PENSIONS COMMITTEE

Thursday 19 January 2023

at 6.30 pm Hackney Town Hall - Town Hall

The live stream can be viewed here:

https://youtu.be/ECRzieboxFo or https://youtu.be/x3-2kQExCt4

Members of the Committee:

Councillor Grace Adebayo
Councillor M Can Ozsen
Councillor Ian Rathbone
Councillor Kam Adams (Chair)
Councillor Robert Chapman
Councillor Margaret Gordon
Councillor Ben Hayhurst
Councillor Lynne Troughton
Councillor Joe Walker

Co-Optees

Henry Colthurst
Jonathan Malins-Smith

Mark Carroll
Chief Executive
www.hackney.gov.uk

Contact:
Rabiya Khatun,Governance Officer
rabiya.khatun@hackney.gov.uk

Hackney

Pensions Committee
Thursday 19 January 2023
Agenda

Proposed resolution:

THAT the press and public be excluded from the proceedings of the Pensions Committee meeting during consideration of exempt items 5 (exempt appendix) and 12 on the agenda on the grounds that it is likely, in the view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Public Attendance

Following the lifting of all Covid-19 restrictions by the Government and the Council updating its assessment of access to its buildings, the Town Hall is now open to the public and members of the public may attend meetings of the Council.

We recognise, however, that you may find it more convenient to observe the meeting via the live-stream facility, the link for which appears on the agenda front sheet.

We would ask that if you have either tested positive for Covid-19 or have any symptoms that you do not attend the meeting, but rather use the livestream facility. If this applies and you are attending the meeting to ask a question, make a deputation or present a petition then you may contact the Officer named at the beginning of the Agenda and they will be able to make arrangements for the Chair of the meeting to ask the question, make the deputation or present the petition on your behalf.

The Council will continue to ensure that access to our meetings 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. The latest general advice can be found here - https://hackney.gov.uk/coronavirus-support

Rights of Press and Public to Report on Meetings

The Openness of Local Government Bodies Regulations 2014 give the public the right to film, record audio, take photographs, and use social media and the internet at meetings to report on any meetings that are open to the public.

By attending a public meeting of the Council, Executive, any committee or sub-committee, any Panel or Commission, or any Board you are agreeing to these guidelines as a whole and in particular the stipulations listed below:

- Anyone planning to record meetings of the Council and its public meetings through any audio, visual or written methods they find appropriate can do so providing they do not disturb the conduct of the meeting;
- You are welcome to attend a public meeting to report proceedings, either in 'real time' or after conclusion of the meeting, on a blog, social networking site, news forum or other online media;
- You may use a laptop, tablet device, smartphone or portable camera to record a written or audio transcript of proceedings during the meeting;
- Facilities within the Town Hall and Council Chamber are limited and recording equipment must be of a reasonable size and nature to be easily accommodated.
- You are asked to contact the Officer whose name appears at the beginning of this Agenda if you have any large or complex recording equipment to see whether this can be accommodated within the existing facilities;
- You must not interrupt proceedings and digital equipment must be set to 'silent' mode;
- You should focus any recording equipment on 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 to respect the wishes of those who do not want to be filmed and photographed may result in the Chair instructing you to cease reporting or recording and you may potentially be excluded from the meeting if you fail to comply;

- Any person whose behaviour threatens to disrupt orderly conduct will be asked to leave;
- Be aware that libellous comments against the council, individual Councillors or officers could result in legal action being taken against you;
- The recorded images must not be edited in a way in which there is a clear aim to distort the truth or misrepresent those taking part in the proceedings;
- Personal attacks of any kind or offensive comments that target or disparage any ethnic, racial, age, religion, gender, sexual orientation or disability status could also result in legal action being taken against you.

Failure to comply with the above requirements may result in the support and assistance of the Council in the recording of proceedings being withdrawn. The Council regards violation of any of the points above as a risk to the orderly conduct of a meeting. The Council therefore reserves the right to exclude any person from the current meeting and refuse entry to any further council meetings, where a breach of these requirements occurs. The Chair of the meeting will ensure that the meeting runs in an effective manner and has the power to ensure that the meeting is not disturbed through the use of flash photography, intrusive camera equipment or the person recording the meeting moving around the room.

Advice to Members on Declaring Interests

If you require advice on declarations of interests, this can be obtained from:

- The Monitoring Officer;
- The Deputy Monitoring Officer; or
- The legal adviser to the meeting.

It is recommended that any advice be sought in advance of, rather than at, the meeting.

Disclosable Pecuniary Interests (DPIs)

You will have a Disclosable Pecuniary Interest (*DPI) if it:

- Relates to your employment, sponsorship, contracts as well as wider financial interests and assets including land, property, licenses and corporate tenancies.
- Relates to an interest which you have registered in that part of the Register of Interests form relating to DPIs as being an interest of you, your spouse or civil partner, or anyone living with you as if they were your spouse or civil partner.
- Relates to an interest which should be registered in that part of the Register of Interests form relating to DPIs, but you have not yet done so.

If you are present at <u>any</u> meeting of the Council and you have a DPI relating to any business that will be considered at the meeting, you **must**:

- Not seek to improperly influence decision-making on that matter;

- Make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent; and
- Leave the room whilst the matter is under consideration

You **must not:**

- Participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business; or
- Participate in any vote or further vote taken on the matter at the meeting.

If you have obtained a dispensation from the Monitoring Officer or Standards Committee prior to the matter being considered, then you should make a verbal declaration of the existence and nature of the DPI and that you have obtained a dispensation. The dispensation granted will explain the extent to which you are able to participate.

Other Registrable Interests

You will have an ‘Other Registrable Interest’ (ORI) in a matter if it

- Relates to appointments made by the authority to any outside bodies, membership of: charities, trade unions,, lobbying or campaign groups, voluntary organisations in the borough or governorships at any educational institution within the borough.
- Relates to an interest which you have registered in that part of the Register of Interests form relating to ORIs as being an interest of you, your spouse or civil partner, or anyone living with you as if they were your spouse or civil partner; or
- Relates to an interest which should be registered in that part of the Register of Interests form relating to ORIs, but you have not yet done so.

Where a matter arises at <u>any</u> meeting of the Council which affects a body or organisation you have named in that part of the Register of Interests Form relating to ORIs, **you must** make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent. **You may** speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

Disclosure of Other Interests

Where a matter arises at any meeting of the Council which **directly relates** to your financial interest or well-being or a financial interest or well-being of a relative or close associate, you **must** disclose the interest. **You may** speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

Where a matter arises at any meeting of the Council which **affects** your financial interest or well-being, or a financial interest of well-being of a relative or close associate to a greater extent than it affects the financial interest or wellbeing of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest, you **must** declare the interest. You **may** only speak on the matter if members of the public are able to speak. Otherwise you must not take part in any discussion or voting on the matter and must not remain in the room unless you have been granted a dispensation.

In all cases, where the Monitoring Officer has agreed that the interest in question is a **sensitive interest**, you do not have to disclose the nature of the interest itself.

Hackney

MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

TUESDAY 22 NOVEMBER 2022

Link to live stream: https://youtu.be/qmqARrqENdg

Councillors Present:	**Councillor Kam Adams in the Chair** **Councillor M Can Ozsen and Councillor Lynne Troughton**
Apologies:	**Councillor Ian Rathbone, Councillor Robert Chapman, Councillor Margaret Gordon and Councillor Joe Walker**
Officers in Attendance:	Georgia Lazari (Solicitor - Team Leader), Jackie Moylan (Director of Financial Management), Michael Honeysett (Head of Pensions), Rachel Cowburn (Head of Pension Fund Investment and Actuarial) Rabiya Khatun (Governance Officer)
Also in Attendance:	Jill Davys & Anastasia Guha (Investment Consultant, Reddington) and Catherine Pearce (Governance Consultant, Aon).
Present virtually:	Henry Colhurst (Co-optee) Jonathan Malins- Smith (Co-optee) Cllr Grace Adebayo Cll Alastair Binnie-Lubbock

1 Apologies For Absence

1.1 Apologies for absence were received from Councillors Chapman, Gordon, Rathbone and Walker.

2 Declarations of Interest - Members to declare as appropriate

2.1 Councillor Troughton declared that she was a member of the LGPS.

2.2 Councillor Adam declared that his partner was a member of the LGPS.

3 Consideration of The Minutes of The Previous Meeting

3.1 Members considered the public minutes of the previous meeting held on 29 September 2022.

RESOLVED:
That the public minutes of the Pensions Committee meeting held on 29 September 2022 were approved as a correct record.

4 Training - TCFD (Redington)

4.1 Rachel Cowburn, Head of Pension Fund Investment and Actuarial, introduced the report and Anastasia Guha and Jill Davys from Redington Consultants delivered a training session on the Task Climate on Climate Related Financial Disclosures (TCFD) and net zero.

4.2 Members asked questions during the presentation and the responses from the Head of Pension Fund Investment and Actuarial and Anastasia Guha, Redington Consultant, were as follows:

- The Head of Pension Fund Investment and Actuarial stated that scheme membership enquiries and engagement regarding investment policy was relatively low and this could be due to member benefits being set out in law within the Defined Benefit Scheme and not dependent on investment performance. In the past local residents and the members in the Council had actively engaged on this subject matter making enquiries on this policy and had received a response. Any concerns already received could be forwarded to Jonathan Malins-Smith.
- With regard to the investment strategy working in line with the climate approach to net zero, it was emphasised that the Committee's fiduciary responsibility to pay pensions could not be superseded by its response to the climate challenge. It would be a challenge to achieve the climate and net zero commitment by 2040 or even 2050 and highly unlikely by 2030. When looking at the risks to the portfolio, the returns and expected returns it was important to make sure it was a risk- adjusted return to minimise market risk.
- With regard to the concerns expressed regarding data quality, it was stated that data quality was reliable enough for the Committee to set a target. The data quality in the private markets was also not perfect but the estimated financial data could be used to take a decision.
- The climate transition to limit global warming to 1.5°C degrees and reach net zero by 2050 had already begun with improvements being made since the COP conference in 2012 when global warming had been expected to reach 5°C, however, by COP27 in 2022 it had been predicted to be under 3°C. The work undertaken by the private sector and investments, risk-adjusted returns and investing differently to achieve net zero had reduced the worst outcomes. Limiting carbon emissions to the 1.5°C degrees was becoming a challenge to achieve by 2040 but it could be possible by 2050. It was expected that the data could be available by December 2022 and submitted at the next meeting.
- There would be economic growth opportunities as a result of the significant changes in producers and consumers of investment products as the world worked towards decarbonisation. The Committee needed to consider whether fund managers were meeting the Committee's expectations in terms of decarbonisation and hitting the 1.5°C degrees.
- In respect of American and Chinese investments, China had pledged to achieve carbon neutrality by 2060 and modelling of the risks would need to be

undertaken. Any risks would need to be managed as well as taking opportunities to manage investments in the Fund.

- An analysis of the data could be presented at the next meeting and the Committee could be in a position to set climate targets to achieve net zero by March 2023.
- The LBH Pension Fund was relatively clean in terms of fossil fuel investments and the Committee was in a good position to consider divesting from investments where engagement had been unsuccessful. Members could be more ambitious when setting climate targets.

RESOLVED:
That the presentation and training be noted.

5 TCFD Consultation - Draft Response

5.1 Rachel Cowburn, Head of Pension Fund Investment and Actuarial, introduced the report and presented a draft of the Fund's proposed response to the Central Government's consultation on TCFD.

5.2 The Head of Pension Fund Investment and Actuarial, reported that a further response had been received after the publication of the draft response. Members agreed to the inclusion of a request for statutory guidance around fiduciary responsibilities and how Funds should respond in the draft response.

RESOLVED:
To approve the draft response including a further comment.

6 Pension Fund Annual Report and Accounts

6.1 Rachel Cowburn, Head of Pension Fund Investment and Actuarial, introduced the report and highlighted that the draft accounts were in the process of being audited and would be presented at the next meeting.

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

7 Conflicts of Interest Policy

7.1 Rachel Cowburn, Head of Pension Fund Investment and Actuarial, introduced the report.

7.2 Members commented that the policy should require members to disclose all interests and the examples had been helpful. The Head of Pensions responded that policy would be reviewed after three years and made more user friendly.

RESOLVED:
To approve the updated Conflicts of Interest Policy

8 Renaisi exit arrangements

8.1 The Chair advised that agenda Item 8 contained exempt information and would be considered in the private session of the meeting.

RESOLVED:
To note the contents of the report.

9 Annual Report of the Pensions Committee

9.1 Rachel Cowburn, Head of Pension Fund Investment and Actuarial, introduced the report detailing the role of the Pensions Committee and summarising the key activities and achievements in 2021/22 that demonstrated how the Committee had fulfilled its role as the Scheme Manager for the London Borough of Hackney Pension Fund. The report would be presented to Full Council on 23 November 2022.

RESOLVED to:
1. Note the contents of the report.
2. Council is recommended to note the report.

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

10.1 The Chair considered the questions submitted by Cllr Binnie- Lubbock and Head of Pension Fund Investment and Actuarial and Anastasia Guha responded as follows:

- Question: What proportion of investments, including the pooled arrangements, are currently in renewable infrastructure and what proportion is in companies that primarily extract and trade in fossil fuels?
- Answer: Approximately 1.3% of the Fund's investments are held in renewable infrastructure at present, although this will increase to around 5% over the next 2 years, as it takes time to fully fund the investment. The manager for our renewable infrastructure investment is the London CIV. In terms of the proportion invested in companies extracting and trading in fossil fuels today, a response would be provided in the coming weeks.
- Question: Why are some pension committee members listed as N/A in the attendance list?
- Answer: The membership of the Committee changed during the year 2021/2022- where a Member's attendance is marked as N/A, they were not a Committee Member at the time of the meeting and would not have been expected to attend. There were more than nine members in the table as there changes to the membership during the municipal year.
- Question: Target of being net zero by 2040. How does this align with the council's stated aim to be net-zero by 2030 and rejoin the UK100 group of councils? Will the fund invest in debunked carbon offsetting?
- Answer: The journey to net zero for pension funds is very different to that of local authorities and needs to be approached differently; it is common for LGPS funds to set targets that differ from their host authorities. Net zero for pension funds requires alignment of their investment strategies, and hence underlying investee companies, with net zero. Requiring the companies the Fund invests in to align to a 2030 target would significantly limit the Fund's investment strategy and likely to cause financial detriment, which runs counter to the fiduciary duties of the Committee. The Fund's ambition of net zero by 2040 is early amongst pension funds and is aligned to a 1.5 degree warming strategy, which would require net zero by 2045 - 2055.

- Answer: Anatasica Guha provided details around some of the challenges of the 2030 strategy. There were two different problems with the Pension Fund trying to decarbonise the global economy and the Council was trying to decarbonise its infrastructure and operations which would have an insignificant impact compared to the global economy. Divesting now into clean investments would not assist with transition and the real world decarbonisation. A 2030 target could be considered a statement of intent and an opportunity to plan strategies and implementation of the statement.
- Question: What does the council's stronger engagement approach look like in practice?
- Answer:This refers to engagement with the Fund's investment managers, which is the Fund's primary route of influence with its investee companies. In practice, strengthening our engagement approach means requiring greater oversight by managers of the environmental, social and governance risks within our portfolio, increased engagement on what they are doing to address these and clear follow up on outcomes. The Fund is a relatively small investor and therefore has relatively little impact alone; however, working with its investment managers and other funds is more likely to drive improvements amongst investee companies.
- Question: Should this refer to Cllr Chapman as former chair of the pension's committee?
- Answer: It should refer to Cllr Chapman as Vice Chair.
- Question: Has the Committee considered using its investment to buy social housing.?
- Answer: The Committee can consider this at the next strategy review but all investment decisions were subject to the Council's primary fiduciary duties.

The Chair asked the Head of Pension Fund Investment to provide a written response to Cllr Binnie- Lubbock.

11 Exclusion of The Press And Public

RESOLVED:
THAT the press and public be excluded from the proceedings of the Committee during consideration of Exempt Items 8, and 12 on the agenda on the grounds that it is likely, in view of the nature of the business to be transacted, that were members of the public to be present, there would be a disclosure of exempt business as defined in paragraph 3 of Part 1 of schedule 12A of the Local Government Act 1972, as amended.

12 Consideration of the Exempt Minutes of the Previous Meeting

12.1 Members considered the exempt minutes of the previous meeting held on 29 September 2022.

RESOLVED:
That the exempt minutes of the Pensions Committee meeting held on 29 September 2022 were approved as a correct record.

Duration of the meeting: 7.00 - 9.00 pm

Hackney

Title of Report	Training - Investment Strategy and Climate Targets
For Consideration By	Pensions Committee
Meeting Date	19 January 2023
Classification	Public
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. **Introduction**

1.1. The purpose of this report is to introduce the training to be provided to the Committee in respect of investment strategy setting. The training will be provided by Redington, the Fund's Investment Consultant and will focus on the Committee's fiduciary duties in setting the investment strategy and the factors that need to be considered. It will also cover how these principles apply to the setting of climate targets.

1.2. This training is directly relevant to the discussion paper regarding climate targets to be considered at this meeting.

2. **Recommendations**

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

3. **Related Decisions**

3.1. None

4. **Comments of the Group Director of Finance and 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 investment strategy setting and carbon targets is being provided as information to members of the Committee to assist them in their decision making on the Fund's investment strategy, with a particular focus on fiduciary duties.The training will also consider how the Committee's fiduciary duties impact setting and using climate targets. This is particularly relevant given the associated paper to be considered at this meeting.

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

5. Comments of the Director of Legal, Democratic and Electoral Services

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 fiduciary duties and the setting of the Fund's investment strategy.

6. Background to the report

6.1. Following the expected completion of the 2022 Valuation in March 2023, the Fund plans to review its overall investment strategy, alongside the work currently being undertaken on net zero.

6.2. It is essential that Committee Members have a full understanding of the strategy setting process, with a particular focus on their fiduciary duty to ensure that the Fund is able to pay pension benefits when they fall due.

6.3. This training session from Redington, the Fund's investment consultant, will help all ensure that Committee members have a good understanding of the process and the factors that need to be taken into account when considering the FUnd's investment strategy.

6.4. The training will also provide an opportunity to consider investment strategy issues of particular interest to Members, including local investment and climate targets.

Appendices

None

Background documents

None

Report Author	Name Rachel Cowburn Title Head of Pensions Email rachel.cowburn@hackney.gov.uk Tel 020 8356 2630
Comments for the Group Director of Finance and Corporate Resources prepared by	Name: Jackie Moylan Title: Director, Financial Management Email: jackie.moylan@hackney.gov.uk Tel: 020 8356 3032
Comments for the Director of Legal, Democratic and Electoral Services prepared by	Name: Georgia Lazari Title: Team Leader (Places) Email : georgia.lazari@hackney.gov.uk Tel: 0208 356 1369

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Hackney

Title of Report	Responsible Investment - Carbon Targets discussion and timetable
For Consideration By	Pensions Committee
Meeting Date	19 January 2023
Classification	Public (Exempt Appendix)
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. **Introduction**

1.1. This report presents the Pensions Committee with a discussion paper to help inform the Committee's decision making in respect of setting climate targets. The paper, produced by Redington, sets out a summary of the climate challenge, considers potential approaches the Committee might take, and sets out potential next steps once an approach has been decided.

2. **Recommendations**

2.1. The Pensions Committee is recommended to note the report

3. **Related Decisions**

3.1. Pensions Committee 22 November 2022 - TCFD Consultation Response

3.2. Pensions Committee 15 June 2022 - Carbon Risk Audit 2022 – Full Results & Presentation (TruCost)

4. **Comments of the Group Director of Finance and Corporate Resources.**

4.1. The Pensions Committee acts as Scheme Manager for the Pension Fund and is therefore responsible for the management of £1.8 billion worth of assets and for ensuring the effective and efficient running of the Pension Fund. The investment returns that the Fund is able to deliver have significant financial implications, not just for the Fund itself but also on the Fund's employers in terms of the level of contributions they are required to make to meet the Fund's pension promises, which are underwritten by statute.

4.2. The Fund recognises that climate change represents a systemic risk that will have an impact on investment portfolios - including both transition and physical risks, but also opportunities to contribute to the transition to a net zero economy.

4.3. In considering its net zero investment strategy, the Committee will need to remain mindful of its fiduciary duties and how the various components of the proposed strategy (investment objectives, climate risk, carbon emissions and impact on the real economy) will impact its decision making.

4.4. The use of climate targets can help the Fund monitor its climate risk exposure and progress towards net zero. The targets used by the Pension Fund will differ from those of the Council given the Fund's focus on its underlying investment portfolio and hence the wider economy. This is in contrast to the Council's focus on the local area.

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

5. **Comments of the Director of Legal, Democratic and Electoral Services**

5.1. In 2014, the Law Commission produced guidance on the fiduciary duties of investment intermediaries, which indicated that investors should have regard to ESG factors where they are financially material. In its guidance to occupational schemes, the Pensions Regulator has given a clear indicator that it believes this to be the case for climate change.

5.2. This report helps to demonstrate that the Committee is actively engaged in shaping the Government's approach to disclosure of climate risks within the LGPS. Improved disclosure will assist the Fund in factoring climate risk into its investment strategy setting process as a material financial risk.

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

6. **Background to the report**

6.1. This report presents a discussion paper to assist the Committee in setting climate targets as part of its net zero strategy; the paper has been prepared by Redington, the Fund's investment consultants. The Committee's ambition is for the Fund to achieve net zero by 2040; interim climate targets can be used to help the Fund monitor progress and more fully understand its exposure to climate related risks and opportunities.

6.2. The Fund recognises that climate change represents a systemic risk that will have an impact on investment portfolios. It brings significant risks, including both transition and physical risks, but also opportunities to contribute to the transition to a net zero economy. The inevitable impact of climate change on investment portfolios means that it is vital to integrate it into investment decision making.

6.3. TCFD is the most common framework for embedding climate risks into investment decision making, and the Fund is likely to be required to make use of it from 2023/24. However, the TCFD is designed for evaluating how climate risks and opportunities impact an asset owner's investment strategy, but not the impact investment decisions might have on climate change and hence the real world economy.

6.4. Investors can respond to the objective of reaching net zero by focusing on portfolio decarbonisation, or by targeting real economy decarbonisation. Portfolio decarbonisation is an approach that involves selling higher emitting assets in favour of lower emitting ones. It can help investors to manage their own exposure to carbon risks but does not influence what is occurring within the real economy, and therefore cannot address any of the root causes of the system risk posed to investors.

6.5. The Fund has already achieved significant portfolio decarbonisation, as evidenced by performance against its previous target to reduce exposure to future emissions by 50% over 6 from 2016 to 2022. The Fund achieved a 97% reduction in exposure, a very significant reduction in exposure to carbon reserves.

6.6. Targeting real economy decarbonisation means investing in a way that targets a real-world impact and is aligned with what is occurring in the real economy. Some investors incorporate such real-world impacts into their investment process. Investing in a way that is aligned to the global net zero transition, could increase a portfolio's emissions in the short term, but should lead to portfolio decarbonisation over the longer term.

6.7. This paper asks the Committee to consider its aim in developing a net zero investment strategy and associated interim targets; the Committee should establish the extent to which it is trying to achieve portfolio decarbonisation or real economy decarbonisation. Where the Fund falls on this spectrum will determine the type of interim target that can help achieve the long-term objective of the Fund.

6.8. It will also impact the constraints the chosen target introduces in investment decision-making, the key metrics that will help monitor progress over time and the approaches the Committee can use to help achieve the target.

6.9. It should be remembered that the Fund's approach to net zero strategy setting will differ from that of the Council. The Council's Climate Action Plan is focused on achieving net zero within the local area. In contrast, the Pension Fund needs to focus on its underlying investment portfolio and, by extension, the wider economy.

Appendices

Appendix 1 (EXEMPT) - Consideration for Setting Climate Targets

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

Background documents

None

Report Author	Name Rachel Cowburn Title Head of Pensions Email rachel.cowburn@hackney.gov.uk Tel 020 8356 2630
Comments for the Group Director of Finance and Corporate Resources prepared by	Name: Jackie Moylan Title: Director, Financial Management Email: jackie.moylan@hackney.gov.uk Tel: 020 8356 3032
Comments for the Director of Legal, Democratic and Electoral Services prepared by	Name: Georgia Lazari Title: Team Leader (Places) Email : georgia.lazari@hackney.gov.uk Tel: 0208 356 1369

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

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Hackney

Title of Report	Competition and Markets Authority's (CMA) Objectives
For Consideration By	Pensions Committee
Meeting Date	19 January 2023
Classification	Public
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. **Introduction**

1.1. This report presents the Fund's third 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.

1.2. 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:

- Agree the objectives, as set out in Appendix 1, for the Fund's investment consultant during 2023
- Note the assessment of the performance against the objectives set as set out in the supplementary appendix
- Approve the submission of a compliance statement to the CMA

3. **Related Decisions**

3.1. Pensions Committee 20th January 2022 - CMA Order - Assessing Performance Against CMA Objectives for Investment Consultants

4. **Comments of the Group Director of Finance and 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. There are no immediate financial implications arising from this report

5. Comments of the Director of Legal, Democratic and Electoral Services

5.1. LGPS administering authorities must set strategic objectives for investment consultants according to the CMA Order published in June 2019. The Fund 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 to allow the Committee to consider the matter at its January meeting.

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 (now DLUHC), 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. The Fund changed investment consultant from Hymans Robertson to Redington late in 2022. Officers of the Fund had worked with Hymans Robertson to update its objectives in late 2021; Hymans Robertson were assessed against these objectives during the year; the performance assessment will be provided as a supplementary appendix.

6.6. To ensure compliance with the CMA order, the Fund has since worked with Redington to review and update its strategic objectives. These are set out at Appendix 1 to this report for the Committee's review.

6.7. Members should note that officers have sought an extension from the CMA for the submission of the compliance statement. This allows for the consideration of new objectives and assessment of performance at the January Committee, which falls after the submission deadline of 7th January 2023.

Appendices

Appendix 1 - CMA Investment Consultant Targets 2023.

Background documents

None

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Comments for the Director of Legal, Democratic and Electoral Services prepared by	Name: Georgia Lazari Title: Team Leader (Places) Email : georgia.lazari@hackney.gov.uk Tel: 0208 356 1369

Investment Consultant Aims and Objectives 2023:

1. Background

1.1 As per the requirements of the Competition and Markets Authority (CMA), the Pension Fund must establish aims and objectives for its investment consultant.

1.2 After conducting an extensive review into the pension fund consultancy and fiduciary management industry, the CMA produced a report, detailing a number of recommendations to improve pension fund governance.

1.3 The Pensions Regulator (tPR) welcomed the review by the CMA and produced guidance on setting aims and objectives. The Regulator's view is that it is good practice for Pension Funds, including the LGPS, to set aims and objectives for investment consultants and advisors in order to achieve better outcomes.

1.4 The Fund had a set of aims and objectives for its previous investment consultant, however, following the retendering of the investment consultant contract, it was proposed that a new set of objectives be set for the new investment consultants, Redington.

1.5 The proposed aims and objectives as set out below cover the calendar year 2023 and have been agreed by the London Borough of Hackney Pensions Committee at its meeting on 19th January 2023.

2. Performance Against Aims and Objectives

2.1 In line with best practice, the performance of the investment consultant against the objectives should be reviewed on an annual basis and the objectives updated at least every three years or when there has been a material change in investment approach.

2.2 In the tables below are the agreed objectives and aims for the investment consultant, Redington, against which the consultant performance will be reviewed. Each objective will be assessed individually and assigned a rating as follows:

REDINGTON

Hackney

Performance Rating	Key
Excellent	
Good	
Satisfactory	
Unsatisfactory	
Not able to assess	**N/A**

5. Assistance in achieving the Fund's objectives			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	Any proposed change in investment strategy or investment managers has a clear rationale linked to the Fund's objectives with specific reference to improving the efficiency of the investment strategy.		Investment strategy to be reviewed following the 2022 actuarial valuation.
b)	All advice considers funding implications and the ability of the Fund to meet its long-term objectives.		The actuarial valuation taken into consideration when agreeing the revised asset allocation. 2022 valuation currently underway to be finalised by March 2023.
c)	The investment consultant has an appropriate framework in place to ensure the Fund is on track to achieve its objectives and highlight areas of focus if not.		The investment consultant provides the Fund with clear timelines, milestones and framing of objectives and provides the Fund accessible focused monitoring
d)	The investment consultant remains cognisant of and has contributed to the Fund's cashflow management process ensuring that the Fund's benefit obligations are met in an efficient manner.		The Fund's cashflow management is run in-house, however the consultant may suggest appropriate

			income strategies or disinvestments to match any shortfall in cash.
e)	The investment consultant undertakes specific tasks such as the selection of new managers and asset liability analysis, when required		Investment strategy to be reviewed following the outcome of 2022 actuarial valuation.
f)	The investment consultant has complied with prevailing legislation, as well as the constraints imposed by the relevant Fund documentation (e.g. Investment Strategy Statement and responsible investment policy).		The investment consultant and the Pension Fund have a contract in place.
g)	Environmental, Social and Governance (ESG) Objectives – The investment consultant has provided advice and guidance in relation to the integration of ESG objectives		Interim climate targets to be agreed along with updated climate strategy. Broader review of ESG policy and stewardship.

2. Governance and Costs			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	Assist the Committee in ensuring the Fund benefits from competitive investment manager fees, through negotiation and periodic benchmarking of fees.		Investment consultant to benchmark manager fees against market standard as part of manager selection and ongoing manager monitoring.
b)	Cost implications, both in terms of investment management expenses and implementation costs, are considered as part of investment strategy advice.		Investment strategy to be reviewed following the 2022 actuarial valuation.
c)	Where the investment consultant has provided support on implementation activity, including activity required to meet Fund benefits, these transactions have been carried out in a cost-effective manner.		Investment consultant to assist with implementation as appropriate and provide information on benchmarking of costs and assistance with fee negotiations
d)	The investment consultant has demonstrated an understanding and appreciation of governance requirements, in particular, the investment consultant has avoided complexity where simpler, more cost-effective solutions may be available.		Manager fees and overall complexity to be taken into consideration during any manager shortlisting and selection process.
e)	The investment consultant has ensured that investments are in accordance with the current regulatory and compliance requirements relevant for the LGPS.		The investment consultant is expected to have the required due diligence processes in place to ensure regulatory and compliance requirements are met.
f)	The investment consultant has taken into account the products available on the pool, reflecting the expected economies of scale.		The consultant is expected to include the asset pool products within any manager shortlisting and selection process.

g)	The investment consultant has reviewed and made recommendations on investment governance which support broader governance requirements of the Fund.		The consultant is expected to consider the most appropriate investment governance arrangements for the Fund

3. Proactivity/Keeping informed			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	Advise the Committee on appropriate new investment opportunities.		The consultant to provide training to the Committee on any relevant new asset classes.
b)	The investment consultant has kept the Committee up to date with relevant investment regulatory developments and additional compliance requirements.		Investment consultant will keep the Committee updated on all investment-related regulatory changes or any changes to the broader regulatory framework that could impact on future investment related regulations.
c)	The investment consultant should be generally available for consultation on fund investment matters.		The consultant is expected to advise on all investment matters as required by the Pension Fund Officers and Committee.

4. Monitoring			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	The investment consultant provides insightful monitoring focused on the reasoning behind performance.		The investment consultant is expected to produce a quarterly report, providing narrative on market and fund manager performance.
b)	The Committee has been kept abreast of investment market developments and their implications for the Fund's investment strategy.		The consultant is expected to meet with Committee members quarterly and advise of market developments.

c)	Monitoring is integrated with funding and risk.		Overall risk and evolution of the funding level are expected to be monitored on an ongoing basis and feed into strategic decision making.

5. Delivery			
Reference	**Objectives**	**Performance Rating**	**Comments**
a)	The investment consultant has formed a strong working relationship with the Committee, Council Officers and other key stakeholders.		As the contract has just been awarded, the working relationship between the investment consultant and Officers/Committee members is being developed.
b)	Reports and educational material are pitched at the right level, given the Committee's understanding.		Reports and training matters are expected to be clear, easily understandable, and concise to meet the needs of the Committee.
c)	Meeting papers are provided in a timely fashion, with all required detail and accuracy.		Papers are expected to be received by the Pension Fund Officers 10 or more days in advance of the Committee meetings to allow scrutiny and any revisions to be made.
d)	The investment consultant works within agreed budgets and is transparent with regard to advisory costs.		The consultant is expected to send regular invoices with an itemised breakdown. Costs of specific work should be agreed in advance.
e)	The investment consultant works collaboratively with the Fund actuary and other advisors or third parties.		The consultant is expected to work with the custodian/fund managers to calculate the quarterly fund performance and liaise with the actuary on the funding level.
f)	The investment consultant provides appropriate assistance with Fund documents such as the Investment Strategy Statement and annual report and accounts where required.		The consultant is expected to provide information and data as required for regular Fund documents.

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Hackney

Title of Report	Quarterly Update Report
For Consideration By	Pensions Committee
Meeting Date	19 January 2023
Classification	Open
Ward(s) Affected	All
Group Director	Ian Willams, Finance & Corporate Services

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 2022.

2. Recommendations

2.1. The Pensions Committee is recommended to:

- Note the report

3. Related Decisions

3.1. Pensions Committee (Urgency Delegation March 2020) – 2019 Final Valuation Report and Funding Strategy Statement

3.2. Pensions Committee 23rd November 2021 –Investment Strategy Statement

3.3. Pensions Committee January 2022 – Pension Administration Strategy (PAS)

4. Comments of the Group Director of Finance and 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 the 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, Democratic and Electoral Services

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. In the last quarterly update report it was stated that the provision of the quarterly funding update will resume at the January Committee, when an estimated updated funding position based on the 2022 valuation assumptions will be provided. At the time of writing this report, the updated valuation is still awaited. A verbal update will be provided to Committee at the meeting.

7. **Investment Update**

7.1. Appendix 1 to this report provides a manager performance update from the Fund's former 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 negative absolute returns over the quarter of 0.6%, 0.2% above the benchmark return %. Over the last 12 months, the Fund has underperformed the benchmark by 3.2%, producing overall returns of -6.9%. Over the last 3 years, returns of 3.5% have been achieved, out-performimg the benchmark by 0.5%.

7.2. The Growth allocation performed negatively over the quarter as equity markets continued to fall due to concerns around central bank policy tightening, slowing earnings momentum, and geopolitical uncertainty. In bond markets, Government bond yields rose as markets moved to price in significant further increases in interest rates. Credit spreads have risen considerably since the start of the year and are well above long-term median levels. Property was a relative bright spot.

7.3. The Fund will continue to closely monitor the performance of its equity portfolio and will consider the potential future impacts of style bias as part of the upcoming investment strategy review.

7.4. Committee should note that the performance of the LCIV Diversified Growth Fund managed by Baillie Guifford, in which the Hackney Fund is invested (£124m as at 30/09/2022), is also being closely monitored by the LCIV, following a deep dive review of the Fund's performance. This review has concluded that the fund's performance to date has not aligned with expectations and that there are concerns about the manager's ability to deliver the long-term absolute and relative performance targets. As a result of this, the fund's monitoring status has been downgraded from normal to enhanced. This status will be reviewed in 6 months time following engagement with Baillie Gifford and further review of the performance of the fund. Officers will update the Committee on the performance of this following LCIV further review and will discuss any further required action with our investment consultants at the end of this period.

8. **Investment Strategy Implementation Update**

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

8.2. It has been a relatively quiet quarter in terms of any further changes to the investments of the fund, particularly given that the majority of actions required to implement the current approved strategy have already been completed.

8.3. Further drawdowns have been financed on the LCIV infrastructure and private debt mandates in line with the agreed strategy and fund manager requests for financing. The current position with regards to undrawn capital commitments is set out in the table below:

	Capital Commitment	Funds drawn as at September 2022	Undrawn commitment
Permira	£95m	£74m	£21m
Churchill	£71m	£66m	£5m
LCIV Private Debt	£180m	£100m	£80m
LCIV Renewable Infrastructure	£90m	£30m	£60m
Total			£166m

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.

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. The Committee has previously requested that the Fund be in a position to set a new climate change target by January 2023. This is likely to become mandatory for the LGPS by 2023/24 as part of the introduction of mandatory TCFD reporting as outlined in previous reports. Following discussions with the Fund's investment advisers, Reddington, there is a paper elsewhere on this agenda considering options for setting relevant climate change targets with a view to completing the exercise by end March 2023.

10. Pension Administration

10.1 Pension Administration Management Performance

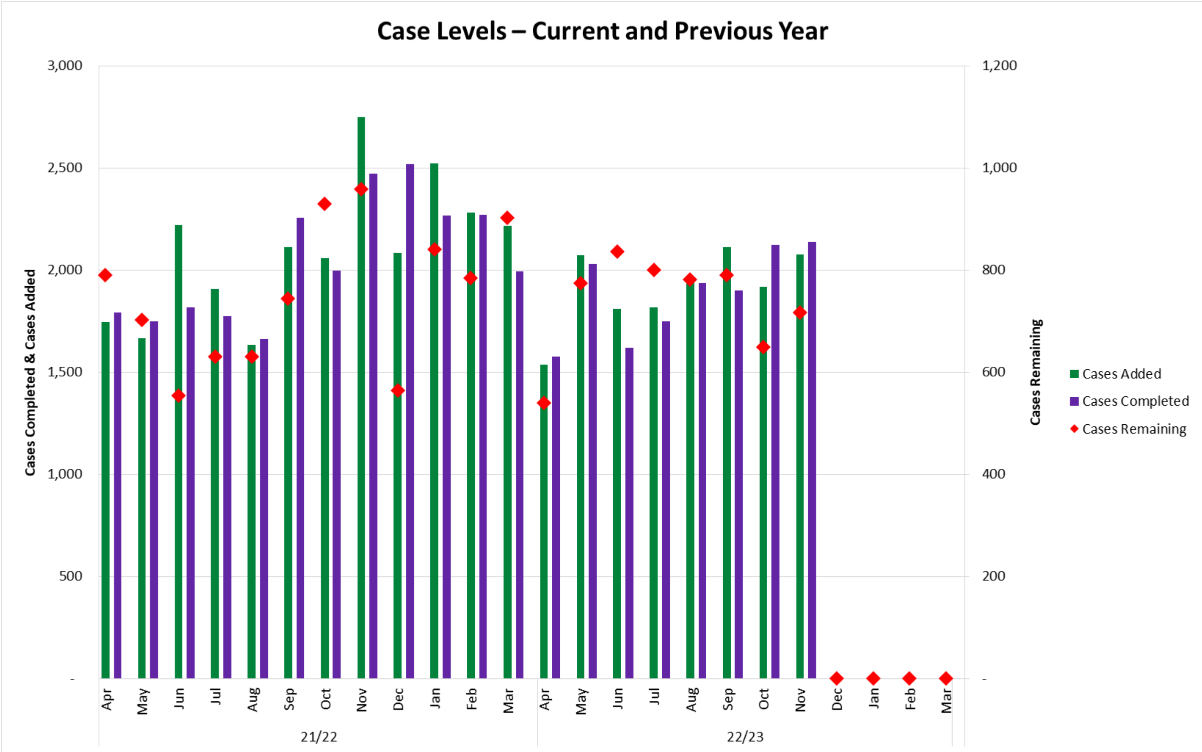
The following sections provide information on the numbers of cases being received and processed by Equiniti, as well as their performance against the Fund's service level agreement standards (SLAs).

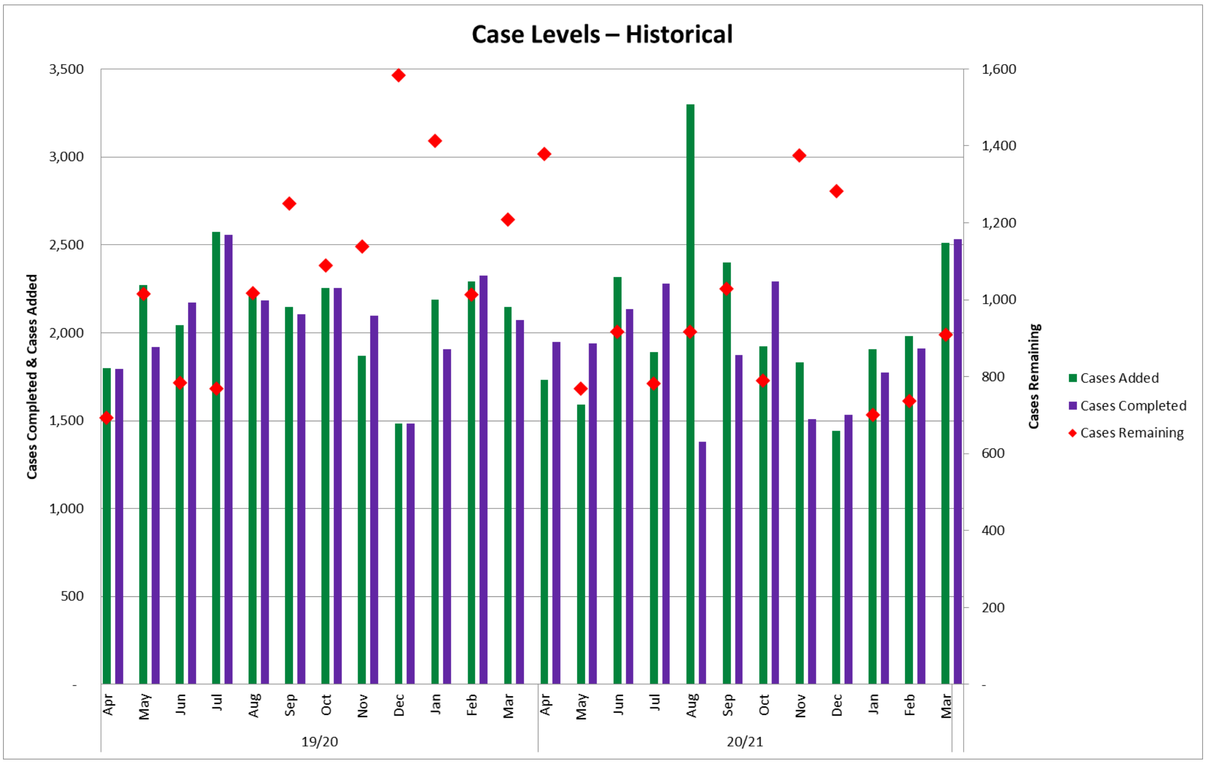
Case Levels

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")

For the period August 2022 to November 2022, the number of cases received has had a slight increase from the previous period with the largest number of cases received in September. The number of cases completed by Equiniti has also increased since the last period reported and is also nearer to those completed on average in the 2021/22 year. This could be due to receiving more cases than the previous period reported.





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.

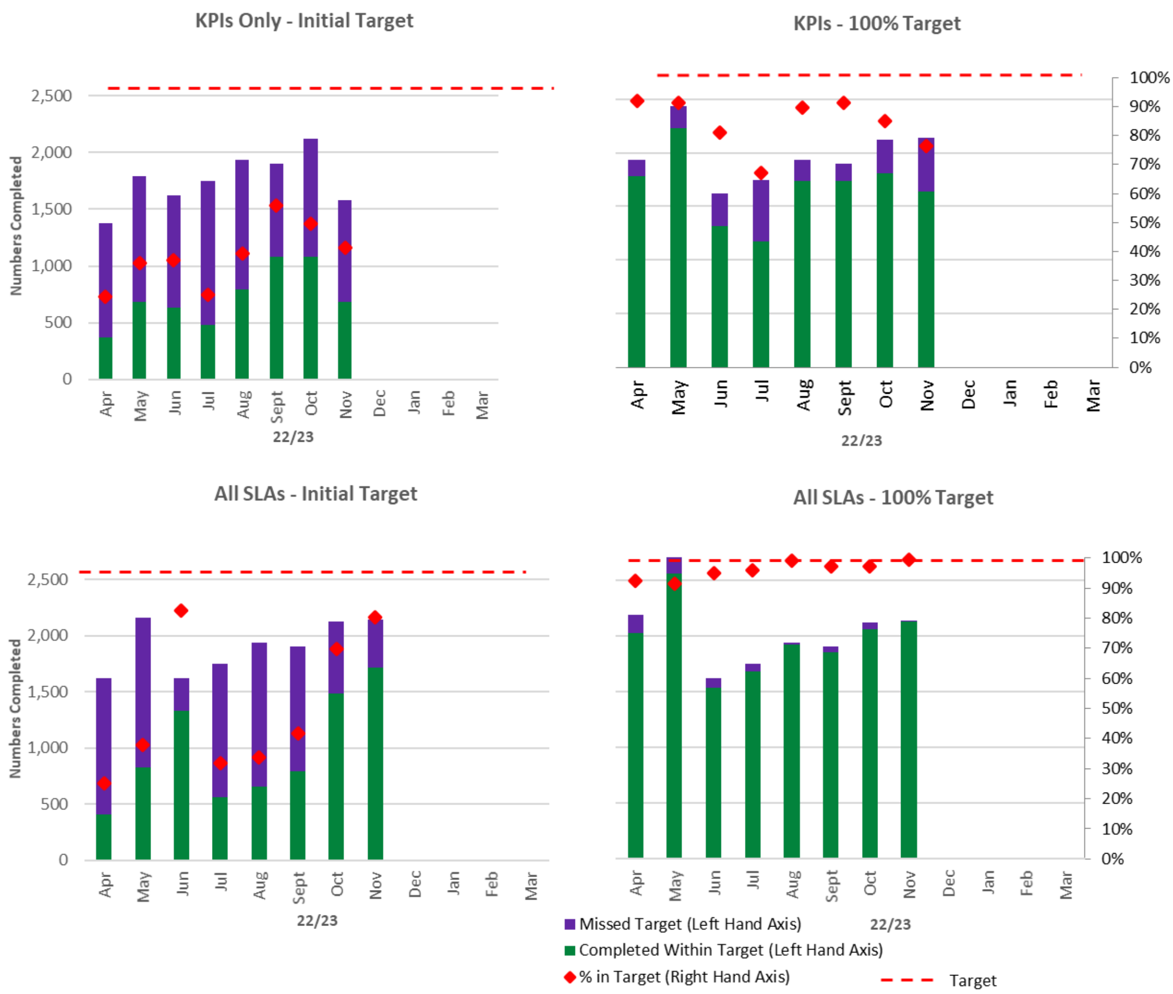
For most SLAs there are two targets:

- 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 2022. 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 August 2022 to November 2022, Equiniti have continued to perform close to the 100% target in all measures with a slight decrease in the KPI 100% target measure in November. The initial measure for both the SLAs and the KPIs on average have increased from the previous period with the highest performance for both the initial SLA and 100% target SLA measures being in November. This increase in performance across both measures along with the increase in number of cases completed suggests that Equiniti are coping well with the workloads.



10.2 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 18 months.

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

DEFERRED MEMBER'S ILL HEALTH RETIREMENT					
	CASES RECEIVED	SUCCESSFUL	UNSUCCESSFUL	ONGOING	WITHDRAWN
Q2 2022/23	2	0	0	2	0
Q2 2021/22	3	1	2	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 2022/23	4	3	0	1	0
Q2 2021/22	3	3	0	0	0

10.3 **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 – None were received in this reporting period

Stage 2 – One application was received in this quarter against the administering authority in relation to an historic orphaned AVC which was upheld

10.4 Other work undertaken

Third Party Administration Contract

At the September 2022 Committee meeting, it was agreed to proceed with Equiniti's proposal for renewal of the Fund's third party administration services contract for 3 years from 1st January 2023. A Heads of Terms agreement has been entered into, which commits both parties to the contract extension. At the time of writing this report the final contract clauses and specifications are still being agreed upon. A verbal update will be given at the committee meeting.

Pension Saving Statements

The Finance Act 2006 sets out that individuals can only save up to £40,000 each year in their pension funds (a lower amount applies for some of the very highest earners). For a defined benefit scheme such as the LGPS, this is calculated as the overall growth in their benefits over the year. The Pension Fund is required to send a Pensions Savings Statement (PSS) to notify any member whose benefits within the Hackney Pension Fund have exceeded £40,000. These statements must be issued by 6th October in respect of the previous financial year.

There were 61 statements originally issued for the 2021-22 tax year, in time for the 6 October deadline. There was unfortunately a problem with the data which came across from the council's payroll system, the biggest employer in the Fund. This is because of the monthly electronic reporting which has been implemented between EQ and the council, and was used for the first time for PSS purposes. Due to the complex nature of some of the pay calculations needed for final salary pension benefits (benefits built up in the scheme prior to 2014) the new monthly reporting meant that errors occurred in some employee records, and it was found that historically payroll had not been reporting final pay information correctly for some of the active members.

Due to data uncertainty all salaries for the 61 records were manually reviewed by the internal LBH pensions team and the following is the final position:

- 17 revised statements were issued for members who had previously received a PSS in 2021
- 24 statements were reissued for members who did not receive one previously in 2021
- On recalculation using the corrected salaries 14 of the original 61 no longer required a PSS as they had not breached

- 6 statements did not require reissuing as the original 2022 statements were correct- so no further action was needed

In addition to the above 3 more PSS's were issued at the end of October for 3 members- these were records that were still being reviewed due to historical data/salary issues so had missed the original 6 October deadline.

Planning is already being put in place for next year's Pension Saving Statements to ensure that the information is captured correctly, and internal checks and controls will be implemented for the pensions team to check the salary data supplied by payroll against the live payroll system for the members that are flagged as needing a pension saving statement in October 2023.

McCloud Programme Update

The Public Service Pension and Judicial Offices Act 2022 enables the Department of Levelling up, Housing and Communities (DLUHC) to make the regulations needed to implement the McCloud remedy within the LGPS.

Draft LGPS "McCloud" regulations and DLUHC's response to its 2020 consultation were initially expected before the 2022 Summer Recess. This timetable has now been pushed out to early 2023 for both DLUHC's consultation response and draft regulations. It is expected that the draft regulations will consist of two parts:

- The technical consultation on the remedy regulations
- Seeking views on issues not covered by the 2020 consultation, including interest, compensation on Teacher's excess pension

Furthermore, on 15 December 2022 HM Treasury issued Directions in relation to the Public Services Pensions and Judicial Offices Act 2022 (PSPJOA), setting out how certain powers in the PSPJOA must be exercised. Part 4 of the Treasury directions cover the LGPS, and the directions include powers to pay compensation, compensatable losses, interest payments and compensation applications

Following the consultation on the draft regulations it is expected that the regulations will now be made before the summer recess in 2023. The coming in to force date of the regulations remains as 1 October 2023

Workstreams

Most workstreams are progressing well with regular meetings being attended by key Hackney pensions officers and representatives from Equiniti and Aon.

Good progress continues to be made in relation to the Data, Communications, Finance, Governance and Benefit Rectification

Workstreams although some actions continue to be paused due to the delay in the regulatory timetable. The Ongoing Administration and Systems workstream is still behind where we would want it to be at this stage of the project and is unlikely to be resolved until the new contract with the Fund's third-party administration and software provider, Equiniti, is implemented. As part of that contract, Hackney Pension Fund is expected to migrate to the updated version of their software in order for the new McCloud underpin calculations to be automated. If the Fund did remain on the current system those calculations would need to be carried out "off system".

The Compendia software is key to delivering the McCloud programme going forward, particularly in relation to the Data, Communications and Ongoing Administration workstreams. The Benefit Rectification workstream is currently being delivered off system, but the outputs will need to meet the requirements of the administration software and so this workstream is also impacted by any potential migration.

Risks for all workstreams continue to be actively managed within the programme and these are reviewed regularly by the Programme Management Group (PMG).

Whilst the overall project is running slightly behind the original schedule, principally due to the slower than expected progress with the Ongoing Administration workstream, this needs to be considered in the context of the regulatory timetable, which has continued to change. The biggest risk for the programme at the present time remains the Equiniti contract and software situation in terms of getting the contract finalised and ensuring that Equiniti have in place an overall software migration plan. Therefore, until this has progressed the scale of any impact to each individual workstream is unknown. The Programme Management Group's next meeting will take place on 28 February 2023. By this time it is expected that the new Equiniti contract will be in place, the software migration will be discussed further, and key risks updated as appropriate. A further update will be provided at the next Committee meeting.

Guaranteed Minimum Pension (GMP) Reconciliation

As previously reported to the committee a number members were "descoped" from the main GMP reconciliation process (members who became entitled to their GMP before reaching their SPA, some post 2016 SPA cases and certain survivor pensioners). Several discussions have taken place between the Fund and Equiniti on this and Equiniti has provided some more details on these groups. Due to the additional work needed around the PSS programme work has not been started on this. The Fund will be progressing this with EQ during Q4. An update will be provided at subsequent committee's.

11. Reporting Breaches

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

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

Background documents
None

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London Borough of Hackney Pension Fund

Q3 2022 Investment Monitoring Report

Andrew Johnston, Partner
Iain Campbell, Senior Investment Consultant
Jamie Forsyth, Investment Analyst

HYMANS ROBERTSON

Dashboard

Executive Summary

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

The Fund generated negative returns over the quarter with an absolute return of -0.6%, marginally outperforming the benchmark.

The Growth allocation performed negatively over the quarter as equity markets continued to fall due to concerns around central bank policy tightening, slowing earnings momentum, and geopolitical uncertainty.

In bond markets, Government bond yields rose as markets moved to price in significant further increases in interest rates. Credit spreads have risen considerably since the start of the year and are well above long-term median levels. Property was a relative bright spot.

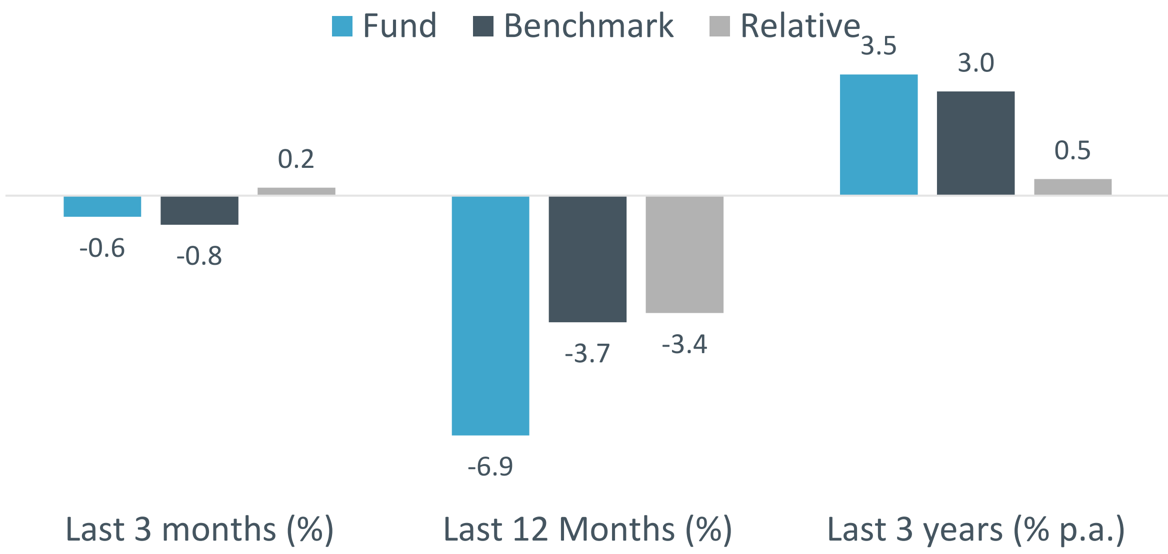
Definitions

Growth
Growth assets are designed to provide returns 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	58.9%	55.0%	3.9%
Income	25.3%	28.4%	-3.1%
Protection	15.9%	17.0%	-1.1%

Asset Allocation

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

This page includes;

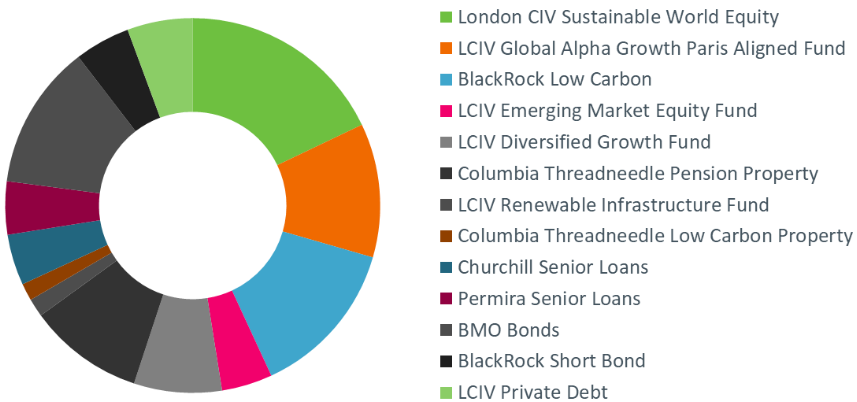
- Start and end quarter mandate valuations.
- Asset allocation breakdown relative to benchmark for rebalancing purposes.
- Asset allocation breakdown pie chart.

The LCIV Renewable Infrastructure mandate valuation, and the LCIV Private Debt mandate valuation as at 30 September 2022 were not available at the time this report was drafted, the figures used are the Q2 2022 values.

Asset allocation

Mandate	Active/Passive	Valuation (£m)		Actual Proportion	Benchmark	Relative
		Q2 2022	Q3 2022			
London CIV Sustainable World Equity	Active	288.9	293.4	16.4%	13.0%	3.4%
LCIV Global Alpha Growth Paris Aligned Fund	Active	186.4	189.4	10.6%	13.0%	-2.4%
BlackRock World Equity	Passive	154.7	147.9	8.3%	7.0%	1.3%
BlackRock Low Carbon	Passive	215.2	223.5	12.5%	10.0%	2.5%
LCIV Emerging Market Equity Fund	Active	70.8	71.8	4.0%	4.5%	-0.5%
LCIV Diversified Growth Fund	Active	128.4	124.1	7.0%	7.5%	-0.5%
Total Growth		**1,044.4**	**1,050.0**	**58.9%**	**55.0%**	**3.9%**
LCIV Renewable Infrastructure Fund	Active	26.3	26.0	1.5%	5.0%	-3.5%
Columbia Threadneedle Pension Property	Active	171.2	163.0	9.1%	7.5%	1.6%
Columbia Threadneedle Low Carbon Property	Active	24.5	22.2	1.2%	2.5%	-1.3%
Churchill Senior Loans	Active	66.2	72.0	4.0%	4.0%	0.0%
Permira Senior Loans	Active	74.0	75.0	4.2%	4.0%	0.2%
LCIV Private Debt	Active	76.9	92.4	5.2%	5.0%	0.2%
Total Income		**439.1**	**450.6**	**25.3%**	**28.0%**	**-2.7%**
BMO Bonds	Active	229.3	204.7	11.5%	17.0%	-5.5%
BlackRock Short Bond	Passive	90.2	78.4	4.4%	0.0%	4.4%
Total Protection		**319.5**	**283.1**	**15.9%**	**17.0%**	**-1.1%**
Total Scheme		**1,803.0**	**1,783.8**	**100%**	**100%**	**0%**

Asset class exposures



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- 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

- Performance figures for the LCIV Renewable Infrastructure mandate and LCIV Private Debt mandate are not yet available.
- The Churchill mandate is USD denominated and so exposed to currency risk, with recent volatility impacting returns experienced by the Fund.
- Performance of USD to GBP as at 30 September 2022 has been as follows:
    - 3m: 8.8%
    - 6m: 17.9%
    - 12m: 21.3%

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	1.5	2.6	-1.0	3.1	-1.5	-9.7	-1.9	-7.9	0.1	-9.7	9.1	8.4	0.6	0.0	9.1
LCIV Global Alpha Growth Paris Aligned Fund	1.6	2.6	-0.9	3.1	-1.4	-23.0	-3.1	-20.6	-1.1	-22.1	-	-	-	-	-
LCIV Emerging Market Equity Fund	1.4	-3.2	4.7	-3.2	4.7	-15.4	-12.1	-3.7	-9.8	-6.2	-	-	-	-	-
BlackRock World Equity	-4.5	-4.5	0.1	-4.5	0.1	-15.4	-15.8	0.5	-15.8	0.5	5.1	4.9	0.2	-15.8	24.8
BlackRock Low Carbon	3.9	2.8	1.0	2.8	1.0	-3.7	-4.2	0.5	-4.2	0.5	8.5	8.1	0.4	-3.3	12.2
LCIV Diversified Growth Fund	-3.3	1.4	-4.6	1.4	-4.6	-13.2	4.5	-16.9	4.5	-16.9	-	-	-	-	-
Income															
Columbia Threadneedle Pension Property	-5.2	-4.0	-1.3	-3.8	-1.5	12.6	13.2	-0.5	14.2	-1.4	7.2	7.6	-0.4	8.6	-1.3
Columbia Threadneedle Low Carbon Property	-8.8	-2.7	-6.3	-2.5	-6.5	-7.7	8.5	-14.9	9.5	-15.7	-0.8	0.1	-1.0	1.1	-2.0
Churchill Senior Loans	10.2	10.7	-0.5	1.6	8.5	22.3	19.6	2.3	6.3	15.1	5.8	9.2	-3.1	6.4	-0.6
Permira Senior Loans	9.5	1.4	8.0	1.8	7.6	22.8	5.0	17.0	7.0	14.8	-	-	-	7.2	-
Protection															
BMO Bonds	-10.7	-11.8	1.3	-11.6	1.0	-23.8	-24.3	0.8	-23.3	-0.5	-8.0	-8.8	0.9	-7.8	-0.2
BlackRock Short Bond	0.3	0.4	-0.1	0.4	-0.1	0.5	0.7	-0.2	0.7	-0.2	0.5	0.4	0.1	0.7	-0.2
Total	-0.6	-0.8	0.2			-7.0	-3.7	-3.4			3.5	3.0	0.5		

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

- *The London Collective Investment Vehicle 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 has not provided performance figures for their Fund as the fund is 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 this fund has sufficient track records.*
- *Please also note that we have reported the Permira & Churchill 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.*

Manager Ratings

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

The LCIV Diversified Growth Fund is managed by Baillie Gifford.

As at Q3 2022, we rated the Baillie Gifford DGF as 'Preferred', however, following a further review in Q4 2022 the fund has has been downgraded to ‘Positive – On watch’. This is in part due to the below:

•A lessening of conviction in reference to some of our preferred manager characteristics, some reflecting changes on the strategy over recent years (people and philosophy & process) and some reflecting a fresh look at the strategy relative to peers (ownership & focus).

•Poor risk-adjusted performance over the last 5 years and poor risk management, particularly around drawdowns on an absolute and relative basis. This is particularly driven by implementation within equities, listed alternatives and absolute return.

•Declines in AUM

Manager ratings

Mandate	Mandate	Date Appointed	Benchmark Description	Hymans Rating	RI
LCIV Sustainable	World Equity	Jun-18	MSCI World Index Total Return +2%	Suitable	Strong
LCIV Paris Aligned	World Equity	Sep-21	MSCI All Country World Gross Index (in GBP) + 2-3%	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 +2.5%	Suitable	Adequate
LCIV DGF	DGF	Oct-21	Sonia +3.5%	Preferred	Good
LCIV Renewable Infrastructure	Infrastructure	Sep-21	IRR of 7-10% in local currency terms (net of fees), with a target yield of 3-5% p.a.	Suitable	Not Rated
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
LCIV Private Debt	Private Debt		Target return of 6-8% p.a.	Suitable	Not Rated
BMO	Bonds	Sep-03	Bond Composite + 1%	Positive	Good
BlackRock SDB	Bonds	Feb-19	3m GBP LIBID	Positive	Good

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

Higher current and forecast inflation, and subsequent expectations of tighter monetary policy, are weighing heavily on consumer and business sentiment, with growth forecasts continuing to see downwards revisions. Recessions are now forecasts in several key European economies and the US economy also expected to slow substantially, increasing global recession risks.

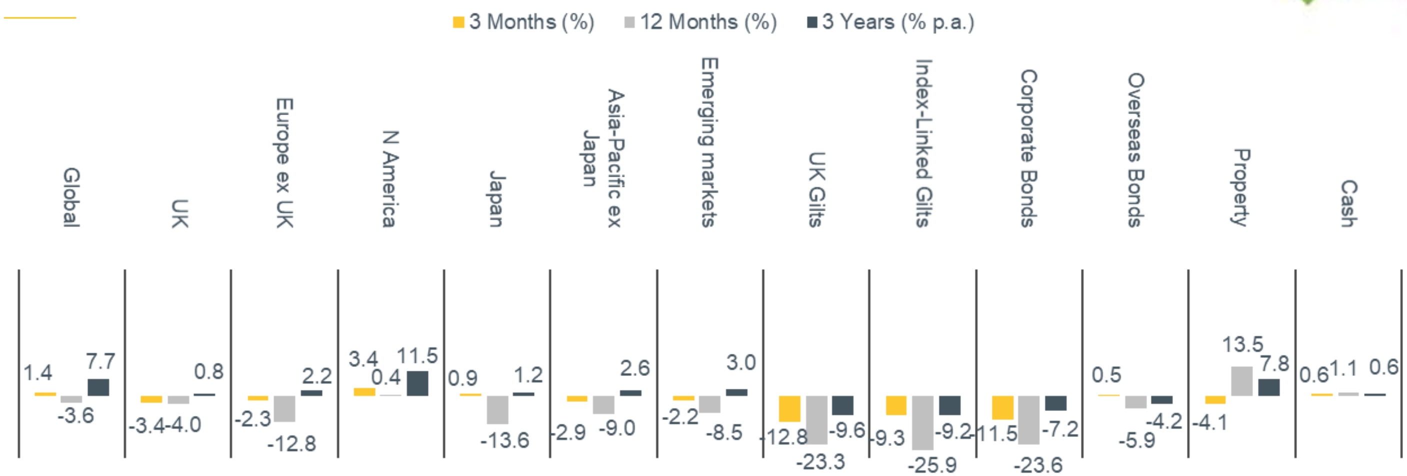
Year-on-year headline CPI inflation is running at 9.9%, 8.3%, and 9.1%, in the UK, eurozone, and US, respectively. Of more concern to central bankers, core inflation, which excludes food and energy prices, is also well above target, at 6.5%, 6.6%, and 4.8% in the UK, US, and eurozone, respectively.

Growing concerns about sustained high inflation were met with more aggressive messaging and action by central banks. The Fed raised interest rates by a cumulative 1.5% p.a. in Q3, while the Bank of England and the ECB raised rates by a total of 1% p.a. and 1.25% p.a., respectively.

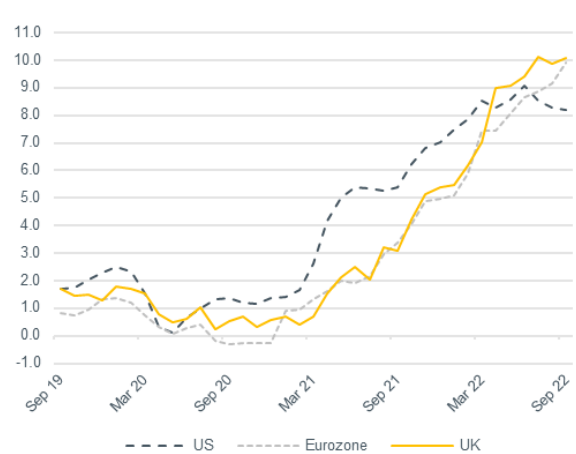
Against a global backdrop of high inflation and rising interest rate expectations, increases in UK government bond yields accelerated as the government unveiled a substantial unfunded fiscal package in late September. 10-year gilt yields ended the quarter at 4.1% p.a., 1.9% p.a. above end-June levels, while equivalent US and German yields both rose 0.8% p.a. over the same period, to 3.8% p.a. and 2.1% p.a., respectively.

UK 10-year implied inflation, as measured by the difference between conventional and inflation-linked bonds of the same maturity, rose 0.4% p.a. to 4.0% p.a. Equivalent US implied inflation fell 0.2% p.a., to 2.2% p.a.

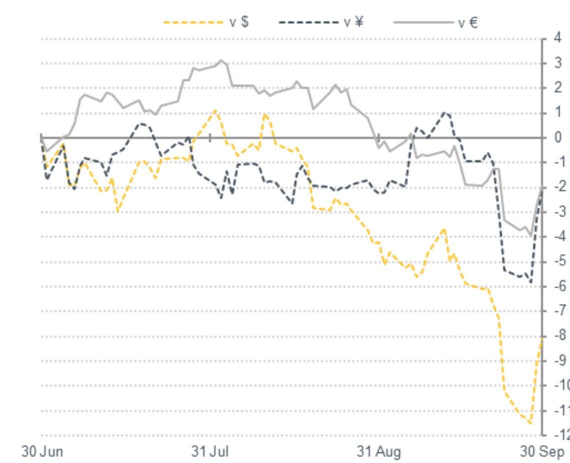
Historic returns for world markets [1]



Annual CPI Inflation (% p.a.)



Sterling trend chart (% change)



Global investment-grade spreads ended the quarter slightly wider, while UK investment-grade credit spreads rose 0.4% p.a., to 2.4% p.a., as rising government bond yields saw pension schemes liquidate liquid assets to meet collateral calls on their interest-rate hedging programmes. US and European speculative grade credit spreads ended the quarter 0.4% p.a. and 0.2% p.a. below end June levels, at 5.4% p.a. and 6.3% p.a., respectively.

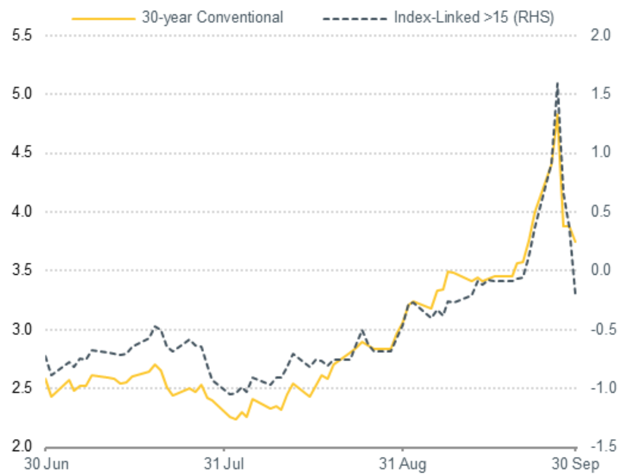
Despite a rally in July, global equities fell sharply in the second half of the quarter as high inflation, and subsequent higher interest rate expectations, weighed on both equity valuations and the fundamental outlook. The FTSE All World Index fell 4.8% (in local terms). Depreciation of sterling over the period resulted in a 1.4% return to unhedged UK investors. Performance was varied between cyclicals and defensives with telecoms, technology, and healthcare underperforming, while the energy and consumer discretionary sectors notably outperformed.

Regionally, Japanese and UK markets outperformed, both supported by currency weakness flattering the international earnings profile of their markets, and the UK also benefitting from an above-average exposure to the energy sector. Emerging and Asian markets once again underperformed.

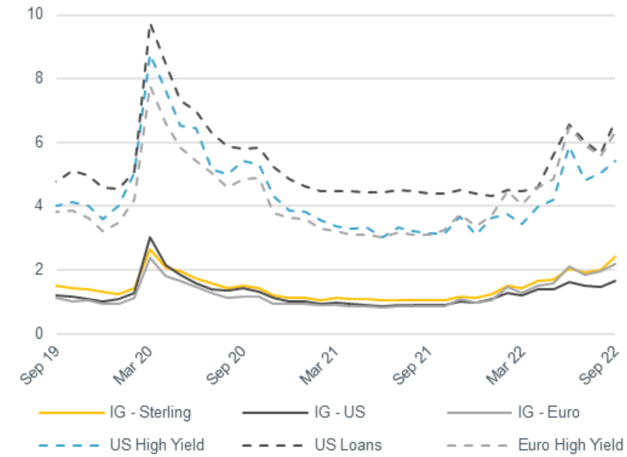
Global growth concerns were reflected in commodity markets, where energy and industrial metals prices led declines.

The MSCI UK Monthly Property Index has returned 13.5% in the 12 months to the end of September, although monthly returns entered negative territory in the third quarter. Capital value declines have been observed across the three main commercial sectors but have been more pronounced in the industrial sector.

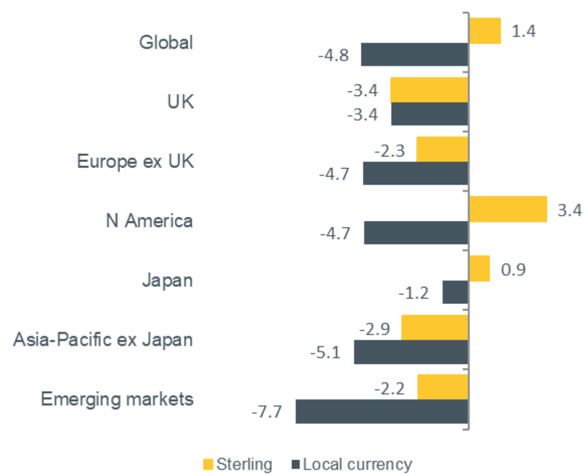
Gilt yields chart (% p.a.)



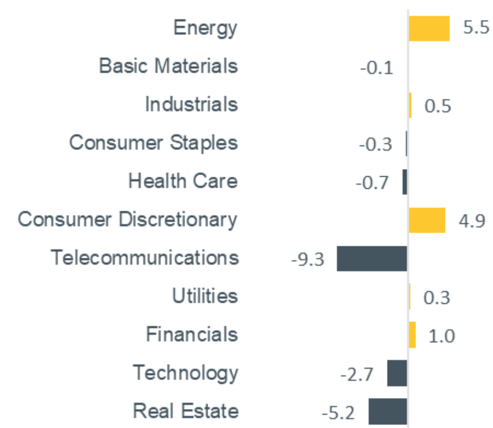
Investment and speculative grade credit spreads (% p.a.)



Regional equity returns [1]



Global equity sector returns (%) [2]



Source: DataStream, Barings, ICE [1] FTSE All World Indices. Commentary compares regional equity returns in local currency.
[2] Returns shown in Sterling terms and relative to FTSE All World.

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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.

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Quarterly Engagement Report

July-September 2022

Local Authority Pension Fund Forum

Brazil, Water Stewardship, Ford, National Grid, Uyghurs

BRAZIL


The collapsed tailings dam at Brumadino and the excavations taking place to find the four remaining bodies

LAPFF Chair Visits Tailings Dam-Affected Communities in Brazil

LAPFF Chair, Cllr Doug McMurdo spent three weeks in Brazil this quarter investigating the situation of communities affected by tailings dams in Conceição do Mato Dentro, Mariana, and Brumadinho. This trip was part of LAPFF's broader work on mining and human rights. The context for the trip is available in the mining and human rights report LAPFF published in April 2022. The motivation for the trip reflects LAPFF's view that social and environmental impacts by investee companies are financially material for investors.

During his trip, Cllr McMurdo met with communities affected by the 2015 Mariana and 2019 Brumadinho dam collapses. BHP and Vale own the Mariana Fundão dam through their joint venture operator, Samarco. Vale owns the Córrego do Feijão dam that collapsed in Brumadinho. He also visited communities in Conceição do Mato Dentro who live in areas affected by Anglo American's Minas Rio tailings

BRAZIL

dam. Water quality and availability and house design in resettlements are two major concerns cited by affected community members with whom LAPFF spoke. Air quality due to dust from mines was another concern expressed by communities in all three areas.

After meeting with affected community members, Cllr McMurdo spent two days with the Chair of Vale, José Penido, and senior executives from the company. Mr Penido accompanied Cllr McMurdo to the Paracatu and Bento Rodrigues resettlements in Mariana, sites hit hard by the Samarco tailings dam collapse in 2015. Andre de Freitas, CEO of the Renova Foundation which was established to provide reparations following the Mariana tailings dam collapse in November 2015, led the visits to the resettlements. Mr Penido also accompanied Cllr McMurdo to the site of the 2019 Brumadinho tailings dam collapse. Mr Penido and his colleagues explained in Vale's geomonitoring centre what steps the company has been taking to prevent further dam collapses. LAPFF extended an invitation to meet a BHP representative during Cllr McMurdo's trip, but the invitation was declined by the company.

"It is clear that Vale has taken steps to improve its corporate culture and its dam safety practices. LAPFF's objective is to be a critical friend to the company in fostering better and faster delivery of required reparations and dam safety measures."

Cllr Doug McMurdo, LAPFF Chair

At the end of the trip, Cllr McMurdo met with a number of Brazilian investors led by ESG-focused asset manager, JGP Asset Management, with whom LAPFF has been partnering on this project for a couple of years. Collectively, the investor group worked with senior executives of Vale to set in motion a process to increase the pace and quality of reparations following the tailings dam collapses.

The largest impediment to completing reparations in Mariana quickly enough and to an adequate standard appears to be the Renova Foundation. Vale, BHP, and Samarco – but no affected community members – sit on the board of this organisation which was established to provide reparations following the Mariana tailings dam collapse in November 2015. The Foundation has an overly complex governance structure, similar in some ways to that of a joint venture, and does not have adequate independence in its governance. Both shortcomings have led to poor and drawn-out execution of reparations.

COMPANY ENGAGEMENT

National Grid

In July, LAPFF issued a voting alert recommending a vote against National Grid's transition plan. It flagged concerns that despite draft climate action plans from Massachusetts and New York state agencies proposing nearly 10 million households change their heating systems to electric heat pumps by 2050, National Grid still envisaged 50 percent of households in these states having some form of gas burning system by 2050.

Objective: A meeting was held with Duncan Burt, the Head of Sustainability, and Justine Campbell, the Company secretary, prior to the AGM to discuss these concerns. This was followed by attendance at the company AGM to ask about Scope 3 targets being aligned with the remaining global carbon budget, on processes to ensure lobbying was aligned with the goals of the Paris agreement, and on disclosing progress against the CA100+ benchmark.

Achieved: At the meeting, National Grid representatives provided more detail on 1.5°C alignment and the challenge for the gas business in the US. At the AGM, LAPFF representing the lead investors for the CA100+ group, noted the importance of government, regulators and companies working constructively together to deliver the energy transition, and commended National Grid for the adoption of real zero as a goal. The chair, Paula Reynolds, and the Chief Executive, John Pettigrew, both responded positively, with further information being provided on Science-Based Target initiative (SBTi) certification in the UK and committing to an assessment against the benchmark. The full AGM transcript is provided on the company website.

In Progress: As part of engagement coordinated through Climate Action 100+ correspondence has been sent to the company to identify and unlock potential policy barriers to the delivery of decarbonisation of the power & utilities sector. An initial response suggests a focus on legislative challenges, measures to accelerate net zero infrastructure, actions around affordability, and a fair and just transition.

SSE Plc

LAPFF issued a voting alert ahead of the SSE AGM. LAPFF previously advised members to abstain on whether to improve the company's net zero transition report in 2021 due to concerns about important omissions related to Scope 3 emissions, capital allocation and alignment with Paris Agreement targets. This year a recommendation was issued to vote in favour at the company's 2022 AGM. SSE has made notable progress in its ambition to reach net zero emissions across its business between AGMs, adding more Science Based Targets with alignment to 1.5°C.

Mizuho

Objective: Following a collaborative meeting in July that confirmed medium-term targets had been established for carbon intensity of the electric power sector, more information was sought on the transitional pathway and strategy Mizuho has developed to achieve these targets.

Achieved: Further detail was provided on targets, based on the lower end of the International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario, and the upper end of the IEA's Sustainable Development Scenario. Mizuho has an engagement policy to support clients' capabilities for dealing with transition risks, whereby a review is triggered if the client shows no willingness or strategy to address transition risks after one year of engagement.

In Progress: LAPFF continues to engage collaboratively with a range of Asia-based utilities and financial companies, including ongoing dialogue with Mizuho.

Electric Vehicle Manufacturers

Objective: After beginning to engage with electric vehicle manufacturers earlier in the year to discuss approaches to responsible mineral sourcing and a 'Fair and Just Transition', LAPFF has continued to reach out to companies to discuss this issue.

Achieved: LAPFF met with Ford to discuss its approach to human rights and responsible mineral sourcing. The meeting was a short one, although the company's participation in the Initiative for Responsible Mining Assurance was discussed.

In Progress: The meeting with Ford was followed up with a range of questions, which the company has promised to answer. The Forum is also coordinating calls with Renault and Volvo.

COLLABORATIVE ENGAGEMENT

COLLABORATIVE INVESTOR MEETINGS

Uyghur Engagement

Objective: LAPFF has continued to investigate issues of Uyghur forced labour in Xinjiang and other regions of China. After two engagements with companies earlier in the year, LAPFF has been looking at potential ways forward through collaborative engagement on the issue.

Achieved: LAPFF joined the Investor Alliance for Human Rights Uyghur Region Engagement Group earlier in the year and has attended a quarterly meeting, gaining insight into what other investors have learned in their engagements. The Forum also reached out to the Australian Strategic Policy Institute (ASPI), which produced the report 'Uyghurs for Sale' in March 2020, linking 82 global brands to factories in the Xinjiang region with suggestions of forced Uyghur Labour.

LAPFF met with ASPI representatives to discuss the work it had done for this report and for a wider discussion on its work around the issue. The conversation implied that companies operating in the Xinjiang region could not undertake the thorough levels of due diligence they were claiming to be able to do. LAPFF followed up with questions to both Cisco and Dell after meetings earlier in the year, but neither company responded to these questions.

In Progress: LAPFF is currently looking at ways to progress dialogue with companies already engaged on this issue and how to get non-responders to engage in a meaningful manner.

ShareAction Good Work Coalition

Objective: Following meetings with Sainsbury in Q1 and Q2 2020, LAPFF has maintained an interest in ShareAction's Good Work Coalition which looks at the living wage and insecure work, amongst other issues.

Achieved: LAPFF joined a collaborative call, organised by ShareAction, with Marks & Spencer representatives to discuss the company's approach to pay. M&S representatives noted that it was considered workers were paid wages at a fair standard as they are already above the Real Living Wage (RLW) as defined by the Living Wage Foundation (LWF). However, this wage level is not currently matched for the company's third-party contractors. M&S appears keen to maintain a dialogue with the LWF to see where it can improve but did not appear to want to work towards LWF accreditation. This was due to concerns about a loss of independence of a large portion of its cash flow.

In Progress: LAPFF continues to monitor work on the RLW and work undertaken by ShareAction's Good Work Coalition.

Rathbones Votes Against Slavery

Objective: Rathbones' Votes Against Slavery engagement targets companies in the FTSE350 that fail to comply with Section 54 of the UK's Modern Slavery Act. At the beginning of this year's engagement, 46 of these companies failed to meet the minimum reporting standards of the act, and with the engagement having had a strong success rate since its inception in 2019, LAPFF continued to support the initiative.

Achieved: ITV was included in the engagement based on an out-of-date statement, although this inclusion appeared to be due to an administrative error on the website rather than the statement actually being out of date. LAPFF joined Rathbones on a call with ITV representatives to discuss the company's approach to modern slavery in July after this topic had been broached between Rathbones and ITV. ITV provided an overview of some of the work it has been doing around due diligence and its updated grievance mechanisms. The company provides a more comprehensive Modern Slavery Statement than a number of others companies in the FTSE350, and also provides case studies of enhanced due diligence.

In Progress: LAPFF continues to support Rathbones' Votes Against Slavery and other engagements on modern slavery. It has also volunteered to lead on upcoming company engagements with CCLA's 'Find It, Fix it, Prevent It' engagement, which seeks out companies to identify issues on modern slavery in their supply chains more proactively.

Access to Nutrition Index (Kellogg)

Objective: Continuing engagement on the role food producers play on public health, the Forum maintains a dialogue with companies through the Access to Nutrition Index (ATNI). LAPFF acts as co-lead for engagement with Kellogg's and met with company representatives for the first time in February 2022, agreeing to maintain a continuing dialogue. LAPFF met with Kellogg's for the second time under this engagement in August.

ENGAGEMENT

Achieved: Since the first meeting, the company announced its decision to split into three stand-alone publicly listed companies. In the meeting, the company's approach to governance, lobbying, labelling and responsible marketing was discussed. It was unclear how these issues were going to be approached when looking at the split into three companies although the company appears to be making progress across all of the topics covered.

In Progress: A newer iteration of ATNI's annual report is set to be released later in 2022 and dialogue with Kellogg's is set to continue alongside this.

30% Club Investor Group

Objective: Looking further afield from FTSE listed companies, the 30% Club Investor Group has started a global engagement looking at laggards on gender board diversity in the USA.

Achieved: LAPFF joined a number of investors in writing to three companies, Charter Communications, Liberty Media and Transdigm Group. No meetings have yet been arranged from this correspondence; Liberty Media provided a one sentence response.

In Progress: Pressure will continue to be placed on these companies for a meeting, and other global companies will be sought out for engagement on board diversity.

CONSULTATION RESPONSES

Transition Plan Taskforce

Objective: The Transition Plan Taskforce (TPT) was set up by the UK government to develop a 'gold standard' for climate transition plans. Launched by HM Treasury, the TPT aims to help financial institutions and companies prepare rigorous transition plans. A Call for Evidence on a Sector-Neutral Framework for private sector transition plans closed in mid-July.

Achieved: LAPFF's response draws upon the Forum's experience of engaging with private sector companies on climate plans and a just transition and sets out expectations that there should be a principle-based transition plan template. Different sectors can then apply existing and developing guidance in identifying risks and opportunities, and setting strategy, targets and timeframes aligned with remaining objectives within the scientifically identified global carbon budget. Principles that LAPFF wishes to see embedded include coverage of Scopes 1-3 emissions, inclusion of short, medium and long-term targets; a focus on actual emission reductions (real zero) rather than offsetting and carbon capture (net zero); and the inclusion of the social dimension, aiming for a fair and just transition.

In Progress: The TPT will initially report by the end of 2022.

MEDIA COVERAGE

Mining

Combating Environmental Racism: 'British court decides it will try BHP Billiton's crime against the Rio Doce'
S&P Global: 'Fund chief to make ESG-linked visit to Brazil communities hit by iron ore dam slides'
Pensions Age: 'LAPFF Chair announces Brazil dam collapse visit'
BN Americas: 'Visit by UK pension fund rep cranks up ESG pressure on Brazilian miners'

Israel & Palestine

Pensions Expert: 'LGPS responds to Israeli settlements database complaint'

30% Club

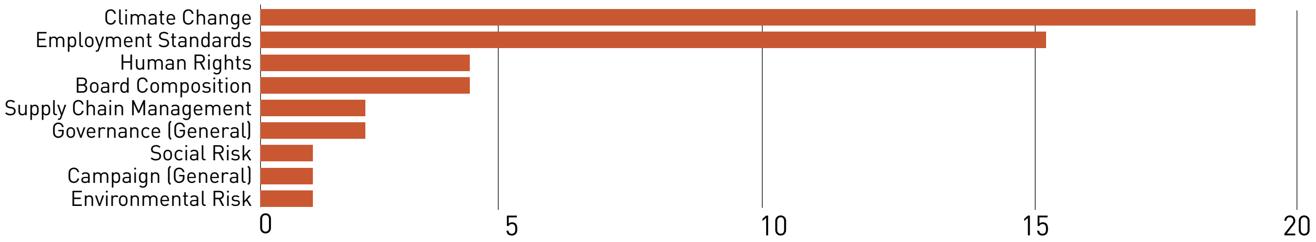
Citywire Selector: 'Exclusive: 30% Club extends its race equity management to FSTE 250'

Water Stewardship

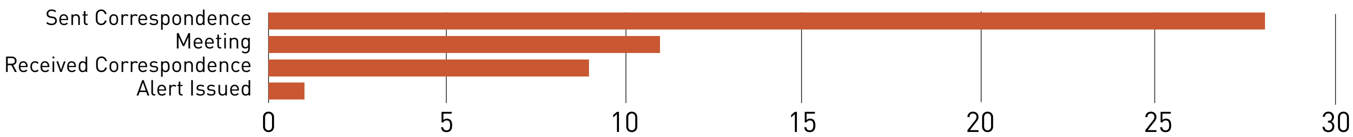
ESG Investor: 'Investors Seek to Pull Plug on Water Risks'
Responsible Investor: 'Leading investors put companies on notice over global water crisis'
Pensions & Investments: 'Investors join forces to address financial, environmental risks of water'
Pensions & Investments: 'Investors tuning into financial risks of water quality and scarcity'
Business Green: 'Fiduciaries must act': Ceres calls on world's largest firms to respond to global water crisis'
Reuters: 'Global investors group to pressure corporations on water risks'
Syndicated in Nasdaq and Zone Bourse

ENGAGEMENT DATA

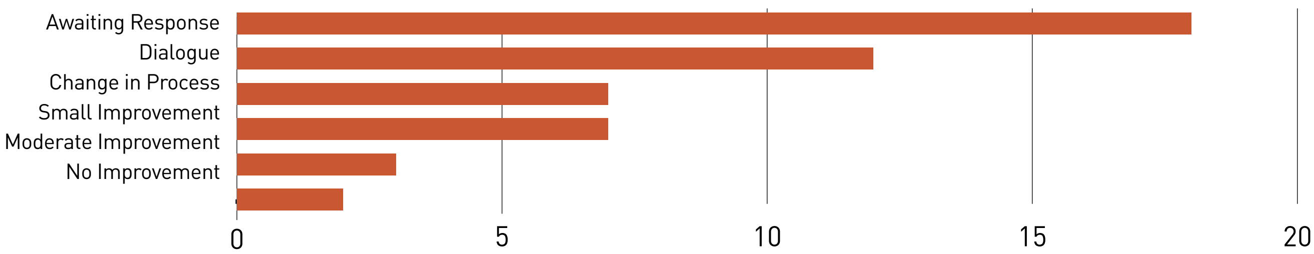
ENGAGEMENT TOPICS



ACTIVITY

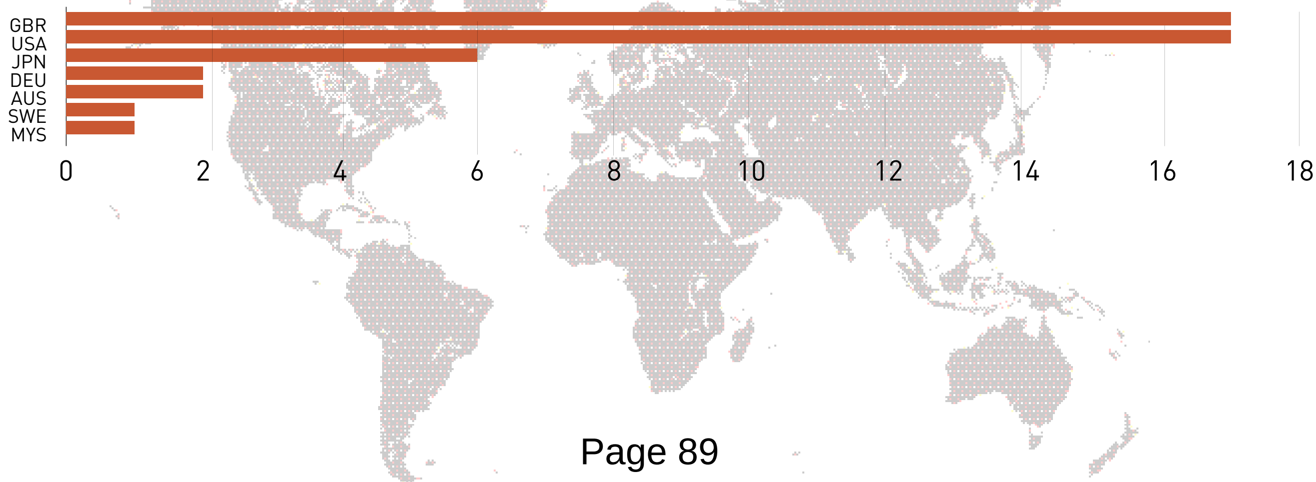


MEETING ENGAGEMENT OUTCOMES

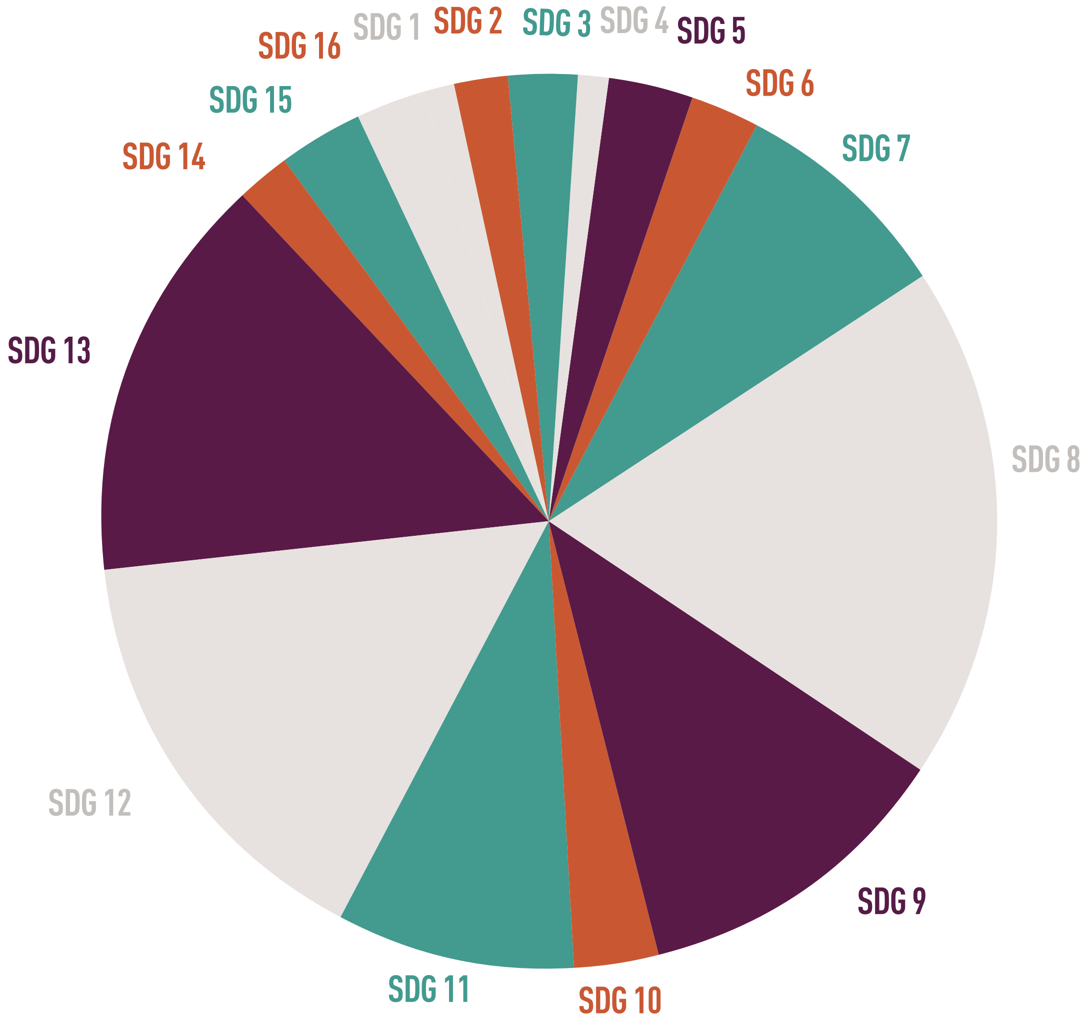


POSITION ENGAGED

COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	2
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	2
SDG 5: Gender Equality	5
SDG 6: Clean Water and Sanitation	4
SDG 7: Affordable and Clean Energy	13
SDG 8: Decent Work and Economic Growth	30
SDG 9: Industry, Innovation, and Infrastructure	19
SDG 10: Reduced Inequalities	5
SDG 11: Sustainable Cities and Communities	14
SDG12: Responsible Production and Consumption	25
SDG 13: Climate Action	24
SDG 14: Life Below Water	3
SDG 15: Life on Land	5
SDG 16: Peace, Justice, and Strong Institutions	4
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

35 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
ALPHABET INC	Sent Correspondence	Employment Standards	Awaiting Response
AMAZON.COM INC.	Received Correspondence	Employment Standards	Dialogue
APPLE INC	Sent Correspondence	Employment Standards	Awaiting Response
BHP GROUP LIMITED (AUS)	Sent Correspondence	Governance (General)	Dialogue
CHARTER COMMUNICATIONS INC	Sent Correspondence	Board Composition	Awaiting Response
CIMB GROUP HOLDINGS BERHAD	Sent Correspondence	Climate Change	Change in Process
ELECTRIC POWER DEVELOPMENT CO	Sent Correspondence	Climate Change	Change in Process
FORD MOTOR COMPANY	Meeting	Supply Chain Management	Dialogue
ITV PLC	Meeting	Human Rights	Moderate Improvement
JD SPORTS FASHION PLC	Sent Correspondence	Employment Standards	Awaiting Response
KASIKORNBANK PCL	Sent Correspondence	Climate Change	Dialogue
KELLOGG COMPANY	Meeting	Social Risk	Small Improvement
LIBERTY MEDIA CORPORATION	Sent Correspondence	Board Composition	Awaiting Response
LONDON STOCK EXCHANGE GROUP PLC	Sent Correspondence	Climate Change	Dialogue
MARKS & SPENCER GROUP PLC	Meeting	Employment Standards	Small Improvement
MERCEDES-BENZ GROUP AG	Sent Correspondence	Human Rights	Awaiting Response
META PLATFORMS INC	Sent Correspondence	Employment Standards	Awaiting Response
MIZUHO FINANCIAL GROUP INC	Meeting	Climate Change	Small Improvement
NATIONAL GRID GAS PLC	Received Correspondence	Climate Change	Moderate Improvement
NEXT PLC	Sent Correspondence	Employment Standards	Awaiting Response
PACCAR INC.	Sent Correspondence	Climate Change	Awaiting Response
RIO TINTO PLC	Meeting	Climate Change	Small Improvement
ROLLS-ROYCE HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
ROYAL MAIL PLC	Sent Correspondence	Employment Standards	Awaiting Response
SIEMENS AG	Sent Correspondence	Employment Standards	Awaiting Response
SSE PLC	Alert Issued	Campaign (General)	Moderate Improvement
STARBUCKS CORPORATION	Received Correspondence	Employment Standards	No Improvement
SUMITOMO MITSUI FINANCIAL GROUP	Meeting	Board Composition	Small Improvement
TESCO PLC	Sent Correspondence	Supply Chain Management	Dialogue
TESLA INC	Sent Correspondence	Employment Standards	Awaiting Response
THERMO FISHER SCIENTIFIC INC.	Sent Correspondence	Employment Standards	Awaiting Response
TRANSDIGM GROUP INCORPORATED	Sent Correspondence	Board Composition	Awaiting Response
VALE SA	Meeting	Human Rights	Dialogue
VALE SA	Meeting	Human Rights	Dialogue
VOLVO AB	Sent Correspondence	Climate Change	Awaiting Response
WALMART INC.	Sent Correspondence	Employment Standards	Awaiting Response

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)
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
Isle of Wight Pension Fund
Islington Pension Fund
Kent Pension Fund
Kingston upon Thames Pension Fund
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
Scottish Borders Council 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 Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

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

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Hackney

Title of Report	Knowledge and Skills Policy - Training Needs Analysis
For Consideration By	Pensions Committee
Meeting Date	19 January 2023
Classification	Public
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. Introduction

1.1. This report sets out the Fund's plans to undertake a training needs analysis in line with its Knowledge and Skills Policy. A key element of delivering the Fund's Knowledge and Skills Policy objectives is to ensure the level of skills and knowledge is monitored, and gaps in knowledge or skills are determined. The training needs analysis is key to doing this.

1.2. The report sets out why the analysis is required and what it aims to achieve. It also provides details of and when the analysis will be distributed to Members and Officers.

2. Recommendations

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

3. Related Decisions

3.1. Pensions Committee 23rd November 2021 - Knowledge and Skills Policy Review

4. Comments of the Group Director of Finance and Corporate Resources.

4.1. The responsibilities for the Pension Fund are complex and varied covering the whole spectrum of investments, administration and financial management. Training across all aspects of the Pension Fund and understanding the factors that impact its management help those charged with governance to make effective decisions, many of which can have a significant financial impact on the Fund.

4.2. Having a formally approved and transparent training policy in place is good practice, meets the professional requirements of CIPFA and helps ensure those persons charged with governance and management of the Pension Fund understand what is expected of them. The costs associated with delivering this Policy are immaterial compared with the potential costs of failing to ensure that the Fund is properly managed..

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

5. **Comments of the Director of Legal, Democratic and Electoral Services**

5.1. The Council has established a Pensions Committee to act as the Scheme Manager of the Pension Fund in accordance with legislation. The Committee is responsible for monitoring performance of the fund, setting and reviewing strategic objectives and appointing administrators, advisers, investment managers and custodians.

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 maintain an overview of pensions training for its Members are parts of this Committee's role. There are also legal requirements that are outlined in the draft Knowledge and Skills Policy that must be adhered to, including MiFID II (Markets in Financial Instruments Directive) and Section 248A of the Pensions Act 2004.

6. **Background to the report**

6.1. All Pension Committee and Pension Board members should feel comfortable that they have the appropriate knowledge and skills needed to carry out their role on either the Pension Committee or Pension Board. The Fund recognises that attaining, then maintaining, relevant knowledge and skills is a continual process, and that training is a key element of this process.

6.2. The London Borough of Hackney Council, as administering authority to the Hackney Pension Fund, is committed to providing the appropriate training so that its objectives can be met. A key element of delivering the Fund's Knowledge and Skills Policy objectives is to ensure the level of skills and knowledge is monitored, and gaps in knowledge or skills are determined.

6.3. To do this the Fund will carry out a training needs analysis at least once every two years. All Pension Committee members, Pension Board members and senior officers are expected to demonstrate their personal commitment to training and ensuring that the objectives outlined in the Knowledge and Skills Policy are met.

6.4. The Fund's Knowledge and Skills policy includes the following objectives:

- Ensure that the London Borough of Hackney Pension Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and skills, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme and wider pensions landscape

- Ensure that those persons responsible for governing the London Borough of Hackney Pension Fund have sufficient knowledge and skills to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest

- Ensure that those persons responsible for the management and governance of the London Borough of Hackney Pension Fund are committed to attending and engaging with suggested training in accordance with the Knowledge and Skills policy.

6.5. A key element of the knowledge requirements are the two national CIPFA frameworks: the Knowledge and Skills framework for LGPS Committee members and LGPS officers; and the Technical Knowledge and Skills framework for Local Pension Boards. Both frameworks cover eight areas of knowledge identified as the core requirements.

6.6. In addition, the frameworks also set out details on the wider skills needed by decision makers in the LGPS. CIPFA suggests these should be considered when determining the ability of Committee members, Pension Board members and senior officers to effectively discharge their duties. It is, therefore, important to regularly assess the level of knowledge and expertise, and identify any gaps in knowledge, so that training plans can be developed in line with the Fund's Knowledge and Skills policy.

6.7. In line with the Fund's Business Plan and following new Committee members having completed induction training, the Fund intends to undertake a training needs analysis in Q4 2022/23. An assessment based on the CIPFA frameworks will be issued to all Pension Committee, Pension Board and senior officers shortly.

6.8. It is important that everyone participates in this analysis as this will shape the Fund's training programme for 2023/24. it is expected that the results of the training needs analysis will be shared at the March 2023 Committee meeting.

6.9. Other approaches detailed in the Knowledge and Skills Policy that indicate whether the policy's objectives are being met include:

- Attendance by at least 75% of the required Pension Committee members, Pension Board members and senior officers at planned hot topic training sessions

- Attendance by each Pension Committee member, Pension Board member and senior officer at least one day each year of general awareness training or events (this can include specific courses, seminars or conferences)
- Ensuring that identified training needs as part of the induction process are completed within six months of appointment

6.10. We will report against the above requirements at each Committee and Board meeting. Members will be provided with details of training events and percentages attended since the previous meeting along with information on upcoming seminars, conferences and other relevant training events.

Appendices

None

Background documents

None

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Comments for the Director of Legal, Democratic and Electoral Services prepared by	Name: Georgia Lazari Title: Team Leader (Places) Email : georgia.lazari@hackney.gov.uk Tel: 0208 356 1369

Hackney

Title of Report	TPR - New single code Update/ Introduction
For Consideration By	Pensions Committee
Meeting Date	19 January 2023
Classification	Public
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. **Introduction**

1.1. From 1st April 2015 the Pensions Regulator (TPR) assumed responsibility for public service pension schemes and put in place Code of Practice 14: Governance and Administration of Public Service Pension Schemes (COP14). COP14 came into force from 1st April 2015 and all public service pension schemes were expected to comply with the requirements of COP14 from that date.

1.2. In 2021 TPR consulted on a new Single Modular Code (The New Code), intended to replace a number of their existing Codes of Practice including COP14.

1.3. This report provides more background about COP14 and an update on the New Code, which is expected to come into force in Spring 2023. Once in force, the New Code will replace COP14.

2. **Recommendations**

2.1. The Pensions Committee is recommended to note the report

3. **Related Decisions**

3.1. Pensions Committee 11th September 2017 - The Pensions Regulator Code of Practice Compliance Checklist

3.2. Pensions Committee 12th September 2018 - The Pensions Regulator Code of Practice Compliance Checklist

3.3. Pensions Committee 10th September 2019 - The Pensions Regulator Code of Practice Compliance Checklist

4. **Comments of the Group Director of Finance and Corporate Resources.**

4.1. In the last decade there has been much greater focus on the standard of governance within LGPS funds. This increased focus can be seen in TPR's increased powers of oversight, as well as in the introduction of local pension boards. TPR's COP14, and the forthcoming New Code, are useful guides to the standards of governance expected by TPR. Measuring compliance with the code on a regular basis helps to ensure that good practice is understood and maintained.

4.2. A good standard of governance is crucial in minimising the key risks involved in managing the pension fund. Although the greater powers of oversight granted to TPR has benefited schemes through driving improvements in governance, ensuring compliance with the updated requirements results in additional work for officers and advisers of the fund.

4.3. While delivering the requirements of COP14 and the forthcoming New Code are therefore associated with increased costs, these are immaterial in comparison with the risks of failing to ensure that scheme governance is of a high standard and compliant with all necessary regulation and guidance.

4.4. The risks of non-compliance include both financial penalties issued by TPR, which can be considerable, and the longer-term costs to the Council likely to ensue in the event of poor management of the Pension Fund, including a potentially increased employer contribution rate.

5. **Comments of the Director of Legal, Democratic and Electoral Services**

5.1. The Public Service Pensions Act (2013) introduced a legal framework for the governance and administration of public service pension schemes and provided for extended regulatory oversight by TPR. The 2013 Act requires TPR to issue one or more Codes of Practice setting out the legal requirements in respect of the management of the schemes. TPR has discharged that duty by issuing COP14.

5.2. COP14, and the forthcoming New Code, contain practical guidance and set out standards of conduct and good practice expected of those in charge of managing schemes. It is therefore appropriate for the Pensions Committee and Pensions Board to consider the Hackney Pension Fund's compliance with the code at regular intervals.

6. **Background to the report**

6.1. The Public Service Pensions Act 2013 introduced the primary legislation for public service pension schemes to move from a final salary basis to a career average basis, and also extended TPR's powers to have oversight of public sector pension schemes. Prior to this Act TPR had no jurisdiction over public service pension schemes.

6.2. As part of this new role, TPR created Code of Practice 14: Governance and Administration of Public Service Pension Schemes. TPR has a number of different Codes of Practice covering different aspects of running pension schemes, and the public service pension schemes is the 14th code in their list. The other TPR codes do not apply to public service pension schemes.

6.3. Although following COP14 itself is not a regulatory requirement, should TPR identify a situation where legal requirements are not being met, compliance with COP14 (or the forthcoming New Code) will be considered when determining the appropriate action to take.

6.4. COP14 covers a number of aspects of governance and administration, divided into the following sections:

- Reporting duties
- Knowledge and Understanding
- Conflicts of Interest
- Publishing information about schemes
- Managing risk and internal controls
- Maintaining accurate member data
- Maintaining contributions
- Providing information to members and others
- Internal Dispute Resolution
- Reporting breaches of the law

6.5. It is important to note that TPR has no jurisdiction over funding and investments for the LGPS. COP14 applies only to governance and administration matters.

6.6. The Committee was last provided with an update on the Fund's compliance against COP14 in September 2019. At that point, the Fund was either fully or partially compliant in all areas. The areas where the Fund was only partially compliant included:

- Documenting and regularly assessing training requirements for the Pensions Board
- Maintaining accurate member data

- Provision of annual benefit statements

6.7. Further work in all these areas has been undertaken since that date so we would expect the number of areas in which the Fund is fully compliant to have increased since the last check.

6.8. An updated check is now due and with the imminent implementation of the New Code it has been decided to wait and assess compliance against the New Code in the summer. However, an updated check against COP14 can be brought to the March meeting if the Committee wishes.

Appendices

None

Background documents

None

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

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