PENSIONS COMMITTEE

Thursday 20 January 2022 at 6.30 pm

The live stream can be viewed here:
https://youtu.be/O3VA5Unrr9s
Backup link: https://youtu.be/ZE57KKQwjaw

Members of the Committee:
Cllr Kam Adams (Vice-Chair)
Cllr Polly Billington
Cllr Robert Chapman (Chair)
Cllr Michael Desmond
Cllr Margaret Gordon
Cllr Ben Hayhurst
Cllr Nick Sharman
Cllr Patrick Spence
Cllr Lynne Troughton
Conservative Vacancy

Co-optees:
Jonathan Malins-Smith and Henry Colthurst

Mark Carroll – Chief Executive
Published: 13 January 2022

Andrew Spragg, Governance Services Team Leader
Email: andrew.spragg@hackney.gov.uk

Pensions Committee
Thursday 20 January 2022
Agenda

10 March 2022

Public Attendance

The Town Hall is not presently open to the general public, and there is limited capacity within the meeting rooms. However, the High Court has ruled that where meetings are required to be ‘open to the public’ or ‘held in public’ then members of the public are entitled to have access by way of physical attendance at the meeting. The Council will need to ensure that access by the public is in line with any Covid-19 restrictions that may be in force from time to time and also in line with public health advice.

Those members of the public who wish to observe a meeting are still encouraged to make use of the live-stream facility in the first instance. You can find the link on the agenda front sheet.

Members of the public who would ordinarily attend a meeting to ask a question, make a deputation or present a petition will be able to attend if they wish. They may also let the relevant committee support officer know that they would like the Chair of the meeting to ask the question, make the deputation or present the petition on their behalf (in line with current Constitutional arrangements).

In the case of the Planning Sub-Committee, those wishing to make representations at the meeting should attend in person where possible.

Regardless of why a member of the public wishes to attend a meeting, they will need to advise the relevant committee support officer of their intention in advance of the meeting date. You can find contact details for the committee support officer on the agenda front page. This is to support track and trace. The committee support officer will be able to confirm whether the proposed attendance can be accommodated with the room capacities that exist to ensure that the meeting is covid-secure.

As there will be a maximum capacity in each meeting room, priority will be given to those who are attending to participate in a meeting rather than observe.

Members of the public who are attending a meeting for a specific purpose, rather than general observation, are encouraged to leave the meeting at the end of the item for which they are present. This is particularly important in the case of the Planning Sub-Committee, as it may have a number of items on the agenda involving public representation.

Before attending the meeting

The public, staff and councillors are asked to review the information below as this is important in minimising the risk for everyone.

If you are experiencing covid symptoms, you should follow government guidance. Under no circumstances should you attend a meeting if you are experiencing covid symptoms.

Anyone experiencing symptoms of Coronavirus is eligible to book a swab test to find out if they have the virus. You can register for a test after checking your symptoms through the NHS website. If you do not have access to the internet, or have difficulty with the digital portals, you are able to call the 119 service to book a test.

If you're an essential worker and you are experiencing Coronavirus symptoms, you can apply for priority testing through GOV.UK by following the guidance for essential workers. You can also get tested through this route if you have symptoms of coronavirus and live with an essential worker.

Availability of home testing in the case of people with symptoms is limited, so please use testing centres where you can.

Even if you are not experiencing covid symptoms, you are requested to take an asymptomatic test (lateral flow test) in the 24 hours before attending the meeting.

You can do so by visiting any lateral flow test centre; details of the rapid testing sites in Hackney can be found here. Alternatively, you can obtain home testing kits from pharmacies or order them here.

You must not attend a lateral flow test site if you have Coronavirus symptoms; rather you must book a test appointment at your nearest walk-through or drive-through centre.

Lateral flow tests take around 30 minutes to deliver a result, so please factor the time it will take to administer the test and then wait for the result when deciding when to take the test.

If your lateral flow test returns a positive result then you must follow Government guidance; self-isolate and make arrangements for a PCR test. Under no circumstances should you attend the meeting.

Attending the Town Hall for meetings

To make our buildings Covid-safe, it is very important that you observe the rules and guidance on social distancing, one-way systems, hand washing, and the wearing of masks (unless you are exempt from doing so). You must follow all the signage and measures that have been put in place. They are there to keep you and others safe.

To minimise risk, we ask that Councillors arrive fifteen minutes before the meeting starts and leave the meeting room immediately after the meeting has concluded. The public will be invited into the room five minutes before the meeting starts.

Members of the public will be permitted to enter the building via the front entrance of the Town Hall no earlier than ten minutes before the meeting is scheduled to start. They will be required to sign in and have their temperature checked as they enter the building. Security will direct them to the Chamber or Committee Room as appropriate.

Seats will be allocated, and people must remain in the seat that has been allocated to them.

Refreshments will not be provided, so it is recommended that you bring a bottle of water with you.

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. 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:

- 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.

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.

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 meeting when the item in which you have an interest is being discussed. You cannot stay in the meeting 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 meeting 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.

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.

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

i. Declare the existence and nature of the interest (in relation to the relevant agenda item) as soon as it becomes apparent to you.

ii. You may remain in the meeting, 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 meeting unless you have obtained a dispensation from the Monitoring Officer or Standards Committee. You cannot stay in the meeting 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 meeting. Once you have finished making your representation, you must leave the meeting 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 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 non pecuniary interest.

Further Information

Advice can be obtained from Dawn Carter-McDonald, Director for Legal & Governance Services via email dawn.carter-mcdonald@hackney.gov.uk

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Hackney

MINUTES OF THE MEETING OF THE PENSIONS COMMITTEE HELD ON WEDNESDAY, 23 NOVEMBER 2021

THIS MEETING WAS LIVE STREAMED AND CAN BE VIEWED HERE:
https://youtu.be/Sp6P75Z2AUA

Chair:	**Cllr Robert Chapman in the Chair**
Councillors in Attendance:	**Cllr Kam Adams, Cllr Michael Desmond, Cllr Patrick Spence and Cllr Lynne Troughton.**
Apologies:	**Cllrs Billington and Sharman**
Officers in Attendance:	Ian Williams (Group Director Finance & Resources), Jackie Moylan (Director of Financial Management), Michael Honeysett (Interim Head of Pensions), Georgia Lazari (Senior Solicitor), and Rabiya Khatun (Governance Services Officer).
Also in Attendance:	Iain Campbell (Hymans Robertson) Laura McInroy (Hymans Robertson) Karen McWilliam (Aon)

1. Apologies for Absence

1.1 Apologies for absence were received from Cllrs Billington and Sharman.

1.2 Councillors Adams, Gordon (joined at 18.50 hours) and Hayhurst, and Henry Colthurst (Co-optee) and Jonathan Malins-Smith (Co-optee) joined the meeting remotely.

2. Declarations of Interest - Members to declare as appropriate

2.1 The following Members declared a disclosable interest at the start of the municipal year 2021/22 as follows:

- Cllrs Chapman and Hayhurst declared that they were members of the LGPS;
- Cllr Gordon and Jonathan Malins-Smith declared that they were deferred members of the LGPS; and
- Cllr Adams declared that his wife was a member of the LGPS.

2.2 Cllr Troughton declared she was also a member of the LGPS.

2.3 Karen McWilliam declared an interest in agenda item 7 - as an employee of Aon. The Interim Head of Pensions clarified that item 7 was an update and as no decision was being taken there would be no conflict of interest.

3. Minutes of the Previous Meeting

3.1 **RESOLVED:** That the minutes of the meeting held on 30 September 2021 be agreed as a true and accurate record of proceedings.

(Councillor Michael Desmond joined the meeting at 18.50 hours)

4. Training - Triennial Valuation

4.1 Laura McInroy and Iain Campbell, Hymans Robertson, delivered the training on Triennial Valuation and a brief summary is provided below:

An introduction to 2022 Funding and Investment Strategy reviews:
Introduction to pensions funding

- How the Fund works
- The Fund's ultimate objective
  - The key funding decision is the balance of contributions and future investment performance
- It's all about getting the right balance
- The end game is a balance between
  - an affordable level of ongoing contributions
  - an appropriate level of investment risk (and 'target return)

Approach to contributions and investment strategy review

- Funding strategy
  -In ancient history actuaries assumed financial markets were predictable
- But what if
  - Investment returns don't behave as expected?
  - The Fund wishes to change its strategy along the journey?
  - Inflation-linked benefits cost more/less than we assume?
- Employer budgeting becomes difficult when markets don't stick the plan
- The solution: Funding strategy using an Asset Liability Model

-5000 projections of the future are carried out testing different contribution rates and investment strategies to see how funding level develops
-Each simulation has different investment returns, interest rates and inflation

- Modelling different contribution patterns and investment strategies to find the appropriate balance
  -There are 2 levers: Investment strategy and contribution patterns
- For each combination, focus on 2 key risk measures
  -Funding level and results for strategy
- Finding the right balance

<u>Looking ahead</u>

- Pensions Committee agenda:
  January 2022 -Data quality report and Actuarial valuation assumption proposals
  March 2022 - ALM modelling results - investment strategy and Council contribution rate proposal
  June 2022- Actuarial Valuation approach and Investment Strategy review
  September 2022- Whole Fund funding level report and Draft Funding Strategy Statement
  December 2022 - Changes to employer funding strategies
  March 2023 - Final valuation report and Funding Strategy Statement

4.2 In response to questions from members, Laura McInroy and Iain Campbell replied as follows:

- There was no general benchmarking among local authorities on setting contribution rates over the long term. The modelling would allow members to understand the levels of contributions and also the levels risks as well as whether the Fund would likely deliver its long term objectives of meeting all the benefits;
- The modelling allowed for various levels of future inflation, which would be provided by the Economics Senario Service and their assumptions on inflation would be based on the current performance of the financial markets, what the market data would be suggesting for future performance and the Bank of England target.
- With regard to varying the contribution strategy to take advantage of the slump in the financial markets during early 2020 and accelerate contributions, Laura McInroy stated that the Fund had a long term funding strategy and this strategy should not be varied based on short term movements in the market. The Fund's long term investment approach had resulted in the Fund outperforming after the markets had recovered from this fall;
- The modelling would be run against various scenarios to show the results in order to find the most appropriate balance between investment strategy and contribution rate;

- The Council's current contribution rate was set at 30% and in terms of costs the Director of Financial Management stated it was approximately £850k -£900k for each percentage point; and
- With regard to the possibility of having to raise the contribution rates due to a reduction in the workforce and contributions in recent years, the Group Director of Finance and Resources emphasised that while the workforce was smaller as a consequence of the austerity cuts, the Council had also undertaken an active and extensive insourcing exercise. More employees from outsourced services had been brought on the Council's payroll which had allowed them to access the LGPS, and a series of workshops had been held over many months for staff to join the pension scheme. The Fund had also been very active in taking forward the work on auto-enrolment and it currently had a healthy funding level and was cashflow positive.

RESOLVED:
To note the report and the associated training.

5. PF Annual Report and Accounts 2020/21

5.1 Michael Honeysett, Interim Head of Pensions, introduced the pre-audit Pension Fund Annual Report and Accounts, which set out the financial position of the Pension Fund for the year ended 31st March 2021. He reported that by the end of 2020/21 the funding level had recovered to 102%, the Fund remained cash flow positive, and the audit was due to commence in December 2022.

5.2 The Chair emphasised that this had been an exceptionally challenging year for Members, staff and advisers and thanked all those involved in getting the Fund in a good financial position.

RESOLVED to:
1. Note this version of the Pension Fund Annual Report and Accounts.
2. Approve publication of the draft accounts and distribution to interested parties, ahead of audit and receipt of an audit certificate.

6. CIPFA Knowledge and Skills Policy

6.1 Karen McWilliam, Aon, introduced the report outlining the improvements and changes to the Pension Fund's Knowledge and Skills Policy following updates to the CIPFA Code of Practice on LGPS Knowledge and Skills (2021), and the CIPFA Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers.

6.2 The policy had been reviewed and updated to meet the requirements of the new Code 2021 and to ensure that the knowledge and skills of the key decision makers complied with best practice as well as legal requirements. The three specific objectives were: ensuring that the Fund was appropriately managed and its services were delivered by people who had the requisite knowledge and skills and expertise, ensuring that those persons responsible for governing the Fund had sufficient knowledge and skills to be able to evaluate and challenge the advice received and decisions were robust and well based, and those persons responsible for the management and governance of the Fund were committed to attending and engaging with suggested training. This would also include looking at wider training opportunities such as virtual events.

6.3 Members noted that in agreeing to the policy there would be mandatory training in order to meet the requirements of the new code.

RESOLVED:
To approve the updated Hackney Pension Fund Knowledge and Skills Policy as set out at Appendix 1.

7. Tenders Update

7.1 Michael Honeysett, Interim Head of Pensions, introduced the report outlining three contracts for services: the Actuarial Services and Investment Consultancy; Benefits and Governance Services; and the Custodian Services within the Pension Fund that were due for renewal and the requirement for further extensions on some of these contracts in order to complete the tendering process over the next six months. The extensions requested until April 2022 would allow the Fund to procure the new contracts through the Investment Consultancy Services,and Actuarial, Benefits and Governance Frameworks.

7.2 Following the recent transition of investment mandates to London Collective Investment Vehicle (LCIV) and no hedging being available in these mandates, the Fund now required a separate Foreign Currency Hedging contract in order to implement the Committee’s decision to currency hedge 30% of the Fund’s exposure. The hedging contract would be procured in line with the Council's procurement processes and as the value of the contract was relatively low and considered low risk it would be granted under officer approval.

7.3 In response to questions from members regarding the tenders, the Interim Head of Pensions replied as follows:

- A short training session specifically on foreign currency hedging could be scheduled for all members when hedging was next considered by the Committee;
- It was confirmed that the expiry dates of the contracts would be staggered when they were renewed under the new frameworks with the exception of the Actuarial Services and Investment Consultancy Contracts, which were interlinked and tendered at the same time;
- The Committee had agreed to reduce currency hedging from 50% to 30% at its meeting scheduled in March 2021;

7.4 A member requested that the currency hedging training session should also explore how a renewed currency hedging contract would provide value to the Fund and any potential provider should be expected to explain how they would provide value for money as currency hedging could be complex and expensive.

7.5 The Chair requested that officers facilitate Committee members' involvement in the procurement process for awarding these contracts via Committee interviews. The interim Head of Pensions indicated that the tender documents could incorporate within the scoring an element of interaction with the Committee and the Chair emphasised that this element should also allow members to be involved in selecting the provider.

7.6 The Chair indicated that the meeting on 31 March 2022 would be rescheduled to an earlier date and asked the Interim Head of Pensions to schedule all meetings for the contract award interviews and workshops as early as possible.

RESOLVED:

1. Approve the extension of both the Investment Consultancy and the Actuarial Services Contracts with Hymans Robertson for an additional 6 months to 30th April 2022.
2. Approve the extension of the Benefits & Governance Consultancy Contract with Aon for an additional 6 months to 30th April 2022
3. Note the current position regarding the Custodian Services Contact
4. Note the current position regarding the Foreign Currency Hedging Services Contract

8. Competition Markets Authority (CMA) Order - Review of Investment Consultants Objectives

8.1 Michael Honeysett, Interim Head of Pensions, introduced the report setting out a suggested set of updated objectives to be used for the formal assessment of its investment advisers, which would be presented at the next meeting in January 2022 ahead of the submission of the Compliance Statement to meet the requirements of remedy 7 as set out in CMA's Investment Consultancy and Fiduciary Management Market Investigation Order 2019. An extension would be sought on the submission date of the compliance statement and Members' comments and suggestions were sought on the draft investment adviser objectives.

8.2 In response to a question about expanding the objectives of future targets to reduce carbon emissions, the Interim Head of Pensions stated that the current targets were based on reducing fossil fuel and after 2022 the objectives in future targets after 2022 would be based on the work undertaken on Responsible Investment and ESG.

RESOLVED:

1. Agree the objectives, as set out in Appendix 1, by which the Fund's Investment Advisers will be assessed against for 2021.
2. Note that Members will be asked to approve a submission to the CMA in line with requirements setting out the Fund's assessment against the set objectives, at the January 2022 meeting.

9. Transitions Update & Investment Strategy Statement

9.1 Iain Campbell, Hymans Roberston, introduced the report providing an update on the implementation of phases 1 and 2 of the approved investment strategy in January 2021, and a post trade report setting out the planning and the execution of three major transitions. It also set out an updated interim Investment Strategy Statement for approval taking account of the approved investment strategy and outlined the new target Fund allocation.

9.2 Iain Campbell stated that the Fund had completed the transition of moving approximately £500m of assets as set out in Phase 1 asset allocation subject to the draw downs of capital. The investments had been made in the illiquid investment holdings of the LCIV Renewable Energy Infrastructure Fund and LCIV Private Debt Fund. The assets used to fund the remaining draw downs had been earmarked and a clear process of implementation had been put in place. The explicit costs totalled approximately £1m, which had been reasonable for a transition of this type and size. As part of implementing Phase 2, Hymans Roberston would continue to work with LCIV on its product launches and also convey the needs of the Fund. The key areas for the Fund were finding a potential bond mandate, an alternative to replace the current low carbon fund such as the Passive Equity Progressive Paris Aligned (PEPPA), an ESG and low carbon-focussed passive pooled fund and property solutions.

9.3 The Chair noted the immense work undertaken to complete Phase 1 of the transition plan and that this transition reflected the Fund's ambition to reduce carbon emissions and increase its activities in relation to responsible investment while maintaining a high performance Fund.

9.4 In response to questions from Members regarding transitions, the Interim Head of Pensions replied as follows:

- The Council used the Universe and PIRC reports to compare the performance of Local Authority pensions funds and identify successful investments. Iain Campbell added that Hymans Roberston also undertook research on a wide range of investment products and as an adviser to many local authorities it collated data on the best performing and most suitable investments.
- The further work undertaken by the Committee regarding values as part of the discussions on Responsible Investments could be considered as part of the Responsible Investment policy and incorporated into a revised Investment Strategy Statement.

RESOLVED:

1. Note the reports at Appendix 1 and 2 setting out details regarding the implementation of the approved investment strategy.
2. Approve the interim Investment Strategy Statement for publication on the Fund's website and within the Annual Report and Accounts.

10. Annual Benefits Statements, Pensions Savings Statements and Guaranteed Minimum Pension Update

10.1 Karen McWilliam, Aon, introduced the report which provided an update on the 2020/21 Annual Benefit Statement (ABS) exercise, Pensions Savings Statement (PSS) exercise and the progress of the Guaranteed Minimum Pension (GMP) reconciliation project.

10.2 Karen McWilliam reported that the failure to issue the deferred ABS statements and some active statements by the regulatory deadline had been reported to The Pensions Regulator (TPR) and they had indicated that no further action would be taken if all the statements were issued by the end of October. It was reported that the statements had now been issued and TPR would be updated accordingly.

10.3 The GMP reconciliation exercise was coming to a close with the underpayment cases being resolved in October 2021 and the overpayment cases notified of the changes to their pensions, which would be implemented by November 2021. There were currently under 300 pensioners that were entitled to their GMP before reaching their state pension age and this required more complex and detailed calculations.

10.4 Officers had been liaising with Equiniti regarding the PSS and the cause of the error and resolving it. The 20 members that were affected had been notified in writing and approximately two members would be affected by the tax allowance.

10.5 In response to questions from members relating to the report, the Interim Head of Pensions replied as follows:

- Equinti recognised the need to resolve the issues of staffing shortages and issuing ABS within statutory deadlines. It was reported that Equiniti had now appointed a dedicated person for the ABS work and new processes would be put in place going forward; and
- The staffing issues had not impacted on the call service available for pensioners.

10.6 The Chair advised that he would discuss with officers as to whether to invite Equinti to a future meeting to discuss its poor performance.

RESOLVED:
To note the report.

11. Governance Policy and Compliance Statement Review

11.1 Karen McWilliam, Aon, introduced the report setting out the Fund's updated Governance Policy and Compliance Statement including an updated schedule of delegations from the Committee. The policy included further information such as governance objectives, the key policy documents and governance related risks. The key updates included updated objectives, changes to the governance arrangements and structure, updated key risks to reflect the current governance risks in the Fund's risk register and inclusion of Risk Policy, Breaches Procedure and Conflicts of Interest Policy to the policies section.

11.2 The updated schedule of delegations would allow officers to take action on any urgent business within appropriate timescales outside of scheduled meetings and minor amendments to the policy in consultation with the Chair.

11.3 It was noted that the references to the Chairman and Deputy Chairman within Appendix B should be amended to Chair and Vice-Chair.

RESOLVED:
To approve the updated Hackney Pension Fund Governance Policy and Compliance Statement including the updated delegations from the Committee as outlined in Appendix B of the Policy.

12. Any Other Business the Chair Considers to be Urgent

12.1 There was no other urgent business.

Duration of the meeting: 6.30pm - 8.25pm

Contact:
Rabiya Khatun
Governance Services Officer
020 8356 8407
rabiya.khatun@hackney.gov.uk

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Hackney

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Quarterly Update Report **Pensions Committee** **20 January 2022**	**Classification** **Public** **Ward(s) affected** **ALL**	**Enclosures** **Two**

1. INTRODUCTION

1.1 This report is an update on key quarterly performance measures, including an update on the funding position, investment performance, responsible investment, administration performance and reporting of breaches. It provides the Committee with information on the position of the Fund between July and September 2021. The report also provides an update on the implementation of the investment strategy approved at previous meetings.

2. RECOMMENDATIONS

2.1 The Pensions Committee is recommended to note the report.

3. RELATED DECISIONS

- Pensions Committee (Urgency Delegation March 2020) – 2019 Final Valuation Report and Funding Strategy Statement
- Pensions Committee 23rd November 2021 –Investment Strategy Statement
- Pensions Committee September 2021 –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 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.

4.4 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 An update on the funding level of the Fund as at 30 September will be provided at the meeting pending completion of associated analysis required at the time of writing this report.

7. INVESTMENT UPDATE

7.1 Appendix 1 to this report provides a manager performance update from the Fund's Investment consultants, Hymans Robertson. The report includes an analysis of the last quarter, 1 year and 3 year performance against benchmark and target, as well as Hymans Robertson's current ratings for each manager. The report shows that the Fund produced positive absolute returns over the quarter of 1.4%, performing slightly ahead of benchmark. Most of the mandates produced positive returns over the quarter with the exception of RBC Emerging Markets, GMO DGF Fund and the BMO Bonds. It should be noted that the Fund had fully divested from the RBC Emerging Markets by the end of the quarter and GMO DGF Fund shortly after, in line with the agreed investment strategy. Over the last 12 months, the Fund outperformed the benchmark by circa 1%, producing overall returns of 16.3%. Over the last 3 years, returns of 7.8% are in line with the benchmark.

8. INVESTMENT STRATEGY IMPLEMENTATION UPDATE

8.1 Following the Committee's approval to its refreshed investment strategy, Officers agreed to provide a quarterly update on its actual implementation.

8.2 In September's update report it was reported that the the following had been achieved:

- Due diligence has been completed on the LCIV private debt and renewable infrastructure funds and suitability notes issued by our investment advisers.
- Subscription documentation has been completed for the LCIV private debt and renewable infrastructure funds and initial capital calls have now been made and funded.
- Due diligence has also been completed on the LCIV Paris Aligned Global Alpha Fund, Emerging Market Equity Fund and Diversified Growth Fund with suitability notes to be issued shortly (now received).
- Liaison with Hymans and LCIV regarding approved transitions into Paris Aligned Global Alpha Fund, Emerging Market Equity Fund and the Diversified Growth Funds, along with the receipt of transition advice in order to ensure they are undertaken is the most cost effective manner.

8.3 During the month of September, the BlackRock UK Equity Fund mandate was fully redeemed along with part redemption of the BlackRock World Equity Fund mandates in order to transition funds to the LCIV Paris Aligned Global Alpha Fund. In addition the RBC Emerging Market mandate was fully redeemed in order to finance transition over to the LCIV Emerging Market Fund. The transition from GMO DGF mandate to the LCIV DGF mandate, along with the full redemption of the Invesco DGF mandate took place in the following quarter.

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. 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 2 to this report, setting out LAPFF's engagement activity over the Quarter in relation to environmental, social and governance issues. As the Committee will recognise, the Fund no longer retains any segregated mandates and therefore has no direct holdings in the companies referenced. It does, however, retain exposure via its pooled passive funds to a large number of the companies LAPFF engages with.

9.3 As can be seen from the LAPFF Quarterly Update Report, much of the engagement with companies has continued to focus on human rights, social and climate change issues. LAPFF continue to issue voting alerts in respect of both climate change issues and wider social/human rights issues.

9.4 Officers have continued to work with advisors in the development of the RI work and in particular have produced a more detailed workplan in respect of the related work required during 2022 in respect of both the Fund's carbon targets and wider RI policies. A separate paper is included on the agenda for this meeting. In addition, Trucost have been re-engaged to carry out an analysis of the Fund's current position against the carbon reduction target. It is anticipated that this work will be presented at a workshop in February along with work to develop a refreshed target going forward.

10. PENSION ADMINISTRATION

10.1 Pension Administration Management Performance

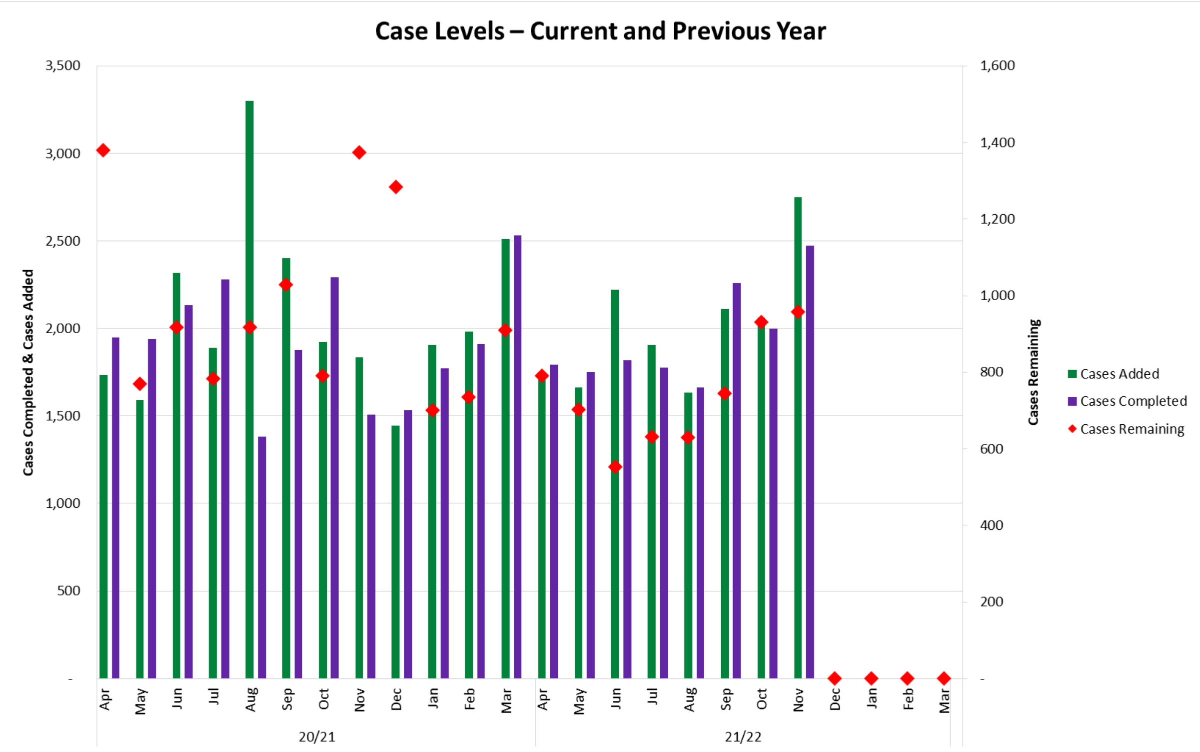
The following sections provide information on the numbers of cases being received and processed by Equiniti, as well as their performance against the Fund's service level agreement standards (SLAs).

Case Levels

The graphs below show historical cases levels received and processed by Equiniti dating back to April 2019. For each month, the graph shows:

- "cases added" - the number cases received by Equiniti during the month ("cases added") and
- "cases completed" - the number of cases completed by Equiniti during the month ("cases completed")
- "cases remaining" - the numbers of cases that are outstanding and therefore waiting to be processed by Equiniti at the end of each month ("cases remaining")

There has been a significant increase in cases received and also cases completed by Equiniti for the period from September 2021 to November 2021, compared with the previous quarter. Member queries were higher in this period, probably caused by members receiving ABSs. As you might expect, the cases still to be processed ("cases remaining") are also higher than in previous months.



SLA and KPI monitoring

The contract with Equiniti includes a large number of service level agreement standards (SLAs). The most significant of these for the Fund, are categorised as being key performance indicators (KPIs) and these are monitored closely. The KPIs include target timescales for processes such as:

- providing new members with information about the scheme
- notifying retiring members of the amount of retirement benefits and paying them their tax free cash lump sum
- informing members who leave the scheme before retirement of their deferred benefit entitlement.

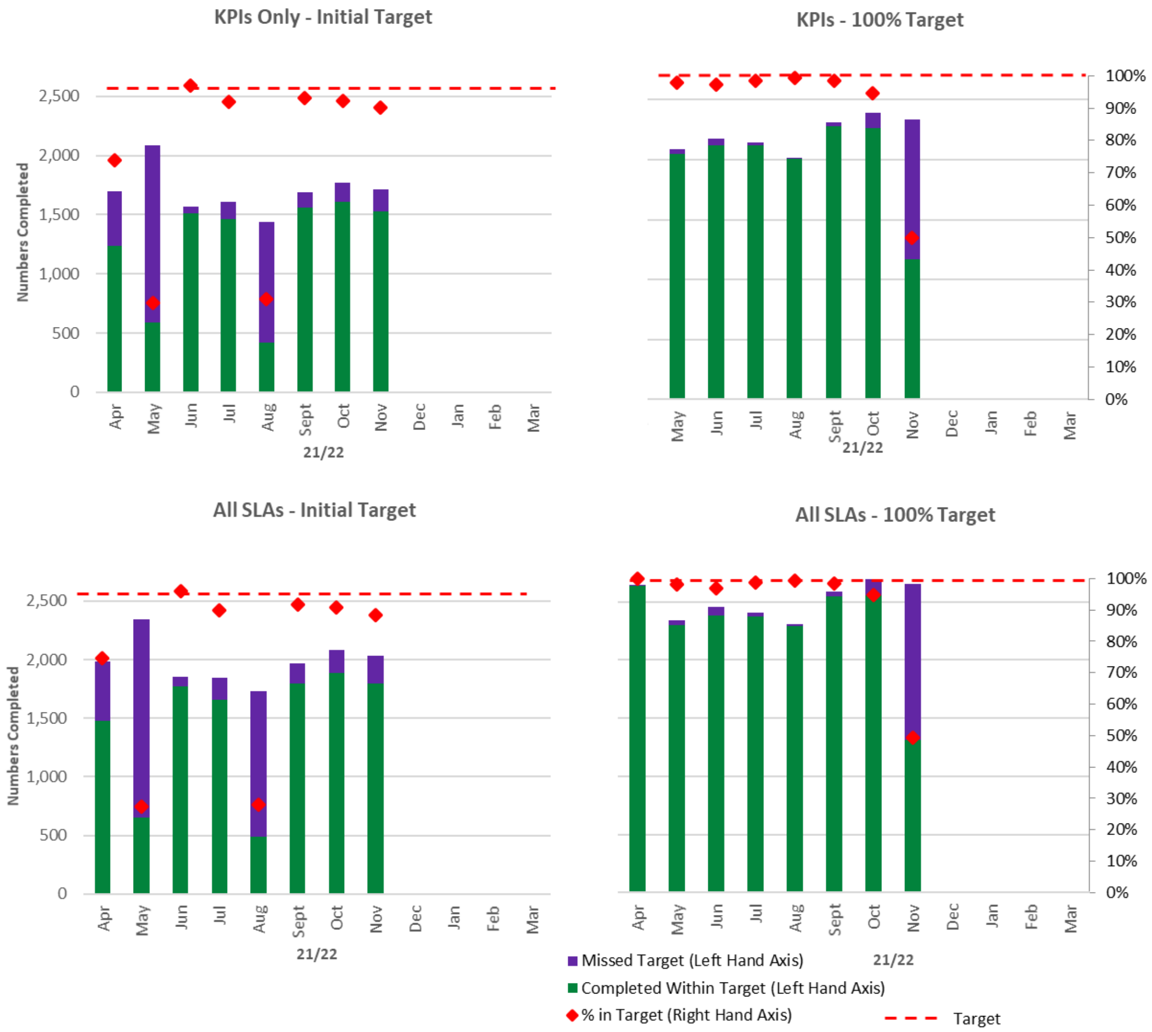
For most SLAs there are two targets:

- an initial target – this is the initial timescale within which the majority of cases must be processed (typically 95% is the target to be processed by the initial target period)
- the 100% target – this is a later timescale by which it is expected that 100% of cases will be processed by.

The following graphs show Equiniti's performance against the various targets since April 2021. Each graph illustrates the numbers of cases completed within the target (green) and the number outstanding (purple), as well as the percentage of cases completed within the target (red diamond which relates to the right hand axis). The four graphs are as follows:

- KPIs Only – Initial Target: this shows the performance against **only** the key performance indicators based on the initial target where it is expected that (in the main) 95% of cases will be processed.
- KPIs Only – 100% Target: this shows the performance against **only** the key performance indicators based on the 100% target where it is expected that all cases will be processed.
- All SLAs – Initial Target: this shows the performance against **all** service level agreement standards based on the initial target where it is expected that (in the main) 95% of cases will be processed.
- All SLAs – 100% Target: this shows the performance against **all** service level agreement standards based on the 100% target where it is expected that all cases will be processed.

For the period September to October, Equiniti have performed very close to target in all measures apart from in November for the two 100% target measures. A key element of this may be due to the significant increases in cases that have been received during the period (as illustrated in the graphs above).



10.2 New Starters and Opt-Outs

	Total Active Membership at end of Quarter	Total Opt Outs for Quarter
Q2 2021/22	6,937	88
Q2 2020/21	6,846	102

The figures are in line with usual trends.

10.3 Ill Health Pension Benefits

The release of ill health benefits fall into two main categories, being those for deferred and active members. The administering authority team at Hackney process all requests for the release of deferred members' benefits. Deferred members' ill health benefits are released for life, are based on the benefits accrued to the date of leaving employment, (with the addition of pension increases whilst deferred), but they are not enhanced by the previous employer.

The team also assist the Council's HR team with the process for requests to release an active members' benefits on the grounds of ill health retirement.

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 – paid for life, no review
- Tier 2 – the pension benefits are enhanced by 25% - 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 undertaken when pension has been in payment for 18months.

The applications received have been higher in volume compared to the same period in the previous year:

DEFERRED MEMBER'S ILL HEALTH RETIREMENT					
	CASES RECEIVED	SUCCESSFUL	UNSUCCESSFUL	ONGOING	WITHDRAWN
Q2 2021/22	3	1	0	4	0
Q2 2020/21	1	1	0	0	0
ACTIVE MEMBER'S ILL HEALTH RETIREMENT CASES					
	CASES RECEIVED	BENEFITS RELEASED ON TIER 1	BENEFITS RELEASED ON TIER 2	BENEFITS RELEASED ON TIER 3	UNSUCCESSFUL
Q2 2021/22	4	3	1	0	0
Q2 2020/21	2	0	2	0	0

10.4 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 two stages:-

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

Stage 1 – One application was submitted in this quarter against the administering authority in relation to a CETV dispute. The appeal was not upheld.

Stage 2 – No applications were received in this quarter.

10.5 Other work undertaken in Q2 2021/22

Third Party Administration Implementation update

As previously reported, the major outstanding point of delivery under the new contract specification is in relation to employer interfaces and member online services. These were delayed due to the onset of the COVID-19 outbreak in the UK in late March 2020 which unfortunately halted the planned rollout and training programme. However, the first phase of the employer online portal work is in progress. The inhouse Hackney pension team has worked closely with the project delivery manager from Equiniti and have agreed a detailed specification proposal. Employer training for the portal was held in June 2021 and follow-up work is now in progress with the employers. It is anticipated that the employer portal can be rolled out into “live” for employers to use in Q4 of 2021/22.

Address Tracing and Verification Exercise

As referred to in previous reports Equiniti have carried out an address tracing and verification exercise on the entire deferred member population. This was in order to help to trace those members which the Fund currently holds no current address for, but also to verify that the addresses that are held are still up to date, which is essential for data protection purposes.

Some 2,400 verification letters were sent- these are those in the deferred population that were flagged as living at a different address to that which was currently held on the administration system, or where no current address was held on the system.

To date circa 1,200 verification letters have been received back which show a full match. These addresses have now been updated on the administration system. This leaves some 1,200 addresses which require a chaser verification letter. The Fund is working with Equiniti to approve and issue a chaser verification letter.
Equiniti has also identified some 500 addresses that have not generated a result from the electronic tracing nor from a further manual trace. This group currently has no last known address held on compendia and therefore can prove very difficult to trace. The LBH pensions team have, using historic pension records, been able to find a last known address. These data sets have now been returned to Equiniti who are currently performing a subsequent electronic trace on these members which is hoped will produce some results. An update on this exercise will be provided at the next meeting.

Pension Saving Statements- Update

At the meeting on 23rd November 2021, the Committee was provided with an update on the issuing of the Pension Saving Statements , which confirmed that all 23 Pension Saving Statements that had been deemed as due were issued by the statutory deadline of 6th October.

However, following this year’s exercise a problem has been identified with the Pensions Savings Statements issued in October 2020, in respect of the 2019/2020 financial year. It appears that while the calculations were carried out correctly the information provided on the statements sent to members was incorrect. The output from an incorrect source was used to populate the PSS template, and this was not identified when the statements were issued. This meant that whilst the correct members received statements the figures on them were incorrect.

All of the 2020 statements have now been reissued and an explanation letter sent explaining the next steps that the member may need to take.

Having found the errors in the 2020 PSSs Equiniti thought it prudent to also check the 2021 PSSs. Equiniti revised the PIAs in the 2020 statements so this then meant that the historic PIAs in the 2021 statements also had to be revised, although the 2021 calculations were correct. However, most of the members who only had a 2021 statement, and had not had a statement in previous years, had correct 2021 PSSs in the initial batch.

Now that all statements have been revised which required it, Equiniti are working on a lessons learnt document which the Fund will receive in due course.

McCloud Programme Update

Programme background

Regulatory changes are required to rectify the age discrimination identified in the transitional protections put in place across the public sector in moving from final salary to career average revalued earnings (CARE) benefits schemes in 2014 and 2015. The key features of the proposed remedy for the LGPS include levelling up benefits for the younger members who suffered discrimination using a form of final salary underpin. Final regulations are now expected to be effective from 1 April 2023 (see Regulatory Update Report) and will relate to an underpin period from 1 April 2014 to 31 March 2022.

In order to prepare the Hackney Pension Fund for the expected regulatory changes the administering authority has set up a Programme to ensure smooth and timely implementation of the changes in the regulations.

Update

All workstreams are progressing with regular meetings being attended by key Hackney pensions officers and representatives from Equiniti and Aon. Good progress is being made in relation to the Data, Communications, Finance and Governance Workstreams. The Ongoing Administration and Systems and Benefits Rectification workstreams are slightly behind where we would want them to be at this stage of the project, but as we are not now expecting final regulations to be in force before 1 April 2023, with draft regulations now pushed back to early Spring 2022, we believe there is still sufficient time for this work to be planned and actioned. It will be important however to continue to monitor progress to ensure smooth and timely implementation of the remedy for scheme members.

The Programme update is as follows:

- Within the Data Workstream, data validation continues by Equiniti for those employers who are still submitting data, including Hackney Council who have recently provided revised data from July 2017 onwards. For employers where data discrepancies are being found and cannot be confirmed (such as Hackney Council where the original data was lost in the cyber-attack) a data acceptance principles document has been drafted by the project team and will be approved by the Programme Management Group in due course. Officers have now collated the majority of data from employers and are continuing to chase the remaining few data returns. A decision is to be made early in 2022 on a deadline for this data so this doesn't adversely affect or delay progress in other workstreams.

- The Communications, Finance and Governance workstreams' actions are now up to date, and meetings will continue to ensure future planning of programme deliverables. There may be some further actions to consider once the regulatory changes are confirmed by DLUHC.

- Planning work is still required for the Ongoing Administration and Benefit Rectification workstreams to ensure that all programme deliverables are achieved as set out in the Programme Charter. Initial planning meetings were held in July 2021 with follow up meetings in November. High level plans have been discussed and Equiniti have agreed to draft plans and share these with the project team shortly.

- For the Specialist Cases workstream, an initial workshop was held and it was agreed within the project team to put this workstream on hold until after the final regulations have been published, with the expectation of guidance for certain types of cases.

- Risks for all workstreams continue to be actively managed within the programme and these are reviewed regularly by the Programme Management Group (PMG). A new risk was identified by the PMG in terms of there being insufficient documentation of changes to member data following submission by employers and not having a clear audit trail. This is being mitigated through development and agreement of the data principles document. Other key risks are erroneous data which is being mitigated by extensive validation and within the Benefits Rectification workstream the risk of errors in the rectification calculation tool that is being built by Equiniti, which will be mitigated by robust and thorough testing with separate technical assurance by Aon.

Whilst the overall project is running slightly behind the original schedule, principally due to the slower than expected progress with the Ongoing Administration and Benefit Rectification workstreams, this needs to be considered in the context of the regulatory timetable having been pushed out. We do however need to maintain our momentum and plan to reflect on the timetable in early 2022 as part of our ongoing programme management to ensure that all key deliverables are met. A further update will be provided at the next meeting.

Guaranteed Minimum Pension (GMP) Reconciliation

At the meeting on 23rd November 2021, the Committee was provided with an update on the number of members affected by the GMP reconciliation exercise and some data analysis was provided. As you will recall, underpaid pensioners had their pensions corrected (and the arrears paid) in the October pensioner payroll, and overpaid pensioners had their pensions decreased from the November pensioner payroll.

It was reported that, as at 11 November, a total of 13 queries had been received in writing, requesting more detail on the breakdown of the pension reduction and/or overpayment. At the date of writing this a further 5 queries have been raised and responded to.

Following on from concern that was raised at the November committee, the automated message was taken off Equiniti's phone line.

Equiniti's data team are now liaising with the BAU team and formulating a way forward with regard to the two groups which were separated from the main reconciliation process. The first group is 48 members who became entitled to their GMP before reaching their State Pension Age and therefore required more complex calculations and checks. The second group is 240 survivor pensioners, who were also identified as requiring additional investigations and checks. Progress of rectifying pensions for the two groups mentioned in section will be provided to the Committee at future meetings.

11. REPORTING BREACHES

11.1 There have been no reportable breaches in the last quarter.

Ian Williams
Group Director, Finance & Corporate Resources

Appendices:
Appendix 1 – Investment Performance Report (Hymans Robertson – Investment Consultant)
Appendix 2 – LAPFF Quarterly Engagement Report

Report Originating Officers: Michael Honeysett 020-8356 3332
Financial considerations: Jackie Moylan, 020.8356 3032
Comments of the Director of Legal and Governance: Angelie Walker 020-8356 6012

London Borough of Hackney Pension Fund

Q3 2021 Investment Monitoring Report

Andrew Johnston, Partner
Iain Campbell, Investment Consultant
Rahul Sudan, Investment Analyst

HYMANS ROBERTSON

Executive Summary

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

The Fund generated positive returns over the quarter with an absolute return of 1.4%, slightly outperforming its benchmark.

Growth assets performed strongly as the success of the vaccine rollout and economic recovery continued.

Credit spreads were little changed over the quarter and continue to trade in a tight range. The Fund's fixed income mandate delivered relatively flat returns.

UK headline CPI inflation rose to 2.8% year-on-year in September and continued to rise to 4.2% in October. Although these recent numbers have exceeded expectation, most forecasters expect the inflationary spike to prove temporary, and pressures to ease in 2022.

Definitions

Growth

Growth assets are designed to provide return in the form of capital growth. They may include investments in company shares, alternative investments and property. Growth assets tend to carry higher levels of risk compared to other assets yet have the potential to deliver higher returns over the long-term.

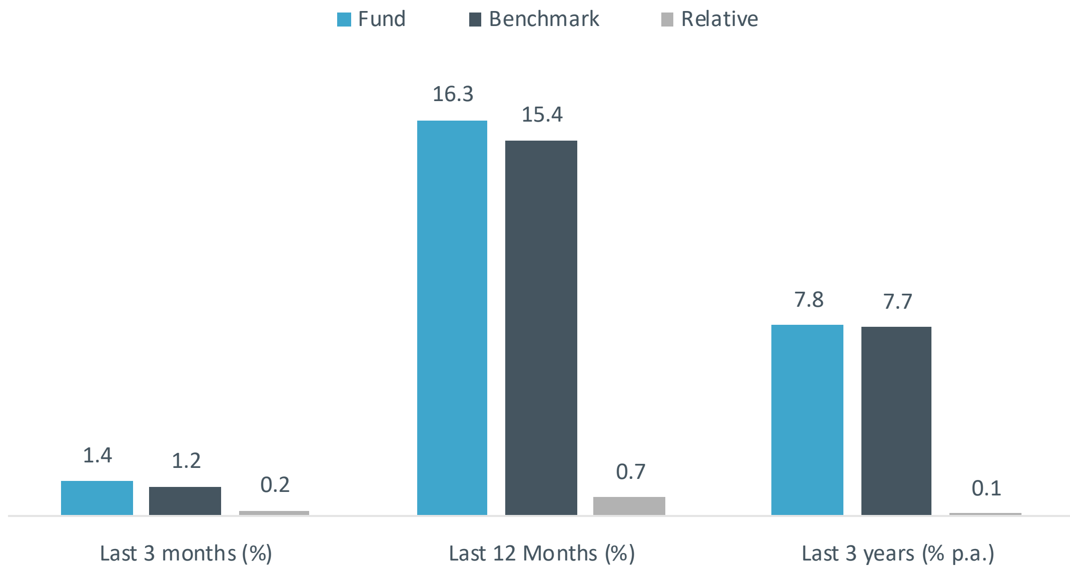
Income

Income producing assets are investments which produce recurring revenue. They may include investments in interest paying bonds, property leases and dividend paying stocks. The income generated may be fixed or variable.

Protection

Protection assets aim to secure your investment and typically take less risk compared to other asset types. As a result the growth generated tends to be lower over the long term. Protection assets may include investment grade fixed income and cash. Derivative strategies may also be used to hedge unexpected investment losses.

Performance



Growth, Income & Protection Allocation

Growth, Income & Protection	Actual	Benchmark	Relative
Growth	67.7%	64.8%	2.8%
Income	15.4%	16.4%	-1.0%
Protection	16.9%	18.8%	-1.9%

HYMANS ROBERTSON

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

This page includes;

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

Towards the end of the quarter the Fund began implementation of its Phase 1 strategy transition by switching a number of Growth mandates to strategies within the LCIV. In summary this included:

- A full redemption of the BlackRock UK Equity and a part redemption from the BR World Equity to subscribe to LCIV's Global Alpha Growth Paris Aligned mandate.
- Full redemption of RBC Emerging Market to LCIV Emerging Market.

Shortly after the quarter end the following transitions were also completed:

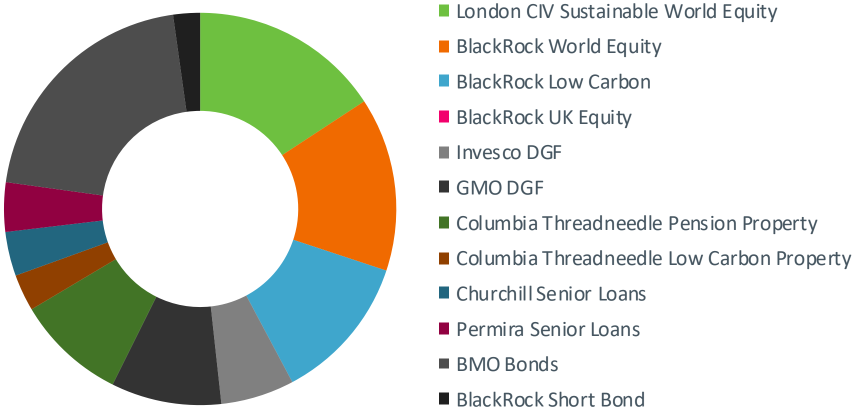
- Full redemption from GMO DGF and partial redemption from the BlackRock Short Bond to the LCIV DGF

As at the end of the quarter the Fund also has a c£6.8m investment to the LCIV Renewables Infrastructure mandate in transit, which is not included in this asset allocation analysis.

Asset allocation

Mandate	Active/Passive	Valuation (£m) Q2 2021	Valuation (£m) Q3 2021	Actual Proportion	Benchmark	Relative
London CIV Sustainable World Equity	Active	316.3	324.7	17.3%	13.0%	4.3%
LCIV Global Alpha Growth Paris Aligned Fund	Active	0.0	246.1	13.1%	13.0%	0.1%
BlackRock World Equity	Passive	334.5	214.8	11.4%	11.8%	-0.4%
BlackRock Low Carbon	Passive	223.4	232.1	12.3%	10.0%	2.3%
BlackRock UK Equity	Passive	161.5	0.0	0.0%	0.0%	0.0%
LCIV Emerging Market Equity Fund	Active	0.0	85.0	4.5%	4.5%	0.0%
RBC Emerging Market	Active	100.6	0.0	0.0%	0.0%	0.0%
Invesco DGF	Active	66.8	67.3	3.6%	5.0%	-1.4%
GMO DGF	Active	104.9	102.8	5.5%	7.5%	-2.0%
Total Growth		**1,308.0**	**1,272.8**	**67.7%**	**64.8%**	**2.8%**
Columbia Threadneedle Pension Property	Active	138.3	144.8	7.7%	7.5%	0.2%
Columbia Threadneedle Low Carbon Property	Active	24.9	25.3	1.3%	2.5%	-1.2%
Churchill Senior Loans	Active	55.2	56.5	3.0%	3.0%	0.0%
Permira Senior Loans	Active	46.1	63.0	3.3%	3.3%	0.0%
Total Income		**264.6**	**289.5**	**15.4%**	**16.4%**	**-1.0%**
BMO Bonds	Active	269.2	268.5	14.3%	17.0%	-2.7%
BlackRock Short Bond	Passive	53.5	50.0	2.7%	1.8%	0.8%
Total Protection		**322.7**	**318.5**	**16.9%**	**18.8%**	**-1.9%**
Total Scheme		**1,895.3**	**1,880.9**	**100%**	**100%**	**0%**

Asset class exposures



- This section shows the Fund's performance at the underlying manager level.
- The table shows a summary of the full Fund's performance over different time periods.

Comments

- The estimated Churchill returns are below its strategic benchmark and target over a 12-month period.
- The mandate is USD denominated and so exposed to currency risk, and has been impacted by the weakening of USD to GBP over recent quarters. This has reduced the GBP return numbers shown in the table.
- Performance of USD to GBP as at 30 September 2021 has been as follows:
    - 3m: +2.5%
    - 6m: +2.3%
    - 12m: -4.1%

Performance relative to benchmark & target

	Last 3 months (%)					Last 12 months (%)					Last 3 years (% p.a.)				
	Fund	B'mark	Relative	Target	Relative	Fund	B'mark	Relative	Target	Relative	Fund	B'mark	Relative	Target	Relative
Growth															
London CIV Sustainable World Equity	2.6	2.5	0.2	3.0	-0.3	25.3	23.5	1.5	25.5	-0.2	16.0	11.9	3.7	n/a	n/a
BlackRock World Equity	0.7	0.6	0.1	0.6	0.1	28.8	28.4	0.4	28.4	0.4	11.9	11.7	0.2	n/a	n/a
BlackRock Low Carbon	3.9	3.8	0.1	3.8	0.1	24.6	24.1	0.3	24.1	0.3	12.9	12.6	0.3	n/a	n/a
BlackRock UK Equity*	2.2	2.2	0.0	2.2	0.0	28.0	27.9	0.1	27.9	0.1	3.2	3.1	0.1	n/a	n/a
RBC Emerging Market**	-5.0	-6.3	1.5	n/a	n/a	18.2	12.7	4.8	n/a	n/a	7.7	7.2	0.5	n/a	n/a
Invesco DGF	0.6	0.0	0.6	1.3	-0.7	1.0	-0.9	1.9	4.1	-3.0	-0.2	0.1	-0.3	5.1	-5.0
GMO DGF	-2.0	0.7	-2.7	1.9	-3.9	8.3	4.0	4.1	9.0	-0.7	1.4	2.1	-0.7	7.1	-5.3
Income															
Columbia Threadneedle Pension Property	4.4	4.5	-0.1	4.8	-0.3	12.6	13.2	-0.5	14.2	-1.4	3.7	4.0	-0.3	5.0	-1.2
Columbia Threadneedle Low Carbon Property	1.6	1.5	0.1	1.8	-0.2	3.3	2.9	0.4	3.9	-0.6	2.1	-2.6	4.8	-1.6	3.8
Churchill Senior Loans	3.7	1.0	2.7	1.6	2.1	2.4	4.1	-1.6	6.3	-3.6	n/a	n/a	n/a	n/a	n/a
Permira Senior Loans	1.9	1.0	0.8	1.8	0.1	5.9	4.9	1.7	7.0	-1.0	n/a	n/a	n/a	n/a	n/a
Protection															
BMO Bonds	-0.3	-0.5	0.2	-0.2	-0.1	-1.6	-2.7	1.1	-1.7	0.1	5.3	4.5	0.7	5.5	-0.2
BlackRock Short Bond	0.0	0.0	0.1	0.0	0.1	0.3	-0.1	0.4	0.9	-0.6	n/a	n/a	n/a	n/a	n/a
Total	1.4	1.2	0.2			16.3	15.4	0.7			7.8	7.7	0.1		

*Please note: The BlackRock UK Equity and RBC Emerging Market mandates were fully divested on the 27 September 2021. *The return shown for the BlackRock UK is as at the 30 September 2021 **The return shown for the RBC Emerging Market is at 27 September*

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

- *The London Collective Investment Vehicle, Invesco, GMO and BMO Funds have targets above that of their benchmarks. The table above shows both the Fund vs Benchmark and the Fund vs Target Return.*
- *Churchill and Permira have not provided performance figures for their Fund as the funds are still relatively new. The performance figures shown are estimated by Hymans Robertson based on the fund NAV and adjusted for capital contributions and distributions made. We will report on actual performance once these funds have sufficient track records. Please also note that we have reported these mandates against the Fund's agreed Cash +4% strategic benchmark for it allocation to private debt. The absolute target performance set by Churchill and Permira are 5.5%-7% and 6%-8% respectively and we have reported against the mid target range for each.*

Long term returns are calculated by rolling up historic quarterly returns and include the contribution of all current and historical mandates over the period. These include returns from funds held over the period which are no longer held by the Fund.

This page includes manager/RI ratings and any relevant updates over the period.

BlackRock Short Dated Bond
BlackRock announced that from 26th November 2021 the Fund benchmark will change from 3 Month LIBID to 3 Month SONIA compounded in arrears, in preparation for the cessation of LIBOR

Invesco GTR
Our research team have downgraded the Invesco GTR mandate from "Suitable" to "Negative" as a result of ongoing underperformance, multiple team changes and concerns that the funds AUM will continue to deplete. The Fund is due to fully switch from this mandate to LCIV DGF as per the agreed strategy plan.

BMO/Columbia Threadneedle
Columbia Threadneedle's acquisition of BMO's EMEA asset management business is expected to complete in the fourth quarter of this year. Columbia Threadneedle announced that Richard Watts, Stewart Bennett and David Logan will be appointed to the expanded leadership team following the completion.

Manager ratings

Mandate	Mandate	Date Appointed	Benchmark Description	Hymans Rating	RI
LCIV Sustainable	World Equity	Jun-18	MSCI World Index Total Return +2%	Not Rated	Strong
LCIV Paris Aligned	World Equity	Sep-21	MSCI All Country World Gross Index (in GBP)	Preferred	Good
BlackRock	World Equity	Jun-18	MSCI World Net Total Return 95% hedged	Preferred	Adequate/Good
BlackRock LC	Low Carbon	Jun-18	MSCI World Low Carbon Index	Preferred	Adequate
BlackRock UK	UK Equity	Jun-18	FTSE All-Share	Preferred	Adequate
LCIV EM	Emerging Markets	Sep-21	MSCI Emerging Market Index (TR) Net	Suitable	Adequate
RBC	Emerging Markets	Dec-15	MSCI Emerging Markets	Preferred	Strong
Invesco	DGF	Dec-15	LIBOR 3m + 5%	Negative	Adequate
GMO	DGF	Sep-12	OECD CPI G7 (GBP) + 5%	Positive	Weak
Threadneedle TPEN	Property	Mar-04	MSCI UK Quarterly All Balanced Property Index +1%	Positive	Adequate
Threadneedle LCW	Low Carbon Property	May-16	MSCI UK Quarterly All Balanced Property Index +1%	Not Rated	Not Rated
Churchill	Senior Loans	Feb-19	LIBOR 3m + 4%	Not Rated	Not Rated
Permira	Senior Loans	Dec-19	LIBOR 3m + 4%	Preferred	Adequate
BMO	Bonds	Sep-03	Bond Composite + 1%	Positive	Good
BlackRock SDB	Bonds	Feb-19	3m GBP LIBID	Positive	Good

Source: Investment Managers

Hymans rating

Preferred	Our highest rated managers in each asset class. These should be the strategies we are willing to put forward for new searches.
Positive	We believe there is a strong chance that the strategy will achieve its objectives, but there is some element that holds us back from providing the product with the highest rating.
Suitable	We believe the strategy is suitable for pension scheme investors. We have done sufficient due diligence to assess its compliance with the requirements of pension scheme investors but do not have a strong view on the investment capability. The strategy would not be put forward for new searches based on investment merits alone.
Negative	The strategy is not suitable for continued or future investment and alternatives should be explored.
Not Rated	Insufficient knowledge or due diligence to be able to form an opinion.

Responsible investment

Strong	Strong evidence of good RI practices across all criteria and practices are consistently applied.
Good	Reasonable evidence of good RI practices across all criteria and practices are consistently applied.
Adequate	Some evidence of good RI practices but practices may not be evident across all criteria or applied inconsistently.
Weak	Little to no evidence of good RI practices.
Not Rated	Insufficient knowledge to be able to form an opinion on.

Source: Investment Managers

HYMANS ROBERTSON

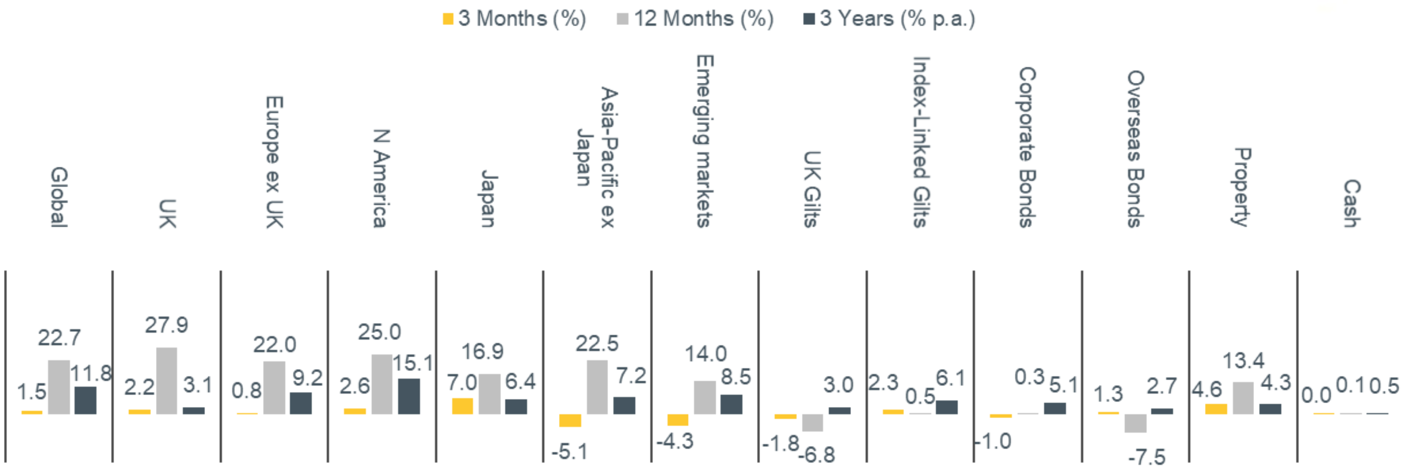
Growth momentum continued to ease as the initial impact of re-opening late last year fades. However, the pace of growth in the major advanced economies is forecast to remain strong over the next couple of years, with consensus forecasts global growth of 5.7% in 2021 and 4.4% in 2022.

Global equities gave up earlier gains as strong earnings growth was offset by easing economic momentum and the prospect of fading monetary support. Strong rises in energy prices lifted the energy sector, while the prospect of higher interest rates buoyed the financial sector. The defensive growth characteristics of the technology and healthcare sectors saw them outperform, while consumer discretionary, basic materials and industrials all underperformed in Q3.

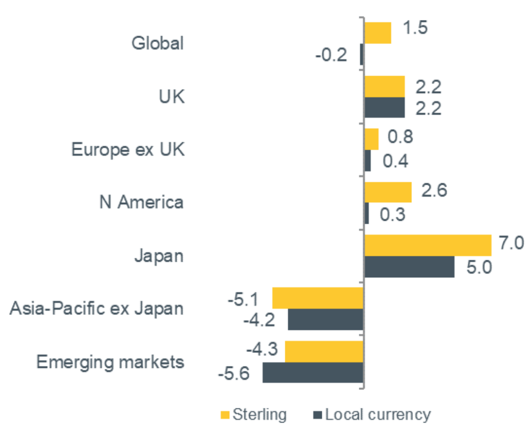
Japanese markets materially outperformed, rallying on expectations of further stimulus and economic reopening as COVID cases declined. UK markets also outperformed, driven primarily by their above average exposure to the energy sector, while emerging markets were pulled lower by weak performance from China, where announcements of tighter regulation have been compounded by a slowdown in the Chinese property and manufacturing sectors, and high energy prices

The total return on the MSCI Monthly Property index was 13.4% in the year to September, which includes a 5.5% income return. A 7.5% rise in capital values over the 12 months to end of September is attributable to buoyant industrial sector where capital values have risen 24%.

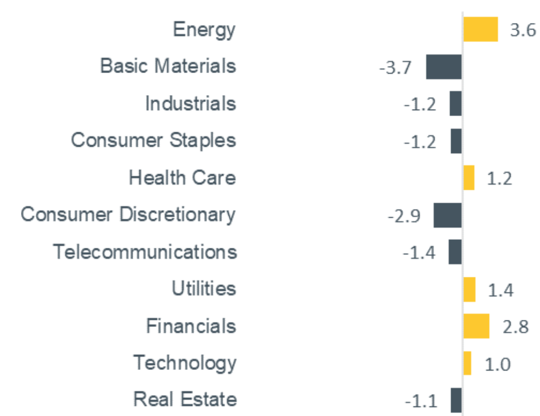
Historic returns for world markets [1]



Regional equity returns [2]



Global equity sector returns (%) [3]



Source: DataStream. [1] Returns shown in Sterling terms. Indices shown (from left to right) are: FTSE All World, FTSE All Share, FTSE AW Developed Europe ex-UK, FTSE North America, FTSE Japan, FTSE AW Developed Asia Pacific ex-Japan, FTSE Emerging, 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; UK Interbank 7 Day. [2] FTSE All World Indices. Commentary compares regional equity returns in local currency. [3] Returns shown in Sterling terms and relative to FTSE All World. FTSE indices migrated to a new ICB structure in Q1 2021.

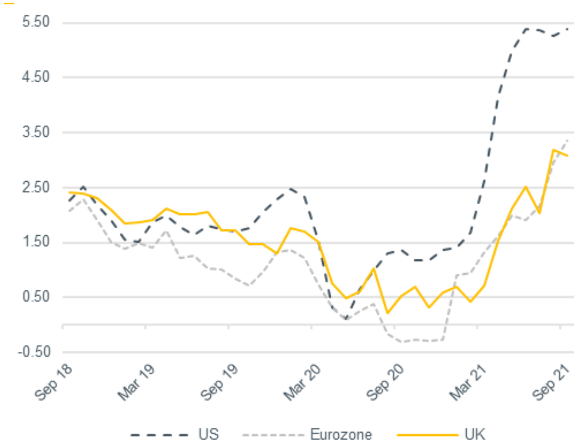
Global investment-grade spreads were little changed in Q3 and global developed market speculative-grade spreads rose 0.3% p.a. Defaults and leverage levels continue to fall, interest coverage is rising, and liquidity remains plentiful. Fears surrounding the potential default of Evergrande, a heavily indebted Chinese property developer, seem to have been contained within Chinese and Asian credit markets for now.

UK 10-year gilt yields rose 0.3% p.a., with steep rises coming in the wake of the Bank of England's September meeting. Having fallen earlier in the quarter, on the back of easing economic momentum, equivalent US and German yields rose back to end-June levels in September.

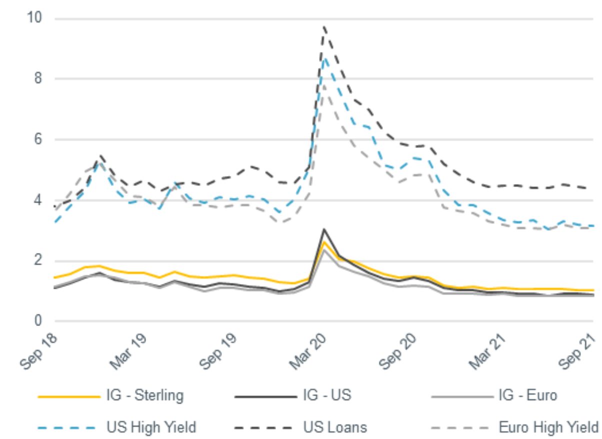
UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, rose from 3.5% p.a. to 3.9% p.a. as real yields fell and nominal yields rose. 10-year US implied inflation was little changed over Q3.

The trade-weighted dollar has risen around 1.5% while equivalent measures for the sterling and euro eased 0.9% and 0.4% respectively.

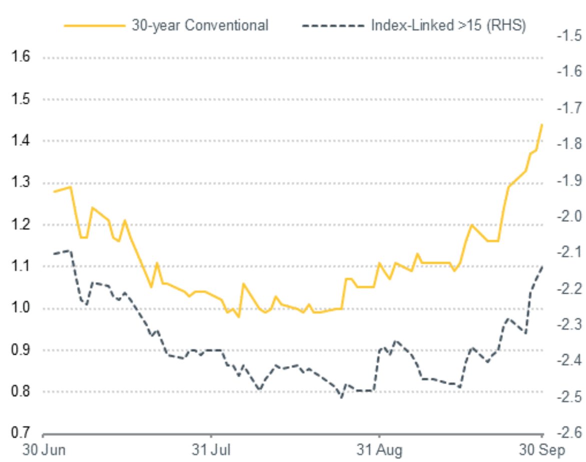
Annual CPI Inflation (% p.a.)



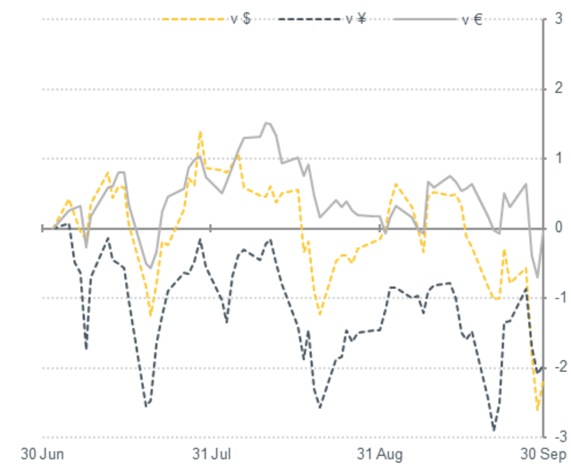
Investment and speculative grade credit spreads (% p.a.)



Gilt yields chart (% p.a.)



Sterling trend chart (% change)



Source: DataStream, Barings and ICE

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.

HYMANS # ROBERTSON

Quarterly Engagement Report

July-September 2021

Local Authority Pension Fund Forum

Shell, Rio Tinto, ArcelorMittal, National Grid, SSE, Anglo American

CLIMATE EMERGENCY

LAPFF Chair Visits Tailings Dam in Devon

Objective: Although LAPFF's plans to visit Brazilian communities affected by tailings dams have been postponed due to Covid, LAPFF's work with the communities has continued apace over the last year and a half. As part of building an understanding of how tailings dams function, LAPFF Chair, Cllr Doug McMurdo, visited a mine in Devon that has a tailings dam (pictured above and on cover).

Achieved: Cllr McMurdo visited the tungsten mine at the beginning of July. He was shown round the various mining functions by the mine's CEO and other staff, and part of this tour included the tailings dam. The Devon tailings dam was of a downstream construction. When asked about the construction type, the mine staff explained that they would not use an upstream dam because this type of construction is too dangerous. One of the big problems faced by communities affected by tailings dams globally is that they are potentially in the path of run off from upstream dams.

In Progress: LAPFF is continuing to engage with companies, communities, and other stakeholders, as well as undertaking research to prepare for its visit to Brazil, whenever that might be.

Shell

Objective: LAPFF had some serious concerns about the out-going Shell Chair's statement that oil and gas would be needed as part of the company's portfolio for the foreseeable future. Various conversations and interactions with the CEO had also raised concerns about the company's trajectory, both from a carbon perspective and from a business perspective. Consequently, LAPFF was keen to meet the new Shell Chair, Andrew Mackenzie, formerly CEO of BHP and no relation to current BHP Chair, Ken MacKenzie.

Achieved: The meeting took place in early September, with the conversation focused primarily on Shell's financial performance and how the company's approach to fossil fuels would impact on that performance. LAPFF Chair, Cllr Doug McMurdo, noted that compared to BHP's total shareholder returns over the last ten years, Shell had performed poorly and that net zero objectives would not enable the company to achieve Paris-aligned climate targets. While LAPFF was grateful to Sir Andrew for his engagement and welcomed his willingness to take suggestions, significant inconsistencies in Shell's business strategy, business model, and climate strategy appear to persist.

CLIMATE EMERGENCY

In Progress: LAPFF will continue to engage with Shell to work toward a truly Paris-aligned climate and business plan for the company.

Rio Tinto

Objective: This year, LAPFF attended Rio Tinto's AGM to push the company on recognising the financial impacts of its social challenges. Therefore, Cllr McMurdo was pleased to meet Rio Tinto's Chief Financial Officer, Peter Cunningham, to discuss this issue further. Mr. Cunningham took over as interim CFO when Jakob Stausholm became CEO but has been made permanent recently.

Achieved: It appears that Mr Cunningham understands and agrees with the proposition that social impacts affect financial materiality at companies. However, everyone LAPFF has spoken to at Rio Tinto acknowledges that despite progress since Juukan Gorge, the company has some way to go to regain investor and affected community trust in its operations.

One area where Rio Tinto has improved substantially is in its willingness to engage with LAPFF. After the destruction of the Juukan Gorge rock shelters, LAPFF tried in vain to obtain meetings with the Chair to discuss what had happened but did not manage to do so for over six months after the shelters were destroyed. This year, LAPFF has met not only with Peter Cunningham but also with Mr. Stausholm and Chair Simon Thompson. The company continues to offer meetings with various specialist staff and affected community members with which the company engages.

LAPFF recognises that engagement is not progress. It also recognises that the staff and community members put forward by Rio Tinto probably have a particular bias or perspective on Rio Tinto's activities, especially since LAPFF continues to hear contradictory information from affected community representatives. However, engagement with all affected parties is useful for LAPFF to understand what questions to ask the various parties involved.

In Progress: Therefore, LAPFF is continuing to liaise with other interested investors, Rio Tinto, and affected communities and their representatives in Australia, the US, Papua New Guinea, and elsewhere. This triangulated communication helps to paint a more complete picture for LAPFF of Rio Tinto's progress from an environmental, social, and financial perspective.

As a follow-up, the LAPFF Chair also met with Rio Tinto staff to discuss the forthcoming 'say on climate' vote at the 2022 AGM. The challenge as ever is addressing Scope 3 emissions, which comprise 95% of total emissions. In doing so, the pace of roll-out of zero-carbon technologies by the company's steel customers was noted.

Anglo American

Objective: LAPFF has been concerned that Anglo American's board and management have not been sufficiently engaged with community members affected by the company's operations. However, LAPFF learned at the Anglo American AGM that the company's CEO, Mark Cutifani, had visited the company's controversial Colombian joint venture with Glencore and BHP, Cerrejon. Therefore, Cllr McMurdo met with Mr. Cutifani to hear about the CEO's experience of visiting the project.

Achieved: LAPFF appreciated Mr. Cutifani's openness in discussing the political, cultural, and environmental challenges surrounding Cerrejon. The project is a thermal coal mine, and just days after speaking to both Mr. Cutifani and BHP Chair, Ken MacKenzie, LAPFF received news that both Anglo American and BHP were pulling out of the joint venture to leave Glencore as the sole mining giant involved with the project. Subsequently, LAPFF representatives also met with Anglo American to discuss the company's next 'say on climate' resolution.

Anglo American has developed a detailed community engagement approach as part of its Social Way programme. However, the fact remains that all three companies have been investors in Cerrejon during a time when there have been allegations of severe human rights and environmental violations. All three companies have been named in a complaint filed with a number of OECD National Contact Points on these grounds.

In Progress: LAPFF will continue to engage with Anglo American on its community engagement approach and its climate approach.

BHP Voting Alert

LAPFF issued a voting alert to oppose BHP's climate plan. While LAPFF commended BHP for putting its plan to a vote, the plan is not aligned with the goals of the Paris Agreement. BHP has undoubtedly made progress on climate, but given the pressing nature of the climate crisis, LAPFF expects all climate plans to be Paris-aligned at this stage. As the alert stated, climate change is not a negotiation.

BHP

Objective: There is a debate raging in Western Australia about a proposed cultural heritage law to increase protections for Indigenous communities in the area. LAPFF had spoken to Rio Tinto about the law, and the company had not seen the final draft. However, affected communities are apparently not pleased with either the process or the content of the law. As BHP is another company affected by the law, LAPFF had a meeting with the company's Indigenous Affairs representative to find out more about the law. LAPFF is also seeking a meeting with the affected Indigenous communities.

Achieved: LAPFF was able to understand from the discussion with BHP that the main point of contention appears to be the level of say affected communities have over whether projects move forward, a so-called 'right of veto'. While there are apparently improvements from the last piece of legislation, the question is whether sufficient positive change will be made to the new legislation to protect affected communities from another Juukan Gorge.

In Progress: LAPFF will continue to engage with BHP, Rio Tinto, and affected community members to see if there is a role for LAPFF to play in promoting a positive outcome to this debate and the eventual legislation.

COMPANY ENGAGEMENT

ArcelorMittal

Objective: After the long-awaited issuing of the company's second Group Climate Action report, a meeting was held with company representatives and other CA100+ investors to discuss company progress.

Achieved: ArcelorMittal now has a group-wide emission intensity reduction target for 2030 of 25%, and 35% for Europe. The LAPFF Vice-Chair, Cllr Chapman commended the strengthening of targets and announcements of zero carbon steel plants in Spain and Canada. On request, the report also included a mapping of the company progress against the CA100+ benchmark. This mapping will be used by many investors to inform AGM voting. Also raised were Paris-aligned accounts, climate considerations in remuneration, consulting shareholders on a transition plan vote at the 2022 AGM and requesting that the company run the 2022 AGM as openly as it did the 2021 AGM when the meeting was run on a virtual platform.

In Progress: Given the strengthened decarbonization targets and 'real world' impact of the new zero carbon steel plants, this engagement was considered to have shown substantial progress.

National Grid

Objective: LAPFF has had long-term ongoing engagement with National Grid, most recently as joint-lead investor in the Climate Action 100+ (CA100+) engagement. This engagement culminated in the board putting a 'say on climate' resolution to the AGM, which asked shareholders, from 2022, to approve annual reporting on the company's net zero strategy, 2030 action plan, and progress against emission reduction targets. Cllr Rob Chapman, the LAPFF Vice-Chair, met with the new chair, Paul Rasput Reynolds, and attended the AGM to encourage robust decarbonization plans.

Achieved: A voting alert recommended that members support the board's accountability for annual approval of a transition plan as well as article amendments supporting provisions for holding 'hybrid' annual meetings. The latter provides greater opportunities for shareowners to participate and ask questions of board members. At the meeting with the chair, LAPFF questions focused on seeking more ambition due to the new International Energy Agency Net Zero pathway, on phasing out gas, on setting short term targets up to 2025, and on looking for changes in planned capex to allow for a larger take up of electrification for heating. At the AGM the following week, LAPFF posed questions; the questions and responses from the board can be viewed here. Ms. Reynolds noted there would be a board meeting following the AGM to consider how the UK and US transition plans are implemented and remain fit for purpose.

In Progress: It was considered the outcome of the meeting was 'change in progress'.

SSE

Objective: Cllr Rob Chapman also met with SSE to discuss the company's 'say on climate' resolution ahead of SSE's AGM in July. LAPFF and SSE have a long-standing dialogue on environmental, social, and governance issues, including a just transition. The Forum is keen to continue this dialogue as SSE has been particularly constructive in its discussions with LAPFF over the years and has undertaken some innovative work in both the social and the environmental areas, not least a just transition to a zero-carbon economy.

Achieved: Acknowledging that SSE is ahead of the game on much of its transition planning, LAPFF raised some concerns in particular around Scope 3 emissions measurement and targets. A number of just transition challenges for the company were also discussed, along with a further discussion on the relevance of and uses for carbon capture and storage (CCS).

After the engagement meeting, Cllr Chapman also attended SSE's AGM by virtual means to ask questions around CCS and grid structure in relation to SSE's climate goals.

In Progress: LAPFF and SSE have agreed to continue dialogue and speak as necessary, but in particular prior to SSE's next 'say on climate' resolution.

HSBC

Objectives: The LAPFF chair met with HSBC representatives to ascertain how HSBC will be assisting its clients to set and implement coal phase-out plans in line with the bank's own commitment and timeline. Clarity was also sought on how the company is progressing on pulling out of coal-intensive industries.

Achieved: Representatives noted that the International Energy Agency scenario 'net zero by 2050' will be used to benchmark progress. The company has undertaken new analysis, with more data to be considered. The company joined the net zero banking alliance in April to help understand the transition journeys clients are on, and how the bank can have impact. On retreating from coal-intensive industries, it was noted that coal exposure represents 0.2% of wholesale loans and advances as measured under the Taskforce on Climate-related Financial Disclosure metrics in 2020. However, it was recognised this still represents investments of £1.2 billion, but as existing, not new, commitments.

In Progress: Representatives noted that they are developing the methodology for a transition risk questionnaire for clients and that commitments would be made in 2021. A further request was made to disclose fossil fuel investments in the annual report. This disclosure is done at 'top level' but would not separate out renewables investments made by such companies. At this stage, the outcome was considered 'change in progress'.

Standard Chartered

Objectives: The LAPFF chair met with the Standard Chartered chair, José Viñals, to ascertain how the company is progressing working with clients on climate change to reduce emissions and align with the bank's net zero by 2050 policy.

Achieved: Of concern has been the bank's funding of Adaro, a major coal supplier which Standard Chartered's own analysis shows to be aligned with an increase of 5-6°C in global warming. Standard Chartered will be issuing a roadmap setting out its route to net zero in October 2021, and the board is putting a 'say on climate' resolution to the 2022 AGM.

COMPANY ENGAGEMENT

In Progress: It appears that an NGO is considering filing a resolution to the Standard Chartered AGM asking for commitments not yet evident in the company's current transition plans. LAPFF met with this NGO to hear more of its concerns.

Mitsubishi Financial

Objective: Cllr Glyn Caron, of the LAPFF Executive, joined a collaborative investor call organised by Asia Research and Engagement with Mitsubishi UFJ Financial (MUFJ). The meeting sought to cover constituent details of a plan which would align financing to the goals of the Paris agreement and the setting of a net zero financed emissions target. This call followed LAPFF correspondence with the company on the issuing of a voting alert for the company's June AGM supporting the company issuing a plan to align financing with the Paris Agreement. The engagement was followed by media coverage on concerns over the bank's provision of finance to fossil fuel expansion and deforestation.

Achieved: In May, MUFJ made a net zero declaration, and as part of this commitment joined the Net Zero Banking Alliance. The company is committed to developing a plan but has only just started addressing policy formulation and implementation. This initial activity has been through setting up working groups to see if improvement can be made on the current investment threshold of 50% coal, which is 50% of 'total capacity'. The company representative noted this standard would be revised and a goal set, which will be shown in due course. On physical risk, currently only flooding impact is mapped.

In Progress: It was agreed further correspondence would follow, including sharing examples of good practice from other financial institutions and benchmarking of these companies on coal policies. It was noted further physical risks could be considered going forward. Overall, the outcome from the meeting illustrated there was a 'change in process'.

Sainsbury

Objective: LAPFF attended Sainsbury's 'Plan for Better' event and posed questions, both at this event and at the AGM, on the company's packaging practices, electric vehicles, supply chains, climate change and 'say on climate'.

Achieved: Sainsbury's 'Plan for Better' ESG event covered a broad range of ESG topics, noting targets and progress against them. In 2020, Sainsbury announced its climate target to be net zero by 2040 and has this year announced Scope 3 emissions target, which followed with a key theme of this year's ESG event being that the company was engraining ESG at the core of its business strategy. It is taking a number of steps in stores to tackle plastic packaging, opting for loose veg as opposed to prepacked. These steps have led Sainsbury to be recognised by Greenpeace as the retailer with the second highest proportion of loose fruit and vegetables in the market.

A large part of Sainsbury's strategy with plastic packaging is attempting to enable a circular economy, having launched an initiative in June, offering customers the opportunity to bring back any flexible plastic packaging to front of store collection points in 520 supermarkets for recycling. LAPFF has also co-led an engagement with Sainsbury in a coalition led by First Sentier Investors, pushing for suppliers and distributors of domestic and commercial washing machines to fit, as a standard procedure, filters to their products to prevent plastic microfibres entering the world's ecosystems. Sainsbury responded that they had engaged with white goods suppliers and were looking at viable options.

In Progress: LAPFF will be meeting with Sainsbury for a more in-depth conversation on the company's approach to a zero-carbon transition and will be querying the company further on a 'say on climate' vote.

COMPANY ENGAGEMENT

Persimmon

Objective: LAPFF has been engaging with Persimmon over a number of years following serious concerns about excessive executive pay, customer care and build quality. The Forum has also identified housebuilders as an important sector for climate change engagements, given the level of emissions from residential property. The Forum therefore sought to meet with the Chair of Persimmon, Roger Devlin, to discuss improvements in customer care and executive pay alongside how it was seeking to move to a net zero business model.

Achieved: It was noted how the company had made changes to its approach to customer care following a review by Stephanie Barwise QC. The meeting covered inspections of properties following historic build quality concerns and the company's improved customer ratings. The issue of executive pay was covered, including resolving issues that led to the high pay award of the former chief executive.

On climate change, Persimmon's targets to reach net zero were discussed. Persimmon has made a commitment that all new homes will be net-zero by 2030 and for the company, including its operations, to be net zero by 2040. Gas boilers are being banned in new homes from 2025 and the discussion focused on how Persimmon was seeking to get ready for this change.

In progress: The company has made improvements to customer care but there is scope for further improvements. While emission targets have been set it will be important to monitor their progress towards net zero.

OCCUPIED PALESTINIAN TERRITORIES (OPT) ENGAGEMENTS

Objective: There are short-term and long-term objectives with this engagement. The short-term objective is to have the LAPFF target companies operating in this area engage meaningfully with LAPFF on their human rights practices in the OPT. The long-term objective is to have these companies produce credible, robust, independent human rights impact assessments of their practices in the OPT so that LAPFF members can assess whether the companies' human rights practices meet international human rights and humanitarian law standards.

Achieved: In line with the UN Guiding Principles on Business and Human Rights, LAPFF has been working for some months with a business and human rights expert to help with this engagement. This expert has joined LAPFF engagements with Altice and Booking Holdings this quarter, providing invaluable contributions to the engagements and ideas for how to proceed with the engagement. Both companies provided insights into their human rights due diligence processes and Booking Holdings has publicly announced that it is in the process of drafting its Human Rights Statement.

In Progress: LAPFF sent a follow up meeting request to the target companies and was able to schedule a few more meetings this time round. It will continue to approach companies for engagement and to request meaningful responses to information requests. Specifically, LAPFF is not content with the explanation that companies are abiding by the relevant law in the way they conduct business in the OPT. In all of LAPFF's work globally, this response is a red flag to LAPFF that companies are treading a thin line between legality and illegality in their conduct. This margin is not acceptable to LAPFF.

COMPANY ENGAGEMENT

PHARMACEUTICAL COMPANY ENGAGEMENTS

Objective: Some of LAPFF's largest holdings are in pharmaceutical companies. Many of these companies have been contributing to the development of Covid vaccines and have faced significant challenges over the last couple of years. LAPFF is interested in finding out how the Covid pandemic has affected these companies.

Achieved: LAPFF has written to five of the companies in which members hold a large number of shares in aggregate to find out whether the Covid pandemic has had an impact on their business strategies or business models. The companies of interest are AstraZeneca, GlaxoSmithKline, Novartis, Roche Holding, and Sanofi.

In Progress: LAPFF is in the process of arranging meetings with these companies, most of whom have responded that they are willing to meet and discuss this issue.

COLLABORATIVE ENGAGEMENTS

Chair's Quote: "The speed with which the 'say on climate' initiative has taken root is indicative of its importance. I am heartened to see the number of companies putting their climate plans to a vote. However, the number of plans that fail to meet the goals of the Paris Agreement is alarming. I have always shared the view that Covid is a dress rehearsal for climate change; we must learn and take meaningful action much more quickly on both fronts."

The Institutional Investor Group on Climate Change has published a guide on Investor Expectations of Companies on Physical Climate Risks and Opportunities. LAPFF has co-signed letters to 50 companies in sectors highly exposed to physical climate risk asking them to adopt the expectations set out in the guide. These expectations very broadly are to establish a climate governance framework, to undertake physical climate risk and opportunity assessment, to develop and implement a strategy for building climate resilience, and to identify and report against metrics to demonstrate progress over time.

COLLABORATIVE INVESTOR MEETINGS

LAPFF continued to engage with other investors in the 30% Club, the Investors for Opioid and Pharmaceutical Accountability (IOPA) and the 'Financing a Just Transition Alliance'. It is also continuing to work with CA100+ on carbon reduction at widely held companies, and with Sarasin on Paris-aligned auditing of accounts. LAPFF continues to participate in investor collaborations to combat modern slavery too and is considering how best to expand engagement on this topic.

COLLABORATIVE COMMUNITY MEETINGS

LAPFF was pleased to learn that JGP Credito, a Brazilian investor with which LAPFF has been liaising in relation to the Samarco and Brumadinho tailings dam collapses in Brazil, visited communities affected by those disasters at the end of August. One of the main asks from the communities was that LAPFF get Brazilian investors involved to help highlight the communities' struggles in the wake of the dam collapses. JGP has been an excellent partner in this regard, but it has been a struggle for LAPFF to engage other Brazilian investors. In any case, LAPFF is planning to continue its quarterly meetings with affected community members to monitor their experiences and to see what LAPFF can do to help meet their needs.

POLICY ENGAGEMENT

Further to the setting up of the UK Accounting Standards Endorsement Board, which has taken over from the EU Commission in endorsing international accounting standards for use in the UK, the Chair of LAPFF has written to the Chair of the Board, Pauline Wallace. The letter requests production of the guidance used by the UKEB in endorsing standards in respect of 'true and fair view'. This request comes after the former CEO of the FRC told Parliament that government lawyers had "concluded that they agreed" with "legal advice from Martin Moore QC who [had] concluded almost exactly the opposite of what [George Bompas, QC for the Local Authorities Pension Fund Forum (LAPFF)] had concluded." However, a Freedom of Information request revealed the government position: "We have never said that the views [of the LAPFF] are incorrect and may be disregarded. … Ultimately, whether the views of the LAPFF are incorrect would be a matter for the courts".

In September, LAPFF – as part of a 587 investors strong group representing over USD $46 trillion in assets – participated in sending the 2021 Global Investor Statement to Governments on the Climate Crisis. Considered the 'strongest ever call by global investors for governments to raise their climate ambition and implement meaningful policies to support investment in solutions to the climate crisis' the statement calls on all governments to undertake five priority actions in 2021. For further information on this statement, please access here.

CONSULTATION RESPONSES

There has been a series of consultations by the government relating to the UK's commitments on carbon reductions, including the interim goal of reducing emissions by 78% by 2035 over 1990 levels.

Transport, is the sector with the fastest growing source of carbon emissions and LAPFF has provided three related responses to relevant government consultations. In its response to the Department of Transport's 'Jet Zero' consultation on the strategy for net zero aviation, LAPFF considers that the government should take the opportunity to support the development of UK leadership in electric flight. In the response to the DWP consultation on ending the sale of new non-zero emission heavy goods vehicles, LAPFF supports a clearly identified legislative framework for carbon reductions, so companies can make the necessary decisions and financial commitments to provide the crucial short and long-term solutions to decarbonising the economy. Responding to the Department for Transport Consultation on a new CO_2

ENGAGEMENT

emissions regulatory framework, LAPFF supports deploying the zero-emission vehicle mandate. To maximise zero emission capability, the government should ensure there is a focus on electric drivetrain technology for all road vehicles. For cars or vans, the Department for Business, Energy and Industrial Strategy has already recognised that this approach is the lowest cost route to zero emissions. All responses can be viewed here.

MEDIA COVERAGE

Investors with $4 trln assets aim to tackle Asian firms on climate change goals https://www.reuters.com/article/marketsNews/idUSL8N2QU68V?il=0 https://finance.yahoo.com/news/investors-4-trln-assets-aim-013000164.html https://www.dealstreetasia.com/stories/investors-asian-firms-climate-change-262764/ https://www.straitstimes.com/business/economy/investors-handling-54-trillion-throw-weight-behind-new-platform-pushing-for-green

LGPS – Making Net Zero Add up To Something Real https://www.room151.co.uk/blogs/lgps-making-net-zero-add-up-to-something-real/

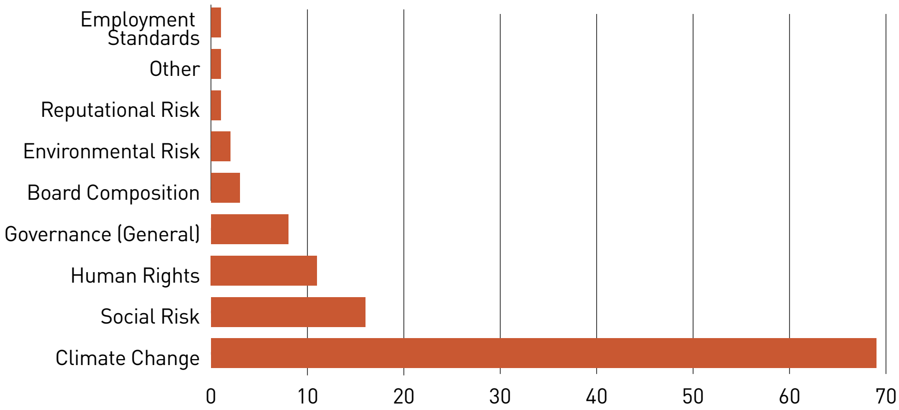
Legal Experts Warn on Issues with ICAEW Dividends guidance https://www.ipe.com/news/legal-experts-warn-on-issues-with-icaew-dividends-guidance/10055010.article

Phil Triggs: LGPS needs fine judgement on climate change and pooling https://www.lgcplus.com/investment/phil-triggs-lgps-needs-fine-judgement-on-climate-change-and-pooling-08-09-2021/

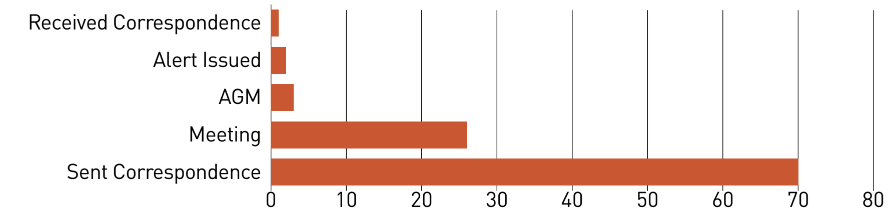
Sharp drop in LGPS fund and Pool signatories of stewardship code https://www.lgcplus.com/investment/sharp-drop-in-lgps-fund-and-pool-signatories-of-stewardship-code-06-09-2021/

ENGAGEMENT DATA

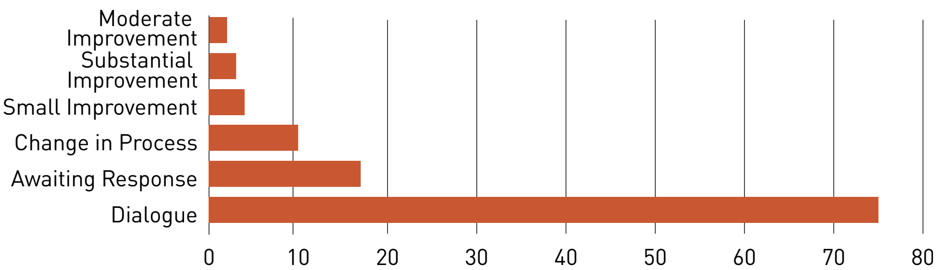
ENGAGEMENT TOPICS



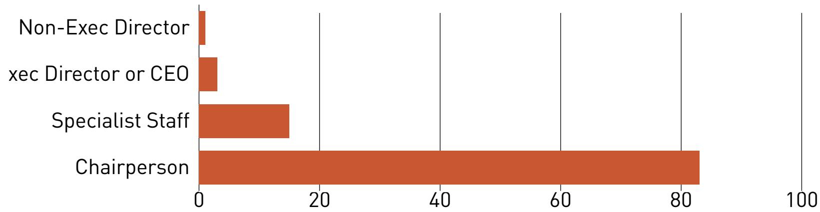
ACTIVITY



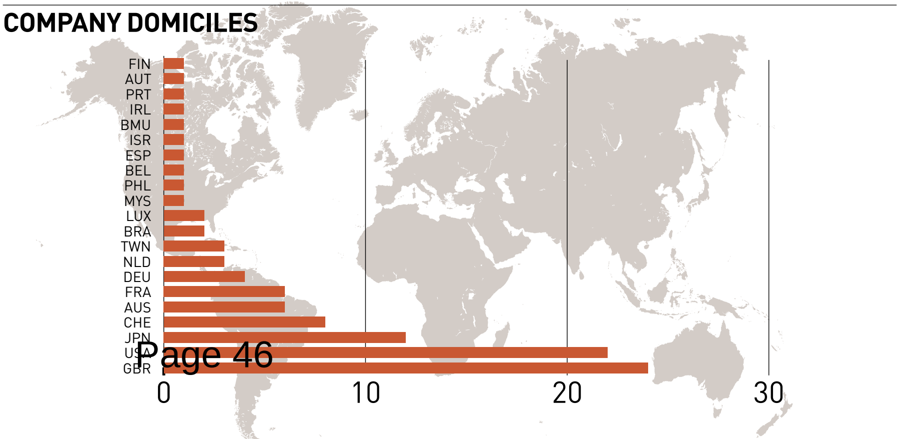
MEETING ENGAGEMENT OUTCOMES



POSITION ENGAGED



COMPANY DOMICILES



COMPANY PROGRESS REPORT

82 Companies engaged over the quarter

*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

Company/Index	Activity	Topic	Outcome
A G BARR PLC	Meeting	Other	Small Improvement
ABOITIZ EQUITY VENTURES INC	Sent Correspondence	Climate Change	Dialogue
AIR LIQUIDE SA	Sent Correspondence	Climate Change	Dialogue
AJINOMOTO CO INC	Sent Correspondence	Climate Change	Dialogue
ALLERGAN PLC	Sent Correspondence	Climate Change	Dialogue
ALSTOM SA	Meeting	Human Rights	Small Improvement
AMS AG	Sent Correspondence	Climate Change	Dialogue
ANGLO AMERICAN PLC	Meeting	Climate Change	Change in Process
ARCELORMITTAL SA	Meeting	Climate Change	Substantial Improvement
ARKEMA	Sent Correspondence	Climate Change	Dialogue
ASTRAZENECA PLC	Sent Correspondence	Governance (General)	Dialogue
BANK LEUMI LE-ISRAEL BM	Sent Correspondence	Human Rights	Awaiting Response
BHP GROUP LIMITED (AUS)	Alert Issued	Climate Change	Dialogue
BOOKING HOLDINGS INC.	Meeting	Human Rights	Small Improvement
CAMPBELL SOUP COMPANY	Sent Correspondence	Climate Change	Dialogue
CENTRICA PLC	Sent Correspondence	Climate Change	Dialogue
COCA COLA BEVERAGES PLC	Sent Correspondence	Social Risk	Awaiting Response
CONAGRA BRANDS INC.	Meeting	Social Risk	Awaiting Response
COVESTRO AG	Sent Correspondence	Climate Change	Dialogue
CSX CORPORATION	Sent Correspondence	Climate Change	Dialogue
DANONE	Sent Correspondence	Social Risk	Dialogue
DELTA AIR LINES INC	Sent Correspondence	Climate Change	Dialogue
DIALOG SEMICONDUCTOR PLC	Sent Correspondence	Climate Change	Dialogue
DOMINION ENERGY INC	Sent Correspondence	Climate Change	Dialogue
ENDO INTERNATIONAL PLC	Sent Correspondence	Climate Change	Dialogue
FIRSTGROUP PLC	Sent Correspondence	Climate Change	Dialogue
FORMOSA PLASTICS CORP	Sent Correspondence	Climate Change	Dialogue
GALP ENERGIA SGPS SA	Sent Correspondence	Climate Change	Dialogue
GENERAL MILLS INC	Sent Correspondence	Social Risk	Awaiting Response
GLAXOSMITHKLINE PLC	Sent Correspondence	Governance (General)	Dialogue
GRIFOLS SA	Sent Correspondence	Climate Change	Dialogue
HSBC HOLDINGS PLC	Meeting	Climate Change	Change in Process
INFINEON TECHNOLOGIES AG	Sent Correspondence	Climate Change	Dialogue
JABIL CIRCUIT INC	Sent Correspondence	Climate Change	Dialogue
KELLOGG COMPANY	Meeting	Social Risk	Awaiting Response
KERRY GROUP PLC	Sent Correspondence	Climate Change	Dialogue
KEURIG DR PEPPER	Sent Correspondence	Social Risk	Awaiting Response
LANXESS AG	Sent Correspondence	Climate Change	Dialogue
LITEON TECHNOLOGY CORP	Sent Correspondence	Climate Change	Dialogue
LOGITECH INTERNATIONAL S.A.	Sent Correspondence	Climate Change	Dialogue
LONZA GROUP AG	Sent Correspondence	Climate Change	Dialogue
LYONDELLBASELL INDUSTRIES N.V.	Sent Correspondence	Climate Change	Dialogue
MARVELL TECHNOLOGY GROUP LTD	Sent Correspondence	Climate Change	Dialogue
MEDTRONIC PLC	Sent Correspondence	Climate Change	Dialogue
MEIJI HOLDINGS CO LTD	Sent Correspondence	Social Risk	Awaiting Response
MISC BERHAD	Sent Correspondence	Climate Change	Dialogue
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Change in Process
MONDELEZ INTERNATIONAL INC	Sent Correspondence	Social Risk	Awaiting Response
NAN YA PLASTICS CORP	Sent Correspondence	Climate Change	Dialogue
NATIONAL GRID PLC	AGM	Climate Change	Change in Process
NESTLE SA	Sent Correspondence	Climate Change	Dialogue
NEXTERA ENERGY INC	Received Correspondence	Climate Change	Substantial Improvement
NIPPON EXPRESS CO LTD	Sent Correspondence	Climate Change	Dialogue
NISSIN FOOD HLDGS CO LTD	Sent Correspondence	Climate Change	Dialogue
NOKIA OYJ	Sent Correspondence	Climate Change	Dialogue

COMPANY PROGRESS REPORT

82 Companies engaged over the quarter

*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

NORFOLK SOUTHERN CORPORATION	Sent Correspondence	Climate Change	Dialogue
NOVARTIS AG	Sent Correspondence	Governance (General)	Dialogue
PANALPINA WELTTRANSPORT AG	Sent Correspondence	Climate Change	Dialogue
PEPSICO INC.	Sent Correspondence	Social Risk	Awaiting Response
PERSIMMON PLC	Meeting	Climate Change	Moderate Improvement
PUBLIC SERVICE ENTERPRISE GROUP INC	Sent Correspondence	Climate Change	Dialogue
RENESAS ELECTRONICS CORP	Sent Correspondence	Climate Change	Dialogue
RIO TINTO GROUP (AUS)	Meeting	Governance (General)	Dialogue
RIO TINTO PLC	Meeting	Climate Change	Change in Process
ROCHE HOLDING AG	Sent Correspondence	Climate Change	Dialogue
ROHM CO LTD	Sent Correspondence	Climate Change	Dialogue
ROYAL DUTCH SHELL PLC	Meeting	Governance (General)	Dialogue
SAINSBURY (J) PLC	AGM	Environmental Risk	Dialogue
SANOFI	Sent Correspondence	Climate Change	Dialogue
SANWA HOLDINGS CORP	Sent Correspondence	Board Composition	Dialogue
SEAGATE TECHNOLOGY PUBLIC LIMITED COMPANY	Sent Correspondence	Climate Change	Dialogue
SOLVAY SA	Sent Correspondence	Climate Change	Dialogue
SSE PLC	Meeting	Climate Change	Change in Process
STANDARD CHARTERED PLC	Meeting	Climate Change	Dialogue
STMICROELECTRONICS NV	Sent Correspondence	Climate Change	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Meeting	Board Composition	Moderate Improvement
SUNTORY BEVERAGE & FOOD LTD	Sent Correspondence	Social Risk	Awaiting Response
SWATCH GROUP AG	Sent Correspondence	Climate Change	Dialogue
THE CLOROX COMPANY	Sent Correspondence	Climate Change	Dialogue
THE KRAFT HEINZ COMPANY	Sent Correspondence	Social Risk	Awaiting Response
UNILEVER PLC	Sent Correspondence	Social Risk	Awaiting Response
VALE SA	Meeting	Human Rights	Dialogue

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Bromley Pension Fund
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 Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Islington Pension Fund
Kingston upon Thames Pension Fund
Kensington and Chelsea (Royal Borough of)
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
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
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands ITA Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

Border to Coast Pensions Partnership
Brunel Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

Hackney

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
CMA Order - Assessing Performance Against CMA Objectives for Investment Consultants **Pensions Committee** **20th January 2022**	**Classification** **PUBLIC** **Ward(s) affected** **ALL**	**Enclosures** **Two**

1. **INTRODUCTION**

1.1 This report presents the Fund's second formal assessment against the objectives it set for its investment consultant under Remedy 7 of the Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Market Investigation Order 2019. The report sets out the requirements of the order, an analysis of actions over the last year in respect of the objectives set and recommends that the Committee approves submission of the required statement to the CMA confirming it has complied with the requirements of the Order.

2. **RECOMMENDATIONS**

2.1 The Pensions Committee is recommended to:

- **Note the assessment of the performance against the objectives set as set out in appendix 1.**
- **Approve the submission of the statement at Appendix 2 to the CMA in line with requirements.**

3. **RELATED DECISIONS**

3.1 Setting of objectives for the Fund Investment Consultant - November 2021

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

4.1 The CMA Order is intended to help address competition issues within the investment consultancy and fiduciary management markets. Although the Fund does not currently make use of a fiduciary manager, it does use an investment consultant to fulfil its obligation under the LGPS (Management and Investment of Funds) Regulations 2016 to obtain proper advice.

4.2 The Fund should benefit from the CMA Order either directly, through clarifying and strengthening the requirements for its investment consultant, and indirectly via improved competition within the investment consultancy market and lower possibly lower fees.

4.3 This report sets out an analysis of the work undertaken by the Investment Consultants over the last year in relation to the objectives set for them in December 2019 and further enhanced in November 2021.

4.4 There are no immediate financial implications arising from this report

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE SERVICES

5.1 LGPS administering authorities must set strategic objectives for investment consultants according to the CMA Order published in June 2019. The Committee agreed an interim set of objectives in December 2019 and updated these in November 2021. It is required to confirm on an annual basis that it has complied with the requirements of the Order. The statutory deadline for the submission of the annual statement is 7th January, however, the Fund has sought an extension to this date in order that the Committee can consider the statement.

5.2 This report helps to demonstrate that the Fund has complied with its obligations.

5.3 The Pensions Committee's Terms of Reference state that one of the Committee's functions is 'To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, actuaries, advisers, investment managers and custodians and periodically to review those arrangements'. Given this role in appointing and reviewing the Fund's investment consultant, the setting of objectives for the consultant and subsequent monitoring against them would appear to properly fall within the Pensions Committee's remit.

6. BACKGROUND TO THE REPORT

6.1 In September 2017, the Financial Conduct Authority (FCA) requested that the Competition and Markets Authority (CMA) carry out a market investigation of the supply and acquisition of investment consultancy services and fiduciary management services to and by institutional investors and employers in the UK. 2. The CMA published its report (Investment Consultants Market Investigation Final Report) on the matter in December 2018.

6.2 In the report, the CMA found that both the investment consultancy and fiduciary markets had features that restricted or distorted competition and that the CMA ought to take action to remedy, mitigate or prevent these issues. A draft order was issued in early 2019 with the final order being issued in June 2019. The Order placed new obligations on service providers and pension schemes with regard to fiduciary management and investment consultancy Services.

6.3 On 15th October 2019, the LGPS Scheme Advisory Board published an update on the CMA order stating that, following clarification from the DWP and MHCLG, amendments to MHCLG's Investment Strategy Statement statutory guidance would eventually implement remedy 7 (obligation to set strategic objectives for Investment Consultants).

6.4 The requirements of remedy 7 are set out in Part 7 of the Order which came into force from 10th December 2019. These stated that unless LGPS authorities set strategic objectives for their investment consultants they must not "*enter into a contract with an Investment Consultancy Provider for the provision of Investment Consultancy Services or continue to obtain Investment Consultancy Services from an Investment Consultancy Provider*."

6.5 Officers of the Fund worked together with Hymans Robertson to develop an interim set of objectives, which were agreed by the Committee at its December 2019 meeting. Further work was undertaken by officers during 2021 to update and enhance these objectives and a final set in respect of 2021 was agreed by the Committee at its November meeting. The fund is required to certify that it has complied with the order on an annual basis by submitting a compliance statement to the CMA. A suggested statement is included at Appendix 2 to this report for the Committee's consideration and approval ahead of its submission by the Fund's officers.

6.6 The report also includes an assessment of the performance of the investment consultants, Hymans Robertson, against the objectives set. Officers have reviewed this evidence and are content that it properly reflects the work undertaken. This assessment is included at Appendix 1 for the Committee's consideration and comment.

6.7 Members should note that officers have sought an extension by the CMA to 21st January 2021 for the submission of the compliance statement. This allows for the consideration of the statement and assessment of performance at the January Committee.

Ian Williams
Group Director of Finance & Resources

Report Originating Officer: Michael Honeysett (020 8356 3332)
Financial considerations: Jackie Moylan (020 8356 3032)
Legal comments: Angelie Walker (020 8356 6994)

Appendices
Appendix 1 - Assessment of Performance against objectives
Appendix 2 - Compliance Statement Submission

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Fund Requirements	Investment Adviser Objectives	Evidence
Strategy		
Ensure members' benefits are met as they fall due.	Advise on an investment approach that reflects the Fund's cash flow position, and likely evolution, and minimises the risk of forced disinvestment	Cashflow is regularly monitored and reports to Committee have been provided to ensure that it understands the different classes of assets available and the potential impact of asset allocation on the cashflow. A refreshed investment strategy has been presented to Committee and agreed that shifts some of the focus from growth to income assets given the cashflow outlook over the next 2-3 years. This revised allocation should ensure that sufficient investment income is realised to assist with cashflow of the fund and avoid need to disinvest at short notice from funds.
Support a long term funding approach that is consistent with a stable and affordable contribution approach from the employers.	Advise on a suitable investment strategy, including undertaking at least a 3 yearly review, helping the Committee to formulate and understand their collective investment beliefs. Assist the Committee in assessing, understanding and managing the investment risks within the Fund and how these interact with funding.	The funding level of the Fund has improved over the latest valuation cycle and particularly over the last year, largely driven by strong equity returns. The investment strategy advised to and agreed by the Committee has supported the stabilisation approach adopted as pat of the triennial valuation. We have worked alongside and in co-operation with the Fund actuary to produce joint advice on funding and investment matters, ensuring that the investment advice supports the agreed funding strategy. Most recently presented a joint paper with the actuary to officers and the Committee in respect of asset performance and how that has affected funding level along with next steps to be taken.
Support a long-term funding aim to be fully funded by 2031 on an ongoing basis of 1.65% over gilts and to continue maintaining this funding	Advise on reviewing and amending the strategy, to ensure it delivers the Fund's long-term objectives, including the required investment returns from the Fund's investments (and associated risks) to support progress towards a long term steady state of funding.	Investment advice has been provided after liaison with the fund actuary ensuring that the fund is able to fulfil its funding strategy. We have worked alongside the actuary to provide joint papers to Committee ahead of the upcoming triennial valuation, particul;rly looking at investment decisions and the impact on the Fund's funding level and contribution rates.

level going forward.		
Support the Fund in its development of its overarching responsible investment (ESG) approach	Advise on possible approaches and the development of the funds approach to responsible investment in all areas associated with ESG. Assist with the development of an RI policy for inclusion in the Fund's Investment Strategy Statement	We have worked with officers and the Committee, including leading discussions at specific RI workshops for the Committee and providing relevant advice regarding options to invest in greener and more sustainable mandates. Provided training, support and advice in respect of the current refresh of the RI policy.
Reduce the Fund's exposure to fossil fuels by 50% over six years to July 2022	Advise on suitable investment options to reduce fossil fuel exposure in the portfolio to support the Committee in achieving its target reduction	The fund has significantly reduced its exposure to fossil fuel reserves, achieving c60% of its target at the halfway stage. Recent advice on a refreshed investment strategy has been agreed and implemented, and it is likely that the fund will now have met this target ahead of the July 2022 deadline. We have advised on suitable investments for the fund to transition to in order to achieve this target, also focusing on LGPS pooling requirements via LCIV.
Monitoring and performance		
Ensure cost efficient implementation of the Fund's investment strategy	Advise on the cost efficient implementation of the Fund's investment strategy as required, including advice on the use of suitable benchmarks, active or passive management, and taking into account the evolution of the London CIV. Provide advice on the suitability of investment managers and regular reporting to allow the Committee to monitor the success of the investment strategy, including on the relative merits of using products offered by the London CIV compared to external managers. Justify any advice to invest outside of the CIV. Ensure all our services to support the Fund's investment strategy ongoing governance are proportionate and competitive in terms of costs relative to their peer group	In advising on a refreshed investment strategy and its implementation, the costs of transition to new mandates has been assessed. We have worked alongside officers from the Council and LCIV to identify suitable mandates within the pooling regime that offer cost efficiency whilst implementing the decisions of the Committee. Over the last year the focus has been on pooling assets with the LCIV where this has been possible and in line with the approved strategy. We have worked with LCIV to fully understand their products and to advise the Fund on suitability. There have been no new investments outside of the CIV this year.

Ensure the Fund's actual allocation doesn't notably deviate from the target allocation	Provide clear and accurate monitoring and regular reporting which enables the Committee to monitor the success of the investment strategy. This should take account of/complement reporting provided by others and avoid duplication of effort/cost.	Detailed quarterly reports are provided to officers and members of the Committee setting out individual mandate performance alongside analysis of actual allocations vs target. This is used to consider if reallocation is required and to advise accordingly
Compliance and regulation		
Ensure the Fund's approach is aligned with the objectives of pooling and associated guidance	Keep the Committee informed of developments in relation to investment pooling and assist in interactions with the CIV as required.	We liaise with the LCIV in order to understand the mandates they have to offer and advise where we feel these are suitable for the Hackney Pension Fund in line with the approved investment strategy and the funds approach to pooling. We have taken part in several joint meetings with Fund officers and the LCIV in order to ensure appropriate advice has been provided. The refreshed investment strategy approved by the Committee has led to a significant transition of AUM via the LCIV in line with pooling guidance and requirements.
Ensure the Fund's approach reflects relevant regulatory and legislative requirements	Ensure our advice assists the Fund in complying with relevant pensions regulations, legislation and supporting guidance, and is consistent with the Committee's policies and beliefs Ensure the Committee is kept up-to-date with the latest regulatory changes and how these affect the Fund.	All advice to both officers and the Committee has complied with legislation and regulatory requirements whilst ensuring that it is relevant to the Fund's policies and beliefs. We have been available to provide advice to officers as required and have attended all Committees and Committee Workshops over the year. We have offered tailored training to the Fund's officers and to the Committee, ensuring it is relevant to decisions to be made and in line with the requirements of CIPFA Knowledge and Skills Framework.
Develop the Committee's Responsible Investment policy and ensure this is	Advise on the development of the Committee's Responsible Investment and wider ESG policies and beliefs and ensure all investment advice is consistent with those policies and beliefs.	We have worked with Fund officers and the Committee over the course of the year to help develop a RI policy that takes full account of the Fund's adopted beliefs and their climate change target ambitions.

reflected in ongoing governance and decision making processes		We have provided specific training on RI and developed a detailed timetable to take this particular focus forward over the coming year. Our advice and recommendations regarding potential investments always include consideration of RI aspects and beliefs of the Fund
Client servicing and relationship management		
Ensure the Fund's investment objectives are supported by an effective governance framework	Provide relevant and timely advice, ensuring all reports, papers and advice are produced in good time ahead of Committee meetings	Timelines for the provision of advice and reports, etc. are agreed with Officers of the Fund ahead of Committee meetings, workshops and other meetings as they arise. Regular meetings are held with officers to discuss requirements, ensuring that the advice is relevant to the needs of the Committee members and fund officers. Papers are produced in line with agreed timescales allowing for relevant consultation and feedback as required ahead of finalisation of reports and other advice.
Ensure efficient implementation of the Fund's investment strategy	Develop a positive working relationship with officers and Committee members, with opportunities for provision of feedback. Work constructively and effectively with other advisers and key stakeholders	The ongoing relationship with both officers and Committee members is positive and open, with both sides being able to give honest opinions. We hold regular meetings with officers of the Fund and attend all Committee meetings. We have worked with other advisers including the actuary and the benefits and governance advisers. Examples of this over the year include the provision of a joint paper to Committee regarding funding and investment considerations and how these interact in the context of the triennial valuation and setting of the funding and investment strategies. We have also worked with the Benefits and Governance advisers directly ensuring relevant input for example to forward business planning etc.
	Raise any material client team personnel changes and meeting cover in a timely manner	The client team servicing Hackney Pension Fund has remained stable over the year, with additional specialist advice provided in respect of RI.
	Ensure all advice is clear, concise and, as far as possible, jargon free and that it is clearly presented and backed up as appropriate with high quality	All of our reports to Officers and Committee are clearly presented with background information, full analysis and clear

	training.	recommendations. Where possible this is always jargon free and where this is not possible a glossary/explanation is always included. When important decisions are being taken by the Committee, relevant training is included, tailored to the Hackney Fund and to ensure that the reasons for and impact of any recommendations are fully understood.

Investment Consultancy and Fiduciary Management Market Investigation Remedy Compliance Statement for the London Borough of Hackney Pension Fund

London Borough of Hackney Pension Fund

Investment Consultancy and Fiduciary Management Market Investigation Remedy Compliance Statement for the London Borough of Hackney Pension Fund

I, …………………………, confirm on behalf of the London Borough of Hackney Pension Fund that during the period commencing on 10 December 2020 and ending on 9 December 2021 the Committee of the London Borough of Hackney Pension Fund have complied with Part 3 and Part 7 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

Additional Compliance Reporting

(a) this Compliance Statement has been prepared in accordance with the requirements of the Order; and

(b) for the period to which the Compliance Statement relates, the London Borough of Hackney Pension Fund has complied in all material respects with the requirements of the Order and reasonably expect to continue to do so.

For and on behalf of the London Borough of Hackney Pension Fund.

Signature: ....

Name: ....

Title: ....

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Hackney

REPORT OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES		
ANNUAL REPORT OF THE PENSION COMMITTEE 2020-21 **Pensions Committee** **20 January 2022**	**Classification** **PUBLIC** **Ward(s) affected** **ALL**	**Enclosures** **One**

INTRODUCTION

1.1 The purpose of this report is to detail the role of the Pensions Committee and summarise the key activities and achievements in 2020/21 that demonstrate how the Committee has fulfilled its role as the Scheme Manager for the London Borough of Hackney Pension Fund. This report will be presented to full Council at its January 2022 meeting as a summary of the Committee's activities

RECOMMENDATIONS

2.1 The Pensions Committee is recommended to note the report.

2.2 Council is recommended to note the report.

RELATED DECISIONS

- Pensions Committee (30th September 2020) – Business Plan

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

4.1 The Pensions Committee acts as Scheme Manager for the London Borough of Hackney Pension Fund and is responsible for the management of approximately £1.86 billion worth of assets and for ensuring the effective and efficient running of the Pension Fund.

4.2 The decisions taken by the Committee impact directly on the financial standing of the Fund and can therefore affect its funding level and its ability to meet its liabilities. These decisions could therefore also impact on the contribution rates payable by employers participating in the Fund, including the Council itself.

4.3 There are no immediate financial implications arising from this report

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

5.1 The Council's Constitution gives the Pensions Committee responsibility for a wide range of functions relating to management of the Council's Pension fund. In carrying out those functions the Committee must have regard to the various legislative obligations imposed on the Council as the Fund's Administering Authority, particularly by the Local Government Pension Scheme (LGPS) Regulations 2013.

5.2 The annual report of the Pensions Committee's activities demonstrates how it has undertaken and fulfilled its statutory and constitutional responsibilities during 2020/21.

6. BACKGROUND/TEXT OF THE REPORT

6.1 Delegated powers under the Council Constitution have been given to the Pensions Committee to oversee the management of the Pension Fund as the Scheme Manager and are set out in the Terms of Reference for the Committee.

6.2 The Pensions Committee is a committee of the Council and reports annually on the work undertaken at Committee. The attached report covers the 2020/21 Financial Year, during which the Committee has met 4 times to cover a broad spectrum of pension related business. The full programme of work and training undertaken by the Committee is set out in the Appendix to this report.

6.3 Members continued with an extensive training programme during the year which reflected the key requirements laid down in the CIPFA Knowledge and Skills Framework.

6.4 The Annual Report of the Committee evidences the work that the Committee has undertaken and demonstrates that it has discharged its responsibilities effectively both in terms of its legal responsibilities under the LGPS Regulations and the Committee's Terms of Reference.

6.5 The coming year will continue to provide the Committee with an extensive work programme which includes work on the continued implementation of its investment strategy following its refresh during 2020/21 and its ambitions to reduce its exposure to fossil fuel reserves and focus on other areas of responsible investment. The Committee will consider its progress towards meeting its current carbon exposure target and the development of a new target for the future. The Committee will also continue to closely monitor the quality of membership data submitted to the Fund, with ongoing work for officers on process improvements within the Council. A number of policy reviews will also be undertaken to update current arrangements. Ongoing training for the Committee in relation to both the Knowledge and Skills Framework and pertinent investment and governance issues will continue to be a regular feature as will monitoring of funding levels and investment performance

Ian Williams
Group Director of Finance & Corporate Resources

Report Originating Officers: Michael Honeysett, Tel: 020 8356 3332
Financial considerations: Jackie Moylan, Tel: 020 8356 3032
Legal comments: Angelie Walker, Tel: 020 8356 6012

APPENDICES

Appendix 1 - Annual Report of the Pensions Committee 2020-21

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APPENDIX 1

Annual Report of the Pensions Committee 2020-2021

I

ANNUAL REPORT OF THE PENSIONS COMMITTEE 2020/21

1. CHAIR’S INTRODUCTION – COUNCILLOR ROBERT CHAPMAN

1.1 The Pensions Committee is responsible for the management of the Pension Fund and acts on behalf of the London Borough of Hackney as the administering authority. We have responsibility for all aspects of managing the Pension Fund, including the Fund’s investments, maintaining member records and ensuring that governance arrangements are appropriate. This is a considerable responsibility; the Pension Fund was valued at £1.864bn at 31 March 2021 and has circa 25,000 members.

1.2 2020/21 has been a busy year for the Hackney Pension Fund, with a focus on the development of a revised investment strategy and the start of a review of the Fund’s approach to responsible investment. The Fund has also continued to implement significant improvements to its third party administration service in addition to dealing with the continuing impact of the Covid-19 pandemic throughout the year.

1.3 As reported in 2019/20, the interim review to assess progress against the target of reducing its exposure to fossil fuel reserves by 50% over 6 years showed that we had reduced exposure to carbon reserves by 31.4% between July 2016 and June 2019, well over halfway to its target of 50% over 6 years, with 60% of the target reduction already achieved. Following on from that review, the results were used to inform a revised investment strategy agreed during 2020/21 to help meet our overall target of at least a 50% reduction in exposure to future CO2 emissions.

1.4 We believe that and are proud to be the first LGPS fund to set and transparently monitor performance against a published carbon reduction target. We are determined to remain at the forefront of Council Pension Funds in tackling the risks of climate change to our investments.

1.5 Looking to investment more widely, 2020/21 was once again a volatile year for investment markets. However, over the year to 31st March 2021, the Fund returned +25.6%, above the local authority pension fund average of +22.7%. The Fund’s strongest performing asset class in absolute terms was equities although all asset classes in which the Fund is invested returned positive results. Whilst the Fund made no physical significant allocation changes during the year, drawdown to the private debt mandates agreed during 2018/19 continued throughout the year and the Fund agreed a new investment strategy to be implemented during 2021/22 focusing on pooling assets within the London CIV and more sustainable mandates. The

Fund’s approach to investment in infrastructure was also agreed as part of the revised investment strategy.

1.6 The Fund’s actuarial valuation at 31st March 2019 had seen the funding level improve to 92%, allowing a reduction in the Council’s contribution rate from 33% to 31.5% for 2020/21, with a further reduction to 30.0% planned for 2021/22. This will save the council circa £8m by March 2023. Since 2019, economic conditions have changed considerably (largely because of the effects of the Covid crisis and Brexit) and as reported in last year the funding level had decreased to 82.4% at 31st March 2020. I am pleased to report now that by the end of 2020/21, largely a result of the positive investment performance outlined above, the funding level had recovered and improved to 102%, representing a small surplus of £24m at 31st March 2021.

1.7 2020/21 has also seen another busy year for our administration team. The team have worked hard over the year to continue to ensure that pensions and other benefits continue to be paid as they fall due despite difficulties posed by the ongoing effects of the Covid pandemic. Improvements to the Fund’s administration service have continued to be a major focus with further development of the new fund website and continued work on introducing online member and employer self-service.

1.8 The team have also continued a major program of work with the Council’s payroll and ICT teams to help improve the quality of data submitted to the Fund. The team have assisted in the development of a new interface for the Council to submit data. We have experienced significant issues with data quality in recent years and, this interface is therefore seen as key to resolving many of these issues going forward. It is anticipated that the new interface will be completed and running live by mid-late 2021/22.

1.9 The Committee agrees to a training programme each year to ensure that it is able to evidence it has met the requirements of the CIPFA Knowledge and Skills programme and is able to fulfil the governance role with which it is charged. The Committee takes this aspect extremely seriously and training forms a key part of the agenda for each meeting, along with Committee Members and officers attending additional external training on a regular basis.

1.10 Details on the work and training undertaken by the Committee during the municipal year 2020/21 are set out in section 3 of this report. Section 4 provides an outline of the anticipated work during 2021/22 financial year..

1.11 I would like to take this opportunity of expressing my personal appreciation for the hard work and commitment to the Hackney Pension Fund that the rest of my Committee Members have put in, given the considerable challenges that we face in managing a £1.9 billion pension fund during a period of considerable upheaval for both the LGPS and the wider economy. I would also like to thank the hard work put in by our specialist advisors, the Group Director of Finance and Corporate Resources and his staff over the past year.

Cllr Robert Chapman
Chair- Pensions Committee

2. COMMITTEE MEMBERSHIP AND ATTENDANCE

2.1 The following Councillors were members of the Committee during the 2020/21 municipal year –

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

In addition, Jonathan Malins-Smith is co-opted to the Committee as the Scheme Member Representative. Henry Colthurst is the co-opted Employer Representative.

2.2 The table below outlines Members' attendance at Pensions Committee meetings during the 2020/21 municipal year and the training sessions at which members were in attendance. It is noted that Members have a large number of commitments, including other public meetings and ward commitments, and are therefore not always available to attend meetings of the Committee.

Committee Members Attendance 2020/21								
	24 June		30 September		14 January		15 March	
	Meeting	Training	Meeting	Training	Meeting	Training	Meeting	Training
Cllr Robert Chapman (Chair)	P	P	P	P	P	P	P	P
Cllr Michael Desmond (Vice Chair)	P	P	P	P	P	P	P	P
Cllr Kam Adams	P	P	P	P	P	P	P	P
Cllr Polly Billington	P	p	P	P	P	P	P	P
Clr Rebecca Rennison	P	P	A	A	P	P	A	A
Cllr Ben Hayhurst	A	A	A	A	P	P	P	P
Co-opted Members								
Henry Colthurst	P	P	A	A	P	P	P	P
Jonathan Malins-Smith	P	P	A	A	P	P	P	P
P=Present								
A=Absent								

3. WORK UNDERTAKEN DURING 2020/21

3.1 The Pensions Committee has responsibility for the strategic management of the Pension Fund, which by the end of the financial year held £1.86bn worth of assets with 24,937 scheme members. We are responsible for deciding the broad asset allocation of the Pension Fund along with its strategic direction and for ensuring the long term solvency of the Fund, i.e. the ability to pay the pensions of all past, present and future scheme members. During the year, we have considered a wide range of issues and taken a number of key decisions affecting the Pension Fund. The work of the Committee has broadly fallen under the following categories during the year:

3.2 Governance and Administration

3.2.1 We have again seen considerable fluctuation in the funding level over the year, driven not only by volatility in asset values but also by changes in liability values as a result of changes in inflation and gilt yields. At the time the Committee approved the 2019 valuation in March 2020, the overall funding level was 92%. By the end of 2020/21, this had improved significantly to 102%. As part of the triennial valuation, the Council's employer contribution rate will reduce further, ultimately to 30% by 2021/22 (31.5% in 2020/21).

3.2.2 Compliance with The Pension Regulator's Code of Practice has continued to feature on our agenda during 2020/21. Although following the Code itself is not a legal requirement, it sets out how the Regulator expects the requirements of the Public Sector Pensions Act 2013 to be met. The Regulator has the power to take action if the requirements of the Act are not met and uses the Code to help decide what action to take. As part of our responsibility for the governance of the Fund, we use a compliance checklist to help monitor whether or not the Fund is meeting the required standards and request additional work in the few areas in which the Fund has not yet achieved full compliance.

3.2.3 In recent years, the Fund has experienced significant issues with the quality of membership data supplied by its employers and particularly that supplied by the Council, the Fund's largest employer. The Council has experienced difficulties with data provision since the introduction of the new Local Government Pension Scheme (LGPS) in 2014. It changed payroll provider in July 2017 and, whilst improvements continued to be made, it has still struggled to provide adequate data since. We have monitored this situation closely for some time, particularly as the Fund was required to make a further report to the Pensions Regulator concerning late issuance of Annual Benefits Statements (ABSs) to members for 2018.

3.2.4 During the year, the Committee continued to monitor officers' progress in working with both the Council and Equiniti, the Fund administrator, to develop new processes for data provision. Significant progress has been made in developing an automated interface process to provide data on a monthly basis. Although that work was not complete at the end of the financial year, we are pleased to note that significant progress has been made, both in terms of the timeliness and accuracy of data provision and the relationship between the Council's payroll and ICT teams and the Pension Fund.

3.2.5 The administration team continued to implement the new contract with Equiniti, our third party administrator, during the year, offering significant improvements to the Fund's administration service, although there has been some impact from the Covid situation, particularly during the early part of the year. New interim processes have been agreed where required in order to ensure an efficient service was provided to members and that benefits continued to be paid in a timely manner. Further improvements to our online presence are planned for the future, including online member and employer self-service during the 2021/22.

3.2.6 At the start of the municipal year, we reviewed the business plan for the year, setting out a timetable for both activities required to meet the Fund's objectives for the year and for the regular review of policy documents. The Business Plan also sets out draft Committee agendas for review to ensure that key items of business are dealt with at appropriate intervals.

3.3 Investments/Asset Allocation

3.3.1 2020/21 was another volatile year in financial markets. The start of 2020 broke records with markets plummeting as the spread of Covid-19 continued to force lockdowns across the globe. However, as the position improved as a result of the breakthrough regarding vaccinations, by the end of 2020/21 markets had performed strongly.

3.3.2 As a result, over the year to 31st March 2021, the Fund returned +25.6%, outperforming its customised benchmark by 3.4%. This return was above the local authority pension fund average of +22.7% and put the Fund in the 41st percentile of funds signed up to PIRC's Local Authority Pension Performance Analytics service (about 2/3rd of local authority funds).

3.3.3 The Fund's strongest performing asset class in absolute terms was equities, particularly global markets. However, all asset classes in which the Fund is invested returned positive results.

3.3.4 The Fund made no significant allocation changes during the year; however, it should be noted that both private debt mandates are still in the drawdown phase and so the previous decisions to invest in this asset class via reduced equity allocation continued to be implemented during the year.

3.4 LGPS Structural Reform and the London CIV

3.4.1 Asset pooling is now firmly underway across the LGPS, with all 8 asset pools in England and Wales now operational. Decisions around manager selection are now moving to asset pools where suitable strategies are available; however, investment strategy decisions remain firmly with individual funds. Asset allocation and investment strategy decisions for the Hackney Pension Fund are therefore still made by the Pensions Committee as the body responsible for the management of the Fund.

3.4.2 The Fund's current Investment Strategy Statement sets out its medium term plans for moving its assets to the London CIV. With no common mandates with other London boroughs, the Fund had no assets moved to the pool automatically. However, the first mandates under the pooling regime were invested during 2018/19. No further investments were made via the London CIV during 2019/20 or 2020/21, although the Fund continued to work with the LCIV and the fund's investment advisors to look at opportunities in this area. This will be a key focus of the revised investment strategy agreed during 2020/21 which will see significant new allocations to investments within the London CIV.

3.4.3 Cllr Robert Chapman, Chair of the Hackney Pensions Committee, and Ian Williams, S151 officer for Hackney, have both continued to sit on the Shareholder Committee of the LCIV, further underlining the Fund's commitment to the pooling arrangements.

3.4.4 The move to mandatory asset pooling has created a number of challenges for both LGPS funds and asset pools themselves. We have been generally supportive of the move to asset pooling; we have looked to maintain and improve a positive relationship with the London CIV whilst challenging where appropriate to ensure that the CIV acts in the interests of its client funds and helps us to deliver our strategic investment requirements.

3.5 Responsible Investment

3.5.1 As a Committee, we take very seriously the Fund's responsibilities as a shareholder in the companies that it holds, and considerable time and discussion has taken place on ways to improve the Fund's stewardship arrangements. One issue particularly recognised is that of fossil fuels and their impact on climate change. We recognise that these issues present systemic risks to the planet, but could also have a material impact on the financial position of the Pension Fund. We therefore have a long running work plan in place to ensure that this issue is addressed within the Fund's investment strategy.

3.5.2 In 2017, we committed to reducing the Fund's exposure to fossil fuel reserves by 50%, reducing the Fund's exposure to carbon risk and aligning it with the 2 degrees scenario set out in the Paris Agreement. During 2018/19 we made significant changes to our equity portfolio to help meet this target, making substantial investments in two different strategies aimed at reducing our carbon exposure.

3.5.3 Firstly, we invested 10% (approx. £150m) of the Fund's assets in Blackrock's MSCI Low Carbon Target Fund, to help reduce our exposure to fossil fuels and carbon emissions while maintaining exposure to a wide range of global markets. The allocation was funded by reducing exposure to the FTSE Allshare Index, which represented the Funds most significant exposure to fossil fuel companies. We also invested £195m in RBC GAM's Global Sustainable Equity strategy via the London CIV, which invests in companies with long term, sustainable revenues, with a strong focus on Environmental, Social and Governance (ESG) factors.

3.5.4 In addition to the restructure of the equity portfolio, we made a commitment to a significant allocation to private debt during 2018/19, with mandates of £95m and £65m awarded to Permira and Churchill respectively. We continued to fulfil that commitment during 2020/21 as further drawdowns of capital were requested by the managers. This move to private debt results in a shift from holding cap listed equities to lending to mid-sized companies. Whilst the new strategies do not specifically exclude all fossil fuel exposure, the nature and size of the companies involved means the Pension Fund is reducing its exposure to large multinational fossil fuel companies. The move has and will continue therefore to help the Fund lower its exposure to fossil fuel reserves, as set out in the Fund's carbon reduction target.

3.5.5 As set out in the introduction to this report, the Fund has already made great strides in reaching its carbon reduction target. The results of the review of progress completed during 2019 showed that we had reduced exposure to carbon reserves by 31.4% between July 2016 and June 2019 - well over halfway to its target of 50% over 6 years, with 60% of the target reduction already achieved. The Fund is therefore on track to achieve its target ahead of time and could even outperform it. The new Investment Strategy agreed during 2020/21 strengthened the Fund's work in this area with a focus on moving investments into more sustainable mandates within the new pooling arrangements.

3.5.6 The Fund remains a member of the Local Authority Pension Fund Forum (LAPFF), which is a collection of Local Authority funds who by acting collectively are able to apply pressure to management of companies to improve their governance standards. Cllr Rob Chapman, the Chair of the Pensions Committee, now sits as part of the LAPFF executive.

3.5.6 During the year, the Fund has continued to push for effective outcomes within its new, pooled mandates, focusing on engagement with the London CIV to help the pool company develop its approach to stewardship. We have seen a continued increase in the profile of Responsible Investment at the London CIV during the year and hope to see continued progress during 2021/22.

3.6 Financial Monitoring including Annual Report and Accounts

3.6.1 At the Pensions Committee meeting on 30th September 2020 the Committee were presented with the 2019/20 Pension Fund Annual Report and Accounts for approval, pending completion of the audit. The Fund's auditors subsequently issued an unqualified opinion, without modification, on the Pension Fund financial statements and concluded that the Pension Fund financial statements within the Pension Fund's Annual Report were consistent with the Pension Fund financial statements within the Statement of Accounts of the Council. Unfortunately though, due to the impact of Covid and the cyber attack on Hackney Council IT systems, the audit certificate was not issued until 21 October 2021.

3.6.2 A revised Pension Fund Treasury Strategy was approved by the Committee at its meeting in September 2020.

3.8 Training

3.8.1 To enable Committee Members to meet their fiduciary and regulatory responsibilities, the Committee were provided with a training session prior to each meeting. The CIPFA Knowledge and Skills Framework sets out in considerable detail the level of knowledge and skills that are expected of Committee Members who hold responsibility for the management of LGPS Funds; it is therefore vital to ensure that appropriate levels of training are available to the Committee.

3.8.2 The topics covered in the training programme for Members were provided in line with the Knowledge and Skills Framework to help ensure that the Committee are able to achieve the level of specialist knowledge required of them.

3.8.3 The topics covered during the year in line with the Knowledge and Skills Framework are outlined in the table below:

Dedicated Training - Committee	Date
Investment Strategy (KSF ?)	30/09/2020
£95k Exit Cap (KSF ?)	14/01/2021
Risk Management (KSF ?)	15/03/2021
Supplemental Training - Committee	**Date**
Infrastructure Investment (KSF ?)	24/06/2020
Pension Fund Report and Accounts (KSF2)	30/09/2020

3.9 Ad-hoc Projects

3.9.1 The Committee also reviewed a number of other projects during the municipal year covering a range of topics including those set out below:

- Policy Reviews – The Pensions Administration Strategy was reviewed and approved by the Committee during the year as part of a rolling programme to ensure that policy documents are reviewed on a regular basis and any necessary changes are considered and approved.
- GMP / Under and Overpayments Policy - The Committee considered a specific under and overpayment policy setting out the parameters for decision making in respect of these situations arising. It further considered the specific approach to such occurrences as a result of the ongoing GMP exercise.

4. WORK PROGRAMME 2021/22

4.1 During the 2021/22 municipal year, the following reports are expected to be submitted to the Committee for consideration –

- Report and Accounts 2020/21
- 2021/22 Budget
- Business Plan 2021/24
- London CIV Update
- Investment Strategy, including responsible investment and new target for climate change
- Infrastructure Investment
- Quarterly monitoring – covering Funding, Investment, Governance, Administration
- Membership data quality update
- GMP rectification exercise
- McCloud
- Regulatory changes and consultations
- Pension Fund Risk Register
- Training Programme
- Policy reviews

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Agenda Item 7

Hackney

REPORT OF THE GROUP DIRECTOR, FINANCE & CORPORATE RESOURCES		
Pensions Administration Strategy - Review **Pensions Committee** **20th January 2022**	**Classification** **PUBLIC** **Ward(s) affected** **ALL**	**Enclosures** **Two**

1. INTRODUCTION

1.1 This report includes the Fund’s Pensions Administration Strategy which has been reviewed and updated. Generally, unless otherwise specified, the Fund's policy is to review policies every three years (or sooner if required, for example, due to changes in legislation). This Strategy has been updated to reflect the development of the Employer Self Service (ESS) portal for collecting monthly employer data.

2. RECOMMENDATIONS

2.1 The Pensions Committee is recommended to:

- Approve the updated Hackney Pensions Administration Strategy as outlined in Appendix 1 for further employer consultation.

3. RELATED DECISIONS

- Pensions Committee (September 2020) – Last update of Pensions Administration Strategy.

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

4.1 Ensuring that the Fund has clear policies in place helps maintain proper financial governance of the Fund. Some of the areas within the Fund’s policies can impact the financial health of the Fund or change its exposure to certain risk factors. It is recognised that robust administration arrangements can reduce risk which could have financial consequences; for example having a structure that enables timely information provision helps ensure that legal deadlines are met.

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

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

5.1 The Council has established a Pensions Committee to act as the Scheme Manager of the Pension Fund as well as the delegation of various functions to the Group Director, Finance and Corporate Resources in accordance with legislation. The Council has also established the Fund's Local Pension Board which is required by legislation.

5.2 The functions of the Pensions Committee are contained within part 3 of the Councils' Constitution. To set the overall strategic objectives for the Fund, to review the Fund's policy and strategy documents on a regular cycle and to keep the Committees terms of reference under review are parts of this Committee's role.

5.3 Regulation 59 of the LGPS Regulations 2013 allows the Council, as the Administering Authority to the London Borough of Hackney Pension Fund, to publish a Pensions Administration Strategy setting out information relating to how it liaises and communicates with Scheme employers, the performance standards employers must meet, and the circumstances in which the Fund may issue additional administration charges to employers. It also requires the Council to keep the statement under review, to make revisions as appropriate and, where such revisions are made, to publish a revised statement.

6. BACKGROUND TO THE REPORT

6.1 Where a Pensions Administration Strategy is published, it is legally required to include:

- procedures for liaison and communication with Scheme employers
- levels of performance to be achieved by Scheme employers and the Administering Authority
- procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements
- procedures for improving the communication between the Administering Authority and Scheme employers
- circumstances in which the Administering Authority may require a Scheme employer to pay additional costs due to that employer's unsatisfactory performance
- the publication of annual reports covering
    - the extent to which the Administering Authority and its Scheme employers have achieved the performance standards set out in the Strategy
    - anything else in the Strategy that the Administering Authority considers appropriate
- any other matter that the Administering Authority considers appropriate to include in the Strategy.

6.2 When reviewing the Strategy the Administering Authority must consult with Scheme employers and any other persons or bodies it considers relevant. This period of consultation will follow Committee's approval of the draft amendments, with the final version to be brought back for approval at the March committee meeting before being published.

7. PROPOSED CHANGES TO THE PENSIONS ADMINISTRATION STRATEGY

7.1 The proposed Pensions Administration Strategy is attached as Appendix 1. Many of the original elements of the Strategy remain mainly unchanged. The Policy outlines:

- the Fund's administration aims and objectives
- the regulatory background
- communications and employer training
- performance standards and responsibilities
- how performance and objectives will be monitored
- the policy on the recovery of additional administration costs from employers.

7.2 The key updates made to the Policy include:

- A number of minor wording changes and clarifications
- Clarification of the sections of the Strategy that do and do not apply to Local Authority maintained schools (which are part of Hackney Council for pensions purposes but which may have outsourced payroll providers which are required to provide employee data to the Fund).
- Amendments made to reflect the implementation of the Employer Self Service (ESS) portal, particularly updating the section about the recovery of additional costs to make clear that the failure to use ESS (or to engage with the onboarding process) will result in additional charges.
- Amendments made to include the requirement to provide data required by the Fund to meet its obligations as a result of the McCloud judgement, including an update in the section about the recovery of additional costs to make clear that the failure to supply data (or to make every effort to locate data) will result in additional charges.
- An update to the section on The Pension Regulator's role, about the planned replacement of Code of Practice 14 with the new Single Modular Code in summer 2022.
- An update to the way objectives are measured – where a customer satisfaction survey is used to measure success, the target for positive responses has been amended from 95% to 90% to bring it into line with similar measures in the communications policy.

7.3 The Committee is asked to approve the updated Pensions Administration Strategy to be issued for consultation to the Scheme employers. The final version will be brought back to the March committee for final approval.

Ian Williams
Group Director, Finance and Corporate Resources

Report Originating Officer: Michael Honeysett 020-8356 3332
Financial considerations: Jackie Moylan 020-8356 3032
Comments of the Director of Legal: Angelie Walker 020-8356 6012

Appendix 1 - Updated Pension Administration Strategy 2022-25
Appendix 2 - Updated Pension Administration Strategy 2022-25 (tracked changes version)

LONDON BOROUGH OF HACKNEY PENSION FUND

PENSION ADMINISTRATION STRATEGY 2022/25

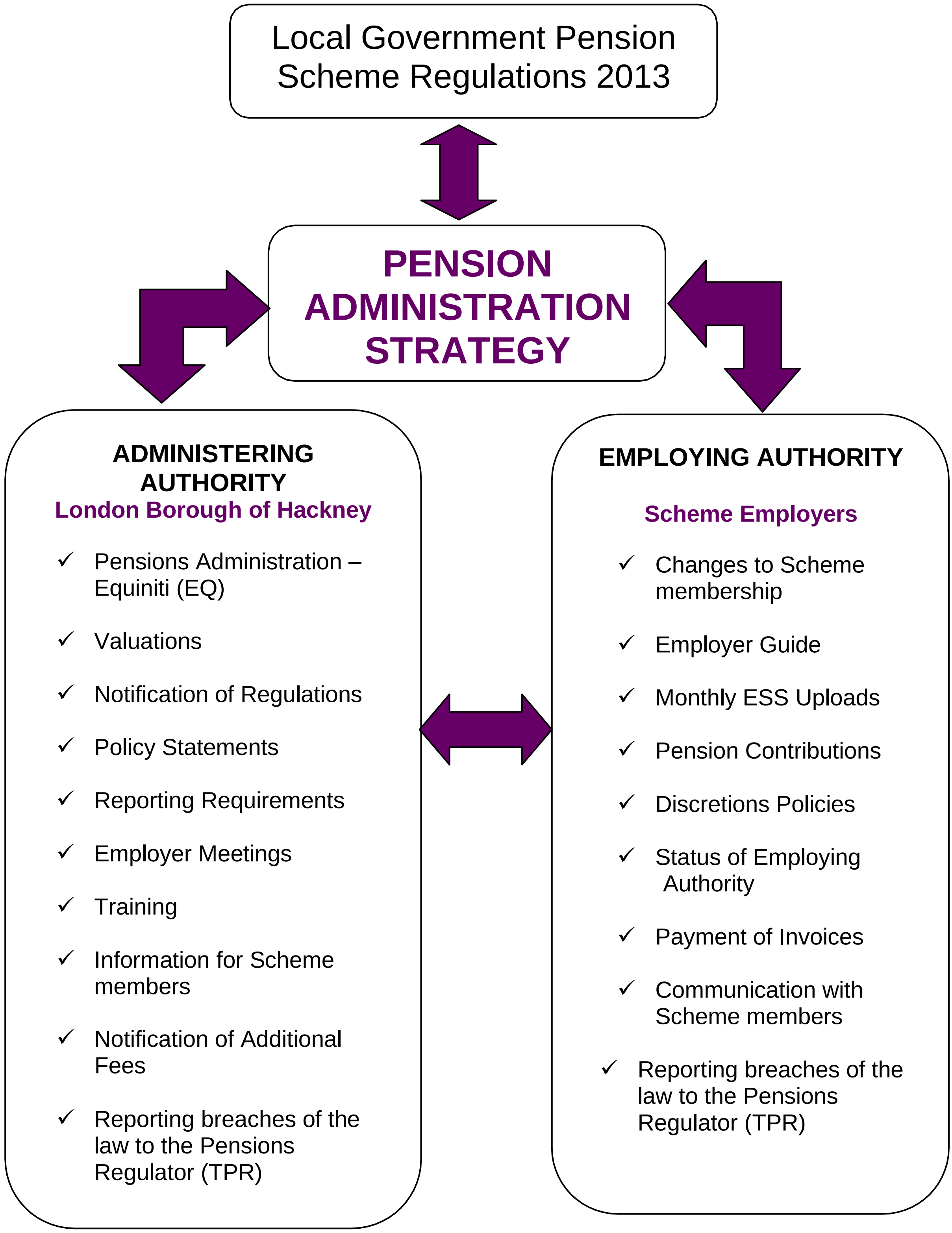
For the Local Government Pension Scheme (LGPS)

Approval date – March 2022
Review date – March 2025
Version 2

CONTENTS

INTRODUCTION

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



Aims and Objectives

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

In addition, there are approximately 70 local authority schools that operationally are part of the London Borough of Hackney, but use separate payroll providers. Unless specifically mentioned otherwise, all references in this strategy to employers apply to these local authority schools, and they are required to provide information as if they are separate employers. However, local authority schools are not required to maintain their own policies (e.g. discretions).

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

For the Administering Authority, effective administration means:

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

For Employing Authorities, effective administration means:

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

For Scheme members, efficient administration means:

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

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

The Pension Administration Strategy is not meant to supersede existing procedures or policies but to complement them. The Admission Agreement sets out some basic requirements of both the Administering Authority and the employer and the Employer Guide sets out in detail how to carry out day to day administration of the LGPS within the employer's site: www.hackneypension.co.uk/scheme-information

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

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

Implementation

The Administration Strategy is effective from 1 April 2022.

Regulatory basis

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

- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2013 (as amended)

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

In addition, Regulation 70(2) of the 2013 regulations allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

ADMINISTRATION IN THE LONDON BOROUGH OF HACKNEY

Responsibility

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

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

Objective

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

The Administering Authority and Equiniti staff work together to provide a seamless service to scheme employers and scheme members.

Communications

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

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

The latest version of the Communication Strategy Statement can be obtained from the Fund website:- www.hackneypension.co.uk

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

Method of Communication	Communication material
Website www.hackneypension.co.uk	Information about the Fund, the LGPS, administrative procedures, policies and forms for use
Newsletters	Annual newsletter and additional newsletters issued as may be necessary to highlight new issues and forthcoming events

Employer meetings	Held annually to provide Employers with a forum to address the Fund's staff and advisers
Pensions helplines:- Equiniti Administering Authority (LB Hackney) Pension Team	020 3997 6724 020 8356 2521
E-mail addresses: For the Equiniti team: Hackney.pensions@equiniti.com For the Administering Authority team: pensions@hackney.gov.uk	To answer day to day questions about administering the Scheme
Individual Employer meetings	Offered to Employers who need advice about how to carry out the day to day administration of the Scheme
Annual Benefit Statements	Sent to active and deferred scheme members
Individual Scheme member meetings	1-2-1 meetings available with a member of the Pensions team as required
Pension Presentations	Presentations to staff, managers, new employees, etc. on pension related matters

Training and Engagement

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

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

The aims of this approach are therefore:-

- To maintain a high standard of customer service for members and Employers

- To ensure that relevant staff within each Employer have sufficient knowledge and skills to effectively discharge administrative processes

- To ensure that Employers are fully aware of the risks involved in poor administration and maintenance of member pension records and if they fail to discharge their discretionary functions

- To provide ongoing training on relevant employer responsibilities

- To support the implementation of new technology within the Fund to enable self-service for the Employer and streamlined administration

To achieve this, the Fund will:-

- Work with Employers' Human Resources, Payroll and other staff to help develop relevant skills and knowledge by providing appropriate assistance, guidance and training

- Organise free workshops and forums for Employers to debate new issues as they emerge

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

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

PERFORMANCE STANDARDS

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

Overriding legislation

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

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

Internal quality standards

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

- compliance with all requirements set out in the Employers' Guide (or as communicated by the Pensions Team/Equiniti during the Employer Self Service (ESS) onboarding process)
- all information required by the Fund to be provided in the required format and/or on the appropriate forms referred to in the Employers' Guide which are accessible from the Fund website at www.hackneypension.co.uk
- information to be legible and accurate
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately qualified member of staff
- information provided to be authorised by an appropriate officer
- actions are carried out, or information provided, within the timescales set out in this Administration Strategy.

Timeliness

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

FUND RESPONSIBILITIES

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

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

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

Administering Authority
Fund Administration

pensions@hackney

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

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

Task/Function	Standard
Training sessions for scheme employers.	Upon request from scheme employers, or as required.
Changes to the scheme rules.	Notify employers within 2 months of the change(s) coming into effect.
Employer's unsatisfactory performance.	As soon as a performance issue becomes apparent.
Recovery of additional administration costs - associated with the scheme employer's unsatisfactory performance (including any interest that may be due).	Within 30 working days of scheme employer's failure to improve performance, as agreed.
Annual Benefit Statements to active and deferred members	To be issued no later than 5 months after the end of the Scheme year to which it relates.
Valuation results (including individual employer details).	10 working days from receipt of results from the Fund's actuary (but in any event no later than 31 March following the valuation date).
Cessation valuation exercises – on cessation of admission agreements or a scheme employer ceasing participation in the Fund.	Upon each cessation or occasion where a scheme employer ceases participation on the Fund.
Arrange for calculation of FRS102 (valuations for employers as required)	Issue results within 10 working days from receipt from the Fund's actuary
Admission Agreements for new scheme employers, where required (including the allocation of assets and notification to the Secretary of State).	Within 3 months of employer entry to the scheme

Task/Function	Standard
Governance Policy and Compliance Statement.	Publish within 30 working days of policy being agreed by the Pensions Committee.
Funding Strategy Statement – FSS reviewed at each triennial valuation, following consultation with scheme employers and the Fund's actuary	Revised statement to be published at the same time as the final valuation report is issued.
Pension Fund Annual Report and Accounts – PF R&A (and any report from the auditor)	By 30 September following the year end or following the issue of the auditor's opinion
Communications Strategy Statement.	Publish within 30 working days of policy being agreed by the Pensions Committee
Statement of Investment Principles - SIP	Publish within 30 working days of policy being agreed by the Pensions Committee
Administering Authority Discretions Policies	Publish within 30 working days of policy being agreed by the Pensions Committee
Statutory auto-enrolment communications Agree with integrated bodies (e.g. maintained & VA schools) the arrangements for each 3 year auto-enrolment cycle, and provide written confirmation of those arrangements.	No less than 6 weeks prior to the staging date

SCHEME ADMINISTRATOR RESPONSIBILITIES

Provider - Equiniti

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

Equiniti can be contacted via their helpline number – 020 3997 6724

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

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

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

Process	Legal Requirement
To process new member information e.g. creating a pension account record	Provide information about the scheme within: • 2 months from date of joining where scheme member information has been received or • 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled.
To provide transfer value information	3 months from date of request
To inform members who leave the scheme of their deferred benefit entitlement	As soon as is practicable, and no more than 2 months from date of initial notification (from employer or scheme member)
To notify the amount of retirement benefits and payment of tax free cash sum	1 month from date of retirement if on or after Normal Pension Age 2 months from date of retirement if before Normal Pension Age
To notify dependant(s) of the amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of the death, or from date of request

Provide annual benefit statements to active and deferred members	31st August in the same calendar year

Service Standards Agreement - SLAs

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

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

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

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

	50/50 scheme - Notify member when 50/50 membership commences or ceases	95% within 10 days
Estimates or Quotes	Estimates or quotations of benefits	95% within 10 days
Transfer In	LGPS and non-LGPS – Request details from previous pension arrangements	95% within 5 days
	LGPS and non-LGPS – Calculate and provide quotation service credit to member	95% within 10 days
	LGPS and non-LGPS – Request payment of transfer	95% within 5 days
	LGPS and non-LGPS – Notify the member of the benefits awarded	95% within 10 days
Transfer Out	LGPS and non-LGPS – Provide transfer value details/information pack to new provider and/or scheme member as appropriate	95% within 10 days
	LGPS and non-LGPS – Pay transfer value	95% within 10 days
	LGPS and non-LGPS – Notify pension provider that payment has been made	95% within 5 days of transfer value is paid
Pension Sharing Orders	Carry out calculation and provide information to scheme member/solicitor	95% within 5 days
	Calculate and notify final pension debit	95% within 5 days
	Calculate and notify final pension credit	95% within 5 days
Retirements	Notify members of benefits that may be payable	95% within 5 days
	Notification of final benefits and payment of lump sum (both to be completed in timescale)	95% within 5 days
	First pension payment	98% within 40 days
Leavers	Write to scheme member with options	95% within 10 days

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

SCHEME EMPLOYER RESPONSIBILITIES

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

External Payroll or Administration Providers

Scheme employers must ensure that appropriate record-keeping is maintained and where they outsource their payroll, HR or pension administration functions to a third party, the legal responsibility for the provision of pension data to the Administering Authority or Equiniti still lies with the Scheme employer and not the third party. **Third party provision of these services includes companies such as: Hackney Education, Capita, EPM, Strictly Education etc.**

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

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

All information must be provided in the format prescribed by the Fund and within the prescribed timescales. Information and guidance is provided in the Employers' Guide which is available from the funds web site www.hackneypension.co.uk

Employer Responsibilities

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

Task/Function	Performance Target
Nominated Representative To receive information from the Fund and to take responsibility for disseminating it within the organisation. Ensure the Fund is kept up to date with any change to the nominated representative.	Notify the Fund **within 30 working days** of employer joining fund, or change to nominated representative.
Employer Discretions Policy Formulate, publish and update (as necessary) in relation to all areas where the employer may exercise a discretion within the LGPS Regulations. A copy of the Policy must be provided to the Fund. This requirement does not apply to Local Authority maintained schools.	Provide a copy to the Fund **within 30 working days** of the policy being agreed *Failure to provide the Fund with a copy of your policies could impact on the release/payment of individuals' benefits.*

<table>
<tr><th>Task/Function</th><th>Performance Target</th></tr>
<tr><td>Enquiries & Data queries
From the Fund</td><td>Respond to the Fund/administrators within 10 working days from receipt of enquiry.</td></tr>
<tr><td>Contributions – Employer & Employee
Paid monthly to the Fund and to provide schedule of payments in the correct format stipulated by the Fund via ESS.</td><td>Cleared funds to be received by/on 19th calendar day of the month following the deduction.

Failure to provide the Fund/Administrators with a schedule of contributions including additional pension payments – added years, ARCs, APCs, and AVCs - by the target date, and/or not in the correct format stipulated by the Fund, could result in additional administration costs being levied against you.</td></tr>
<tr><td colspan="2">IMPORTANT NOTE

Late payment of pension contributions by Scheme employers is a serious offence and the Pensions Regulator or the Pensions Ombudsman has significant powers of sanction.

Scheme managers must report payment failures which are likely to be of material significance to the Pensions Regulator within a reasonable period, in the case of employee contributions; and as soon as reasonably practicable in the case of employer contributions

The Pensions Regulator can impose fines of up to £50,000 for each instance of persistent offence. Recent changes to the Pensions Act have made it easier to prosecute employers for late payment of contributions.

Any fines imposed on the Fund by the Regulator, which is deemed to be the fault of an Employer, will be passed on to that Employer</td></tr>
<tr><td>Changes to employer contribution rates
(as instructed by the Fund)

Note - Employer contributions are expressed as a percentage of pensionable pay, and are payable at such rate(s) as may be advised by London Borough of Hackney Pension Fund following the completion of each triennial actuarial valuation of the pension fund, or otherwise.</td><td>At date specified on the actuarial advice received by the Fund.</td></tr>
</table>

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

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

Scheme Administration - Forms

This section details the **employer responsibilities** and tasks which <u>relate to member benefits</u> from the Scheme. Once fully onboarded to ESS, there may no longer be a requirement to complete some of these forms and Equiniti will confirm new arrangements to you when you are fully onboarded. Until then, forms should be provided as set out below:

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

Starter forms Complete a starter form for each new employee admitted to the pension scheme and ensure that the employee completes their element of the process. **More than one contract of employment** Each contract must have its own starter form as each employment and pension membership must be maintained separately under the Regulations.	Provide Administrators with copy of the **Starter form(s)** within **15 working days** of the employee's employment start date
Employee contribution rate Applied in accordance with the LGPS contribution bandings based on actual pensionable pay – including overtime/bonuses etc.	Immediately upon commencing scheme membership and in line with the employer's policy and as a minimum in each April payroll thereafter.
Main Scheme or 50/50 Scheme contributions To apply the correct employee contribution rate according to actual pensionable pay of the member & in accordance to rates for main scheme or 50/50 To reassess employee contribution rate in line with employer's policy on adjusting employee contribution rates and notify the employee of their change in rate.	Review as per employer's own **Employee Contribution Policy** and effect a change in rate if necessary – i.e. a move from the main section to the 50/50 section of the scheme,or vice-versa
Election to join 50/50 section Member election form completed & signed – move member to 50/50 section & amend employee contributions only **NOTE – Employer continues to pay FULL rate contributions** **OR** **Election to re-join Main section** Member election form completed & signed – move member to main section & amend employee contributions only	Reduce **employee** contributions the month following month of election, or such later date specified by the scheme member. Provide Administrators with copy of **Election to join the 50/50 section form** within **1 month** following month of election Increase **employee** contributions the month following month of election, or such later date specified by the scheme member. Provide Administrators with copy of **Re-join Main Section Election form** within **1 month** following month of election

Task/Function	Performance Target
Commencing Additional Pension Contributions - APC After receipt of the completed & signed form from the member, commence deduction or amend such deductions, as appropriate.	Month following election to pay contributions or notification received from the Fund Provide Administrators with copy of the **APC agreement form within 1 month** of first contribution paid.
Ceasing deduction of :- **Added Years Contracts** **Additional Regular Contributions - ARC** **Additional Pension Contributions - APC** After receipt of the completed and signed forms from the member	Immediately following receipt of election form from scheme member Provide Administrators with copy of **cessation form/notification within 1 month** of ceased payments
AVC – Additional Voluntary Contributions Arrange for the deduction of AVCs via your payroll provider and the payment over of contributions to the approved AVC provider(s)	Commence deduction of AVCs in month of the member's election – provide Administrators with copy of **AVC member form** in the month of member's election Pay over contributions to the AVC provider(s) **on/by the 19th** of the month the deduction was made in
IMPORTANT NOTE **Monthly AVC deductions** should be paid directly to the AVC provider (Prudential) as soon as the payrolls are processed. A schedule must be sent with the payment, giving details of all contributions paid over to Prudential which must reach Prudential by the 19th day of the month following the month they were deducted. Scheme managers must report payment failures which are likely to be of material significance to the Pensions Regulator within a reasonable period, in the case of employee contributions; and as soon as reasonably practicable in the case of employer contributions **Failure to do so is in breach of legislation and may be reported to the Pensions Regulator. Any fines imposed on the Fund by the Regulator, which is deemed to be the fault of an Employer, will be passed on to that Employer**	
Opt outs Member to complete the appropriate form – employer to provide copy of the form to the Fund	To cease contributions the month following month of election, or such later date specified by the scheme member. Provide copy of **Opt out form** to the Administrators within **1 month** following month of election to opt out

Task/Function	Performance Target
Opt outs – within 3 months of start date Refund employee contributions via your own payroll - where the member has opted out of the Scheme within 3 months of joining.	Refund to be made in the month following the month of election to opt out. Refunds are to be included in the monthly contribution data to the Administrators
Contractual changes to conditions of service: • contractual hours • actual pay – including overtime • remuneration changes due to promotion or re-grade • honorariums	Provide copy of **Change of Details** form the Administrators within **20 working days** of change.
Changes in member's personal circumstances: • marital or civil partnership status • change of name • national insurance number	Immediately inform the Administrators following notification by the scheme member of a change in circumstances
Assume Pensionable Pay – APP Periods of reduced pay or nil pay as a result of: • sickness • injury • or relevant child related leave, includes – ordinary maternity, paternity or adoption leave; paid shared parental leave; any additional maternity or adoption leave Employer must apply **Assumed Pensionable Pay (APP)** for pension purposes. The employer contributions must be deducted against the amount of APP and employee contributions against any actual pay they receive.	Employers must notify the Administrators of the date the reduction is effective from for sickness or injury OR the date from which the relevant child related leave began. Provide the appropriate **absence form** to the Administrators within **20 working days** of effective date.

Task/Function	Performance Target
Periods of reduced pay or nil pay as a result of: • unpaid additional maternity, paternity or adoption leave • unpaid shared parental leave taken at the end of the relevant child related leave.	**This is treated as unpaid leave for pension purposes** - Assumed Pensionable Pay (APP) does **NOT** apply. Provide the appropriate **absence form** to the Administrators within **20 working days** of effective date
Periods of reduced pay or nil pay as a result of: • authorised/unauthorised unpaid leave of absence (sabbatical etc) • industrial action	**This is treated as unpaid leave for pension purposes** - Assumed Pensionable Pay (APP) does **NOT** apply. Provide the appropriate **absence form** to the Administrators within **20 working days** of effective date
Leavers – leaving your employment The leaver form must include an accurate assessment of their final pay.	Provide the Administrators with a completed **leaver form** within **15 working days** of month end of leaving. Revised pay details can be submitted to the Administrators on an amended leaver form if they differ from the initial notification
Retiring – normal retirement from your employment The leaver form must including an accurate assessment of their final pay. You must also provide the authorisation form, stating the reason for retirement, signed by the employer as agreement to meet any associated costs with the retirement.	Provide the leaver form to the Administrators within 15 working days **before** the member retires Revised pay details can be submitted to the Administrators on an amended leaver form if they differ from the initial notification
Death of a scheme member OR **Member is suffering from a potentially terminal illness**	Notify the Administrators who will then ensure next of kin details are held and any benefits due are paid in accordance with the members' wishes, if appropriate As soon as practicable, but **within 5 working days** of members death

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

Important Note:

The Fund has begun introducing the use of Employer Self Service (ESS) for you to submit your monthly data to Equiniti, in line with TPRs expectations for schemes to be collecting monthly data. While being onboarded to ESS you will be expected to be using this portal alongside the existing secure portal Sharefile.

ESS will be **mandatory from 1 April 2022**, and someof the above information can, and will be provided on your monthly data submissions through ESS, and as such not all of the administration forms will be used.

MONITORING PERFORMANCE AND COMPLIANCE

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

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

The Pension Board, the National Scheme Advisory Board & the Pensions Regulator (TPR)

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

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

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

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

Audit

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

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

Performance monitoring

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

Measuring the Fund against the administration objectives

Objectives	Measurements
Deliver an efficient, quality and value for money service to its scheme employers and scheme members	Service standards achieved in 95% of cases (100% for legal requirements) Customer Satisfaction Surveys with scheme employers and scheme members achieving 90% of scores in positive responses in these areas Positive scheme employer feedback with minimal or no employer complaints Positive scheme member feedback with minimal or no member complaints
Improving the delivery of services, enhanced security and interaction with scheme employers, by greater use of technology and partnership working.	Use of Employer Self Service (ESS) as a default, (100% of employers using the data portal), unless valid reasons not to do so (and have been agreed by the Fund) Positive scheme employer feedback with minimal or no employer complaints No breaches of data security protocols
Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner	Positive results in internal and external audits and other means of oversight/scrutiny. Performance target achieved for collection of contributions by 19th day of the month following the deduction Minimal issues against the Fund identified by Internal Dispute Resolution Procedures and complaints

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	Customer Satisfaction Surveys with scheme employers achieving 90% of scores in positive responses in these areas Issues included in formal improvement notices issued to scheme employers resolved in accordance with plan Notify scheme employers of changes to the scheme rules within 2 months of change Offer/organise training sessions for new scheme employers and relevant new staff in scheme employers within 2 weeks of new employer/staff starting Organise training for employers where unsatisfactory performance and escalate within 1 month if not attended training or improvements not evident Employer responsibilities in relation to administration are regularly communicated to employers
Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner	No breaches of data security protocols Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months Data improvement plan in place with ongoing evidence of delivered agreed improvements Positive results in audit and other means of oversight/scrutiny
Set out clear roles and responsibilities for the Fund and Equiniti and work together to provide a seamless service to Scheme employers and scheme members	Monthly monitoring of Equiniti where Fund asks them to explain variations from agreed Service Level Agreement targets The Fund specifies clear service standards with Equiniti
Continuously review and improve the	Achieve continual improvement in member engagement with our online tools

services provided	Monitoring of the performance standards used to inform the service going forward Use feedback from scheme employers on the service to develop plans Fund work with Equiniti on programme of continuous improvement to the service

Key Risks

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

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

Feedback from employers

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

Annual report on the strategy

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

ROLE OF THE PENSIONS REGULATOR (TPR)

Background

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

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

This Code of Practice is applicable both to the Pension Fund and the individual Employers within the Fund. In 2022 TPR will replace the majority of its codes, including Code of Practice No 14, with a new Single Modular Code. Once that Code comes into force the relevant sections will apply to the Pension Fund and its scheme employers in place of Code of Practice No 14. Many of the items highlighted below will still apply once the new Code comes into force.

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

Code of Practice No 14 covers the following:-

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

Managing risks
- Internal Controls

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

Resolving issues
- Internal dispute resolution
- Reporting breaches of the law

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

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

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

Administration

Scheme record-keeping

Key points

- The Scheme should work with employers to ensure they understand what information they're required to provide and when they need to do this.

- The Scheme should work with participating employers to seek to ensure they understand the key events and information they need to provide, and have processes in place to provide timely and accurate data.

- If an employer fails to provide the required information (meaning that they and/or the Scheme Manager may not be complying with legal requirements), the Scheme should consider whether to report the breach to the Pensions Regulator (TPR).

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

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

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

Maintaining contributions

Reporting payment failures

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

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

- the employer not being willing or able to pay contributions
- possible dishonesty or misuse of assets or contributions
- fraudulent evasion of the duty to pay contributions
- the employer having inadequate procedures or systems in place to ensure the correct and timely payment of contributions due, for example where there are repetitive and regular payment failures,
- contributions having been outstanding for more than 90 days

If any Employer has 3 repetitive or regular payment failures in any one financial year, the Fund will deem this as being of *'material significance'* and in-line with its legal responsibilities, report this to the Pensions Regulator (TPR), immediately following the third failure. The Employer may then be subject to legal enforcement action by the Pensions Regulator.

Resolving issues

Internal dispute resolution (IDRP)

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

A person has an interest in the scheme if they:

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

The Fund has a clear internal disputes resolution procedure (IDRP) set out for members of the LGPS which can be found on the Pension Fund's website: www.hackneypension.co.uk

All Scheme employers are required to nominate a Stage 1 Adjudicator to deal with disputes at Stage 1 of the process. Scheme employers are asked to supply the details of their Stage 1 Adjudicator as part of their discretionary policy statement and should advise the Fund immediately of changes made in this regard.

Where a Scheme employer is in dispute with a decision or action taken by the Fund, the Fund will in the first instance attempt to resolve the matter. Should this prove to be unsuccessful, the employer can invoke the IDRP and the adjudicators appointed by the Administering Authority to deal with disputes relating to decisions made by or actions taken by the Fund will review the matter.

POLICY ON THE RECOVERY OF ADDITIONAL ADMINISTRATION COSTS FROM EMPLOYERS

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

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

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

Circumstances where costs might be recovered

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

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

- failure to use Employer Self Service within the expected timescales set out in this Administration Strategy (or failure to engage with the onboarding process), unless it has been agreed with the Fund that the employer may continue to use manual submission methods

- failure to provide information requested by the Fund (or failure to make all efforts to locate the requested information) in order for it to comply with its requirements under the McCloud judgement

- persistent failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this Administration Strategy (either as a result of timeliness of delivery or accuracy/quality of information)

- failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this Administration Strategy

- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales

- instances where the performance of the scheme employer results in fines

- being levied against the Fund by the Pension Regulator (TPR), Pensions Ombudsman or other regulatory body.

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

Approach to be taken by the Fund

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

1. Write to the scheme employer, setting out area(s) of concern and offer training.

2. If no improvement is seen within one month of the training or no response is received to the initial letter, the scheme employer will be asked to attend a meeting with representatives of the Fund to discuss area(s) of concern and to agree an action plan to address them. Where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.

3. If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.

4. An invoice will then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance, in accordance with the fee scale set out in this document.

5. An annual report will be presented to the Pensions Committee meeting detailing any fees levied against scheme employers and outstanding payments.

Fees for additional administration

The table below sets out the fees which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. Each task is referenced to the Employer Responsibilities section. Charging is a last resort and the approach outlined above will be followed before a fee is levied. Where the table refers to the provision of a form, the fee only applies while the form is still required, so will not be levied once Equiniti have confirmed that forms are no longer required following successful onboarding to ESS. However, a fee may still apply if the ESS upload is not done on time and/or does not include all relevant information.

Employer Responsibility	Additional Administration Charge
Monthly Contributions Payment Late payment of employee and employer contributions to the administrators by the 19th calendar day of month following deduction (must be cleared funds by/on 19th of the month)	£65 plus interest*, calculated on a daily basis until contributions received. **Interest will be charged in accordance with regulation 44 of the LGPS Administration regulations, which states interest should be charged at Bank of England Base Rate plus 1%.*
Employer Self Service Submission Non-provision of the full correct schedule of employee data accompanying the contributions by the 19th calendar day of month following deduction	£65 per occasion
Monthly Contributions Schedule (HK221) where it has been agreed for these to be submitted instead of ESS Non-provision of the correct schedule of payments and/or not in the format stipulated by the Fund, accompanying the contributions by the 19th calendar day of month following deduction	£65 per occasion
NOTE - Any fines imposed on the Fund by the Pensions Regulator, in relation to employer, employee and AVC contributions which is deemed to be the fault of the Employer, will be passed on to that Employer	Re-charge amount to be paid within 30 days of receipt
Change Notifications failure to notify the administrators of any change to a members - working hours - leave of absence with permission (maternity, paternity, career break) or - leave of absence without permission (strike, absent without permission) - within 20 days of the change in circumstance	£65 per change

Employer Responsibility	Additional Administration Charge
Year End Data Failure to provide year end data (where it is required) by 30th April following the year end or the non- provision of year end information or the accuracy/quality of the year end data is poor requiring additional data cleansing *For the avoidance of doubt **"accuracy/quality"** in this Strategy is defined as when we have received a completed form or transfer of information with no gaps in mandatory areas and with no information which is either contradictory or which we need to query*	Late receipt - initial fee of £300 then a fee of £150 for every month the information remains outstanding Quality/format of data – fee of £150 should data provided not be in the correct format and/or the quality is poor
New Starter(s) Failure to notify the administrators of new starter(s) and the late or non-provision of starter form(s) – within 15 days of employee joining the scheme	Initial fee of £65 per form then a fee of £35 per form for each month the form(s) remains outstanding
Automatic Enrolment (AE) Failure to provide the administrators full details of staff affected by Automatic Enrolment on a monthly basis - within 6 weeks of the date they become eligible for automatic enrolment **NOTE** - Any fines imposed on the Fund by the Pensions Regulator due to failure to provided information for Auto enrolment process, which is deemed to be the fault of the Employer, will be passed on to that Employer	Initial fee of £100 then a fee of £50 for every month the information remains outstanding Re-charge amount to be paid within 30 days of receipt
Leaver(s) Failure to notify the administrators of any leaver(s) and the late or non-provision of leaver form(s) including an accurate assessment of final pay – within 15 days of employee leaving the scheme or employment	Initial fee of £65 per form then a fee of £35 per form for each month the form(s) remains outstanding

Employer Responsibility	Additional Administration Charge
Retirees Failure to notify the administrators when a scheme member is due to retire 15 working days before the retirement date - including an accurate assessment of final pay and authorisation of reason for retirement.	Initial fee of £65 per form then a fee of £35 per form for each month the form(s) remains outstanding
Late payment of pension benefits As a result of the **employers failure** to notify the administrators of a scheme members retirement & not providing the correct paperwork, interest becomes payable on any lump sum paid. The administrators will recharge the total amount of interest paid back to the employer	Calculation will be provided – payment due is as invoiced within 30 days of receipt of invoice

EMPLOYER CONTRIBUTION RATES / ADDITIONAL EMPLOYER ASSISTANCE & ASSOCIATED COSTS

Employers Contribution Rates

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

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

Additional Employer Assistance & Associated Costs

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

The following tasks will be undertaken by the Administering Authority, but are recharged back to the letting department/directorate or school:-

Function/Task	Description & Associated cost
FRS102 – for company Report & Accounts	Provision of data required for FRS102 calculations to the Actuary, plus any chargeable Actuary time Cost – standard administration charge £100 Plus as invoiced from the Actuary + any chargeable Actuary time as invoiced
Admission Agreements – when contracting out services e.g .cleaning, catering, security provision – involving TUPE of existing staff	Setting up and amendment of admission agreements for Contractors/new Employers admitted to the Fund Cost – standard administration charge of £100 plus as invoiced from the Actuary/Legal + any chargeable Actuary/Legal time as invoiced, if required
Cessation Valuations (upon service contract ending) Interim Valuations (either during or prior to the service contract ceasing)	Provision of data required for interim and/provision of data required for interim and/or cessation valuations Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced
Academy Conversions – schools converting to Academy status	Any work related to this requiring input from the Administering Authority Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced

Legal Work & non-standard actuarial work	Any work in relation to this requiring input from the Administering Authority – e.g. contract review on outsourcing, employer policies, TUPE & future pension provision etc. Cost – as invoiced from the Actuary/Legal + any chargeable Actuary/Legal time as invoiced

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

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

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

Function/Task	Description & Associated cost
*Redundancy & Severance calculations (excluding/including pension calculation) *Efficiency Retirements *Flexible Retirements	Information, guidance, calculations and the preparation of associated paperwork for employee signature and payroll instructions Cost – 1 estimate per employee, per rolling 12 month period is provided free of charge. Subsequent requests from the employer due to a change of circumstance (e.g. last day of service, change of earnings) will be charged at £50 per case
Ill health retirements & Tier 3 awards.	Monitor and review tier 3 ill health awards to cessation, liaise with Occupational Health Services, and provide support at the IHRP meetings to determine cessation of benefits or a potential uplift in benefits Cost – as charged by the Occupational Health Service used for each case
Injury payments	Calculation and payment of injury awards Cost – standard administration charge £100 plus any cost as invoiced from the Actuary + any chargeable Actuary time as invoiced

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

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

SERVICE AND COMMUNICATION IMPROVEMENT PLANNING

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

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

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

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

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

CONSULTATION AND REVIEW PROCESS

In preparing this Administration Strategy the Fund has consulted with all the scheme employers with active contributors in the Fund. The Strategy will be reviewed every 3 years, or more frequently if there are changes to the Scheme regulations or requirements.

All scheme employers will be consulted before any changes are made to this document.

The latest version of this document can be accessed from the Fund website www.hackneypension.co.uk

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

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

Pension administration strategy

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

(2) The matters are—

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

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

(i) the setting of performance targets,

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

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

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

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

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

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

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

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

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

(3) An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

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

(5) An administering authority must publish—

(a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

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

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

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

Payment by Scheme employers to administering authorities

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

(a) all amounts received from time to time from employees under regulations 9 to 14 and 16(contributions);

(b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;

(c) a contribution towards the cost of the administration of the fund; and

(d) any amount specified in a notice given in accordance with regulation 70 (additional costs arising from Scheme employer's level of performance).

(e) all amounts received from time to time from the Ministry of Defence in respect of contributions for a member on reserve forces service leave.

(2) But—

(a) a Scheme employer must pay the amounts mentioned in paragraph (1)(a) within the prescribed period referred to in section 49(8) of the Pensions Act 1995**(41)**; and

(b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016

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

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

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

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

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

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

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

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

(4) An administering authority may direct that the information mentioned in paragraph (3) shall be given to the authority in such formas it specifies in the direction.

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

Additional costs arising from Scheme employer's level of performance

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

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

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

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

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

pensions@hackney

LONDON BOROUGH OF HACKNEY PENSION FUND

PENSION ADMINISTRATION STRATEGY

202~~0~~2/2~~3~~5

For the Local Government Pension Scheme (LGPS)

Approval date – March 2022~~Sept 2020~~ **Review date** – March 2025~~January 2023~~Version ~~1~~2

Commented [CP1]: Dates to be updated once final approval date known

CONTENTS

INTRODUCTION

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

Local Government Pension Scheme Regulations 2013

PENSION ADMINISTRATION STRATEGY

ADMINISTERING AUTHORITY
London Borough of Hackney

- ✓ Pensions Administration – Equiniti (EQ)
- ✓ Valuations
- ✓ Notification of Regulations
- ✓ Policy Statements
- ✓ Reporting Requirements
- ✓ Employer Meetings
- ✓ Training
- ✓ Information for Scheme members
- ✓ Notification of Additional Fees
- ✓ Reporting breaches of the law to the Pensions Regulator (~~t~~TPR)

EMPLOYING AUTHORITY

Scheme Employers

- ✓ Changes to Scheme membership
- ✓ Employer Guide
- ✓ ~~Year End Returns~~Monthly ESS Uploads
- ✓ Pension Contributions
- ✓ Discretions Policies
- ✓ Status of Employing Authority
- ✓ Payment of Invoices
- ✓ Communication with Scheme members
- ✓ Reporting breaches of the law to the Pensions Regulator (TPR)

Aims and Objectives

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

In addition, there are approximately 70 local authority schools that operationally are part of the London Borough of Hackney, but use separate payroll providers. Unless specifically mentioned otherwise, all references in this strategy to employers apply to these local authority schools, and they are required to provide information as if they are separate employers. However, local authority schools are not required to maintain their own policies (e.g. discretions).

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

For the Administering Authority, effective administration means:

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

For Employing Authorities, effective administration means:

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

For Scheme members, efficient administration means:

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

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

The Pension Administration Strategy is not meant to supersede existing procedures or policies but to complement them. The Admission Agreement sets out some basic requirements of both the Administering Authority and the employer and the Employer Guide sets out in detail how to carry out day to day administration of the ~~Pension Fund~~LGPS within the employer's site: www.hackneypension.co.uk/scheme-information~~.~~

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

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

Implementation

The Administration Strategy is effective from 1 April 2022~~0~~.

Commented [CP2]: 1 April 2022 assumes final approval at March PC

Regulatory basis

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

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

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

In addition, Regulation ~~59~~70(2)~~e~~ of the 2013 regulations allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

ADMINISTRATION IN THE LONDON BOROUGH OF HACKNEY

Responsibility

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

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

Objective

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

The Administering Authority and Equiniti staff work together to provide a seamless service to scheme employers and scheme members.

Communications

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

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

The latest version of the Communication Strategy Statement can be obtained from the Fund website:- www.hackneypension.co.uk

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

Method of Communication	Communication material
Website www.hackneypension.co.uk	Information about the Fund, the LGPS, administrative procedures, policies and forms for use
Newsletters	Annual newsletter and additional newsletters issued as may be necessary to highlight new issues and forthcoming events

Employer meetings	Held annually to provide Employers with a forum to address the Fund's staff and advisers
Pensions helplines:- Equiniti Administering Authority (LB Hackney) Pension Team	 01293 604 055 020 8356 2521
E-mail addresses: For the Equiniti team: Hackney.pensions@equiniti.com For the Administering Authority team: pensions@hackney.gov.uk	To answer day to day questions about administering the Scheme
Individual Employer meetings	Offered to Employers who need advice about how to carry out the day to day administration of the Scheme
Annual Benefit Statements	Sent to active and deferred scheme members
Individual Scheme member meetings	1-2-1 meetings available with a member of the Pensions team as required
Pension Presentations	Presentations to staff, managers, new employees, etc. on pension related matters

Training and Engagement

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

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

The aims of this approach are therefore:-

- To maintain a high standard of customer service for members and Employers

- To ensure that relevant staff within each Employer have sufficient knowledge and skills to effectively discharge administrative processes

- To ensure that Employers are fully aware of the risks involved in poor administration and maintenance of member pension records and if they fail to discharge ~~of~~ their discretionary functions

- To provide ongoing training on relevant employer responsibilities

- To support the implementation of new technology within the Fund to enable self-service for the Employer and streamlined administration

To achieve this, the Fund will:-

- Work with Employers' Human Resources, Payroll and other staff to help develop relevant skills and knowledge by providing appropriate assistance, guidance and training

- Organise free workshops and forums for Employers to debate new issues as they emerge

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

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

PERFORMANCE STANDARDS

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

Overriding legislation

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

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

Internal quality standards

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

- compliance with all requirements set out in the Employers' Guide (or as communicated by the Pensions Team/Equiniti during the Employer Self Service (ESS) onboarding process)
- all information required by the Fund to be provided in the required format and/or on the appropriate forms referred to in the Employers' Guide which are accessible from the Fund website at www.hackneypension.co.uk
- information to be legible and accurate
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately qualified member of staff
- information provided to be authorised by an appropriate officer
- actions are carried out, or information provided, within the timescales set out in this Administration Strategy.

Timeliness

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

FUND RESPONSIBILITIES

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

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

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

Administering Authority Fund Administration

pensions@hackney

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

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

Task/Function	Standard
Training sessions for scheme employers.	Upon request from scheme employers, or as required.
Changes to the scheme rules.	Notify employers within 2 months of the change(s) coming into effect.
Employer's unsatisfactory performance.	As soon as a performance issue becomes apparent.
Recovery of additional administration costs - associated with the scheme employer's unsatisfactory performance (including any interest that may be due).	Within 30 working days of scheme employer's failure to improve performance, as agreed.
Annual Benefit Statements to active and deferred members	To be issued no later than 5 months after the end of the Scheme year to which it relates.
Valuation results (including individual employer details).	10 working days from receipt of results from the Fund's actuary (but in any event no later than 31 March following the valuation date).
Cessation valuation exercises – on cessation of admission agreements or a scheme employer ceasing participation in the Fund.	Upon each cessation or occasion where a scheme employer ceases participation on the Fund.
Arrange for calculation of FRS102 (valuations for employers as required)	Issue results within 10 working days from receipt from the Fund's actuary
Admission Agreements for new scheme employers, where required (including the allocation of assets and notification to the Secretary of State).	Within 3 months of employer entry to the scheme

Task/Function	Standard
Governance Policy and Compliance Statement.	Publish within 30 working days of policy being agreed by the Pensions Committee.
Funding Strategy Statement – FSS reviewed at each triennial valuation, following consultation with scheme employers and the Fund's actuary	Revised statement to be published at the same time as the final valuation report is issued.
Pension Fund Annual Report and Accounts – PF R&A (and any report from the auditor)	By 30 September following the year end or following the issue of the auditor's opinion
Communications Strategy Statement.	Publish within 30 working days of policy being agreed by the Pensions Committee
Statement of Investment Principles - **SIP**	Publish within 30 working days of policy being agreed by the Pensions Committee
Administering Authority Discretions Policies	Publish within 30 working days of policy being agreed by the Pensions Committee
Statutory auto-enrolment communications Agree with integrated bodies (e.g. maintained & VA schools) the arrangements for each 3 year auto-enrolment cycle, and provide written confirmation of those arrangements.	No less than 6 weeks prior to the staging date

SCHEME ADMINISTRATOR RESPONSIBILITIES

Provider - Equiniti

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

Equiniti can be contacted via their helpline number - 01293 604 055

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

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

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

Process	Legal Requirement
To process new member information e.g. creating a pension account record	Provide information about the scheme within: • 2 months from date of joining where scheme member information has been received or • 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled.
To provide transfer value information	3 months from date of request
To inform members who leave the scheme of their deferred benefit entitlement	As soon as is practicable, and no more than 2 months from date of initial notification (from employer or scheme member)
To notify the amount of retirement benefits and payment of tax free cash sum	1 month from date of retirement if on or after Normal Pension Age 2 months from date of retirement if before Normal Pension Age
To notify dependant(s) of the amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of the death, or from date of request

Provide annual benefit statements to active and deferred members	31st August in the same calendar year

Service Standards Agreement - SLAs

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

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

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

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

	50/50 scheme - Notify member when 50/50 membership commences or ceases	95% within 10 days
Estimates or Quotes	Estimates or quotations of benefits	95% within 10 days
Transfer In	LGPS and non-LGPS – Request details from previous pension arrangements	95% within 5 days
	LGPS and non-LGPS – Calculate and provide quotation service credit to member	95% within 10 days
	LGPS and non-LGPS – Request payment of transfer	95% within 5 days
	LGPS and non-LGPS – Notify the member of the benefits awarded	95% within 10 days
Transfer Out	LGPS and non-LGPS – Provide transfer value details/information pack to new provider and/or scheme member as appropriate	95% within 10 days
	LGPS and non-LGPS – Pay transfer value	95% within 10 days
	LGPS and non-LGPS – Notify pension provider that payment has been made	95% within 5 days of transfer value is paid
Pension Sharing Orders	Carry out calculation and provide information to scheme member/solicitor	95% within 5 days
	Calculate and notify final pension debit	95% within 5 days
	Calculate and notify final pension credit	95% within 5 days
Retirements	Notify members of benefits that may be payable	95% within 5 days
	Notification of final benefits and payment of lump sum (both to be completed in timescale)	95% within 5 days
	First pension payment	98% within 40 days
Leavers	Write to scheme member with options	95% within 10 days

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

SCHEME EMPLOYER RESPONSIBILTIES

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

External Payroll or Administration Providers

Scheme employers must ensure that appropriate record-keeping is maintained and where they outsource their payroll, HR or pension administration functions to a third party, the legal responsibility for the provision of pension data to the Administering Authority or Equiniti~~the third party pension administrator,~~ still lies with the Scheme employer and not the third party. **Third party provision of these services includes companies such as: ~~HLT (HackneyLearning Trust),~~Hackney Education, Capita, EPM, Strictly Education etc.**

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

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

All information must be provided in the format prescribed by the Fund and within the prescribed timescales. Information and guidance is provided in the Employers' Guide which is available from the funds web site www.hackneypension.co.uk

Employer Responsibilities

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

Task/Function	Performance Target
Nominated Representative To receive information from the Fund and to take responsibility for disseminating it within the organisation. Ensure the Fund is kept up to date with any change to the nominated representative.	Notify the Fund **within 30 working days** of employer joining fund, or change to nominated representative.
Employer Discretions Policy Formulate, publish and update (as necessary) in relation to all areas where the employer may exercise a discretion within the LGPS Regulations. A copy of the Policy must be provided to the Fund. This	Provide a copy to the Fund **within 30 working days** of the policy being agreed *Failure to provide the Fund with a copy of your policies could impact on the release/payment of individuals' benefits.*

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requirement does not apply to Local Authority maintained schools.	

Task/Function	Performance Target
Enquiries & Data queries From the Fund	Respond to the Fund/administrators within **10 working days** from receipt of enquiry.
Contributions – Employer & Employee Paid monthly to the Fund and to provide schedule of payments in the correct format stipulated by the Fund via ESS.	Cleared funds to be received **by/on 19th calendar day** of the month following the deduction. *Failure to provide the Fund/Administrators with a schedule of contributions including additional pension payments – added years, ARCs, APCs, and AVCs - by the target date, and/or not in the correct format stipulated by the Fund, could result in additional administration costs being levied against you*.
IMPORTANT NOTE **Late payment of pension contributions** by Scheme employers is a serious offence and the Pensions Regulator or the Pensions Ombudsman has significant powers of sanction. Scheme managers must report payment failures which are likely to be of material significance to the Pensions Regulator within a reasonable period, in the case of employee contributions; and as soon as reasonably practicable in the case of employer contributions The Pensions Regulator can impose fines of up to £50,000 for each instance of persistent offence. Recent changes to the Pensions Act have made it easier to prosecute employers for late payment of contributions. **Any fines imposed on the Fund by the Regulator, which is deemed to be the fault of an Employer, will be passed on to that Employer**	
Changes to employer contribution rates (as instructed by the Fund) *Note - Employer contributions are expressed as a percentage of pensionable pay, and are payable at such rate(s) as may be advised by London Borough of Hackney Pension Fund following the completion of each triennial actuarial valuation of the pension fund, or otherwise.*	At date specified on the actuarial advice received by the Fund.

Task/Function	Performance Target
Year end Reports Required by the Fund **in the format stipulated** to your nominated representative in March each year.	Provide to the Administrators **by 30 April** following the year end. This may not be required once onboarded to ESS and this will be confirmed by Equiniti.
Additional Data & Information Requests May be requested by the Fund for the production of the annual benefit statements in each year	Respond to the Fund/administrators within **10 working days** of receipt of the request from the Fund
McCloud data requests May be requested by the Fund for the purposes of recalculating benefits according to the McCloud judgement	Respond to the Fund within the timescales set out within the request
Data Errors Following validation by the Fund, errors may be found in the contribution and/or year end information - corrective action may need to be taken promptly.	Respond fully to the Fund/administrators **within 10 working days** of receipt of the request from the Fund
Auto-enrolment – monthly assessment Ensure that any staff who are not already scheme members are assessed according to their age and earnings.	Assessment to be made according to pay periods (e.g. staff paid monthly should be monitored on a monthly basis)
Auto-enrolment within statutory deadlines Ensure that any staff who are not scheme members and become an Eligible Jobholder and none of the statutory exceptions apply, are enrolled into the LGPS.	With effect from the employee's auto-enrolment date Employers must provide the Fund/Administrators with their **monthly AE reports 1 month** following the month of enrolment

Auto-enrolment communications Where employers are providing their own Automatic Enrolment communications, they must ensure that any staff affected by AE (including new starters) are provided with the necessary AE information within statutory deadlines	Within **6 weeks** of the date they become eligible for automatic enrolment
Auto-enrolment communications – if provided by the Fund Where auto-enrolment (AE) communications are provided by the Fund	Employers must provide the Fund with their monthly AE reports within **5 working days** of your own payroll date

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

Scheme Administration - Forms

This section details the **employer responsibilities** and tasks which relate to member benefits from the Scheme. Once fully onboarded to ESS, there may no longer be a requirement to complete some of these forms and Equiniti will confirm new arrangements to you when you are fully onboarded. Until then, forms should be provided as set out below:

Task/Function	Performance Target

Contractual Enrolment To ensure that **all** employees are brought in to the Scheme from their employment start date.	

Starter forms Complete a starter form for each new employee admitted to the pension scheme and ensure that the employee completes their element of the process. **More than one contract of employment** Each contract must have its own starter form as each employment and pension membership must be maintained separately under the Regulations.	Provide Administrators with copy of the **Starter form(s)** within **15 working days** of the employee's employment start date
Employee contribution rate Applied in accordance with the LGPS contribution bandings based on actual pensionable pay – including overtime/bonuses etc.	Immediately upon commencing scheme membership and in line with the employer's policy and as a minimum in each April payroll thereafter.
Main Scheme or 50/50 Scheme contributions To apply the correct employee contribution rate according to actual pensionable pay of the member & in accordance to rates for main scheme or 50/50 To reassess employee contribution rate in line with employer's policy on adjusting employee contribution rates and notify the employee of their change in rate.	Review as per employer's own **Employee Contribution Policy** and effect a change in rate if necessary – i.e. a move from the main section~~scheme~~ to the 50/50 section of the scheme,or vice~~s~~-versa
Election to join 50/50 section Member election form completed & signed – move member to 50/50 section~~cheme~~ & amend employee contributions only **NOTE – Employer continues to pay FULL rate contributions** **OR** **Election to re-join Main section~~cheme~~** Member election form completed & signed – move member to main section~~cheme~~ & amend employee contributions only	Reduce **employee** contributions the month following month of election, or such later date specified by the scheme member. Provide Administrators with copy of **Election to join the 50/50 section form** within **1 month** following month of election Increase **employee** contributions the month following month of election, or such later date specified by the scheme member. Provide Administrators with copy of **Re-join Main Section~~cheme~~ Election form** within **1 month** following month of election

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Task/Function	Performance Target
Commencing Additional Pension Contributions - APC After receipt of the completed & signed form from the member, commence deduction or amend such deductions, as appropriate.	Month following election to pay contributions or notification received from the Fund Provide Administrators with copy of the **APC agreement form within 1 month** of first contribution paid.
Ceasing deduction of :- **Added Years Contracts** **Additional Regular Contributions - ARC** **Additional Pension Contributions - APC** After receipt of the completed and signed forms from the member	Immediately following receipt of election form from scheme member Provide Administrators with copy of **cessation form/notification within 1 month** of ceased payments
AVC – Additional Voluntary Contributions Arrange for the deduction of AVCs via your payroll provider and the payment over of contributions to the approved AVC provider(s)	Commence deduction of AVCs in month of the member's election – provide Administrators with copy of **AVC member form** in the month of member's election Pay over contributions to the AVC provider(s) **on/by the 19th** of the month the deduction was made in
IMPORTANT NOTE **Monthly AVC deductions** should be paid directly to the AVC provider (Prudential) as soon as the payrolls are processed. A schedule must be sent with the payment, giving details of all contributions paid over to Prudential which must reach Prudential by the 19th day of the month following the month they were deducted. Scheme managers must report payment failures which are likely to be of material significance to the Pensions Regulator within a reasonable period, in the case of employee contributions; and as soon as reasonably practicable in the case of employer contributions **Failure to do so is in breach of legislation and may be reported to the Pensions Regulator. Any fines imposed on the Fund by the Regulator, which is deemed to be the fault of an Employer, will be passed on to that Employer**	
Opt outs Member to complete the appropriate form – employer to provide copy of the form to the Fund	To cease contributions the month following month of election, or such later date specified by the scheme member. Provide copy of **Opt out form** to the Administrators within **1 month** following month of election to opt out

Task/Function	Performance Target
Opt outs – within 3 months of start date Refund employee contributions via your own payroll - where the member has opted out of the Scheme within 3 months of joining.	Refund to be made in the month following the month of election to opt out. Refunds are to be included in the monthly contribution data to the Administrators
Contractual changes to conditions of service: • contractual hours • actual pay – including overtime • remuneration changes due to promotion or re-grade • honorariums	Provide copy of **Change of Details** form the Administrators within **20 working days** of change.
Changes in member's personal circumstances: • marital or civil partnership status • change of name • national insurance number	Immediately inform the Administrators following notification by the scheme member of a change in circumstances
Assume Pensionable Pay – APP Periods of reduced pay or nil pay as a result of: • sickness • injury • or relevant child related leave, includes – ordinary maternity, paternity or adoption leave; paid shared parental leave; any additional maternity or adoption leave Employer must apply **Assumed Pensionable Pay (APP)** for pension purposes. The employer contributions must be deducted against the amount of APP and employee contributions against any actual pay they receive.	Employers must notify the Administrators of the date the reduction is effective from for sickness or injury OR the date from which the relevant child related leave began. Provide the appropriate **absence form** to the Administrators within **20 working days** of effective date.

Task/Function	Performance Target
Periods of reduced pay or nil pay as a result of: • unpaid additional maternity, paternity or adoption leave • unpaid shared parental leave taken at the end of the relevant child related leave.	**This is treated as unpaid leave for pension purposes** - Assumed Pensionable Pay (APP) does **NOT** apply. Provide the appropriate **absence form** to the Administrators within **20 working days** of effective date
Periods of reduced pay or nil pay as a result of: • authorised/unauthorised unpaid leave of absence (sabbatical etc) • industrial action	**This is treated as unpaid leave for pension purposes** - Assumed Pensionable Pay (APP) does **NOT** apply. Provide the appropriate **absence form** to the Administrators within **20 working days** of effective date
Leavers – leaving your employment The leaver form must include an accurate assessment of their final pay.	Provide the Administrators with a completed **leaver form** within **15 working days** of month end of leaving. Revised pay details can be submitted to the Administrators on an amended leaver form if they differ from the initial notification
Retiring – normal retirement from your employment The leaver form must including an accurate assessment of their final pay. You must also provide the authorisation form, stating the reason for retirement, signed by the employer as agreement to meet any associated costs with the retirement.	Provide the leaver form to the Administrators within 15 working days **before** the member retires Revised pay details can be submitted to the Administrators on an amended leaver form if they differ from the initial notification
Death of a scheme member OR **Member is suffering from a potentially terminal illness**	Notify the Administrators who will then ensure next of kin details are held and any benefits due are paid in accordance with the members' wishes, if appropriate As soon as practicable, but **within 5 working days** of members death

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

Important Note:
The Fund has begun ~~will begin~~ introducing the use of Employer Self Service (ESS) for you to submit your monthly data to Equiniti, in line with TPRs expectations for schemes to be collecting monthly data. ~~ESS will be live from October 2020, and~~ While being onboarded to ESS you will be expected to be using this portal alongside the existing secure portal Sharefile ~~during the trial period from October to end of March 2021~~.

ESS will be~~come~~ **mandatory from 1 April 2022**~~1 following the initial trial period~~, and some of the above information can, and will be provided on your monthly data submissions through ESS, and as such not all of the administration forms will be used.

~~Once ESS is mandatory, this Strategy will be updated to reflect the changes in data collection and the additional administration costs for those employers either not using ESS,~~

~~or not using ESS correctly. A revised PAS will be issued in September 2021.~~

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MONITORING PERFORMANCE AND COMPLIANCE

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

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

The Pension Board, the National Scheme Advisory Board & the Pensions Regulator (~~t~~TPR)

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

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

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

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

Audit

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

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

Performance monitoring

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

Measuring the Fund against the administration objectives

Objectives	Measurements
Deliver an efficient, quality and value for money service to its scheme employers and scheme members	Service standards achieved in 95% of cases (100% for legal requirements) Customer Satisfaction Surveys with scheme employers and scheme members achieving 90~~5~~% of scores in positive responses in theseareas Positive scheme employer feedback with minimal or no employer complaints Positive scheme member feedback with minimal or no member complaints
Improving the delivery of services, enhanced security and interaction with scheme employers, by greater use of technology and partnership working.	Use of Employer Self Service (ESS) as a default, (100% of employers using the data portal), unless valid reasons not to do so (and have been agreed by the Fund) Positive scheme employer feedback with minimal or no employer complaints No breaches of data security protocols
Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner	Positive results in internal and external audits and other means of oversight/scrutiny. Performance target achieved for collection of contributions by 19th day of the month following the deduction Minimal issues against the Fund identified by Internal Dispute Resolution Procedures and complaints

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	Customer Satisfaction Surveys with scheme employers achieving 90~~5~~% of scores in positive responses in these areas Issues included in formal improvement notices issued to scheme employers resolved in accordance with plan Notify scheme employers of changes to the scheme rules within 2 months of change Offer/organise training sessions for new scheme employers and relevant new staff in scheme employers within 2 weeks of new employer/staff starting Organise training for employers where unsatisfactory performance and escalate within 1 month if not attended training or improvements not evident Employer responsibilities in relation to administration are regularly communicated to employers
Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner	No breaches of data security protocols Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months Data improvement plan in place with ongoing evidence of delivered agreed improvements Positive results in audit and other means of oversight/scrutiny
Set out clear roles and responsibilities for the Fund and Equiniti and work together to provide a seamless service to Scheme employers and scheme members	Monthly monitoring of Equiniti where Fund asks them to explain variations from agreed Service Level Agreement targets The Fund specifies clear service standards with Equiniti
Continuously review and improve the	Achieve continual improvement in member engagement with our online tools

services provided	Monitoring of the performance standards used to inform the service going forward Use feedback from scheme employers on the service to develop plans Fund work with Equiniti on programme of continuous improvement to the service

Key Risks

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

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

Feedback from employers

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

Annual report on the strategy

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

ROLE OF THE PENSIONS REGULATOR (~~t~~TPR)

Background

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

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

This Code of Practice is applicable both to the Pension Fund and the individual Employers within the Fund. In 2022 TPR will replace the majority of its codes, including Code of Practice No 14, with a new Single Modular Code. Once that Code comes into force the relevant sections will apply to the Pension Fund and its scheme employers in place of Code of Practice No 14. Many of the items highlighted below will still apply once the new Code comes into force.

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

Code of Practice No 14 covers the following:-

Governing your scheme

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

Managing risks

Internal Controls

Administration

Scheme record-keeping
Maintaining contributions
Providing information to members

Resolving issues

Internal dispute resolution
Reporting breaches of the law

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

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

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

Administration

Scheme record-keeping

Key points

- The Scheme should work with employers to ensure they understand what information they're required to provide and when they need to do this.

- The Scheme should work with participating employers to seek to ensure they understand the key events and information they need to provide, and have processes in place to provide timely and accurate data.

- If an employer fails to provide the required information (meaning that they and/or the Scheme Manager may not be complying with legal requirements), the Scheme should consider whether to report the breach to the Pensions Regulator (~~t~~TPR).

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

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

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

Maintaining contributions

Reporting payment failures

The Scheme must report payment failures that are likely to be of 'material significance' to the Pensions Regulator (~~t~~TPR) as soon as possible – usually within 10 working days.

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

- the employer not being willing or able to pay contributions

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

If any Employer has 3 repetitive or regular payment failures in any one financial year, the Fund will deem this as being of *'material significance'* and in-line with its legal responsibilities, report this to the Pensions Regulator (~~t~~TPR), immediately following the third failure. The Employer may then be subject to legal enforcement action by the Pensions Regulator.

Resolving issues

Internal dispute resolution (IDRP)

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

A person has an interest in the scheme if they:

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

The Fund has a clear internal disputes resolution procedure (IDRP) set out for members of the LGPS which can be found on the Pension Fund's website: www.hackneypension.co.uk

All Scheme employers are required to nominate a Stage 1 Adjudicator to deal with disputes at Stage 1 of the process. Scheme employers are asked to supply the details of their Stage 1 Adjudicator as part of their discretionary policy statement and should advise the Fund immediately of changes made in this regard.

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

~~determine the outcome of the matter~~.

POLICY ON THE RECOVERY OF ADDITIONAL ADMINISTRATION COSTS FROM EMPLOYERS

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

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

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

Circumstances where costs might be recovered

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

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

- failure to use Employer Self Service within the expected timescales set out in this Administration Strategy (or failure to engage with the onboarding process), unless it has been agreed with the Fund that the employer may continue to use manual submission methods

- failure to provide information requested by the Fund (or failure to make all efforts to locate the requested information) in order for it to comply with its requirements under the McCloud judgement

- persistent failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this Administration Strategy (either as a result of timeliness of delivery or accuracy/quality of information)

- failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this Administration Strategy

- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales

- instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator (~~t~~TPR), Pensions Ombudsman or other regulatory body.

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

Approach to be taken by the Fund

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

1. Write to the scheme employer, setting out area(s) of concern and offer training.

2. If no improvement is seen within one month of the training or no response is received to the initial letter, the scheme employer will be asked to attend a meeting with representatives of the Fund to discuss area(s) of concern and to agree an action plan to address them. Where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.

3. If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.

4. An invoice will then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance, in accordance with the fee scale set out in this document.

5. An annual report will be presented to the Pensions Committee meeting detailing any fees levied against scheme employers and outstanding payments.

Fees for additional administration

The table below sets out the fees which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. Each task is referenced to the Employer Responsibilities section. Charging is a last resort and the approach outlined above will be followed before a fee is levied. Where the table refers to the provision of a form, the fee only applies while the form is still required, so will not be levied once Equiniti have confirmed that forms are no longer required following successful onboarding to ESS. However, a fee may still apply if the ESS upload is not done on time and/or does not include all relevant information.

Employer Responsibility	Additional Administration Charge

Monthly Contributions Payment Late payment of employee and employer contributions to the administrators by the 19th calendar day of month following deduction (must be cleared funds by/on 19th of the month)	£65 plus interest*, calculated on a daily basis until contributions received. **Interest will be charged in accordance with regulation 44 of the LGPS Administration regulations, which states interest should be charged at Bank of England Base Rate plus 1%.*
Employer Self Service Submission Non-provision of the full correct schedule of employee data accompanying the contributions by the 19th calendar day of month following deduction	£65 per occasion

Employer Responsibility	Additional Administration Charge
Monthly Contributions Schedule (HK221) where it has been agreed for these to be submitted instead of ESS Non-provision of the correct schedule of payments and/or not in the format stipulated by the Fund, accompanying the contributions by the 19th calendar day of month following deduction	£65 per occasion
NOTE - Any fines imposed on the Fund by the Pensions Regulator, in relation to employer, employee and AVC contributions which is deemed to be the fault of the Employer, will be passed on to that Employer	Re-charge amount to be paid within 30 days of receipt
Change Notifications failure to notify the administrators of any change to a members - working hours - leave of absence with permission (maternity, paternity, career break) or - leave of absence without permission (strike, absent without permission) - within 20 days of the change in circumstance	£65 per change~~form, per occasion~~
Year End Data Failure to provide year end data (where it is required) by 30th April following the year end or the non- provision of year end information or the accuracy/quality of the year end data is poor requiring additional data cleansing *For the avoidance of doubt **"accuracy/quality"** in this Strategy is defined as when we have received a completed form or transfer of information with no gaps in mandatory areas and with no information which is either contradictory or which we need to query*	Late receipt - initial fee of £300 then a fee of £150 for every month the information remains outstanding Quality/format of data – fee of £150 should data provided not be in the correct format and/or the quality is poor

Employer Responsibility	Additional Administration Charge
New Starter(s) Failure to notify the administrators of new starter(s) and the late or non-provision of starter form(s) – within 15 days of employee joining the scheme	Initial fee of £65 per form then a fee of £35 per form for each month the form(s) remains outstanding
Automatic Enrolment (AE) Failure to provide the administrators full details of staff affected by Automatic Enrolment on a monthly basis - within 6 weeks of the date they become eligible for automatic enrolment **NOTE** - Any fines imposed on the Fund by the Pensions Regulator due to failure to provided information for Auto enrolment process, which is deemed to be the fault of the Employer, will be passed on to that Employer	Initial fee of £100 then a fee of £50 for every month the information remains outstanding Re-charge amount to be paid within 30 days of receipt
Leaver(s) Failure to notify the administrators of any leaver(s) and the late or non-provision of leaver form(s) including an accurate assessment of final pay – within 15 days of employee leaving the scheme or employment	Initial fee of £65 per form then a fee of £35 per form for each month the form(s) remains outstanding
Retirees Failure to notify the administrators when a scheme member is due to retire 15 working days before the retirement date - including an accurate assessment of final pay and authorisation of reason for retirement.	Initial fee of £65 per form then a fee of £35 per form for each month the form(s) remains outstanding

Employer Responsibility	Additional Administration Charge
Late payment of pension benefits As a result of the **employers failure** to notify the administrators of a scheme members retirement & not providing the correct paperwork, interest becomes payable on any lump sum paid. The administrators will recharge the total amount of interest paid back to the employer	Calculation will be provided – payment due is as invoiced within 30 days of receipt of invoice

~~**Important Note:**~~

~~The Fund will begin introducing the use of Employer Service (ESS) for you to submit your monthly data to Equiniti. ESS will be live from October 2020, and you will be expected to be using this portal alongside the existing secure portal Sharefile during the trial period from October to end of March 2021.~~

~~ESS will become **mandatory from 1 April 2021** following the initial trial period, and some of the above information can, and will be provided on your monthly data submissions through ESS, and as such not all of the administration forms will be used~~

~~Once ESS is mandatory, this Strategy will be updated to reflect the changes in data collection and the additional administration costs for those employers either not using ESS, or not using ESS correctly. A revised PAS will be issued in September 2021.~~

EMPLOYER CONTRIBUTION RATES / ADDITIONAL EMPLOYER ASSISTANCE & ASSOCIATED COSTS

Employers Contribution Rates

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

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

Additional Employer Assistance & Associated Costs

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

The following tasks will be undertaken by the Administering Authority, but are recharged back to the letting department/directorate or school:-

Function/Task	Description & Associated cost
FRS102 – for company Report & Accounts	Provision of data required for FRS102 calculations to the Actuary, plus any chargeable Actuary time Cost – standard administration charge £100 Plus as invoiced from the Actuary + any chargeable Actuary time as invoiced
Admission Agreements – when contracting out services e.g .cleaning, catering, security provision – involving TUPE of existing staff	Setting up and amendment of admission agreements for Contractors/new Employers admitted to the Fund Cost – standard administration charge of £100 plus as invoiced from the Actuary/Legal + any chargeable Actuary/Legal time as invoiced, if required
Cessation Valuations (upon service contract ending) Interim Valuations (either during or prior to the service contract ceasing)	Provision of data required for interim and/provision of data required for interim and/or cessation valuations Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced
Academy Conversions – schools converting to Academy status	Any work related to this requiring input from the Administering Authority Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced

Legal Work & non-standard actuarial work	Any work in relation to this requiring input from the Administering Authority – e.g. contract review on outsourcing, employer policies, TUPE & future pension provision etc. Cost – as invoiced from the Actuary/Legal + any chargeable Actuary/Legal time as invoiced

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

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

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

Function/Task	Description & Associated cost
*Redundancy & Severance calculations (excluding/including pension calculation) *Efficiency Retirements *Flexible Retirements	Information, guidance, calculations and the preparation of associated paperwork for employee signature and payroll instructions Cost – 1 estimate per employee, per rolling 12 month period is provided free of charge. Subsequent requests from the employer due to a change of circumstance (e.g. last day of service, change of earnings) will be charged at £50 per case
Ill health retirements & Tier 3 awards.	Monitor and review tier 3 ill health awards to cessation, liaise with Occupational Health Services, and provide support at the IHRP meetings to determine cessation of benefits or a potential uplift in benefits Cost – as charged by the Occupational Health Service used for each case
Injury payments	Calculation and payment of injury awards Cost – standard administration charge £100 plus any cost as invoiced from the Actuary + any chargeable Actuary time as invoiced

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

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

SERVICE AND COMMUNICATION IMPROVEMENT PLANNING

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

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

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

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

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

~~**Important Note:**~~

~~The Fund will begin introducing the use of Employer Service (ESS) for you to submit your monthly data to Equiniti. ESS will be live from October 2020, and you will be expected to be using this portal alongside the existing secure portal Sharefile during the trial period from October to end of March 2021.~~

~~ESS will become **mandatory from 1 April 2021** following the initial trial period, and some of the above information can, and will be provided on your monthly data submissions through ESS, and as such not all of the administration forms will be used~~

~~Once ESS is mandatory, this Strategy will be updated to reflect the changes in data collection and the additional administration costs for those employers either not using ESS, or not using ESS correctly. A revised PAS will be issued in September 2021.~~

CONSULTATION AND REVIEW PROCESS

In preparing this Administration Strategy the Fund has consulted with all the scheme employers with active contributors in the Fund. The Strategy will be reviewed every 3 years, or more frequently if there are changes to the Scheme regulations or requirements.

All scheme employers will be consulted before any changes are made to this document.

The latest version of this document can be accessed from the Fund website www.hackneypension.co.uk

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

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

Pension administration strategy

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

(2) The matters are—

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

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

(i) the setting of performance targets,

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

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

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

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

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

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

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

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

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

(3) An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

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

(5) An administering authority must publish—

(a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

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

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

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

Payment by Scheme employers to administering authorities

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

(a) all amounts received from time to time from employees under regulations 9 to 14 and 16(contributions);

(b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;

(c) a contribution towards the cost of the administration of the fund; and

(d) any amount specified in a notice given in accordance with regulation 70 (additional costs arising from Scheme employer's level of performance).

~~(d)~~(e) all amounts received from time to time from the Ministry of Defence in respect of contributions for a member on reserve forces service leave.

(2) But—

(a) a Scheme employer must pay the amounts mentioned in paragraph (1)(a) within the prescribed period referred to in section 49(8) of the Pensions Act 1995**(41)**; and

(b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations ~~2009 (management of pension~~

~~fund)~~**~~(42)~~** ~~.~~2016

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

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

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

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

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

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

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

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

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

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

Additional costs arising from Scheme employer's level of performance

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

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

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

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

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

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Hackney

REPORT OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES		
TRAINING - Triennial Valuation Assumptions **Pensions Committee** **20th January 2022**	**Classification** **PUBLIC - with exempt appendix** **Ward(s) affected** **ALL**	**Enclosures** **One (exempt)**

1. INTRODUCTION

1.1 The purpose of this report is to introduce the training to be provided to the Committee in respect of the upcoming triennial valuation of the Hackney Pension Fund. The training will be provided by the Fund's Actuary from Hymans Robertson and will focus on the assumptions that need to be agreed by the Committee as a basis for the valuation.

1.2 This training is directly relevant to the decision paper regarding valuation assumptions to be agreed at this meeting

2. RECOMMENDATIONS

2.1 The Pensions Committee is recommended to note the report and the associated training.

3. RELATED DECISIONS

None

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

4.1 The Pensions Committee acts as Scheme Manager for the London Borough of Hackney Pension Fund and is responsible for ensuring the effective and efficient running of the Pension Fund.

4.2 The training session to be provided at this meeting in respect of the triennial valuation is being provided as information to members of the Committee in order that they can understand specific elements of the valuation process and related activities in more detail. This is particularly relevant given an associated paper to be considered at this meeting and the upcoming valuation as at 31 March 2022.

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

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

5.1 The Council's Constitution gives the Pensions Committee responsibility for a wide range of functions relating to management of the Council's Pension fund. In carrying out those functions the Committee must have regard to the various legislative obligations imposed on the Council as the Fund's Administering Authority, particularly by the Local Government Pension Scheme (LGPS) Regulations 2013.

5.2 This training provides the Committee with knowledge and understanding of issues relating to the assumptions that form the basis of the triennial valuation of the Fund.

6. BACKGROUND/TEXT OF THE REPORT

6.1 The Pensions Committee has at recent meetings received presentations from the Fund's Actuary regarding the triennial valuation process and related activities. At the last meeting of the Committee, members were introduced to the basic elements of the valuation process.

6.2 At this meeting, the Committee will be asked to consider and agree a set of assumptions that will underpin the triennial valuation. This training is intended to provide an understanding of each major assumption and the potential impact they have on the final valuation of the Fund.

6.3 This training is important in order that members can be fully informed of the requirements and understand the context of the decisions they will be asked to make.

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EXEMPT APPENDIX - Training slides pack - Triennial Valuation Assumptions (TO FOLLOW)

Exempt business as defined in paragraph 3 of Part 1 of schedule 12A of the Local Government Act 1972, as amended.