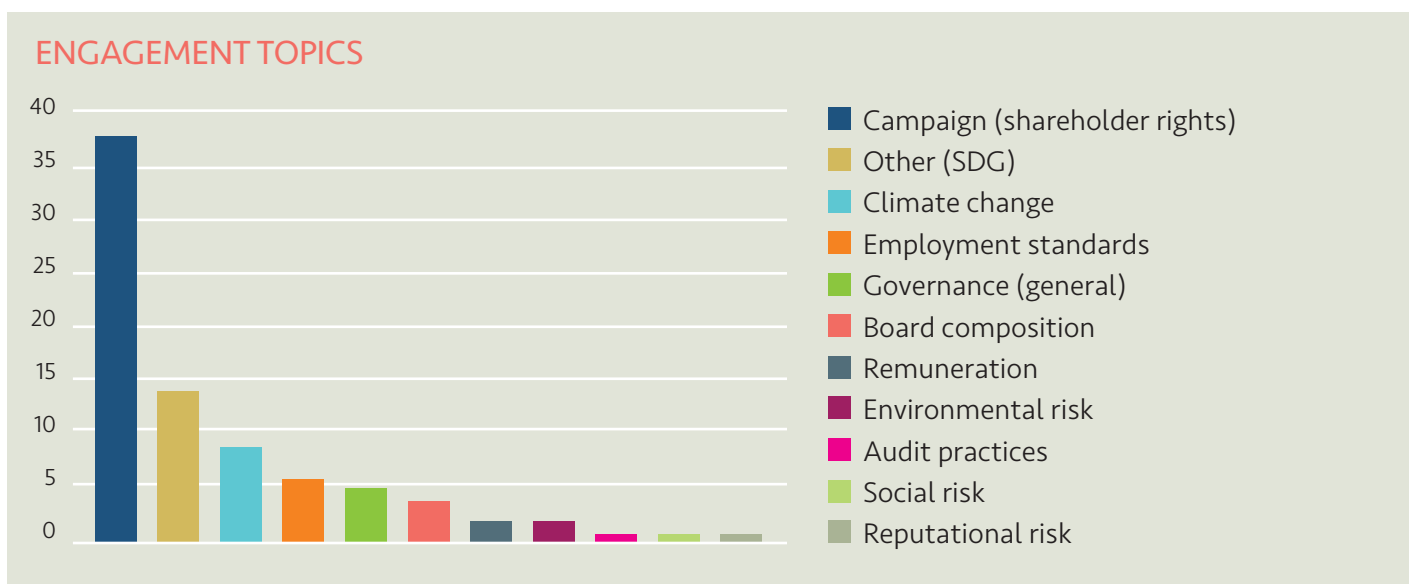
During the last quarter, LAPFF has engaged with 63 companies on issues ranging from employment standards to Sustainable Development Goals and shareholder rights.

The Forum issued two voting alerts ahead of the Ryanair and Sports Direct AGMs in September. Poor human capital management, along with continued concerns related to poor board oversight over governance issues led to recommendations to oppose annual reports and the Chair at both companies. The Forum also attended both companies' AGMs.

With an aim to better understand how companies approach the UN Sustainable Development Agenda, LAPFF has liaised with 14 companies to discuss the topic of sustainable cities and climate risk management, as well as water stewardship and access to water and sanitation.

The Forum has submitted its response to the Kingman Review that aims to review the role and power of the Financial Reporting Council (FRC). Despite the responses not being public, the Forum considers that its position on disbanding the current FRC is widely shared.

Company Engagement



GOVERNANCE RISK



Sidney Taurel, Chair of Pearson

At a meeting with **Sainsbury's**, LAPFF Executive member Cllr Doug McMurdo spoke with Chair David Tyler about cybersecurity management post-General Data Protection Regulation (GDPR) and how this is managed at the Board level. The meeting also covered the 2016 acquisition of Argos as well as the planned Asda merger and how these can impact investor value, customer experience and employment.

LAPFF also met with the Chair of **Pearson**, Sidney Taurel, to better understand the company's approach to the changing publishing environment and to discuss the new focus on digital content and book rentals. The Forum was also pleased to hear about positive changes to the Company's executive remuneration and plans to increase female representation throughout the Company. Other topics covered included climate-related financial disclosure and eliminating plastics in packaging for printed materials.

Along with 80 investors, the Forum was named on letters to more than 40 US companies that serve on the **National Association of Manufacturers' (NAM)** board. NAM has launched an aggressive critique of shareholder engagement especially on climate and is working against shareholders being able to file resolutions as well as any responses received. The letter expressed concerns regarding a recent report funded and distributed by NAM, which states that shareholder resolutions diminish company value. The letters call for the companies to distance themselves from NAM's position and to communicate their concerns to NAM leadership.

With an aim of gaining a better understanding of companies' approach to the Sustainable Development Goals, LAPFF wrote to **Stagecoach Group, Go-Ahead Group, Taylor Wimpey, Persimmon, Berkeley Group, Bovis Homes** and **Barratt Developments** on the topic of sustainable cities and climate risk management. The Forum also wrote to the most widely-held food and beverage companies on their approach to water stewardship and ensuring adequate water and sanitation practicalities across the supply chain, as well as to **United Utilities** and **Severn Trent** on sustainable and efficient water use.

Voting alerts

Ahead of the **Sports Direct International** Annual General Meeting, LAPFF issued a [voting alert](#) advising members to oppose the annual report, share repurchase and the re-election of Chair Keith Hellawell, Chief Executive Mike Ashley and Senior Independent Director Simon Bentley. Owing to the unresolved employment issues, the Forum continues to consider that the company does not have adequate governance structures and processes in place to foster the creation of long-term shareholder value. The Forum further recommended a vote in favour of the remuneration report and to abstain on the remuneration policy.

An [alert](#) was also issued recommending a vote against **Ryanair's** annual report and the Chair, David Bonderman, amid continuing human capital management issues across the company and the company's failure to deliver adequate customer service during flight cancellations. There are further concerns over the overall level of independence on the board, including Mr Bonderman himself, who has been on the Board for over twenty years.

ENVIRONMENTAL AND CARBON RISK

The Forum Vice Chair Cllr Doug McMurdo spoke with **Unilever** representatives on the topic of sustainable palm oil and the recent critiques of the Roundtable on Sustainable Palm Oil (RSPO), of which Unilever is a founding member. The Forum was interested to know how the Economic, Social and Governance (ESG) components are balanced within RSPO and discussed how the S component can be more integrated within the work of RSPO. The Company also provided insight into the decision to move to a single share class structure.



Amu Power plant

LAPFF co-signed a letter to the chair and chief executive of **General Electric**, John Flannery, asking the company to re-consider the acquisition of a stake in Amu Power coal plant in Kenya. The Forum is of the view that the investment is at odds with the Company's public positioning on climate change and the Paris Agreement.

Collaborative engagement with **BP** continued with one of the regular '8 on 8' meetings with investors and senior BP staff, as part of the Climate Action 100+ initiative.



Discussions focused on the company's 'race to lower carbon' including an efficiency focus in upstream technology and the company's new technology and investments. As BP is the lead provider of methane in the US, LAPFF asked about the focus on methane emission control in the US and promoting methane management beyond the company's direct impact. The Forum also asked about the ambition and scale of the company's plans for Electric Vehicle charge points.

At a collaborative meeting with Simon Thompson, the Chair of **Rio Tinto**, LAPFF joined other members of the Institutional Investors Group on Climate Change (IIGCC) to follow up the Company's progress in disclosing more information subsequent to the shareholder resolution at this year's AGM on membership of trade bodies and lobbying practices. It was noted that Rio has sold all its coal operations, but still relies on coal as an energy source in Mongolia and South Africa.



In September, LAPFF continued its collaborative engagement with **Ford Motor Company** under the aegis of Climate Action 100+. The meeting sought to pursue existing dialogue on the company's position on public policy on vehicle greenhouse gas emission standards, in the context of the Climate Action 100+ requests on emission reduction and enhanced disclosure.

SOCIAL RISK

Employment Standards

Following strong investor concern over governance and employment practices at Sports Direct and Ryanair, the Forum attended both of the companies' AGMs in September. At the **Sports Direct** AGM, LAPFF spoke to the employee representative about the election process and inquired about some of the feedback from staff. The Forum also spoke to the newly elected Chair and the new female director. The Forum considers that the changes in leadership are likely to result in a more constructive discussion with the Company in the future.

LAPFF Vice Chair Cllr Paul Doughty attended the **Ryanair** AGM in Dublin. He inquired about alleged disciplinary actions against staff for not reaching sales targets and noted the issues around workers on Irish contracts. Cllr Doughty also asked about potential repayments for the delays and cancellations during industrial strikes.

Diversity

Through its membership of the 30% Club investor group, the Forum requested meetings with companies from the energy sector to discuss board governance processes around nominations and succession planning for both non-executives and executives and how diversity is considered in this process.

RELIABLE ACCOUNTS/CONSULTATION RESPONSES

LAPFF submitted its [response](#) to the Kingman Review, with the main recommendations being: disbanding the current FRC, creating a stand-alone UK Financial Accounting Standard Board, putting some audit oversight functions into a Companies Commission with the Insolvency Service, and creating a UK auditing oversight board. Disappointingly, the Kingman Review team have decided not to make the responses public. However, it is clear from those that have been published by the party making the submission, that the LAPFF position is widely shared.

These statements are from the response of fifth largest accounting firm BDO: 'It is our view that the FRC's reputation for regulation is poor...' '...the FRC's reputation for standard-setting has been, and will continue to be, undermined. For this reason alone, we believe that the two functions should be separated into different bodies.' and 'the FRC's failings are partly due to the conflict of interest engendered by its dual responsibilities for standard-setting and compliance, and partly through its "negative" impact on the audit market place.'

MEDIA COVERAGE

Ryanair

[Ryanair cancels flights after strike by pilots and cabin crew](#) – Financial Times, 28 September 2018

[UK public pension group call for ‘oppose’ votes at Ryanair AGM](#) – Business Insider, 14 September 2018

[UK public pension group to oppose Ryanair at AGM](#) – Reuters, 14 September 2018

[Local authority pension group seeks to oust Ryanair chair](#) – Local Government Chronicle, 14 September 2018

[UK pension fund will oppose Ryanair at annual meeting](#) – The Guardian, 14 September 2018

[Ryanair chairman David Bonderman facing turbulence](#) – The Times, 15 September 2018

[Michael O’Leary’s lockdown won’t keep Ryanair’s woes a secret](#) – The Guardian, 15 September 2018

[Ryanair says shareholder will back Bonderman at AGM](#) – Independent, 19 September 2018

[Ryanair CEO O’Leary admits he needs to improve his performance](#) – Bloomberg, 19 September 2018

[Ryanair investors Royal London to oppose re-election of airline’s chair at AGM](#) – City AM, 19 September 2018

[Ryanair faces growing backlash at annual shareholder meeting](#) – The Guardian, 19 September 2018

[Ryanair shareholders re-elect O’Leary and Bonderman](#) – RTE, 20 September 2018

[Ryanair chief survive shareholder revolt](#) – Travel Weekly, 20 September 2018

[Ryanair faces turbulent AGM](#) – The Times, 20 September 2018

[Ryanair boss Michael O’Leary may leave within five years](#) – BBC, 20 September 2018

[Ryanair reports 30% votes against re-election of chairman Bonderman](#) – Morningstar, 20 September 2018

[Ryanair chair survives shareholder revolt but investors want change](#) – The Guardian, 20 September 2018

[Council pension fund rebel at Ryanair meeting](#) – The MJ, 20 September 2018

[Ryanair chairman re-elected at AGM by narrower margin amid concerns about strikes](#) – Proactive Investors, 20 September 2018

[Ryanair board survives AGM intact but dissatisfaction evident](#) – The Irish Times, 20 September 2018



Sports Direct

[Debenhams comment by Sports Direct forces watchdog to intervene](#) – The Guardian, 12 September 2018

[Ashley turn on shareholder after shambolic week for Sports Direct](#) – Shropshire Star, 14 September 2018

Reliable Accounts

[Britain needs a companies commission](#) – Economia, 9 August 2018

[UK accountancy watchdog ‘too close’ to big four, say critics](#) – Financial Times, 20 August 2018

[Independent Review considers calls for UK audit regulator to be shut down](#) – IPE, 28 August 2018

[UK accounting watchdog to publish hospitality register](#) – Financial Times, 13 September 2018

[Accountancy can be made to work for investors](#) – Financial Times, 13 September

Climate

[Investor group opposes General Electric plans for Kenyan power plant](#) – Reuters, 19 July 2018

[UK pension fund forum urges greater climate action from 16 firms](#) – Environmental Finance, 10 August 2018

[Fracking investments by council pension funds ‘unlawful’](#) – BBC, 3 September 2018

Other

[How gender pay gap data is being used in investor engagement](#) – Professional Pensions, 28 August 2018

[Barnet pension scheme votes to join the LAPFF](#) – Pensions Expert, 9 July 2018

COMPANY PROGRESS REPORT

63 companies engaged over the quarter

Q3 2018 ENGAGEMENT DATA			
Company	Activity	Topic	Outcome
A3M Company	Letter	Campaign (Shareholder rights)	Dialogue
ABB Ltd	Letter	Campaign (Shareholder rights)	Dialogue
Abbott Laboratories	Letter	Campaign (Shareholder rights)	Dialogue
American Electric Power Company Inc	Letter	Campaign (Shareholder rights)	Dialogue
Barratt Development plc	Letter	Other (SDGs)	Dialogue
Berkeley Group Holdings plc	Letter	Other (SDGs)	Dialogue
Bovis Homes Group plc	Letter	Other (SDGs)	Dialogue
BP plc	Meeting	Climate Change	Substantial improvement
Bristol-Myers Squibb Company	Letter	Campaign (Shareholder rights)	Dialogue
Brown-Forman Corporation	Letter	Campaign (Shareholder rights)	Dialogue
Cairn Energy plc	Letter	Board composition	Dialogue
Caterpillar Inc	Letter	Campaign (Shareholder rights)	Dialogue
Conocophillips	Letter	Campaign (Shareholder rights)	Dialogue
Cummins Inc	Letter	Campaign (Shareholder rights)	Dialogue
Deere & Company	Letter	Campaign (Shareholder rights)	Dialogue
Devon Energy Corporation	Letter	Campaign (Shareholder rights)	Dialogue
Dow DuPont Company	Letter	Campaign (Shareholder rights)	Dialogue
Eli Lilly and Company	Letter	Campaign (Shareholder rights)	Dialogue
Emerson Electric Co	Letter	Campaign (Shareholder rights)	Dialogue
ExxonMobil Corporation	Letter	Campaign (Shareholder rights)	Dialogue
Fluor Corporation	Letter	Campaign (Shareholder rights)	Dialogue
Ford Motor Company	Meeting/Letter	Climate change/Campaign (Shareholder rights)	Small improvement
General Electric Company	Letter	Campaign (Shareholder rights)/ Climate change	Dialogue
Glencore plc	Letter	Audit practice	Dialogue
Go-Ahead Group plc	Letter	Other (SDG)	Dialogue
Intel Corporation	Letter	Campaign (Shareholder rights)	Dialogue
Johnson & Johnson	Letter	Campaign (Shareholder rights)	Dialogue
Johnson Controls Inc	Letter	Campaign (Shareholder rights)	Dialogue
Leggett & Platt Inc	Letter	Campaign (Shareholder rights)	Dialogue
Lockheed Martin Corporation	Letter	Campaign (Shareholder rights)	Dialogue
Marathon Petroleum Corporation	Letter	Campaign (Shareholder rights)	Dialogue
McCormick & Company Inc	Letter	Campaign (Shareholder rights)	Dialogue
Merck & Co Inc	Letter	Campaign (Shareholder rights)	Dialogue
Microsoft Corporation	Letter	Campaign (Shareholder rights)	Dialogue
National Grid plc	Letter	Climate change	Dialogue
Nestle SA	Letter	Other (SDG)	Dialogue
Nostrum Oil & Gas plc	Letter	Board composition	Dialogue
Novartis AG	Letter	Campaign (Shareholder rights)	Dialogue
Pearson plc	Meeting	Governance/Remuneration	Moderate improvement
Pennon Group plc	Letter	Other (SDG)	Dialogue
PepsiCo Inc	Letter	Other (SDG)	Dialogue
Persimmon plc	Letter	Other (SDG)	Dialogue
Pfizer Inc	Letter	Campaign (Shareholder rights)	Dialogue
PPG Industries Inc	Letter	Campaign (Shareholder rights)	Dialogue

Q3 2018 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
Procter & Gamble Company	Letter	Campaign (Shareholder rights)	Dialogue
Rio Tinto Group (GBP)	Meeting	Climate change	Moderate improvement
Ryanair Holdings plc	Alert issued/AGM	Employment standards/Board composition	Change in process
Sainsbury (J) plc	Meeting	Governance (General)	Dialogue
Severn Trent	Letter	Other (SDG)	Dialogue
Southern Company	Letter	Climate Change/Campaign (Shareholder rights)	Dialogue
Sports Direct International plc	Alert issued/AGM/ Letter	Employment standards/Board composition	Dialogue
Stagecoach Group plc	Letter	Other (SDG)	Dialogue
Suez Environment	Letter	Other (SDG)	Dialogue
Taylor Wimpey plc	Letter	Other (SDG)	Dialogue
Textron Inc	Letter	Campaign (Shareholder rights)	Dialogue
The Boeing Company	Letter	Campaign (Shareholder rights)	Dialogue
The Coca-Cola Company	Letter	Other (SDG)	Dialogue
The Goodyear Tire & Rubber Company	Letter	Campaign (Shareholder rights)	Dialogue
Tullow Oil plc	Letter	Board composition	Dialogue
Unilever plc	Meeting	Environmental risk/Social risks/ Governance	Small improvement
United Technologies Corporation	Letter	Campaign (Shareholder rights)	Dialogue
United Utilities Group plc	Letter	Other (SDG)	Dialogue
Verizon Communications Inc	Letter	Campaign (Shareholder rights)	Dialogue

NETWORKS AND EVENTS

The following lists some of the events and meetings attended by or on behalf of LAPFF representatives during the quarter:



In July, the Forum organised an investor briefing to discuss governance and workforce issues at Ryanair, chaired by Cllr Ian Greenwood. The meeting heard from Ryanair cabin crew, representatives from the International Transport Workers Federation, an HSBC analyst and a partner at Charles Russell Speechlys.



The Local Government Pensions Minister, Rishi Sunak MP, spoke at the July meeting of the All Party-Parliamentary Group (APPG) on Local Authority Pension Funds. Chaired by Clive Betts MP, the meeting covered the importance of investing in infrastructure, pooling and revisited the topic of including Councillors as members of LGPS. Richard Murphy, Professor of Practice in International Political Economy and Director of Tax Research LLP also addressed the group on the lack of transparency within the big four accountancy firms – Deloitte, KPMG, Ernst & Young and PwC – and emphasised the importance of having strong accountancy standards. The minutes from the meeting can be accessed [here](#).



The Forum joined a new investor alliance to engage companies on plastic pollution, led by the As You Sow Initiative. The Plastic Solutions Investor Alliance are intending to primarily focus on plastic packaging and to initiate dialogue with four large international consumer goods companies: PepsiCo, Procter & Gamble, Nestle and Unilever.



Through its membership in the Principles for Responsible Investment (PRI) Investor Working Group on Sustainable Palm Oil, the Forum attended a webinar on the risks that banks associated with deforestation face and the importance of investor engagement. The Forum also attended a webinar on companies that allegedly buy illegal palm oil in Indonesia.



Attendance at the Global Climate Action Summit in San Francisco emphasised the central importance of investors in sending strong signals to government to step up action by 2020, when global emissions need to peak and then swiftly decline. Conference outcomes set out a 'call to action' for all parties to take advantage of the opportunities to transition to a low-carbon economy.



In September, LAPFF also attended the annual Climate Week in New York. The summit, which was launched by The Climate Group in 2009, gathers politicians, nongovernmental organisations, activist, policy makers and representatives from businesses to drive climate action forward.



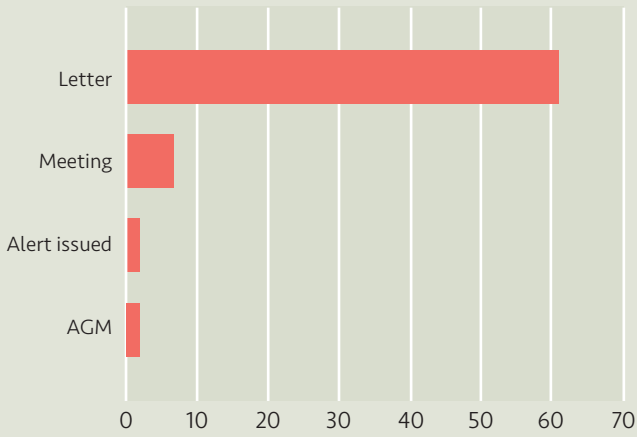
At a CEO Investor Forum organised by 'CECP: The CEO Force for Good,' the Forum heard from a range of CEOs including from NRG Energy, IBM and GSK. The event reviewed the positive impact of communicating long-term value creation with investors.



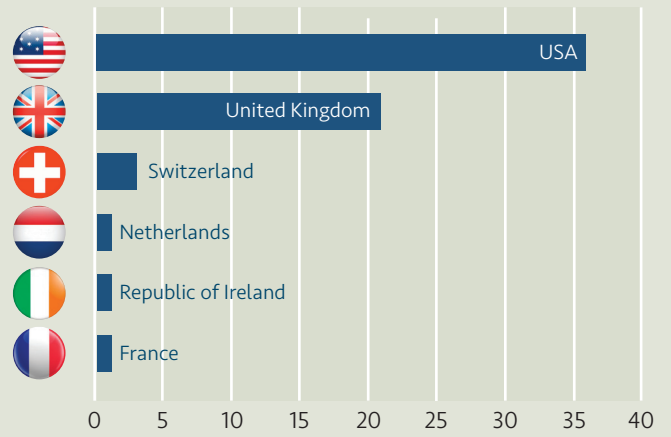
The Financial Reporting Council (FRC) has launched independent research into FTSE350 companies' diversity and inclusion reporting. The Forum attended an event organised by the FRC on current trends in reporting and related initiatives.

COMPANY ENGAGEMENT ACTIVITIES

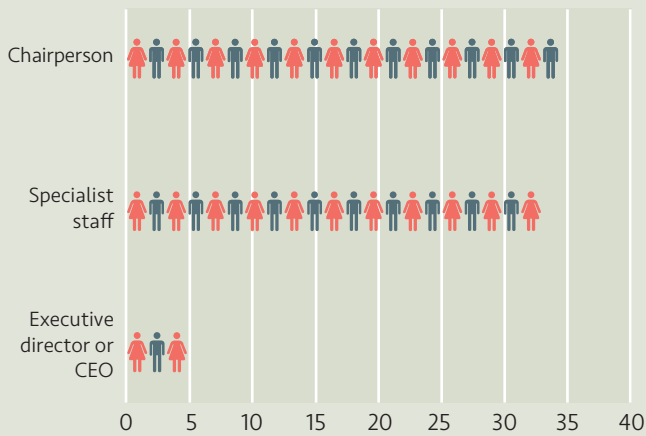
Company engagement activities



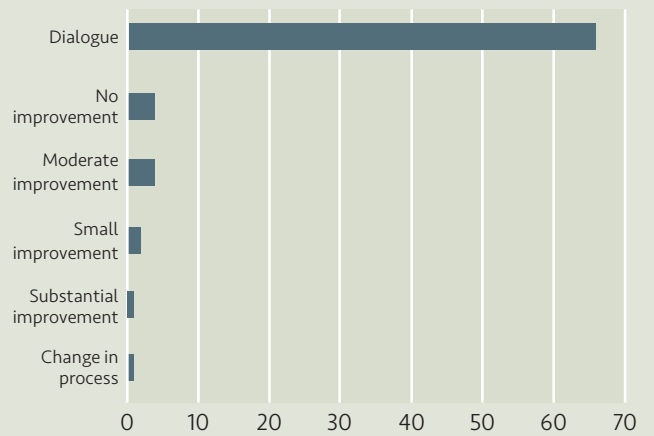
Company domiciles



Position engaged



Outcomes



LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

- Avon Pension Fund
- Barking and Dagenham LB
- Barnet LB
- Bedfordshire Pension Fund
- Border to Coast Pensions Partnership
- Cambridgeshire Pension Fund
- Camden LB
- Cardiff and Vale of Glamorgan Pension Fund
- Cheshire Pension Fund
- City and County of Swansea Pension Fund
- City of London Corporation
- Clwyd Pension Fund
- Cornwall Pension Fund
- Croydon LB
- Cumbria Pension Scheme
- Derbyshire CC
- Devon CC
- Dorset County Pension Fund
- Durham Pension Fund
- Dyfed Pension Fund
- Ealing LB
- East Riding Of Yorkshire Council
- East Sussex Pension Fund
- Enfield LB
- Environment Agency Pension Fund
- Falkirk Council
- Gloucestershire Pension Fund
- Greater Gwent Fund
- Greater Manchester Pension Fund
- Greenwich Pension Fund
- Gwynedd Pension Fund
- Hackney LB
- Hammersmith and Fulham LB
- Haringey LB
- Harrow LB
- Havering LB
- Hertfordshire County Council Pension Fund
- Hounslow LB
- Islington LB
- Lambeth LB
- Lancashire County Pension Fund
- Leicestershire Pension Fund
- Lewisham LB
- Lincolnshire CC
- London CIV
- London Pension Fund Authority
- Lothian Pension Fund
- Merseyside Pension Fund
- Merton LB
- Newham LB
- Norfolk Pension Fund
- North East Scotland Pension Fund
- North Yorkshire CC Pension Fund
- Northamptonshire CC
- Northern Pool
- Northumberland CC
- Nottinghamshire CC
- Oxfordshire Pension Fund
- Powys CC Pension Fund
- Redbridge LB
- Rhondda Cynon Taf
- Shropshire Council
- Somerset CC
- South Yorkshire Pension Authority
- Southwark LB
- Staffordshire Pension Fund
- Strathclyde Pension Fund
- Suffolk CC Pension Fund
- Surrey CC
- Sutton LB
- Teesside Pension Fund
- Tower Hamlets LB
- Tyne and Wear Pension Fund
- Wales Pension Partnership
- Waltham Forest LB
- Wandsworth LB
- Warwickshire Pension Fund
- West Midlands ITA Pension Fund
- West Midlands Pension Fund
- West Yorkshire Pension Fund
- Westminster LB
- Wiltshire CC
- Worcestershire CC

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Draft Pension Administration Strategy (PAS) 2019/22 Pensions Committee 12th December 2018	Classification Public	Enclosures 1
	Ward(s) affected ALL	

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 2019/22, which has been updated to reflect changes to the Fund's third party administration contract.

2. RECOMMENDATION

2.1 Pensions Committee is recommended to:

- **Approve the review period of the Pension Administration Strategy to change from annually to every 3 years, notwithstanding the requirement to review and amend when regulations change**
- **Approve the updated Pension Administration Strategy be issued for consultation with employers and other interested parties**

3. RELATED DECISIONS

- 3.1 Previous Pensions Committee meetings 28th March 2018, 21st March 2017, 23rd March 2016, 31st March 2015, 20th March 2014, 27th March 2013, 6th January 2010 and 19th 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 OF LEGAL AND GOVERNANCE

- 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 consultation of the draft Strategy, with scheme employers and other interested parties. This paper and the associated Appendix, draft 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.

6. SUMMARY

- 6.1 The London Borough of Hackney act as the Administering Authority for the London Borough of Hackney Pension Fund and responsibility for the management of the Pension Fund has been delegated to the Pensions Committee.
- 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 draft Pension Administration Strategy (PAS) 2019/22 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 draft PAS has been updated to include the new service level agreements (SLAs) now in effect following the formal implementation of the new administration contract with Equiniti from 1 July 2018. The new SLAs are detailed on pages 15 to 17 of the draft Strategy, and the scheme objectives and method of measuring the SLAs and Key Performance Indicators (KPIs) are on pages 28 & 29. The Fund's legal requirements are provided on pages 14 & 15, but these cannot be achieved without the cooperation of all the scheme employers. The Fund's failure to achieve any of the legal requirements, could result in substantial penalties from the Pensions Regulator (tPR). Any penalties imposed on the Fund will be passed the failing employer.
- 6.4 The Administering Authority continues to provide support for scheme employers when dealing with other employment matters, not always directly associated with pension administration. The in-house pension team assists 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 are clarified in pages 39 & 40 of the draft PAS.

- 6.5 The draft PAS will be circulated to all employers (including schools) and other interest parties for review and comment by close of business 9th February 2019.
- 6.6 Following consultation and final approval by the Pension Committee in March 2019, the final PAS will be published and circulated to all employers (including schools) and interested parties, to take effect from 1st April 2019, 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.
- 6.7 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 receives an annual pension administration report which includes the performance of the third party administrator.
- 6.8 Since 1st 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.
- 6.9 The PAS will be fully reviewed every 3 years, but will be revised as appropriate following any material changes to regulations and policies. Any material changes or major revisions to the Strategy will be brought back to Committee for review prior to consultation.

Ian Williams
Group Director
Finance & Corporate Resources

Report Originating Officers: Julie Stacey ☎020 8356 3565
Financial considerations: Michael Honeysett ☎020 8356 3332
Legal comments: Sean Eratt ☎020 8356 6012

List of Appendices

Appendix 1 - London Borough of Hackney Pension Fund, draft Pension Administration Strategy 2019/22

Background Papers

None

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**LONDON BOROUGH OF HACKNEY
PENSION FUND**

**PENSION ADMINISTRATION
STRATEGY
2019/22**

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

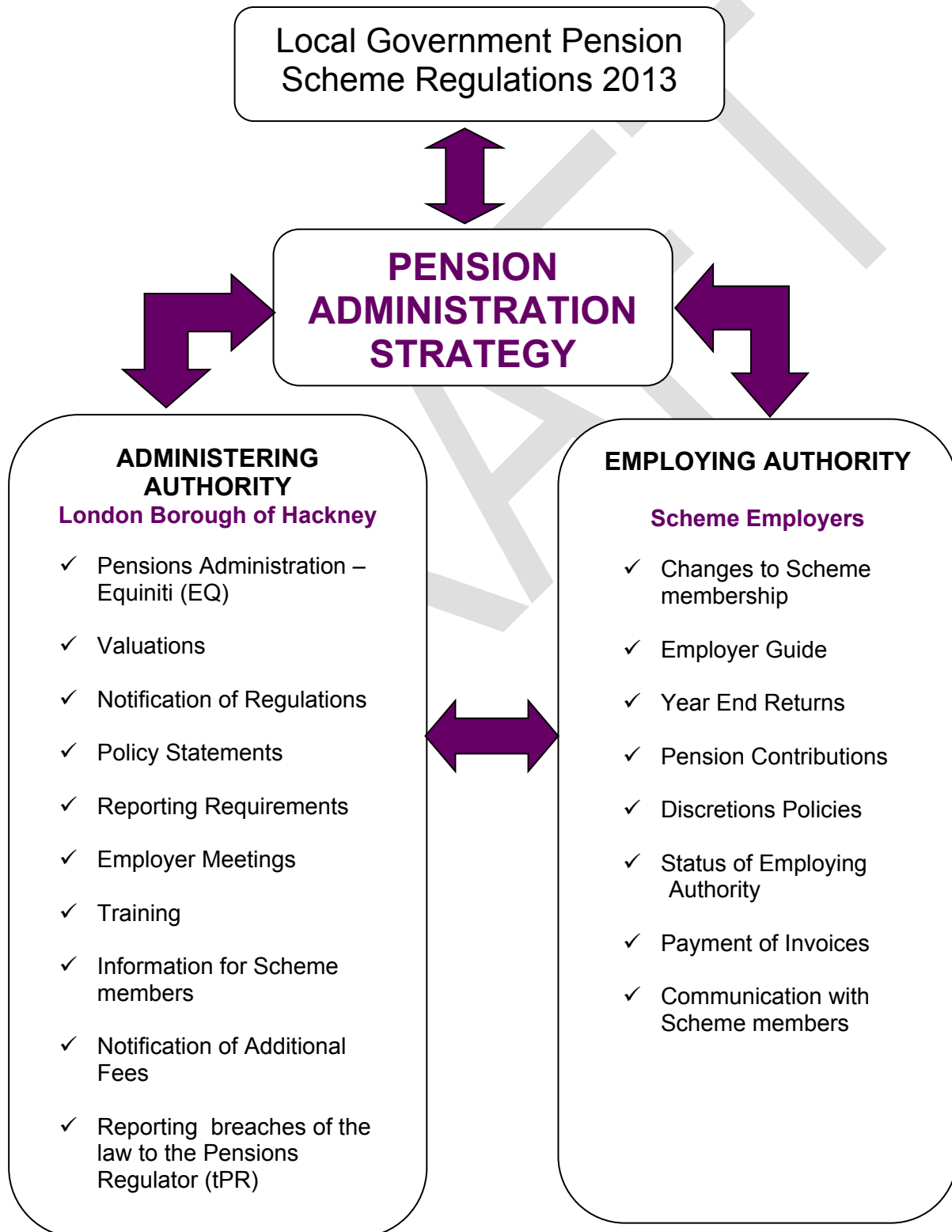


CONTENTS

Introduction	3
Administration in the London Borough of Hackney	7
Performance Standards	10
Fund Responsibilities & Standards	11
Scheme Administrator Responsibilities & Standards	14
Scheme Employer Responsibilities & Standards	18
Monitoring Performance and Compliance	27
Role of the Pensions Regulator (tPR)	31
Policy on Recovery of Additional Administration Costs from Employers	34
Employer Contribution Rates / Additional Employer Assistance & Associated Costs	39
Service and Communication Improvement Planning	41
Consultation and Review Process	42
Regulations	43

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 (EQ). Below is a diagram showing the roles and responsibilities of the parties in the administration of the scheme



Aims and Objectives

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 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.

The Pensions Administration Strategy has a number of specific objectives, including:

- Deliver an efficient, quality and value for money service to its scheme employers and scheme members
- Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner
- Ensure the Fund's employers are aware of and understand their role and responsibilities under the LGPS regulations and in the delivery of the administration function
- Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner
- Set out clear roles and responsibilities for the Council and Equiniti and work together to provide a seamless service to Scheme employers and scheme members
- Continuously review and improve the service provided.

Implementation

The Administration Strategy is effective from 1 April 2019.

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 (as amended)

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.

DRAFT

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 and partly carried out by Council staff.

The Council and Equiniti 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:

Method of Communication	Communication material
Website http://hackney.xpmemberservices.com	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
Pensions helplines:- Equiniti London Borough of Hackney Pensions Team	01293 603 085 020 8356 2521
E-mail addresses: For the Equiniti team: Hackney.pensions@equiniti.com For the London Borough of Hackney team: pensions@hackney.gov.uk	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 (EQ).

Administering Authority Fund Administration

pensions@hackney

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

Task/Function	Standard
Pension Administration Strategy - PAS	Consult with employers following any significant revisions to the Administration Strategy Publish agreed Strategy within 2 months of being agreed by the Pensions Committee
Member Scheme Guide to the LGPS Employers' Guide to the LGPS	Update & publish within 30 working days from any significant revision.
Pension forms	Update & publish within 30 working days from any significant revision.
Scheme Employers' meeting	Annually

Task/Function	Standard
Training sessions for scheme employers.	Upon request from scheme employers, or as required.
Changes to the scheme rules.	Notify employers within 2 months of the change(s) coming into effect.
Employer's unsatisfactory performance.	As soon as a performance issue becomes apparent.
Recovery of additional administration costs - 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.
Annual Benefit Statements to active and deferred members	To be issued no later than 5 months after the end of the Scheme year to which it relates.
Valuation 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).
Cessation valuation 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 FRS102 (valuations for employers as required)	Issue results within 10 working days from receipt from the Fund's actuary
Admission Agreements for new scheme employers, where required (including the allocation of assets and notification to the Secretary of State).	Within 3 months of employer entry to the scheme

Task/Function	Standard
Governance Policy and Compliance Statement.	Publish within 30 working days of policy being agreed by the Pensions Committee.
Funding Strategy Statement – FSS 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.
Annual Report and Accounts – R&A (and any report from the auditor)	By 30 September following the year end or following the issue of the auditor’s opinion
Communications Policy Statement.	Publish within 30 working days of policy being agreed by the Pensions Committee
Statement of Investment Principles - SIP	Publish within 30 working days of policy being agreed by the Pensions Committee
Administering Authority Discretions Policies	Publish within 30 working days of policy being agreed by the Pensions Committee
Statutory auto-enrolment communications Agree with integrated bodies (e.g. maintained & VA schools) the arrangements for each 3 year auto-enrolment cycle, and provide written confirmation of those arrangements.	No less than 6 weeks prior to the staging date

SCHEME ADMINISTRATOR RESPONSIBILITIES

Provider - Equiniti



The Fund's third party administrators, Equiniti (EQ), assist with the overall administration of the scheme and to ensure the smooth operation of the administrative function.

Equiniti can be contacted via their helpline number - 01293 603 085

or by email: – hackney.employers@equiniti.com

As a Fund, there are certain administrative functions that, under the LGPS Regulations, are legal requirements and must be processed within set timeframes. If scheme employers do not provide the requested data correctly, in the right format and within the timescales requested by the administrators, the Fund cannot meet its legal obligations and may be liable to penalty fines imposed by the Pension Regulator (tPR).

The administrators, and the Fund, are therefore reliant on employers providing the data in order to correctly administer the scheme and fulfil its legal duties as listed below:

Process	Legal Requirement
To process new member information e.g. creating a pension account record	Provide information about the scheme within: <ul style="list-style-type: none"> • 2 months from date of joining where scheme member information has been received or • 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled.
To provide transfer value information	3 months from date of request
To inform members who leave the scheme of their deferred benefit entitlement	As soon as is practicable, and no more than 2 months from date of initial notification (from employer or scheme member)
To notify the amount of retirement benefits and payment of tax free cash sum	1 month from date of retirement if on or after Normal Pension Age 2 months from date of retirement if before Normal Pension Age
To notify dependant(s) of the amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of the death, or from date of request
Provide annual benefit	31 st August in the same calendar year

statements to active and deferred members	
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Service Standards Agreement - SLAs

In order to meet the legal requirements of the LGPS, the Fund as implemented a number of operational Service Standards in relation to the administration services provided by Equiniti: -

- All Service Standards are quoted in working days unless otherwise indicated.

Note – these Service Standards are only achievable with the cooperation of all scheme employers and by providing the correct data & information when requested:

Category	Process	Service Standard
Retirements	Overall case target to later of payment of lump sum and notification of final benefits	95% within 20 days from date of retirement
	Notify members of benefits that may be payable	95% within 5 days
	Notification of final benefits and payment of lump sum (both to be completed in timescale)	95% within 3 days
	First pension payment	98% within 40 days
Death of a Member	Issue letter requesting any information required to verify entitlement to benefits	95% within 1 day
	Notification of benefits due and payment of lump sum death benefit (both to be completed in timescale)	95% within 3 days
	First survivor pension payment(s)	98% within 40 days
New Joiners main scheme & 50/50 scheme	New Joiner - apply for any transfer value details from a previous fund or scheme	95% within 5 days
	New joiner - Issue a notice to member confirming details relating to their admittance.	95% within 5 days
	50/50 scheme - Notify member when 50/50 membership commences or	95% within 10 days

	ceases	
Estimates or Quotes	Estimates or quotations of benefits	95% within 10 days
Transfer In	LGPS and non-LGPS – Request details from previous pension arrangements	95% within 5 days
	LGPS and non-LGPS – Calculate and provide quotation service credit to member	95% within 10 days
	LGPS and non-LGPS – Request payment of transfer	95% within 5 days
	LGPS and non-LGPS – Notify the member of the benefits awarded	95% within 10 days
Transfer Out	LGPS and non-LGPS – Provide transfer value details/information pack to new provider and/or scheme member as appropriate	95% within 10 days
	LGPS and non-LGPS – Pay transfer value	95% within 10 days
	LGPS and non-LGPS – Notify pension provider that payment has been made	95% within 5 days of transfer value is paid
Pension Sharing Orders	Carry out calculation and provide information to scheme member/solicitor	95% within 5 days
	Calculate and notify final pension debit	95% within 5 days
	Calculate and notify final pension credit	95% within 5 days
Retirements	Notify members of benefits that may be payable	95% within 5 days
	Notification of final benefits and payment of lump sum (both to be completed in timescale)	95% within 5 days
	First pension payment	98% within 40 days
Leavers	Write to scheme member with options	95% within 10 days
Leaver Refunds	Calculate and pay refund of	95% within 10 days

	contributions	
	Write to scheme member in advance of payment due date	95% 2 months in advance
Additional Contributions & Benefits	Providing information to members regarding paying or changing additional contributions (including AVCs) on request	95% within 10 days
	Absence Contributions – providing information to members on return from absence	95% within 10 days
	Action a request to pay additional contributions (including AVCs)	95% within 10 days
Annual Benefit Statements	Provide annual benefit statements to active and deferred members	31 st August in the same calendar year

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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

This section details the functions, **some of which are statutory**, and relate to scheme employers' responsibilities and tasks:

Task/Function	Performance Target
Nominated Representative 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.	Notify the Fund within 30 working days of employer joining fund, or change to nominated representative.
Employer Discretions Policy Formulate, publish and update (as necessary) 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.	Provide a copy to the Fund within 30 working days of the policy being agreed <i>Failure to provide the Fund with a copy of your policies could impact on the release/payment of individuals' benefits.</i>

Task/Function	Performance Target
<p>Enquiries & Data queries From the Fund</p>	<p>Respond to the Fund/administrators within 10 working days from receipt of enquiry.</p>
<p>Contributions – Employer & Employee Paid monthly to the Fund and to provide schedule of payments in the correct format stipulated by the Fund.</p>	<p>Cleared funds to be received by/on 19th calendar day of the month following the deduction.</p> <p><i>Failure to provide the Fund/Administrators with a schedule of contributions including additional pension payments – added years, ARCs, APCs, and 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></p>
<p>IMPORTANT NOTE</p> <p>Late payment of pension contributions 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>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</p>	
<p>Changes to employer contribution 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>

Task/Function	Performance Target
<p>Year end Reports Required by the Fund in the format stipulated to your nominated representative in March each year.</p>	<p>Provide to the Administrators by 30 April following the year end.</p>
<p>Additional Data & Information Requests May be requested by the Fund for the production of the annual benefit statements in each year</p>	<p>Respond to the Fund/administrators within 10 working days of receipt of the request from the Fund</p>
<p>Data Errors Following validation by the Fund, errors may be found in the contribution and/or year end information - corrective action may need to be taken promptly.</p>	<p>Respond fully to the Fund/administrators within 10 working days of receipt of the request from the Fund</p>
<p>Auto-enrolment – monthly assessment Ensure that any staff who are not already scheme members are assessed according to their age and earnings.</p>	<p>Assessment to be made according to pay periods (e.g. staff paid monthly should be monitored on a monthly basis)</p>
<p>Auto-enrolment within statutory deadlines Ensure that any staff who are not scheme members and become an Eligible Jobholder and none of the statutory exceptions apply, are enrolled into the LGPS.</p>	<p>With effect from the employee's auto-enrolment date Employers must provide the Fund/Administrators with their monthly AE reports 1 month following the month of enrolment</p>
<p>Auto-enrolment communications Where employers are providing their own Automatic Enrolment communications, they must ensure that any staff affected by AE (including new starters) are provided with the necessary AE information within statutory deadlines</p>	<p>Within 6 weeks of the date they become eligible for automatic enrolment</p>
<p>Auto-enrolment communications – if provided by the Fund Where auto-enrolment (AE) communications are provided by the Fund</p>	<p>Employers must provide the Fund with their monthly AE reports within 5 working days of your own payroll date</p>

Task/Function	Performance Target
<p>Contracting out services Involving a TUPE transfer of staff to another organisation.</p>	Contact the Fund at the very beginning of the tender process so that important pension information can be provided for inclusion in the tender documentation.
<p>Admission Agreements To be put in place for new employers admitted to the Fund following the when contracting out a service</p>	Provide to new Employers within 3 months of joining the scheme
<p>Pension information Provided by the Fund is to be distributed to scheme members/potential scheme members</p>	Provide to members within 15 working days of receipt of the information or on the member joining the scheme
<p>Starter form and a Member Scheme Guide Provided to new/prospective scheme or refer them to the Fund website.</p>	Provide to member within 5 working days of commencement of employment or change in contractual conditions.
<p>Additional fund payments In relation to early payment of benefits where a strain cost applies</p>	Paid within 30 working days of receipt of invoice from the Fund.
<p>Additional administration costs Paid to the Fund associated with the poor performance of the scheme employer.</p>	Paid 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 member benefits from the Scheme.

Task/Function	Performance Target
<p>Contractual Enrolment To ensure that all employees are brought in to the Scheme from their employment start date.</p>	

<p>Starter forms 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>More than one contract of employment Each contract must have its own starter form as each employment and pension membership must be maintained separately under the Regulations.</p>	<p>Provide Administrators with copy of the Starter form(s) within 15 working days of the employee's employment start date</p>
<p>Employee contribution rate Applied in accordance with the LGPS contribution bandings based on actual pensionable pay – including overtime/bonuses etc.</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>Main Scheme or 50/50 Scheme contributions To apply the correct employee contribution rate according to actual pensionable pay of the member & in accordance to rates for main scheme or 50/50</p> <p>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 employer's own Employee Contribution Policy and effect a change in rate if necessary – ie a move from the main scheme to the 50/50 section of the scheme, or vis-versa</p>
<p>Election to join 50/50 section Member election form completed & signed – move member to 50/50 scheme & amend employee contributions only NOTE – Employer continues to pay FULL rate contributions</p> <p>OR</p> <p>Election to re-join Main scheme Member election form completed & signed – move member to main scheme & amend employee contributions only</p>	<p>Reduce employee contributions the month following month of election, or such later date specified by the scheme member.</p> <p>Provide Administrators with copy of Election to join the 50/50 section form within 1 month following month of election</p> <p>Increase employee contributions the month following month of election, or such later date specified by the scheme member.</p> <p>Provide Administrators with copy of Re-join Main Scheme Election form within 1 month following month of election</p>

Task/Function	Performance Target
<p>Commencing Additional Pension Contributions - APC After receipt of the completed & signed form from the member, commence deduction or amend such deductions, as appropriate.</p>	<p>Month following election to pay contributions or notification received from the Fund</p> <p>Provide Administrators with copy of the APC agreement form within 1 month of first contribution paid.</p>
<p>Ceasing deduction of :- Added Years Contracts Additional Regular Contributions - ARC Additional Pension Contributions - APC After receipt of the completed and signed forms from the member</p>	<p>Immediately following receipt of election form from scheme member</p> <p>Provide Administrators with copy of cessation form/notification within 1 month of ceased payments</p>
<p>AVC – Additional Voluntary Contributions Arrange for the deduction of AVCs via your payroll provider and the payment over of contributions to the approved AVC provider(s)</p>	<p>Commence deduction of AVCs in month of the member's election – provide Administrators with copy of AVC member form in the month of member's election</p> <p>Pay over contributions to the AVC provider(s) on/by the 19th of the month the deduction was made in</p>
<p>IMPORTANT NOTE</p> <p>Monthly AVC deductions 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>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</p>	
<p>Opt outs Member to complete the appropriate form – employer to provide copy of the form to the Fund</p>	<p>To cease contributions the month following month of election, or such later date specified by the scheme member.</p> <p>Provide copy of Opt out form to the Administrators within 1 month following month of election to opt out</p>

Task/Function	Performance Target
<p>Opt outs – within 3 months of start date Refund employee contributions via your own payroll - where the member has opted out of the Scheme within 3 months and does not have previous LGPS membership.</p>	<p>Refund to be made in the month following the month of election to opt out.</p> <p>Refunds are to be included in the monthly contribution data to the Administrators</p>
<p>Contractual changes to conditions of service:</p> <ul style="list-style-type: none"> • contractual hours • actual pay – including overtime • remuneration changes due to promotion or re-grade • honorariums 	<p>Provide copy of Change of Details form the Administrators within 20 working days of change.</p>
<p>Changes in member’s personal circumstances:</p> <ul style="list-style-type: none"> • marital or civil partnership status • change of name • national insurance number 	<p>Immediately inform the Administrators following notification by the scheme member of a change in circumstances</p>
<p>Assume Pensionable Pay – APP Periods of reduced pay or nil pay as a result of:</p> <ul style="list-style-type: none"> • sickness • injury • or relevant child related leave, includes – ordinary maternity, paternity or adoption leave; paid shared parental leave; any additional maternity or adoption leave <p>Employer must apply Assumed Pensionable Pay (APP) for pension purposes. Both employee and employer contributions must be deducted against the amount of APP</p>	<p>Employers must notify the Administrators of the date the reduction is effective from for sickness or injury OR the date from which the relevant child related leave began.</p> <p>Provide the appropriate absence form to the Administrators within 20 working days of effective date.</p>

Task/Function	Performance Target
<p>Periods of reduced pay or nil pay as a result of:</p> <ul style="list-style-type: none"> unpaid additional maternity, paternity or adoption leave unpaid shared parental leave <p>taken at the end of the relevant child related leave.</p>	<p>This is treated as unpaid leave for pension purposes - Assumed Pensionable Pay (APP) does NOT apply.</p> <p>Provide the appropriate absence form to the Administrators within 20 working days of effective date</p>
<p>Periods of reduced pay or nil pay as a result of:</p> <ul style="list-style-type: none"> authorised/unauthorised unpaid leave of absence (sabbatical etc) industrial action 	<p>This is treated as unpaid leave for pension purposes - Assumed Pensionable Pay (APP) does NOT apply.</p> <p>Provide the appropriate absence form to the Administrators within 20 working days of effective date</p>
<p>Leavers – leaving your employment The leaver form must include an accurate assessment of their final pay.</p>	<p>Provide the Administrators with a completed leaver form within 15 working days of month end of leaving.</p> <p>Revised pay details can be submitted to the Administrators on an amended leaver form if they differ from the initial notification</p>
<p>Retiring – normal retirement from your employment The leaver form must 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>Provide the leaver form to the Administrators within 15 working days before the member retires</p> <p>Revised pay details can be submitted to the Administrators on an amended leaver form if they differ from the initial notification</p>
<p>Death of a scheme member</p> <p>OR</p> <p>Member is suffering from a potentially terminal illness</p>	<p>Notify the Administrators who will then 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 of members death</p>

Task/Function	Performance Target
<p>Ill Health Retirement applications Employer to appoint an independent registered medical practitioner (IRMP) qualified in occupational health medicine, in order to consider all ill health retirement applications</p>	<p>Notify the Administrators within 1 month of commencing participation in the scheme, or date of resignation of existing medical adviser</p>
<p>Ill Health Retirement decisions The Employer must determine, based on medical opinion from your IRMP (and assistance from the Administering Authority, if required), whether ill health retirement benefits are to be awarded and to determine which tier of benefits are to be awarded e.g. Tier 1, 2 or 3.</p>	<p>To make the decision within 1 month of receipt of the IRMP report</p> <p>Provide the Administrators with the ill health retirement declaration form & completed leaver form with 5 working days of the employers final determination and agreed last day of service for the member</p> <p><i>Refer to page 39 – ill health retirements & tier 3 awards – if you require any assistance</i></p>
<p>Ill Health Retirements – Tier 3 awards Employers must keep a record of all Tier 3 ill health retirements, & undertake a review once the pension has been in payment for 18mths to assess if the former employee is gainfully employed & payments are to cease and to arrange subsequent appointments with the IRMP to assess whether an increase in benefits is applicable.</p>	<p>Notify the Administrators within 5 working days of the review being completed in accordance with the LGPS regulations, by providing all necessary paperwork for the Administrators to either continue or cease payments, or to increase the level of benefits to be paid.</p> <p><i>Refer to page 39 – ill health retirements & tier 3 awards – if you require any assistance</i></p>

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's performance against the agreed contract and Service Level Agreements (SLAs). Monthly Service Review Meetings (SRM) are held where work received/completed and SLAs are discussed and Equiniti are asked to explain any variations from the SLAs and Key Performance Indicators (KPIs).

Measuring the Fund against the administration objectives

Objectives	Measurements
<p>Deliver an efficient, quality and value for money service to its scheme employers and scheme members</p>	<p>Service standards achieved in 95% of cases (100% for legal requirements)</p> <p>Customer Satisfaction Surveys with scheme employers and scheme members achieving 95% of scores in positive responses in these areas</p> <p>Positive scheme employer feedback with minimal or no employer complaints</p> <p>Positive scheme member feedback with minimal or no member complaints</p>
<p>Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner</p>	<p>Positive results in internal and external audits and other means of oversight/scrutiny.</p> <p>Performance target achieved for collection of contributions by 19th day of the month following the deduction</p> <p>Minimal issues against the Fund identified by Internal Dispute Resolution Procedures and complaints</p>
<p>Ensure the Fund's employers are aware of and understand their role and responsibilities under the LGPS regulations and in the delivery of the administration function</p>	<p>Customer Satisfaction Surveys with scheme employers achieving 95% of scores in positive responses in these areas</p> <p>Issues included in formal improvement notices issued to scheme employers resolved in accordance with plan</p> <p>Notify scheme employers of changes to the scheme rules within 2 months of change</p> <p>Offer/organise training sessions for new scheme employers and relevant new staff in scheme employers within 2 weeks of new</p>

	<p>employer/staff starting</p> <p>Organise training for employers where unsatisfactory performance and escalate within 1 month if not attended training or improvements not evident</p> <p>Employer responsibilities in relation to administration are regularly communicated to employers</p>
<p>Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner</p>	<p>No breaches of data security protocols</p> <p>Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months</p> <p>Positive results in audit and other means of oversight/scrutiny</p>
<p>Set out clear roles and responsibilities for the Council and Equiniti and work together to provide a seamless service to Scheme employers and scheme members</p>	<p>Monthly monitoring of Equiniti where Fund asks them to explain variations from agreed Service Level Agreement targets</p> <p>The Fund specifies clear service standards with Equiniti</p>
<p>Continuously review and improve the service provided</p>	<p>Achieve continual improvement in member engagement with our online tools</p> <p>Monitoring of the performance standards used to inform the service going forward</p> <p>Use feedback from scheme employers on the service to develop plans</p> <p>Fund work with Equiniti on programme of continuous improvement to the service</p>

Key Risks

The key risks to the delivery of this Strategy are outlined below. Fund officers will work with the Pensions Committee and Pension Board in monitoring these and other key risks and consider how to respond to them.

- Significant external factors, such as national change, impacting on workload
- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members

- Inadequate performance of Equiniti against service standards
- Increase in the number of employing bodies causes strain on day to day delivery
- Incorrect calculation of members' benefits, resulting in inaccurate costs
- Employer's failure to provide accurate and timely information resulting in incomplete and inaccurate records. This leads to incorrect valuation results and incorrect benefit payment
- Failure to administer the scheme in line with regulations. This may relate to delays in enhancement to software or regulation guidance
- Failure to maintain records adequately resulting in inaccurate data
- Unable to deliver an efficient service to pension members due to system unavailability or failure.

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 . 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>.

All Scheme employers are required to nominate a Stage 1 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	Additional Administration Charge
<p>Monthly Contributions Payment</p> <p>Late payment of employee and employer contributions to the administrators by the 19th calendar day of month following deduction (must be cleared funds by/on 19th of the month)</p>	<p>£65 plus interest*, calculated on a daily basis until contributions received.</p> <p><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></p>
Employer Responsibility	Additional Administration Charge

<p>Monthly Contributions Schedule (HK221)</p> <p>Non-provision of the correct schedule of payments and/or not in the format stipulated by the Fund, accompanying the contributions by the 19th calendar day of month following deduction</p>	<p>£65 per occasion</p>
<p>NOTE - 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>Change Notifications</p> <p>failure to notify the administrators of any change to a members</p> <ul style="list-style-type: none"> - working hours - leave of absence with permission (maternity, paternity, career break) or - leave of absence without permission (strike, absent without permission) - within 20 days of the change in circumstance 	<p>£65 per form, per occasion</p>
<p>Year End Data</p> <p>Failure to provide year end data by 30th April following the year end or the non-provision of year end information or the accuracy/quality of the year end data is poor 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</p> <p>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>

Employer Responsibility	Additional Administration Charge
<p>New Starter(s)</p> <p>Failure to notify the administrators of new starter(s) and the late or non-provision of starter form(s) – within 15 days of employee joining the scheme</p>	<p>Initial fee of £65 per form</p> <p>then a fee of £35 per form for each month the form(s) remains outstanding</p>
<p>Automatic Enrolment (AE)</p> <p>Failure to provide the administrators full details of staff affected by Automatic Enrolment on a monthly basis - within 6 weeks of the date they become eligible for automatic enrolment</p> <p>NOTE - 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</p> <p>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>Leaver(s)</p> <p>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 – within 15 days of employee leaving the scheme or employment</p>	<p>Initial fee of £65 per form</p> <p>then a fee of £35 per form for each month the form(s) remains outstanding</p>
<p>Retirees</p> <p>Failure to notify the administrators when a scheme member is due to retire 15 working days before the retirement date - including an accurate assessment of final pay and authorisation of reason for retirement.</p>	<p>Initial fee of £65 per form</p> <p>then a fee of £35 per form for each month the form(s) remains outstanding</p>

Employer Responsibility	Additional Administration Charge
<p>Late payment of pension benefits</p> <p>As a result of the employers failure to notify the administrators of a scheme members retirement & not providing the correct paperwork, interest becomes payable on any lump sum paid.</p> <p>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>

DRAFT

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) *Efficiency Retirements *Flexible Retirements	Information, guidance, calculations and the preparation of associated paperwork for employee signature and payroll instructions 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
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	Calculation and payment of injury awards Cost – standard administration charge £100 plus any cost as invoiced from the Actuary + any chargeable Actuary time as invoiced
FRS17/IAS19	Provision of data required for FRS17/IAS19 calculations to the Actuary, plus any chargeable Actuary time Cost – standard administration charge £100 Plus as invoiced from the Actuary + any chargeable Actuary time as invoiced
Admission Agreements	Setting up and amendment of admission agreements for Contractors/new Employers admitted to the Fund Cost – standard administration charge of £100 plus as invoiced from the Actuary/Legal + any chargeable Actuary/Legal time as invoiced, if required
Cessation & Interim Valuations	Provision of data required for interim and/provision of data required for interim and/or cessation valuations Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced
Academy Conversions	Any work related to this requiring input from the Administering Authority Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced
Legal Work & non-standard actuarial work	Any work in relation to this requiring input from the Administering Authority – e.g. contract review on outsourcing, employer policies, TUPE & future pension provision etc. Cost – as invoiced from the Actuary/Legal + any chargeable Actuary/Legal time as invoiced

* 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 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.

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 3 years, or 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>

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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).

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Training Needs Self-Assessment and Analysis	Classification PUBLIC	Enclosures One
	Ward(s) affected ALL	
Pensions Committee 12th December 2018		

1. INTRODUCTION

This report provides Members with a questionnaire to indicate their training needs, give their views of the effectiveness of the Pensions Committee and set out their preferences with regards to training styles. Completing the questionnaire will provide officers with information to customise Member training plans, helping to ensure that the Fund is meeting the requirements of the CIPFA Knowledge and Skills framework and is able to provide individual training information in line with the Markets in Financial Instruments Directive (MiFID) II.

2. RECOMMENDATIONS

2.1 The Pensions Committee is recommended to:

- Note the report
- Individually complete and return the Training Needs Self-Assessment questionnaire by 31st January 2019.

3. RELATED DECISIONS

3.1 Pensions Committee 11th September 2017 – Training Policy)

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

4.1 Ensuring that Members of the Pensions Committee are well trained and understand their responsibilities as quasi-trustees helps ensure that the financial decisions made on behalf of the Pension Fund are made with the requisite skill and knowledge. This will help to protect the longer term financial interests of the Fund and its stakeholders.

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

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

5.1 In recent years CIPFA has placed much greater focus on the requirement for appropriate knowledge and skills in the management of LGPS Funds and has issued a range of guidance on the subject for both Committee Members and officers. The introduction of the Markets in Financial Instruments Directive II (MiFID II) also requires any supplier dealing with LGPS funds on business within scope of MiFID II to opt up their LGPS clients before they can be considered as professional clients. The opt up process requires a detailed disclosure from funds as to the number of

hours of training offered to and taken up by individual Committee Members.

- 5.2 Whilst there is therefore no overarching statutory framework in place to regulate the level of knowledge and skills required by Local Government Scheme Pensions Committees, expectations are made clear by the wealth of guidance available. Use of a questionnaire to assess Committee Members' levels of knowledge and skills demonstrates good practice and helps to ensure that the expected standards are being met.

6. BACKGROUND TO THE REPORT

- 6.1 In recent years CIPFA has placed much greater focus on the requirement for appropriate knowledge and skills in the management of LGPS Funds and has issued a range of guidance on the subject for both Committee Members and officers. In July 2015 CIPFA also launched technical guidance for Local Pension Board Members by extending the knowledge and skills frameworks already in place. The updated Framework details the knowledge and skills required by Pension Board members to enable them to properly exercise their functions under Section 248a of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013.
- 6.2 The introduction of the Markets in Financial Instruments Directive II (MiFID II) requires any supplier dealing with LGPS funds on business within scope of MiFID II to opt up their LGPS clients before they can be considered as professional clients. The opt up process requires a detailed disclosure from funds as to the number of hours of training offered to and taken up by individual Committee Members.
- 6.3 The combined effect of the changes has been to increase the duration, breadth and depth of the training that those responsible for the management of LGPS funds must attend. Carrying out a detailed review of how the Fund delivers training is vital in ensuring that the training offered remains relevant, sufficient and accessible to all those charged with management of the Fund
- 6.4 The Training Needs Analysis questionnaire attached at Appendix 1 to this report forms the first stage of the training review. The questionnaire, to be completed by both Pensions Committee and Board Members, asks Members to assess their knowledge of each section of the CIPFA Knowledge and Skills Framework. Members are asked to confirm if they require extra training and to specify the level of additional training required if so (e.g. introductory training, refresher training etc.)
- 6.5 Members are also asked for their views on how effectively the Pensions Committee or Pension Board is performing including their views on collective and individual behaviour and the level of engagement in the Pensions Committee or Pension Board. The final section requests Members' views on training formats to help inform the design of future training and ensure that it suits individual preferences and time constraints whilst also offering sufficient breadth and depth
- 6.6 Officers will review the completed questionnaires and use the responses to provide customised training programs for individual Members. This will help ensure Members get the most from limited training time and are able to access training in a way that suits their individual needs.

Ian Williams

Group Director of Finance and Corporate Resources

Report Originating Officers: Rachel Cowburn ☎020-8356 2630

Financial considerations: Michael Honeysett ☎020-8356 3332

Legal comments: Sean Eratt ☎020-8356 6122

Appendices

Appendix 1 – Training Needs Self-Assessment and Analysis Questionnaire

Background papers

None

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London Borough of Hackney Pension Fund Training Policy Self-Assessment and Analysis

Introduction

The London Borough of Hackney Pension Fund Training Policy sets out a number of objectives including that all staff and Pensions Committee members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

Under the Training Policy, all Pensions Committee members, Pension Board members and senior officers to whom the Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that the all the objectives set out in the Policy are met. You should feel comfortable that you have the appropriate knowledge needed for you to carry out your role as a Pensions Committee or Pension Board member.

Hackney Council, as administering authority to the London Borough of Hackney Pension Fund, is committed to providing the appropriate training so that these objectives can be met.

What is included in this analysis?

There are **three sections** in this analysis including:

- **Section 1 – Training Needs Self-Assessment:** A key element of the knowledge requirements is the national CIPFA Knowledge and Skills Framework competencies for Pensions Committee representatives, which can be applied equally to Pension Board members. It is important to regularly assess the level of knowledge and expertise, and any gaps in knowledge, so that training plans can be developed in accordance with the Fund's Training Policy. To assist in developing these training plans, all Pensions Committee and Pension Board members are asked to complete this self-assessment of their training needs.
- **Section 2 – Board Effectiveness and Engagement Analysis:** We want to understand your view on how effectively the Pensions Committee or Pension Board is performing including your view on collective and individual behaviour and the level of engagement in the Pensions Committee / Pension Board.
- **Section 3 – Training Preferences:** A key challenge for the administering authority in delivering training is ensuring that the training provided offers sufficient breadth and depth whilst fitting in with the many time constraints placed upon Pensions Committee and Pension Board members, as well as striving to deliver training in a manner that suits individual preferences. We would therefore welcome your views to help design future training format(s).

Instructions for completion and return

You can complete the table either electronically and email it back to us, or you can print it and post or scan it back to us. If you do not have access to a printer and you want a printed copy of the self-assessment, please contact rachel.cowburn@hackney.gov.uk.

Please complete and return this form by 31st January 2018 The form should be returned to the following email or postal address:

- Email – rachel.cowburn@hackney.gov.uk, or
- Address – Rachel Cowburn
Financial Services Team
4th Floor, Hackney Service Centre
1 Hillman Street
London E8 1DY

If you would like to discuss your training needs and/or this self-assessment, please contact Rachel Cowburn using the details above.

Section 1 – Training Needs Self-Assessment

This self-assessment starts on page 3 and is made up of a number of columns as described below:

- **The competencies (i.e. topics) that you should have knowledge of** – These are shown in the first three purple coloured columns. The first two columns show the competencies as stipulated by CIPFA. The third column shows additional topics that we believe are important and so have included as part of the required training for London Borough of Hackney Pension Fund.
- **The training that you think you need** - The final three (green) columns are where we need you to confirm where you think you need further training. The columns are as follows:
 - Question 1 - How confident do you feel in your knowledge and skills?
You should answer this question on each row with 0, 1, 2, 3 or 4 by referring to "Key 1" at the top of page 3.
 - Question 2a - Do you believe you need further training to undertake your London Borough of Hackney Pension Fund responsibilities in this area?
You should answer this question on each row with either "Yes" or "No".
 - Question 2b – You only need to complete this column where you have answered "Yes" to question 2a.
If that is the case, you should answer 1, 2 or 3 by referring to "Key 2" at the top of page 3.

How do I complete this section?

Please answer questions 1, 2a, and if relevant 2b below (i.e. the green columns) in relation to each competency area shown.

Name

1 - Key to question 1 response:	2 - Key to question 2b response, if you answer yes to 2a:
0 = Not relevant to your role	1 – I feel I need full training in this area
1 = Poor, Not Effective, No Understanding	2 – I could do with a short refresher in this area
2 = Satisfactory, Quite Effective, Limited Understanding	3 – I feel information presented at Pensions Committee / Pension Board and the opportunity to ask questions there (and before) Pensions Committee / Pension Board will be sufficient to fill any knowledge gaps I have
3 = Good, Effective, Some Understanding	
4 = Very Good, Very Effective, Full Understanding	

CIPFA Suggested Competency Area	CIPFA Competency Sub-Area	Further specific topics requiring training (where not obvious)	Question 1 - How confident do you feel in your knowledge and skills? Answer 0, 1, 2, 3 or 4 from key 1 above.	Question 2a - Do you believe you need further training to undertake your Hackney Pension Fund responsibilities in this area? Yes or No?	Question 2b, if yes, what level of training? Answer 1, 2 or 3 from key 2 above.
Pensions legislative and governance context					
General pensions framework	A general awareness of the pensions legislative framework in the UK.				
Scheme-specific legislation	An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.	Include: <ul style="list-style-type: none"> - the roles and powers of the MHCLG in relation to the LGPS - interaction with local authority legislation 			
	An awareness of the Local Government Pension Scheme Regulations 2013.				

CIPFA Suggested Competency Area	CIPFA Competency Sub-Area	Further specific topics requiring training (where not obvious)	Question 1 - How confident do you feel in your knowledge and skills? Answer 0, 1, 2, 3 or 4 from key 1 above.	Question 2a - Do you believe you need further training to undertake your Hackney Pension Fund responsibilities in this area? Yes or No?	Question 2b, if yes, what level of training? Answer 1, 2 or 3 from key 2 above.
	An appreciation of LGPS discretions and how the formulation of the discretionary policies impact on the pension fund, employers and local taxpayers.				
	A regularly updated appreciation of the latest changes to the scheme rules.				
	Knowledge of the role of the administering authority in relation to the LGPS.				
		The role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.			
Pensions regulators and advisors	An understanding of how the roles and powers of the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.				
		The requirements of the TPR Code of Practice number 14			

CIPFA Suggested Competency Area	CIPFA Competency Sub-Area	Further specific topics requiring training (where not obvious)	Question 1 - How confident do you feel in your knowledge and skills? Answer 0, 1, 2, 3 or 4 from key 1 above.	Question 2a - Do you believe you need further training to undertake your Hackney Pension Fund responsibilities in this area? Yes or No?	Question 2b, if yes, what level of training? Answer 1, 2 or 3 from key 2 above.
General constitutional framework	Broad understanding of role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.	Include history of LBHPF and current governance structure of LBHPF			
	Awareness of role and statutory responsibilities of treasurer and monitoring officer.				
Pension scheme governance	An awareness of the LGPS main features.	Include the key strategy documents required and associated guidance (mainly statutory and CIPFA).			
	Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.				
	A detailed knowledge of the duties and responsibilities of committee members.	Include the duties and responsibilities of pension board members.			
	Knowledge of the stakeholders of the pension fund and the nature of their interests.				
	Knowledge of consultation, communication and involvement options relevant to the stakeholders.				

CIPFA Suggested Competency Area	CIPFA Competency Sub-Area	Further specific topics requiring training (where not obvious)	Question 1 - How confident do you feel in your knowledge and skills? Answer 0, 1, 2, 3 or 4 from key 1 above.	Question 2a - Do you believe you need further training to undertake your Hackney Pension Fund responsibilities in this area? Yes or No?	Question 2b, if yes, what level of training? Answer 1, 2 or 3 from key 2 above.
		Knowledge of how pension fund management risk is monitored and managed			
		Understanding of how conflicts of interest are identified and managed			
		Understanding of how breaches in law are reported.			
		Knowledge of the key documents of the LBHPF as detailed within the LBHPF Training Policy for new members.			
		Knowledge of other documentation relating to the LBHPF as listed in TPR Code of Practice number 14.			
Investment Pool	Broad understanding of the structure, operation and purpose of the investment pooling arrangements, including the structure of the relationship with the other participants within the pool.				

CIPFA Suggested Competency Area	CIPFA Competency Sub-Area	Further specific topics requiring training (where not obvious)	Question 1 - How confident do you feel in your knowledge and skills? Answer 0, 1, 2, 3 or 4 from key 1 above.	Question 2a - Do you believe you need further training to undertake your Hackney Pension Fund responsibilities in this area? Yes or No?	Question 2b, if yes, what level of training? Answer 1, 2 or 3 from key 2 above.
	Appreciation of the regulation, best practice and guidance related to investment pooling and the delivery of the investment objectives of the administering authority/pensions committee by their chosen investment pool.				
	Appreciation of the boundaries under financial services law and where carrying on investment activities requires FCA authorisation.				
	Understanding of the interaction between the administering authority, the pensions committee, the investment pool operator, investment pool oversight committee and other parties relating to the investment pooling arrangements; in particular reporting requirements, influence and accountability.				
	Understanding of the statement of investment principles or investment strategy statement and the investment pool's interpretation and expected delivery of those investment objectives.				

CIPFA Suggested Competency Area	CIPFA Competency Sub-Area	Further specific topics requiring training (where not obvious)	Question 1 - How confident do you feel in your knowledge and skills? Answer 0, 1, 2, 3 or 4 from key 1 above.	Question 2a - Do you believe you need further training to undertake your Hackney Pension Fund responsibilities in this area? Yes or No?	Question 2b, if yes, what level of training? Answer 1, 2 or 3 from key 2 above.
Pensions accounting and auditing standards					
	Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.				
	Awareness of the role of both internal and external audit in the governance and assurance process.				
Financial services procurement and relationship management					
Understanding public procurement	Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.				
	A general understanding of the main public procurement requirements of UK and EU legislation.				
Supplier risk management	Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.				

CIPFA Suggested Competency Area	CIPFA Competency Sub-Area	Further specific topics requiring training (where not obvious)	Question 1 - How confident do you feel in your knowledge and skills? Answer 0, 1, 2, 3 or 4 from key 1 above.	Question 2a - Do you believe you need further training to undertake your Hackney Pension Fund responsibilities in this area? Yes or No?	Question 2b, if yes, what level of training? Answer 1, 2 or 3 from key 2 above.
Investment pool	<p>Awareness of the nature of the relationship with the investment pool parties and an understanding of:</p> <ul style="list-style-type: none"> - the extent of influence over the investment pool operator and oversight committee - the terms for terminating a pooling agreement; and - guidance on the requirement to pool investments. 				
Investment performance and risk management					
Total fund	Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.				
Performance of advisors	Awareness of the Myners principles of performance management and the approach adopted by the committee.				
Performance of the committee	Awareness of the Myners principles and the need to set targets for the committee and to report against them.				
Performance of support services	Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.				

CIPFA Suggested Competency Area	CIPFA Competency Sub-Area	Further specific topics requiring training (where not obvious)	Question 1 - How confident do you feel in your knowledge and skills? Answer 0, 1, 2, 3 or 4 from key 1 above.	Question 2a - Do you believe you need further training to undertake your Hackney Pension Fund responsibilities in this area? Yes or No?	Question 2b, if yes, what level of training? Answer 1, 2 or 3 from key 2 above.
Performance of the investment pool	Awareness of the Investment Regulations and the requirements for monitoring investments.				
	Understanding of the administering authority and pensions committee investment strategy requirements of the investment pool and how to effectively monitor the delivery of the investment strategy.				
Financial markets and products knowledge					
Investment strategy	Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property).				
	Understanding of the role of these asset classes in long-term pension fund investing.				
Financial markets	Understanding of the primary importance of the investment strategy decision.				
	A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.				
		Flight Path Derisking Strategy			

CIPFA Suggested Competency Area	CIPFA Competency Sub-Area	Further specific topics requiring training (where not obvious)	Question 1 - How confident do you feel in your knowledge and skills? Answer 0, 1, 2, 3 or 4 from key 1 above.	Question 2a - Do you believe you need further training to undertake your Hackney Pension Fund responsibilities in this area? Yes or No?	Question 2b, if yes, what level of training? Answer 1, 2 or 3 from key 2 above.
	An awareness of the limits placed by regulation on the investment activities of local government pension funds.				
		MIFID II			
Investment pool	Appreciation of the investment pool operator's approach to pooling and delivering access to the different asset classes and/or investment funds.				
	Understanding of which assets and investments may sit outside of the investment pool, and their nature and characteristics.				
Actuarial methods, standards and practices					
Valuations	Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.				
	Awareness of the importance of monitoring early and ill health retirement strain costs.				
	A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.				
Outsourcing	A general awareness of the relevant considerations in relation to outsourcing and bulk transfers.				

Section 2 – Committee and Board Effectiveness and Engagement Analysis

Understanding the Committee/Board Effectiveness and Engagement

In addition to being fully equipped with the knowledge and skills to discharge your duties and responsibilities as a Pensions Committee member, Pension Board member, or senior officer it is also helpful to understand your view on how effectively the Pensions Committee and Pension Board is performing. Here we are seeking your view on collective and individual behaviour and the level of engagement in the Pensions Committee/ Pension Board.

How do I complete this section?

Please answer questions 1 to 12 below by selecting one of the responses, Strongly Agree, Agree, Unsure, Disagree, Strongly Disagree (i.e. green columns) – please enter an **X** in the relevant field. If you have any additional comments you would like to provide please place them in the text box at the end of the section stating which question the comment relates to.

Please confirm whether you are responding to this section in relation to your views of the Pensions Committee or Pension Board. If you have attended both, please feel free to complete this section twice so all views can be gathered.

Completed for

Pensions Committee / Pension Board (delete as appropriate)

	Effectiveness and Engagement Questions	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
1.	You feel you can contribute and facilitate discussions to help develop ideas					
2.	You are able to work effectively with other Pensions Committee / Pension Board members of varying experience and understanding					
3.	You feel able to identify risks and threats and appropriate action					
4.	You feel comfortable asking questions and challenging areas when necessary to further Pensions Committee/ Pension Board understanding and develop problem solving					
5.	You undertake learning and development					

	Effectiveness and Engagement Questions	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
	to improve your knowledge and skills and are aware of your own strengths and weaknesses					
6.	You are comfortable managing conflicts of interest					
7.	Pensions Committee/ Pension Board discussions are facilitated to allow all to contribute in order to seek opinion and develop ideas					
8.	Pensions Committee/ Pension Board work collaboratively to develop good working relationships					
9.	Pensions Committee/Pension Board are able to have difficult conversations and challenge each other constructively					
10.	Pensions Committee decisions/ Pension Board recommendations are not unduly influenced by someone's experience or expertise					
11.	The Fund has clear strategic objectives which inform what we do at Pensions Committee/ Pension Board					
12.	Pensions Committee/Pension Board have enough time and resources to effectively manage the scheme					

Please add any additional comments relating to questions 1 – 12 above:

Section 3 – Training Preferences

Understanding Training Preferences

A key challenge for the administering authority in delivering training is in ensuring that the training provided offers sufficient breadth and depth whilst fitting in with the many time constraints placed upon Pensions Committee and Pension Board members, as well as striving to deliver training in a manner that suits individual preferences. We would therefore welcome your response to the following two questions to help design training format(s) in the future.

How do I complete this section?

Please answer questions 1 and 2 by entering an **X** in the relevant field. If you have any additional comments you would like to provide relating to training preferences please place these in the text box at the end of this section.

1. Which of the following training methods have you made use of in the last 12 months to maintain / improve your pension fund knowledge?		
	Yes	No
Internal training sessions (with internal trainers such as Fund officers)		
Internal training sessions (with external trainers such as advisors)		
External training sessions (i.e. run by external organisations or advisors)		
Conferences and other events		
On-line training		
Reading written material		
Telephone conference briefing		
Other (please state)	Please list other methods (where relevant):	

Page 214

2. Please tick the boxes that best describe how you feel about each of the following training methods. You may have more than one method with the same ranking if

you equally like or dislike them.				
	I really like this method of learning	I quite like this method of learning	I'm not so keen on this method of learning	I really don't like this method of learning
Internal training sessions (with internal trainers such as Fund officers)				
Internal training sessions (with external trainers such as advisors)				
External training sessions (i.e. run by external organisations or advisors)				
Conferences and other events				
On-line training				
Reading written material				
Telephone conference briefing				
Other (please state)				

Please add any additional comments relating to how training is delivered:

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REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Pension Fund Treasury Management Strategy Pensions Committee 12th December 2018	Classification PUBLIC	Enclosures One
	Ward(s) affected ALL	

1. INTRODUCTION

- 1.1 This report sets out the Treasury Management Strategy for the Pension Fund for 2019-2022 and sets out the context in which the strategy is being set.

2. RECOMMENDATIONS

- 2.1 **The Committee is recommended to:**
- **Agree the Treasury Management Strategy for the Pension Fund for 2019-2022**
 - **Delegate responsibility for Pension Fund treasury management to the Group Director, Finance and Corporate Resources, including the authority to add or remove institutions from the approved lending list and amend cash and period limits as necessary in line with the Council's own creditworthiness policy.**

3. RELATED DECISIONS

- 3.1 Pensions Committee 4th December 2017 – Pension Fund Treasury Management Strategy 2018/19
- 3.2 Pension Committee 23rd June 2009 – Approval of first Pension Fund Treasury Management Strategy

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

- 4.1 .Appropriate management of the Pension Fund's cash position helps to ensure the security of the Fund's cash deposits, minimising losses, and sufficient availability to meet immediate demand, preventing the Fund from becoming a forced seller of assets. Both are essential to maintain the financial health of the Fund.
- 4.2 Whilst the Pension Fund operates a separate bank account to allow the segregation of Pension Fund and General Fund/HRA monies, the treasury management function for the Fund is undertaken by the Council's Treasury and Banking Team. Costs incurred by the service in managing Pension Fund cash are recharged to the Fund as necessary. Appropriate management of the Fund's cash position is both essential to the Fund's financial health and a legal requirement; any cost is outweighed by the financial benefit to the Fund.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 5.1 Pursuant to Regulation 11 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Pension Fund must invest, in

accordance with its investment policy, any fund money that is not needed immediately to make payments from the fund.

- 5.2 The Pensions Committee acts as quasi trustee of the Pension Fund and this report, and the proposed Treasury Management Strategy, help the Committee to ensure that it is meeting this requirement and managing the Fund's cash deposits in an appropriate manner.

6. BACKGROUND TO THE REPORT

- 6.1 This report sets out the Pension Fund's policies in respect of cash deposits. The Fund has cash deposits held with its investment managers, the Fund's custodian and the pension administrator along with deposits held within the Pension Fund's own bank account managed within the Council's Treasury function

- 6.2 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which came into force 1st November 2016 stipulate that the Fund must have its own bank account, separate to that of its host authority and that it must invest any money not immediately needed to make payments from the Fund (Regulation 7(8)).

- 6.3 In accordance the Regulations, the Hackney Pension Fund maintains a bank account separate to that of the Council. Surplus cash is invested separately to the Council's General Fund in accordance with the Fund's Treasury Management Strategy, which sets out arrangements for the management of Pension Fund cash.

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

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

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

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

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

7. TREASURY MANAGEMENT STRATEGY

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

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

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

7.2 The treasury management strategy for the Pension Fund is reviewed on an ongoing basis taking into account changes to the overriding strategy adopted by the Administering Authority and changes in financial conditions. The Strategy has previously been reviewed annually by the Pensions Committee; however, given that relatively few changes are made year to year, it is considered appropriate to move the timescale for review in line with the majority of Fund strategies which are reviewed on a triennial basis. This helps to reduce the time required by the Committee for regular policy review work, allowing more time to be devoted to key strategic considerations.

Ian Williams
Group Director of Finance & Corporate Resources

Report Originating Officer: Rachel Cowburn ☎020-8356 2630
Financial considerations: Michael Honeysett ☎020-8356 3332
Legal Comments: Sean Eratt ☎020-8356 6012

Appendix

Appendix 1 – Draft Pension Fund Treasury Management Strategy 2019-2022#

Background Papers

None

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LONDON BOROUGH OF HACKNEY

PENSION FUND

**TREASURY MANAGEMENT
STRATEGY**

DRAFT

PENSION FUND TREASURY MANAGEMENT STRATEGY

Summary

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

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

CIPFA has defined Treasury Management as:

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

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

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

Investment Policy

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

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

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

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

Cash managed by the Council's Financial Services Section

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

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

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

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

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

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

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

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

However, the Group Director of Finances and Corporate Resources may from time to time agree to invest or retain investments with a bank that falls below the minimum criteria where

the risk to such an investment is assessed as being minimal. Such investments will only be undertaken after due consideration of the facts and under delegated powers to the Group Director of Finance and Corporate Resources.

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

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

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

Cash Held by the Fund Custodian

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

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

Cash held by the Pension Fund Administrator

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

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