PENSIONS COMMITTEE

Tuesday, 25th June, 2019

at 6.30 pm

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

Membership

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

Co-optees:

Jonathan Malins-Smith and Henry Colthurst

Tim Shields
Chief Executive

Contact:
Rabiya Khatun
Governance Services
Tel: 020 8356 6279
Email: Rabiya.khatun@hackney.gov.uk

Future Meeting
10 September 2019

The press and public are welcome to attend this meeting

Hackney

AGENDA

Tuesday, 25th June, 2019

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	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.	

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ACCESS AND INFORMATION

Location

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

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

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

Facilities

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

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

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

Copies of the Agenda

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

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

Council & Democracy- www.hackney.gov.uk

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

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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:

i. 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;

ii. 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

iii. 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:

i. 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).

ii. 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.

iii. 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 <u>nature</u> 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

TUESDAY, 26TH MARCH, 2019

Councillors Present:	**Councillor Robert Chapman in the Chair** **Cllr Michael Desmond (Vice-Chair), Cllr Kam Adams, Cllr Polly Billington, Cllr Ben Hayhurst and Cllr Rebecca Rennison**
Co-optee	**Jonathan Malins-Smith**
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), Julie Stacey (Head of Pensions Administration) and Sean Eratt (Legal Services).
Also in Attendance:	Andrew Johnston – Hymans Robertson Catherine Pearce - Aon Erik Pickett - Club Vita LPP Nikolay Yankov - Club Vita LPP

1 Apologies for Absence

1.1 There were no apologies for absence.

2 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 It was noted that Members of the LGPS had their interest recorded in the annual declarations of interest form.

3 Consideration of The Minutes of The Previous Meeting

The following amendments were noted:

- Paragraph 4.2 – amend Johnston to Roberston.
- Paragraph 4.8 - the action to be included as part of the resolution

The Chair provided an update regarding the draft letter to London CIV.

RESOLVED that the minutes of the previous meeting held on 12 December 2018 be agreed as an accurate record subject to the above amendments.

4 Training & Longevity Update -Club Vita

4.1 Rachel Cowburn introduced the report and the representatives of Club Vita LPP.

4.2 Erik Pickett and Nikolay Yankov, Club Vita LPP gave a presentation on the latest developments in longevity:

What is Club Vita

Club Vita
- UK based centre of excellence for improving understanding of human longevity
- Community of organisations with a shared interest in longevity and belief that the ‘bigger’ the data, the lower the ‘statistical ‘ noise
- Provider of longevity risk informatics to support pension funds risk management strategies and enable market innovation

Club Vita’s data bank
- Records for over 2.9m UK pensioners
- Over 1.4m death records
- Segmented by affluence, postcode, health and more

Two steps to calculate life expectancy
- Baseline longevity
- Future trends

Current longevity

VitaCurves baseline model
- Rich data set gives us a best in class baseline model
- Postcode, flexible, fully tailored
- Bottom up approach built from individual assumptions
- Allows for changes in demographics over time

Vita’s lifestyle effect

Benchmarking - lifestyle, affluence and longevity experience

Impact of updating VitaCurves – Making allowance for the latest data on current mortality will slightly reduce liabilities

Future longevity

National slowdown in life expectancy

What might be driving the slowdown
- Exhausted the era of cardio- vascular improvements with no replacement driver of improvements
- Austerity impacting on health outcomes
- Rise of Dementia
- Strong investment in health care were abnormally good in 2000s
- Frailty decline
- Data anomaly

Longevity trend groups and key features

VitaSegments trend analysis – What is the make-up of your scheme’s liabilities

VitaSegments profile of your Fund – Comfortable group significant proportion of liabilities

The Continuous Mortality Investigation (CMI) 2018 model
- What has changes in the new model
- What does it mean for pension schemes

Further information - Membership profiling and our range of scenarios

4.3 Cllr Billington enquired if gender was a factor affecting longevity. Mr Pickett stated that it had been difficult to draw conclusions for the female population as more data analyse was needed and that the analysis was refreshed yearly to ascertain if other factors were impacting on longevity.

4.4 Mr Malins-Smith referred to the map and noted that the statistics were from 2017 and did not reflect the rapid change in the borough including the rise in younger and affluent residents and pension scheme members. In addition, with younger people in the scheme the Fund's liabilities would continue. Mr Pickett stated that statistics were based on data collated over several years and the postcode models were updated annually to provide the most up to date information on the baseline. Data was also changing and continual monitoring was needed to observe any further developments.

4.5 Cllr Hayhurst sought clarification regarding the postcode model and enquired whether the affluence data had been collated from other data sets or earnings data from Pension Funds. Mr Pickett replied that the postcode model had been broken down into full postcodes and that Club Vita collected affluent measures from all its Pensions Funds scheme members' records that included salaries.

4.6 Cllr Adams enquired about the factors that determined life expectancy. Mr Pickett indicated that Club Vita carried out a principal component analysis to identify the factors that had the biggest individual effect and that the model had been built so that if a particular data was not available it could still model life expectancy. The factors that were available were used in measuring life expectancy.

4.7 The Chair enquired about the impact of Alzheimer's disease on longevity. Mr Pickett explained that the number of deaths attributed to Alzheimer's had been risen due to the increase in the aging population and had impacted on life expectancy. Any medical progress in treating or curing this disease would prolong life and increase life expectancy and impact on longevity.

4.8 The Chair noted a slight decline in the Fund's total liabilities. Mr Johnston stated that longevity impacted on the Pension Fund's assumptions and investment decisions.

RESOLVED that the contents of the report and presentation be noted.

5 Exposure to Fossil Fuels - Review of Progress

5.1 Rachel Cowburn introduced the report providing an update on the implementation of the Pension Fund's carbon reduction target including an overview of the target set in 2016/17, changes to the Fund's asset allocation since 2016/17 that had helped reduce carbon exposure and a formal review of the progress along with further measures for the future. The formal review would be carried out by Trucost in June 2019 including an interim carbon risk review allowing the results to be considered at a strategy setting exercise scheduled early 2020.

5.2 The Chair stated that the Fund's strategy had been successful in reducing its fossil fuel exposure and welcomed the significant progress made towards meeting the Council's carbon reduction target and becoming carbon-free Fund by 2050. An interim carbon risk review would be carried out by Trucost in June 2019, which would allow for comparability between the original and interim reports. The Committee would be able to consider the results during the next strategy setting exercise in early 2020 and review the carbon reduction target and investments based on the outcome of the 2019 valuation. The review would include a comparison of the exposure to reserves for the current equity portfolio against the same portfolio in 2016 using current carbon reserves data; an analysis of fund manager's operational emissions and exposure to reserves of the Fund's current equity and bond portfolios, and relative to benchmark; and an analysis of the Fund's alignment to internationally agreed future global warming scenarios

5.3 Cllr Hayhurst referred to the fossil fuel exposure from 7.09% in July 2016 down to 4.51% in December 2018 and asked if there was any analysis of the returns on the remaining 4.51% in particular the difference in the level of holdings and value of holdings, and whether to retain this holding. Ms Cowburn stated that there was no breakdown of the returns on the remaining 4.51% by stock level as the focus was on the monetary value across the Fund's holdings including coal mine, oil and gas, multi utilities and general miners where a company fell in the Carbon Underground 200. Disaggregating the returns by stocks as well as ascertaining full carbon exposure would be a challenge as investments were increasing being made in pooled funds such as London CIV. Pooled funds did not provide stock holding information and since July 2016 until December 2018 the Committee had made significant changes in the Fund's portfolios. It would not be possible to give performance information on individual stocks. Mr Johnston added that future performance could not be based on past performance.

5.4 Cllr Hayhurst requested that going forward if the returns from the pooled fund could be disaggregated to enable Members to discharge their fiduciary duty. Ms Cowburn replied that the future plan was to report performance by sector including passive index trackers, oil and gas sectors. Also, predicting long term trends would be a challenge as the oil and gas sector had recently outperformed the low carbon sector.

5.5 With regard to the difference in quantity and value of stock, Ms Cowburn stated that the Fund looked at the monetary value of its holdings and at present there were no direct holdings in fossil fuel companies. Information on the number of stocks held in the Fund's segregated mandates had been previously available but as the Fund had moved towards pooled investment this information was no longer available and the monetary value measure had become less relevant. The focus in the future would be to analyse the risk to the Fund by analysing carbon reserves and the underlying assets which the Fund could be exposed to through companies.

5.6 Mr Malins-Smith commented that there was an international demand for energy and that the Fund's investments should be diverse. Ms Cowburn stated that the pricing of fossil fuel stocks was volatile and that it would be a challenge to identify long term trends. The Chair emphasised that Members understood their fiduciary responsibility and the risks of stranded assets to the Fund. Ms Cowburn added that the 50% reduction target had been set with regard to member's fiduciary responsibility and not restricting the Fund's investment universe or investment choices. The Council's approach in reducing long term exposure had been to consider financial risks and factors such as social, environmental and corporate governance (ESG) when investing. The Law Commission and TPR guidance also set out that climate change could be considered a material financial factor in investment making decisions.

5.7 Cllr Hayhurst asked why some organisations could make claims that they were carbon free without evidence. Ms Cowburn stated that she was not aware of any local authority Pension Fund that was carbon free and that Hackney had been working with other Pension Funds adopting a similar approach to reducing exposure within the existing parameters of a Fund's investment strategy and fiduciary responsibility. The Chair emphasised that the Hackney Pension Fund had set a clear carbon reduction target that could be measured and reviewed. Ms Cowburn explained that some charitable foundations had also made strong public commitments and progress towards carbon reduction target and that these charitable organisations had fewer obligations and a different focus regarding fiduciary duty and less constraints and liabilities than LGPS Funds. Charities were also unrestricted in investment choices as they were set up for particular purpose of raising funds and did not have to pay pensions.

5.8 The Chair enquired about the change in the terms of reference. Ms Cowburn stated that it reflected changes in international policy background and focused on different climate rule scenarios with particular focus on IPCC 1.45%.

5.9 Cllr Billington referred to the global warming of 2°C in the previous assessment to 1.5°C and asked if any adjustments were needed and the other factors to be considered at the review. Ms Cowburn confirmed that discussions had taken place with the supplier with regard to the adjustment of the parameter to 1.5 °C. The strategy exercise would focus on the outcome of the interim review, updates on the impact of fossil fuels and the Council's target to becoming carbon-free by 2050. Renewable energy would also be considered at the meeting in 2020.

5.10 Cllr Billington enquired how Members could scrutinise the investment strategies at the London CIV. Ms Cowburn stated that officers and Members represented the Pension Fund at the London CIV boards ensuring that they engaged and contributed to the responsible investment strategy, investment strategies and getting low carbon investment on the London CIV's agenda. The Chair emphasised that engagement was important.

5.11 A representative of the Hackney Divest addressed the Committee welcoming the Council's climate emergency declaration and enquired how Fund would be responding to the declaration. A representative referred to an insurance company that had committed to fully divest from fossil fuel.

5.12 The Chair highlighted that the Committee had adopted an interim strategy to address climate change risk and officers were delivering on the reduction target. In addition, Members had a fiduciary duty to consider the returns for scheme members and shareholders as well as climate change risks. The reduction target would be reviewed in 2020.

5.13 Discussion relating to the exempt appendices is set out in the exempt minutes.

RESOLVED to:

1. **Note the contents of the report.**
2. **Approve the proposal to commission a formal interim carbon risk audit at an expected cost of £10-£20k.**

6 Pension Fund Actuarial Valuation 2019 - Introduction & Cost Cap

6.1 Rachel Cowburn introduced the report and Mr Johnston outlined the 2019 valuation process and the indicative timetable and Treasury Cost Cap mechanisms.

RESOLVED to note the contents of the report.

7 Pension Fund Quarterly Update

7.1 Rachel Cowburn introduced the 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.

7.2 Addressing the Fund’s funding level and investment performance, Ms Cowburn reported that as at the end of December 2018 the funding level was 74.5% compared to 77% as at end of March 2016. There had been a significant decrease in funding level from the previous quarter of 81.3% and the poor investment performance had resulted from an extremely challenging quarter in investment markets. The funding level of 74.5% had been based on the Fund having assets worth £1,396m and liabilities of £1,874m. The monetary deficit had increased from £350m in March 2016 to £479m in December 2018. The deterioration in funding level had resulted from increases in the estimated liability value as well as a reduction in total assets that had been driven by changes in inflation of gilt yields.

7.3 The Chair enquired about the current position of the Fund. Ms Cowburn stated that the Fund’s recent position had slightly improved. Mr Johnston emphasised that there had been an increase in assets and liabilities. Equity levels were almost back to normal and Brexit concerns had led to a 30 basis points change in gilt yields that had resulted in an increase in liabilities.

7.4 Cllr Billington asked whether safeguarding from risks such as interest rates should be considered at the next investment strategy review. Mr Johnston stated that as pension scheme was ongoing the Committee should focus on key risks such as whether interest rate sensitivity was a real risk or due to particular circumstances.

7.5 Cllr Desmond referred to drop in overall active membership from 7,558 in 2017/18 to 6,911 in 2018/19. Ms Stacey advised a data cleansing exercise had been undertaken and a number of un-notified leavers and opt outs had been identified and had now been processed following receipt of the correct paperwork from the employers. There had also been a reclassification of ‘work in progress’ with cases being undertaken for active members now being moved to a ‘restricted’ status that removed them from the active membership numbers and the current figures were now more accurate. Ms Cowburn added that auto enrolment had increased the work for the administrator as some employees had opted in for short periods.

RESOLVED to note the contents of the report.

8 GMP Reconciliation

8.1 Julie Stacey introduced the report providing an update on the Fund's Guaranteed Minimum Pensions reconciliation exercise and the progress of Phase 2 of the reconciliation exercise including the factors for increasing the budget to complete this phase. Ms Stacey outlined the proposal and budget for beginning the next phase of the project Phase 3a – Certification & Rectification (Initiation stage).

RESOLVED to:

1. **Approve additional budget of £56k to complete the outstanding Phase 2 work required on the remaining pensioner and deferred members and active members with pre-1997 service.**
2. **Approve an initial budget of £60k to allow Phase 3 to commence.**

9 Pension Administration Strategy 2019/22

9.1 Julie Stacey introduced the final version of Pension Administration Strategy for 2019/22, which had been out for consultation and updated to reflect the changes to the Fund's third party administration contract.

RESOLVED to approve updated Pension Administration Strategy for publication.

10 Pension Fund Communications Strategy Statement 2019/21

10.1 Michael Honeysett introduced the updated draft Communications Strategy Statement for the Pension Fund following a review of the strategy.

10.2 Members asked if the Pension Fund's strategy could be publicised widely within the borough via Hackney Today to provide information and encourage interest in the Fund. Mr Williams indicated that the Team undertook pensions training sessions to raise awareness amongst scheme members including pre-retirement and scheme update seminars and would explore putting an article in Hackney Today. Ms Stacey added that an annual newsletter was sent to scheme members setting out asset allocations and a satisfaction survey was sent following contact with Equinti. It was reported that of the 300 surveys sent to scheme members no surveys had been returned.

RESOLVED to approve the Communications Strategy Statement 2019/21.

11 Admissions Policy & Funding Strategy Statement - Admitted Bodies (2019)

11.1 Rachel Cowburn outlined the updates to the Pension Fund Admissions Policy and Pension Fund's Funding Strategy Statement. The existing policy incorporated the changes in regulation in particular the introduction of the Exit Credit payment by an administering authority to exiting employers. With regard to new contracts, those employers with any risk sharing arrangements in place when entering the Pension Fund would not be entitled to receive an exit credit when ceasing the scheme.

RESOLVED to approve the updated Admissions Policy, Employer Admissions to the Fund (2019).

12 Conflicts of Interest Policy

12.1 Rachel Cowburn provided an update to the Fund's Conflicts of Interest Policy and an overview of the changes made to the policy since the last review. Ms Cowburn advised that a conflict of interest form would be sent to Committee members for them to declare any potential conflicts of interest.

12.2 Ms Cowburn clarified that Members would be approving the policy and requested that the word 'draft' be deleted from the recommendation.

12.3 Mr Malins- Smith requested the updated document be reviewed and any job titles corrected.

12.4 In response to a query from Mr Malins-Smith, Mr Eratt advised that the AON representative in her capacity as an adviser of the Committee could remain during a discussion of a potential conflict of interest during the private session of the meeting.

12.5 Discussion during the private session of the meeting is set out in the exempt minutes.

RESOLVED to approve the updated Conflicts of Interest Policy subject to corrections to a job title.

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

13.1 There was no other urgent business.

14 Exclusion of the Press and Public

RESOLVED
That the press and public be excluded from the proceedings of the Pensions Committee meeting during consideration of the exempt items 5 (appendix 3) and 12 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.

15 Consideration of the Exempt Minutes of the Previous Meeting

RESOLVED that the exempt minutes of the previous meeting held on 12 December 2018 be agreed as an accurate record.

Duration of the meeting: 6.30-8.55pm

Rabiya Khatun
Governance Services Officer
020 8356 6279

Agenda Item 4

Hackney

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
London CIV Update - Presentation **Pensions Committee** **25th June 2019**	**Classification** **PUBLIC** **Ward(s) affected** **ALL**	**Enclosures** **None** **AGENDA ITEM NO.**

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1. INTRODUCTION

1.1 This report provides the Committee with an update from the London Collective Investment Vehicle (CIV) on progress to date and future planning. Representatives from the CIV will be presenting at the Committee, providing an update on both the company's recent personnel changes and its current programme of work, including the development of its approach to Responsible Investment.

2. RECOMMENDATIONS

2.1 The Pensions Committee is recommended to:

- **Note the report**

3. RELATED DECISIONS

- Pensions Committee 23rd July 2018 – London CIV Update
- Pensions Committee 4th December 2017 – London CIV Update

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

4.1 The CIV's presentation to the Fund will provide an update on progress to date as well as information with regards to future plans. Regular engagement with the London CIV going forwards is key to the Fund, ensuring that the Pool makes available the strategies and services that Hackney and other London funds require. Successful delivery of these objectives will be crucial in ensuring that the anticipated longer term benefits of pooling can be realised. These include reduced investment management fees and the potential for improved investment performance through access to a wider range of investment strategies.

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

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

5.1 The Pensions Committee's terms of reference sets out its responsibility for management of the Pension Fund, including its responsibility to set the strategic asset allocation for the Fund. Given this responsibility, and the requirement for the Fund to pool its assets, oversight of London CIV Ltd as the Fund's chosen pool operator would appear to properly fall within the Committee's remit.

6. BACKGROUND/TEXT OF THE REPORT

6.1 The London CIV last attended the Pensions Committee in July 2018 to provide an update on changes to the CIV's governance structures. These changes were made following a formal review by Willis Towers Watson and consultation with the London Boroughs, and included:

- Dissolution of the London Councils Pensions Sectoral Joint Committee and replacement with a Shareholders Committee made up of 12 Borough representatives (8 Councillors, 4 Treasurers), along with the Chair of the Board and a Union Representative.
- Appointment of two more Non-Executive Directors, representative of the shareholders (e.g. Leaders of London Local Authorities) to the Board, with a Treasurer nominated as an observer (but not a member of the Board).

6.2 These arrangements were formally agreed at the London CIV's AGM on 12th July 2018. Cllr Robert Chapman and Ian Williams have both been appointed to the Shareholder's Committee in their roles as Pensions Committee Chair and Borough Treasurer respectively.

6.3 Since July 2018, the London CIV has seen further significant change. Mike O'Donnell has been appointed as the pool company's permanent CEO, with Mark Thompson (currently CIO of HSBC's UK pension scheme) due to join as CIO in September. The post is currently held on an interim basis by Mike Pratten.

6.4 Representatives from the CIV will attend the Pensions Committee meeting to provide an update on both the recent personnel changes and the CIV's current programme of work. This includes a number of fund launches in addition to work on the provision of new asset classes, including infrastructure and property. An update on the development of the pool's approach to Responsible Investment will also be provided.

Ian Williams
Group Director of Finance & Corporate Resources

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

Agenda Item 5

Hackney

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Pension Fund – Quarterly Update **Pensions Committee** **25th June 2019**	**Classification** **PUBLIC** **Ward(s) affected** **ALL**	**Enclosures** **Five**

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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 –2016 Actuarial Valuation and Funding Strategy Statement
- Pensions Committee 29th March 2017 –Investment Strategy Statement
- Pensions Committee 26th March 2019 –Pension Administration Strategy (PAS)

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

4.1 The Pensions Committee has delegated responsibility for management of the Pension Fund. Quarterly monitoring of key aspects of the management of the Pension Fund is good practice and assists the Committee in making informed decisions. .

4.2 Monitoring the performance of the Fund's 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 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's Terms of References sets out its responsibility for management of the Pension Fund. The Committee has delegated responsibility:

- To make arrangements for the triennial actuarial valuation, monitor liabilities and to undertake any asset/liability and other relevant studies as required.
- To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles (Investment Strategy Statement).
- To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.
- To act as Scheme Manager for the Pension Fund

5.2 Given these responsibilities, it is appropriate for the Committee to consider a regular quarterly update covering funding and investment matters, budget monitoring and scheme administration and governance.

6. FUNDING UPDATE

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 March 2019, the funding level was 76.5% compared to 77% as at the end of March 2016. This represents a slight increase relative to the previous quarter (74.5%), following a more stable quarter for investment markets.

6.2 The funding level of 76.5% at 31st March 2019 is based on the position of the Fund having assets of £1,515m and liabilities of £1,981m, i.e. for every £1 of liabilities the Fund has the equivalent of 76.5p of assets. The monetary deficit remains high, increasing from £350m in March 2016 to £466m in December 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 MHCLG released a consultation on the LGPS fund valuation cycle in May 2019. The consultation asks respondents if the local fund valuation cycle for LGPS funds should be changed from triennial to quadrennial to align with the public sector scheme valuation cycles. It also asks respondents to consider proposed regulation changes connected to exit payments and credits. It is proposed that the Fund submit a response to this consultation. More information on the consultation can be found in the report titled “LGPS Valuation Cycle Reform Consultation”.

7.2 During May 2019, officers of the Fund provided individual responses to a governance survey issued by Hymans Robertson. The survey was commissioned by the LGPS Scheme Advisory Board and asked respondents to consider the governance of the LGPS and potential conflicts of interest between the pensions function of administering authorities and their host local authority. The survey focused on financial decision-making and the role of the s151; officers considered that a number of the suggestions represented good practice (e.g. approval of pension fund budgets by pensions committees) but recommended against radical change to existing structures.

7.3 Officers of the Fund have also provided information and sought legal advice to feed into the Council’s response to HM Treasury’s consultation on restricting exit payments in the public sector. The proposed cap of £95,000 on exit payments includes strain cost payable on early release of pension; whilst there is no direct impact on the pension fund (as strain is payable by the employer), the outcome will impact active scheme members made redundant over the age of 55.

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 to 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 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. This process commenced late in 2018; the Fund is beginning a programme of specific engagement with LCIV to help drive the introduction of robust voting and engagement processes. The Fund is also hoping to work with other London Authorities on this project to help establish broad support and drive consensus-building.

10. RISK MONITORING

10.1 Quarterly risk monitoring for Q4 2018/19 is included at Appendix 5. The reports cover the key risks faced by the Fund across 3 categories – Investment & Funding, Admin & Comms, and Governance. The reports highlight key and new risks, as well as any that have changed status relative to their target during the quarter.

11. BUDGET MONITORING

11.1 The Fund's budget for 2019/20 is presented for review by the Pensions Committee in the Pension Fund Budget report. Quarterly budget monitoring for Q1 2019/20 will be available in the September Pensions Committee Quarterly Update Report.

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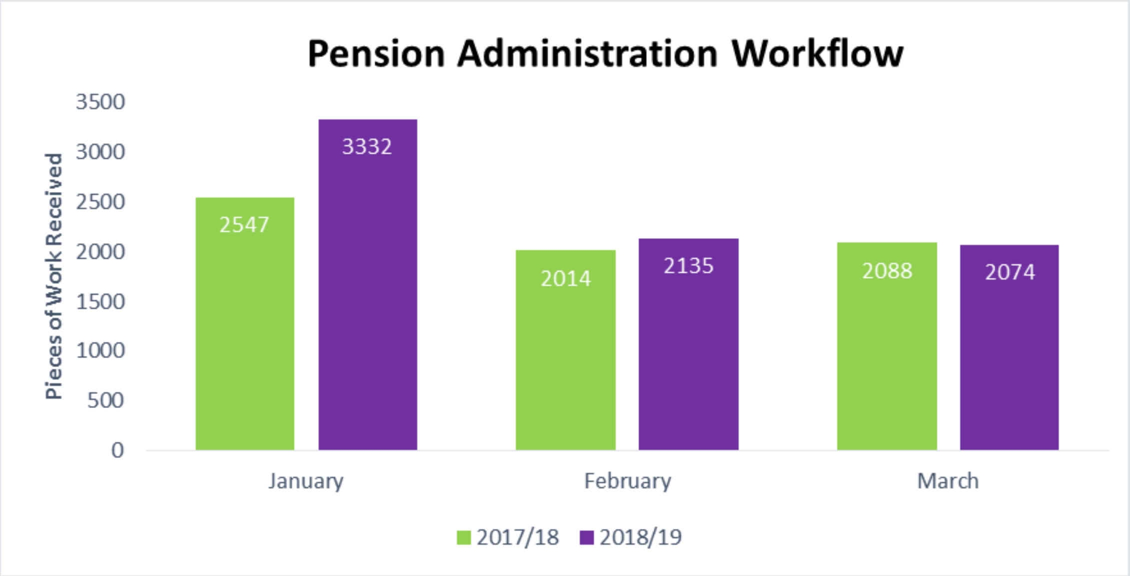
12. PENSION ADMINISTRATION

12.1 Pension Administration Management Performance

During Q4 2018/19, the administrators received a total of 7,541 new cases compared to 6,649 during Q4 in 2017/18. A comparison of the monthly workflow between Q4 2017/18 and the reporting quarter is set out below:-

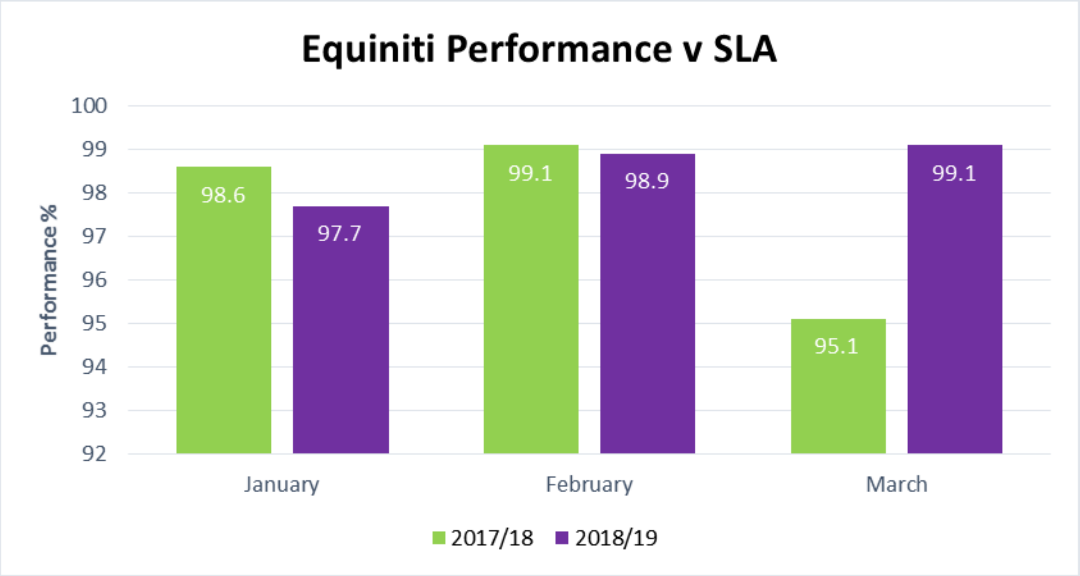


The average number of pieces of work received per month during Q4 2018/19 was 2,513, an increase of 297 pieces for the same period in 2017/18.

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, due to ongoing issues with the lack of electronic reporting from the main employer in the Fund, London Borough of Hackney. Since the last report, there has been a significant amount of progress made on the payroll interface in terms of getting the correct format, and of the 7 files required, 6 have been completed. There is still some way to go before the 7 reports can be run in full, in a test environment that will then provide detailed feedback on the quality of the data being produced from the payroll system.

The performance of the external pension administrators is monitored by the Pensions Administration Team within the Financial Services section 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 has increased with an average of 98.5% for Q4 2018/19, compared to 91.1% for the previous quarter.

The administrator's monthly performance against the SLA during Q4 2017/18 and Q4 of 2018/19 is illustrated out below:



Continued delays to the development of a monthly interface, 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 for members who are employed by the London Borough of Hackney. Nor can they confirm the correct contributions are being paid by the Council and its LGPS members, as monthly contribution reports are still not being provided by payroll to Equiniti. This is contrary to the Regulations and tPR compliance.

The administering authority's in-house pension team at Hackney, continue to work through LB Hackney data, line by line, member by member, to update and correct the pension data. Equiniti are still validating those data updates, and it was hoped that further annual benefit statements could be issued by the end of March, however due to further data issues this date has had to be revised. Indications are that a further 472 statements for the year 2017/18 will be issued by the end of May 2019 and the remaining 1,276 active members will receive an apology letter. Those members in receipt of an apology will of course be informed of their right to request the statement be produced.

12.2 New Starters and Opt-Outs

	Total Active Membership at end of Quarter	Total Opt Outs for Quarter
Q4 2017/18	7,522	112
Q4 2018/19	6,728	110

There is a notable drop in active membership from Q4 2017/18 to the reporting quarter and this is due to the ongoing data cleanse project which began in August 2018, that has identified a number of leavers and opt outs that were not reported to the administrator, and as such were reporting incorrectly as '*active'*. There has also been a reclassification of '*work in progress'*, whereby cases being actioned for active members are now moved to a 'restricted' status that removes them from the active membership numbers. This has meant that we can report our active membership at a more realistic and accurate level.

The number of employees who decided to opt-out in Q4 2018/19 remain in-line with previous months/quarters, and still average around 100 per month.

The administering authority's in-house pension team have facilitated at weekly induction sessions for 154 new employees during Q4 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.

12.3 Ill Health Pension Benefits.

The release of ill health benefits fall into 2 main categories, being those for deferred and active members. The administering authority's in-house pension 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.

A breakdown of cases for Q4 2018/19 against the same period for 2017/18 follows:

DEFERRED MEMBER'S ILL HEALTH RETIREMENT CASES					
	CASES RECEIVED	SUCCESSFUL	UNSUCCESSFUL	ONGOING	WITHDRAWN
Q4 2017/18	2	0	0	2	0
Q4 2018/19	3	1	0	2	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
Q4 2017/18	3	2	0	1	0
Q4 2018/19	4*	2	0	1	0

**There is 1 active member's case that was not completed in the reporting quarter, as the employer's IHRP (ill health retirement panel) have requested a second opinion from the occupational health service (OHS) before making a final decision.*

12.4 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 IDRP's relating to ill health, are reviewed and determinations made by a senior technical specialist at the Fund's pension administrators, Equiniti, or by the Head of Pensions Administration if they have not had any prior input into the case.

- Stage 2 IDRP's are determined by the Group Director, Finance & Corporate Resources taking external specialist technical advice from the Fund's benefits consultants.

There was 1 case concluded at Stage 1 in the 4th quarter 2018/19:

1) Pensioner member appeal against the administrators request to repay to the Fund an overpaid lump sum increase made to the member in error.
Decision - Appeal not upheld as the Fund had made the correct steps to correct the error and recover the overpayment as soon as it was discovered.

12.5 Other work undertaken in Q4 2018/19

Third Party Administration Implementation update

There are still a number of significant points of delivery on the new service specification that remain outstanding, but an agreed joint effort to get these delivered to the expected standard is proving productive and good progress is being made. Performance rectification and resolution planning has been agreed by both parties and added to the new contract, which has now been signed by Equiniti and returned to the Fund.

New & Ceasing Employers

In Q4, the Fund had 2 employers, who have existing contracts, renewed at the end of the quarter, and 1 renewal of an existing contract is still under negotiation. There have been no employer contracts ceased during this period: breakdown is as follows:

Employer	Date Joined	Date Ceased	Deficit upon Ceasing Y/N
Birkin Cleaning – Gayhurst & Jubilee Schools – contract renewed	01/04/2019		
P J Naylor – Daubeney School – contract renewed	01/04/2019		
Peabody Trust (under negotiation – end date was 31/12/2018)			

Annual Employers' Forum

The annual Employers' Forum was held on 7 March 2019, and was attended by representatives from 4 of the Fund employers, also 2 of our schools were represented and 3 of our academies. The Forums agenda was varied and covered subjects from the Fund overview, employer discretion policies and the year-end data timetable & processes for the annual benefit statements. AON gave us some insight into *'pension hot topics'* and Hymans (the Funds actuary) spoke about the forthcoming 2019 Valuation exercise. Equiniti guided us through a demo of the new on-line self-service facilities for both employers and employees/members to use, together with an overview of our new LGPS website – all of which will be launched in the autumn of 2019.

Redundancy Exercises for Departmental Budget Purposes

In Q4 of 2018/19, the administering authority's in-house pensions' team have received a total of 105 redundancy estimate requests, some of these are for members over the age of 55 who will have pension automatically released. Of the 105 requests, only 12 employees received final paperwork and left the organisation.

13. REPORTING BREACHES

13.1 The breaches register for Q4 2018/19 is attached at Appendix 4 to this report. There were 9 breaches during the period, all relating to contributions. 4 are rated amber and 5 green; none are considered reportable.

13.2 During Q2, the Fund experienced a breach relating to Annual Benefits Statements which was reported to TPR. The Fund 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.

13.3 Given that production of annual benefit statements has been a long-standing issue for the Fund, the Pensions Regulator has now commenced a programme of engagement with the Fund on this issue. Further details of the breach and the Fund’s response to it can be found in the report titled ‘Data Improvement Update’.

Ian Williams
Group Director of Finance & Corporate Resources

Appendices:
Appendix 1 –Funding & Risk Report (Hymans Robertson – Actuary)
Appendix 2 – Manager Performance Report (Hymans Robertson – Investment Consultant)
Appendix 3 – LAPFF Quarterly Engagement Report
Appendix 4 – Breaches Register
Appendix 5 – Risk Reporting

Report Originating Officers: Rachel Cowburn ☎020-8356 2630
Financial considerations: Michael Honeysett ☎020-8356 3332
Comments of the Director of Legal and Governance: Sean Eratt ☎020-8356 6012

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.

HYMANS ROBERTSON

London Borough of Hackney Pension Fund

Funding and risk report as at 31 March 2019

HEADLINES

31 March 2019	Ongoing funding basis
Assets	£1,515m
Liabilities	£1,981m
Surplus/(deficit)	(£466m)
Funding level	76.5%

Summary

This funding update is provided to illustrate the estimated development of the funding position from 31 March 2016 to 31 March 2019, 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 decreased by c0.5% to 76.5% 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

Hymans Robertson LLP is authorised and regulated by the Financial Conduct Authority

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

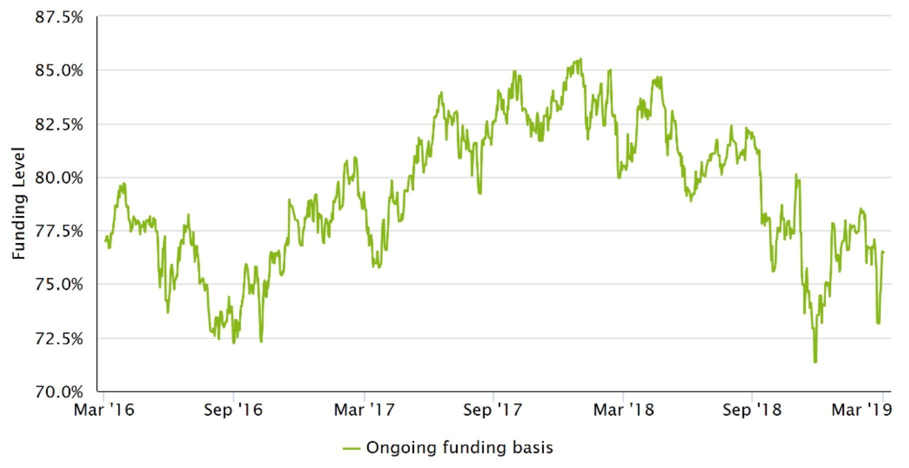
CURRENT POSITION

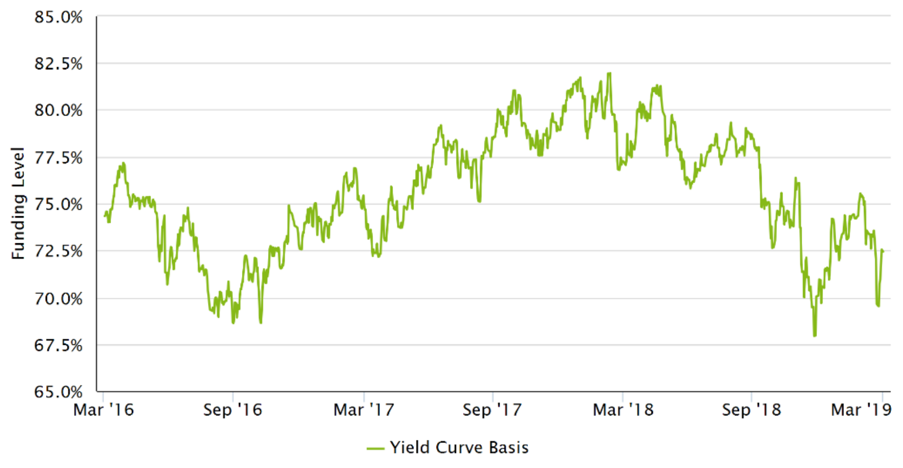
31 March 2019	Yield Curve Basis
Assets	£1,515m
Liabilities	£2,091m
Surplus/(deficit)	(£576m)
Funding level	72.4%

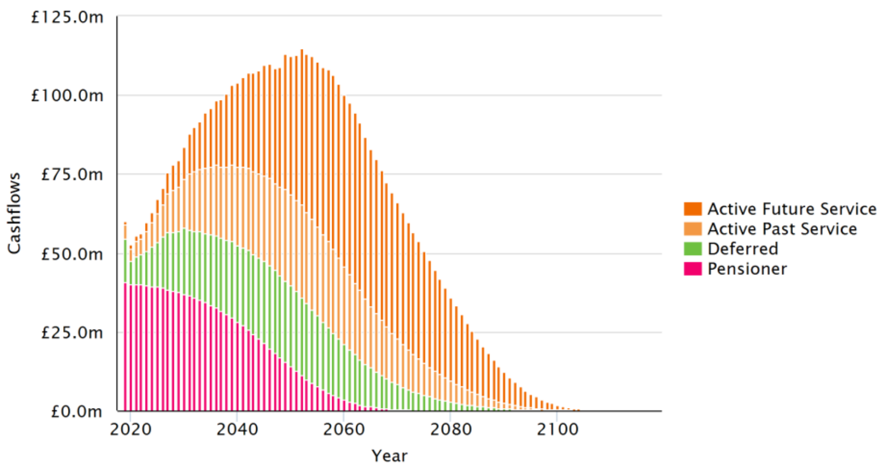
Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2016	(405)
Contributions (less benefits accruing)	38
Interest on surplus/(deficit)	(28)
Excess return on assets	183
Impact of change in yields & inflation	(364)
Surplus/(deficit) as at 31/03/2019	(576)

	31 March 2016	31 December 2018	31 March 2019
Market Yields (p.a)			
Fixed Interest Gilts	2.17%	1.76%	1.48%
Index-linked Gilts	-0.96%	-1.54%	-1.81%
Implied Inflation	3.16%	3.35%	3.35%
AA Corporate Bonds	3.36%	2.76%	2.36%
Price Indices			
FTSE All Share	3,395	3,675	3,978
FTSE 100	6,175	6,728	7,279

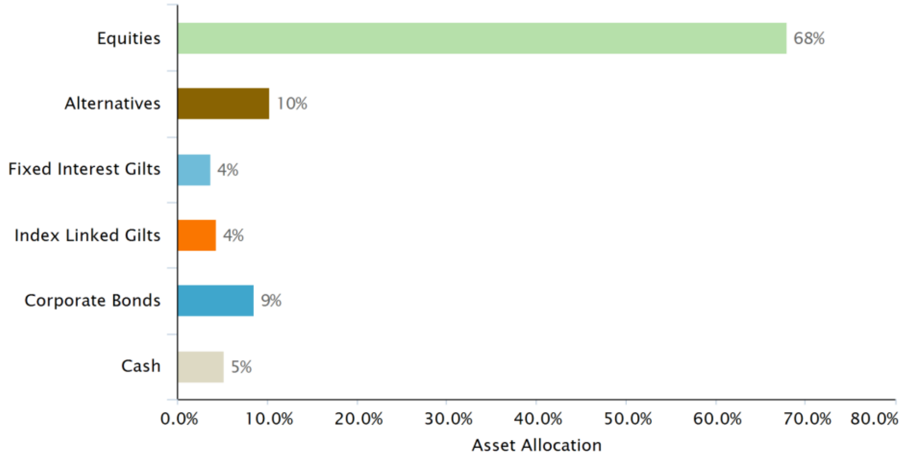
PROGRESS



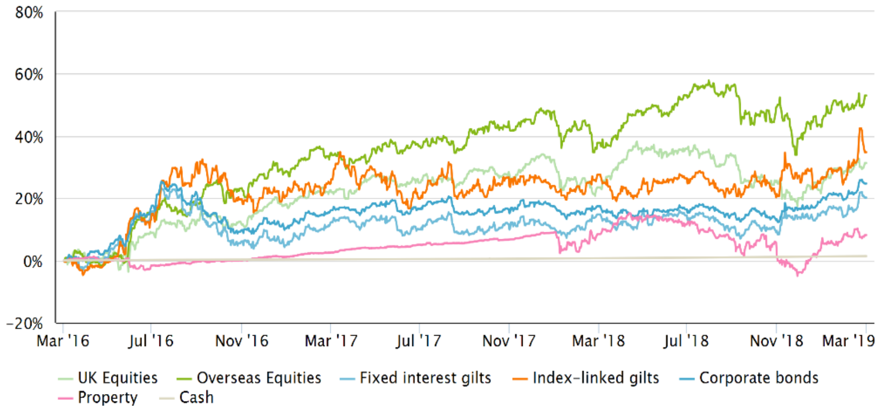




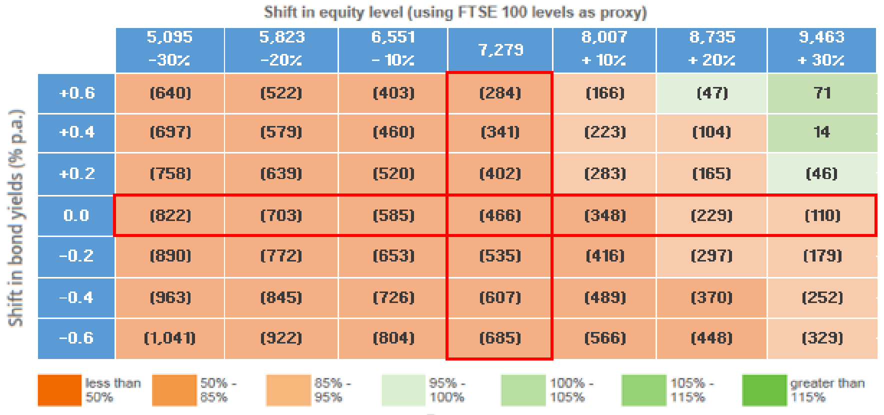
ASSETS AND RISKS



Sterling total returns of major asset classes since 31 March 2016



Sensitivity Matrix as at 31 March 2019 for Ongoing funding basis (£m)



Shift in equity level (using FTSE 100 levels as proxy)

Shift in bond yields (% p.a.)	5,095 -30%	5,823 -20%	6,551 - 10%	7,279	8,007 + 10%	8,735 + 20%	9,463 + 30%
+0.6	(640)	(522)	(403)	(284)	(166)	(47)	71
+0.4	(697)	(579)	(460)	(341)	(223)	(104)	14
+0.2	(758)	(639)	(520)	(402)	(283)	(165)	(46)
0.0	(822)	(703)	(585)	(466)	(348)	(229)	(110)
-0.2	(890)	(772)	(653)	(535)	(416)	(297)	(179)
-0.4	(963)	(845)	(726)	(607)	(489)	(370)	(252)
-0.6	(1,041)	(922)	(804)	(685)	(566)	(448)	(329)

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Appendix 2

London Borough of Hackney Pension Fund

Q1 2019 Investment Monitoring Report

Andrew Johnston, Partner
Anna Hawkins, Investment Consultant
Dave Gilmour, Investment Analyst

HYMANS ROBERTSON

Dashboard

Executive Summary

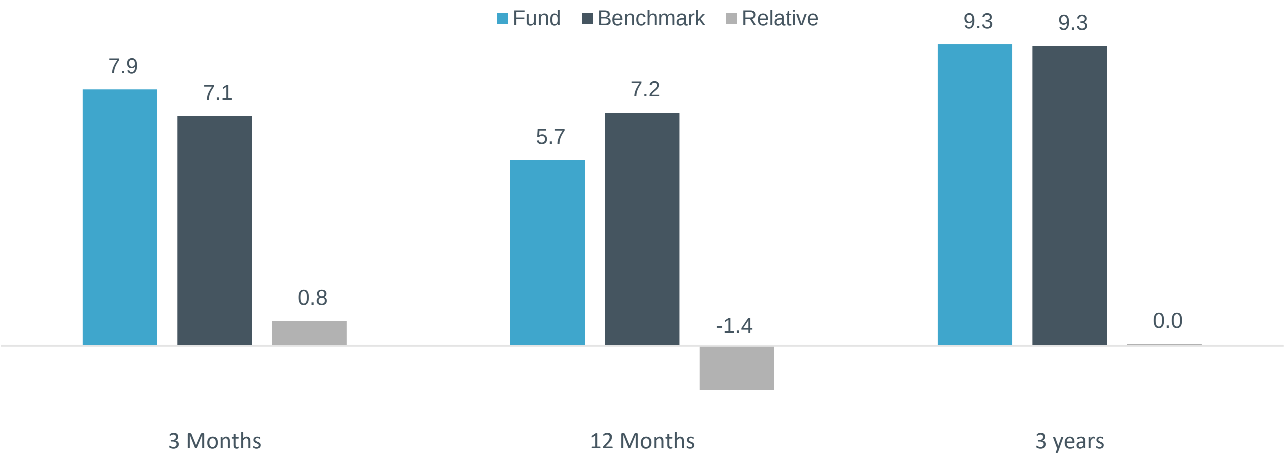
The objective of this page is to set out some key metrics on the Fund.

Over the quarter the fund has outperformed the benchmark.

The high level asset allocation is broadly on target.

Page 28

Performance



GrIP Allocation

GrIP	Actual	Benchmark	Relative
Growth	68.0%	67.7%	0.3%
Income	10.8%	10.6%	0.2%
Protection	21.2%	21.7%	-0.5%

This section sets out the Scheme's high level asset valuation and strategic allocation.

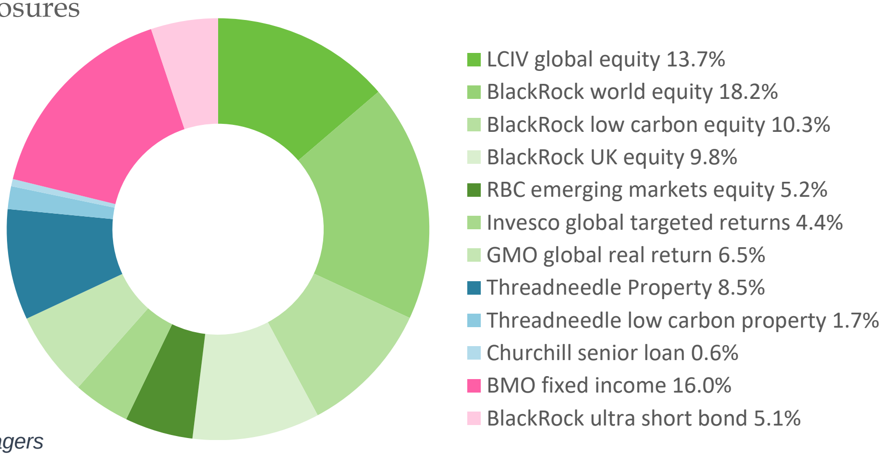
This page includes;

- End quarter mandate valuations.
- Asset allocation breakdown relative to benchmark for rebalancing purposes.
- Asset allocation breakdown pie chart.

Asset Allocation

Manager	Mandate	Valuation (£m)		Actual Proportion	Benchmark	Relative
		Q4 2018	Q1 2019			
LCIV	World Equity	183.2	207.7	13.7%	13.0%	0.7%
BlackRock	World Equity	314.9	275.7	18.2%	17.7%	0.5%
BlackRock	Low Carbon	142.2	155.6	10.3%	10.0%	0.3%
BlackRock	UK Equity	135.1	147.8	9.8%	10.0%	-0.2%
RBC	Emerging Markets	74.2	79.1	5.2%	4.5%	0.7%
Invesco	DGF	64.7	66.0	4.4%	5.0%	-0.6%
GMO	DGF	94.4	98.7	6.5%	7.5%	-1.0%
Total Growth		**1008.5**	**1030.6**	**68.0%**	**67.7%**	**0.3%**
Columbia Threadneedle	Property	128.1	128.7	8.5%	10.0%	0.2%
Columbia Threadneedle	Low Carbon Property	26.7	26.4	1.7%		
Churchill	Senior Loans	0.0	8.4	0.6%	0.6%	0.0%
Total Income		**154.9**	**163.5**	**10.8%**	**10.6%**	**0.2%**
BMO	Bonds	232.2	243.0	16.0%	17.0%	-1.0%
BlackRock	Bonds	0.0	77.8	5.1%	4.7%	0.4%
Total Protection		**232.2**	**320.8**	**21.2%**	**21.7%**	**-1.0%**
Total Scheme		**1,395.6**	**1,514.9**	**100.0%**	**100.0%**	

Asset class exposures



Source: Investment Managers

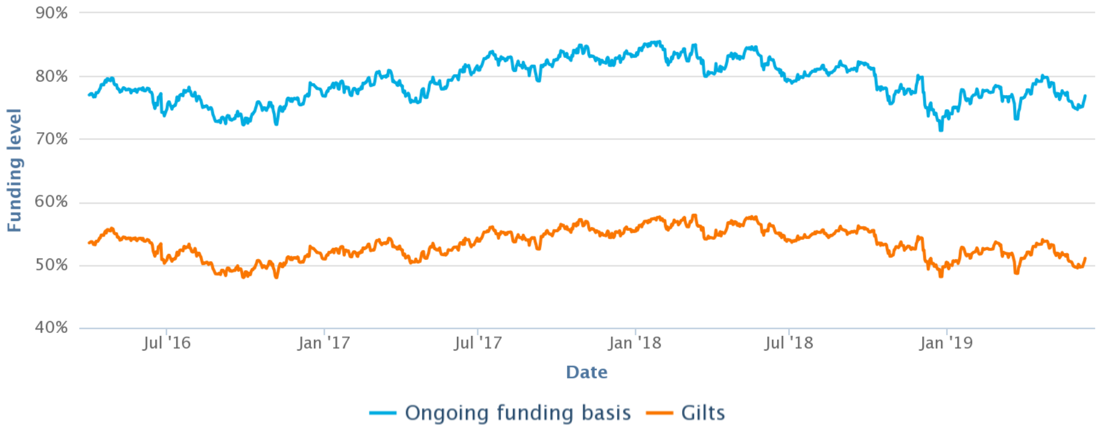
Funding

This page is used to show funding information, both historic and projected.

This page includes;

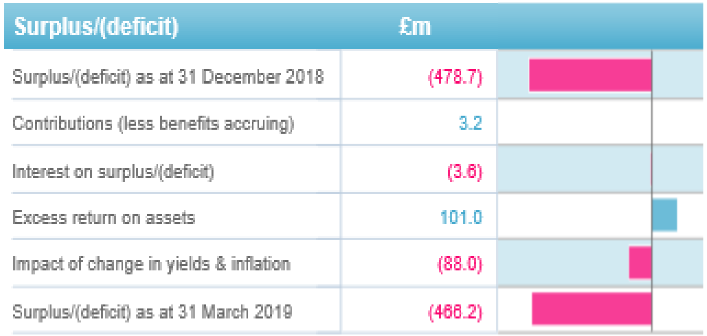
- Funding level progressions on different bases.
- Analysis of Surplus table.

Funding level progression



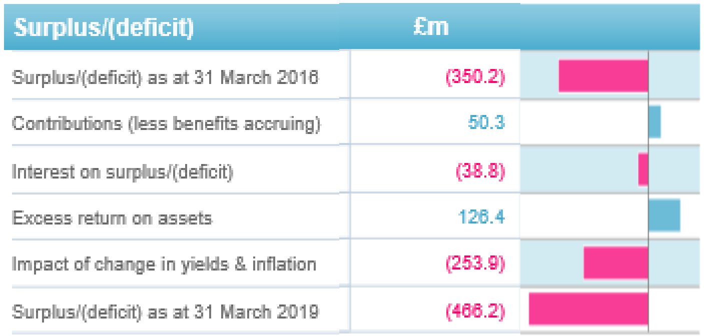
Funding level reconciliation

Quarter



Surplus/(deficit)	£m
Surplus/(deficit) as at 31 December 2018	(478.7)
Contributions (less benefits accruing)	3.2
Interest on surplus/(deficit)	(3.6)
Excess return on assets	101.0
Impact of change in yields & inflation	(88.0)
Surplus/(deficit) as at 31 March 2019	(466.2)

Since previous valuation



Surplus/(deficit)	£m
Surplus/(deficit) as at 31 March 2016	(350.2)
Contributions (less benefits accruing)	50.3
Interest on surplus/(deficit)	(38.8)
Excess return on assets	126.4
Impact of change in yields & inflation	(253.9)
Surplus/(deficit) as at 31 March 2019	(466.2)

Manager Performance

- This section is a landing page for the Scheme's manager performance.
- The table shows a summary of the full Scheme performance over different time periods.

Manager performance

		3 months (%)			12 months (%)			Last 3 years (% p.a.)		
Manager	**Mandate**	**Fund**	**B'mark**	**Relative**	**Fund**	**B'mark**	**Relative**	**Fund**	**B'mark**	**Relative**
Growth										
LCIV	World Equity	13.4	9.9	**3.1**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
BlackRock	World Equity	12.2	12.0	**0.2**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
BlackRock	Low Carbon	9.5	9.8	**-0.3**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
BlackRock	UK Equity	9.4	9.4	**0.0**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
RBC	Emerging Markets	6.6	7.4	**-0.8**	1.2	-0.3	**1.5**	13.6	14.3	**-0.6**
Invesco	DGF	1.9	0.2	**1.6**	-1.9	0.8	**-2.7**	1.1	0.6	**0.5**
GMO	DGF	4.7	0.3	**4.3**	-3.1	1.1	**-4.1**	3.1	1.7	**1.4**
Income										
Columbia Threadneedle	Property	0.4	0.3	**0.1**	4.5	4.9	**-0.4**	5.9	6.2	**-0.3**
Columbia Threadneedle	Low Carbon Property	-0.1	0.3	**-0.4**	6.6	4.9	**1.6**	n/a	n/a	**n/a**
Churchill	Senior Loans	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
Protection										
BMO	Bonds	4.7	4.4	**0.2**	4.2	4.3	**-0.1**	6.1	5.5	**0.6**
BlackRock	Bonds	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**
Total		7.9	7.1	**0.8**	5.7	7.2	**-1.4**	9.3	9.3	**0.0**

Source: Fund performance provided by Investment Managers and is net of fees except for the BlackRock and BMO funds and the Low Carbon Property fund which are gross of fees. Benchmark performance provided by Investment Managers and DataStream.

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

Market Background

Global GDP growth continued to slow in the fourth quarter with consensus forecasts being revised downwards for 2019.

Despite a slowdown in US GDP growth, the US has proved more resilient compared to Europe where the German economy has stalled, and Italy has fallen into a recession for the first time since early 2013.

In the UK, Brexit risk continued to hamper business investment with GDP growth decelerating to 0.2% in Q4 from 0.7% in Q3 2018.

Despite signs of global growth slowing, the new year has brought a more optimistic tone across equity markets. Following their worst quarterly decline since 2011 in Q4 18, stock markets have rebounded strongly with global equities up 12.3% in local currency terms.

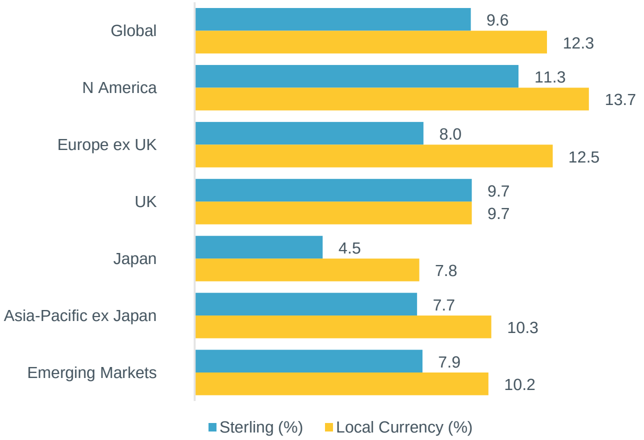
North America was the best performing region, whilst Japanese equities lagged as the market's high exposure to global trade continued to weigh on sentiment.

The FTSE All Share returned 9.4% over the quarter despite the strength of sterling being a headwind for the globally exposed larger cap names in the index.

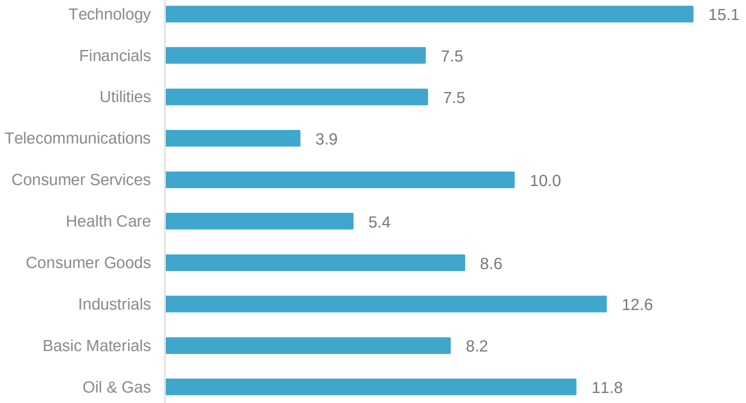
At a sector level, the bounce back in risk assets reversed the trend seen in Q4 as cyclical stocks outperformed more defensive sectors.

Historic returns for world markets [1]

Regional equity returns [2]



Global equity sector returns (%)



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[1] All returns are in Sterling terms. Indices shown (from left to right) are as follows: FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, S&P/IFCI Composite, FTSE Fixed Gilts All Stocks, FTSE Index-Linked Gilts All Maturities, iBoxx Corporates All Investment Grade All Maturities, JP Morgan GBI Overseas Bonds, MSCI UK Monthly Property Index; UK Interbank 7 Day. [2] FTSE All World Indices.

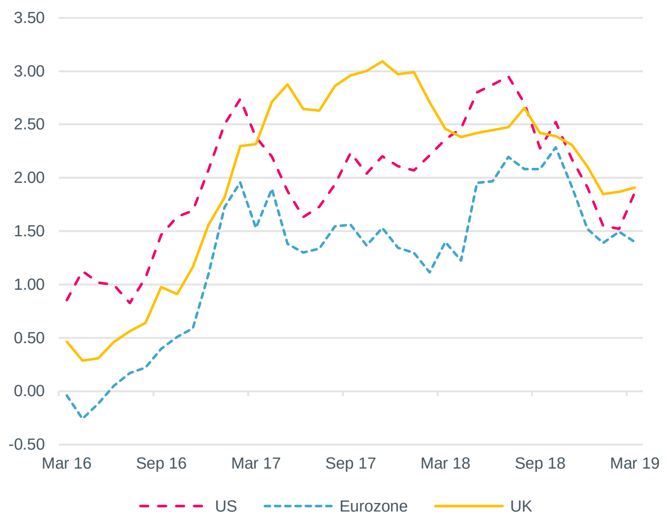
Market Background

The beginning of 2019 has seen rental growth remain flat, across all sectors, in the UK property market. Property rents increased marginally in February following two months of small declines. The growth in industrial capital values, which is now slowing, remains insufficient to offset the falling capital values in the retail and office markets. Brent crude stabilised at around $67 towards the end of the quarter, compared to $53 at the end-2018, but its sharp decline in the fourth quarter of 2018 has weighed on inflation expectations – consumer price inflation expectations for 2019 have been revised lower in most major developed economies except Japan.

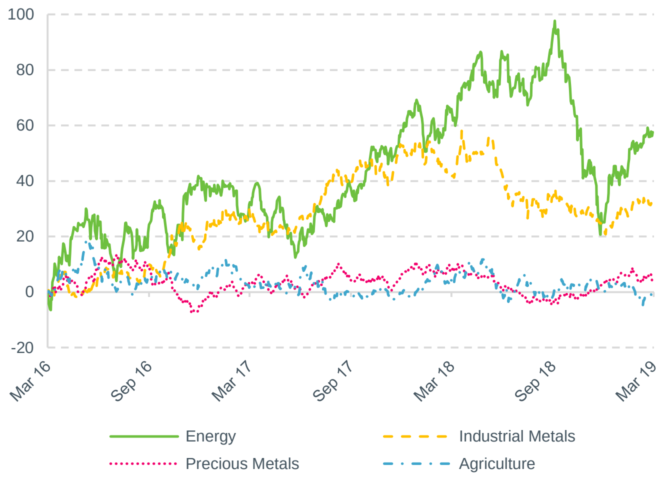
The slowdown in global growth and continued absence of inflationary pressures has seen central banks adopt a more dovish stance with the Federal Reserve suggesting that no further rate hikes will take place this year and the ECB indicating no interest rate hikes until 2020. Conventional and index-linked gilt yields fell over the quarter with UK real yields hitting record lows.

Credit markets rebounded strongly from the sharp declines at the end of last year, perhaps an indication that investors are more relieved by the perceived end to monetary tightening than they are concerned by the slowdown in global economic growth. Sub investment grade credit markets outperformed investment grade markets as they benefited from signs of positive developments in the US-China trade talks, some stabilisation in oil-prices, and negative net issuance.

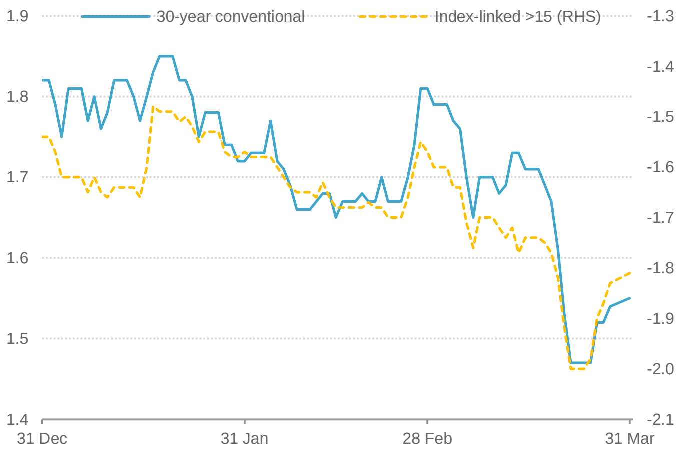
Annual CPI Inflation (% p.a.)



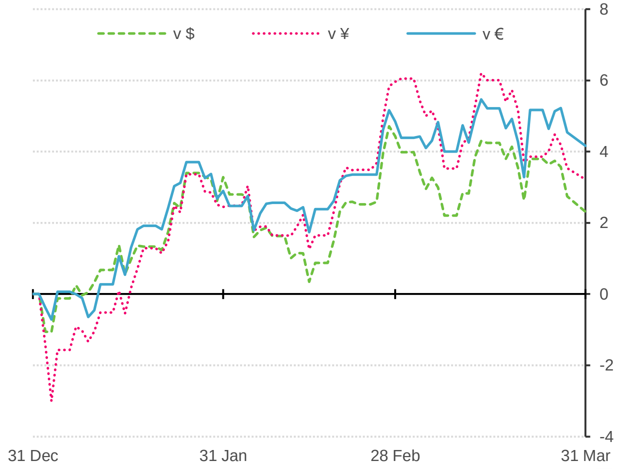
Commodity Prices



Gilt yields chart



Sterling trend chart (% change)



Source: Reuters

Risk Warning

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, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

In some cases, we have commercial business arrangements/agreements with clients within the financial sector where we provide services. These services are entirely separate from any advice that we may provide in recommending products to our advisory clients. Our recommendations are provided as a result of clients' needs and based upon our independent research. Where there is a perceived or potential conflict, alternative recommendations can be made available.

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Geometric v Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\frac{(1 + Fund\ Performance)}{(1 + Benchmark\ Performance)} - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$Fund\ Performance\ - Benchmark\ Performance$$

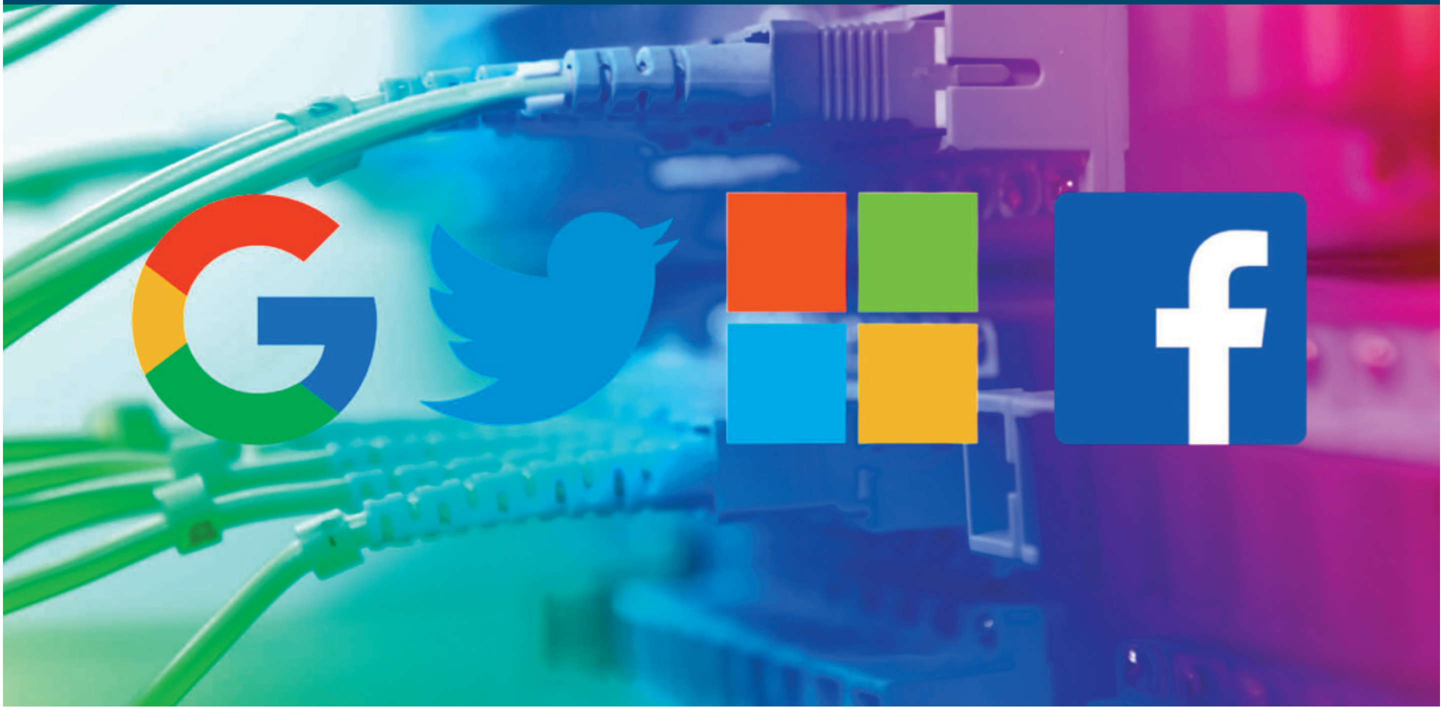
The geometric return is a better measure of investment performance when compared to the arithmetic return, to account for potential volatility of returns.

The difference between the arithmetic mean return and the geometric mean return increases as the volatility increases.

The Local Authority Pension Fund Forum (LAPFF) exists to promote the long-term investment interests of member funds and beneficiaries, and to maximise their influence as shareholders whilst promoting the highest standards of corporate governance and corporate responsibility at investee companies. Formed in 1990, LAPFF brings together a diverse range of 80 public sector pension funds and six Pools in the UK with combined assets of over £230 billion.

QUARTERLY ENGAGEMENT REPORT

JANUARY TO MARCH 2019



Ryanair Chair commits to standing down in 2020 after prospect of shareholder resolution by LAPFF

Auditing, Reporting and Governance Authority (ARGA) to replace FRC after LAPFF consultation contribution acknowledged

LAPFF part of investor group leading to Shell's proposal to include carbon reduction metrics in executive remuneration.

LAPFF joins investors calling on Facebook, Google and Twitter to strengthen controls on streaming of objectionable content following the Christchurch shootings.

LAPFF calls for tech company Initial Public Offerings (IPOs) to adopt the principle of one share, one vote.

The Forum joins investors in calling for the 20 largest carbon emitting utilities companies based in the US to commit to achieving net-zero carbon emissions by 2050.

LAPFF takes on role of liaising with affected communities in investor tailings dam initiative.

This Quarter – At A Glance

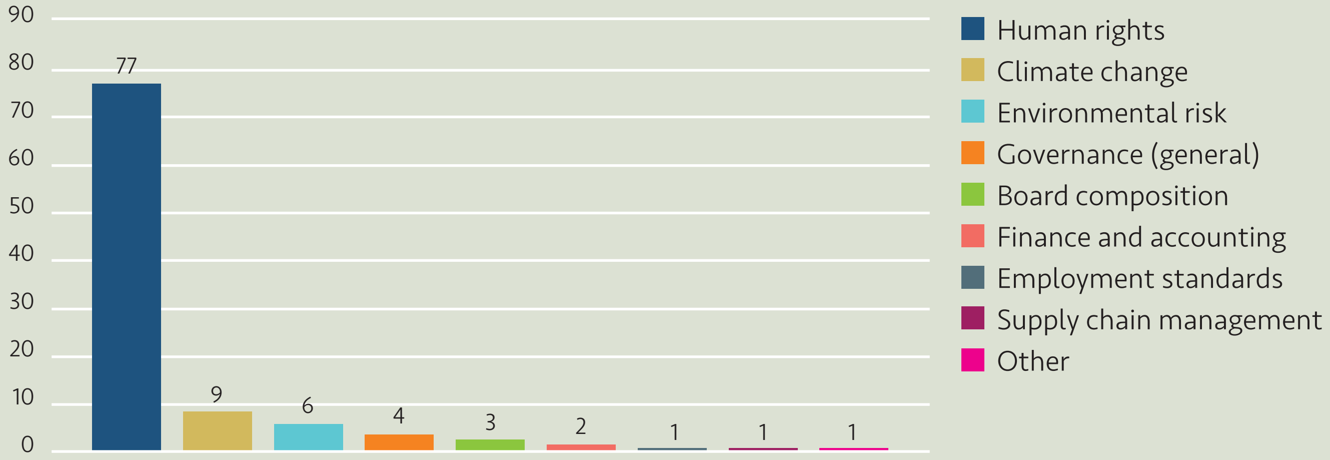
In February Ryanair announced that current Chairman David Bonderman would be replaced during 2020. The statement was made after LAPFF had voiced an intention to requistion the AGM in order to propose a resolution requesting Mr Bonderman resign from the Board.

The Government announced plans to replace the Financial Reporting Council (FRC) with the Auditing, Reporting and Governance Authority (ARGA). This comes in the aftermath of the Kingman Review which recommended the FRC be disbanded, a position promoted by LAPFF after many years of raising concerns over the FRC.

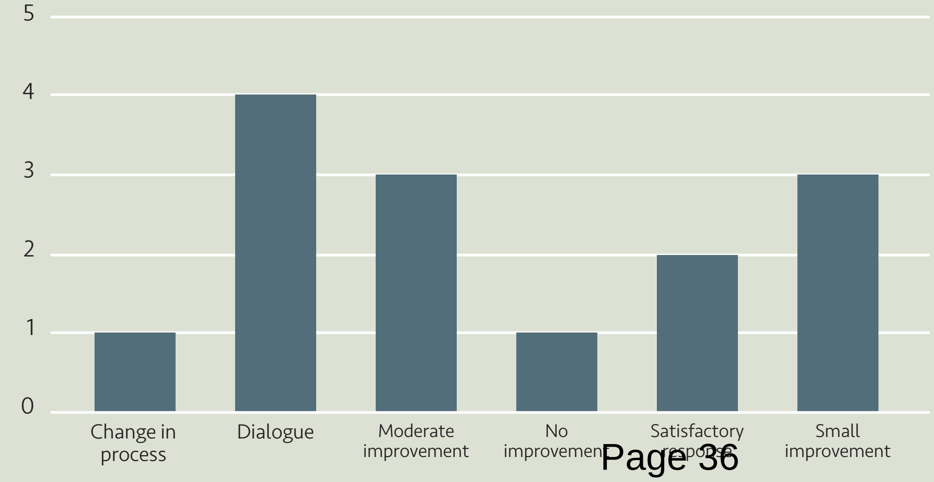
After pledging to include the overall reduction of its net carbon footprint in considering executive remuneration outcomes, Royal Dutch Shell Plc published its remuneration report enacting this commitment. As a member of the Climate Action 100+ investor initiative, LAPFF welcomes Royal Dutch Shell's steps in addressing the need to tackle climate change proactively. This is a small but pioneering step towards enabling companies to prepare for the low carbon transition.

COMPANY ENGAGEMENT ACTIVITIES

Engagement topics



Meeting outcomes



GOVERNANCE RISK

Financial Reporting Council to be Disbanded

The Government has announced plans to replace the Financial Reporting Council (FRC) with the Auditing, Reporting and Governance Authority (ARGA). Both the Kingman Review, which recommended the replacement, and the recent CMA consultation acknowledged LAPFF's contribution to the debate and enacted the Forum's recommendation to disband the FRC. The ARGA will have stronger enforcement powers. LAPFF's position has also been picked up by the BEIS Select Committee Enquiry into audit following the collapse of Carillion. The day after evidence had been taken from the large accounting firms, the first major audit case, AssetCo, to result in a Court judgment since 1968 found against Grant Thornton. The judgment confirms the statutory objective of audited accounts consistent with the position of George Bompas QC. The following week evidence from the CEO of the ICAEW confirmed that there were issues between International Accounting Standards and Company Law, something that had been previously denied. Members of the BEIS Committee have made it clear that the problem is not the law but the standards.

Ryanair

Ryanair Chairman, David Bonderman, will step down from the board by the 2020 AGM, the Company has said. This announcement comes after a lengthy shareholder rights campaign spearheaded by LAPFF. 2018 was a turbulent year including strikes by staff resulting in widespread travel disruption and the issuance of a profit warning. After continued challenge on the long-term tenure of the Chair, the Company announced that he will not seek re-election next summer. LAPFF had drafted a shareholder resolution requesting that Mr Bonderman resign. This draft resolution was conveyed to Ryanair just before the Company's statement about Mr Bonderman's stepping down was released.

Response to EU Consultation on Remuneration Report

LAPFF responded to a targeted consultation on standardising the presentation of remuneration reports under the Shareholders' Rights Directive. The aim of the consultation was to contribute towards the production of non-binding guidelines which help companies disclose clear, understandable, comprehensive and comparable information on individual directors' remuneration. In LAPFF's view, overall, implementation of the proposals will improve the disclosure of matters relating to executive compensation across EU markets. Standardising the reporting format will also help shareholders to assess directors' remuneration, to what extent that remuneration is linked to the performance of the company and how the company implements its remuneration policy in practice. As such, the response is largely supportive of the proposed reporting framework.

Dual-class Shareholdings at Tech Companies

LAPFF joined other investors in writing to Lyft, the US ride-share company, expressing opposition to the dual-class share structure proposed in its IPO. To provide context, a restatement of LAPFF's policy on support for the principle of one share, one vote was re-issued publicly. LAPFF considers that shareholders who have the same financial commitment to the company should have the same rights and that dual share structures with differential voting rights are disadvantageous to many shareholders and should be reformed. In the public statement, investors have called for shareholders' economic exposure and risk be aligned with their influence and voting rights post IPO.

Social Media Companies

LAPFF has joined a group of investors calling for social media companies to strengthen controls on objectionable content and live streaming following the Christchurch shootings in March. The Forum's involvement came about due to increasing concerns about the social and financial damage that could be caused by inappropriate or illegal content on social media even before Christchurch, with members considering engagement in 2017 and having made contact with New Zealand Super in February of this year.

ENVIRONMENTAL AND CARBON RISK

Along with other investor participants in the 'Climate Action 100+' initiative, Cllr Robert Chapman met with executives from steel manufacturing giant, **ArcelorMittal**. The meeting focused on the Company's progress towards decarbonising operations and planning for the transition to a low carbon economy. As part of the discussion, Cllr Chapman pressed on whether the company would be setting science-based targets in line with the Paris Accord, and if ArcelorMittal would consider linking carbon reduction performance with executive remuneration.

A range of issues were discussed at a Climate Action 100+ meeting with Simon Thompson, chair of **Rio Tinto** and the corporate head of strategy. The Company had just issued its first report aligned with the Taskforce on Climate Related Financial disclosure. Having disposed of its last coal assets in 2018, the Company sets out the impact of the low-carbon transition on its other commodities. As with many companies, the greatest challenges come with scope 3 emissions - the use of products down the supply chain - and for Rio Tinto, the supply of iron-ore to the steel sector is a case in point. A resolution had been filed with the Australian entity, Rio Tinto Ltd, on the Company's lobbying activities, in particular its relationship with the Minerals Council of Australia (MCA). The resolution has been withdrawn after the Company agreed to work more closely with the MCA to ensure future statements are 'technology neutral'.

In December, at least one LAPFF member fund joined other investors in filing a resolution for the **Exxon** 2019 AGM, requesting that the Company disclose short, medium and long-term greenhouse gas reduction targets in line with the Paris climate agreement. Exxon challenged the proposal seeking no-action relief with the US Securities and Exchange Commission (SEC) and the resolution did not make it to the ballot.

As a member of the Climate Majority Project, LAPFF joined other coalition members calling on the 20 largest carbon emitting US utility companies to commit to achieving net-zero carbon emissions by 2050, and to make this commitment by September 2020. The institutional investor statement called for a transition away from carbon intensive energy production and for companies to devise economically attractive ways to achieve net zero targets. Central to this was recommendations on governance reforms companies should adopt to maintain focus on the overall goal of net-zero emissions.

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SOCIAL RISK

Human Rights and Employment Standards

Institutional investors, led by the Church of England and Swedish Council of Ethics of the AP funds, have begun a large-scale initiative to prevent the further collapse of tailings dams. The initiative stems from the collapse of the Vale tailings dam in Brumadinho in late January. The Church of England convened a meeting of companies, investors, industry groups and industry experts on 4 March to discuss the causes of tailings dam failures. Cllr Robert Chapman attended the event on behalf of LAPFF. The Forum has been asked to play a pivotal role in the initiative, that of liaising with community members affected by both the Brumadinho and Samarco disasters. A statement from the community members was read out at the end of the March meeting, and LAPFF will continue to look for opportunities to bring the community representatives into future meetings.

The LAPFF chair met with Santander Consumer USA (SCUSA) to discuss employment standards, the failed appointment of a new CEO - Andrea Orcel, and the possibility of Santander's joining RE100, the renewable energy initiative. Cllr Doughty also attended an investor roundtable with the Nestle chair, Paul Bulcke, and asked about the Company's response to millennial demands for more socially and environmentally responsible practices. He further asked whether the UK Modern Slavery Act had had any impact on Nestle's approach to supply chain management.

LAPFF, along with a large a coalition of investors, signed a letter sent to 49 insurance companies to encourage the development of best practice around the provision of micro-insurance. The letter outlined that privately provided micro-insurance can create an affordable, accessible safety net which enables people to climb out of poverty. Insurance companies should consider specially tailored policies aimed at providing fair and transparent insurance products to those customers who are the least well served today.

Diversity

LAPFF continued to engage with companies on gender diversity through its membership in the 30% Club Investor group. As part of this initiative a letter was sent to Millennium & Copthorne Hotels plc, outlining the benefits of embracing cognitive diversity and requesting a meeting with the Chair to discuss the importance of diversity considerations in board balance, independence and in executive appointments. On 21 March, shortly after the meeting request was made, the company announced that Ms Paola Bergamaschi Broyd will be joining M&C's Board of Directors as an independent Non-Executive Director with immediate effect. LAPFF also attended a meeting with executive search firm Warren Partners to discuss the challenges the firm has found in increasing the number of female placements at board level.

MEDIA COVERAGE

Ryanair

Ryanair bows to investor pressure as Michael O'Leary moves upstairs and chairman departs – Telegraph. 4 February

O'Leary remains commanding presence at Ryanair – FT, 4 February 2019

Ryanair boss O'Leary in chance to win €100m bonus – FT, 8 February 2019

Investors ready to block €100m bonus package for Ryanair boss – The Telegraph, 23 February 2019

Pension fund forum hails move to replace Ryanair chair – Local Government Chronicle, 4 February

Technology IPOs

Investors call for Lyft to scrap dual-class share plans – FT, 17 March 2019

Investors Ask Lyft to Scrap Two-Share Plan Ahead of IPO - Bloomberg, 16 March 2019.

Investor group calls on Lyft to scrap dual-class share structure – Reuters, 18 March 2019.

Illegal Dividends

UK audit inquiry reignites 'illegal dividends' dispute – IPE, 18 February 2019

UK to replace audit regulator after damning review – IPE, 12 March 2019

Climate

BP agrees to more climate reporting after 'constructive' investor talks – IPE, 1 February 2019

NETWORKS AND EVENTS


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Church of England Tailings Dam Meeting

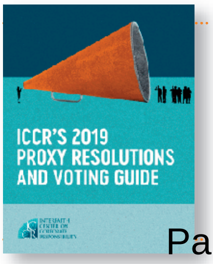
The Church of England and Swedish Council of Ethics convened a meeting with ICMM and a few member companies to tackle the collapse of tailings dams. LAPFF presented a statement from the communities affected by the Brumadinho and Samarco dam collapses.

IRMA Investor and Finance Industry Meeting

Update on new Initiative for Responsible Mining Assurance (IRMA) standard and discussion about the role investors can play in the initiative.

ICCR Proxy Voting Guide Overview

ICCR presented an overview of the shareholder resolutions being proposed in the US. Lobbying, climate change and human rights are the areas with the most resolutions being filed.


ICCR'S 2019 PROXY RESOLUTIONS AND VOTING GUIDE

APPG

Nicola Parish, Executive Director of Frontline Regulation and Pauline Lancum, Case Management Team Leader, at The Pensions Regulator (TPR) spoke about the regulator's role in local authority pensions. In the well-attended session, they explained TPR's role in local authority pensions, how TPR is changing as a regulator as well as the challenges ahead and how TPR and LAPFF can work together.


NRI

Digital Transformation by NRI

Clearing a path to the future with Digital Technology

Nomura Research Institute

The Forum met with Chie Misui of Nomura Research Institute. Discussion were centred around Japanese companies providing disclosure in English, and also problems around the financial statements and audit reports not being issued in sufficient time for investors in advance of the annual meeting.

COMPANY PROGRESS REPORT

104 companies engaged over the quarter

Q1 2019 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
AFRICAN RAINBOW MINERALS	Sent letter	Human Rights	Dialogue
AIA	Sent letter	Human Rights	Dialogue
ANGLO AMERICAN	Sent letter	Human Rights	Dialogue
ANGLO GOLD ASHANTI	Sent letter	Human Rights	Dialogue
ANTOFAGASTA MINERALS	Sent letter	Human Rights	Dialogue
ANZ-AUSTRALIA & NEW ZEALAND BANK	Sent letter	Governance (General)	Dialogue
ARCELORMITTAL SA (2)	Meeting	Environmental Risk	Small Improvement
ASIA COMMERCIAL JOINT STOCK BANK	Sent letter	Human Rights	Dialogue
BANCO BRADESCO	Sent letter	Human Rights	Dialogue
BANCO DAVIVIENDA	Sent letter	Human Rights	Dialogue
BANCO DE CHILE	Sent letter	Human Rights	Dialogue
BANCO DE CREDITO E INVERSIONES	Sent letter	Human Rights	Dialogue
BANCO SANTANDER CHILE	Sent letter	Human Rights	Dialogue
BANCO SANTANDER MEXICO	Sent letter	Human Rights	Dialogue
BANCO SANTANDER SA	Meeting	Employment Standards	Small Improvement
BANDHAN BANK	Sent letter	Human Rights	Dialogue
BANK CENTRAL ASIA	Sent letter	Human Rights	Dialogue
BANK MANDIRI	Sent letter	Human Rights	Dialogue
BANK OF NINGBO	Sent letter	Human Rights	Dialogue
BANK OF THE PHILIPPINE ISLANDS	Sent letter	Human Rights	Dialogue
BANK RAKYAT	Sent letter	Human Rights	Dialogue
BARRICK	Sent letter	Human Rights	Dialogue
BB SEGURIDADE PARTICIPACOES	Sent letter	Human Rights	Dialogue
BBVA CONTINENTAL	Sent letter	Human Rights	Dialogue
BDO UNIBANK	Sent letter	Human Rights	Dialogue
BHP	Sent letter	Human Rights	Dialogue
BOTSWANA INSURANCE HOLDINGS	Sent letter	Human Rights	Dialogue
CAFCA LTD (2)	Sent Letter	Finance and Accounting	Awaiting Response
CHINA MERCHANT'S BANK	Sent letter	Human Rights	Dialogue
CHINA PACIFIC INSURANCE	Sent letter	Human Rights	Dialogue
CHIPOTLE MEXICAN GRILL INC	Sent Letter	Environmental Risk	Dialogue
CODELCO	Sent letter	Human Rights	Dialogue
COMMERCIAL INTERNATIONAL BANK	Sent letter	Human Rights	Dialogue
CREDICORP	Sent letter	Human Rights	Dialogue
CREDIT AGRICOLE EGYPT	Sent letter	Human Rights	Dialogue
DISCOVERY	Sent letter	Human Rights	Dialogue
ENTERPRISE GROUP	Sent letter	Human Rights	Dialogue
EXXON MOBIL CORPORATION (2)	Meeting	Climate Change	Dialogue
FIRSTRAND	Sent letter	Human Rights	Dialogue

Q1 2019 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
FREEPORT-MCMORAN	Sent letter	Human Rights	Dialogue
GENERAL ELECTRIC COMPANY (2)	Received letter	Climate Change	Moderate Improvement
GENERAL MOTORS COMPANY	Sent letter	Climate Change	Dialogue
GHANA COMMERCIAL BANK	Sent letter	Human Rights	Dialogue
GLENCORE	Sent letter	Human Rights	Dialogue
GOLD FIELDS	Sent letter	Human Rights	Dialogue
GOLDCORP	Sent letter	Human Rights	Dialogue
GUARANTY TRUST BANK	Sent letter	Human Rights	Dialogue
HDFC STANDARD LIFE	Sent letter	Human Rights	Dialogue
HYDRO	Sent letter	Human Rights	Dialogue
ICICI PRUDENTIAL	Sent letter	Human Rights	Dialogue
ITAU UNIBANCO	Sent letter	Human Rights	Dialogue
JX NIPPON	Sent letter	Human Rights	Dialogue
KASIKORNBANK	Sent letter	Human Rights	Dialogue
KENYA COMMERCIAL BANK	Sent letter	Human Rights	Dialogue
KOTAK MAHINDRA BANK	Sent letter	Human Rights	Dialogue
LIBERTY HOLDINGS	Sent letter	Human Rights	Dialogue
LOCKHEED MARTIN CORPORATION	Sent letter	Human Rights	Dialogue
LONMIN	Sent letter	Human Rights	Dialogue
MAX FINANCIAL	Sent letter	Human Rights	Dialogue
MCDONALD'S CORPORATION	Sent letter	Environmental Risk	Dialogue
MEARS GROUP PLC	Meeting	Board Composition	Satisfactory Response
MILLENNIUM & COPTHORNE HOTELS PLC (3)	Sent letter	Board Composition	Substantial Improvement
MINERA SAN CRISTOBAL	Sent letter	Human Rights	Dialogue
MINSUR	Sent letter	Human Rights	Dialogue
MITSUBISHI MATERIALS	Sent letter	Human Rights	Dialogue
MMG	Sent letter	Human Rights	Dialogue
NATIONAL MICROINSURANCE BANK	Sent letter	Human Rights	Dialogue
NESTLE SA (2)	Meeting	Governance (General)	Satisfactory Response
NEWCREST MINING	Sent letter	Human Rights	Dialogue
NEWMONT	Sent letter	Human Rights	Dialogue
OLD MUTUAL	Sent letter	Human Rights	Dialogue
ORANO	Sent letter	Human Rights	Dialogue
PEPSICO INC.	Meeting	Supply Chain Management	Dialogue
PING AN	Sent letter	Human Rights	Dialogue
POLYRUS	Sent letter	Human Rights	Dialogue
PORTO SEGURO	Sent letter	Human Rights	Dialogue
RESTAURANT BRANDS INTERNATIONAL INC	Sent letter	Environmental Risk	Dialogue
RIO TINTO GROUP (3)	Meeting	Climate Change	Moderate Improvement
SANLAM	Sent letter	Human Rights	Dialogue
SOUTH32	Sent letter	Human Rights	Dialogue
SOUTHERN COMPANY	Meeting	Climate Change	Change in Process

Q1 2019 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
STANDARD BANK GROUP	Sent letter	Human Rights	Dialogue
STANDARD CHARTERED	Sent letter	Human Rights	Dialogue
SUL AMERICA	Sent letter	Human Rights	Dialogue
SUMITOMO METAL MINING CO., LTD.	Sent letter	Human Rights	Dialogue
SUNDARAM FINANCE	Sent letter	Human Rights	Dialogue
TECK	Sent letter	Human Rights	Dialogue
TI FINANCIAL	Sent letter	Human Rights	Dialogue
TOTAL SA	Meeting	Environmental Risk	Moderate Improvement
UNITED UTILITIES GROUP PLC	Meeting	Other	Small Improvement
VALE	Sent letter	Human Rights	Dialogue
VIETNAM PROSPERITY JOINT COMMERCIAL BANK	Sent letter	Human Rights	Dialogue
WAFA ASSURANCE	Sent letter	Human Rights	Dialogue
YUM! BRANDS INC.	Sent letter	Environmental Risk	Dialogue
ZANACO	Sent letter	Human Rights	Dialogue

Company domiciles

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

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

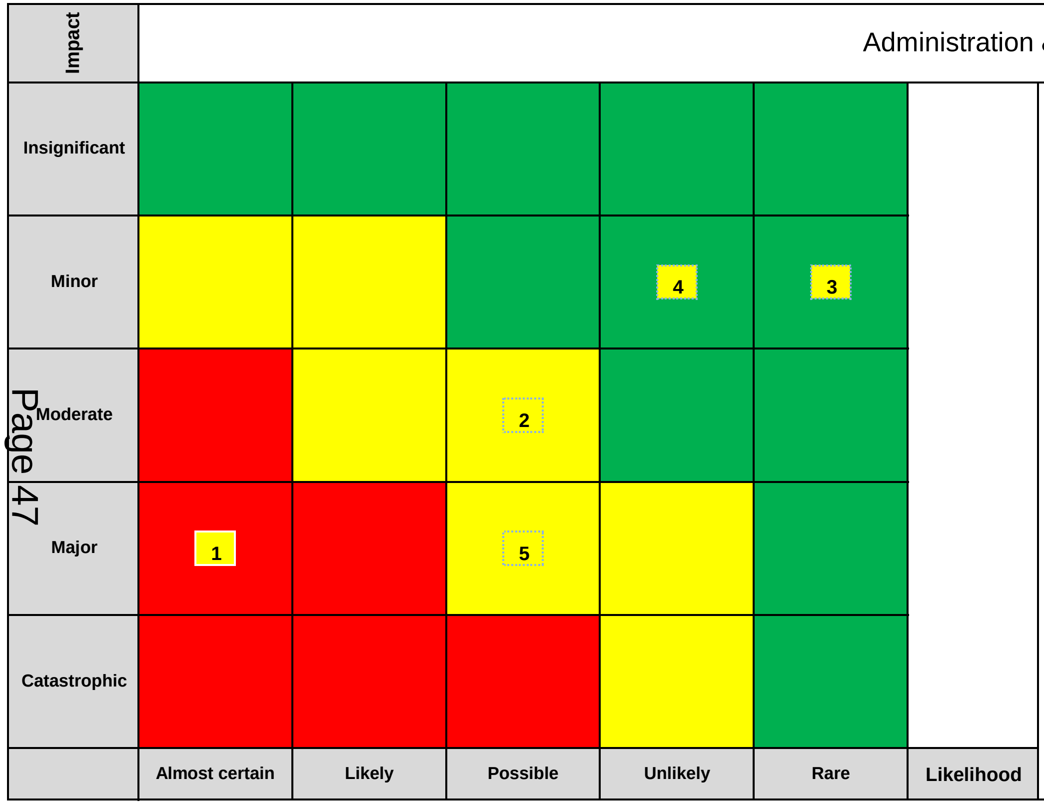
Appendix 4

LB Hackney Pension Fund - Breaches Register

Quarter	Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Employer / Org.	Description of breach	Cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Traffic Light System	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions
Q4	Jan-19	Data Breach	Equiniti	NI number in subject line of email	Personal data item included in subject line of non-encrypted email	Including personal data in a non-secure email could compromise security of member's personal info	Breach recorded, NI no removed from subject line for future emails	G	Not reported	Breach recorded, NI no removed from subject line for future emails	Issue reminder re: email security
Q4	Jan-19	Contributions	Hackney (LBH)	HK221 received late	Late supporting documents due to staff member being on annual leave	Late supporting documents could affect member queries & ABS	Employer has been warned of breach	A	Not reported	Levy for £65 sent to LBH.	Monitor going forward and advise Dan Paul and Julie Stacey if breakdown is not received.
Q4	Jan-19	Contributions	Greenwich Leisure	Contributions payment received late	Employer has missed the prescribed period for contributions	Late contributions could affect member queries & ABS	Employer notified of regulations to provide contributions on time and warned of breach	A	Not reported	Payment of outstanding contributions and levies made in February 2019. Another Levy for £65 was raised in connection with January's breach.	Monitor going forward
Q4	Jan-19	Contributions	Peabody Trust (Previous name Family Mosaic)	HK221 received late	Late supporting documents	Late supporting documents could affect member queries & ABS	Employer has been warned of breach	A	Not reported	Third offence this year, £65 levy raised	New contact for peabody provided; not responding to
Q4	Feb-19	Contributions	Renaisi	Contributions payment received late	Employer has missed the prescribed period for contributions	Late contributions could affect member queries & ABS	Employer notified of regulations to provide contributions on time and warned of breach	G	Not reported	First offence; email sent	Monitor going forward
Q4	Mar-19	Contributions	Renaisi	HK221 received late	Late supporting documents	Late supporting documents could affect member queries & ABS	Employer notified of regulations to provide contributions on time and warned of breach	G	Not reported	First offence; email sent	Monitor going forward
Q4	Mar-19	Contributions	Peabody Trust (Previous name Family Mosaic)	HK221 received late	Late supporting documents	Late supporting documents could affect member queries & ABS	Employer has been warned of breach	A	Not reported	Fourth offence this year, £65 levy raised	
Q4	Mar-19	Contributions	Skinners	HK221 received late	Late supporting documents	Late supporting documents could affect member queries & ABS	Employer has been warned of breach	G	Not reported	First offence; email sent	Monitor going forward
Q4	Mar-19	Contributions	Strictly Education	HK221 received late	Late supporting documents	Late supporting documents could affect member queries & ABS	Employer has been warned of breach	G	Not reported	First offence; email sent	Monitor going forward

Appendix 5

Administration and Communication Risks Heat Map and Summary



Administration & Communication Risks

Impact	Almost certain	Likely	Possible	Unlikely	Rare
Insignificant	🟥	🟩	🟩	🟩	🟩
Minor	🟨	🟨	🟩	🟩 4	🟩 3
Moderate	🟥	🟨	🟨 2	🟩	🟩
Major	🟥 1	🟥	🟨 5	🟨	🟩
Catastrophic	🟥	🟥	🟥	🟨	🟩

Likelihood

Key

1	Each risk is represented in the chart by a number in a square. - The number denotes the risk number on the risk register. - The location of the square denotes the current risk exposure.
🟩 1	The background colour within the square denotes the target risk exposure.
⬚	New risks since the last reporting date are denoted with a blue and white border.
- - - ->	An arrow denotes a change in the risk exposure since the previous reporting date, with the arrow coming from the previous risk exposure.

13 June 2019

Hackney Pension Fund - Control Risk Register

Administration & Communication Risks

Objectives extracted from Administration Strategy (03/2017) and Communications Strategy (04/2016):

A1	Deliver an efficient, quality and value for money service to its scheme employers and scheme members
A2	Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner
A3	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
A4	Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner
A5	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
C1	Promote the scheme as a valuable benefit and provide sufficient and up to date information so members can make informed decisions about their benefits
C2	Communicate in a plain language style
C3	Ensure the Fund use the most appropriate means of communication, taking into account the different needs of different stakeholders
C4	Look for efficiencies in delivering communications including greater use of technology
C5	Evaluate the effectiveness of communications and shape future communications appropriately

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?		Date Not Met Target From	Expected Back On Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Poor Membership Data	Poor administration and/or provision of data result in inaccurate data giving rise to financial, reputational risks, actuary unable to set contribution rates, higher contribution rates, member dissatisfaction, inaccurate benefit statements produced, overpayment of benefits etc.	A4	Major	Almost certain	🟥	1 - annual monitoring of membership records, valuation checks, external data validations 2 - Monthly monitoring of contributions to ensure that employers paying across correct contributions along with membership data being supplied 3 - Service Level Agreement with external administrator and monthly monitoring of contract. Monitoring of employers and Pensions Administration Strategy which enables Fund to recoup additional administration costs for sub-standard performance. 4 - Provision of employer support to ensure employers have the knowledge and understanding necessary to provide correct information	Moderate	Possible	🟨	😐	Current impact 1 too high Current likelihood 2 too high	01/12/2018	Dec 2020	1 - Prioritise completion of development work on interface (RC) 2 - Roll out employer portal to all employers (JS) 3 - Develop and roll out data improvement plan (JS/RC) 4 - liaise with Hackney payroll team to roll out new contribution monitoring report (RC) 5 - Ensure equiniti roll out employer strategy in line with contract (JS)	Julie Stacey/Rachel Cowburn	30/06/2019	31/03/2019
2	Poor Stakeholder Engagement	Poor communication with stakeholders (e.g. member communications late or incomplete, poor explanation of scheme) giving rise to disaffection, poor understanding amongst members and employers and actions against Council	A3, C1-5	Moderate	Possible	🟨	1 - Range of communication options for members and employers 2 - Provision of employer support to new or struggling employers	Moderate	Unlikely	🟩	😐	Current likelihood 1 too high	01/12/2018	Dec 2019	'1 - Roll out new website (JS) 2 - Roll out member self service (JS) 3 - Roll out employer portal (JS) 4 - Carry out scheme member satisfaction surveys (JS)	Julie Stacey	30/06/2019	31/03/2019
3	Pension Overpayments - increased costs through failure to cease pension payments	Pension Overpayments arising as a result of non-notification of death, re-employment, or ceasing education. This has financial and reputational consequences.	A2	Minor	Rare	🟩	1 - Management of NFI matches and follow up. NFI exercises to identify checks 2 - Write to pensioners each year over age 80 and overseas seeking confirmation of ongoing pension entitlement.	Minor	Rare	🟩	☺		▨	▨	1 - Existence checks due April 2019 (JS)	Julie Stacey	30/06/2019	31/03/2019
4	Discretionary Policies - insufficiently robust policies expose Fund to higher costs	Regulations allow the Pension Fund and employers certain areas where they are able to exercise discretion. Excessively generous or insufficiently robust policies of the Pension Fund and employers exposed to higher costs and reputational risks.	A2, A3	Minor	Unlikely	🟩	1 - Controls – Agreed policies and procedures to control such risks, which are regularly reviewed and approved by Pensions Committee. 2 - Ensuring that employers are aware of the additional costs that could arise from the exercise of their discretions or lack of policy.	Minor	Unlikely	🟩	☺		▨	▨		Julie Stacey	31/03/2019	31/03/2019
5	Poor delivery of administration service	Risk that third party administrator does not deliver in accordance with contractual requirements	A1-5	Major	Possible	🟨	1 - Strict service standards and SLAs in place 2 - Appointment through robust procurement exercise 3 - Expert contract management team in place 4 - Regular monitoring of KPIs 5 - Regular service review meetings	Major	Unlikely	🟨	😐	Current likelihood 1 too high	01/12/2018	Dec 2019	1 - Ensure contract requirement are met 2 - Early identification and escalation of issues	Julie Stacey	30/06/2019	31/03/2019

Funding and Investment Risks (Including Accounting & Audit) Heat Map and Summary

Funding & Investment Risks (includes accounting and audit)

Impact						
Insignificant	🟩	🟩	🟩	🟩	🟩	
Minor	🟨	🟨	🟩	🟩	🟩	
Moderate	🟥	🟨	🟨	🟩 7	🟩	
Major	🟥	🟥 1 2	🟨 5 6 3 4	🟨	🟩	
Catastrophic	🟥	🟥	🟥	🟨	🟩	
	Almost certain	**Likely**	**Possible**	**Unlikely**	**Rare**	**Likelihood**

Key

1 Each risk is represented in the chart by a number in a square.
- The number denotes the risk number on the risk register.
- The location of the square denotes the current risk exposure.

🟩 1 The background colour within the square denotes the target risk exposure.

⬚ New risks since the last reporting date are denoted with a blue and white border.

- - - -> An arrow denotes a change in the risk exposure since the previous reporting date, with the arrow coming from the previous risk exposure.

13 June 2019

Hackney Pension Fund - Control Risk Register

Funding & Investment Risks (includes accounting and audit)

Objectives extracted from Funding Strategy Statement and Investment Strategy Statement:

F1	To ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
F2	To ensure that employer contribution rates are reasonably stable where appropriate
F3	To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers)
F4	To reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years
F5	To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations
I1	Have a strategic asset allocation benchmark for the Fund that has the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Asset risk - failure to meet objectives through poor asset performance	Asset risks include the following: Concentration - over allocation to a single asset class Illiquidity - insufficient liquid assets Currency risk – underperformance of asset currency ESG Risk – ESG related factors reduce the Fund's ability to generate long-term returns. Manager Underperformance	I1	Major	Likely	🟥	1 - Investment in a diversified range of asset classes 2 - Regular cash flow monitoring 3 - Currency hedging policy 4 - ESG and climate risk policy in place 5 - Multiple managers & performance monitoring	Major	Possible	🟨	😐 Current likelihood 1 too high	01/12/2018	Dec 2020	1 - Complete planned investment strategy changes and associated transitions (RC) 2 - Align cash flow monitoring to business objectives (RC)	Rachel Cowburn	30/09/2019	31/03/2019
2	Funding risk - growth rate of liabilities outstrips that of assets	Funding Risks include: Inflation risk - Price and pay inflation more than anticipated Changing demographics –longevity improvements . Systemic risk - interlinked and simultaneous failure of several asset classes	F1	Major	Likely	🟥	1 -Monitoring of asset allocation and investment returns 2 - Some investment in bonds assists in liability matching 3 - Stabilisation modelling at whole Fund level allows for the probability that risk free returns on govt bonds will fall 4 - Assessment of liabilities at the triennial valuation and the roll-forward of liabilities between valuations	Moderate	Likely	🟨	😐 Current impact 1 too high	01/12/2018	Dec 2020	1 - Reassess liabilities and requirement for matching assets at triennial valuation (RC)	Rachel Cowburn	30/06/2019	31/03/2019
3	Other provider risk - loss of value resulting from external providers	Other provider risks include: Transition risk - unexpected costs in relation to the transition of assets Custody risk - losing economic rights to Fund assets Credit default - default of a counterparty	I1	Major	Possible	🟨	1 - Regular scrutiny of providers 2 - Monitoring and management (may be delegated to investment managers in certain situations e.g. custody risk in relation to pooled funds). 3 - Seek appropriate advice where necessary (e.g. during a significant transition) 4 - The Pensions Committee has the power to replace a provider should serious concerns exist.	Major	Unlikely	🟨	😐 Current likelihood 1 too high	01/12/2018	Dec 2020	'1 - Transition planning for upcoming transitions (increased risk as increased movement of assets/appointment pof new providers) (RC)	Rachel Cowburn	30/09/2019	31/03/2019
4	Asset pooling risk - pooling prevents the Fund achieving its objectives	Asset pooling risks include: Transition risk – excessive additional cost through transition to the pooled arrangement. Concentration and capacity risks – excessive concentration of assets amongst relatively few large institutions. Political risk – central Government's infrastructure aspirations present conflict of interest for the Fund in setting its asset allocation strategy. Reputational risks – failure of a pooled arrangement could have significant consequences for the LGPS. Strategy risk – the Fund's chosen asset pool does not deliver suitable investment strategies to allow the fund to meet its objectives	I1	Major	Possible	🟨	1 - 'Monitor devlopment/respond to consultatuons - Monitor proposed changes, consultations and guidance from Government on the pooling agenda, responding where appropriate to influence outcomes. Amend process where required to ensure compliance. 2 - Relationship Management - Maintain good working relationship to ensure that the Fund is fully aware of developments at the pool level and the pool is aware of and responds to the Fund's strategic requirements. 3 - Transition Planning - Planning for transition considered as part of Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes. 4 - Pensions Committee Chair and S151 officer members of Shareholder Committee	Major	Unlikely	🟨	😐 Current likelihood 1 too high	01/12/2018	Dec 2020	1 - Transition planning for upcoming transitions (increased risk as increased movement of assets/appointment pof new providers) (RC) 2 - Ensure more frequent formal catch up with senior LCIV staff (IW/MH/RC) 3 - Ensure LCIV aware of Hackney business plan to understand timing requirements (IW/MH/RC)	Rachel Cowburn	30/09/2019	31/03/2019
5	ESG Risk - ESG factors negatively impact Fund performance	ESG risk is the risk that financially material ESG factors have a negative impact on the Fund's performance. ESG factors include (but are not limited to) carbon risk, which is the risk that the implementation of COP21 political commitments dramatically reduces the proportion of fossil fuel reserves that can be used, with a subsequent impact on the business models and valuations of fossil fuel companies.	I1	Major	Possible	🟨	1 - Monitoring and management of the Fund's exposure to fossil fuel reserves and power generation to assess level of risk. Initial assessment carried out in July 2016. 2 - Inclusion of a policy statement setting out the Fund's approach to climate risk within the Investment Strategy Statement 3 - Active engagement with managers to understand sources of ESG risk	Major	Unlikely	🟨	😐 Current likelihood 1 too high	01/12/2018	Dec 2020	1 - Ongoing devlopment of monitoring of fossil fuel risk (formal review of target summer 2019) 2 - Liaise with managers to improve wider ESG risk reporting	Rachel Cowburn	30/06/2019	31/03/2019
6	External Factor/Regulatory Risk	The risk that external (e.g. geopolitical) factors or the introduction of new regulation requires major changes to the operation of the Fund	I1, F1	Major	Possible	🟨	1 - Asset liability modelling to ensure the Fund's Investment Strategy helps the Fund meets its objectives under a range of economic conditions 2 - Horizon scanning to ensure awareness of potential future risks and prepare	Moderate	Possible	🟨	😐 Current impact 1 too high	01/12/2018	Dec 2020	1 - Complete Investment strategy updates to improve fund resilience - re-review at triennial valuation	Rachel Cowburn	30/06/2019	31/03/2019
7	Employer Convenant/Affordability risks	Employer Convenant and Affordability risks include: Employer default Employer deficit on termination Highly variable/rapidly increasing employer contribution rates	F4	Moderate	Unlikely	🟩	1 - Valuation and inter-valuation monitoring 2 - Monitoring of contributions 3 - Employer covenant checks with use of bonds/guarantees where necessary 4 - Contribution rate stabilisation where appropriate	Moderate	Unlikely	🟩	😊	▨	▨		Rachel Cowburn	30/09/2019	31/03/2019

All Fund Risk Heat Map and Summary of Governance Risks

Governance Risks

Impact \ Likelihood	#N/A	Rare	Unlikely	Possible	Likely	Almost certain
Insignificant		🟩	🟩 3	🟩	🟩	🟩
Minor		🟩	🟩	🟩	🟨	🟨
Moderate		🟩	🟩 4	🟨 6 5 2	🟨 1	🟥
Major		🟩	🟨	🟨	🟥	🟥
Catastrophic		🟩	🟨	🟥	🟥	🟥
#N/A						

Funding & Investment Risks (includes accounting and audit)

Impact \ Likelihood	Almost certain	Likely	Possible	Unlikely	Rare	#N/A
Insignificant	🟩	🟩	🟩	🟩	🟩	
Minor	🟨	🟨	🟩	🟩	🟩	
Moderate	🟥	🟨	🟨	🟩 7	🟩	
Major	🟥	🟥 1 2	🟨 5 6 3 4	🟨	🟩	
Catastrophic	🟥	🟥	🟥	🟨	🟩	
#N/A						

Administration & Communication Risks

Impact \ Likelihood	#N/A	Rare	Unlikely	Possible	Likely	Almost certain
#N/A						
Catastrophic		🟩	🟨	🟥	🟥	🟥
Major		🟩	🟨	🟨 5	🟥	🟥 1
Moderate		🟩	🟩	🟨 2	🟨	🟥
Minor		🟩 3	🟩 4	🟩	🟨	🟨
Insignificant		🟩	🟩	🟩	🟩	🟩

Key

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⬚	New risks since the last reporting date are denoted with a blue and white border.
- - - ->	An arrow denotes a change in the risk exposure since the previous reporting date, with the arrow coming from the previous risk exposure.

13 June 2019

Hackney Pension Fund - Control Risk Register

Governance Risks

Objectives extracted from Governance Policy

G1	All staff, Pensions Committee and Pension Board Members charged with financial administration, decision-making or oversight with regards to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
G2	The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
G3	All relevant legislation is understood and complied with
G4	The Fund aims to be at the forefront of best practice for LGPS funds
G5	The Fund manages Conflicts of Interest appropriately

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Recruitment and Rention - Insufficient experienced staff to meet Fund objectives	Restrictions on local authority salaries make it challenging for the fund to recruit and retain suitably qualified and experienced staff.	G1, G3, G4	Moderate	Likely	🟨	1 - Salaries benchmarked, supplements paid where appropriate 2 - Policies and procedures in place 3 - Staff able to cover other roles where possible 4 - Develop robust succession planning approach	Moderate	Unlikely	🟩	😐 Current likelihood 2 too high	01/12/2018	Dec 2019	1 - Develop succession planning approach (MH/RC/JS) 2 - Further development of training programme - increase focus on mid level staff (RC/JS)	Julie Stacey/Rachel Cowburn	30/09/2019	31/03/2019
2	Knowledge and Skills - insufficient knowledge and skills amongst those charged with Fund Mangement	Failure to provide to suitable training and to ensure that all Committee Members are able to attend with sufficient regularity could result in the Fund failing to meet its objectives as a result of insufficient knowledgre and skills amonst those charged with its management	G1, G3, G4	Moderate	Possible	🟨	1 - Improvements being made to both induction and ongoing training 2 - Regular review of training offered and its effectiveness 3 - Knowledge and Skills Policy/training plan in place	Moderate	Unlikely	🟩	😐 Current likelihood 1 too high	01/12/2018	Dec 2019	1 - Review of training programme and requirements underway (MH/RC)	Rachel Cowburn	30/06/2019	31/03/2019
3	Conflicts of Interest - actual conflicts of interet permitted to materialise	Failure to adequately monitor and disclose conflicts of interest results in potential conflicts not being managed	G5	Insignificant	Unlikely	🟩	1 - Conflicts of interest policy and register maintained 2 - Standing item requesting disclosure at all Committee/Board meetings 3 - Annual update to declarations required	Insignificant	Unlikely	🟩	☺	▨	▨		Rachel Cowburn	30/09/2019	31/03/2019
4	Internal Fraud - financial loss resulting from actions of employee	Pensions team involved with the management of significant financial resources - potential for internal fraud	G4	Moderate	Unlikely	🟩	1 - Segregation of duties for key roles 2 - Regular scrutiny from internal audit 3 - Annual external audit of the Pension Fund	Moderate	Unlikely	🟩	☺	▨	▨		Rachel Cowburn	30/09/2019	31/03/2019
5	Data Protection - failure to adequately protect member details	Non-compliance with the GDPR results in a failure to adequately protect member details, with a potential financial impact on members	G4	Moderate	Possible	🟨	1 - Compliance with the Council's ICT policy 2 - Use of encrypted email for sensitive data 3 - Use of confidential waste disposal 4 - Use of secure courier to transmit sensitive hard copy files 5 - Appropriate access control measures 5 - Redaction of personal information where required 6 - Tailored training to be provided to Financial Services staff, Pensions Committee and Pension Board Members Contracts with third party suppliers acting as joint data processors must ensure that: 1 - Third parties are GDPR compliant 2 - Secure methods of transfer for sensitive data transmission/storage built into contract 3 - Appropriate risk sharing between the Council and the third party supplier is in place.	Moderate	Unlikely	🟩	😐 Current likelihood 1 too high	01/12/2018	Dec 2019	1 - Ensure all pensions team staff fully trained on GDPR 2 - Ensure TLS links in place with third party suppliers where possible 3 - Roll out employer portal to ensure more userl friendly secure data transmission 4 - explore further secure email options as current offer not user friendly	Julie Stacey/Rachel Cowburn	30/06/2019	31/03/2019
6	Reliance on external systems - potential for system failure (including cybercrime)	Heavy reliance on external systems includinge following systems: Cedar (accounting), HSBCnet (custodian), LloydsLink, Compendia results in crucial action not being taken in the event of system failure	G4	Moderate	Possible	🟨	1 - All teams complete a Business Impact Analysis to assess timescales/impact of system failure etc. 2 - The Pension Investments and Pensions Administration Business Continuity Plans detail actions to take in the event of system failure	Moderate	Unlikely	🟩	😐 Current likelihood 1 too high	01/12/2018	Aug 2019	1 - Internal training required on cybercrime risk 2 - Check cybercrime insurance 3 - Receive written assurances from all suppliers re: management of cybercrime	Julie Stacey/Rachel Cowburn	30/06/2019	31/03/2019

Agenda Item 6

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

Pension Fund Budget 2019-20 **Pensions Committee** **25th June 2019**	**Classification** **PUBLIC** **Ward(s) affected** **ALL**	Appendices One **AGENDA ITEM NO.**

1. INTRODUCTION

1.1 This report introduces the budget for the Pension Fund for 2019-20. It considers income and expenditure from various sources and the impact on these for the Pension Fund in the next financial year. The budget itself will be presented at the 26th March Committee meeting,

2. RECOMMENDATIONS

2.1 The Committee is recommended to:

- **Approve the budget for 2019-20.**

3. RELATED DECISIONS

- Pensions Committee 29th March 2017 – Pension Fund Budget Report.
- Pensions Committee 25th June 2019 – Strategic Business Plan 2019-22

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

4.1 The Terms of reference for the Pensions Committee sets out its delegated responsibility to set and monitor the Pension Fund budget. This report introduces the budget forecast for the financial year 2019-20 to assist the Committee in fulfilling this responsibility.

4.2 Sound financial management of the Pension Fund, including budget-setting, helps ensure that the Pension Fund is run in an efficient and cost-effective manner. Failure to manage the Pension Fund's expenditure could result in increased costs, which would need to be met through higher employer contributions to the Pension Fund.

4.3 In considering the draft budget the Committee must be clear that the financial assumptions on which the budget is based are sound and realistic. It must also satisfy itself that the budget is robust enough to accommodate the potential pressures outlined in the report whilst ensuring that the fund is managed as efficiently as possible to maximise the benefits to members of the Scheme.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

5.1 Under the London Borough of Hackney Constitution Terms of Reference for the Pensions Committee, the Committee has responsibility to set a budget for the operation of the Pension Fund and to monitor income and expenditure against budget. This report is being put before the Committee to enable it to fulfil this responsibility.

5.2 Given the above, consideration of the 2019/20 Pension Fund budget report would appear to properly fall within the remit of the Pensions Committee.

6. BACKGROUND TO THE REPORT

6.1 Due to the volatility that exists within most areas of the Pension Fund Account, preparing a budget for the Pension Fund is complex. The budget can be considered across three sections with different characteristics; member cashflows, operating costs and investment income. The three sections are set out in more detail below.

6.2 Member cashflows include contribution inflows from members and employers, benefit payments and transfer to and from other pension funds. These items represent the fund's most significant cashflows but lie mostly outside the control of the Fund. Whilst the Fund has a degree of control during the contribution rate setting process, it has no control over staffing decisions by employers, pay awards, inflation-linked benefit increases or pensioner longevity. Monitoring of these costs should therefore be focused on their significant impact on fund cashflows.

6.2 Operating costs include administration, investment and oversight and governance costs. These are the costs linked to the management of the Fund and represent the one area in which the Fund can exercise a significant degree of cost control. However, it should be remembered that the Fund has a large number of statutory responsibilities which must be discharged which will inevitably incur a degree of cost. Monitoring of these costs should be focused on ensuring that the Fund receives value for money from its suppliers and on cost reduction where this can be done without significant negative impacts on quality of service.

6.3 Investment income is dependent on investment performance but also on the asset classes to which the Fund allocates. The Fund's significant allocation to equities means that investment income levels have been highly volatile in the past; however, with a shift towards cashflow-generating assets such as private debt, the Fund's investment income should begin to stabilise to a certain degree. Monitoring of investment income should therefore be linked back to the Funds overall net cashflow and how this can be influenced by the Committee's investment strategy decisions.

6.4 Changes in the market value of investments can have a significant impact on the Fund's income statement; however, they are not considered within the Pension Fund budget for two reasons. Firstly, changes in market value will not impact cashflow if the changes are unrealised (i.e. the Fund retains the assets). Secondly, the Fund wishes to avoid reliance on asset sales to generate cashflow, as this is not a prudent long-term investment strategy. Including this item in the budget could therefore give a distorted picture of cashflows and encourage reliance on asset sales.

7. 2019/20 BUDGET

7.1 The 2019/20 budget is attached at Appendix 1 to this report and sets out the Fund's expected income and expenditure across the categories outlined in Section 6. .

7.2 Net cash inflows from members are expected to reduce from £24,034k in 2018/19 to £20,934k in 2019/20, driven partly by a forecast reduction in employer contributions and partly by a forecast increase in benefits payable. The budgeted net inflow is made up of £82,892k in member income (including employer and employee contributions, plus transfers in) and £61,959k in member expenditure (including pensions payable, lump sum commutation and death grants, and transfers out).

7.3 Key assumptions made around member cash inflows are as follows:

- Employee and employer contributions are assumed to be increased by a 2% pay increase for Hackney employees for 2019/20
- No material change in active member numbers is assumed, with no significant movement between contribution bands
- Employer contribution rates have been adjusted for 2019/20; the most significant change is a reduction in Hackney's contribution rate from 34% to 33% of pensionable pay. This has driven the bulk of the reduction in employer contributions

7.4 Key assumptions made around member cash outflows are as follows:

- Annual pension and lump sum payments are assumed to increase by 2.4% in line with the Consumer Prices Index (CPI), driving the forecast increase in pensions payable.
- No material change in pensioner numbers, profile or number of deaths is assumed.
- No significant change to lump sum commutation rates is assumed, thus maintaining the pre-existing balance between annual pensions payable and lump sum payments.

7.5 It should be remembered that member cashflows are sensitive to changes in the membership profile of the Fund (e.g. the balance between active, deferred and pensioner members). As set out in 7.3 and 7.4, no allowance has been made in the budget for changes in this balance as the in-year impact cannot be reliably estimated. However, over the longer term, the Fund is maturing and the ratio of pensioner and deferred to active members is increasing. Over time, this effect will reduce the Fund's net cash inflows, as contribution payments reduce relative to benefits paid out.

7.6 Operating costs are forecast to increase slightly from £8,176k in 2018/19 to £8,244k in 2019/20. The forecast increase is driven primarily by an increase in oversight and governance costs, which are forecast to increase as a result of the 2019 actuarial valuation. The increase in actuarial costs is slightly offset by a forecast reduction in governance consultancy costs, as the administration contract implementation project comes to an end.

7.7 Administration costs are forecast to remain relatively stable at £779k for 2019/20, versus £776 for 2018/19. Key costs drivers for the year are the Fund's third party administration costs and the ongoing GMP reconciliation project. It should be noted that the costs of GMP reconciliation are challenging to estimate, as the extent of work required for each case is not known in advance.

7.8 Given the difficulty of producing a reliable estimate, investment management costs are forecast on the basis of the 2018/19 outturn. The majority of investment management fees are charged on the basis of assets under management; as these can fluctuate significantly during the year depending on market conditions, producing a reliable estimate is challenging. Significant increases in asset values during the year would improve the Fund's funding position but would result in an increase in investment management fees relative to budget.

7.9 As set out in Section 6, volatility in the Fund's investment income level makes producing a reliable full year estimate challenging; the 2018/19 outturn has therefore been used as the budgeted amount for 2019/20.

7.10 Overall, the 2019/20 budget indicates a slight reduction in the Fund's net cash inflows, from £28,174k in 2018/19 to £25,006k in 2019/20. The most significant drivers of this reduction are the reduction in the Council's contribution rate from 34% to 33%, and the inflationary increase in the cost of pension payments. It should be remembered that member cashflows are also sensitive to changes in the membership profile (e.g. changes in the balances between active, deferred and pensioner members) and that this balance is likely to change over the longer term, reducing the Fund's net cash inflows.

Appendices
Appendix 1 -Pension Fund Budget 2019-20

Ian Williams
Group Director, 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 1 - Pension Fund Budget 2019/20

Pension Fund Budget & Forecast 2019-20				Key Assumptions
	2017/18	2018/19	2019/20	
	FY Outturn	FY Outturn	FY Forecast	
	£	£		
Members Income				
Employers Contributions	(62,737)	(63,154)	(61,169)	2% pay rise assumed for Hackney employees (no assumption on promotional pay); Assumed no material change in active member numbers; 2019/20 employer contribution rates used
Employees Contributions	(12,164)	(12,649)	(12,882)	2% pay rise assumed for Hackney employees (no assumption on promotional pay); Assumed no material change in active member numbers or movement across pay bands
Transfers In	(8,079)	(8,841)	(8,841)	Prior year actual used given difficulty of producing a reliable estimate
	(82,980)	**(84,644)**	**(82,892)**	
Members Expenditure				
Pensions	42,565	44,774	45,849	Assumed 2.4% increase in line with September 2018 CPI 12 month rate; Assumed no material change in pensioner member numbers or profile; Assumed commutation rate maintained
Lump Sum Commutations & Death Grants	9,968	11,418	11,692	Assumed 2.4% increase in line with September 2018 CPI 12 month rate; Assumed no material change in pensioner member numbers, profile or no of deaths; Assumed commutation rate maintained
Transfers Out	5,580	4,224	4,224	Prior year actual used given difficulty of producing a reliable estimate
Refund of Contributions	174	194	194	Prior year actual used given difficulty of producing a reliable estimate
	58,287	**60,610**	**61,959**	
Net (additions)/withdrawals from dealings with members	**(24,693)**	**(24,034)**	**(20,934)**	
Management Expenses				
Administrative Costs	826	776	779	Estimated based on prior year actuals plus estimates for specific projects (e.g.GMP rectification)
Investment Management Expenses	7,248	6,578	6,578	Prior year actual used given difficulty of producing a reliable estimate
Oversight & Governance Costs	655	822	887	Estimated based on prior year actuals plus estimates for specific projects (e.g. actuarial valuation)
	8,729	**8,176**	**8,244**	
Net (surplus)/deficit from operations	**(15,964)**	**(15,858)**	**(12,690)**	
Investment Income				
Investment Income	(15,683)	(12,316)	(12,316)	Prior year actual used
Net Investment Income/Expenditure	**(15,683)**	**(12,316)**	**(12,316)**	
Cash flow before Investment Performance	**(31,647)**	**(28,174)**	**(25,006)**	

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Hackney

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Data Improvement Update **Pensions Committee** **25th June 2019**	**Classification** **PUBLIC** **Ward(s) affected** **ALL**	**Enclosures** **One** **AGENDA ITEM NO.**

1. INTRODUCTION

1.1 This report provides an update on the Fund's engagement with the Pensions Regulator following a breach of law report made in respect of annual benefit statements for 2017/18. It also covers actions taken and planned to help both rectify the breach and address its underlying causes.

2. RECOMMENDATIONS

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

- **Note the report**

3. RELATED DECISIONS

- Pensions Board 29th November 2018 – Data Improvement Update
- Pensions Committee 12th September 2018 - The Pensions Regulator Code of Practice Compliance Checklist

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

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

4.2 Rectification of the issues outlined in this report will necessarily lead to some increase in administration and governance costs to the Fund. Where additional administration work results directly from the actions (or inaction) of an employer, it is the Fund's policy to recharge these costs to the employer in question. Additional governance costs to the Fund will result from additional project management support to prepare an action plan to issue 2018/19 ABSs and further develop the Fund's data improvement plan. These additional governance costs are likely to be in the region of £15k-20k.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

5.1 The Pension Fund is required, under Section 4 of the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 to hold certain information about its members. Failure to maintain complete and accurate records could result in the Fund failing to pay benefits in accordance with scheme regulations, inefficient management of investment risk and potentially excessive or insufficient contribution rates for employers.

5.2 The Fund has a legal requirement to report breaches of the law under section 70 of the Pensions Act 2004. As per its Reporting Breaches Policy, the Fund has deemed 4 breaches experienced with respect to annual benefit statements during the period 2015-2018 to be reportable and has reported these to the Pensions Regulator accordingly.

5.3 Under the Pensions Committee's terms of reference, it is responsible for 'act[ing] as Trustee of the Council's Pension Fund, consider[ing] pension matters and meet[ing] the obligations and duties of the Council under the Superannuation Act 1972, and the various pension legislation'. As such, review of both the Fund's compliance with relevant legislation and actions taken to address instances of non-compliance falls within the Pensions Committee's remit.

6. BACKGROUND TO THE REPORT

6.1 Submitting good quality data to the Pension Fund has been an ongoing problem for the Council for a number of years. The increased complexity of the 2014 CARE scheme and the introduction of auto-enrolment have made the provision of accurate data more challenging; the quality of the data held by the Fund has significantly declined sharply 2013. The Fund has experienced particular issues with the quality, completeness and timeliness of data provided by its largest employer, the London Borough of Hackney

6.2 This issue poses significant financial and reputational risks to both the Pension Fund and the Council itself. Clearly, inaccurate contribution data raises the risk that member benefits will be calculated incorrectly but could also reduce the accuracy of the Fund's actuarial valuation. This could result in employers, including the Council, paying insufficient or excessive contributions with a material impact on their own finances

6.3 The issue also impacts the provision of information to scheme members. The Fund has a statutory duty to provide active and deferred members with an Annual Benefit Statement (ABS) by 31st August each year. Failure of employers to provide adequate membership data can delay the production of ABSs, breaching the Fund's statutory duty and necessitating a declaration to the Pensions Regulator.

6.4 The Pensions Regulator (tPR), has oversight of the governance and administration of local government pension funds. It has a number of regulatory tools at its disposal to help ensure the compliance of scheme managers with their statutory duties and obligations; these include improvement notices and financial penalties.

6.5 The Fund has a legal requirement to report breaches of the law under section 70 of the Pensions Act 2004. It has been required to make four reports to tPR concerning failure to issue annual benefit statements, raising the risk of financial penalties and reputational damage. Further details of the reportable breach experienced in 2017/18 and its underlying causes are set out in sections 7 and 8.

6.6 In early 2019, the Regulator commenced a programme of engagement with the Fund to help resolve this long-standing issue. An initial update to the Regulator was provided via conference call in March 2019, during which progress towards rectifying the breach and preventing recurrence in the future was discussed. Following the call, the Fund was requested to provide the Regulator with copies of all data improvement plans, evidence of the Fund invoking its pension administration strategy levies and expected delivery dates to comply with legislation. Copies of the Fund's data improvement plan and ABS action plan are available if required, and Equiniti's Data Management Strategy is attached as appendix to this report.

6.7 TPR requested a further meeting with officers of the Fund, the Council's s151 officer and representatives of the Fund as an employer in June 2019. The Fund's plans for rectification were considered in further detail as the Regulator sought reassurance that timescales and resourcing were sufficient to both address the underlying causes of the issues and rectify the significant record-keeping issues resulting from them.

6.8 At the time of writing, a formal response from the Regulator is pending; however, the Fund has agreed that further updates are required to its data improvement plan to ensure that the extent of the issues described is fully scoped and that realistic timescales for rectification are provided. The Fund has already sought additional project management support from its benefit consultant (Aon) to help to develop an action plan to issue 2018/19 ABSs, and the Regulator agreed that a similar approach should be adopted for the data improvement plan. A full report on the meeting and its outcome will be provided to Pension Committee at their next meeting in September 2019.

7. PRODUCTION OF 2017/18 ANNUAL BENEFIT STATEMENTS

7.1 During Q2 2018/19, the Fund experienced a breach relating to Annual Benefits Statements which was reported to tPR. The Fund breached the statutory deadline for statements for approximately 6,000 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 year-end data by the deadlines requested.

7.2 A further 3,616 additional benefits statements for active members were sent out by Equiniti for distribution in early November 2018. the investigations on remaining 1,600 data queries were completed by the end of May 2019, with a further 472 active benefit statements sent and 1,276 apology letters dispatched to those members for whom the Fund was unable to provide a statement. This was either due to complex data problems or calculation issues that could not be resolved in time for a statement to be issued before work was scheduled to begin on the 2019 year-end process. Those in receipt of an apology letter were also informed that they still have a right to request that information be provided should they wish to.

8. UNDERLYING CAUSES

8.1 The key driver behind the Fund's failure to produce timely ABSs is the failure of Hackney Council to provide complete and accurate data within the required timescales. In recent years, the Council has not been able to produce data in a format that can be automatically uploaded into Compendia, the Fund's administration system. The Council changed payroll provider from July 2017, which added additional risk to the process as well as providing opportunities for improvement.

8.2 Lack of internal resource within the Council's payroll team to develop the required reporting, and difficulties in obtaining consultancy time from the Council's payroll provider delayed the development of automated data provision following the introduction of the Council's new payroll system. Extensive specification changes by Equiniti also contributed to the delay. Successful early testing has now been carried out on a new automated data upload format.

8.3 Extensive work will be required during 2019 to both move the automated data upload process to a business-as-usual status and address historic data issues both on Compendia (the pensions administration system) and iTrent (the Council's payroll system). These issues have already been raised with the Fund's actuary with reference to the 2019 valuation and a revised timetable has been developed. It is the Fund's intention to carry out an interim valuation during 2020.

Ian Williams
Group Director, Finance & Corporate Resources

Appendices
Appendix 1 – Equiniti Data Management Strategy

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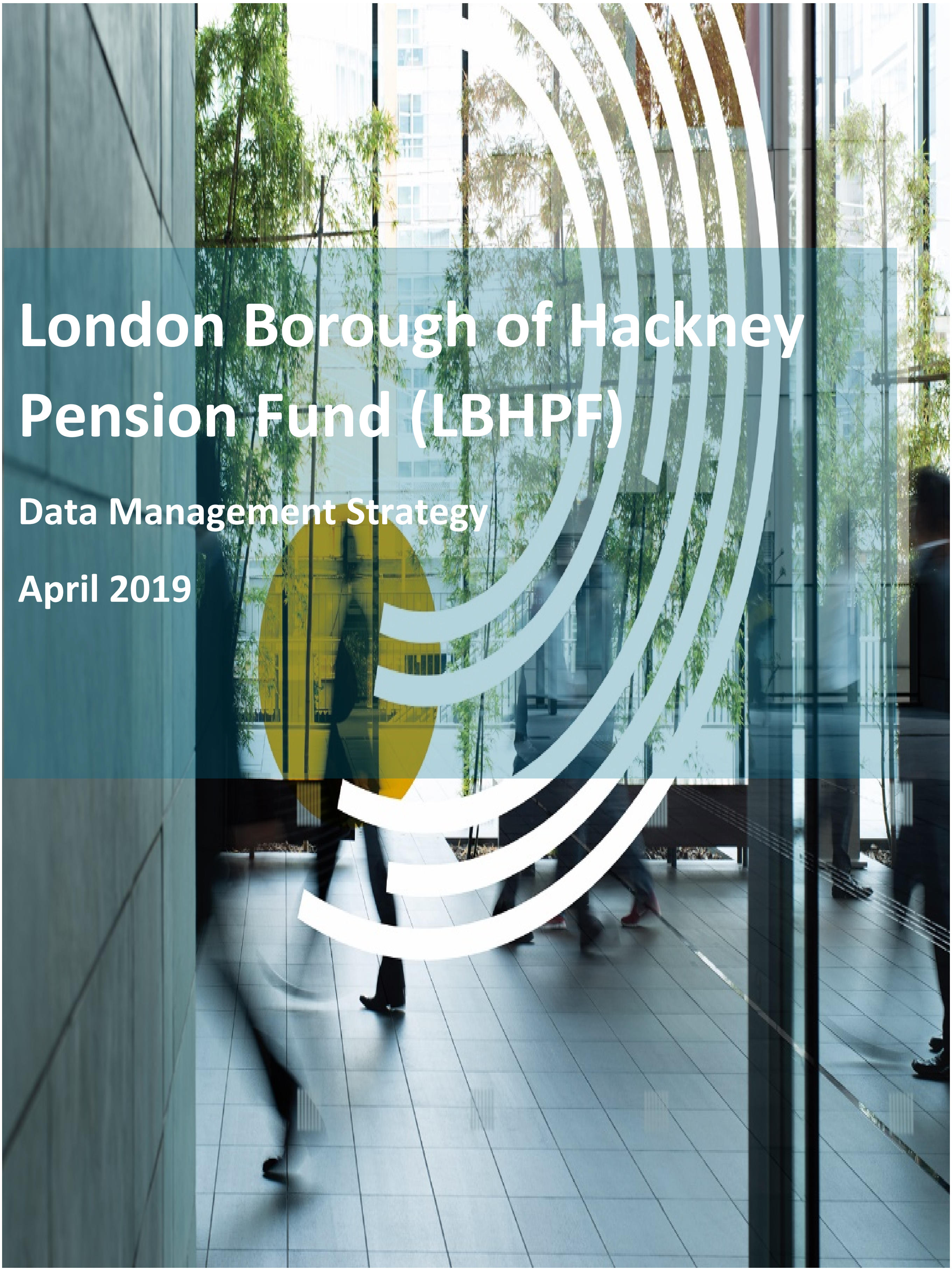
EQUINITI

pensions@hackney

London Borough of Hackney Pension Fund (LBHPF)

Data Management Strategy

April 2019



Contents

EXECUTIVE SUMMARY

This is the London Borough of Hackney Pension Fund's (”LBHPF”) data management strategy that is reviewed annually with the Fund’s administrator.

Our strategy is:

- Prevention – ensure new data going into the Fund meets risk based criteria
- Correction – resolution of identified issues
- Ongoing management – protection of the Fund with automated system developments, mortality screening etc; ongoing quality testing of data using common data/scheme specific reports

Key Objectives & Activities

The key objectives of this strategy and the activities of Fund officers are directed to ensure that:

a) the Fund ensures compliance with the guidance of the Pension Regulator and establishes a robust, reviewable and transparent framework necessary for the acquisition and upkeep of accurate, complete and up-to-date records

b) accurate records are maintained for the purpose of calculating pension entitlements and employer liabilities; ensuring all information and data is communicated securely and accurately, within prescribed timescales

c) secure communication processes are in place to enable both the Fund and employers to proactively and responsively engage with each other in respect of record keeping and data quality standards

d) the continued development of appropriate technology to improve data quality standards, and the streamlining of operational processing across employers and the Fund

e) the Fund and its employers have a clear understanding of their respective roles and responsibilities, ensuring all parties are committed to the continuing engagement to improve data quality and promote accurate record keeping

f) all data collection processes are clearly documented and regularly reviewed to ‘stress test’ the validity of data and to ensure they are aligned to updated legislative requirements

g) there is commitment to monitor the delivery of specified activities in accordance with the relevant regulations and the Pension Regulator’s Code of Practice

h) a programme is in place to assess compliance with the policy, to test internal controls inherent within data collection processes and to ensure training requirements are identified and actioned

i) the Fund will engage with large Scheme employers to facilitate a drive towards electronic submission of member data and documentation using the Fund’s established protocols (‘Employer Electronic Interface Files’)

j) the Fund is committed to extend the secure electronic submission of member data and documentation by other employers over a staged launch programme.

This document is to capture the key risks identified in the Fund’s data, mitigations the Fund has in place, and those yet to be implement, to protect data against those risks and to enhance and improve the quality of data collection in the future.

The approach the Fund is taking in conjunction with its administrator Equiniti, is to:

- Ensure a full data review and integrity exercise is undertaken annually
- Assess current data quality and its impact on Fund’s statutory duties to assist in the formulation of data improvement plans
- Set in place further education programmes for employers in respect of their roles and responsibilities to the Fund (and their members) and to continue with data cleanse projects to improve data quality
- Improve data coming into the Fund into the future, so any errors are corrected prior to being loaded onto the Fund’s administration database

DATA RISKS

Identification

LBHPF (the administering authority) works with Equiniti to identify risks to the data held on the Fund's administration database. This involves capturing issues during monthly Service Reviews and documenting risks that impact on calculations, communications and the member experience. The issues raised reflect activity from members and employers across the whole of the Fund, but it has become very apparent that the majority of continued problems lie with the main employer in the Fund, London Borough of Hackney. There has been no improvement in the data submitted by the employer, despite invoking additional administration charges in accordance with the Fund's PAS (pension administration strategy).

The administering authority has identified a number of priority risks that affect the integrity of the membership data for all of its employers, these are fundamental in nature and have significant impact on the Fund's ability to fulfil its statutory duties:-

1. The long-term failure of any working interface from the main employer in the Fund (London Borough of Hackney)
2. Poor quality data, missing or incomplete member information from the main employer for its members (London Borough of Hackney)
3. No addresses or incomplete address information
4. The main employer implementing an employee self-service function to update addresses to HR files (London Borough of Hackney)
5. No Unique Reference Numbers (URN) provided (London Borough of Hackney)
6. Missing or temporary NINOs

There are a number of other areas of potential risk, and these apply across the Fund:-

7. Deferred and pensioner members not keeping address details updated
8. Non-notified deaths

Priority Data Issues and Risks

Issue	Errors Identified	Risk/Impact
1. No working interface from main employer (LBH)	Payroll data reports not in suitable format to interface with pension administration system, unable to auto upload : Starters/Leavers/Change details – hours, pay, role, marital status, APP, mat pay, zero pay/50-50 & main scheme elections/opt outs/re-joiners/automatic & contractual enrolment/correct contribution data	Incorrect membership numbers for the employer & Fund: active/deferred/pensioners/dependents Unable to reconcile contributions from employer & employees Additional contribution contracts not held or correct on member record Future pension benefits incorrectly calculated Non-compliance with common data/scheme specific data Inaccurate benefit statements – annual active/deferred Unable to issue regulatory scheme notices (joining, claim forms, death grants, benefit statements) within regulatory deadline Reporting of incorrect member details & service records when using on-line Member self-service and accessing retirement quote calculations
2. Poor quality data from main employer (LBH)	Incomplete and/or inaccurate data for: new starters/leavers/opt outs/50-50 & main scheme elections Incomplete and/or inaccurate change data for: hours/pay/role/APP/zero pay Incorrect member details: marital status/NINO/DoB	Incorrect membership numbers for the employer & Fund: active/deferred/pensioners/dependents Unable to reconcile contributions from employer & employees Additional contribution contracts not held or correct on member record Future pension benefits incorrectly

Issue	Errors Identified	Risk/Impact

		calculated Non-compliance with common data/scheme specific data Unable to issue regulatory scheme notices (joining, claim forms, death grants, benefit statements) within regulatory deadline Reporting of incorrect member details & service records when using on-line Member self-service and accessing retirement quote calculations
3. Address details (active members)	Missing addresses/Out of date addresses. Incorrectly formatted address, e.g: post codes/abbreviations of place names.	Non-compliance with common data/scheme specific data Personal data being sent to the wrong person – GDPR breach Unable to issue member communications, e.g. statements, newsletters, payslips etc in accordance with the regulations
4. Employee self-service at main employer (LBH)	Employee self service facility at main employer, permits non-standard formats to update addresses: Inaccurate and/or incomplete address information input by member	Non-standard format could impact on-going & scheduled interface work being undertaken Unable to issue member communications, e.g. statements, newsletters, payslips etc in accordance with the regulations Non-compliance with common data/scheme specific data

Issue	Errors Identified	Risk/Impact
8. Unique Reference Numbers (URN) (LBH payroll numbers)	Missing URNs: Cannot identify members or member's records correctly. Legacy identifiers recorded on the pension administration system following payroll provider change not updated. Individuals with no reference number present.	Cannot correctly match members who have multiple records, with the particular pension record associated with a role/job. Future pension benefits incorrectly calculated for each role/job
5. National Insurance numbers (NINOs)	Some erroneous data has been entered to make up NINOs and/or final letter of NINO is not included Temporary NINOs have been entered/used	Invalid or incorrect NINOs result in paying the wrong amount of income tax Non-compliance with common data/scheme specific data
6. Address details (deferred & pensioner members)	Missing addresses/Out of date addresses. Incomplete and/or incorrectly formatted address, e.g: post codes/abbreviations of place names.	Non-compliance with common data/scheme specific data Personal data being sent to the wrong person – GDPR breach Unable to issue member communications, e.g. statements, newsletters, payslips etc in accordance with the regulations
7. Non-notified deaths (by NOK)	Aware of the death through mortality screening or a certificates of existence exercise. Case management is lengthy until a confirmed date of death is established.	Continuing to pay benefits to deceased members – increased risk of fraud Incorrect DoD used causes incorrect payment of spouse's/dependent pension Incorrect membership numbers for the employer & Fund: active/deferred/pensioners/dependents

MITIGATING RISKS

Along with monthly data quality checks and data cleansing exercises the Fund, in conjunction with its administrator Equiniti, make use of third party data services to continually monitor and improve the quality of its data, and to also support the administration function. These are provided by outside organisations as either collaborative ventures (at no or minimal cost) or procured commercially.

Tell Us Once Service (TUO)

The service allows a person registering a death to request that the DWP pass on the deceased's information to other government services and council services. If the deceased is a member of the Fund, an email notification is received informing the designated officers that a copy of the death certificate is accessible on the secure government gateway.

Member Address Tracing

The Fund has access to Equiniti's address tracing service, which it utilised on 2016. The Fund is also able to contract a specialist tracing provider from the National LGPS Frameworks. These exercises involve periodic checks on membership data against central registers to ensure the most up to date address is held for scheme members, and to flag up if any of our scheme members may have died but the Fund has not been notified either by the scheme member's representatives or via TUO. Where no address is identified for those approaching NRD (normal retirement date), a forensic search can be done at additional cost, and will be considered by the Fund.

National Fraud Initiative (NFI)

Administered by the Cabinet Office, the NFI programme is a biennial exercise that matches electronic data within, and between, public and private sector bodies to prevent and detect fraud. As a participant, the Fund receives a report of 'matches' to investigate, to take remedial actions and update records accordingly.

Continued Entitlement to Pension Benefits checks

Every year the Fund instigates a continued entitlement check of scheme members who are in receipt of a pension and are over the age of 80, and/or are residing overseas. The process is that scheme members are written to and asked to complete a form, and to have the completion of it witnessed, before returning it to the administrator. This process demonstrates to the Fund that the scheme member is still alive and entitled to the pension that is being paid to them. This process also identifies scheme members that have changed address and not notified the Fund.

Data Cleanse exercises

The administering authority in conjunction with EQ, are already in the midst of a full data cleanse exercise which started in the summer of 2018, due to the continued data issues experienced when producing annual benefit statements. The majority of issues lie with the Fund's main employer, London Borough of Hackney, where the Fund receives incomplete and/or inaccurate data provision or the non-provision of data on a monthly basis.

Monitoring the data cleanse exercise is done via a data improvement plan which provides the high level detail on the actions taken overall to improve data and data submission across the Fund, the targets achieved and those that are ongoing.

The activity overview provided below supplements this, and although the issues, actions and improvements will affect/benefit the Fund as a whole, it focuses on the data issues that currently impact the membership of the main employer, London Borough of Hackney.

Priority Data Risks - Activity Overview

LBHPF and Equiniti have jointly identified a number of priority risks that impact on the integrity of the Fund's data. A clear plan on how to mitigate those risks has been drawn up, the actions to be taken and the expected outcomes.

These are captured in the table below:-

Risk	Action	Status	Outcome
1. No working interface from main employer (LBH)	LBH Payroll provider (Midland iTrent) in conjunction with the administering authority and EQ, to write interface report to required specification from EQ	Currently in progress (refer to the Interface/ABS Project Plan)	Regular and consistent data received by the Fund & its administrators Correct membership for the employer & Fund: active/deferred/pensioners /dependents
2. Poor quality data from main employer (LBH)	Improve validation of data at point of entry to admin system – provide access to ESS (employer self-service) which asks employer to validate errors immediately	In progress (refer to the Interface/ABS Project Plan)	Improved data quality, improve efficiency of data processing and ensure accurate benefit calculations
	Employer to set up roles/responsibilities & processes for use of ESS – set up processes for error correction & resubmission	ESS testing underway as part of interface development (refer to the Interface/ABS Project Plan)	LBH to be using ESS for interface upload by 2020. Improved data validation at source to prevent poor data being loaded onto the Fund's admin database Correct membership for

Risk	Action	Status	Outcome
	Enhance functionality for ESS from testing feedback prior to full launch	Not yet implemented (dependent on testing)	the employer & Fund: active/deferred/pensioners /dependents
3. Address details (active members)	Common data check Most recent report run Nov 2018 – areas for improvement identified	In place - annual common data checks A Data Rectification Plan has been written (refer to separate document) but is on hold due to current full data cleanse exercise	Compliance with common data/scheme specific data Issue member communications: statements, newsletters etc in accordance with the regs
	Address tracing Address tracing - to follow after 2019 annual benefit statement exercise completed	In place - last check 2016 Potential start date Sept 2019	Compliance with common data/scheme specific data Able to issue member communications: statements, newsletters etc in accordance with the regs
4. Employee self-service at main employer (LBH)	Address change issues made via this self-service will be validated as part of interface work.	Employee self-service is in place at the employer.	Address data in correct format to load to admin system Compliance with common data/scheme specific data Able to send out member communications for active members in accordance with the regulations.
	Auto validation via ESS portal at the point of entry	Will be in place once interface is finalised/signed off	
5. Unique Reference Numbers (URN) (payroll numbers)	Review payroll data to ensure reporting of URN Add URNs to pension administration database	In progress (refer to the Interface/ABS Project Plan)	Identification of members with multi-roles easier, correct benefits calculated and paid

Risk	Action	Status	Outcome
6. National Insurance numbers (NINOs)	Common data checks and cleanse project	In place - annual checks on common data. In progress – data cleanse since Aug 2018	Valid & correct NINOs result in paying the correct amount of income tax Compliance with common data/scheme specific data
7. Address details (deferred & pensioner members)	Member online self-service (MSS) – permits updates to address information directly to the pension administration system	In place & available to all deferred and pensioner members	Compliance with common data/scheme specific data Able to issue member communications: statements, newsletters, payslips etc in accordance with the regulations
	Address tracing for deferred members will be implemented following the 2019 annual benefit statement exercise	Potential start date Sept 2019	
8. Non-notified deaths (by NOK)	Regular mortality screen & existence checking	In place – annual mortality & existence checks done	Protection from overpayments/potential fraud Correct membership for the employer & Fund: active/deferred/pensioners /dependents

MEASURING DATA QUALITY

From 2018, all Funds were required to report annually on:

Common data = 11 pre-set data fields used to identify members (e.g. name, address, DOB, NINO)

- when the Fund last measured common data
- what the Fund's common data score was

Scheme specific data = any other data needed to run the scheme. It also encompasses data relating to events that occur during an individual's membership, for example transfers, purchase of additional pension and pension sharing orders:

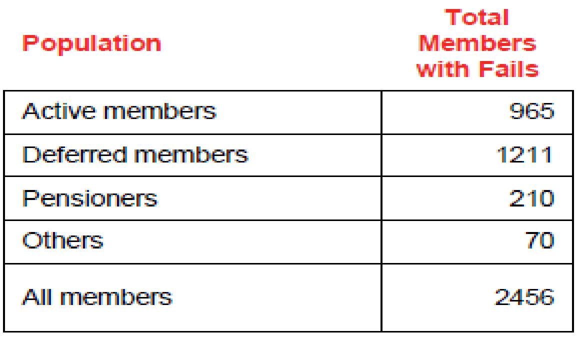
- when the Fund last measured scheme specific (conditional) data
- what was the Fund's scheme specific data score

The LBHPF data is measured and reviewed on the following basis:

- Common data reports - used to identify scheme members and would include names, addresses, national insurance number and date of birth.
- Scheme specific reports - essential to calculate benefit entitlements such as, member contributions, pensionable pay, service history.
- Annual renewal data – year-end payroll data reports from employers providing member changes to hours, pay, roles, APP etc
- Existence checking – essential to ensure benefits are still due & payable to retired members

Common Data

The last common data report was run in Nov 2018 and the Fund's data score was 93%. The table below shows the number of members that have failed data checks and gives an indication of the total number of scheme members with some form of data issue. However it may be that an individual may fail more than one test, so the total number of tests failed, is likely to exceed the total number of members who have failed one or more of the tests.



Population	Total Members with Fails
Active members	965
Deferred members	1211
Pensioners	210
Others	70
All members	2456

An updated data report will be run after completion of the 2019 ABS exercise c.September 2019, and the data errors updated to the full data improvement plan.

Scheme Specific Data

To ensure consistency across all administering authorities, the SABEW (Scheme Advisory Board – England & Wales) have been working closely with MHCLG (Ministry of Housing, Communities & Local Government) and GAD (Government Actuary Body) to develop a standard set of conditional data for administering authorities to use when completing the 2018 scheme return. The intention was to have this available to Funds by mid-June of 2018, however, the final data-set is still under development by SABEW.

LBHPF and EQ have agreed that until a Scheme Specific data-set is agreed nationally, LBHPF would be able to measure data against the existing data-set currently in place for Equiniti's other clients. Therefore, in October 2018 in order to meet the new reporting requirements, LBHPF scheme data was measured using the pre-existing data-set, however it uses every data field the pension administration system holds a record against, and a number of these data fields do not relate to the LGPS or to benefit calculations; this explains why our data score result was extremely low at 10%.

Annual Renewal Data

An annual renewal data collection spreadsheet is sent to all employers in the Fund each February, and they are requested to provide their members data in the prescribed format. The data is submitted to EQ for validation checks against the pension fund admin database. Any discrepancies in data are returned to the employer(s) for correction/completion and return to EQ.

This exercise highlighted the continued issues with the main employer's membership data (LBH data), as year-end reports have either not been provided or the quality of the data is not fit for purpose. The administering authority has had to review and correct LBH's data where possible, in order to produce some of the annual benefit statements for LBH members.

There have been no significant issues with other employers in the Fund. Data is provided in accordance with the PAS, replies to queries are responded to promptly and issues quickly resolved.

Going forward, all employers will be using the ESS portal (employer self-service) portal for the submission of their monthly data, so any erroneous data will be rejected at the point of entry, and a warning dispatched to the employers to correct and resubmit their data. This will make the year-end process far easier to manage, with less data errors and retrospective corrections required.

DATA IMPROVEMENT

The Fund takes its responsibilities seriously on working with employers to comply with the scheme regulations and its statutory duties. This is done by having an up to date website & helpline, providing guides & factsheets, onsite support and training, and as a last resort levying additional administration charges by implementing the PAS (pension administration strategy).

The Fund has also been working with Equiniti, to initially clean the data held on the administration database for all employers, and in particular LBH, by:-

- Fixing/adding URNs - where they are incorrect or missing
- Identifying leavers or opt outs where incomplete data has been provided – providing leave date/earnings data/APP /forms
- Updating leaver and new joiner information – deferring member records and setting up new records as required, issuing correct communications
- APCs – ensuring all additional contracts for buying pension and lost pension are recorded
- Earnings and hours information – updating member records to reflect changes to hours/earnings/roles

The current extensive cleansing programme will provide a more accurate and stable starting point for the 2019 annual benefit statements to run for LBH. However, the Fund and Equiniti are acutely aware that running an interface following this, will no doubt create a multitude of errors, in relation to this employer’s membership, that will need to be investigated and corrected. A clear action plan will be drawn up, and adequate resources sourced, once the full extent is known.

Going Forward

Using the improved monthly administration report from Equiniti, and the employer task spreadsheet, the Fund/Equiniti will develop a regular performance report to all individual employers. This will help to inform the employer of poor quality or missing data, any areas for improvement and, where necessary, will help in developing an action plan to rectify those areas.

FUTURE PROOFING THE FUND'S DATA

Employer Interface Development

To assist the main employer (LBH) in improving its data, the Fund and Equiniti have been integral in the development of a working interface file by providing file formats, liaising directly with the employer's payroll provider to formulate interface reports, providing corrected data for test files, running and rerunning test files and providing feedback on corrections needed.

Once the interface is finalised, it will be uploaded using the new employer portal – ESS (see below) – which operates a series of validations at the point of entry before any data is loaded to the pension administration system. The portal development will not only assist the main employer, but will also ensure data improves for all employers in the Fund, by using the portal and a standardised report.

Employer Data Portal – ESS (on-line employer self-service)

In order to help future proof the Funds data, Equiniti have developed an on-line portal for use by the Fund's employers - ESS (employer self-service). ESS ensures that data received in the future, is accurate and rejects poor data before being loaded onto the Fund's admin database.

ESS has been available in a test environment since 1 December 2018 and there are currently 4 employers (including LBH) testing and providing feedback. This secure portal features:-

Key Features:

- ✓ Secure transfer of data from employers to the administrator
- ✓ Interface file management with real-time validation at point of entry
- ✓ Employer access to their members details (on a restricted access basis) and ability to check member details and perform retirement calculations (if permitted)
- ✓ Document Library – access to employer forms, employer guides and factsheets
- ✓ Device friendly – PC, mobile, tablet

The ESS interface module has real-time levels of validations, i.e. data gets rejection before being loaded onto the Fund's admin database. Data rejections are immediately notified to the employer for correction and resubmission. Validations are LGPS specific and includes Common Data items. Appendix 1 details some examples of the built in validations.

The ESS is currently available to London Borough of Hackney (and 3 smaller employers) in a test environment. The full ESS launch project will commence once the Fund are satisfied that the test employers are able to use the portal successfully. The full launch strategy to all employers will be finalised no later than 1 October 2019 taking into account feedback from those test employers.

On-line Member Self-Service – MSS

Equiniti have developed a secure on-line Member Self Service area (MSS), where members can log on to access their LGPS membership details and get retirement quotes. MSS has been designed to help members understand their personal pension benefits, gives them the ability to review their personal details and also to see annual benefit statements and other correspondence sent to them.

Pensioner members and deferreds are able to review and update their personal details such as their address, telephone number/other contact details, and these updates will be uploaded directly on to their pension records.

Active members will have a number of restrictions in place, and as such will not be able to update or amend any of their personal details when using MSS. Any amendments or updates will mostly be picked up via the monthly interface from their employer, others will require the member to complete a change form to send to the administrator to update their record.

CONCLUSION

The Fund continually reviews the quality of data held throughout the year and strives to keep this as complete, accurate and up to date as possible. The Pensions Regulator requires Funds to undertake a review of data quality at least annually, and this strategy consolidates the work being reviewed and undertaken, in various areas, to improve the quality of data.

This strategy concludes that, whilst data quality is considered to be good within the Fund from other employers, there remains considerable problems with the main employer to be addressed and improvements made, and consequently in order to manage this process a data improvement plan, a separate interface/ABS project plan and this data management strategy have been developed.

APPENDICES

Appendix 1

ESS – employer self-service

Some examples of data validations on the ESS module are listed below:-

Code	Validation description
A5	Contributions have reduced/increased by 10%
A7	Salary has reduced/increased by 10%
A1	Role Mismatch
UE	Date Joined Scheme prior to Date Joined Company
HE	Payroll Number missing
15	Member changing to full time hours but there are no part time hours recorded prior to the change
13	New Entrant - DOB Missing
IE	Record Type missing or invalid
A9	APC contribution received where no contract exists
A8	Effective Date for Conts and Earnings cannot be before Date Joined the Scheme

Hackney

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Pension Fund Administration Annual Report 2018/19 **Pensions Committee** **25 June 2019**	**Classification** **Public** **Ward(s) affected** **ALL**	**Enclosures:** **None** **AGENDA ITEM NO.**

1. INTRODUCTION

1.1 This report outlines the work undertaken by the London Borough of Hackney, (as the administering authority), and the performance of the pension fund administrators, in regard to the administration of the LGPS Hackney Pension Fund for the financial year 2018/19. The contract for pension administration, and pension payroll, is managed externally by the Fund’s pension administrators, Equiniti, with the contract being overseen by the Pensions Administration Team within the Financial Services Section of the London Borough of Hackney.

2. RECOMMENDATIONS

2.1 The Pensions Committee is recommended to note the report.

3. RELATED DECISIONS

- Pensions Committee - Special (25 March 2017) - Procurement of Third Party Pension Administration Services – Approve the award of contract
- Pensions Committee (24 January 2017) - Procurement of Third Party Pension Administration Services - Update (Exempt)
- Pensions Committee (6 December 2016) - Procurement of Third Party Pension Administration Services (Exempt)
- Pensions Sub-Committee (17 January 2013) – Pensions Administration Contract, approval of 3 year extension
- Pensions Sub-Committee (9 December 2008) – Procurement of Pension Scheme Administrator and Pension Payroll Provider

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

4.1 The costs of administration as a whole for the Pension Fund are relatively small compared to the overall value for the Fund. The cost in 2018/19 was £776k, compared to £827k in 2017/18.

4.2 It is evident that having efficient administration is crucial to the effective management of the Pension Fund. The cost is made up of the cost of the third party administrators, including the administration of the pension payroll, and the internal costs of administering the Fund. This year the average cost of administering the Fund per member was £32.07 based on the current cost and membership at 31 March 2019, compared to £36.07 at 31 March 2018.

4.2 Good administration is key to ensuring that the Fund is able to meet its pension commitments in a timely manner and will avoid additional charges to the Fund from late payments and fines. The administration of the Pension Fund is closely monitored by officers of the Council to ensure efficient service delivery.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

5.1 The Local Government Pension Scheme Regulations 2013 set out in detail the administration of the Pension Scheme and how the Scheme rules are to be applied. If these were to be applied incorrectly then this would pose a risk to the Pension Fund.

5.2 The Pensions Committee, acting in its capacity as the Trustee of the Pension Fund, has responsibilities to ensure that the Fund is managed in accordance with the regulations. Receiving regular updates on the performance of the administration function will assist the Committee in ensuring that it fulfils its regulatory obligations under the Local Government Pension Scheme Regulation.

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

6. SUMMARY

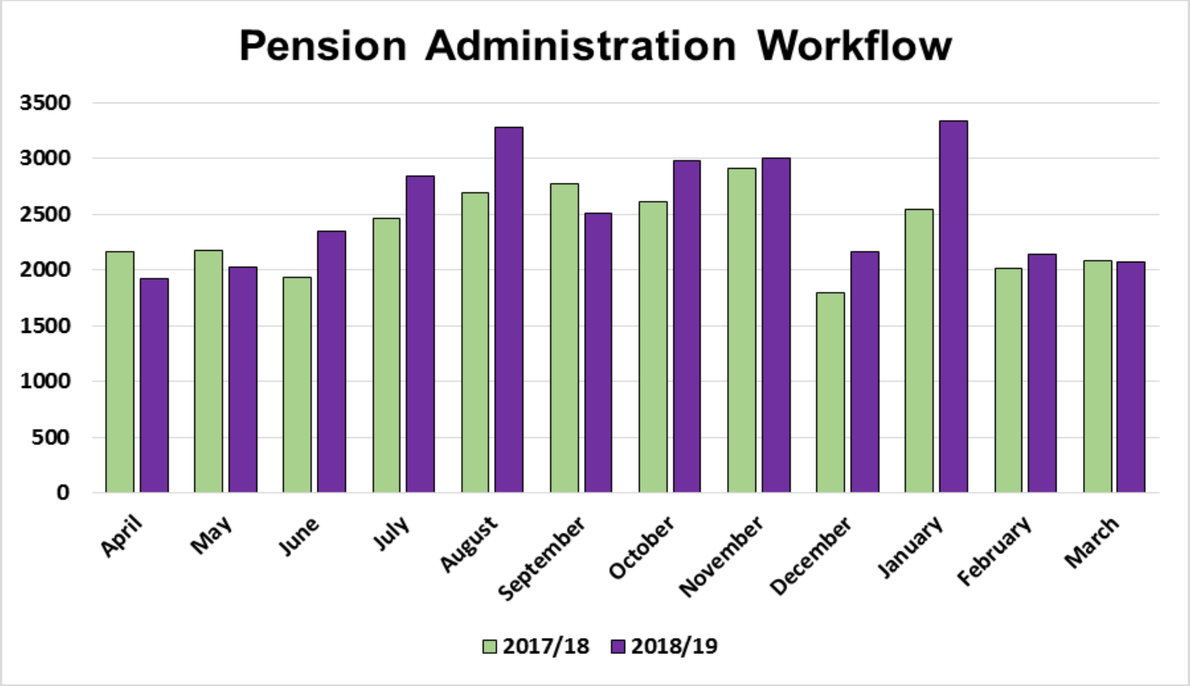
6.1 The pension administrators, Equiniti, have a dedicated team of qualified pension professionals who manage the day to day administration of the scheme on behalf of the London Borough of Hackney. The contract is monitored by the Pensions Administration Team within Financial Services Section of the London Borough of Hackney on a monthly basis and performance is measured against Service Level Agreements (SLA). Over the year the pension administrators handled 30,608 cases, an increase of 2,447 on the previous year of 28,161.

6.2 Overall performance against the SLA has shown a slight increase for 2018/19 at 95.7%, compared to 94.4% for 2017/18, which is a considerable achievement despite the increased workflow and the continued difficulties faced by the administrator, due to the main employer in the Fund, London Borough of Hackney's failure to provide any quality reporting since changing payroll provider in July of 2017. Despite these ongoing difficulties, Equiniti have successfully issued 4,244 annual benefit statements to active members, and 8,805 benefit statements to deferred members, including Councillors and pension credit members for the year ending 2018.

7. ADMINISTRATION PERFORMANCE

7.1 The performance of the pension fund administrators, Equiniti, is monitored by the Pensions Administration Teamwithin Financial Services Section at Hackney Council. Meetings are held monthly to discuss performance against service level agreements, workflows, data cleanse issues and planning of future work projects. Meetings also include discussion of specific administration cases and recommendations for enhancements to the service provision both to Hackney and to members of the scheme.

7.2 Over the last year the total cases received by the administrators has increased from 28,161 cases in 2017/18, to 30,608 in 2018/19, an increase of 2,447 cases. The average number of cases received monthly has increased to 2,550 from 2,346 in 2017/18. The workload for 2018/19 in comparison to 2017/18 is shown in the chart below:-



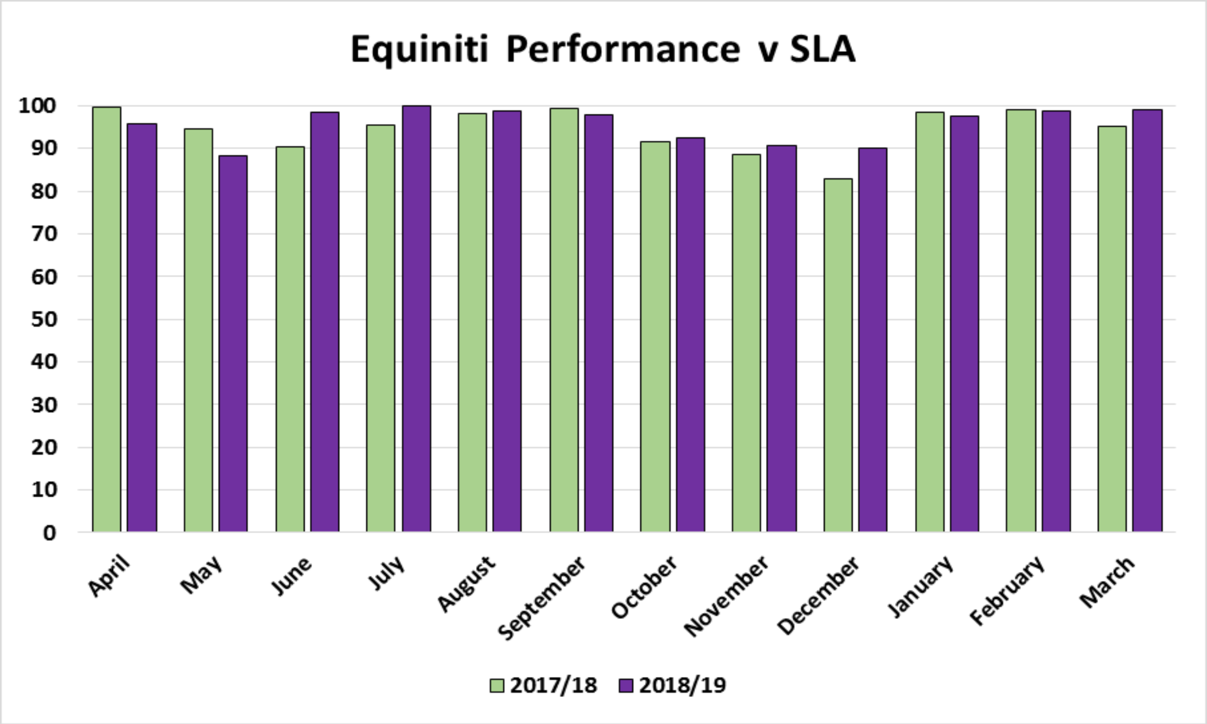
7.3 The increase in workflow is due to the continued lack of a monthly payroll interface from the Council, the largest employer, which means all starters, opt-outs, leavers and change notifications are being processed manually. Intensive work was undertaken from June to August to correct member data and issue as many active benefit statements as possible within the statutory deadline. However, due to the data complexity and the number of affected records, the Fund took the decision to only issue statements at the time to those active members who are not employed by London Borough of Hackney, and to continue data cleaning and verification of the Hackney membership.

7.4 Therefore, the Fund only issued 627 active statements in early September, and as such the workflow increased from October 2018 right through to year-end in order to correct the remaining member records and recalculate benefits. A further batch of 3,616 active benefit statements was dispatched at the end of November, with further batches to be sent as soon as the data was cleansed and verified.

7.5 The lack in quality data received from the main employer in the Fund, London Borough of Hackney, still continues to have a significant impact on workloads, with data cleansing and validation, again being the focus and priority throughout the year in order to produce the annual benefit statements. Considerable problems still remain with the Council’s payroll system set up which is prohibiting the running of the necessary reports for pension purposes. The failure to produce a year-end file this year has meant the administrator once again using extrapolated data from a month 12 report and incorporating data cleansing reports provided by the administering authority’s pension team, to update member records sufficiently to produce some of the annual benefit statements for members of this employer.

7.6 As a year-end file was not provided by the London Borough of Hackney, the Fund was not able to comply with its regulatory duty of providing annual benefit statements to **all** of its active members by the end of August 2018, and the Fund was obliged, again, to report itself to the Pensions Regulator (tPR), setting out what had happened and the steps taken/being taken to correct the issue. At this time, no further action was taken by tPR, however the Regulator requested that regular updates be provided on the progress of the data cleanse and dispatch of statements.

7.7 Performance under the pension administration contract when compared to the service level agreement (SLA), was 94.4% for 2017/18 as a whole, and performance has slightly increased to 95.7% for the year 2018/19. This in its self is an achievement considering the difficulties the administrators had to overcome again this year with the issues pertaining to the main employer’s data. The administration performance v SLA over 2017/18 in comparison to 2018/19 is shown in the chart below:-



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

- The year end pension payroll process has been completed for both the monthly and annual payrolls including the application of the pension increase (PI), reconciliation of the payrolls, production of P60s and reporting to HMRC

- System year end update of pension increase; Lifetime Allowance and Annual Allowance earnings and contribution histories was completed

- Data submissions:
    - FRS17 data submitted to the Actuary for 15 employers
    - Data submission for Club Vita longevity studies
    - 2 cessation valuation calculations for ceased employers
    - Monthly HEAT data capture report to the Actuary

- Overpayment of pensions - identified overpayments to a value of £32,564.26. These were as a result of late death notifications and re-employment cases. To date £17,251.72 has been recovered.

7.9 Employers and schools administration performance has been monitored over the year, and assistance and additional training has been provided to help support them with administering the scheme. Additional administration charges were issued to a number of employers in the year, but only where persistent failure to deliver accurate and timely information, despite the additional support, has arisen.

7.10 The monthly contribution payment and supporting data is due to the Fund by the 19th of the following. In the last year, submissions have only been delayed for a period of 1 or 2 days, and if a first offence the employer is not usually charged. However, the persistent late submission of payments and data does incur a penalty charge in accordance with the Fund's administration strategy. A breakdown of late submissions in relation to contributions and supporting data, is provided below:-

Month	Description	Number of Late Submissions
Apr-18	contributions	1
	HK221 data	1
	contribution & HK221	0
May-18	contributions	1
	HK221 data	3
	contribution & HK221	0
Jun-18	contributions	0
	HK221 data	2
	contribution & HK221	2
Jul-18	contributions	3
	HK221 data	2
	contribution & HK221	2
Aug-18	contributions	0
	HK221 data	5
	contribution & HK221	0
Sep-18	contributions	0
	HK221 data	2
	contribution & HK221	0
Oct-18	contributions	2
	HK221 data	1
	contribution & HK221	0
Nov-18	contributions	2
	HK221 data	0
	contribution & HK221	1
Dec-18	contributions	2
	HK221 data	2
	contribution & HK221	0
Jan-19	contributions	1
	HK221 data	2
	contribution & HK221	0
Feb-19	contributions	1
	HK221 data	0
	contribution & HK221	0
Mar-19	contributions	0
	HK221 data	4
	contribution & HK221	0

8. OTHER WORK UNDERTAKEN IN 2018/19

8.1 Third Party Administration contract

Following the procurement exercise for Third Party Pension Administrators using the National LGPS Framework, the Pensions Committee met on 25 April 2017 and approved the award of the contract to the previous holders of the contract, Equiniti. The contract commencement date of 1 January 2018 was initially delayed to 1 April 2018 due to problems with the delivery of various service specifications. However problems persisted and it was mutually agreed to once again, extend the '*go-live*' date to 1 July 2018 which was implemented.

8.2 Since 1 July, there has been good progress made on the outstanding service specifications;

- Payroll Interface - meaningful progress has now been made on development of a new interface for the Council; however, this is likely to generate a significant backlog of data queries for Equiniti once up and running
- Communications suite (member letters, member factsheets, forms etc) – fully updated and improved for automation
- Scheme guides – both brief and full versions for members have been updated but not quite complete
- Employer's Guide to LGPS Pension Administration – electronic version complete and being load to website with links to forms and other useful guides
- Static website – a completely new website has been designed with access to Fund and LGPS information, member and employer on-line services
- MSS (member self-service) – testing completed and ready to launch September/October 2019
- ESS (employer self-service – a secure portal for employers to upload member data directly to administration system; data validation at the point of entry and rejected if not within set parameters
- Employer reporting – enhanced reporting on employer administration performance
- Breaches reporting – enhanced 'breaches of the law' reporting enabling Fund to better assess material/non-material breaches

8.3 Work will continue into 2019/20 and until the Fund is satisfied that all points of delivery are met, and the required standards are maintained throughout the life of the contract

8.4 Ill Health Pension Benefits.

The administering authority's in-house pension administration team process all requests for the release of deferred member's benefits on the grounds of ill health, as well as providing guidance and assisting the Council's HR team when they process cases for active member's that seek to retire on the grounds of ill health.

Active members' ill health pensions are released on one of 3 tiers, depending on the severity of the condition under which they are being retired and the decision to release benefits rests solely with the member's employer, not the Fund:

- Tier 1 - the pension benefits are fully enhanced to the member's normal retirement date – 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.

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

A breakdown of the number of active and deferred cases that were processed for 2018/19 is provided below, compared to the previous year:

DEFERRED MEMBER'S ILL HEALTH RETIREMENT CASES					
	CASES RECEIVED	SUCCESSFUL	UNSUCCESSFUL	ONGOING	WITHDRAWN
2018/19	**9**	**3**	**2**	**3**	**1**
2017/18	**10**	**5**	**2**	**2**	**1**

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
2018/19	**6***	**4**	**0**	**1**	**0**
2017/18	**6**	**4**	**0**	**2**	**0**

**There is 1 active member's case that was not completed in the reporting quarter, as the employer's IHRP (ill health retirement panel) have requested a second opinion from the occupational health service (OHS) before making a final decision.*

8.5 Quarterly Newsletter – Employers/Schools

Due to other work pressures, the pension team were only able to produce 2 newsletters in the last year – 1 in April 2018 & 1 in December 2018 - for the employers and schools in the Fund. However, the newsletters continue to provide up to date *hot-topics* from the world of pensions and have covered details of State Pension Age increases; details of ScamSmart and what to look out for: AVC information; feedback on the employer forum and details of the year-end processes and information needed to produce the 2018 annual benefit statements. Feedback on the newsletter has been positive and it is well received.

8.6 Pre-retirement workshops

The Pensions Team arranged a series of 'Pre-retirement workshops', aimed at members who are thinking of retiring within the next 2 to 5 years. These workshops began in May 2018 and run bi-monthly until January 2019. They were facilitated by Affinity Connect, who specialise in providing seminars/workshops on various aspects of pension and employment issues, such as retirement, mid-career financial planning and redundancy. Affinity provide the facilitator, learning material and bookings for the seminars/workshops free of charge to the Fund. Feedback on these has been extremely good, so they will continue into 2020/21.

8.7 Annual Employers' Forum

The annual Employers' Forum was held on 7 March 2019, and was attended by 4 of the Fund employers, including 2 schools and 3 academies. The Forums agenda was varied and covered subjects from the Fund overview, employer discretion policies and the year-end data timetable & processes for the annual benefit statements. AON gave us some insight into *'pension hot topics'* and Hymans (the Funds actuary) spoke about the forthcoming 2019 Valuation exercise. Equiniti guided us through a demo of the new on-line self-service facilities for both employers and employees/members to use, together with an overview of our new LGPS website – all of which will be launched in the summer of 2019.

8.8 New & Ceasing Employers

During the year the Fund has admitted 2 new scheduled employers and 3 new admitted employers and 2 contracts have ceased; breakdown is as follows:

Employer	Date Joined	Date Ceased	Deficit upon Ceasing Y/N
Lubavitch MAT	01/04/2018		
Lubavitch Foundation	01/04/2018		
Westgate Cleaning Services (Simon Marks school)	01/05/2018		
Birkin Cleaning (Randal Cremer school)		20/07/2018	N
G4S (security services)		03/08/2018	N
CIS - Security	04/08/2018		
P J Naylor Cleaning Services (Grasmere school)	01/10/2018		

8.9 Redundancy Exercises for Departmental Budget Purposes

In 2018/19, the administering authority's pension team received a total of 228 redundancy estimate requests, some of these were for members over the age of 55 who will have pension released. The team provided leaver paperwork for 32 employees who were made redundant. A breakdown by age group is provided below:-

Age Group	Redundancy Estimate Requested	Leaver Paperwork Provided
Under 55 – without pension	113	14
Over 55 – with pension	115	18
Total	**228**	**32**

8.10 Weekly Inductions

In the last year, the Pensions team have presented at weekly induction sessions for 503 new employees, ensuring they are provided with information and details on the benefits of being in the LGPS. Feedback continues to be extremely positive, with 428 of those who attended felt the sessions were either 'excellent' or 'very good' and now have a better understanding of the scheme and its benefits.

9. THE PENSIONS REGULATOR (tPR)

9.1 The Pensions Regulator introduced the Public Service Code of Practice, setting out practical guidance, standards of conduct and practice, to help maintain and improve the governance and administration of pension schemes. The Code is directed at Scheme Managers (Funds) and their local Pension Boards, whose role it is to help ensure their scheme complies with the governance and administration requirements as defined by the Code.

9.2 The Code requires Schemes to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions

9.3 Therefore as in paragraph 7.5 of this report, the March 2018 annual benefit statements could not be issued to **all** active members within the regulatory timescales due to the non-receipt of data from the Fund's main employer in the Fund, the London Borough of Hackney. This resulted in the Fund having to report itself to the tPR for non-compliance for the 4th year running. The following provides some of the detail the Fund was required to provide to the Regulator:

- Q2 2018/19:-
  The Fund experienced a breach relating to Annual Benefits Statements which was reported to TPR. The Fund breached the statutory deadline for statements for approximately 6,000 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 year-end data by the deadlines requested.

- Q3 2018/19:-
  A further 3,616 additional benefits statements for active members were sent out by Equiniti for distribution in early November 2018. Equiniti continued to work on the production of statements for the remaining 1,600 (approx.) active members.

- Q4 2018/19:-
  The Fund provided a further update to the Regulator, via a conference call, in March 2019, discussing progress towards rectifying the breach and preventing recurrence in the future. Following the call, the Fund were requested to provide the Regulator with copies of all data improvement plans, evidence of the Fund invoking their pension administration strategy levies and expected delivery dates to comply with legislation.

9.4 At the time of writing this report (June 2019), the investigations on remaining 1,600 data queries were completed and a further 472 active benefits were dispatched at the end of May 2019, and 1,276 apology letters were dispatched to those members for whom the Fund was not able to provide a statement to. This was either due to complex data problems or calculation issues that could not be resolved in time for a statement to be issued before work was scheduled to begin on the 2019 year-end process.

9.5 A detailed update was provided to the Regulator in early May 2019, who has now requested a meeting with the Fund, the Council’s 151 Officer and representatives from the main employer, and this will be held on 13 June 2019. A report on the meeting will be provided to Pension Committee at their next meeting in September 2019.

Ian Williams
Group Director, Finance & Corporate Resources

Report Originating Officers: Julie Stacey 020-8356 3565
Financial Considerations: Michael Honeysett 020-8356 3332
Legal Considerations: Sean Eratt 020-8356 6012

REPORT OF THE GROUP DIRECTOR OF FINANCE & CORPORATE RESOURCES		
Business Plan 2019-2022 **Pensions Committee** **25th June 2019**	**Classification** **PUBLIC** **Ward(s) affected** **ALL**	**Enclosures** **One** **AGENDA ITEM NO.**

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1. INTRODUCTION

1.1 This report introduces the Pension Fund Business Plan for the period covering 2019-22. The Business Plan sets out the key tasks the Fund needs to undertake to fulfil its strategic objectives for the next 3 years; it also includes a draft plan of work for the Pensions Committee and communications plan for the current financial year 2019-20.

2. RECOMMENDATION

2.1 The Pensions Committee is recommended to:

- **Approve the Business Plan for the Pension Fund for 2019-22**

3. RELATED DECISIONS

- Pensions Committee 23rd July 2018 – Business Plan 2018-21
- Pensions Committee 17th January 2013 – Pension Fund Objectives and Measurement.

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

4.1 The Pensions Committee acts as scheme manager for the Pension Fund and is responsible for the management of £1.5 billion worth of assets and for ensuring the effective and efficient running of the Fund.

4.2 Having a three year business plan helps ensure that the Committee is able to plan and understand the financial decisions that it will be faced with over the coming years. The decisions taken by the Committee impact directly on the financial standing of the Fund and can affect its ability to meet its liabilities. Ensuring prudent financial management helps to improve the overall financial position of the Fund, potentially impacting on the contribution rates payable by participating employers.

4.3 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 various specified functions relating to management of the Council's Pension fund. In carrying out those functions the Committee must have regard to the various legislative obligations imposed on the Council as the Fund's Administering Authority, particularly by the Local Government Pension Scheme Regulations 2013. Those obligations include producing specific documents and complying with statutory deadlines.

5.2 It is sensible against this background, and consistent with good administration and governance, to set out a three year business plan and schedule the work of the Committee to ensure that the regulatory requirements of the Fund are met in a timely fashion.

6. BACKGROUND/TEXT OF THE REPORT

6.1 The London Borough of Hackney is the Administering Authority for the Pension Fund; delegated powers under the Council Constitution have been given to the Pensions Committee to oversee its management. This includes monitoring of investments, making decisions on strategic asset allocation, appointing advisors, overseeing pension administration, setting budgets and receiving the annual report and accounts for the Pension Fund.

6.2 The business plan covers all the known key strategic matters for the financial years 2019-2022, the majority of which will be covered by the Committee in some detail. Plans for 2019/20 include work on the Fund's triennial valuation and a subsequent full review of its investment strategy. Further work towards the Fund's carbon target is also planned, with an interim carbon risk audit scheduled for September 2019. More broadly, Responsible Investment will also continue to be an area of the focus for the Committee, as it looks to deepen the Fund's approach to shareholder engagement, particularly in the context of its relationship with the London CIV. The Committee will also be asked to consider a range of policy documents, most of which require updating on either an annual or triennial basis.

6.3 Also included within the business plan is a draft communications plan for the current financial year 2019-20. This sets out the main areas to be targeted under the communications plan; annual reporting on actions undertaken during the year is included within the Pension Fund Report and Accounts under the Communications Policy

6.4 Clarity over the longer term strategic items within the business plan becomes more difficult further into the future, but the current business plan sets out the key known variables at this stage. It is recognised that this continues to be a time of considerable change for the LGPS and for the associated Pension Funds and that developments over the coming months could alter the business plan over the medium term.

Ian Williams
Group Director of Finance & Corporate Resources

Appendices
Appendix 1 – Pension Fund Business Plan 2019-22

Report Originating Officers: Rachel Cowburn ☎020-8356 2630
Financial considerations: Michael Honeysett, ☎020-8356 3332
Legal comments: Sean Eratt ☎020-8356 6012

LONDON BOROUGH OF HACKNEY

PENSION FUND

BUSINESS PLAN

2019-2022

INTRODUCTION

The London Borough of Hackney is the Administering Authority for the London Borough of Hackney Local Government Pension Scheme (LGPS). Management of the Pension Fund is delegated to the Pensions Committee as set out in the Council's Constitution. The day to day running of the Fund has been delegated to the Group Director, Finance and Corporate Resources, the Director, Financial Management and the Financial Services section of the Council. The Financial Services section has responsibility for all aspects of the day to day running of the Fund including administration, investments and accounting.

The purpose of this document is to set out a business plan for the Pension Fund for the period 2019-2022 and to outline the Fund's goals and objectives over the longer term. The business plan is formally reviewed and agreed every year. However, throughout the year it is monitored and the Pensions Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

- explain the objectives for the management of the Hackney Pension Fund
- document the priorities and improvements to be implemented by the pension service during the next three years to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide staff, partners and customers with a clear vision for the next three years.

OBJECTIVES

The primary objectives of the Fund have been agreed by the Pensions Committee and are sub-divided into specific areas of governance, funding, investments, administration and communications:

Governance Objectives
1. All staff and Pension 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.
2. The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
3. To understand and ensure compliance with all relevant legislation
4. To ensure the Fund aims to be at the forefront of best practice for LGPS funds

Governance Objectives

5. Ensures the Fund manages Conflicts of Interest

Funding Objectives

6. To ensure the long-term solvency of the Fund.
7. To help employers recognise and manage pension liabilities as they accrue.
8. To minimise the degree of short-term change in the level of each employer’s contributions where the Administering Authority considers it reasonable to do so.
9. To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations. (Including: To address the different characteristics of disparate employers or groups of employers to the extent that this is practical and cost effective.)

Investment Objectives

10. Optimise the return on investment consistent with a prudent level of risk
11. Ensure that there are sufficient assets to meet the liabilities as they fall due (i.e. focus on cash flow requirements)
12. Ensure the suitability of assets in relation to the needs of the Fund (i.e. delivering the required return).
13. Ensuring that the Fund is properly managed (and where appropriate being prepared to change).
14. Set an appropriate investment strategy for the Fund to allow the Administering Authority to seek to maximise returns and minimise the cost of benefits for an acceptable level of risk. Ensure return seeking assets are in line with funding objectives.

Administration Objectives

15. To deliver an efficient, quality and value for money service to its scheme employers and scheme members.
16. Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner
17. 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
18. Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner

19. 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
20. Continuously review and improve the service provided

Communications Objectives

21. Promote the scheme as a valuable benefit and provide sufficient and up to date information so members can make informed decisions about their benefits
22. Communicate in a plain language style
23. Ensure the Fund use the most appropriate means of communication, taking into account the different needs of different stakeholders
24. Look for efficiencies in delivering communications including greater use of technology
25. Evaluate the effectiveness of communications and shape future communications appropriately

BUSINESS PLAN 2019-2022

To meet the objectives of the Pension Fund, the Pensions Committee has reviewed and agreed a business plan for the period 2018-2021, which is set out in the table below:

	2019/20	2020/21	2021/22	Relevant Committee
Governance Objectives				
Pension Fund Report and Accounts	April - September	April - September	April - September	September
Employer Forum	November - February	November - February	November - February	N/A
Review Risk Policy			October - December	December
TPR Code of Practice – review and update	July- Sept	July- Sept	July- Sept	September
Governance policy & compliance statement Review	July - September			September
Knowledge and Skills self-assessment	October - December	October - December	October - December	December
Training Policy Review	July - September			September

	2019/20	2020/21	2021/22	Relevant Committee
Conflicts of Interest Policy Review	October - December			December
Procedure for Reporting Breaches Review		April - June		June
Pensions Board – Annual Report	July - September	July - September	July - September	September
Pensions Committee – Annual Report	July - September	July - September	July - September	September (Pensions Committee)
Review investment performance, funding, budget, risk register	Quarterly	Quarterly	Quarterly	All
AVC Review	January - March			March
Actuarial Services tender		June - September		September
Benefits and Governance Consultancy tender		June - September		September
Investment Consultancy tender		January - March		March
Custody Services tender			Due Oct 2021	
Third Party Administration Tender				Due Jan 2023
Funding Objectives				
Actuarial Valuation 2019	April - March			As required/March
Funding Strategy Statement	November - March			December/March
Longevity Monitoring – Club Vita	October - December	October - December	October - December	December
Investment Objectives				
Review Investment Strategy Statement (incl Climate Change policy statement)	January - March	As required	As required	March (minimum every 3 years)
Strategic Asset Allocation - Regular Review	Ongoing	Ongoing	Ongoing	As required

	2019/20	2020/21	2021/22	Relevant Committee
Strategic Asset/Liability Review	October - December			December
Pension Fund Treasury Management Strategy			November - January	December
Individual Manager Review	Quarterly	Quarterly	Quarterly	
Asset/Liability Monitoring	Ongoing	Ongoing	Ongoing	
Asset Pooling – ongoing review of assets	Ongoing	Ongoing	Ongoing	As required
Investment in Infrastructure analysis	October - December			December
MiFID II compliance - review	January	January	January	As required
Carbon risk analysis	July - September			September
Pension Administration				
Restaged auto-Enrolment	April - July			September
Pension Administration Strategy	January-March	January-March	January- March	March
Annual Pension Administration Performance Review	April - June	April - June	April - June	June
Scheme/GMP Reconciliation	Ongoing	Ongoing	Ongoing	As required
Employer data improvements	Ongoing	Ongoing	Ongoing	As required
Agree any further administration improvements with third party provider	Ongoing	Ongoing	Ongoing	
Administering Authority Discretions Review		April - June		June
Admission Bodies Policy		April - June		June
Employing Authority Discretions Review		January-March		Corporate Committee - March
Employer data audit	January - March			March

	2019/20	2020/21	2021/22	Relevant Committee
Communication				
Annual Benefit Statements	April - August	April - August	April - August	N/A
Communications Strategy Review		November - January		March

Appendix 1

Draft Communications Strategy 2019-2022

Objective of the Communications Strategy

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

An outline communications strategy for 2019-2022 is set out below:

Type of Communication	Scheme Member	Prospective Scheme Members	Employers	Press & FOI Requests	Central Government & the Pensions Regulator
Annual Benefit Statements	July-August				
Annual Newsletter - Accounts	August - September		August - September		
Quarterly Newsletters	Quarterly		Quarterly		
Individual Member Self-Service	Available & reminder in newsletters				
Website	As required	As required	As required		
Posters	As required		As required		
Scheme Guides	As required	Upon entry to the scheme	As required		
Induction Sessions	Weekly	Weekly	As required		
Pre-Retirement Seminars	As required		As required		
Employer Forum			November - February		
Employer training workshops			As required		
Pensions Admin Strategy			January - March		
Report & Accounts	Annual Newsletter		November		October
Funding strategy Statement			September - January		
Ad-Hoc Queries	Within set timescales	Within set timescales	Within set timescales	Within set timescales	Within set timescales
Pension Board	April - March	April - March	April- March		As Required
GMP Letters - Reconciliation	January - March			As Required	As required

Appendix 2

Pensions Committee – Suggested Future Agendas

September 2019
1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Training – TBC
5. Carbon Risk Audit
6. Pension Fund Report and Accounts
7. Quarterly Update
8. GMP rectification
9. Annual Report of the Pensions Committee
10. TPR Code of Practice Compliance
11. Governance Policy & Compliance Statement Review
12. Training Policy Review - Update

December 2018
1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Training – Infrastructure
5. Infrastructure Investment
6. Quarterly Update
7. Strategic Asset/Liability Review
8. Funding Strategy Statement
9. Longevity Monitoring – Club Vita
10. Knowledge and Skills Self-Assessment
11. Conflicts of Interest Policy

March 2020
1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Training – TBC
5. Quarterly Update
6. Actuarial Valuation – Final report sign off
7. Investment Strategy Statement Review
8. Pension Administration Strategy
9. Employer Data Audit
10. AVC Review

Hackney

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
Policy Consultation – Changes to the Valuation Cycle and Management of Employer Risk **Pensions Committee** **25th June 2019**	**Classification** **PUBLIC** **Ward(s) affected** **ALL**	**Enclosures** **One** **AGENDA ITEM NO.**

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1. INTRODUCTION

1.1 This report introduces a policy consultation run by the Ministry of Housing, Communities and Local Government (MHCLG) on changes to the LGPS local valuation cycle and the management of employer risk. The report sets out the scope and timescale of the consultation and recommends an approach for the Fund to follow in responding.

2. RECOMMENDATIONS

2.1 **The Pensions Committee is recommended to agree the approach proposed in Section 6.2 for responding to the consultation**

3. RELATED DECISIONS

- None

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

4.1 The proposals contained within this consultation could impact the Pension Fund in numerous ways. Firstly, the proposals could impact on employer contributions payable through changes to the length of valuation cycle. Changes to exit payments and credits could also impact the terms of which an employer ceases. Additionally, the proposals could also affect the Fund's management costs through changes to actuarial and other supplier (e.g. legal) fees

4.2 Whilst it is not possible to provide a reliable estimate of the potential impact on the Fund, it is clear that the outcome of the consultation could materially impact the Fund's financial health. It is therefore in the best interests of the Fund to ensure that a carefully considered response is provided. .

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

5.1 Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 prescribes that each administering authority must obtain:

- an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2016 and on 31st March in every third year afterwards;
- a report by an actuary in respect of the valuation; and
- a rates and adjustments certificate prepared by an actuary

5.2 Paragraph 7 of the Pensions Committee's terms of reference state that it is responsible for 'mak[ing] arrangements for the triennial actuarial valuation, monitor[ing] liabilities and undertak[ing] any asset/liability and other relevant studies as required.

5.3 This consultation proposes amending the LGPS Regulations 2013 to move the fund valuation cycle from the current three year (triennial) to a four-year (quadrennial) cycle. Given the Pensions Committee's responsibility under its terms of reference for monitoring the funding position and making arrangements for the valuation, consideration of the Fund's response to this consultation would appear to properly fall within the Committee's remit.

6. CONSULTATION PROCESS

6.1 The consultation is being run by MHCLG. It seeks views on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales and covers the following areas:

- Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle
- A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles
- Proposals for flexibility on exit payments
- Proposals for further policy changes to exit credits
- Proposals for policy changes to employers required to offer LGPS membership

6.2 It is proposed that a response is submitted by the London Borough of Hackney as administering authority for the London Borough of Hackney Pension Fund. As such, review of the Fund's response falls within the Pensions Committee's remit. As no further Pensions Committee meetings are planned between this meeting date and the closing date for the consultation (31st July 2019), it is proposed that a draft response be circulated to Members via email for comments. Final approval will be sought from the Chair of the Pensions Committee prior to the finalised response being submitted. The draft response will be circulated no later than 10th July 2019.

7. SCOPE OF CONSULTATION

7.1 The consultation covers the areas listed in 6.1. This section of the report provides a brief summary of each area of consideration and sets out the questions to which responses are requested.

7.2 **Changes to the Local Government Pension Scheme (LGPS) valuation cycle**
Local fund valuations are used to set employer contribution rates and to assess whether funds are on target to meet their pension liabilities as they fall due in the years ahead, whilst the LGPS scheme valuation is used by Government to make decisions about the LGPS and its benefit structure on a basis consistent with the other public service schemes. Previously, both local fund and whole scheme

valuations were carried out on a triennial cycle. However, the Government has now brought the LGPS whole scheme valuation onto the quadrennial cycle used by the other public service schemes, so the local fund and whole scheme valuation cycles no longer align.

The Government suggests that moving the LGPS local fund valuations to quadrennial cycles would deliver greater stability in employer contribution rates and reduce costs, as well as re-aligning the local valuation cycle to that of the scheme valuation. However, it could also introduce additional risk, e.g. that changes in employer contribution rates may be greater as a result of longer valuation periods and that longer valuation periods could also lead to reduced monitoring of any risks and costs.

Views are sought on whether this is the right approach and the best way of transitioning the LGPS to a quadrennial local valuation cycle

7.3 **Dealing with changes in circumstances between valuations**

To mitigate the risks detailed above, the consultation proposes introduction of a power for LGPS funds to undertake interim valuations. This would allow LGPS administering authorities to act when circumstances change between valuations and undertake full or partial valuations of their funds.

It also proposes the widening of a power that allows LGPS administering authorities to amend an employer's contribution rate in between valuations, so that contribution rates can be adjusted following the outcome of a covenant check or where liabilities are estimated to have significantly reduced. This would not affect the timing of the next quadrennial fund valuation or the scheme valuation. It would, however, potentially allow administering authorities to manage risk and avoid the need for very sharp corrections if maintaining the longer review cycle

The introduction of safeguards to prevent the timing of interim valuations to take advantage of short-term market conditions and undermine the cost and administrative advantages of a longer valuation cycle is also proposed. These would include a requirement for funds to specify in the funding strategy statement the circumstances under which an interim valuation may take place.

Views are sought on the detail of these measures and what LGPS funds should put in their funding strategy statements regarding these matters.

7.4 **Flexibility on Exit Payments**

For some employers, the cost of exiting the scheme can be prohibitive. Current regulations require that when the last active member of an employer leaves the scheme, the employer must pay a lump sum exit payment calculated on a full buy-out basis. The consultation seeks views on two alternative approaches that could reduce the cliff-edge faced by employers:

- • To introduce a 'deferred employer' status that would allow funds to defer the triggering of an exit payment for certain employers who have a sufficiently strong covenant. Whilst this arrangement remains in place, deferred employers would continue to pay contributions to the fund on an ongoing basis:
- • To allow an exit payment calculated on a full buy-out basis to be recovered flexibly – i.e. over a period of time. This may be of use where an administering

authority does not feel that granting deemed employer status would be appropriate but that some level of flexibility is in the interests of the fund and other employers.

7.5 **Exit credits under the LGPS Regulations 2013**
In 2018, the LGPS Regulations 2013 were amended to allow the payment of ‘exit credits’ to scheme employers in surplus at the time their last active member leaves the scheme. This followed a consultation on the introduction of exit credits undertaken by the Department in 20163. However, these amendments can cause issues where an LGPS employer has outsourced a service and used contractual arrangements to share risk with their contractor.

Views are sought on a mechanism to address this issue. The proposed solution would oblige the administering authority to satisfy itself if risk sharing between the contracting employer and the service provider has taken place (for example, via a side agreement which the administering authority would not usually have access to). If the administering authority is satisfied that the service provider has not borne any risk, the exit credit may be calculated as nil.

7.6 **Employers required to offer LGPS membership**
Given the LGPS’s funded nature, with liabilities potentially falling back on local authorities and other public bodies in a particular area in the event an employer cannot meet its obligations, the Government is conscious of the need to ensure that scheme participation requirements remain appropriate. Views are sought on proposals that would remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff.

It is proposed that it will be for each institution to determine whether to offer the LGPS to new employees or not. Under the proposals, current active LGPS members and those eligible for active membership in an employment with a further education corporation, sixth form college corporation or higher education corporation in England would have a protected right to membership of the scheme

7.7 **Summary of Questions**

1. As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?
2. Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?
3. Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?
4. Do you agree with our preferred approach to transition to a new LGPS valuation cycle?
5. Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?
6. Do you agree with the safeguards proposed?

7. Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?
8. Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?
9. Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?
10. Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?
11. Do you agree with the introduction of deferred employer status into LGPS?
12. Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?
13. Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?
14. Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?
15. Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?
16. Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?
17. Are there other factors that should be taken into account in considering a solution?
18. Do you agree with our proposed approach?
19. Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

Ian Williams
Group Director, Finance & Corporate Resources

Appendices
Appendix 1 – LGPS Valuation Cycle Reform Consultation

Report Originating Officers: Rachel Cowburn ☎020-8356 2630
Financial considerations: Michael Honeysett ☎020-8356 3332
Comments of the Director of Legal and Governance: Sean Eratt ☎020-8356 6012

Ministry of Housing,
Communities &
Local Government

Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk

Policy consultation

May 2019
Ministry of Housing, Communities and Local Government

This document/publication is also available on our website at www.gov.uk/mhclg

If you have any enquiries regarding this document/publication, complete the form at http://forms.communities.gov.uk/ or write to us at:

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For all our latest news and updates follow us on Twitter: https://twitter.com/mhclg

May 2019

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Contents

Scope of the consultation

Topic of this consultation:	This consultation seeks views on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales. It covers the following areas: 1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle 2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles 3. Proposals for flexibility on exit payments 4. Proposals for further policy changes to exit credits 5. Proposals for policy changes to employers required to offer LGPS membership
Scope of this consultation:	MHCLG is consulting on changes to the regulations governing the Local Government Pension Scheme (LGPS).
Geographical scope:	These proposals relate to the Local Government Pension Scheme in England and Wales only.
Impact Assessment:	The Ministry's policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not cause disproportionate negative impacts on particular groups with protected characteristics, and that in formulating them, the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals in sections 1 to 4 which set out changes to valuations, flexibilities on exit payments and in relation to exit credits payable under the scheme, as there will be no change to member contributions or benefits as a result. Our proposals in section 5 to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS may result in a difference in treatment between the staff of an institution who are already in the LGPS when the change comes into force (who would have a protected right to membership of the LGPS) and new employees (who would not). It will be up to each institution to consider the potential equalities impacts when making a decision on which, if any, new employees should be given access to the scheme. Question 19 asks for views from respondents on equalities impacts and on any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation.

	When we bring forward legislation, a fuller analysis will include the equality impacts of any final policy proposals.

Basic Information

To:	Any changes to the LGPS rules are likely to be of interest to a wide range of stakeholders, such as local pension funds, administering authorities, those who advise them, LGPS employers and local taxpayers.
Body/bodies responsible for the consultation:	Local Government Finance Reform and Pensions, Ministry of Housing, Communities and Local Government
Duration:	This consultation will last for 12 weeks from 8 May 2019 to 31 July 2019
Enquiries:	For any enquiries about the consultation please contact: LGPensions@communities.gov.uk
How to respond:	Please respond by email to: LGPensions@communities.gov.uk Alternatively, please send postal responses to: LGF Reform and Pensions Team Ministry of Housing, Communities and Local Government 2nd Floor, Fry Building 2 Marsham Street London SW1P 4DF When you reply, it would be very useful if you could make it clear which questions you are responding to. Additionally, please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include: - your name, - your position (if applicable), - the name of organisation (if applicable), - an address (including post-code), - an email address, and - a contact telephone number.

Introduction

This consultation contains proposals on a number of matters relating to the Local Government Pension Scheme (LGPS) in England and Wales.

Amongst these, it is proposed to amend the local fund valuation cycle of the LGPS from the current three year (triennial) cycle to a four year (quadrennial) one. The Government has moved the LGPS scheme valuation to a quadrennial cycle[1], and our consultation is intended to ensure that scheme and local valuations are aligned. Views are sought on whether this is the right approach and the best way of transitioning the LGPS to a quadrennial local valuation cycle.

The LGPS is a locally administered funded pension scheme, established primarily to provide retirement benefits to individuals working in local government in England and Wales. Local fund valuations are used to set employer contribution rates and to assess whether funds are on target to meet their pension liabilities as they fall due in the years ahead. In making our proposals, we aim to ensure that a lengthening of the valuation cycle would not materially increase the risks that pension funds and their employers face. We are therefore proposing mitigation measures that would allow LGPS funds to act between valuations and address any issues as they arise, specifically:

- We propose the introduction of a power for LGPS funds to undertake interim valuations. This would allow LGPS administering authorities to act when circumstances change between valuations and undertake full or partial valuations of their funds.

- We also propose the widening of a power that allows LGPS administering authorities to amend an employer’s contribution rate in between valuations, so that contribution rates can be adjusted following the outcome of a covenant check or where liabilities are estimated to have significantly reduced.

Views are sought on the detail of these measures and what LGPS funds should put in their funding strategy statements regarding these matters.

These measures are intended to help funds manage their liabilities and ensure that employer contributions are set at an appropriate level. However, for some employers, a significant issue is the cost of exiting the scheme which can be prohibitive. Current regulations require that when the last active member of an employer leaves the scheme, the employer must pay a lump sum exit payment calculated on a full buy-out basis. We are seeking views on two alternative approaches that would reduce the cliff-edge faced by employers:

- To introduce a ‘deferred employer’ status that would allow funds to defer the triggering of an exit payment for certain employers who have a sufficiently strong

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[1] https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations

covenant. Whilst this arrangement remains in place, deferred employers would continue to pay contributions to the fund on an ongoing basis:

- To allow an exit payment calculated on a full buy-out basis to be recovered flexibly – i.e. over a period of time. This may be of use where an administering authority does not feel that granting deemed employer status would be appropriate but that some level of flexibility is in the interests of the fund and other employers.

We also seek views on an issue that has come to light in recent months. In 2018, the LGPS Regulations 2013 were amended[2] to allow the payment of 'exit credits' to scheme employers who are in surplus at the time their last active member leaves the scheme. This followed a consultation on the introduction of exit credits undertaken by the Department in 2016[3]. However, it has since been highlighted that the amendments can cause issues where an LGPS employer has outsourced a service and used contractual arrangements to share risk with their contractor. Views are sought on a mechanism via which we can address this issue.

And finally, given the LGPS's funded nature, with liabilities potentially falling back on local authorities and other public bodies in a particular area in the event an employer cannot meet its obligations, the Government is conscious of the need to ensure that scheme participation requirements remain appropriate. Changes in the higher education and further education sectors have taken place in recent years and we are consulting on proposals that would remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff. Instead, reflecting their status as non-public sector, autonomous organisations, we propose it will be for each institution to determine whether to offer the LGPS to new employees or not.

Under our proposals, current active LGPS members and those eligible for active membership in an employment with a further education corporation, sixth form college corporation or higher education corporation in England would have a protected right to membership of the scheme.

Your comments are invited on the questions contained in sections 1 to 5. **The closing date for responses is 31 July 2019**.

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[2] S.I. 2018/493

[3] https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations

Changes to the Local Government Pension Scheme (LGPS) valuation cycle

1.1 Changes to the local fund valuation cycle

The Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes[4].

Aligning the LGPS scheme valuation with other public sector schemes allows for outcomes of each valuation to be looked at in parallel and for Government to make consistent decisions for the public sector as a whole.

Each LGPS fund also carries out a local valuation which is used to assess its financial health and to determine local employer contributions. Currently the valuation cycle of the scheme and of individual funds align. This will no longer be the case as the scheme nationally has moved to a quadrennial cycle. We therefore propose that LGPS funds should also move from triennial to quadrennial valuation cycles.

Moving the LGPS local fund valuations to quadrennial cycles would deliver greater stability in employer contribution rates and reduce costs. The Scheme Actuary's review of local valuations under s13 of the Public Service Pensions Act 2013 would also move to a quadrennial cycle.

However, we recognise that there are potential risks that changes in employer contribution rates may be greater as a result of longer valuation periods and that longer valuation periods could also lead to reduced monitoring of any risks and costs. Section 2 of this consultation sets out proposals to mitigate these matters.

If we move to quadrennial local fund valuations, we propose to produce draft regulations making the necessary amendments to the LGPS Regulations 2013, amending regulation 62(2), 62(3) and other consequential regulations in due course.

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

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[4] https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations

1.3 Transition to a new LGPS valuation cycle

Given that LGPS funds and the other public sector schemes have carried out a valuation as at 1 April 2016, now is the best opportunity to achieve consistency. If missed, it would be 2028 before valuations of all the schemes align again. On the assumption that scheme and fund valuations are carried out at the same date, potential approaches are as follows:

a) For the next fund valuation to complete as anticipated, using data as at 31 March 2019, giving rates and adjustment certificates for the **coming five years** (i.e. from 1 April 2020-2025) but with the administering authority having the option to perform an interim valuation if circumstances require changes to contribution rates. Further fund valuations would be done using data as at 31 March 2024 and every four years thereafter.

b) For the next fund valuation to complete as anticipated, using data as at 31 March 2019, giving rates and adjustment certificates for the **coming three years** (i.e. from 1 April 2020-2023). The following valuation would be done with fund data as at 31 March 2022 but giving new rates and adjustments certificates for **only two years**. Further fund valuations would be done using data as at 31 March 2024 and every four years thereafter.

Our proposal is to adopt approach b) as it provides continuity and potentially gives LGPS funds greater funding certainty than a five-year cycle would provide.

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Dealing with changes in circumstances between valuations

2.1. Ability to conduct an interim valuation of local funds

With a longer valuation period of four years, there is greater scope for changes in assets and liabilities between valuations with a consequent potential increase in risks. In relation to the value of assets, this might include a significant downturn in value or increased volatility in returns. In relation to liabilities, this could be due to a sustained lower level of interest rates. The Government Actuary considered the potential impact of volatility of asset returns and changes in economic conditions on funds in their report on the 2016 local valuations[5]. The results showed that funds could face significant pressure on employer contributions in some future scenarios.

As part of a package of mitigation measures, we are proposing to introduce a new power to enable funds to conduct an interim valuation to reassess their position and, where appropriate, adjust the level of contributions outside of the regular cycle. This would not affect the timing of the next quadrennial fund valuation or the scheme valuation. It would, however, allow administering authorities to manage risk and avoid the need for very sharp corrections if maintaining the longer review cycle. This is consistent with the aim of the current regulations in preserving as much stability as possible in contribution rates across valuations (see Reg 66(2)(b) of the 2013 LGPS Regulations).

Depending on the trigger for the interim valuation, different levels of actuarial advice might be needed. For example, it may not be necessary to revisit all of the demographic assumptions and scheme experience where the trigger is a major financial down-turn shortly after the last valuation was completed. Funds will want to assure themselves that they have access to such data and analysis as is proportionate to the nature of the trigger and the time elapsed since the previous valuation.

Allowing an interim valuation gives greater adaptability should longer-term trends emerge that it would be prudent to address ahead of the next scheduled valuation.

To limit the risk that interim valuations could be timed to take advantage of short-term market conditions and undermine the cost and administrative advantages of a longer valuation cycle, we propose that interim valuations may take place only for the reasons set out in an authority's Funding Strategy Statement. In exceptional circumstances not envisaged in the Funding Strategy Statement, a fund could apply for a direction from the Secretary of State to carry out an interim valuation. The Secretary of State would also have a power to require interim valuations of funds either on representation from funds, scheme employers or of his own motion.

We propose to include in the regulations, supported by statutory guidance, certain protections so that decisions on whether to undertake an interim valuation should only be

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[5] https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2016

made by the administering authority having due regard to the views of their actuary and following consultation with the Local Pension Board. Where an administering authority undertakes an interim valuation it would also be obliged to notify the Secretary of State of the reasons for it and the conclusions reached. The costs of the valuation would be recovered in the usual way from all employers. As interim valuations should not be necessary frequently, the cost is likely to be more than offset by the move to four-yearly valuations.

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

2.2. Review of employer contributions

A four-year valuation cycle would also mean fewer opportunities to respond to changes in the financial health of scheme employers. This means that the assessment made at the time of the valuation about that employer being able to meet all of its obligations to the fund, most importantly to make contributions (often referred to as an employer's "covenant strength"), might be out of date.

CIPFA's guidance on maintaining a Funding Strategy Statement[6] requires funds to identify the employer risks that inevitably arise from managing a large and often changing group of scheme employers. In their related guidance on *Managing Risk in the Local Government Pension Scheme* (2018) they emphasise the importance of maintaining a knowledge base to track and identify risk levels for each employer. It further suggests that employers be categorised into groups depending on the level of risk they present to the fund as a whole.

We understand that some funds already carry out frequent reviews of their employers' covenant strength. Currently, the LGPS regulations provide funds with a limited number of tools to manage or reduce any risks identified. These tools include:

- At each valuation specifying secondary rate contributions that target a funding level that has been set with regard to the covenant strength of that employer (as allowed by Regulation 62(7) of the 2013 LGPS Regulations);
- Requiring adequate security for new admission bodies (as required in Part 3 of Schedule 2 to the 2013 LGPS Regulations);
- Increasing the security where existing admitted bodies wish to make changes to their admission agreement (as allowed for in Part 3 of Schedule 2 to the 2013 LGPS Regulations);
- Reviewing employer contributions where there is evidence that the employer is likely to exit the scheme (Regulation 64(4) of the 2013 LGPS Regulations);

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[6] Preparing and Maintaining a Funding Strategy Statement, published September 2016

- Reviewing employer contributions where there is evidence that the liabilities of that employer have increased substantially (see Regulations 64(6)(b) of the 2013 LGPS Regulations).

Whilst a four-yearly review of employer contributions would be sufficient for statutory or tax-payer backed employers, we recognise that for some scheme employers, and in particular admitted bodies, it may be prudent to allow funds to amend contribution rates more frequently. That would be driven by a change in the deficit recovery period and/or funding target level for a single employer, or group of employers, where this was felt necessary to protect other employers in the scheme or the solvency of the fund itself.

This would include giving funds the ability to offer employers a reduction in their contribution rate if they were able to make a one-off deficit reduction payment or there was a significant change in the composition of their workforce following a merger. We propose to introduce the ability for an employer to request a reassessment of its contribution rate where it believes that its liabilities have reduced.

We propose that funds would need to specify in their Funding Strategy Statement those employers (generally statutory or tax-raising employers) for whom the regular assessment of employer contributions through valuations is sufficient and what events would trigger reassessment through covenant reviews for other employers.

As these reassessments of employer contributions are designed to protect the interest of all employers and the scheme as a whole, the costs of conducting them anticipated in the Funding Strategy Statement, or triggered by a particular event or concern over covenant, would normally be met by the fund as a whole. However, where a scheme employer requested a reassessment because it believed that this would lead to a reduction in its contribution rate, then this would be paid for by the employer concerned.

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

2.3. Guidance on setting a policy

As set out above we are proposing that the regulations would require funds to include their policy on interim valuations and reviews of employer contributions in their Funding Strategy Statement. We would also anticipate that CIPFA would want to reflect these new tools to manage risk in the guidance which it offers to funds on drafting an Funding Strategy Statement and in managing risk. However, to help ensure consistency of approach between funds, we also propose that in setting their policy they would also be required to have regard to advice that we would invite the Scheme Advisory Board to provide. This would include advice in the following areas:

- The exceptional circumstances where the case for an interim valuation could be made to the Secretary of State;
- The process for triggering and timescale for completing interim valuations;

- Best practice in working with scheme employers and other interested parties where an interim valuation is undertaken;
- What level of professional advice is appropriate to deliver the interim valuation.

In relation to action being taken to review employer contributions we would similarly ask the Scheme Advisory Board to consider guidance on the following areas:

- How to work with employers when a request is made for a review of its employer contributions;
- The process for carrying out employer covenant reviews and how to work with employers where the fund feels that further action is needed;
- Communicating with all scheme employers on how risk is being managed and how the cost of reviews will be met;
- What comprises a proportionate level of actuarial and other professional advice.

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Flexibility on exit payments

3.1 Introduction

We know that some smaller and less financially robust employers are finding the current exit payment regime in LGPS onerous. Rather than protecting the interests of members, it may mean employers continue to accrue liabilities that they cannot afford. It can also create the risk that some employers could be driven out of business as a result of inability to meet a substantial exit payment when they finally come to leave. This can have implications for other jobs, the delivery of local services and future support for the scheme.

These problems arise because employer debt is calculated at full buy-out basis[7] on the employer's total accrued liabilities to the scheme, and the amount due up-front or in a short period of time if the last active member leaves an employer can be significantly higher than their on-going contributions. If an employer does not have a source of capital available with which to pay the employer debt, they can effectively find themselves tied to the scheme indefinitely, even if this is not the most prudent way to proceed for all those concerned.

The current regime is designed to protect those scheme employers who remain in the scheme when one or more other employers have ceased to employ active members and who may be left with orphan liabilities. Any changes to the employer debt regime would have to be carefully considered to ensure that they would not result in an increased risk to members or remaining scheme employers.

In recognition of these and other issues, the Scheme Advisory Board has commissioned AON to look at the potential funding, legal and administrative issues presented by the participation of what it calls Tier 3 employers[8] in the scheme, and to identify options to improve the situation. A working group has been established by the Scheme Advisory Board with a view to making recommendations to the Secretary of State later in the year. It is hoped that the Scheme Advisory Board working group will be able to include this consultation in its deliberations.

We have also heard from many in the sector that the time is right to bring LGPS more in line with wider practice in the private pensions sector. Deferred debt arrangements in the private sector enable an employer in a multi-employer pension scheme, who fulfils certain conditions, to defer their obligation to pay an employer debt on ceasing to employ an active scheme member. The arrangement requires the employer to retain all their previous responsibilities to the scheme and continue to be treated as if they were the employer in

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[7] Exit payments are currently based on that employer's share of the deficit in the scheme calculated on a 'full-buy out basis' (i.e. the amount that would need to be paid to an insurer to take on the pension scheme's liabilities).

[8] Scheme Advisory Board defines Tier 3 bodies as being those which are not tax-payer backed ("Tier 1"), academies ("Tier 2") or admitted bodies performing services under contract to local authorities ("Tier4")

relation to that scheme. A key consideration in considering whether to introduce a similar arrangement into LGPS will be how to ensure that employers wanting to take advantage of this option have sufficient and appropriate assets to cover their liabilities and that the arrangement will not adversely affect other employers.

We therefore propose to grant funds more flexibility to manage an employer's liabilities in this situation, by spreading exit payments over a period or by allowing an employer with no active members to defer exit payments in return for an ongoing commitment to meet their existing liabilities.

3.2 Flexibility in recovering exit payments

This proposal aims to enable scheme employers which are ceasing to employ any active members with the flexibility, in agreement with the administering authority, to spread exit payments over a period, where this would also be in the interests of the fund and other employers.

This option would be available in situations where an administering authority considered that some flexibility over the repayment programme would be in the best interests of the fund and other employers. We understand that some funds have been attempting to achieve a similar objective through side-agreements with employers at the time of exit. However, we feel that it would be more appropriate to regularise this approach and put it on a firm legislative footing.

In order to implement this new flexibility we have considered the model implemented by the Scottish Public Pensions Agency. This allows administering authorities to adjust an exiting employer's contributions to ensure that the exit payment due is made by the expected exit date or spread over such a period as the fund considers reasonable. This is set out in their Regulation 61(6)[9]:

> *"(6) Where in the opinion of an administering authority there are circumstances which make it likely that a Scheme employer (including an admission body) will become an exiting employer, the administering authority may obtain from an actuary a certificate specifying the percentage or amount by which, in the actuary's opinion—*
>
> *(a) the contribution at the primary rate should be adjusted; or*
>
> *(b) any prior secondary rate adjustment should be increased or reduced,*
>
> *with a view to providing that assets equivalent to the exit payment that will be due from the Scheme employer are provided to the fund by the likely exit date or, where the Scheme employer is unable to meet that liability by that date, over such period of time thereafter as the administering authority considers reasonable."*

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[9] In the Local Government Pension Scheme (Scotland) Regulations 2018

This is a permissive model that gives administering authorities considerable flexibility to use their judgement and local knowledge in balancing the competing interests involved.

We propose to follow this approach but would welcome views from consultees on whether some additional protections are required, such as a maximum time limit over which exit payments could be spread (perhaps three years).

For the avoidance of doubt, we propose that the exit payment in these circumstances would continue to be calculated as now on a full buy-out basis.

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required ?

3.3 Deferred employer status and deferred employer debt arrangements

These proposals aim to enable scheme employers who are ceasing to employ any active members to defer exit payments in return for an ongoing commitment to meet their existing liabilities, in agreement with the fund. This commitment would protect the fund and other employers. This will be of particular help to smaller employers (such as charities) in managing their obligation to make an exit payment when they cease to employ an active member of the scheme.

Drawing on the model of the S75 approach that was recently introduced by DWP for private sector[10] defined benefit multi-employer funds, we have set out a possible model for the LGPS. We would welcome views from consultees on how to develop the model to best reflect the needs of all parties participating in LGPS.

i) Definition of deferred employer status

Employers taking advantage of this ability to maintain a link with the scheme, despite no longer having active members, would become “deferred employers”. A deferred employer is defined as an employer who, at the point that their last active member leaves the scheme, enters into a deferred employer debt arrangement with the administering authority, and that arrangement has not been terminated by a ‘relevant event’ (see section iii below).

ii) Basis on which a deferred employer debt arrangement would be offered

To enter into a deferred employer debt arrangement, the fund would need to be satisfied that the employer has just, or is about to, become an exiting employer as defined in LGPS regulations and has a sufficient covenant not to place the fund under undue risk. When DWP consulted on the equivalent provisions for private sector schemes (referred to earlier) they considered the introduction of a test whereby employers could only be eligible

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[10] These are the employer debt arrangements made under S75 of the Pensions Act 1995. More information is available here: https://www.gov.uk/government/consultations/the-draft-occupational-pension-schemes-employer-debt-amendment-regulations-2017

for the equivalent of a deferred employer debt arrangement if they were already funded above a prescribed level. In line with the decision DWP took in relation to private sector DB schemes, we have considered and rejected the option of setting such a minimum level of funding. We believe that this will be a relevant factor in scheme managers' assessment of covenant and risk and therefore needs to be weighed alongside all the other evidence available.

iii) Termination of a deferred employer debt arrangement

In order to protect the fund, we would expect any deferred employer debt arrangement to set out in the following circumstances which would trigger termination, to be known as "relevant events":

- the employer has new active members;
- the employer and scheme manager both agree to terminate the agreement and an exit payment falls due;
- the scheme manager assesses that the covenant has significantly deteriorated and a relevant event occurs (insolvency, voluntary winding up, CVA);
- the employer restructures and the covenant value is significantly affected in the view of the scheme manager. Restructuring for these purposes occurs where the employer's corporate assets, liabilities or employees pass to another employer;
- the fund serves notice that the employer has failed to comply with any of its duties under LGPS regulations or other statutory provisions governing the operation of a pension fund.

iv) Responsibilities of the deferred employer

An employer in a deferred employer debt arrangement would still be an employer for scheme funding and scheme administration purposes. Funds will continue to carry out regular actuarial valuations to establish whether or not their funding position is on track according to the funding strategy they have adopted, and to put in place a recovery plan where any shortfalls are identified. Deferred employers will be required to make secondary contributions as part of this plan and this requirement will apply to any employer who has entered into a deferred debt arrangement.

We will expect administering authorities to adopt a robust policy to be set out in their Funding Strategy Statement, following consultation with employers and their Local Pension Board and having regard to any guidance issued by CIPFA or the Secretary of State. Our intention is to give funds some flexibility to use their judgement and local knowledge to reach suitable arrangements that balances the competing interests involved.

We would expect administering authorities to offer deferred employer debt arrangements when this is in the interests of the other fund employers and where there is not expected to be a significant weakening of the employer covenant within the coming 12 months.

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

3.4 Proposed approach to implementation of deferred employer debt arrangements

We do not intend to legislate for every aspect of the model above. Our starting point is that the key obligations and entitlements of parties should be in the regulations. Statutory guidance can be helpful in putting more flesh on the bones and ensuring that there is consistency in application. On the assessment of risk and in balancing competing interests of scheme stakeholders we consider that the Scheme Advisory Board is better placed to offer real-world, credible guidance to funds. We would welcome views from consultees about the appropriate balance to be struck between legal requirements to be set out in regulations, statutory guidance issued under regulation 2(3A) of the 2013 Regulations, and guidance from the Scheme Advisory Board.

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

3.5 Summary of options for management of employer exits

Implementing the proposals above on exit payments would make the following set of options available to administering authorities when dealing with employer exits:

1. Calculate and recover an exit payment as currently for employers ready and able to leave and make a clean break;
2. Agree a repayment schedule for an exit payment with employers who wish to leave the scheme but need to be able to spread the payment;
3. Agree a deferred employer debt arrangement with an employer to enable them to continue paying deficit contributions without any active members where the scheme manager was confident that it would fully meet its obligations.

We expect that employers will want to see a level of transparency and consistency in the use which administering authorities make of this new power. We expect that that statutory or Scheme Advisory Board guidance will be necessary in addition to a change to regulations and welcome views on which type of guidance would be appropriate for which aspects of the proposals.

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Exit credits under the LGPS Regulations 2013

4.1 Introduction of exit credits in May 2018

In April 2018, the Government made changes[11] to the LGPS Regulations 2013 allowing exit credits to be paid from the Scheme for the first time. Following the amendments, which were effective from 14 May 2018, where the last active member of a scheme employer leaves the LGPS, an exit credit may be payable if an actuarial assessment shows that the employer is in surplus on a full buy-out basis at the time of their exit. Prior to the changes, the 2013 Regulations had only provided that a scheme employer would be responsible for any shortfall and where such a shortfall occurred they would be responsible for paying an exit payment.

The amendments to allow exit credits to be paid from the Scheme were intended to address this imbalance. They also followed prior concerns that the lack of such a provision meant some scheme employers who were nearing their exit were reluctant to pre-fund their deficit out of concern that, if they contributed too much, they would not receive their excess contributions back. Accordingly, the government consulted on addressing this via the introduction of exit credits in May 2016[12], as part of a wider consultation exercise.

Feedback from the consultation exercise was broadly supportive of this change. Responses focussed on two technical issues:

- Some respondents suggested that our proposed timescales for payment of an exit credit were too tight (at one month).
- Some also suggested that we should include a clarifying provision noting that where an exit credit had been paid there could be no further claim on the fund.

Both concerns were addressed in the final regulations, which provided that funds would have three months to pay an exit credit and that no further payment could be made to a scheme employer from an administering authority after an exit credit had been paid.

4.2 Exit credits and pass-through

In the period since the 2013 Regulations were amended, some concerns have been raised about a consequential impact of the introduction of exit credits, specifically where a scheme employer has outsourced a service or function to a service provider. In such

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[11] S.I. 2018/493

[12] https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations

situations, scheme employers often use a ‘pass-through’ approach to limit the service provider’s exposure to pensions risk to obtain a better contract price. Where pass-through is used, service contracts, or side agreements to service contracts between LGPS employers and their service providers will often be used to set out the terms that apply.

It has been drawn to our attention that where LGPS employers entered into a contract with a service provider before the introduction of exit credits, the terms of the pass-through agreement may cause unforeseen issues to arise. This may occur where an employer has entered into a side agreement with a service provider which includes pass-through provisions, and under this side agreement, the authority has agreed to pay the service provider’s LGPS employer contributions for the life of the contract as well as meet any exit payment at the end of the contract. When the contract ceases, the service provider (as the scheme employer) may be significantly in surplus and entitled to an exit credit, even though the employer has borne the costs and the risk in relation to the service provider’s liabilities through the life of the contract.

This situation would clearly not have been what was intended when the contract was agreed. It would be unfair for a service provider to receive an exit credit in such a situation and it is our intention to make changes that would mean that service providers cannot receive the benefit of exit credits in such cases.

4.3 Proposal to amend LGPS Regulations 2013

We therefore propose to amend the 2013 Regulations to provide that an administering authority must take into account a scheme employer’s exposure to risk in calculating the value of an exit credit. There would be an obligation on the administering authority to satisfy itself if risk sharing between the contracting employer and the service provider has taken place (for example, via a side agreement which the administering authority would not usually have access to). If the administering authority is satisfied that the service provider has not borne any risk, the exit credit may be calculated as nil.

We also intend that such a change would be retrospective to the date that the LGPS Regulations 2013 were first amended to provide for the introduction of exit credits – i.e. to 14 May 2018. This would ensure that where a service provider has not borne pensions risk but has become entitled to an exit credit, they should not receive the benefit of that exit credit.

By making this change retrospective, the revised exit credit provisions would apply in relation to all scheme employers who exit the scheme on or after 14 May 2018.

In the event of any dispute or disagreement on the level of risk a service provider has borne, the appeals and adjudication provisions contained in the LGPS Regulations 2013 would apply.

It should also be noted that the government is consulting on the introduction of a new way for service providers to participate in the LGPS[13]. Use of the deemed employer approach,

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[13] https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection

if introduced, would also prevent exit credits becoming payable to service providers where they have not borne contribution or funding risks.

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Employers required to offer LGPS membership

5.1 Further education corporations, sixth form college corporations and higher education corporations

Under the LGPS Regulations 2013, further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

In recent years, a number of changes have taken place in the further education and higher education sectors.

- In 2012, the Office for National Statistics took further education and sixth form college corporations in England out of the General Government sector, reflecting changes introduced by the Education Act 2011 which, in the view of the ONS, took public control away from such organisations.

- The Technical and Further Education Act 2017 provided for the introduction of a new statutory insolvency regime for further education and sixth form college corporations in England and Wales meaning, for the first time, it will be possible for such bodies to become legally insolvent. The Government expects cases of insolvency to be rare.

- The Higher Education and Research Act 2017 established a new regulatory framework and a new single regulator of higher education in England, the Office for Students (the OfS). The OfS adopts a proportionate, risk-based approach to regulating registered higher education providers consistent with its regulatory framework.

Reflecting the independent, non-public sector status, of further education, sixth form colleges, and the autonomous, non-public sector status of higher education corporations, these bodies are responsible for determining their own business models and for ensuring that their financial positions are sound. As such, these bodies may value greater flexibility in determining their own pension arrangements for their own workforces. Indeed, some respondents to the Department for Education consultation ‘Insolvency regime for further education and sixth form colleges’, held in 2017-18, requested that the obligation to offer LGPS to all eligible staff be removed.

The LGPS is, unlike many public service pension schemes, a “funded scheme”. This means that employee and employer contributions are set aside for the payment of pensions and are invested to maximise returns. It is a statutory scheme, with liabilities potentially falling back on other LGPS employers in the event of an employer becoming insolvent. The costs associated with meeting the liabilities of a failed organisation could therefore fall back on local authorities and other scheme employers, meaning there may be a direct impact on the finances of public bodies in a particular area if an organisation fails.

Given the nature of the LGPS and the changes in the further education and higher education sectors, it is right to consider whether it is still appropriate for LGPS regulations to require that these employers offer the LGPS for all eligible staff.

We propose to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS.

Under our proposals each corporation would have the flexibility to decide whether to offer the LGPS to all or some eligible new employees. We recognise that corporations will continue to view offering LGPS as a valuable and important tool in recruitment and retention strategies, but the flexibility as to when to use the tool should be for the corporations themselves.

We also propose that those already in employment with a further education, sixth form college or a higher education corporation in England and who are eligible to be a member of the LGPS before the regulations come into force have a protected right to membership of the scheme. These employees would retain an entitlement to membership of the scheme for so long as they remain in continuous employment with the body employing them when the regulations come into force. These employees would also retain an entitlement to membership of the scheme following a compulsory transfer to a successor body, for example, following the merger of two corporations.

Further and higher education policy is devolved to the Welsh Government. Whilst some of the changes in the sectors highlighted here apply to bodies in Wales as well as in England, at the moment, the Welsh Government does not propose to change the requirements of the LGPS Regulations 2013 in relation to further education corporations and higher education corporations in Wales. These bodies will continue to be required to offer membership of the LGPS to their non-teaching staff.

Question 18 – Do you agree with our proposed approach?

Public sector equality duty

6.1 Consideration of equalities impacts

The Ministry’s policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not cause disproportionate negative impacts on particular groups with protected characteristics, and that in formulating them the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals in sections 1 to 4 which set out changes to valuations, flexibilities on exit payments and in relation to exit credits payable under the scheme, as there will be no change to member contributions or benefits as a result.

Our proposals in section 5 to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS may result in a difference in treatment between the staff of an institution who are already in the LGPS when the change comes into force (who would have a protected right to membership of the LGPS), and new employees (who would not). It will be up to each institution to consider the potential equalities impacts when making their decision on which, if any, new employees should be given access to the scheme.

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

Summary of consultation questions

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Question 18 – Do you agree with our proposed approach?

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the General Data Protection Regulation, and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex A.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the complaints procedure.

Annex A

Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. **The identity of the data controller and contact details of our Data Protection Officer**
The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gov.uk

2. Why we are collecting your personal data
Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data
The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

Section 21 of the Public Service Pension Act 2013 requires the responsible authority, in this case the Secretary of State, to consult such persons as he believes are going to be affected before making any regulations for the Local Government Pension Scheme. MHCLG will process personal data only as necessary for the effective performance of that duty

3. With whom we will be sharing your personal data
We do not anticipate sharing personal data with any third party.

4. For how long we will keep your personal data, or criteria used to determine the retention period.
Your personal data will be held for two years from the closure of the consultation*.*

5. Your rights, e.g. access, rectification, erasure
The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

a. to see what data we have about you
b. to ask us to stop using your data, but keep it on record
c. to ask to have all or some of your data deleted or corrected

d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/, or telephone 0303 123 1113.

6. Your personal data will not be sent overseas

7. Your personal data will not be used for any automated decision making.

8. Your personal data will be stored in a secure government IT system.

Pensions Committee Agendas – Forward Plan

September 2019

1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Training – TBC
5. Carbon Risk Audit
6. Pension Fund Report and Accounts
7. Quarterly Update
8. GMP rectification
9. Annual Report of the Pensions Committee
10. TPR Code of Practice Compliance
11. Governance Policy & Compliance Statement Review
12. Training Policy Review - Update

December 2019

1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Training – Infrastructure
5. Infrastructure Investment
6. Quarterly Update
7. Strategic Asset/Liability Review
8. Actuarial Valuation and Funding Strategy Statement
9. Longevity Monitoring – Club Vita
10. Knowledge and Skills Self-Assessment
11. Conflicts of Interest Policy

March 2020

1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Training – TBC
5. Quarterly Update
6. Actuarial Valuation – Final report sign off
7. Investment Strategy Statement Review
8. Pension Administration Strategy
9. Employer Data Audit
10. AVC Review

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

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