P E N S I O N S C O M M I T T E E

Wednesday, 7 February 2024 at 6.30 pm
Council Chamber, Hackney Town Hall, Mare Street, London E8 1EA

Live stream link: https://youtube.com/live/B5eD-79Dc8c
Back up link: https://youtube.com/live/ouwUzLYFyFo

Members of the Committee:
Councillor Grace Adebayo
Councillor M Can Ozsen
Councillor Ian Rathbone
Councillor Kam Adams (Chair)
Councillor Robert Chapman (Vice-Chair)
Councillor Margaret Gordon
Councillor Ben Hayhurst
Councillor Lynne Troughton
Councillor Frank Baffour

Co-Opted Members
Jonathan Malins-Smith (Scheme Member Representative)
Henry Colthurst (Employer Representative)

Dawn Carter-McDonald
Interim Chief Executive
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www.hackney.gov.uk

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Hackney

Pensions Committee

Wednesday, 7 February 2024

Order of Business

1 Apologies For Absence

2 Declarations of Interest - Members to declare as appropriate

3 Any Urgent Unrestricted Business

4 Notice of Intention to Conduct Business in Private and Representations Received

On occasions part of the Pensions Committee meeting may be held in private and will not be open to the public if an item is being considered that is likely to lead to the disclosure of exempt or confidential information. This is in accordance with the Local (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 (the "Regulations").

This agenda contains exempt items 12 and 15 as set out following the Exclusion of Press and Public agenda Item 11.

No representations with regard to these have been received.

This is the formal 5 clear day notice under the Regulations to confirm that this Pensions Committee meeting will be partly held in private for the reasons set out in this Agenda. Information) (England) Regulations 2012 (the "Regulations"), members of the public can make representations about why that part of the meeting should be open to the public.

5 Deputations/ Petition/ Questions from the Public

At the time of the agenda publication none have been received.

11 Exclusion of The Press And Public

Proposed resolution:

THAT the press and public be excluded from the proceedings of the Pensions Committee meeting during consideration of Exempt items 12 - 15 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.

12 Equinti Contract Update (Pages 139 - 146)

13 Fixed Income Overview (Pages 147 - 164)

14 Consideration of the Exempt Minutes of the Previous Meeting - 28 November 2023 (Pages 165 - 172)

15 Any Urgent Exempt Business

Public Attendance

The Town Hall is open. Information on forthcoming Council meetings can be obtained from the Town Hall Reception.

Members of the public and representatives of the press are entitled to attend Council meetings and remain and hear discussions on matters within the public part of the meeting. They are not, however, entitled to participate in any discussions. Council meetings can also be observed via the live-stream facility, the link for which appears on the agenda front sheet of each committee meeting.

On occasions part of the meeting may be held in private and will not be open to the public. This is if an item being considered is likely to lead to the disclosure of exempt or confidential information in accordance with Schedule 12A of the Local Government Act 1972 (as amended). Reasons for exemption will be specified for each respective agenda item.

For further information, including public participation, please visit our website https://hackney.gov.uk/menu#get-involved-council-decisions or contact: governance@hackney.gov.uk

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 any 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 any 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.

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Hackney

UNRESTRICTED MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

TUESDAY 28 NOVEMBER 2023

Councillors Present:	**Councillor Kam Adams in the Chair** **Cllr M Can Ozsen, Cllr Ian Rathbone, Cllr Robert Chapman (Vice-Chair), Cllr Margaret Gordon and Cllr Lynne Troughton**
Apologies:	**Councillor Grace Adebayo, Councillor Ben Hayhurst and Councillor Frank Baffour**
Officers in Attendance:	Rachel Cowburn (Head of Pension Fund Investment and Actuarial) Micheal Honeysett (Head of Pensions) Rabiya Khatun (Governance Officer) Georgia Lazari (Senior Lawyer) Jackie Moylan (Group Director of Finance) Tessa Mitchell (Governance Services Team Leader) Natalie Williams (Senior Governance Officer) Deirdre Worrell (Director of Finance)
Also in Attendance:	Sam Yeandle (Redington Investment Consultants) Steven Scott (Hymans Robertson)

The meeting convened at 6.30pm and due to public disturbances during the proceedings several warnings were issued before the meeting was adjourned at 6.40pm and re-convened at 6.45pm in Committee Room 102.

The Chair welcomed those present and advised that no questions had been received. With regard to the deputation ”Divestment of Hackney Local Government Pension Scheme (LGPS) from companies complicit in human rights abuses in the Occupied Palestinian Territories”, this had been postponed to a later date as the Council had a duty to foster good community relations, which was part of the public sector equality duty, and a written response had been provided to the to Deputation Leader.

1 Apologies For Absence

1.1 Apologies for absence were received from Councillors Hayhurst and Baffour.

1.2 It was noted that Councillor Baffour had joined the meeting remotely. Councillors accessing the meeting remotely, were reminded that they were not counted as being ‘present’ for the purposes of the Local Government Act 1972 and may not vote on any item under consideration. At the discretion of the Chair, may however contribute to the discussion and participate in non-decision making capacity.

2 **Declarations of Interest - Members to declare as appropriate**

2.1 There were no declarations of interest.

3 **Consideration of The Minutes of The Previous Meeting - 20 September 2023**

RESOLVED: That the minutes of the previous meeting held on 20 September 2023 be agreed as a true and accurate record of proceedings.

4 **Pension Fund Report & Accounts 2022/23 (Appendix 1 To Follow)**

4.1 Members noted that the appendix was contained within the supplementary papers.

4.2 The Head of Pension Fund Investments and Actuarial introduced the Pension Fund's draft accounts for 2022/23, along with a draft annual report and advised that this document would be published on the Council's website as a draft pending completion of the 2022/23 audit to comply with the requirements of the LGPS Regulations with regards to the Annual Report and to allow for further changes resulting from the audit.

4.3 Following the introduction, Members of the Committee asked questions which the Head of Pension Fund Investments and Actuarial responded as follows:

- In response to a query relating to the draft accounts, it was stated that no substantial changes were anticipated as a result of the audit, however some changes to the disclosure of performance would be necessary in line with regulations. Members would be updated on any changes made.
- In response to a question relating to the audit and final version of the Annual Report, the Group Director of Finance explained the delays in the auditing had been due to issues within the external audit market and that the audit should be completed in January 2024.
- In response to a question seeking further clarification regarding the review process for the Investment Strategy Statement (ISS) that had been last reviewed in 2021, it was confirmed that the current ISS had been included in the accounts and that an updated ISS incorporating the changes since 2021 would be submitted at a future meeting.
- In response to a question about the lack of reference to the Fund's net zero commitment within the report, it was stated that this commitment had not been agreed in time to be included in the report but undertook to amend the Chair's foreword to include reference to this commitment.
- In response to a query regarding the Fund's underperformance which had a return of -5.0% below the LGPS Universe average of -1.6, it was explained that the underperformance of the equity portfolio had been driven by the wider economic climate. The key drivers of the underperformance had been the Fund's asset allocation, which had low exposure to alternatives and relatively high exposure to bonds, and also the poor performance of equities. Officers

would closely monitor the Fund's active managers to address the underperformance issues.

- In response to a request to incorporate the targets for the net zero commitment, the Head of Pension Fund Investments and Actuarial undertook to incorporate the Net Zero targets agreed in March 2023 within the Chair' Foreword and at the next annual review to reflect the agreed targets more prominently and include performance against the targets.

RESOLVED:

1. **To note this draft 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.**

5 **Annual Report of the Pensions Committee 2022-23**

5.1 Members noted the appendix 1 contained within the supplementary papers.

5.2 The Head of Pension Fund Investments and Actuarial introduced the report detailing the role of the Pensions Committee and a summary of the key activities and achievements in the year 2022/23 which demonstrated how the Committee had fulfilled its role as the Scheme Manager for the London Borough of Hackney Pension Fund. The report would also be presented to full Council in January 2024

5.3 Following the introduction, Members of the Committee asked questions which the Head of Pension Fund Investments and Actuarial responded as follows:

- In response to a query about the climate policy agreed in January 2023, it was advised that law did not require the inclusion of this policy however it could be included after the ISS had been updated.
- In response to the query relating to Members' attendance during 2022/23 and there being no record of Committee Members' virtual attendance, the Governance Services Team Leader explained that under the Local Government Act 1972 members had to attend the meeting in person to be recorded at present. The Head of Pension Fund Investments and Actuarial indicated that the table could be reviewed and virtual attendance recorded as present instead of absent under the pensions provisions.
- In response to a question relating to the McCloud Programme, the Head of Pensions stated that the work on data collection and validation had been progressing as planned and would be implemented following the issuing of the guidance. The number of scheme members in the McCloud Programme could be provided following the meeting.

ACTION:

1. Head of Pensions to provide the number of scheme members on the McCloud Programme.
2. The Head of Pension Fund Investments and Actuarial to update the Members' attendance table to include virtual attendance.

RESOLVED:

1. **The Pensions Committee is recommended to note the report.**
2. **Council is recommended to note the report.**

6 Gender Pensions Gap

6.1 The Head of Pension Fund Investments and Actuarial introduced the paper detailing the Fund's gender pensions gap, which had been prepared by the Fund Actuary, Hymans Robertson.

6.2 Hymans Robertson's consultant presented the paper briefly summarising the gender pensions gap and the LGPS, Fund-level analysis, causes of the gap and conclusion. It was highlighted that females had lower pension amounts compared to males and that the pensions gap had been impacted by females taking on caring responsibilities and career breaks, and the gap was smaller in the age group 31- 35.

6.3 Following the introduction, Members of the Committee asked questions which the Head of Pension Fund Investments and Actuarial responded as follows:

- Members expressed concern at the analysis which showed that the pensions gap was prevalent in the female age group 21-25 despite pay being equal to male, the Hymans Robertson's consultant stated that there was insufficient data to draw any conclusions, however, other factors could have impacted on the gap such as lack of education about pensions amongst young females and those returning to the workforce after caring responsibilities. The Head of Pension Fund Investments and Actuarial added that the Council's Human Resources were taking a proactive approach to understand the reasons for the pensions gap in young female ages groups in order to target pensions education and were willing to work in conjunction with the Pensions Committee.
- In response to a question regarding whether information on pensions had been incorporated in the new recruits induction, it was explained that the Council automatically enrolled all new recruits into the LGPS scheme and that information on pensions was provided as part of the induction process.
- In response to a question relating to the 48% average accrued pension for active members in the five year age brackets and split by gender, it was stated that an explanatory note could be added to clarify the scheme members excluded from this statistic.
- In response to a question about looking at alternative schemes to encourage younger females to join, it was stated that Human Resources were looking at ways to encourage younger female groups, the low paid groups and ethnic minorities that might struggle with the contributions to join alternative pension schemes such as the salary sacrifice or 50/50 schemes.
- In response to a query relating to the pay gap in the private sector compared to the public sector pensions, the Hymans Robertson's consultant confirmed the gender pensions pay gap was more evident in private pensions.
- In response to a question relating to the gender gap for part time employees, the Hymans Robertson's consultant stated that 40% were females and 20% were males and that the higher proportion of women in part-time employment were contributing to the gender gaps.
- Committee Members requested an update on gender pay gap in 2024 and samples of good induction schemes. The Head of Pension Fund Investments and Actuarial undertook to circulate samples of induction documents.

6.4 The Vice- Chair indicated that he would be willing to communicate with the Cabinet Member for Employment and seek ways to encourage young people to join the pensions schemes.

ACTION: The Vice- Chair indicated that he would be willing to liaise with the Cabinet Member for Employment and seek ways to encourage young people to join the pensions schemes.

RESOLVED:

1. **To agree that officers will follow up the recommendations set out in paragraph 8.2 (below) of the submitted report with Hackney Council's HR team to ensure that these are in place for the Fund's largest employer.**
   - **Reviewing job profiles and pay scales to ensure there is genuine equality across the full spectrum (this would also help address the gender pay gap)**
   - **Checking to see that back-to-work policies, including flexible working, fully support and encourage people who have taken career breaks back into the workplace**
   - **Enhancing shared parental leave policies**
   - **Educating employees about implications for their pension any time there is a life point change that may have financial consequences (e.g. reducing hours, getting divorced, promotion etc). Employees can then make informed choices about whether to top up their pension or not.**
   - **Letting new joiners and part-time workers know that they can opt in to the pension scheme, even if they do not meet the qualifying criteria**

7 **Small Employers Admission Policy**

7.1 The Head of Pension Fund Investments and Actuarial introduced the report on the Small Employers Admission Policy for review. The policy outlines the admission process for these small employers with 20 or fewer employees into the Fund on a pass-through basis, where those admission bodies' participation in the Fund were guaranteed by another scheme employer. It also sets out how contribution rates were to be calculated and how risks were shared under the proposed pass through arrangements. The Hymans Robertson consultant added that this process was simpler and cheaper and there would be no risk to the letting authority in the long term.

7.2 Following the introduction, Members of the Committee asked questions which the Head of Pension Fund Investments and Actuarial responded as follows:

- In response to a question relating to the process being simpler and cheaper for the Council, it was stated that removing the contractor and letting authority differences and uncertainty would mean both the contractor and Council employer paying the same pension contributions.
- In response to a question relating to contribution rates, the Hymans Roberston consultant explained that employers would pay the same contributions as the letting authority.

RESOLVED:

1. **To approve the draft Small Employers Admissions Policy for consultation with employers.**

8 **Any Other Business Which in The Opinion Of The Chair Is Urgent**

8.1 There was no urgent business for consideration.

9 **Exclusion of The Press And Public**

9.1 **THAT the press and public be excluded from the proceedings of the Pensions Committee meeting during consideration of Exempt items 10 to 13 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.**

10 **Small Employers Admissions Policy (Exempt Appendices)**

10.1 Members considered the exempt appendix relating to report at item 7.

11 **Strategic Asset Allocation Review - Progress Updates, Rebalancing Decision & Investment Strategy Statement**

11.1 The discussion and decision relating to this report are contained within the restricted minutes.

(The consultants from Hymans Robertson and Redington Investment left the meeting.)

12 **Actuarial Service and Benefits & Governance Consultancy Procurement Decision (Exempt)**

12.1 Members noted the report was contained within Supplementary Papers 2.

12.2 The discussion and decision relating to this report are contained within the restricted minutes.

13 **Consideration of the Exempt Minutes of the Previous Meeting**

RESOLVED: That the exempt minutes of the previous meeting held on 20 September 2023 be agreed as a true and accurate record of proceedings.

Duration of the meeting: 6.30-9.13pm

Hackney

Title of Report	Over and Underpayment Policy
For Consideration By	Pensions Committee
Meeting Date	7 February 2024
Classification	Public
Ward(s) Affected	All
Group Director	Jackie Moylan, Interim Group Director of Finance

1. **Introduction**

1.1. This report presents an updated Over and underpayment policy for review by the Pensions Committee. The policy was last reviewed in 2021 and is now due for renewal as part of the 3 yearly review process.

2. **Recommendations**

2.1. The Pensions Committee is recommended to:

- **Approve the revised policy**

3. **Related Decisions**

3.1. Pensions Committee 14 January 2021 - Over / Underpayment Policy and GMP Reconciliation

4. **Comments of the Interim Group Director of Finance**

4.1. The Pension Fund has approximately 26,000 scheme members. It is therefore inevitable that, in the course of managing the Fund, there will be circumstances where members may be paid more or less than they are due. This policy sets out how these situations are managed once the under or overpayments are identified.

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

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

5.1. Underpayments and Overpayments of benefits can occur for a variety of reasons. Members' benefits are specified in the Local Government Pension Scheme (LGPS) Regulations and other relevant legislation and it is not permitted under law for members to be paid anything other than the amounts due under these rules.

5.2. However, there are circumstances in which members may be paid more or less than they are due; this policy is formulated under the Local Government Pension Scheme Regulations 2013 and related legislation to help the Fund manage these situations.

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

6. **Background to the Report**

6.1. Although Hackney Council is the administering authority for the London Borough of Hackney Pension Fund, the administration of the Fund is partly outsourced to Equiniti. Equiniti carry out the majority of benefit calculations and payments. The amount and entitlement to benefits is defined in the Local Government Pension Scheme (LGPS) Regulations and other relevant legislation and it is not permitted under law for members to be paid anything other than the amounts due under these rules.

6.2. There are circumstances in which members may be paid more or less than they are due in error and it is important that the Fund has a clear policy on how these situations are managed once the under or overpayments are identified. Underpayments and overpayments of member and employer contributions can arise due to a number of different reasons, though these are more likely to be related to administrative errors by the member's employer, the administering authority and/or the administrator than any activity relating to the individual member.

6.3. It is critical that the approaches to be taken when such a situation arises are documented and understood by all affected parties, to ensure ongoing compliance with legal requirements whilst ensuring an efficient, quality and value for money service is provided to the Fund's scheme members and employers.

6.4. The Policy aims to ensure that:

- all overpayments and underpayments of benefits are treated in a fair and equitable manner
- where appropriate (and practical to do so), the Fund attempts to recover overpayments of benefits that have occurred

- the Fund attempts to reimburse members or their beneficiaries where underpayments have occurred.
- the Administering Authority receives the correct contributions from employers and members as required by the Regulations and the Fund's Rates and Adjustments certificate, in order that the benefits are adequately funded.
- the Administering Authority has processes in place to prevent and mitigate potential fraudulent activity.

6.5. Appendix 1 to this report presents a marked up copy of the draft policy showing the changes proposed to the previous version. A number of the changes made include wording updates, improving some points of clarification and some reordering to make the policy consistent with other Fund policies. New wording is highlighted in yellow and wording to be deleted is shown in strikethrough.

6.6. The key changes include:

- Updating the administration and communications objectives
- Adding in a new section covering underpayments of benefits relating to the McCloud remedy
- Clarifying that any breaches relating to overpayments of benefits will be recorded on the Fund's breaches log.
- Adding some wording to clarify that the Fund will follow the principles set out in the Funds Procedure for Reporting Breaches of the Law and Hackney Council's Anti-fraud and Corruption Policy
- In relation to accessing pension software outlining that there is clear separation of duties in place between officers who complete and check calculations.

Appendices

Appendix 1 - Draft Over and underpayment policy (changes marked)
Appendix 2 - Draft Over and underpayment policy (clean)

<u>Background documents</u>
None

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Comments for the Interim Group Director of Finance prepared by	Name: Deirdre Worrell Title: Interim Director, Financial Management Email: deirdre.worrell@hackney.gov.uk Tel: 020 8356 7350
Comments for the Acting 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

London Borough of Hackney

Pension Fund

Policy on the Overpayment and Underpayment of Pension Scheme Benefits and Contributions

Contents

1. Introduction

This is the Overpayment and Underpayment of Pension Scheme Benefits and ContributionsPolicy for the London Borough of Hackney Pension Fund ('the Fund'), which is managed by Hackney Council ('the Administering Authority'). The administration of the Fund is partly outsourced to Equiniti and partly carried out by Hackney Council staff.

Underpayments and Overpayments of benefits can occur for a variety of reasons. Members' benefits are specified in the Local Government Pension Scheme (LGPS) Regulations and other relevant legislation and it is not permitted under law for members to be paid anything other than the amounts due under these rules.

However, there are circumstances in which members may be paid more or less than they aredue and it is important that the Fund has a clear policy on how these situations are managedonce the under or overpayments are identified.

Underpayments and Overpayments of member and employer contributions can also arise due to a number of different reasons, though these are more likely to be related to administrative errors by the member's employer and/or the Administering Authority than anyactivity relating to the individual member. For example, there are several challenges in relation to gathering, paying and checking the accuracy of contributions under the Career Average Revalued Earnings benefits structure implemented with effect from April 2014.

Hackney Council is committed to having effective processes in place which minimise the riskof underpayments and overpayments, and which identify such cases so that they can be resolved quickly in the interest of all affected parties.

~~2. Policy adoption and review~~

~~This Overpayment and Underpayment of Pension Scheme Benefits and Contributions Policywas approved by the Pensions Committee on 14th January 2021 and is effective from 1st February 2021.~~

~~Hackney Council will review this policy as required in the light of future changes to LGPS orother relevant legislation. It will also be formally reviewed triennially and updated as necessary, with a 'light touch' review annually by officers to ensure the policy remains appropriate. Significant updates will be approved by the Pensions Committee and the revised policy published as a public document following approval.~~

~~When undertaking a review of this policy the Council will have regard to the current legislation and the extent to which the exercise of the policy could lead to a serious loss ofconfidence in the public service.~~

~~Hackney Council retains the right to change this policy at any time as long as it republishes the amended policy at least one month in advance of the change(s) being~~

~~introduced cominginto effect.~~

2. Regulations

This policy is formulated under the Local Government Pension Scheme Regulations 2013(as amended) - "LGPS Regulations" and related legislation.

Hackney Council will also implement this policy in line with the provisions of the variousother LGPS Regulations and other legislation, including but not limited to:

- Registered Pension Scheme (Authorised Payments) Regulations 2009
- The Limitation Act 1980
- The Pensions Act 1995
- The Finance Act 2004
- The principles of Law of Equity including the doctrine of equitable recoupment

Nothing within this policy can overwrite the legal requirements within those provisions.

3. Policy objectives

The Fund's administration and communication objectives are: ~~in relation to administration is to deliver an efficient, quality and valuefor money service to its scheme employers and scheme members.~~

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

The roles and responsibilities of the Administering Authority and the quality and performancestandards expected of the Fund are set out in the Pension Administration Strategy.

~~The Pension Administration Strategy sets out that for the Administering Authority, effectiveadministration means:~~

- ~~It can fulfil its obligations under the regulations for administering the pension~~

~~scheme~~

- ~~Lower costs, improved use of resources~~
- ~~Easier and swifter provision of services to employers and scheme members~~
- ~~Improved communication between Administering Authority, employers and schememembers~~
- ~~Improved monitoring of performance~~
- ~~Clean data enabling faster and more accurate monitoring of the Fund by the Fundactuaries~~
- ~~Improved decision making in relation to policies and investments~~

~~For Employing Authorities, effective administration means:~~

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

~~regulationsFor Scheme members, efficient administration means:~~

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

Having a policy setting out what approach will be taken when a member has been underpaidor overpaid compared to the benefits due under the LGPS Regulations, or where an employer and/ or member has underpaid the contributions required to meet the cost of the members' benefits is integral to the Administering Authority achieving these objectives.

4. Purpose of the policy

The purpose of this policy is to ensure that the relevant objectives as set out above are met, and the administration of the Fund is carried out in line with the governance objectives of the Fund. In particular, it aims to ensure that:

- all overpayments and underpayments of benefits are treated in a fair and equitablemanner;
- where appropriate (and practical to do so), the Administering Authority attempts to recover overpayments of benefits that have occurred;
- the Administering Authority attempts to reimburse members

or their beneficiaries whereunderpayments have occurred;
- the Administering Authority receives the correct contributions from employers and members as requiredby the Regulations and the Fund's Rates and Adjustments certificate, in order that the benefits are adequately funded; and
- the Administering Authority has processes in place to prevent and mitigate potential fraudulent activity.

More specifically, this policy aims to ensure that:

- The correct amount of benefits are paid to the right people at the right time;
- The Administering Authority maintains accurate records and ensures data is protected and has authorised use only;
- Errors are identified as soon as possible;
- Overpayments are recovered with the cooperation of the individual and/or employe but acknowledging that there may be legal reasons and/or other circumstances which mean that an overpayment may not, in practice, be able to be recovered (in whole or in part);
- Underpayments are reimbursed with the cooperation of the individual;
- Individuals understand the importance of checking their payslips/payments for anyreasonably identifiable errors; and
- The Administering Authority manages any over or underpayment effectively, such that the Internal Dispute Resolution Procedure (IDRP) is not seen as a necessary course of action byany individual.

5. Scope

The policy applies to:

- All members and former members of the London Borough of Hackney Pension Fund,and their dependants, including members who left pensionable service prior to 1 April2014, councillor members and pension credit members;
- Executors of the Estates and personal representatives of deceased ~~of~~ London Borough of Hackney Pension Fund members/dependants;
- Any person who has a right to make an application under the LGPS internal disputes resolution policy under regulation 74of the LGPS Regulations 2013;
- Administrators of the scheme;
- Employers participating in the scheme; and
- The Hackney Council Pension Committee ("the Committee").

This policy does not give, nor shall it be deemed to give, any ~~contractual~~ rights whether contractual or legally enforceable or otherwise, to any member of the Fund, or to any other person whatsoever. Nothing in this document will cause the Administering Authority's capacity to exercise its discretionary powers to be unlawfully fettered or restricted in any way.

The Administering Authority has several other discretionary polices in place, and the detailsset out in this policy are consistent with the approaches set out in those discretionary policies.

6. Managing overpayments of pensions and lump sums

Under Regulation 14 of the Registered Pension Scheme (Authorised Payments) Regulations 2009 the Administering Authority is obliged to correct any overpayment they discover within a reasonable period of time in order to avoid tax consequences. The Pensions Regulator recognises that there is a legal obligation for pension fund managers to have in place appropriate controls to ensure the scheme is managed in accordance with the scheme regulations. In practice, that means we must ensure the correct benefits are paid and where that is not the case, that we need to recover any past overpayments as well as correcting the benefit payments for the future.

There are circumstances in which an overpayment ~~will~~ may not be recovered from the member and ~~will~~ may be written off by the Administering Authority. Whether and how the overpayment is recovereddepends on the following circumstances:

- How long after the overpayment first occurred that it was discovered
- Whether the member could reasonably have been aware that they were being or hadbeen overpaid
- Whether the member died before the overpayment was discovered
- The size of the aggregate amount of the overpayment
- The cost of recovering the overpayment
- Whether the overpayment was the result of a criminal act
- Whether the recovery of the overpayment would result in "hardship" for the member.

Where a member claims that they are not able to repay any overpayment due to having spent the overpaid funds, and have changed their financial position as a result (for example on improving their lifestyle), the Administering Authority's understanding of the law is that this does not necessarily prevent recovery, and it may be for the member to prove in a court of law that they would not have incurred the equivalent expenditure anyway (i.e. had there not been the overpayment). In such cases it may be that partial recovery will be agreed i.e. the amount spent on changing the lifestyle will not be recoverable.

Where the Administering Authority is attempting to recover a lump sum overpayment, if the scheme member or representative refuses to engage with the correspondence, or cannot be found, the Hackney Council Finance/Accountancy team ~~at the Administering Authority~~ will make a recommendation on next steps. The administrators will be given instructions with appropriate sign-off. See the ~~below~~ section 11 for authorisation levels.

The Administering Authority's approach is designed to engage the member, and encouragea dialogue to agree how the over/under payment will be resolved. However, where the member does not respond after the Administering Authority has written to them on two previous occasions over three months, the Administering Authority will suspend the pension ~~at~~ after the third time of writing. In such cases where appropriate, the Administering Authority will seek expert legal advice.

Typically overpayments will be recovered through the reductions to pensions applied in the pensioner payroll system. Where recovery is not being made through payroll and an invoice has been raised, responsibility for chasing the payment rests firstly with Equiniti and then, following escalation, with the Hackney Council Debt Recovery Team. Any communications with members and beneficiaries/dependants will be handled sensitively. If a final reminder is issued, Administering Authority officers are notified and a decision is made by the Head of Pensions (after consulting Hackney Council's legal team) as to whether to take legal action, taking intoconsideration the amount and circumstances and cost of legal action.

Where an overpayment is not recovered this will be reflected in the employer's funding position at the following triennial valuation, and may therefore impact the level of contributions the employer is required to pay as a result of the actuarial valuation process(for example, where a significant overpayment which cannot be recovered results in an increased funding deficit). This may require dialogue with the employer.

Overpayment (and underpayment) of benefits will be recorded as a breach of the law in ~~a separate spreadsheet record held by the administering authority,~~ the Fund's breaches register. Such breaches will, in accordance with The Pensions Regulator guidance and the Fund's Procedure for Reporting Breaches of the Law, be reported to the Pensions Regulator where considered of material significance (for example, large in size orindicative of wider administrative issues).

The below sections set out the Fund's approach to overpayments in ~~under~~ the following areas:

- Overpayments to an individual of an aggregate amount of less than £100
- Overpayments discovered within 6 years
- Overpayments discovered after 6 years
- Recovery period
- Recovery of overpaid pension on the death of a Scheme member
- Recovery of overpayments of pension due to incorrect amounts being paid by theAdministering Authority
- Recovery of Pension Commencement Lump Sum overpayments
- Recovery of overpayments of pension or lump sum due to incorrect informationsupplied by the employer
- Overpayments due to Fraud or Corruption
- Overpayments to an individual where recovery will cause hardship

The Administering Authority also has a documented procedure note for administration staff to follow when an overpayment of pension has been discovered and escalated to Hackney Council by Equiniti.

6.1 Overpayments to an individual of an aggregate amount of less than £100

In line with the guidance set out in the HM Treasury document "Managing Public Money" (May 2023)[1] ~~(July 2013 revised in August 2015),~~ the Administering Authority will consider the cost of recovery of thepension alongside the amount of the overpayment.

The Administering Authority will not look to recover overpayments if the aggregate amount of the overpaymentis less than £100, due to the anticipated administrative cost of recovering such amounts. This amount will be kept under review.

6.2 Overpayments discovered within 6 years

The Limitation Act 1980 sets out that a claim to recover overpayments has to be made within6 years of the date when the cause (i.e. error, fraud or other criminal act) was first discovered or could, with reasonable diligence, have first been discovered. Where a claim is made within the 6 year period, all of the overpayment can be recovered.

The Administering Authority's approach is to seek full recovery in these circumstances unless there areother factors which need to be taken into account (as explained elsewhere in this policy).

6.3 Overpayments discovered after 6 years

Under the Limitation Act 1980, if the claim for recovery is made more than 6 years after thedate when the overpayment could, with reasonable diligence, first have been discovered, only overpayments made within the 6 years prior to the date the formal claim for recovery was made are recoverable.

However, case law in 2018 (Burgess and others v BIC UK) has shown that if a Fund attempts to recover an overpayment via a reduction to the member's future pension i.e. via"recoupment", as opposed to requesting a lump sum repayment, the 6 year Limitation Act limit doesn't apply and Funds can reclaim all overpayments made.

The Administering Authority's approach is to seek maximum recovery in these circumstances unless there are other factors which need to be taken into account (as explained elsewhere in this policy).

6.4 Recovery period

Unless otherwise specified, the Administering Authority will recover a pension overpayment through a reduction to the pension paid over the same time period as the overpayment occurred. In exceptional circumstances the Administering Authority may

[1] www.gov.uk/government/publications/managing-public-money

permit the recovery period to be extended, up to a maximum of 25% of the time period over which the overpayment occurred, at its discretion. Each such case will be considered on its merits.

Unless otherwise specified, the Administering Authority will aim to recover a lump sum overpayment immediately through a one-off recovery payment. The Fund may permit alternative approaches at its discretion depending on the particular circumstances of theoverpayment.

6.5 Recovery of overpaid pension on the death of a Scheme member

All correspondence regarding an overpayment under these conditions will be handled particularly sensitively due to the circumstances. Fund members' next of kin or their estate (e.g. personal representatives or executors of will) will be contacted to explain the overpayment and the proposed method of recovery before an invoice is issued or a reduction to benefits is made.

6.5.1 Overpayment of up to one month's pension

Understandably, notification of the death of a pensioner or dependant member does notalways happen immediately. Further, notice is required to amend payroll data so it is possible that a pension payment is made after a member has died, meaning anoverpayment has occurred.

If an individual in receipt of a pension (including a dependant's pension) dies part way through a calendar month and the full monthly pension is paid (so the pension is overpaid fora proportion of one month), the Administering Authority will not seek to recover this overpayment (even if it more than £100) and the amount will be written off.

6.5.2 Overpayment of pension which relates to more than one month's payment

The Administering Authority will not look to recover such pensions in these cases if the aggregate amount ofthe overpayment is less than £100, due to the anticipated administrative cost of recoveringsuch amounts.

The Administering Authority will look to recover overpayments of pension in all cases where the amount is in excess of £100. In the first instance, the administrators of the Fund will attempt to contact the deceased member's bank in order to request the funds be returned.

If the bank is not able to make the repayment, the amount will be recovered through a one-off payment from the member's estate unless there is a death grant payable of the balance of the deceased member's guaranteed pension payments, and recovery can be made via a reduction to the death grant by the amount overpaid. The amount of the deathgrant will need to be greater than the overpayment for this approach to be taken.

The Administering Authority will discuss the method of repayment with the estate if a one-off repayment or reduction to death grant is not possible. If there is a dependant due to receive an ongoing pension it may be agreed with them to repay through a reduced pension for an agreed period of time.

Pension payments which are made for more than six months after the death of a memberare classified as unauthorised payments for tax purposes. Please see the section on unauthorised payments for more details.

6.5.3 Overpayment of death grant

The Administering Authority will not look to recover death grant overpayments if the overpayment is less than £100, due to the anticipated administrative cost of recovering such amounts.

Where the Fund has overpaid a death grant, ~~the~~ any dependant's pension(s) will not immediatelybe reduced. The Administering Authority will contact the ~~dependant(s)~~ recipient(s) of the death grant to explain the error and provide the option of returning the overpayment via a one-off payment which will be invoiced directly, or via a reduction to any ~~the~~ dependant's pension they are receiving. The recovery period will be determined on a case-by-case basis depending on the size of the overpayment, the size of any ~~the~~ dependant's pension and the age of the beneficiary. ~~dependant~~.

Where there is more than one ~~dependant~~ recipient,, the Administering Authority will generally seek to engage with the adult ~~dependant~~ recipient, if possible or the recipient’s guardian if the recipient who has been overpaid is a minor.

6.6 Recovery of overpayments of pension due to incorrect amounts being paid by the Administering Authority

When the overpayment is discovered, the pension will be reduced to the correct level with effect from the next possible monthly payroll to avoid further overpayment. The member will be notified in writing with an explanation of the situation and how the overpayment will be recovered, before any invoice for recovery is sent or further reduction to benefits is applied. The Administering Authority will aim to agree the method of overpayment with the member in advance of any invoice or reduction in pension being made.

Where further investigations are required in order to determine the cause of the overpayment and the correct level of pension, the member will be informed of the situationand the pension in payment will not be corrected until the investigations and checks are complete.

6.6.1 Situations where the member could reasonably be aware of the overpayment

There are certain situations where a member could reasonably have been aware of the correct level of pension due and therefore cannot claim to have been unaware of the pension overpayment. In particular, in cases where the member has been notified of the correct rate of pension in writing, it can be said that the member can reasonably be awarethat they are being overpaid.

The following is a list of scenarios where this may occur (this list is not exhaustive):

- Upon retirement the member was informed of the correct pension amount but an administrative error led to the incorrect amount being input onto the payroll record
- A child in receipt of a dependant's pension is over 18 and is no longer in full time education or vocational training and does not notify the Administering Authority.
- A Pension Sharing Order or Earmarking Order on divorce has been put in place butprocessed late, resulting in the pension being overpaid since the specified implementation date.
- ~~The member has been re-employed but has not notified the Administering Authority,where on the exercise of their discretion relating to abatement, the member's annualpension should have been reduced or suspended due to the level of earnings in the new employment.~~

In these situations, unless the total overpayment is below £100, the Administering Authoritywill seek to recover the total value of the overpayment from a reduction to the member's ongoing pension. Where there is no ongoing pension from which to deduct the overpaid amount, the member will be invoiced for the overpayment.

6.6.2 Situations where the member cannot reasonably have known of the overpayment

There are situations where a member may not reasonably have been aware of a pensionoverpayment. For example (this list is not exhaustive):

- Administrative error within the calculation of benefit entitlement (includes dependants' pensions) with the incorrect pension amount communicated throughout the settlement process, the incorrect (overstated) rate of pension input into the payroll record and the member informed in writing of the incorrect rate of pension to be paid.
- The Pensions Increase is inaccurately applied to the elements of a pension in payment.
- New information from HMRC leads to a revised Guaranteed Minimum Pension (GMP) which, due to the different way cost of living increases are applied to GMPand the excess over GMP, means that, overall, a lower level of pensions increaseshould have been paid.

In general, in such situations the Administering Authority will not seek to recover the total value of the overpayment. However, where the size of the aggregate overpayment is significant (over £10,000) this will be considered by the Head of Pensions and reported to the Pensions Committee to ensure that the general policy of not seeking to recover such cases remains appropriate. Furthermore, where non-recovery would result in an unauthorised payment and therefore additional tax charges for the member and Fund, the case will be considered on itsown merits, and referred to the Head of Pensions where the total cost to the Fund (of the write off and any additional tax charges) is significant (over £10,000).

However in all cases the pension will be reduced to the correct level with effect from the nextpossible monthly payroll to avoid further overpayment. The member will be informed of the correction.

It is expected that in all overpayment cases, until the time of discovery of the error the Administering Authority will have believed the pension in payment to be correct (e.g. wherethe overpayment is discovered following reconciliation of GMP with HMRC records). Such overpayments will therefore not be considered an unauthorised payment and so will not besubject to any additional tax charges.[2]

6.7 Recovery of Pension Commencement Lump Sum overpayments

6.7.1 Situations where member could reasonably be aware of the overpayment

There are certain situations where a member could reasonably have been aware of the correct level of lump sum due and therefore cannot claim to have been unaware of the overpayment. In particular, in cases where the member has been notified of the correct lump sum in writing, and the amount was paid shortly afterwards (for example, within sixmonths), it can be said that the member can reasonably be aware that they have been overpaid.

The following is a list of scenarios where this may occur (this list is not exhaustive):

- Upon retirement the member was informed of the correct lump sum amount but anadministrative error led to the incorrect amount being paid
- The Administering Authority paid the same (correct) lump sum amount twice, in

[2] This assumes that the conditions in Regulation 13 of the Registered Pension Schemes (Authorised Payments) Regulations 2009 are met i.e.

- the payment was genuinely intended to represent the payment of a pension under the LGPSregulations
- the payer believed that the recipient was entitled to the payment, and
- the payer believed that the recipient was entitled to the incorrect amount.

error.
- In the period leading to retirement the member was given a retirement quotation with a correct estimated lump sum amount, but a later administrative error led to a much larger (incorrect) amount being stated on the final retirement documentation and being paid.

When the overpayment is discovered by the Administering Authority, an attempt to recover the overpayment will be made as soon as possible. The member will be notified in writing toexplain the situation, and the Administering Authority will seek to recover the amount in full through one immediate repayment.

6.7.2 Situations where the member could not reasonably have known of the overpayment

There are situations where a member may not reasonably have been aware of a lump sum ~~pension~~ overpayment. For example, an administrative error within the calculation of the benefit entitlement resulted in the incorrect lump sum amount, which was communicated throughoutthe settlement process, the incorrect (overstated) and the incorrect amount was then paid and the incorrect amount stated in any payment notification.

When the overpayment is discovered, by the Administering Authority, consideration will be given to the length of time which has passed since the error was made to determine the approach to take, but generally an attempt to recoverthe overpayment will be made as soon as possible. The member will be notified in writing toexplain the situation, and a proposed recovery plan will be set out, which will depend on theamount overpaid and how much time has passed since it was paid. This recovery plan is subject to agreement with the member. The amount will not be recovered via a reduction of the member's pension unless this is agreed with the member.

6.8 Recovery of overpayments of pension or lump sum due to incorrectinformation supplied by the employer

This situation may arise for a number of reasons. ~~An example is where employers estimate redundancy calculations for employees who would be entitled to immediate unreduced payment of benefits on redundancy. If forms are provided to the Administering Authority which suggest the benefits are to be paid unreduced and it later transpires that the member had voluntarily left service, the employer will be required to pay the strain cost to the Fund ofthe unreduced early retirement rather than a reduction being applied to the member's benefits. The employer, Administering Authority and the Fund actuary may agree that the employer can pay this strain cost in instalments over a period of time such as 3 years~~. An example might be if the employer initially notifies the Fund that a member is entitled to unreduced benefits but this is later amended, or where incorrect pensionable pay figures are initially supplied and later corrected.

Should an overpayment of pension or lump sum occur as a result of inaccurate information provided by the scheme member's employer on retirement (such as pensionable pay) the Administering Authority will seek to recover monies through the scheme member's ongoing pension.

The Administering Authority will manage any challenges resulting from such errors in line with the procedures set out in the Pensions Administration Strategy. For example, the Administering Authority may recharge the administrative cost of recovering such pension directly from the employer, and where recovery from the member in question is notpossible, the employer may be asked to repay the overpayment to the Fund.

6.9 Overpayments due to Fraud or Corruption

On rare occasions members' benefits may be overpaid due to:

- Fraud by the member, a relative or the member's estate
- Fraud by the employer
- Fraud by a pensions officer
- Other criminal activity such as blackmail or corruption

Where after reasonable investigation an overpayment is discovered to have been made due to fraud or any other criminalact, the pension will be suspended and an attempt will be made to recover the overpayment of pension and lump sum immediately.

The Administering Authority will involve internal audit in such cases and the settlement of overpayments may be resolved through appropriate civil or criminal legal process which may include contacting the Police.~~by the Courts of Law.~~

In dealing with such cases we will also follow the principles set out in the Fund's Procedure for Reporting Breaches of the Law and Hackney Council's Anti-fraud and Corruption Policy and/or Anti-Money Laundering Policy.

6.10 Overpayments to an individual where recovery will cause hardship

In line with the guidance set out in the HM Treasury document "Managing Public Money" (May 2023)[3]~~(July 2013 revised in August 2015~~), where the member has demonstrated that the recovery of an overpayment would cause hardship, the Administering Authority will consider whether to waive the recovery of the payment. Any such pleas of hardship must be supported by reasonable evidence that the recovery of the overpayment would be detrimental to the welfare (financialor mental) of the individual or their family.

[3] www.gov.uk/government/publications/managing-public-money

In general, when arranging recovery of an overpayment, the member's ongoing pension willnot be reduced to below 50% of the full (corrected) amount.

Further details of the procedure and the required evidence will be provided upon request. Inthese cases officers of the Administering Authority will consult with the scheme member, and where appropriate the Administering Authoirty will seek expert legal advice.

This approach is intended to reduce the number of Internal Disputes and referral to thePensions Ombudsman.

7. Managing underpayments of benefits

In this section:

- General principles for repayment of underpaid pension or pension commencementlump sum payments
- Underpayment of pension resulting from incorrect information supplied by theemployer
- Underpayment of pension discovered following the death of a Scheme member

This section covers the general principles for ad hoc underpayments. Please see section 9 for underpayments arising as a result of the McCloud judgment.

7.1 General principles for repayment of underpaid pension or pension commencement lump sum payments

Where an underpayment of pension or lump sum is identified by the Administering Authority,the pension will be immediately increased to the correct level and the member will be informed in writing of the underpayment.

Underpayments of benefits totalling less than £5 in value will not be reimbursed due to theadministrative cost of doing so, unless specifically requested.

The underpayment will be reimbursed to the member in one lump sum payment which is paid through the pensions payroll with the next monthly pension payment. This is to ensure the correct rate of tax is applied.

Interest will be paid on the underpaid amount(s) in line with Regulation 81 of the LGPS Regulations (in particular, interest is due on pension payments which are more than 1 year late, and on lump sum payments which are more than 1 month late). Interest payable under this regulation is calculated at one per cent above base rate on a day to day basis from the due date of payment and compounded with three-monthly rests.

Lump sum payments to rectify underpayments are treated as income for tax purposes andthe tax will be deducted through Pay As You Earn (PAYE) in the usual way. The tax deducted will be estimated and may not be the correct amount once all of the member's income for the year is taken into account. After the next 5 April, HM Revenue & Customs (HMRC) will check whether each member has paid the correct amount of tax and if not they'll contact the member directly. Members can contact HMRC directly if they think they have paid too much tax and request a refund~~ using a form P35A~~.

7.2 Underpayment of pension resulting from incorrect information supplied by the employer

The underpayment to the member will be dealt with as described in 7.1 above. The Administering Authority may recharge the administrative cost of investigations and checks into the underpayment amount and correspondence with the affected members or dependants directly to the employer. The Administering Authority may also charge any interest due in relation to the underpayment to the employer via the additional cost being added to the employer's funding liabilities and taken into account at the next triennial actuarial valuation when setting contributions.

7.3 Underpayment of pension or death grant discovered following the death of a Scheme member

Where there is a surviving partner or spouse, the underpayment (with interest as describedabove) will be paid to that dependant with the death grant or the first monthly dependant pension payment. Where there are multiple children's pensions payable (and no surviving spouse or partner), the underpayment will be spread evenly across those beneficiaries.

Where there are no ongoing dependant pensions, the underpayment will be reimbursed to the deceased member's estate unless the total payment is below £5, in which case the Administering Authority will not make the payment due to the administrative cost of doing so.

If a death grant payment is discovered to have been underpaid, (including where the balanceof 10 years' annual pension is due to a deceased member's estate following the death of a pensioner), the underpayment will be reimbursed to the deceased member's estate unless the total death grant is below £5, in which case the Administering Authority will not make the payment due to the administrative cost of doing so.

In these cases a claim form is sent to the member's dependant or representative ~~next of kin~~, and if the total amount payable to the estate is below £5,000 the Administering Authority will pay the amount to theperson specified on the claim form. If it is above £5,000 the original Grant of Probate or Letters of Administration is requested before payment is made.

8. Underpayments and Overpayments of Guaranteed Minimum Pensions(GMP) and other ad-hoc bulk situations

A Guaranteed Minimum Pension (GMP) is the minimum pension the Fund must provide in relation to being contracted-out of the State Earnings Related Pension Scheme from April 1978 to April 1997. It is a notional benefit which is only paid if a member's Fund benefits areless than the GMP; it is not a separate benefit payable in addition. Not all members in the Fund between 1978 and 1997 will have accrued any GMP.

A reconciliation exercise comparing the Fund's GMP records with those held by HMRC wascarried out and concluded during 2022. This identified that some individuals' pensions have been under or overpaid due to the Fund's GMP record being incorrect.

Given the magnitude of this exercise, separate decisions were ~~will be~~ taken by the Pensions Committee in relation to if and how the pensions ~~are~~ were adjusted and the treatment of accumulated over and underpayments. It is therefore possible that the treatment of such cases ~~is~~ was not consistent with the remainder of this Policy, albeit the Committee ~~will have~~ had regard to the Policy.

There may be further exercises in the future which affect more than a small number ofscheme members. In such situations, the treatment of such cases may be considered separately by the Pensions Committee and, as such, elements of this Policy may be departed from.

9 Underpayments due to the McCloud judgment

In 2014 the LGPS rules amended the way benefits accrued, changing from a final salary basis to a Career Average Revalued Earnings (CARE) basis, with protections put in place for older members. Other public sector schemes made the same change in 2015. However, in 2018 the Court of Appeal determined that the protection for older members only was age discrimination and this is now known as the McCloud judgment, after the member of the Judicial Pension Scheme that brought the case. Legislation has now been put in place to extend the protection for younger members, meaning that benefits for qualifying members need to be checked to see if they need to be increased due to the protection now in place.

The Fund is currently undertaking this benefit rectification exercise, which is expected to conclude by August 2025. Any underpayments will be rectified and the arrears paid according to legislation and McCloud statutory guidance issued by the Department for Levelling Up, Housing and Communities (DLUHC). This may mean that the treatment of underpayments due to the McCloud remedy is not consistent with the remainder of this policy, albeit the Administering Authority will have regard to this Policy when making any decisions.

10 Underpayments and Overpayments of other benefit settlement amounts

10.1 Transfer values

Where an individual transfer value for a member who has transferred Hackney Fund benefitsto another pension arrangement is discovered to have been underpaid, the correct amount will be calculated and the underpayment will be paid to the receiving scheme. Where the member's new scheme is not able to accept the balance transfer payment, an alternative pensions savings vehicle will be sought, and payment made once agreed by the Head of Pensions.

If a transfer is discovered to have been overpaid, then the correct amount will be calculated and the Administering Authority will attempt recovery of the overpaid amount from the receiving scheme.

Where a transfer should not have been paid because the member was not eligible for a transfer payment (e.g. if they already have an LGPS pension in payment), the transfer becomes an unauthorised payment. Please refer to ~~the unauthorised payment~~ section 12 later in this policy for more details.

10.2 Trivial Commutation and "de minimis" lump sum payments

Where a member has received a Trivial Commutation of benefits (or a "de minimis" lump sum payment) and the amount paid is later discovered to have been underpaid, the correct amount will be calculated and the underpayment will be paid to the member, less any tax due. If the recalculated total amount results in the HMRC thresholds for these lump sums being breached, the payment of the additional amount would result in an unauthorised payment. In these cases the Administering Authority will write to the member to agree an approach. This may be that the underpayment is paid but is subject to additional tax charges. The Administering Authority may offer to pay the member's tax charge in such cases. Please refer to section 12 later in this policy for more details. ~~See the below section on unauthorised payments for more detail~~.

Where a member has received a Trivial Commutation of benefits (or a "de minimis" lump sum payment) and the amount paid is later discovered to have been overpaid, the correct amountwill be calculated and the overpayment will be written off.

Where a trivial commutation or de minimis payment should not have been paid because themember had other pension benefits which meant they weren’t eligible, it becomes an unauthorised payment. ~~Please refer to the unauthorised payment section later in this policy for more details.~~ Please refer to section 12 later in this policy for more details.

10.3 Refund of contributions

Where a member has received a refund of contributions on leaving active membership in theFund and this amount is discovered to have been underpaid, the underpayment will be paid to the member less any tax due.

If a refund of contributions is discovered to have been overpaid, then a request for the member to repay the overpayment may be made depending on the situation (e.g. size of theoverpayment and whether the overpayment was due to an employer error, and whether the member could reasonably have known this was an overpayment).

Where a refund should not have been paid because the member had previous LGPS service, the refund becomes an unauthorised payment. Please refer to section 12 later in this policy for more details.

~~Please refer to the unauthorisedpayment section later in this policy for more details.~~

11 Authorisation

Overpaid amounts of £100 or more for which an invoice has been issued are passed to Debt Recovery to follow up on the repayment. If no repayment or response is received this is passed back to the Administering Authority to determine whether or not to write off the overpayment. Any sum which is written off is treated as a liability against the scheme member's former employer.

The Administering Authority will apply the following levels of authority when writing off overpayments:

Total value of overpayment	Authority to write off overpayment
Up to £100	Automatic write off
Between £100 and £3,000	2 of the following: ● Group Accountant, Financial Services ● Head of Pensions ● Pensions Manager
Above £3,000	As above, plus Director, Financial Management

The third party administrators will review all cases and a senior administrator and/or team leader will evidence compliance with the Administering Authority's policy in every case.

Any sum which is written off is treated as a liability against the scheme member's formeremployer.

Where any guidance regarding the write off of overpaid pension is provided for the Local Government Pension Scheme (LGPS) as a whole (for example in relation to the rectification of benefits due to the McCloud remedy) ~~reconciliation of Guaranteed Minimum Pension)~~, the Administering Authority will follow such guidance as long as this does not contradict other Hackney Council policies which override such guidance.

12 Unauthorised payments

The Finance Act 2004 sets out the payments which a registered pension scheme is authorised to make to members. Any other payments are unauthorised payments and couldresult in tax charges for the member and the Fund.

The Administering Authority understands that any overpayment which is written off is an unauthorised payment unless it falls within regulations 13 or 14 of the Registered Pension Schemes (Authorised Payments) Regulations 2009. Where an unauthorised payment has been made the Administering Authority will engage with His Majesty's Revenue and Customs (HMRC) to resolve the issue and establish any resulting tax charges. The Administering Authority is obliged to report any unauthorised payments to HMRC each year in its annual event report. We do not expect Regulation 14 to apply but it is expected that the conditions of Regulation 13 would apply in most cases i.e.:

- the payment was genuinely intended to represent the payment of a pension underthe LGPS regulations
- the payer believed that the recipient was entitled to the payment, and
- the payer believed that the recipient was entitled to the incorrect amount.

Where the overpayment is a "genuine error" as described in HMRC's PTM146300 and the aggregate overpayment is less than £250, if this is waived by the Administering Authority this is an unauthorised payment but does not have to be reported to HMRC, and HMRC will not seek to collect tax charges on it.

If overpayments which are the result of a "genuine error" are recovered, in general these arenot considered to be unauthorised payments and so additional tax charges do not apply.

Where an overpayment is an unauthorised payment, both the individual member and theFund will have to pay additional tax charges. These charges are as follows:

The unauthorised payments charge

Where the unauthorised payment is made to or for a member, it's the member who is responsible for paying the tax charge. If the payment is made after the member's death, theperson who receives the payment is responsible for paying the tax.

The rate of the unauthorised payments tax charge is 40% of the overpayment.

The unauthorised payments surcharge

This is payable by the same person who is subject to the unauthorised payments charge. It is usually due when a member receives unauthorised payments of 25% or more of their pension value in a year. This is very unlikely to occur, but when it does the rate of the unauthorised payments surcharge is 15%. This means that with the unauthorised paymentscharge, the total tax rate payable on the overpayment would be 55%.

The scheme sanction charge

The scheme administrator must pay the scheme sanction charge and this is at a rate ofbetween 15 and 40% of the unauthorised payment and depends on whether or not the unauthorised payments charge has been paid by the member.

The Administering Authority will apply to be discharged from the tax charge where it would not be just and reasonable for the Fund to pay the tax, e.g. where the Administering Authority has been misled or given incomplete information leading them to assume that the payment was an authorised payment.

Where the member could not reasonably have known of the overpayment, the Administering Authority may offer to pay the member tax charge on behalf of the member. The Administering Authority will require the member to provide written authorisation to do this.
This will be set out clearly in any correspondence to the overpaid

member. A deceased person has no unauthorised payments tax

liability.

Further details on unauthorised payments are available on His Majesty's Revenue andCustoms website:

https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm131000.

13 Managing overpayment and underpayment of contributions

Underpayments of contributions will be recorded as a breach of the law in the Fund Breaches register, and will be reported to the Pensions Regulator where considered ofmaterial significance (for example, large in size or indicative of wider issues with the employer covenant – such cases may also be added to the risk register).

13.1 Employee contributions

The Administering Authority will perform regular checks against the pensionable pay and contribution rates reported by employers, to ensure that the correct contribution rates are applied. Where adiscrepancy is noted, this will be queried with the employer.

Where a member has underpaid regular contributions, the Administering Authority will notify the employer and the decision whether to recover the underpaid contributions from the member will rest with the employer. Where a member has underpaid regular contributions, unless they have materially done so it is unlikely they would have reasonably noticed this was the case and itis likely to be due to an error in deducting the correct amount rather than through the member's actions. As a result the employer may determine that the underpayment should not be recovered from the member and will simply be reflected in the employer's individual funding position and resulting contribution requirements from the following triennial valuation.

Where the underpayment relates to additional pension contributions the member will be contacted (via their employer) to arrange for the underpayment to be made, and if this is not made the additional pension contract will be cancelled or amended accordingly and the member will be notified.

13.2 Employer contributions

It is not possible to repay the overpayment of contributions to an employer and so these will not be reimbursed. The overpayment will be taken into account at the following triennial actuarial valuation and will be reflected in the employer's funding position at that time and revised contributions based on that position will be payable.

Where the employer has underpaid regular contributions either through applying the incorrect rate of contribution or due to the incorrect pay being used to calculate the contributions due (for example due to complications regarding Assumed Pensionable Pay),the underpayment will be recovered as soon as discovered, and interest will be applied to the underpaid contributions at a rate equivalent to one per cent above the Bank of Englandbase rate on a day to day basis from the due date of payment and compounded with three-monthly rests.

Where ongoing underpayments are discovered before the year-end, the employer will becontacted by the Fund administrators and will be requested to make an adjustment in thenext month's contribution payment.

Employers will be asked to pay the underpayments of deficit contributions as soon as reasonably possible, and interest will be applied to the underpaid contributions at a rate equivalent to one per cent above the Bank of England base rate on a day to day basis fromthe due date of payment and compounded with three-monthly rests.

The Administering Authority will contact the employer in all cases of underpayment to drawattention to the underpayment and the proposed approach for recovery.

14 Prevention

The Administering Authority has the following internal controls in place in order to minimise the risk ofoverpayments or underpayments occurring.

The third party administrators will also review all cases of overpayments and a senior administrator and/or team leader will evidence compliance with the Administering Authority's policy in every case, including where any amounts are to be written off.

14.1 Benefit payments

- The 'Tell Us Once' service has been adopted whereby deaths are notified through acentral system accessible by Equiniti as the administrators of the Fund. This increases the notification of the death of scheme members and therefore minimisespotential overpayments.
- The National Fraud Initiative is conducted by the Cabinet Office every two years; itcompares files of pensioners and deferred members with the Department for Work and Pensions database of the deceased and highlights matches for investigation. The Fund actively participates in this initiative.
- The Fund includes reminders in its correspondence (including deferred benefit statements and pensioner payslips and annual pensioner increase communications) that the Fund must be advised of changes in circumstances or the death of a schememember.
- Checks are carried out on the ongoing eligibility of the payment of ill health pensionsand children's pensions.
- The Administering Authority investigates any returned pensioner payslips and pension payments returned by banks and building societies, in order to check on the welfare of thescheme member and to protect payment of the Fund's money.
- The pension payroll process ensures changes are made in a correct timely manner and before payroll deadlines, and ensures pensions increases are applied correctly.
- Guidance for employers on their responsibilities in relation to providing accurate information about members, and employer service level agreements are in place.
- Comprehensive training for all pension officers and third party administration staff inthe administration of the benefits.
- Robust processes for the calculation and checking of pension benefits and other benefit payments, including appropriate levels of sign-off. Definitive roles are set up within the pensions administration software system, providing clear accessibility and a separation of duty between pension officers who complete and check calculations.
- Internal processes are in place which prevent Administering Authority officers and third party administration staff from accessing their own pension record reducing the potential to commit fraud or corruption.

- Online member self-service being implemented which allows members to access their pension details on-line, check their records are correct and amend certain records including expressions of wish forms and personal details.
- Pension payroll is run on the same system/platform as the member administration records

14.2 Contributions

- Monthly checks in respect of the payment of employer and employee contributions over to the Fund are carried out by both Equiniti and within the in-house Pensions Team, ensuring receipts are reconciled against the appropriate records and supporting information
- Guidance for employers on their responsibilities, and employer service level agreements.

15 Policy adoption and review

This Overpayment and Underpayment of Pension Scheme Benefits and Contributions Policy was approved by the Pensions Committee on 7th February 2024 and is effective from1st April 2024.

Hackney Council will review this policy as required in the light of future changes to LGPS orother relevant legislation. It will also be formally reviewed triennially and updated as necessary, with a 'light touch' review annually by officers to ensure the policy remains appropriate. Significant updates will be approved by the Pensions Committee and the revised policy published as a public document following approval.

When undertaking a review of this policy the Council will have regard to the current legislation and the extent to which the exercise of the policy could lead to a serious loss ofconfidence in the public service.

Hackney Council retains the right to change this policy at any time as long as it republishes the amended policy at least one month in advance of the change(s) being introduced cominginto effect.

16 Further Information

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

contact:

Pensions Administration

London Borough of Hackney Pension Fund

Financial Services, 4th Floor, Hackney Service Centre, 1 Hillman Street, London E8 1DY

E-mail – pensions@hackney.gov.uk

Telephone – 020 8356 2521

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Hackney

Title of Report	Competition and Markets Authority's (CMA) Objectives
For Consideration By	Pensions Committee
Meeting Date	7 February 2024
Classification	Public
Ward(s) Affected	All
Group Director	Jackie Moylan, Interim Group Director of Finance

1. Introduction

1.1. The Fund is required by the Competition and Markets Authority's (CMA) Investment Consultancy and Fiduciary Management Market Investigation Order 2019 to set strategic objectives for its investment consultancy provider. The Order also requires regular performance reporting that measures performance against these strategic objectives.

1.2. The report presents an assessment of Redington's performance against the Fund's aims and objectives for 2023 and sets out updated objectives for 2024.

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 2024**
- **Note the assessment of the performance against objectives for 2023 as set out in Appendix 2.**

3. Related Decisions

3.1. Pensions Committee 19 January 2023 - CMA Order - Competition and Markets Authority's (CMA) Objectives

4. Comments of the Interim Group Director of Finance

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 Acting 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. There is an expectation that performance against these objectives will be regularly reported. This report helps to demonstrate that the Fund has complied with its obligations in respect of the CMA Order.

5.2. 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. The only requirement in the Order which requires implementation in the LGPS is the requirement to set strategic objectives for investment consultancy they receive outside the LGPS pool companies. The Order prohibits funds from receiving any investment consultancy services unless they have set strategic objectives for their investment consultancy provider. These strategic objectives should closely relate to the fund's investment strategy and be reviewed at least every 3 years or whenever the investment strategy changes significantly. Further, there is an expectation of regular performance reporting by the investment consultancy provider that measures performance against these strategic objectives.

6.4. As part of the response to its 2023 consultation exercise, "Local Government Pension Scheme (England and Wales): Next steps on investments", the Department for Levelling Up Housing and Communities (DLUHC) confirmed that it would amend The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and statutory guidance to implement the Order's requirements for the provision of investment consultancy services for the LGPS.

6.5. It is expected that updated guidance will include the following requirements:

- Where the administering authority uses investment consultancy services in relation to its Investment Strategy Statement or for other matters, it must set strategic objectives for the investment consultancy provider, unless the provider is exempt (such as the LGPS pools);
- Administering authorities must not enter investment consultancy services contracts or continue to receive such services from any provider unless the authority has set strategic objectives for that provider
- Administering authorities must review strategic objectives at least every 3 years or every time the ISS changes substantially
- Strategic objectives must have regard to guidance on setting objectives for providers of investment consultancy services issued by the Pension Regulator in November 2019.

6.6. This report helps to demonstrate that the Fund is complying with the requirements of the CMA Order as they apply to LGPS funds and is prepared for the LGPS (Management and Investment of Funds) Regulations 2016 to be amended to reflect these requirements.

6.7. To ensure compliance, the Fund has since worked with Redington to review performance against the strategic objectives set for 2023 and update these objectives for 2024. The objected objectives are presented at Appendix 1, with the review of performance against the 2023 objectives at Appendix 2.

Appendices

Appendix 1 - CMA Investment Consultant Aims and Objectives 2024.
Appendix 2 - Review of performance against objectives 2023.

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 Interim Group Director of Finance prepared by	Name: Jackie Moylan Title: Director, Financial Management Email: jackie.moylan@hackney.gov.uk Tel: 020 8356 3032
Comments for the Acting 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 2024:

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 2024 and have been agreed by the London Borough of Hackney Pensions Committee at its meeting on 7th February 2024.

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	Green
Good	Yellow
Satisfactory	Amber
Unsatisfactory	Red
Not able to assess	**N/A**

5. Assistance in achieving the Fund's objectives				
Reference	**Objectives**	**Performance Rating**	**Expectations**	**Comments – TBC end 2024**
a)	Any proposed change in investment strategy or investment managers has a clear rationale linked to the ability of the Fund to meet its long-term objectives with specific reference to improving the efficiency of the investment strategy.		Following strategic asset allocation review in 2023 and subject to progress and market conditions, investment strategy to be kept under review and any changes to be considered as required. The funding position to be kept under review to consider any changes to strategic asset allocation as required	
b)	The investment consultant has an appropriate framework in place to ensure the Fund is on track to achieve its key 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	

c)	The investment consultant undertakes specific tasks such as the selection of new managers and asset liability analysis, when required		Fixed Income review to be undertaken in 2024 and the consultant will continue to support on implementation of strategy as required	
d)	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. The consultant will monitor and advise on changing regulatory requirements as appropriate	
e)	Environmental, Social and Governance (ESG) Objectives – The investment consultant has provided advice and guidance in relation to the integration of ESG objectives		Monitoring of climate targets and metrics, support with TCFD reporting as required. Ongoing review of ESG policy and stewardship.	

2. Governance and Costs

Reference	Objectives	Performance Rating	Expectations	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.		Cost implications of strategy changes will be taken into account in the advice provided to the client.	
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 costs incurred	

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.		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**	**Expectations**	**Comments**
a)	Advise the Committee on appropriate new investment opportunities and relevant investment regulatory developments and additional compliance requirements		The consultant to provide training to the Committee on any relevant new asset classes. 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.	

b)	The investment consultant should be generally available for consultation on fund investment matters.		The consultant is expected to be available to advise on all investment matters as required by the Pension Fund Officers and Committee.	

4. Monitoring				
Reference	**Objectives**	**Performance Rating**	**Expectations**	**Comments**
a)	The investment consultant provides insightful performance monitoring, integrated with funding and risk.		The investment consultant is expected to produce a quarterly report, providing narrative on market and fund manager performance. Overall risk and evolution of the funding level are expected to be monitored on an ongoing basis and feed into strategic decision making.	
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.	

5. Delivery				
Reference	**Objectives**	**Performance Rating**	**Expectations**	**Comments**
a)	The investment consultant has formed a strong working relationship with the Committee, Council Officers and other key stakeholders.		The investment consultant is expected to continue to build on the strong relationships built with Officers and Committee Members.	
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.	

Investment Consultant Aims and Objectives 2023 – Annual Evaluation:

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 had 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:

Performance Rating	Key
Excellent	Green
Good	Yellow
Satisfactory	Amber
Unsatisfactory	Red
Not able to assess	**N/A**

1. Assistance in achieving the Fund's objectives				
Reference	**Objectives**	**Performance Rating**	**Expectations**	**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.	Yellow	Investment strategy to be reviewed following the 2022 actuarial valuation.	Investment strategy reviewed incorporating: • Training for Committee • Objectives & beliefs survey • Aligning strategy with objectives & beliefs • Implementation considerations for improved portfolio Rationale for proposed changes clearly captured and articulated throughout
b)	All advice considers funding implications and the ability of the Fund to meet its long-term objectives.	Yellow	The actuarial valuation taken into consideration when agreeing the revised asset allocation. 2022 valuation currently underway to be finalised by March 2023.	Key metric for consideration in any strategy review is the funding, cashflow and long-term objectives – these were included and specifically addressed in the Pension Risk Management Framework

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	As above, the Pension Risk Management Framework was discussed in detail with the Pensions Committee and provides a robust framework for decision making on strategic matters factoring in the beliefs and objectives of the Fund.
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.	Cashflow considerations and the need for increasing levels of income to be delivered by the investments have been taken into account in setting the Fund's investment strategy. Namely the consideration of Multi-Asset Credit to produce distributable income.
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.	A full strategic asset allocation review has been undertaken and agreed by the Pensions Committee. This included detailed quantitative analysis and the evaluation of new investment solutions (e.g. LCIV MAC product).
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.	The Contract is in place following a call off from the Investment Consultancy LGPS Framework with an order form having been agreed and signed.
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.	Climate training alongside the setting of interim net zero targets have been agreed and the investment strategy reflects the Fund's ambitions to be at the forefront of this area. Broader responsible investment and stewardship considerations have been taken into account with a workplan for future stewardship work currently under discussion.

REDINGTON

Hackney

2. Governance and Costs				
Reference	**Objectives**	**Performance Rating**	**Expectations**	**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.	Not a specific focus this year. Albeit, as below, consideration of fees was incorporated within the evaluation of new investment managers.
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.	Cost considerations are taken into account when considering existing mandates and within the evaluation of new investment managers.
	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	Redington have provided advice on the optimum implementation options for strategy changes.
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.	Redington have demonstrated an understanding of the governance arrangements at the Fund. Manager fee considerations have been taken into account in discussion papers.
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.	Regulatory requirements have been taken into account on all advice provided and due diligence incorporated into discussions.
f)	The investment consultant has taken into account the products available on the		The consultant is expected to include the asset pool products within any manager shortlisting and selection process.	Consideration on every investment takes into account the opportunity set provided by the pool at that point in time and any forthcoming

	pool, reflecting the expected economies of scale.			options, in order to identify the optimum solution for the Fund.
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	Consideration has been given within advice to the investment governance arrangements for the fund but has not yet undertaken an investment governance review

3. Proactivity/Keeping informed

Reference	**Objectives**	**Performance Rating**	**Expectations**	**Comments**
a)	Advise the Committee on appropriate new investment opportunities.		The consultant to provide training to the Committee on any relevant new asset classes.	Training sessions have been provided on broad asset classes as well as investment strategy, climate change and nature-based solutions. Redington recommended rebalancing the portfolio and transferring assets from equity to short duration bonds in order to benefit from the attractive current yields available.
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.	Quarterly report with market update is delivered alongside the performance report at every meeting. Redington have also provided support on the recent LGPS consultation which encapsulated a wide range of potential regulatory changes including pooling, levelling up and private equity.
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.	Redington have physically attended all Committee meetings and been on hand to advise on all investment related matters. Redington also work closely with the in-house team, to support them where required.

REDINGTON

Hackney

4. Monitoring				
Reference	**Objectives**	**Performance Rating**	**Expectations**	**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.	Quarterly reports on performance have been provided with a focus in the meeting on areas of importance and tied in with the broader market commentary to aid the Committee's understanding of how external factors might also influence 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.	A quarterly update is provided alongside the performance report with relevant market commentary, which generally receives positive feedback from Councillors.
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.	Risk management was one of the key metrics to be incorporated within the SAA review and is being monitored on an ongoing basis.

5. Delivery				
Reference	**Objectives**	**Performance Rating**	**Expectations**	**Comments**
a)	The investment consultant has formed a strong working relationship with the Committee, Council Officers and other key stakeholders.		As the contract had just been awarded, the working relationship between the investment consultant and Officers/Committee members is being developed.	Redington have been working with the Committee for nearly 18 months and have developed good working relationships with both Officers and Committee Members.
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.	We have provided a number of training sessions to the Committee on a wide variety of topics and get good levels of engagements and positive feedback
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.	The performance reporting has at times been impacted by delays to receiving external data, but wider deadlines have all been met.

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.	Quarterly invoicing is provided to Officers with a transparent breakdown of what is covered. Any actions outside of the standard scope are explicitly discussed and 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.	Redington has worked with other third-party providers to ensure there is a co-ordinated approach for the Fund
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.	Information has been made available as required, to support the Fund's Annual Report & Accounts, performance information to the third-party provider and custodian and support on the Investment Strategy Statement

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Hackney

Title of Report	High Level Monitoring Report
For Consideration By	Pensions Committee
Meeting Date	7 February 2024
Classification	Public
Ward(s) Affected	All
Group Director	Jackie Moylan, Interim Group Director, Finance

1. **Introduction**

1.1. This report is a high level update on key strategic Pension Fund matters, including progress against the Business Plan, Strategic Objectives Scorecard and Risk Register. It also includes Breaches of the law. It provides the Committee with latest information on the position of the Fund since that reported at the last Committee. An overview of each area is given in the main body of the report and further detail can be found in the appendices.

2. **Recommendations**

2.1. The Pensions Committee is recommended to consider and note:

- **the progress against the Business Plan tasks and actions, and agreed Budget**
- **the current measures on the Strategic Objectives Scorecard**
- **the Risk Register and the risks identified**
- **the Breaches Register.**

3. **Related Decisions**

3.1. Pensions Committee 28 November 2023 – Business Plan, plus various previous policies and strategies agreed at Pensions Committees.

4. **Comments of the Interim Group Director of Finance**

4.1. The Pensions Committee acts as scheme manager for the Pension Fund and is responsible for the management of £1.9 billion worth of assets and for ensuring the effective and efficient running of the Fund for around 26,000 scheme members and nearly 40 employers.

4.2. The three-year business plan and associated budget progress report, strategic objectives scorecard, risk register and breaches register help ensure that the Committee is able to plan and understand the financial decisions required over the coming years, to monitor progress against strategic objectives, manage risks and consider breaches of the law. The decisions taken by the Committee impact directly on the financial standing of the Fund and can affect its ability to meet its liabilities. Ensuring prudent financial management helps to improve the overall financial position of the Fund, potentially impacting on the contribution rates payable by participating employers.

5. **<u>Comments of the Acting Director of Legal, Democratic and Electoral Services</u>**

5.1. The Council's Constitution gives the Pensions Committee responsibility for various specified functions relating to management of the Council's Pension fund. These include:

- To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pension legislation.
- To act as Scheme Manager for the Pension Fund.
- To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium-term plan to deliver the objectives.
- To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.

5.2. In carrying out its delegated 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 and the Local Government Pension Scheme(Management and Investment of Funds) Regulations 2016. Those obligations include producing and maintaining various policies and strategies, calculating and paying pension benefits, complying with various statutory deadlines and investing the fund's assets.

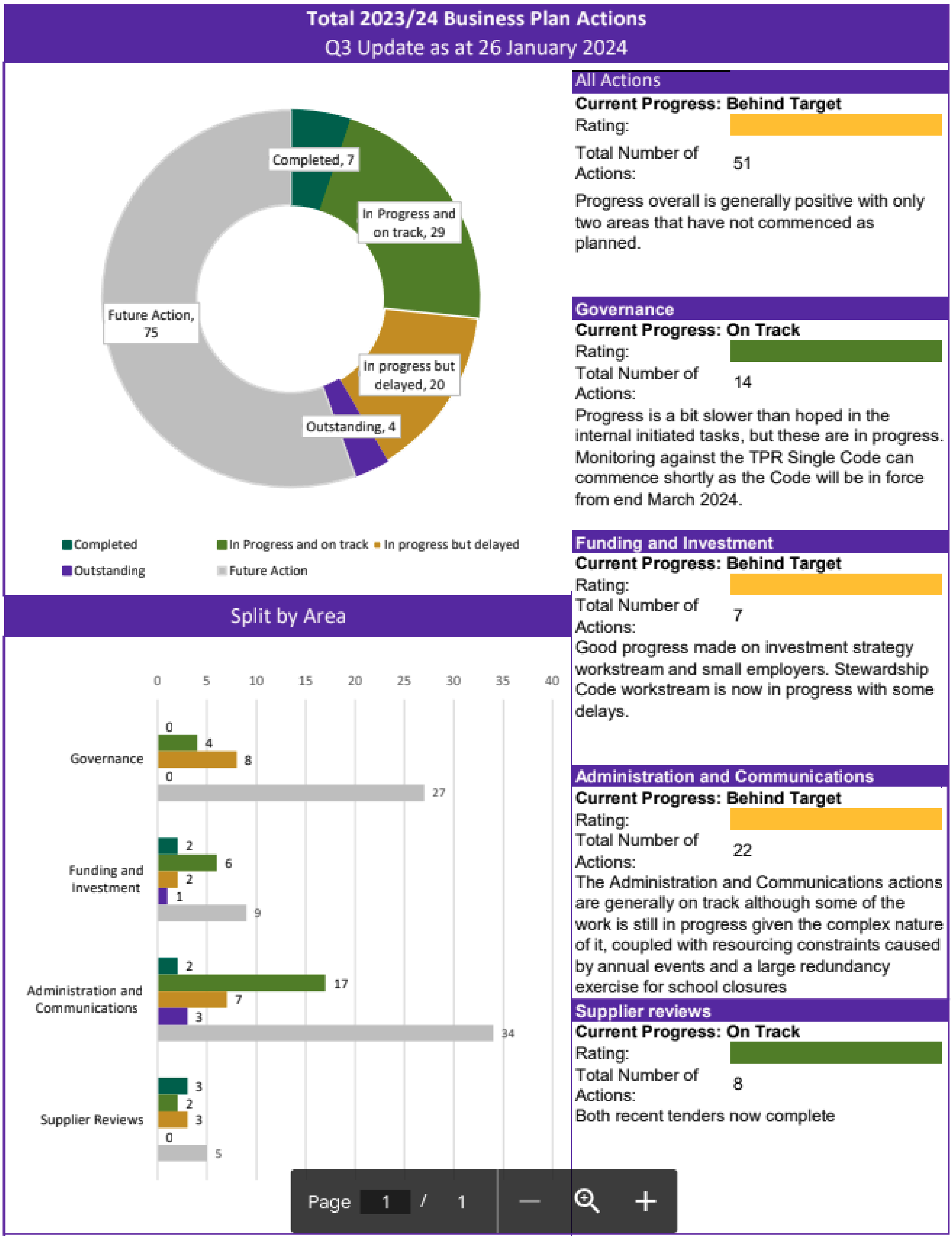
5.3. It is sensible against this background, and consistent with good administration and governance, to set out and monitor progress against a three-year business plan, measure progress against strategic objectives, manage risks, consider breaches and schedule the work of the Committee to ensure that the regulatory requirements of the Fund are met in a timely fashion.

6. **<u>Business Plan Progress Update</u>**

6.1. Key actions and tasks

A summary of progress overall and in each of “Governance”, “Funding and Investments”, “Administration and Communication” and “Supplier Reviews” is shown below. This covers the period to 31 December 2023

Appendix 1 to this report the “Business Plan Progress Update” provides details of each key action/task.



6.2. Budget

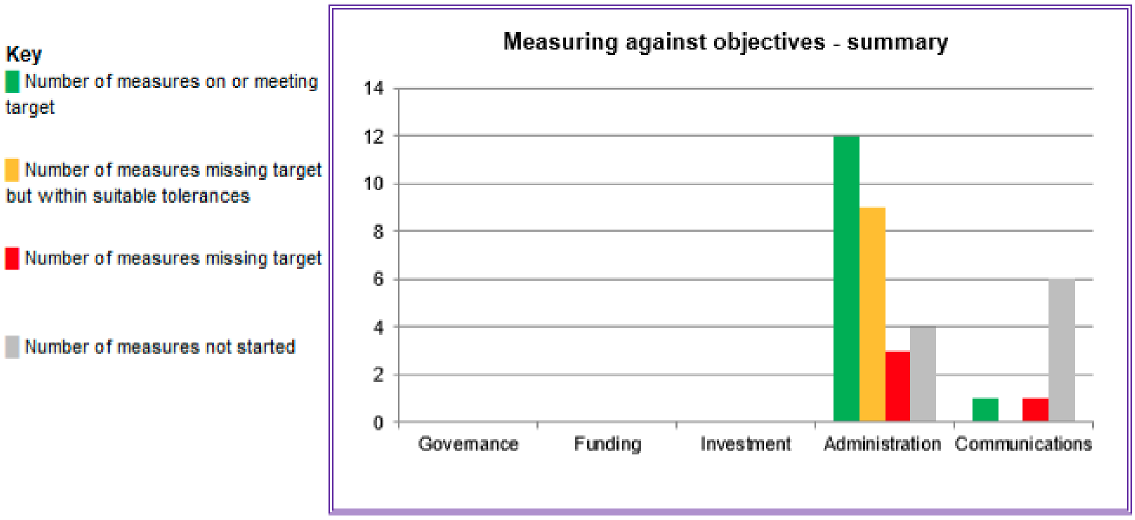
An updated Budget Forecast is planned for the March Committee meeting, once delays to reporting caused by the Fund's custody transition in September 2023 have been resolved.

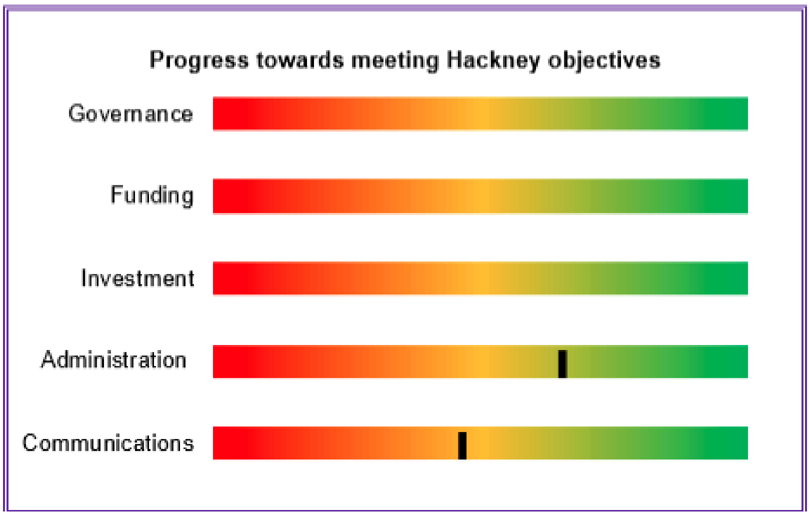
7. **Strategic Objectives Scorecard**

7.1. The Strategic Objectives Scorecard currently includes Administration and Communications only but will be extended to include Governance, Funding and Investment in future.

7.2. The graphic below summarises progress towards meeting objectives for both administration and communications.

7.3. A high number of communication measures are grey due to customer satisfaction surveys for members and employers not having been carried out during the past year, due to other competing priorities.





7.4. The appendix "Strategic Objectives Scorecard" sets out information relating to each specific measure showing:

- the current position
- the frequency of the measure
- a comparison of the current position against the previous report.

8. RISK REGISTER

8.1. The Fund's risks are shown in the appendix "Risk Register".

8.2. The Risk Register's All Fund Risk Heat Map provides an overview of the risks and how they have moved since the last review of the register. The colour within each number's box also indicates the target for that risk. There are three detailed Risk Registers (Governance, Funding and Investment, and Administration and Communications) which detail the individual risks.

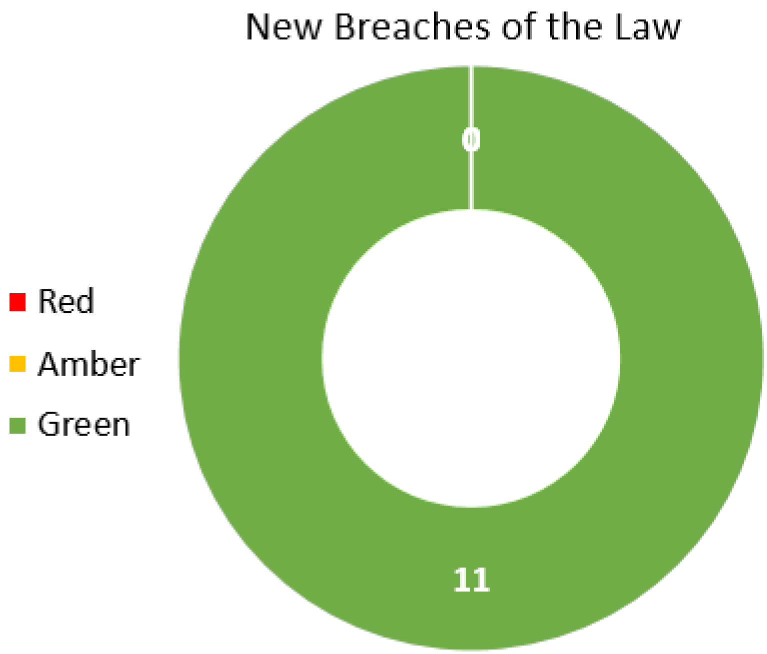
8.3. The areas currently categorised as high risk where the target is amber or green are:

- Potential financial/data loss or systems downtime due to cybercrime (governance risk 10) - this is high risk due to increased threat, mitigations being put in place include development of an incidence response plan and supplier resilience checks.
- The increase in inflation which can erode asset values causing cashflow issues (funding and investment risk 7). This is classified as high risk given the exceptionally high inflation figures over the past year - it is expected that this will reduce in the medium term. Mitigations in being put in place to deal with the cashflow impacts include implementation of the investment strategy changes agreed by the Committee in March 2023.
- Poor delivery of administration contracts resulting in poor member experience and potential breaches of legislation/failure to meet SLA’s (administration risk 1). This is high risk due to difficulties in implementation of the new contract with Equiniti - mitigation includes regular service review and review of performance against SLAs, and early identification of issues.
- The impact of the McCloud remedy on the quality and timeliness of the administration of the Fund (administration risk 7). This is classified as high risk due to resourcing and software issues. Mitigation includes dedicated project management from Aon and regular review with Equiniti to monitor progress.
- Service Interruption due to the administration system software upgrade which may impact the ability to effectively administer benefits to members (administration risk 9). This risk has arisen due to the Compendia touch migration - mitigation to be put in place includes robust project management of the transition.

8.4. There has been no changes to the risk statuses since they were last reported in September 2023

9. <u>BREACHES OF THE LAW</u>

9.1. The breaches register as at 31 December 2023 is attached as appendix “Breaches Register” to this report. There were eleven breaches identified since 1 October 2023, relating to late contributions, late remittance advice and leaver breaches of disclosure legislation. All are rated green. Generally, only breaches rated red might be of material significance to the Pensions Regulator and hence reportable albeit they are considered on their individual merits.



9.2. There are two unresolved breaches still on the register. With regards to the existing amber ABS breach reported at the September Committee, 6,909 active statements have now been issued and Equiniti continues to work on circa 160 deferred record queries and will issue statements (where required) in due course. No report has been made to The Pensions Regulator due to the progress made. A further update on this will be provided at the next Committee meeting. There is one existing unresolved red breach which relates to two vacant scheme member representative members on the Pension Board. All Board vacancies have now been filled, although the first meeting of the new Board has not yet taken place. The Board has not met since September 2022 so this breach has been reported to The Pensions Regulator.

9.3. Two breaches reported at the September meeting (10 and 15 on the register) relating to non-receipt of contribution remittances have now been resolved as the employer has provided the remittances in order to assist with the reconciliation of contributions.

9.4. Unfortunately due to the transition to the new contract with Equiniti, a full suite of information relating to breaches relating to late disclosure of information to scheme members (for example, retirements not being finalised within legal deadlines or new members not receiving scheme information within legal deadlines) is not yet available. However, in their monthly client reports, Equiniti are providing some information on disclosure breaches relating to leavers and new joiners and these have therefore been included in the register (breaches 27, 28 and 29 as shown in the appendix). It is hoped that further information on disclosure breaches will be available for the next Committee meeting. It is worth noting that such delays can be for various reasons, including the employer failing to provide information to Equiniti in good time, a scheme member not responding quickly with requested information or Equiniti being slower in their processes than is required. The higher number of disclosure breaches reported in November is due to additional data cleansing of historic year-end queries.

9.5. As at the end of the period being reported, two breaches remain unresolved. These are the breaches relating to the Pensions Board and Annual Benefit Statements (discussed in paragraph 9.2).

Appendices

Appendix 1 - Business Plan Progress Update
Appendix 2 - Strategic Objectives Scorecard
Appendix 3 - Risk Register
Appendix 4 - Breaches Register

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 Interim Group Director of Finance prepared by	Name: Deirdre Worrell Title: Director, Financial Management Email: deirdre.worrell@hackney.gov.uk Tel: 020 8356 7350
Comments for the Acting 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

Business Plan Progress Update

2023/24 as at 26 January 2024

Key			
Complete	✓	Future action	✓
In progress and on track	✓	No action	
In progress but delayed	✓		
Outstanding	✓		

	Key Action/Task	Expected Delivery Timescales 2023/24 Q1	Q2	Q3	Q4	2024/25	2025/26	Current Status
Governance								
G1	Review appointments of Pensions Committee co-opted members and Local Pension Board members	✓	✓	✓	✓			**In Progress but delayed** Recruitment to Pensions Board underway - employer reps and scheme member reps appointed but meeting date still required. Given the delays in recruiting new members, a report has been made to the Pensions Regulator.
G2	Induction training and needs analysis for Pensions Committee, Board and key officers	✓	✓	✓	✓	✓		**In Progress but delayed** Training needs analysis questionnaire to be returned by members - reminder to be given at February Committee
G3	Review of Cyber Strategy					✓		**No Action**
G4	Review of cybercrime risk to Fund	✓	✓	✓	✓	✓	✓	**In Progress and on track** Data and asset map, and Incident Response Plan are being drafted. Planned supplier reviews will be commenced soon
G5	Review of Breaches procedure						✓	**No Action**
G6	Governance review and implementation of actions			✓	✓	✓		**Future Action**
G7	Review against TPR new single code				✓	✓		**No Action** Code laid before Parliament on 10th January 2024, due to come into force on 27th March 2024.
G8	Review of Conflicts of Interest Policy					✓		**No Action**
G9	Diversity and Inclusion			✓	✓	✓		**Future Action**
G10	Review of Governance Policy and Compliance statement					✓		**No Action**
G11	Review of Knowledge and Skills Policy					✓		**No Action**
G12	Review of Risk Management Policy					✓		**No Action**
G13	Implement changes from Scheme Advisory Board good governance review	✓	✓	✓	✓	✓		**Future Action** Delayed as still awaiting government consultation and statutory guidance/legislation.
G14	Recruitment, retention and succession planning	✓	✓	✓	✓	✓		**In Progress but delayed** New Responsible Investment and governance post to be advertised shortly, along with Head of Pensions role.
Funding and Investments								
F1	Investment Strategy review - Strategic Asset Allocation	✓						**No Action** The high level review of the Strategic Asset Allocation was completed in April 2023 - the review will now move into the implementation stage.
F2	Investment Strategy review - implementation	✓	✓	✓	✓	✓		**In Progress and on track** Implementation now underway -MAC implementation agreed, with nature-based solutions and impact property implementation decisions to follow

	Key Action/Task	Expected Delivery Timescales 2023/24 Q1	Q2	Q3	Q4	2024/25	2025/26	Current Status
F3	Responsible Investment - Climate Targets	✓				✓	✓	**No Action** Target setting work now complete - progress against targets to be monitored annually as part of Pensions Risk Management Framework (PRMF)
F4	Responsible Investment - Stewardship Code	✓	✓	✓	✓	✓		**In Progress but delayed** Initial survey sent to Committee members. RIWG due to meet in Feb 2024 for work on engagement framework. Target Oct 2024 for submission to FRC
F5	2025 actuarial valuation and review of funding strategy					✓	✓	**No Action**
F6	GAD section 13 valuation results/engagement						✓	**No Action**
F7	Small employers admission policy	✓	✓	✓				**In Progress and on track** To be brought to March Committee following consultation
Administration and Communications								
A1	Relaunch member self-service on-line functionality			✓	✓	✓		**Future Action**
A2	Work with Hackney Council/HLT to develop pensions interface/extract (for employer self-service)	✓	✓	✓				**Completed** The final actions relating to the pensions interface were dealt with and the project has now been completed and has switched to BAU operations
A3	Implement employer self-service on-line functionality to all employers including updating employer guide			✓	✓	✓		**Future Action** Any new onboarding has been halted until the administration software upgade is complete
A4	Review of third party administrator processes and responsibilities	✓	✓	✓				**In Progress and on track** Review is complete and the report has been received. It is currently being sent to EQ to allow for their right of reply before it will now be brought to Committee.
A5	Implementation of new administration contract and consideration of future options	✓	✓	✓	✓	✓	✓	**In Progress and on track** The new contract is now in place and the software upgrade is currently being looked at by Equiniti for timeframes and onboarding deadline.
A6	Implementation of updated version of third party administrator software		✓	✓				**Future Action** The onboarding timetable has been delayed due to EQ resourcing on the new LGPS touch platform currently being deployed to another LA onboarding first
A7	Preparation of member data for valuation					✓	✓	**No Action**
A8	Implement McCloud/Sargeant remedy (extension underpin test)	✓	✓	✓	✓	✓		**In Progress and on track** See separate McCloud update in the Quarterly Update Report
A9	Review of employers' processes and responsibilities					✓	✓	**No Action**
A10	Update data improvement plan/procedures following improvements in employer engagement	✓	✓	✓				**In Progress but delayed** Data reviews being undertaken by the internal LBH team are in progress but resourcing needed for year end processes has delayed any further EQ datasure reports currently being run
A11	Implement trivial commutation/small pot payments						✓	**No Action**
A12	Carry out frozen refund clearance exercise			✓	✓	✓		**Future Action**
A13	Implement changes required for national pensions dashboard(s)	✓	✓	✓	✓	✓	✓	**Outstanding** Due to the delay in the overall government dashboard programme, and internal resourcing constraints, this is outstanding.
A14	Introduce pension tax communication strategy		✓	✓				**In Progress but delayed** The changes to the lifetime allowance legislation has not been laid which will allow for a full review to commence- expected to be done in Q4/Q1 2024/25

Key Action/Task		Expected Delivery Timescales 2023/24 Q1	Q2	Q3	Q4	2024/25	2025/26	Current Status
A15	Review under/overpayment policy			✓				**In Progress and on track** This has been reviewed and expected to be taken to the February 2024 Committee
A16	Review Communications strategy					✓		**No Action**
A17	Review Administering Authority Employing Authority discretions policies					✓		**No Action**
A18	Review Voluntary scheme pays policy					✓		**No Action**
A19	Review Administration strategy					✓		**No Action**
A20	Review of implementation of employer engagement strategy	✓	✓	✓	✓			**In Progress but delayed** Roles and responsibilities are being reviewed in light of the new contract now in place but any progress has been delayed due to resourcing constraints
A21	Finalisation of GMP Reconciliation project	✓	✓	✓	✓			**In Progress but delayed** The Fund is having ongoing discussions with Equiniti around the last remaining groups of members but further progress has been delayed due to internal resourcing constraints
A22	Other expected national changes	✓	✓	✓	✓	✓	✓	**In Progress and on track** The spring budget tax changes have been reflected by the Fund and literature is up to date
Supplier, contact reviews and tenders								
S1	Custodian tender	✓	✓					**No Action** Transition to Northern Trust (01/09/2023) now complete - moving to business as usual.
S2	Actuarial consultant tender	✓	✓	✓				**Completed** Completed with final decision made Nov 2023
S3	Benefits and governance consultant tender	✓	✓	✓				**Completed** Completed with final decision made Nov 2023
S4	Investment consultant tender						✓	**No Action**
S5	AVC fund review					✓		**No Action**
S6	Third party administrator review and/or tender						✓	**No Action**
S7	Legal services		✓	✓				**Future Action**
S8	Banking services tender (as part of council procurement)							**No Action**

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Strategic Objectives Scorecard - Current position and progress of individual measures

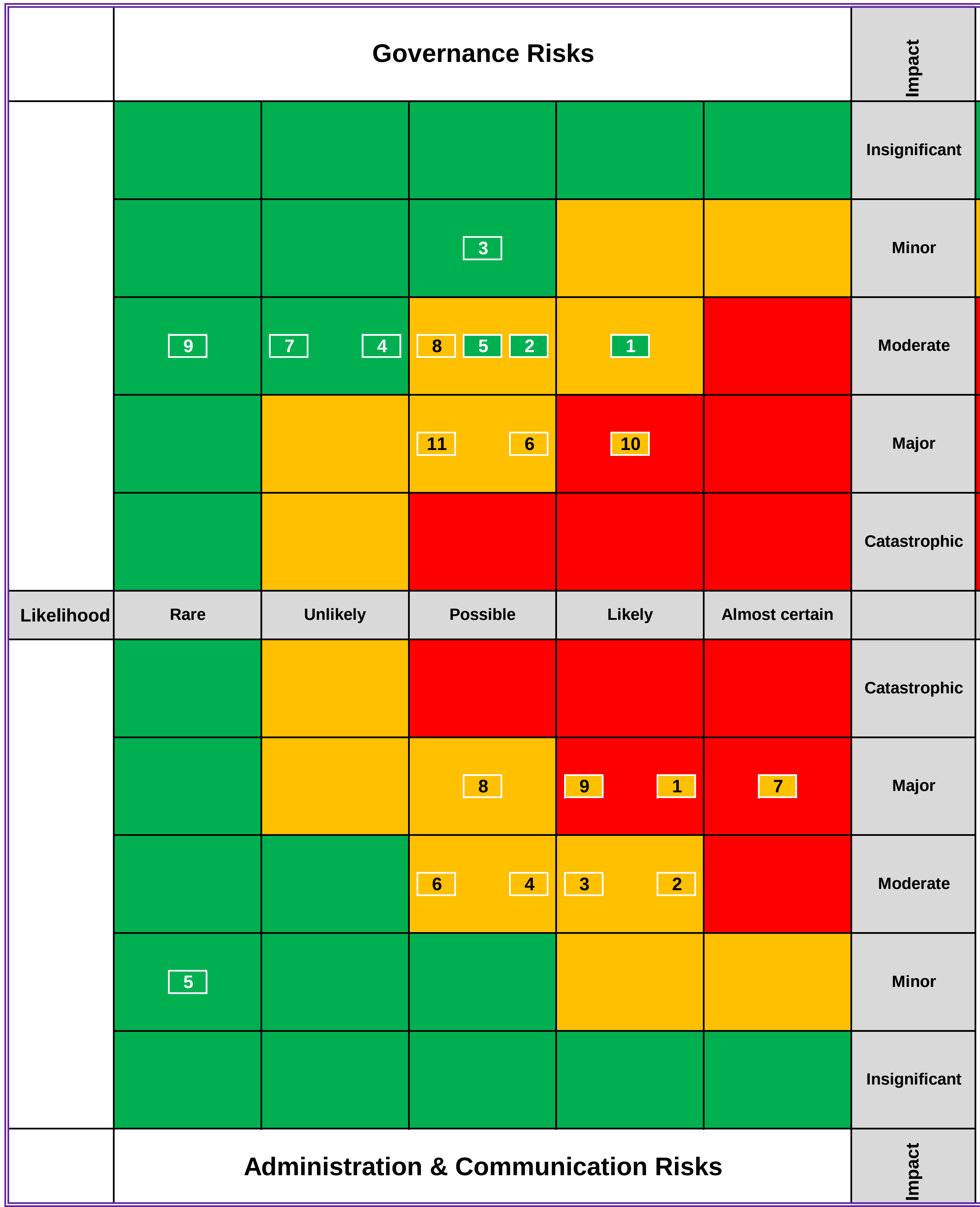
	Current	Frequency*	Last Time
Administration Summary			
Administration Strategy			
1a. Service standards achieved in 95% of cases (100% for legal requirements)		Q	
1b. Customer Satisfaction Surveys with scheme employers and scheme members achieving 90% of scores in positive responses in these areas		A	
1c. Positive scheme employer feedback with minimal or no employer complaints		A	
1d. Positive scheme member feedback with minimal or no member complaints		A	
2a. Use of Employer Self Service (ESS) as a default, (100% of employers using the data portal), unless valid reasons not to do so (and have been agreed by the Fund)		Q	
2b. Positive scheme employer feedback with minimal or no employer complaints		A	
2c. No breaches of data security protocols		Q	
3a. Positive results in internal and external audits and other means of oversight/scrutiny		A	
3b. Performance target achieved for collection of contributions by 19th day of the month following the deduction		Q	
3c. Minimal issues against the Fund identified by Internal Dispute Resolution Procedures and complaints		A	
4a. Customer Satisfaction Surveys with scheme employers achieving 90% of scores in positive responses in these areas		A	
4b. Issues included in formal improvement notices issued to scheme employers resolved in accordance with plan		A	
4c. Notify scheme employers of changes to the scheme rules within 2 months of change		Q	
4d. Offer/organise training sessions for new scheme employers and relevant new staff within scheme employers within 2 weeks of new employer/staff starting		Q	
4e. Organise training for employers where unsatisfactory performance and escalate within 1 month if not attended training or improvements not evident		Q	
4f. Employer responsibilities in relation to administration are regularly communicated to employers		A	
5a. No breaches of data security protocols		A	
5b. Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months		A	
5c. Data improvement plan in place with ongoing evidence of delivered agreed improvements.		A	
5d. Positive results in audit and other means of oversight/scrutiny		A	
6a. Monthly monitoring of Equiniti where Fund asks them to explain variations from agreed Service Level Agreement targets		M	
6b. The Fund specifies clear service standards with Equiniti		A	
7a. Achieve continual improvement in member engagement with our online tools		A	
7b. Monitoring of the performance standards used to inform the service going forward		A	
7c. Use feedback from scheme employers on the service to develop plans		A	
7d. Fund work with Equiniti on programme of continuous improvement to the service		A	
8a. Policy reviewed every 3 years		T	

	Current	Frequency*	Last Time
Communications Summary			
Communications Policy Statement			
1. Customer satisfaction surveys with scheme members achieving 90% of scores in positive responses in these areas		A	
2. Customer satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas		A	
3. Customer satisfaction surveys with employers and scheme members achieving 90% of scores in positive responses in these areas		A	
4. Evidence of consideration given towards available technology solutions		A	
5a. Satisfaction survey is undertaken annually and/or on an ongoing basis		A	
5b. Results from satisfaction survey are thoroughly analysed and investigated, and trends monitored from previous periods (at least annually)		A	
5c. Detailed analysis of survey results is used to identify areas to improve communications in future		A	
6. Policy reviewed every 3 years		T	

* T - Triennially, B - Biennially, A - Annually, Q - Quarterly, M - Monthly

Risk Register

All Fund Risk Heat Map and Summary of Governance Risks



Key

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

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

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

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

27 January 2024

Risk Register - Governance Risks

Objectives extracted from Business Plan 2023-26

G1 Aim to act in the best interests of the Fund's members and employers
G2 Have robust governance arrangements in place, to facilitate informed decision making in a transparent manner, supported by appropriate advice, polices and strategies
G3 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
G4 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
G5 Understand and monitor risk
G6 Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
G7 Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and we will continually measure and monitor success
G8 Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services are protected and preserved

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Recruitment and Retention - Insufficient experienced staff both within the Fund and within the third party administrator	Lack of knowledge within those charged with Fund management leading to failure to make appropriate decisions Potential to impact on member and stakeholder experience.	G1-G8	Moderate	Likely		1 - Salaries benchmarked, supplements paid where appropriate 2 - Policies and procedures in place 3 - Staff able to cover other roles where possible 4 - Increase reliance on advisors in short term where required 5 - Implementation of good governance recommendations	Moderate	Unlikely		😐 Current likelihood 2 too high	01/12/2018	Mar 2024	1 - Develop succession planning approach (JM/RC/LP) 2 - Further development of training programme - increase focus on mid level staff (RC/LP) 3 - ensure all vacancies are filled as soon as possible (RC/LP)	Lucy Patchell / Rachel Cowburn	01/03/2024	26/01/2024
2	Knowledge and Skills - insufficient knowledge and skills amongst those charged with Fund Management (including Committee, Board members and officers)	Potential to make inappropriate decisions (impacted by continuity of members and officers)	G1-G8	Moderate	Possible		1 - Improvements being made to both induction and ongoing training 2 - Regular review of training offered and its effectiveness 3 - Knowledge and Skills Policy/training plan in place 4 - Training needs analysis carried out periodically	Moderate	Unlikely		😐 Current likelihood 1 too high	01/12/2018	Mar 2024	1 - Review training programme and requirements (JM/RC) 2 - Ensure timely induction training elections for new Committee members (RC) 3 - Training needs analysis to be carried out in 2023 (RC)	Rachel Cowburn	01/03/2024	26/01/2024
3	Conflicts of Interest - actual conflicts of interest permitted to materialise	Failure to adequately monitor and disclose conflicts of interest results in potential conflicts not being managed	G2, G3, G4	Minor	Possible		1 - Conflicts of interest policy and register maintained 2 - Standing item requesting disclosure at all Committee/Board meetings 3 - Annual update to declarations required	Insignificant	Unlikely		😐 Current impact 1 too high Current likelihood 1 too high	16/07/2020	Mar 2024	1 - Further training for committee and board members (RC) 2 - Broaden register of conflicts (RC) 3 - Consider management of advisor conflicts (RC)	Rachel Cowburn	01/03/2024	26/01/2024
4	Fraud - financial loss resulting from actions of employee or third party	Pensions team or third party involved with the management of significant financial resources	G1, G4, G6, G8	Moderate	Unlikely		1 - Segregation of duties for key roles 2 - Regular scrutiny from internal audit 3 - Annual external audit of the Pension Fund 4 - Regular review of third parties' internal controls	Moderate	Unlikely		☺				Rachel Cowburn	01/03/2024	26/01/2024
5	Data Protection - failure to adequately protect data	Non-compliance with the GDPR results in potential financial or personal impact on members	G8	Moderate	Possible		1 - Compliance with the Council's ICT policy 2 - Use of encrypted email and/or TLS links for sensitive data 3 - Use of confidential waste disposal 4 - Use of secure courier to transmit sensitive hard copy files 5 - Appropriate access control measures 6 - Redaction of personal information where required 7 - Tailored training to be provided to Financial Services staff, Pensions Committee and Pension Board Members Contracts with third party suppliers acting as joint data processors must ensure that: 1 - Third parties are GDPR compliant 2 - Secure methods of transfer for sensitive data transmission/storage built into contract 3 - Appropriate risk sharing between the Council and the third party supplier is in place.	Moderate	Unlikely		😐 Current likelihood 1 too high	01/12/2018	Mar 2024	1 - Ensure all pensions team staff fully trained on GDPR and that this is regularly updated (RC) 2 - Roll out employer portal to ensure more user friendly secure data transmission (LP) 3 - Obtain regular third party reassurance on GDPR measures (RC/LP) 4 - Ensure other cyber strategy elements are delivered (RC)	Lucy Patchell / Rachel Cowburn	01/03/2024	26/01/2024
6	Failure of external systems	Potential impact on accessibility of Fund's assets, systems or data Insufficient security controls and heavy reliance on Host Authority and external systems including Cedar (accounting), HSBCnet (custodian), LloydsLink, and Compendia could result in a) failure to take appropriate action in the event of system failure and b) insufficient protection against cybercrime	G8	Major	Possible		1 - All teams complete a Business Impact Analysis to assess timescales/impact of system failure etc. 2 - The Pension Investments and Pensions Administration Business Continuity Plans detail actions to take in the event of system failure 3 - Assurances of system security from third parties 4 - Internal Council controls and firewalls 5 - Internal training on cybercrime risk	Major	Unlikely		😐 Current likelihood 1 too high	01/12/2018	Mar 2024	1 - Understand Council's approach to cybercrime prevention (RC) 2 - Receive written assurances from all suppliers re: management of cybercrime (RC/LP) 3 - Implement pension fund cybercrime strategy requirements (RC)	Lucy Patchell / Rachel Cowburn	01/03/2024	26/01/2024
7	Business continuity failure	Fund or third parties unable to carry out business as usual	G6, G8	Moderate	Unlikely		1 - Business continuity plans in place 2 - Ability to homework 3 - Reassurances from third parties on their business continuity measures	Minor	Unlikely		😐 Current impact 1 too high	16/07/2020	Mar 2024	1 -Regular Review of business continuity procedures	Rachel Cowburn	01/03/2024	26/01/2024
8	External factors including regulatory changes impact the governance of the Fund (e.g. changes introduced by TPR and SAB Good Governance review)	Fund or third parties unable to implement the changes in a timely manner resulting in poor practices and governance	G6	Moderate	Possible		1 - Advice and guidance from professional advisors 2 - Attendance at regular LGPS national events/groups	Moderate	Possible		☺			1 - Continue to keep abreast of proposed changes and their implications (RC/LP)	Rachel Cowburn / Lucy Patchell	01/03/2024	26/01/2024
9	Incorrect advice/guidance received from third parties	The Fund relies on external advisors in many areas so could be at risk if incorrect or no advice/guidance is provided.	G1 - G6	Moderate	Rare		1 - Retendering exercises to ensure that contracts remain appropriate and that the advisors are appropriately qualified and experienced 2 - Regular meetings with external advisors discussing current pensions landscape	Moderate	Rare		☺				Rachel Cowburn	01/03/2024	26/01/2024
10	Cybercrime attack	The Fund's assets or data become compromised	G8	Major	Likely		1 - Cyber security policy in place 2 - Cyber training as part of Committee and Board member induction 3 - Regular cyber assessments of key Fund suppliers 4 - Periodic social engineering exercises to test the Fund's internal response plans	Major	Possible		😐 Current likelihood 1 too high	01/10/2022	Mar 2024	1. Continual training and monitoring against internal controls (RC)	Rachel Cowburn	01/03/2024	26/01/2024
11	Material breaches requiring reporting to the Pensions Regulator	Reputational damage, loss of confidence from stakeholders and potential requirement to put in place improvement plans	G5, G6	Major	Possible		1 - Breaches reporting in place and taken to each Committee and Board meeting 2 - Breaches training as part of Committee and Board member induction	Major	Possible		☺				Rachel Cowburn	01/03/2024	26/01/2024

Risk Register - Funding & Investment Risks (includes accounting and audit)

Objectives extracted from the Business Plan 2023-26

F1 Take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
F2 Use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
F3 Where appropriate, ensure stable employer contribution rates
F4 Reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
F5 Use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
I1 Set an appropriate investment strategy so as to: achieve an expected return in excess of the return required by the Fund's triennial valuation and funding strategy statement; achieve a VaR 95 of <13.5%; and ensure expected liability outflows are broadly covered by asset income. See business plan for more details on these points
I2 Aim to achieve net zero emissions by 2040 and set appropriate interim targets to assist in achieving this
I3 Increase local or 'levelling-up' investments to 5% over time
I4 Aim to implement asset allocation decisions via the London CIV (the Fund's asset pool) where appropriate and will monitor the proportion of Fund assets invested via the pool accordingly
I5 Monitor the funding level through the triennial valuation and ongoing monitoring processes
I6 Ensure that the Fund continues to invest responsibly taking account of environmental, social and governance issues, whilst adhering to its overarching fiduciary duties. Specifically to ensure that the beliefs set out in the Business Plan are incorporated into the Committee's decision-making.

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Strategy risk - failure to meet objectives through poor asset performance	Asset risks include the following: Concentration - over allocation to a single asset class Illiquidity - insufficient liquid assets Currency risk – underperformance of asset currency Manager Underperformance	I1-I4, I6	Major	Possible		1 - Investment in a diversified range of asset classes 2 - Regular cash flow monitoring 3 - Currency hedging policy 4 - ESG and climate risk policy in place 5 - Multiple managers & performance monitoring	Major	Possible		☺			1 - Ongoing monitoring (RC)	Rachel Cowburn	01/03/2024	26/01/2024
2	Funding experience - current employer contributions are insufficient to meet the cost of benefits	If growth rate of liabilities outstrips assets the risk is that contributions being paid will be insufficient	F1 - F5	Moderate	Possible		1 - Asset liability modelling shows low likelihood of not meeting objectives 2 - Assessment of liabilities at the triennial valuation and the roll-forward of liabilities between valuations 3 - Contribution rates assessed by actuary as having a low likelihood of not meeting objectives 4 - Actuary sets evidence-based assumptions using analysis of experience	Moderate	Possible		☺			1 - Ongoing monitoring (RC)	Rachel Cowburn	01/03/2024	26/01/2024
3	Implementation - external providers or asset pool prevent Fund achieving objectives	Other provider risks include: Transition risk - unexpected/excessive costs in relation to the transition of assets Custody risk - losing economic rights to Fund assets Credit default - default of a counterparty Asset pooling risks include: Transition risks – excessive additional cost through transition to the pooled arrangement. Concentration and capacity risks – excessive concentration of assets amongst relatively few large institutions. Political risks – central Government changes Reputational risks – failure of a pooled arrangement could have significant consequences for the LGPS. Governance risks - potential lack of oversight of pool arrangements Lack of oversight of investment managers	I1-I4, I6	Major	Possible		1 - Regular scrutiny of providers 2 - Monitoring and management (may be delegated to investment managers in certain situations e.g. custody risk in relation to pooled funds). 3 - Seek appropriate advice where necessary (e.g. during a significant transition) 4 - Pensions Committee has the power to replace a provider should serious concerns exist 5 - Monitor proposed changes, consultations and guidance from Government on the pooling agenda, responding where appropriate to influence outcomes. Amend process where required to ensure compliance. 6 - Maintain good working relationship to ensure that the Fund is fully aware of developments at the pool level and the pool is aware of and responds to the Fund's strategic requirements. 7 - Planning for transition considered as part of Investment Strategy development to ensure assets are transitioned efficiently and within the required timeframes. 8 - Pensions Committee Chair and S151 officer members of Shareholder Committee 9 - Oversight and engagement of existing investment managers 10 - active engagement with managers to understand sources of RI risk	Major	Unlikely		😐 Current likelihood 1 too high	01/12/2018	Mar 2024	1 - Transition planning for upcoming transitions (RC) 2 - Management of relationship with Northern Trust as transition phase moves to Business As Usual (RC) 3 - Maintain relationships with senior LCIV staff (JM/RC) 4 - Ensure LCIV aware of Hackney investment priorities and objectives to understand timing requirements (JM/RC)	Rachel Cowburn	01/03/2024	26/01/2024
4	External Factor/Regulatory Risk	The risk that external (e.g. geopolitical) factors or the introduction of new regulations requires major changes to the operation of the Fund (e.g. McCloud, cost cap).	F1, I1, I6	Major	Possible		1 - Asset liability modelling to ensure the Fund's Investment Strategy helps the Fund meets its objectives under a range of economic conditions 2 - Horizon scanning to ensure awareness of potential future risks and prepare 3 - Monitoring and analysis of impact, taking advice from advisors where appropriate 4 - Adding items to business plan when appropriate	Major	Unlikely		😐 Current likelihood 1 too high	01/12/2018	Mar 2024	1 - Ensure business plan kept up to date	Rachel Cowburn	01/03/2024	26/01/2024
5	Employer Covenant/Affordability risks	Employer Covenant and Affordability risks include: Employer default Rapidly increasing employer contribution rates Ability of employer to pay Substantial deficit or credit on termination	F4, F5	Minor	Unlikely		1 - Valuation and inter-valuation monitoring of employers near cessation (funding position and contract situation) 2 - Monitoring of payment of contributions 3 - Employer covenant checks with use of bonds/guarantees where necessary 4 - Employer engagement	Minor	Unlikely		☺			1 - Implement default pass through policy for small employers 2 - Robust review process to be developed	Rachel Cowburn	01/03/2024	26/01/2024
6	Cashflow	Employer contributions are insufficient to meet the cost of benefits in the short term	F1, F3	Major	Possible		1 - Ensure sufficient liquid assets are available if needed 2 - Contribution rates assessed by actuary as having a low likelihood of not meeting objectives 3 - Actuary sets evidence-based assumptions using analysis of experience	Moderate	Unlikely		😐 Current impact 1 too high Current likelihood 1 too high	01/09/2022	Mar 2024	1 - Ongoing monitoring (RC)	Rachel Cowburn	01/03/2024	26/01/2024
7	Increase in inflation	Prolonged high inflation erodes asset value causing cashflow issues and affects employer affordability.	F1, I1, I5	Major	Likely		1 - planning within funding assumptions 2 - ensuring high level of inflation-sensitive assets held 3 - inflation hedging 4 - robust treasury management policy	Moderate	Possible		😐 Current impact 1 too high Current likelihood 1 too high	01/09/2022	Mar 2024	1. Implementation of 5% allocation Multi Asset Credit (RC) 2. Reduce equity overweight in favour of income producing assets (RC)	Rachel Cowburn	01/03/2024	26/01/2024

Risk Register - Administration & Communication Risks

Objectives extracted from the Business Plan 2023-26

A1 Deliver an efficient, quality and value for money service to its scheme employers and scheme members
A2 Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner
A3 Ensure the Fund's employers are aware of and understand their role and responsibilities under the LGPS regulations and in the delivery of the administration function
A4 Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner
A5 Set out clear roles and responsibilities for the Council and Equiniti and work together to provide a seamless service to Scheme employers and scheme members
C1 Promote the scheme as a valuable benefit and provide sufficient and up to date information so members can make informed decisions about their benefits
C2 Communicate in a plain language style
C3 Ensure the Fund uses the most appropriate means of communication, taking into account the different needs of different stakeholders
C4 Look for efficiencies in delivering communications including greater use of technology
C5 Evaluate the effectiveness of communications and shape future communications appropriately

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Strategic objectives at risk (see key)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Meets target?	Date Not Met Target From	Expected Back On Target	Further Action and Owner	Risk Manager	Next review date	Last Updated
1	Poor delivery of administration service/third party administrator not delivering in accordance with contract requirements	Poor member experience and/or breaches of legislation including inaccurate payments and failing to meet Service Level Agreements	A1-A6	Major	Likely		1 - Strict service standards and SLAs in place 2 - Appointment through robust procurement exercise 3 - Expert contract management team in place 4 - Regular service review meetings 5 - Pensions Administration Strategy sets out expected service levels	Major	Unlikely		Current likelihood 2 too high	01/12/2018	Mar 2024	1 - Ensure a process is in place for early identification and escalation of issues (LP) 2 - Ensure Equiniti's proposals to improve quality/service delivery are delivered (LP)	Lucy Patchell	01/03/2024	26/01/2024
2	Poor Membership Data	Poor financial and reputational risks, actuary unable to set contribution rates, higher contribution rates, member dissatisfaction, inaccurate benefit statements produced, overpayment of benefits etc. Incorrect data submitted for valuation. Inaccurate McCloud reconciliation. Data provided late also impacts on Fund's ability to pay correct benefits and set accurate contribution rates.	A1, A2, A4	Moderate	Likely		1 - Annual monitoring of membership records, valuation checks, external data validations (done by third party administrator) 2 - Monthly monitoring of contributions to ensure that employers paying across correct contributions along with membership data being supplied (done by third party administrator) 3 - Service Level Agreement with external administrator and monthly monitoring of contract. Monitoring of employers and Pensions Administration Strategy which enables Fund to recoup additional administration costs for sub-standard performance. 4 - Provision of employer support to ensure employers have the knowledge and understanding necessary to provide correct information 5 - Increased use of Employer Self Service to drive through data quality	Moderate	Possible		Current likelihood 1 too high	01/12/2018	Mar 2024	1 - Liaison with payroll team to prioritise completion of development work on interface (MH/LP) 2 - Roll out employer portal to all employers (LP) 3 - Develop and roll out data improvement plan (LP/RC) 4 - Ensure Equiniti roll out employer strategy in line with contract (LP) 5 - Speak to Equiniti to understand monitoring carried out (see internal controls) (RC)	Lucy Patchell / Rachel Cowburn	01/03/2024	26/01/2024
3	Poor Employer Engagement	Financial and reputational risks. Incorrect or late data (see above) and/or member dissatisfaction.	A2, A3, A4	Moderate	Likely		1 - Provision of employer support from Pensions Team/Third Party Administrator 2 - Annual Employer Forum 3 - Employer section of website containing guidance 4 - Pensions Administration Strategy setting out expected service standards and allowing for additional employer charges where appropriate 5- Increased use of Employer Self Service to support employer engagement and accurate provision of data 6- Ensuring all employers have a published and approved employer discretions policy and ensuring that they are aware of the additional costs that could arise from the exercise of their discretions or lack of policy.	Moderate	Possible		Current likelihood 1 too high	01/12/2018	Mar 2024	1 - Roll out employer portal (LP) 2 - Roll out of employer engagement strategy (LP) 3 - Carry out employer satisfaction surveys (LP) 4 - Continue with roll out of employer section of website (LP)	Lucy Patchell	01/03/2024	26/01/2024
4	Poor Member Engagement	Poor member engagement can lead to members not fully understanding and/or appreciating the benefits available to them, which could lead them to make poor decisions about their benefits. Potential for the current cost of living crisis to have an impact on decisions members may make (i.e. opting out)	A1, A4, C1-C3	Moderate	Possible		1 - Provision of annual benefit statements and newsletters 2 - Member website with information about benefits and the Fund 3 - Monitoring and reporting on opt out rates	Moderate	Possible					1 - Continue roll out of Member Self Service (LP) 2 - Carry out regular member surveys (LP) 3- Report on opt out rates (LP)	Lucy Patchell	01/03/2024	26/01/2024
5	Incorrect payments (either overpayments or underpayments)	Financial and reputational consequences. Increased costs through failure to cease pension payments arising as a result of non-notification of death, re-employment, or ceasing education	A2	Minor	Rare		1 - Management of NFI matches and follow up. NFI exercises to identify checks 2 - Write to pensioners each year over age 80 and overseas seeking confirmation of ongoing pension entitlement 3- Administration review of third party administrators processes and benefit calculations	Minor	Rare						Lucy Patchell	01/03/2024	26/01/2024
6	Unknown external factors including regulatory changes impact the administration of the Fund	Major changes to the administration of the Fund are required (e.g. changes required as a result of the public sector exit payments cap)	A1-A6, C1-C5	Moderate	Possible		1 - Advice and guidance from professional advisors 2 - Attendance at regular LGPS national events/groups	Moderate	Possible					1. Continue to keep abreast of proposed changes and their implications (LP)	Lucy Patchell	01/03/2024	26/01/2024
7	Known regulatory changes resulting from the McCloud case and pension dashboards	McCloud: May impact the quality/timeliness of administration of the Fund (both BAU and McCloud specific) Large amount of additional administrative work for EQ/Hackney which may result in backlogs etc Data back to 2014 being requested from employers which may be missing/not provided Dashboards: Requirement to match data within set timescales - potential for breaches (in particular where there are administrative backlogs)	A1-A6	Major	Almost certain		1 - Programme management - Programme planning for McCloud has already started and will continue until end of project 2 - Employers engaged with and data collection commenced 3 - engaging with Equiniti re dashboard reporting	Minor	Almost certain		Current impact 2 too high	01/03/2021	Mar 2024	1 - Ensure project management for McCloud continues (LP) 2 - Ensure Equiniti have the resources required to undertake review of historic calculations/carry out data processing (LP) 3 - Ensure Equiniti have made required software changes to Compendia and have adequately trained administrators to correctly apply regulatory changes when made (LP)	Lucy Patchell	01/03/2024	26/01/2024
8	Poor member communications and resources (including website, standard letters and online services) and communications not sent in a timely manner and/or not considering Diversity & Inclusion effectively	Disengaged members with the potential to make poor decisions Potential breaches of disclosure legislation	C1-C5	Major	Possible		1- Standard communications covered under contract requirements 2- SLAs reported on monthly to identify any patterns/trends relating to timeliness of communications linked to processes 3- External administration review underway	Major	Unlikely		Current likelihood 1 too high	01/11/2022	Mar 2024	1- Ensure outcomes of external administration review are actioned (LP) 2- All letter/factsheets/website updates to be signed off by LBH (LP) 3- Regular sample checking of standard letters used by third party administrator (LP)	Lucy Patchell	01/03/2024	26/01/2024
9	Service interruption due to administration system upgrade	Poor administration and/or service delivery to members. Risk of inaccurate calculations, processes and communications	A1, A2, A4	Major	Likely		1- Revised contract to cover Compendia Touch migration 2- Project team within Equiniti to manage the deliverables including implementation timeframes	Major	Possible		Current likelihood 1 too high	TBC	Mar 2024	1- Ensure a project team is in place to effectively manage the transition (LP/RC)	Lucy Patchell / Rachel Cowburn	01/03/2024	26/01/2024

LB Hackney Pension Fund - Breaches Register 2023 onwards

Breach ref	Date added	Date breach resolved	Type of breach (short description)	Party which caused breach	Number of scheme members affected	Category of members affected (active, deferred, pensioner etc)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach (i.e. actions taken)	Outstanding actions	Assessment of breach (red/ amber/ green)	Rational for assessment
1	30/05/2023	20/04/2023	Late payment of March contributions to Fund	Radish (Churchill)	2	Active	The March contributions were not paid by legal deadline of 19th April .	- Assets not credited to pension fund - Could result in need to charge interest for late payment - Additional administration by HPF/Equiniti to resolve issue	20/04/2023 - Contributions were paid and received before they could be chased but Equiniti still sent a reminder of legal deadline requirements at end of May.	None	G	30/05/2023 - although contributions were late they have now been paid
2	30/05/2023	23/05/2023	Late payment of April contributions to Fund	Brooke House	44	Active	The April contributions were not paid by the legal deadline of 19th May	- Assets not credited to pension fund - Could result in need to charge interest for late payment - Additional administration by HPF/Equiniti to resolve issue	23/5/2023 - contributions paid and received. 01/06/2023 - EQ sent a reminder of legal deadline requirements	None	G	30/05/2023 - although contributions were late they have now been paid
3	30/05/2023	06/06/2023	Late submission of contribution remittance for April	Mossbourne Parkside	31	Active	Contribution payments must be accompanied by a statement showing various information relating to the payments (remittance advice). The remittance advice relating to April contributions was not received with the payment.	- Unable to verify information being paid or reconcile with scheme member record information - Additional administration by HPF/Equiniti to resolve issue	15/5/2023, 18/05/2023, 23/05/2023 and 25/05/2023 - EQ chased late submission of remittance via emails. Several phone calls also made	None	G	06/06/2023 - remittance received
4	30/05/2023	06/06/2023	Late submission of contribution remittance for April	Mossbourne Riverside	22	Active	Contribution payments must be accompanied by a statement showing various information relating to the payments (remittance advice). The remittance advice relating to April contributions was not received with the payment.	- Unable to verify information being paid or reconcile with scheme member record information - Additional administration by HPF/Equiniti to resolve issue	15/5/2023, 18/05/2023, 23/05/2023 and 25/05/2023 - EQ chased late submission of remittance via email. Several phone calls also made	None	G	06/06/2023 - remittance received
5	30/05/2023		Inadequate Board membership	Hackney Pension Fund	N/A	N/A	Due to various resignations, the Pension Board does not have at least four members (the legal requirement). Only two employer representatives are in post. Two scheme member representative positions are vacant.	- No Pension Board meetings have been held since 22 September 2022. - This means that the legal requirements in relation to the Board responsibilities are not being met.	11/09/23 - Recruitment process is underway 26/01/2024 recruitment is complete although meeting has not yet taken place	11/09/2023: - Applications for scheme member representatives to be considered by Appointments Panel. - Meeting date to be arranged	R	11/09/2023 - the recruitment process has taken far longer than hoped meaning a meeting has not taken place for a year 26/01/2024 recruitment is complete but a meeting has not yet taken place

6	11/09/2023	21/06/2023	Late submission of contribution remittance for May	Peabody Trust	1	Active	Contribution payments must be accompanied by a statement showing various information relating to the payments (remittance advice). The remittance advice relating to May contributions was not received with the payment.	- Unable to verify information being paid or reconcile with scheme member record information - Additional administration by HPF/Equiniti to resolve issue	22/06/2023 - First offence warning sent by EQ via email	None	G	21/06/2023 - remittance received
7	11/09/2023	20/06/2023	Late payment of May contributions to Fund	Brooke House	44	Active	The May contributions were not paid by the legal deadline of 19th June	- Assets not credited to pension fund - Could result in need to charge interest for late payment - Additional administration by HPF/Equiniti to resolve issue	22/06/2023 - EQ raised a levy as it was their second offence within the current tax year	None	G	20/06/2023 payment received
8	11/09/2023	20/07/2023	Late submission of contribution remittance for June	Mossbourne Parkside	27	Active	Contribution payments must be accompanied by a statement showing various information relating to the payments (remittance advice). The remittance advice relating to June contributions was not received with the payment.	- Unable to verify information being paid or reconcile with scheme member record information - Additional administration by HPF/Equiniti to resolve issue	26/07/2023 - First offence warning sent by EQ via email	None	G	20/07/2023 - remittance received
9	11/09/2023	20/07/2023	Late submission of contribution remittance for June	Mossbourne Riverside	23	Active	Contribution payments must be accompanied by a statement showing various information relating to the payments (remittance advice). The remittance advice relating to June contributions was not received with the payment	- Unable to verify information being paid or reconcile with scheme member record information - Additional administration by HPF/Equiniti to resolve issue	26/07/2023 - First offence warning sent by EQ via email	None	G	20/07/2023 - remittance received
10	11/09/2023	15/09/2023	Late submission of contribution remittance for June	EKO Trust	16	Active	Contribution payments must be accompanied by a statement showing various information relating to the payments (remittance advice). The remittance advice relating to June contributions was not received with the payment	- Unable to verify information being paid or reconcile with scheme member record information - Additional administration by HPF/Equiniti to resolve issue	New payroll provider in place who have been contacted requesting receipt of the contribution remittance	Equiniti to continue to chase receipt of contribution remittance	G	15/09/2023 - remittance received
11	11/09/2023	05/09/2023	Late payment of June contributions to Fund	EKO Trust	16	Active	The June contributions were not paid by the legal deadline of 19th July	- Assets not credited to pension fund - Could result in need to charge interest for late payment - Additional administration by HPF/Equiniti to resolve issue	05/09/2023 - contributions paid and received	None	G	05/09/2023 - contributions received
12	11/09/2023	20/07/2023	Late payment of June contributions to Fund	SND	1	Active	The June contributions were not paid by the legal deadline of 19th July	- Assets not credited to pension fund - Could result in need to charge interest for late payment - Additional administration by HPF/Equiniti to resolve issue	26/07/2023 - First offence warning sent by EQ via email	None	G	20/07/2023 - contributions received

13	11/09/2023	23/08/2023	Late submission of contribution remittance for July	COLASP	21	Active	Contribution payments must be accompanied by a statement showing various information relating to the payments (remittance advice). The remittance advice relating to July contributions was not received with the payment	- Unable to verify information being paid or reconcile with scheme member record information - Additional administration by HPF/Equiniti to resolve issue	Employer had a new payroll provider this month and they have been made aware that the legal date for payment of contributions is the 19th of the following month	None	G	23/08/2023 - remittance received
14	11/09/2023	23/08/2023	Late submission of contribution remittance for July	City	56	Active	Contribution payments must be accompanied by a statement showing various information relating to the payments (remittance advice). The remittance advice relating to July contributions was not received with the payment	- Unable to verify information being paid or reconcile with scheme member record information - Additional administration by HPF/Equiniti to resolve issue	Employer had a new payroll provider this month and they have been made aware that the legal date for payment of contributions is the 19th of the following month	None	G	23/08/2023 - contributions received
15	11/09/2023	15/09/2023	Late submission of contribution remittance for July	EKO Trust	16	Active	Contribution payments must be accompanied by a statement showing various information relating to the payments (remittance advice). The remittance advice relating to July contributions was not received with the payment	- Unable to verify information being paid or reconcile with scheme member record information - Additional administration by HPF/Equiniti to resolve issue	EQ have chased the payroll provider via phone and email on various dates during August	Equiniti to continue to chase receipt of contribution remittance	G	15/09/2023 - remitttance received
16	11/09/2023	30/06/2023	Disclosure breach - leaver forms not processed within required legal deadline	Unknown	3	Active	Leavers must be notified of their entitlements within 2 months from the date of the initial notification	Statutory deadlines not being met Poor service to members	Now processed	None	G	Now processed
17	11/09/2023	30/06/2023	Disclosure breach - statutory notice for new joiner now issued within required legal deadline	Unknown	1	Active	New joiner information must be issued within 2 months from date of joining the scheme	Statutory deadlines not being met Poor service to members	Now issued	None	G	Now issued
18	11/09/2023		Annual Benefit Statements for 31 March 2023 have not all been issued	Various	750	Active and deferred	Annual Benefit Statements must be issued to all active and deferred members by 31 August each year	Statutory legal deadlines not being met Poor service to members	Further work ongoing between HPF and Equiniti to understand exact numbers involved in order to resolve and issue a statement to all affected members 26/01/2024 - 6909 statements have now been issued	Further work ongoing between HPF and Equiniti to understand exact numbers involved in order to resolve and issue a statement to all affected members 26/01/2024 Equiniti working through c160 deferred record queries	A	Assessment may change once full picture known 26/01/2024 remains amber as still some queries to resolve

19	19/12/2023	20/09/2023	Late submission of contribution remittance for September	Bridge Academy	72	Active	Contribution payments must be accompanied by a statement showing various information relating to the payments (remittance advice). The remittance advice relating to August contributions was not received with the payment	- Unable to verify information being paid or reconcile with scheme member record information - Additional administration by HPF/Equiniti to resolve issue	26/09/2023 - as this was a second breach email sent to employer notifying them future latte remittances will incur a levy charge	None	G	20/09/23 - remittance received
20	19/12/2023	16/11/2023	Late payment of September contributions to Fund	Petchey Academy	71	Active	The September contributions were not paid by the legal deadline of 19th October	- Assets not credited to pension fund - Could result in need to charge interest for late payment - Additional administration by HPF/Equiniti to resolve issue	16/11/2023 - payment of contributions received. This is the employer's first late payment and they have been notified further late payment will incur a levy charge	None	G	16/11/2023 - payment received
21	19/12/2023	28/11/2023	Late submission of contribution remittance for October	Arbor/Northwold Academy	28	Active	Contribution payments must be accompanied by a statement showing various information relating to the payments (remittance advice). The remittance advice relating to October contributions was not received with the payment	- Unable to verify information being paid or reconcile with scheme member record information - Additional administration by HPF/Equiniti to resolve issue	28/11/2023 - remittance received	To email the employer to warn them future late submission of remittances may incur a levy charge	G	28/11/2023 - remittance received
22	19/12/2023	20/11/2023	Late submission of contribution remittance for October	Skinners Academy	46	Active	Contribution payments must be accompanied by a statement showing various information relating to the payments (remittance advice). The remittance advice relating to October contributions was not received with the payment	- Unable to verify information being paid or reconcile with scheme member record information - Additional administration by HPF/Equiniti to resolve issue	17/11/2023 - employer notified fund they war having issues uploading the remittance so no levy charge will be made	None	G	20/11/2023 - remittance received
23	19/12/2023	05/12/2023	Late payment of October contributions to Fund	Hackney Education	1730	Active	The October contributions were not paid by the legal deadline of 19th November	- Assets not credited to pension fund - Could result in need to charge interest for late payment - Additional administration by HPF/Equiniti to resolve issue	The payroll provider alerted the fund that the contributions would be late due to an authorising problem with their payroll system and the fund worked with the employer to resolve this, so no levy was raised	None	G	05/12/2023 - payment received
24	19/12/2023	05/12/2023	Late payment of October contributions to Fund	Lubavitch MAT	22	Active	The October contributions were not paid by the legal deadline of 19th November	- Assets not credited to pension fund - Could result in need to charge interest for late payment - Additional administration by HPF/Equiniti to resolve issue	The payroll provider alerted the fund that the contributions would be late due to an authorising problem with their payroll system and the fund worked with the employer to resolve this, so no levy was raised	None	G	05/12/2023 - payment received

25	19/12/2023	05/12/2023	Late payment of October contributions to Fund	Lubavitch Foundation	6	Active	The October contributions were not paid by the legal deadline of 19th November	- Assets not credited to pension fund - Could result in need to charge interest for late payment - Additional administration by HPF/Equiniti to resolve issue	The payroll provider alerted the fund that the contributions would be late due to an authorising problem with their payroll system and the fund worked with the employer to resolve this, so no levy was raised	None	G	05/12/2023 - payment received
26	19/12/2023	27/11/2023	Late payment of October contributions to Fund	Petchey Academy	71	Active	The October contributions were not paid by the legal deadline of 19th November	- Assets not credited to pension fund - Could result in need to charge interest for late payment - Additional administration by HPF/Equiniti to resolve issue	A levy is due to be raised once the employer has issued a revised remittance to reconcile with the payment	A levy is due to be raised once the employer has issued a revised remittance to reconcile with the payment	G	27/11/2023 - payment received
27	19/12/2023	30/09/2023	Disclosure breach - leaver forms received in September not processed within required legal deadline	Unknown	41	Active	Leavers must be notified of their entitlements within 2 months from the date of the initial notification	Statutory deadlines not being met Poor service to members	Now processed	None	G	Now processed
28	19/12/2023	31/10/2023	Disclosure breach - leaver forms received in October not processed within required legal deadline	Unknown	64	Active	Leavers must be notified of their entitlements within 2 months from the date of the initial notification	Statutory deadlines not being met Poor service to members	Now processed	None	G	Now processed
29	19/12/2023	30/11/2023	Disclosure breach - leaver forms received in November not processed within required legal deadline	Unknown	264	Active	Leavers must be notified of their entitlements within 2 months from the date of the initial notification	Statutory deadlines not being met Poor service to members	Now processed	None	G	Now processed

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Hackney

Title of Report	Quarterly Update Report
For Consideration By	Pensions Committee
Meeting Date	7 February 2024
Classification	Public
Ward(s) Affected	All
Group Director	Jackie Moylan-Interim Group Director, Finance

1. **Introduction**

1.1. This report is an update on performance across the following key areas since the last meeting:

- Governance
- Funding and any changes in participating employers
- Investment, including an update on the London CIV and implementation of the Fund's Responsible Investment policy
- Pension administration and communications update

It provides the Committee with the most recent information on the position of the Fund. Funding and investment information is provided for Q2 2023/24 as this is the most recent available. Information on Governance and Pensions administration is available up to 31st December 2023.

2. **Recommendations**

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

3. **Related Decisions**

3.1. Various previous policies and strategies agreed at Pensions Committees.

4. **Comments of the Interim Group Director of Finance**

4.1. The Pensions Committee has delegated responsibility for management of the Pension Fund. Whilst there are no direct financial 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.

4.2. The report includes monitoring the performance of the Fund's investment managers which is essential to ensure that managers are achieving performance against set benchmarks and targets. The investment performance of the Fund, together with change in the liabilities (as set out in the quarterly funding updates) are key factors in the actuarial valuation process and therefore directly impact on the contributions that the employers are required to make into the Pension Fund.

4.3. Monitoring of key administration, communication and governance targets ensures that the Fund monies are being used appropriately including ensuring that the Fund is achieving value for money.

5. <u>Comments of the Acting Director of Legal, Democratic and Electoral Services</u>

5.1. The Council's Constitution gives the Pensions Committee responsibility for various specified functions relating to management of the Council's Pension Fund, as reflected in the Committee's Terms of Reference. The Committee has delegated responsibility:

- To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pension legislation.
- To act as Scheme Manager for the Pension Fund.
- To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium term plan to deliver the objectives.

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

6. <u>Governance Update</u>

6.1. Governance strategy and policy reviews

No current updates to main strategies and policies.

6.2. Other Hackney Pension Fund governance matters

Changes to the Pensions Committee, Pensions Board and Senior Officers since the last report:

- Senior Officers – Rachel Cowburn leaves the Fund in March 2024, to be replaced by Michael Honeysett on an interim basis.

Changes in staffing/resourcing - The following key pension team staff and supplier changes occurred since the last report:

- Staff Joiners: None
- Staff Leavers: None
- Supplier update: Hymans Robertson have been appointed as Benefits and Governance consultants to the Fund, and have also been reappointed as the Fund Actuary. The appointments took place through a procurement exercise which concluded in November 2023.

6.3. *Knowledge and Skills Policy implementation*

The following training has taken place since the last report.

- The Pensions Committee undertook training in Administration on 16 November 2023. This was a half day workshop which gave the Pensions Committee an overview of the key role of the administration service and how the service is delivered.
- The Committee also undertook training on Impact Investing and Property on 15 January 2024. This was a 2 hour session providing a refresher on investment in the LGPS, followed by a more detailed look at impact investing, investment in housing and the Stewardship Code.
- Both training sessions were also attended by Officers.

The training was well attended and in accordance with the Fund's policy requirements.

6.4. Cyber Security

Cyber threats continue to be a major risk for organisations and are increasingly being recognised as a threat to pension schemes. In its guidance issued in April 2018 and in the draft new Code of Practice, the Pensions Regulator (TPR) explains that pension schemes should take appropriate measures to protect against this risk, including assuring themselves that all third-party providers have put sufficient controls in place in relation to cyber security. The Fund has an ongoing programme of work to ensure it is managing its cyber risk. The current key areas of focus include:

- A Fund specific Incident Response Plan is currently being drafted which will dovetail with the Council's Business Continuity Plan. This will provide a set of guidelines for the effective management of a cyber related incident.
- Cyber induction training for all newer Pension Committee and Board members is due to take place later this year as part of the Fund's training requirements set out in its Knowledge and Skills policy.

- The next supplier assessments to assess cyber resilience will be in relation to Hymans Robertson as Fund actuary, the London CIV as the Fund's asset pool and Northern Trust as its custodian.

There have been no new cyber security related incidents since the last meeting

Other governance related developments and news

6.5. Scheme Advisory Board (SAB) update

The SAB met on 4 December 2023 and a summary note of the meeting can be found here: https://www.lgpsboard.org/index.php/about-the-board/board-updates. The main areas covered in the meeting were:

- The Autumn Statement
- Surplus Statement
- Board budget and workplan
- HM Treasury Cost Control Mechanism
- Annual Reporting guidance
- Sharia law and the LGPS

6.6. SAB commissioned report on the LGPS and Sharia law
The Board commissioned Mufti Faraz Adam of Amanah Associates, an Islamic finance expert, to produce a report on Sharia law and the LGPS to address any possible legal risk for scheme employers and to ensure the scheme is as inclusive as possible. The Board secretariat recently received the report and thanked Mufti Faraz Adam for providing a comprehensive and considered opinion. The Board will now go back to Counsel for a follow-up opinion and will consider this advice alongside the full report, which can be found here https://lgpsboard.org/images/Reports/ShariaandLGPS/An_Opinion_on_the_Shariah_Compliance_of_LGPS.pdf

6.7. **The Pension Regulator's (TPR) General Code of Practice ('the Code')**
The Code has been laid in Parliament and is expected to come into force on 27th March 2024. It replaces Code of Practice 14 for Public Sector Pension Schemes and brings together 10 previous TPR Codes into one single Code. The Fund is studying the Code closely to identify any new requirements. Clarity is required on which parts of the Code specifically apply to the LGPS and what these mean for funds and how they should be applied in practice. The SAB has said that it will support funds in understanding any new requirements in the Code and where needed, will produce new or update existing guidance to assist funds with their responsibilities. Details of the new Code can be found on TPR's website: Single code of practice consultation | The Pensions Regulator

6.8. Procurement

The tendering process for the Fund's Actuarial Services contract and Benefits and Governance contract is now complete. Final decisions were taken by the Pensions Committee on 28 November 2023 with both contracts being awarded to Hymans Robertson.

7. Funding Update

7.1 Funding strategy and policy reviews

The Small Employers Admission Policy is going out for employer consultation and will be brought back to Pensions Committee for final approval once the consultation is concluded.

7.2 Other Hackney Pension Fund funding matters

Appendix 1 to this report provides the funding update for the quarter to 30 September 2023 from the Fund's Actuary, Hymans Robertson. The key statistics are as follows:

	31/3/2022 (last valuation date)	30/06/2023 (last quarter)	30/09/2023 (most recent quarter)
Funding level (assets / liabilities)	106%	138%	137%
Surplus/(deficit)	£100M	£520M	£500M

7.3 The results shown above are estimates based on rolling forward the Fund's funding position from 31 March 2022, allowing for market conditions but not for the effect of changes in the membership profile since 31 March 2022. The key driver of the changes since March 2022 have been movements in gilt yields, which have increased since the valuation. Whilst asset values have reduced since the valuation date, the drop in liability values as a result of rising gilt yields has more than compensated, resulting in an increase in the estimated funding level.

7.6. Changes to participating employers: The following changes occurred during the quarter to 30 September 2023:

- New Employers to the Fund –
  Community Schools Trust (01/09/2023)
  Skinners Academies Trust (01/09/2023)
  Olive Dining - Millfields (01/09/2023)
  Harrison Catering Services - Mossbourne (01/09/2023)
  CleanTec Services - Shoreditch Park (20/08/2023)

- Employers leaving the Fund –
  Compass (Cardinal Pole) Chartwells (31/08/2023)

7.7 **Other funding related developments and news**

SAB Statement on Surpluses
In December 2023 the Scheme Advisory Board issued a statement on the topic of fund surpluses. The statement follows the improvement in funding levels experienced by many LGPS funds at the 2022 valuation and the subsequent market movements which have resulted in further increases for many. The statement is intended to emphasise the importance of contribution rate stability and assist funds in managing employer expectations at a time of significant financial challenge for many. The statement can be found on the SAB's website here:
https://lgpsboard.org/images/Other/SAB_Statement_on_Surpluses.pdf

SAB Guidance on Academy Conversions
In October 2023, the SAB issued guidance on common actuarial approaches used by LGPS funds on a local authority school's conversion to academy status. The guidance was prepared in response to a recommendation in the s13 Report on the 2019 fund valuations, produced by the Government Actuary's Department (GAD). The guidance can be found on the SAB website here:
https://lgpsboard.org/images/Guidance/Oct2023SABGuidanceonAcademyConversions.pdf

8. Investment including LCIV and RI update

8.1 **Investment strategy and policy reviews**

Work on the Fund's investment strategy review will continue into 2024/25. At the March 2024 Committee meeting, it is intended that the Committee will give further consideration to implementation of the impact property allocation previously agreed.

8.2 **Other Hackney Pension Fund investment matters**

Investment performance update

Appendix 2 to this report provides a manager performance update from the Fund's Investment consultants, Redington for the quarter to 30 September 2023. The report includes an analysis of quarterly, 1 year and 3 year and since inception performance against benchmark, and a brief commentary on performance for each mandate.

This was a challenging quarter in markets, as the "higher for longer" interest rates messaging coming from central banks began to hit home. The LCIV Global Alpha Growth Paris-aligned Fund, LCIV Sustainable Equity Fund, LCIV Diversified Growth Fund, LCIV EM Equity Fund, Blackrock World Equity and the BMO bond mandate all delivered negative returns over the quarter. The Blackrock Short Bond FUnd, Blackrock Low Carbon and Threadneedle TPEN Property funds delivered positive returns. The Threadneedle Low Carbon Property Fund is now in wind-down, with the underlying properties being sold.

The Blackrock Short Bond Fund was the best performer in absolute terms, returning 1.3%, whilst the Threadneedle TPEN Property Fund delivered the strongest excess return above benchmark, at 0.6% (0.2% total return).

4 funds delivered returns below the benchmark - LCIV GAGPA Fund (-4.3%, -5.1% relative to benchmark), LCIV Sustainable Equity Fund (-1.0%, -1.5% relative to benchmark), LCIV Diversified Growth Fund (-2.2%, -4.3% relative to benchmark), LCIV EM Equity Fund (-1.7%, -2.9% relative to benchmark), .

In monitoring performance, particular attention is paid to funds or mandates that have seen sustained below benchmark performance. London CIV are due to attend the March Pensions Committee to discuss the performance of the LCIV GAGPA and Sustainable Equity Funds, which have each seen a lengthy period of underperformance.

A wider market update is included at Appendix 3.

Responsible investment update

The Fund agreed a new set of climate targets in March 2023. As part of its journey towards net zero, the Fund has set the following targets for 2030:

- Achieve a 50% carbon footprint (scope 1&2) by 2030 compared to 2023 carbon footprint as the baseline.
- Target a 2C portfolio by 2030 with a 1.5C goal for 2040.
- Allocate no less than 10% of Fund assets to climate solutions over the next 5 years in line with the Strategic Asset Allocation (SAA) changes subject to fiduciary duties

Progress against these targets will be monitored on an annual basis.

Work has begun on developing a new engagement framework for the Fund to support a Stewardship Code submission in Autumn 2024. A meeting of the RI Working Group to support this work will take place prior to the March Committee. The group will consider what type of engagement model would best suit the Fund's priorities and resources and which areas should be prioritised.

The Pensions Committee has also 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). We receive updates from LCIV where managers have deviated from LAPFF's voting recommendations and report these in this section; none have been received since the previous report.

At present we only receive this information from London CIV, but Officers will also explore options to strengthen the Fund's approach to voting in the passive mandates held by BlackRock.

The LAPFF Quarterly Engagement report is attached at Appendix 4 to this report, setting out LAPFF's engagement activity over the Quarter in relation to environmental, social and governance issues. Following the restructuring of its equity portfolio, the Fund no longer retains any segregated mandates and therefore has no direct holdings in the companies referenced. It does, however, retain exposure via its pooled passive funds to a large number of the companies LAPFF engages with.

8.3 **Other investment related developments and news**

DLUHC Investments Consultation response

Alongside the Chancellor's Autumn Statement, the response to the "next steps on investments" consultation was published by DLUHC on 22 November 2023. The response largely adopts the measures the government originally consulted on, with the following summary provided:

"After having considered the responses, the government will now implement the proposals that we set out in the consultation to accelerate and expand pooling, and increase investment in levelling up and in private equity. We will:

- set out in revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their ISS assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled
- revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation
- implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy
- revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark
- make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling
- amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan
- revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity."

The full response can be found on Gov.uk:
https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/outcome/local-government

-pension-scheme-england-and-wales-next-steps-on-investments-government-response

9. Pensions Administration and Communications Update

9.1 Administration and communications and strategy policy reviews

The Pension Tax Communication Strategy was due to be reviewed but has been delayed by the McCloud remedy and guidance around tax implications. This has been further delayed due to the changes in the LTA regime. An update can be given at the next meeting.

The Over and underpayment policy has been revised as part of the regular triennial review process for this policy. The updated policy is included on this Committee agenda for review and approval by the Pensions Committee.

9.2 Other Hackney Pension Fund administration and communication matters

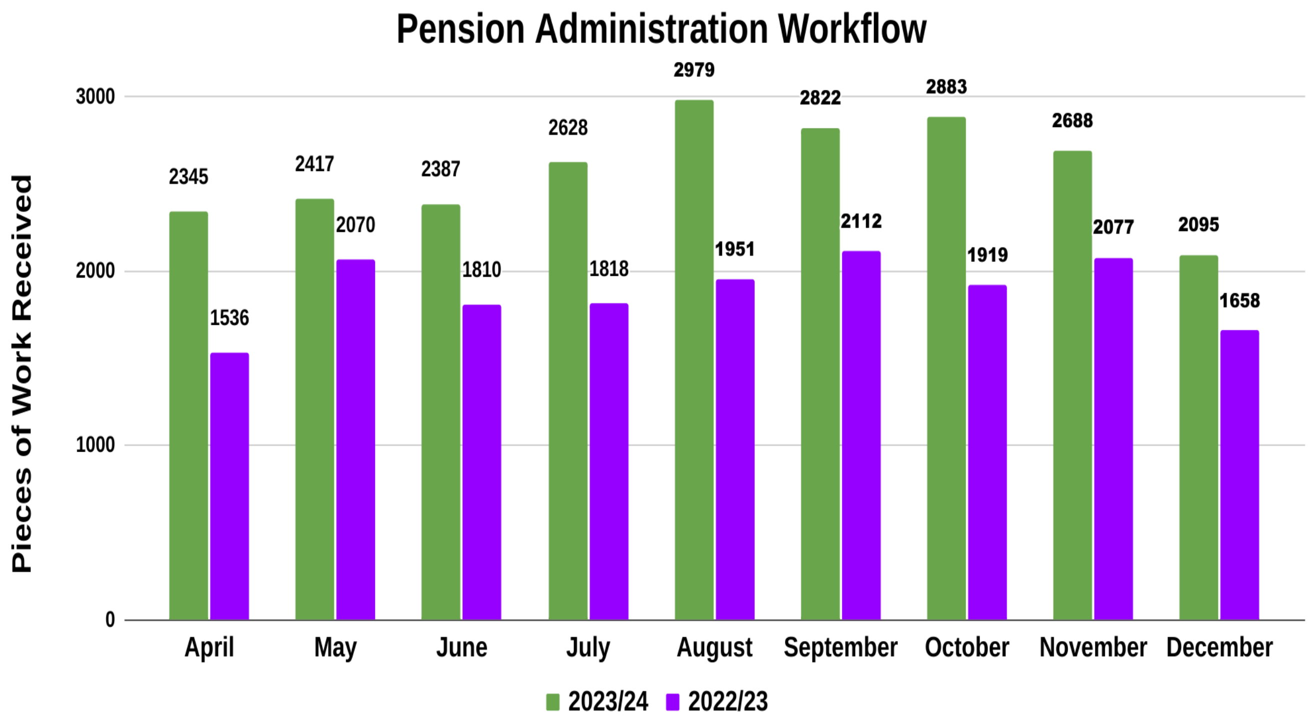
Equiniti Monthly Monitoring

The current contract in place with Equiniti has resulted in some changes to performance measures. Monthly reporting is now required on the basis of a large number of service level agreement standards (SLAs). The graph in 9.3 reflects this reporting change, showing from the beginning of the financial year 1 April 2023.

In addition to the reporting changes the SLA timeframes are also being revised to bring them in line with new SLAs under the contract. Equiniti have now confirmed they have amended their work management system to capture these and these are now captured from December 2023 reporting onwards.

Case levels

During 2023/24 (the green bars) EQ have seen significantly higher new cases received when compared to the same period in 22/23. It is also evident that the usual slight decrease seen in the high summer months and around Christmas did not occur during 23/24



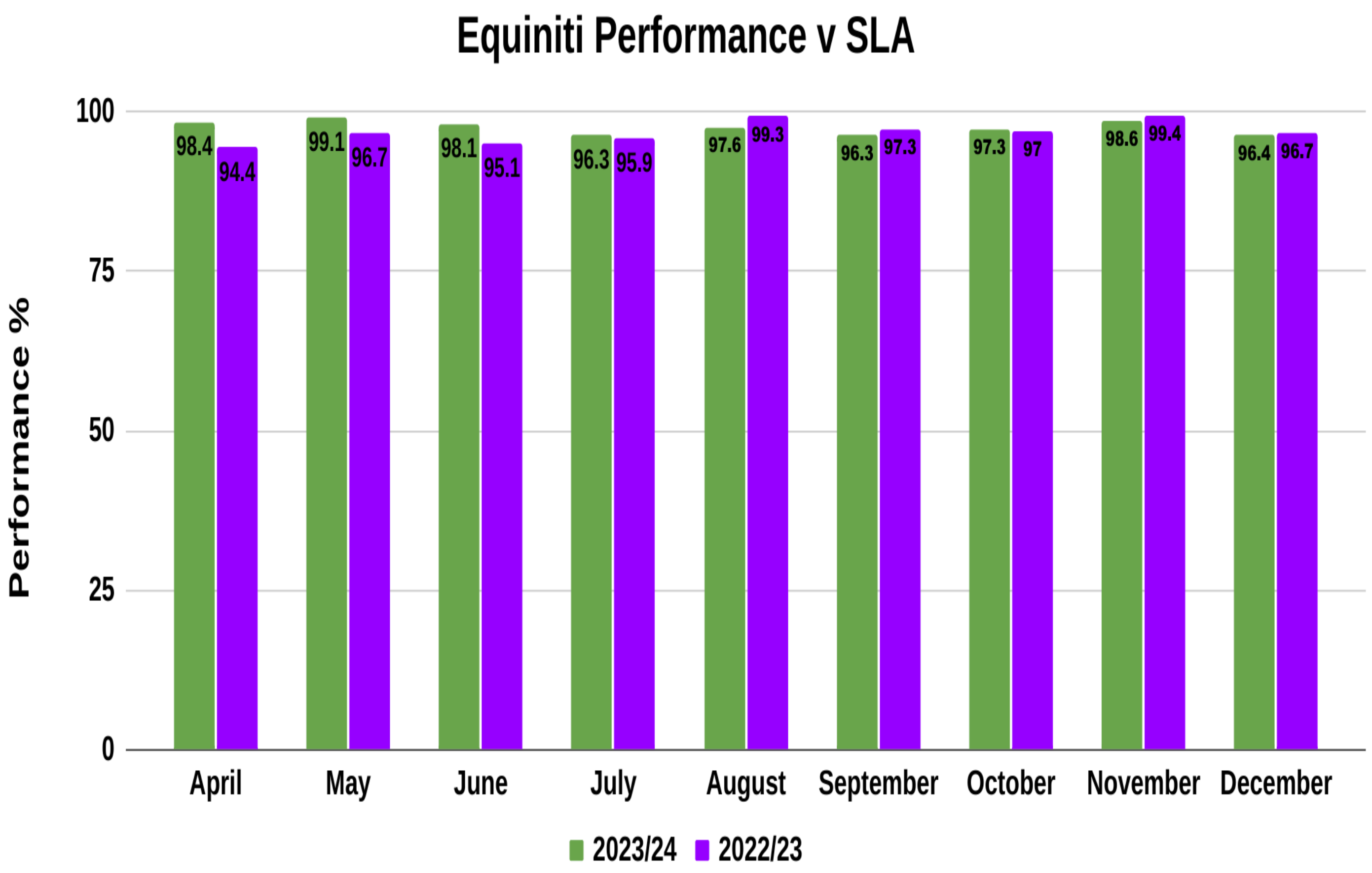
9.3 *SLA monitoring*

The contract with Equiniti includes a large number of service level agreement standards (SLAs). The SLAs 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.

The following graph shows Equiniti's performance in these areas since April 2023 (the green bar) and shows the comparable position last year (the purple bar). The graph shows the overall SLA performance against all service level agreement standards in place.

An averaged SLA of 97.6% was achieved for the reporting period, compared to 96.9% for the same period last year.



9.4 *Communications*

McCloud Disclosure Communication

The new rules from 1 October 2023 constitute a 'material change to basic scheme information'. To satisfy the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, administering authorities must tell all members who might be affected by the changes about them. They must do this within three months of the changes taking effect.

As such, in mid December 2023 all Hackney Fund members were sent a leaflet informing them of the scheme regulation amendments made in order to implement the McCloud remedy.

Pre Retirement Seminars

The Pensions Team arranges 'Pre-retirement workshops' with a company called Affinity Connect, aimed at members who are thinking of retiring within the next 2 to 5 years. These workshops are held remotely with Affinity providing the facilitator, learning material and bookings free of charge. These are currently being held on a monthly basis and feedback received has been positive.

Annual Benefit Statements

There is a legal timescale for issuing annual benefit statements to all active and deferred members of the scheme, which is 31 August. This is a major exercise carried out by Equiniti, but it relies on all the Fund's employers providing them with pensions information relating to the scheme members in a timely manner.

As a result of previous lessons learnt the process was improved this year with increased communication and coordination between the different teams involved in the process within Equiniti. The internal controls and processes, plus increased automation of the system has also been undertaken.

Statements have been issued by the legal deadline this year as outlined below:

- Active member benefit statements 6,595 (which also includes any pension credit members). Some 700 records were suppressed due to having a flag on the system as a potential unsolved leaver/change in status is yet unknown.

Equiniti continued to work through these queried records and the active statements now issued totals 6,909. Others were found to be leavers and therefore have been finalised as leavers on the administration system and notification of deferred benefits duly sent out.

- Deferred member benefit statements
    - statements issued: 7,238
    - statements not able to be issued due to no current address: 1,585 .

Equiniti are continuing to work through circa 160 deferred records which have data queries on and if any of these do require a statement these will be issued as and when the query is resolved by the business as usual team

As a result of the outstanding queries a breach has been reflected in the breaches register and the Fund has decided that the breach was not significant enough to make a report to the Pensions Regulator.

9.5 *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.
- Stage 2 IDRP's are determined by the Group Director, Finance taking external specialist technical advice from the Fund's benefits consultants.

Stage 1 – Four applications were submitted during the reporting period. Two were against the employer/former employer for an ill health decision, both were partially upheld and sent back to the employer/former employer for further occupational health assessment. The third is against the administering authority in relation to a cohabiting pension and was not upheld. The fourth is in relation to a refund and taxation issue and was not upheld.

Stage 2 – One application was submitted during the reporting period. It is against the administering authority in relation to a Pension Saving Statement issue and investigations are still ongoing.

9.6 *Third Party Administration Implementation Update*

As previously confirmed, extension of the Fund's third party administration services contract with Equiniti for 3 years from 1st January 2023 was agreed and signed on 28 February 2023. The Fund is now working with Equiniti on the delivery of the software upgrade. The migration to the new software has been delayed. Once new timeframes have been proposed a further update will be given at the next meeting.

9.7 *McCloud Programme Update*

Regulatory position

Following the "McCloud" regulations being laid on 8 September 2023 and coming into force on 1 October 2023, further guidance and resources have been issued as follows:

- On 3 October 2023, the Local Government Association (LGA) issued template letters guidance for administrators along with creating a dedicated McCloud area on their website.
- On 12 October 2023, the Department of Levelling up, Housing and Communities issued draft prioritisation guidance setting out how LGPS cases affected by the McCloud remedy should be prioritised. This guidance will now be consulted on early in 2024, with a final version expected to be issued by the end of March 2024.
- On 15 November the LGA issued phase 1 of its administrator guidance which includes worked examples. The guide is being released in stages due to the breadth and complexity of the McCloud remedy project. Later versions will include 'other types of calculations' and 'revisiting past calculations'.
- On 25 January 2024 the Government Actuary's Department issued new guidance about how the McCloud remedy will affect early/late retirement and transfer calculations.

Regulations are still required in order to effectively implement the remedy for teachers excess service and it is expected that there will be a technical consultation on these in due course.

Workstream update
All workstreams are progressing, with regular meetings being attended by key Hackney pensions officers and representatives from Equiniti and Aon.

Whilst the overall project is still running slightly behind 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 continues to change. Now that the regulations have been published many actions that were previously ‘on hold’ are being progressed. A further update will be provided at the next Committee meeting.

9.8 *Pension Saving Statements for tax year 2022-23*

The Finance Act 2006 sets out that individuals can only save up to £40,000 for the 2022-23 tax 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 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.

Given problems encountered in previous years extra checks and controls were put into place to ensure that the statements went out right first time. This did result in the statutory deadline being missed, however the confidence in the statements provided this year was much higher and the queries received vastly less than in previous years.

There were 25 statements issued on 25 October. An additional 1 statement was issued in November. This statement required additional technical assurance from the Fund benefit consultants. The overall number of statements issued this year was lower, as expected than the previous year due to the change in the revaluation date and the inflationary measure used in the calculations being high.

9.9 **Other administration and communications related developments and news**

LGPS statistics for 2022/23 published

On 25 October 2023, DLUHC published the LGPS statistics for England and Wales: 2022 to 2023. Highlights include:

• total expenditure was £15.2 billion, an increase of 5.1 per cent on 2021/22
• total income was £17.3 billion, an increase of 8.5 per cent on 2021/22

• employers' contributions amounted to £8.4 billion, an increase of 7.8 percent on 2021/22
• employee contributions were £2.8 billion, an increase of 9.5 per cent on 2021/22
• the market value of the LGPS funds at the end of March 2023 was £357.2 billion, a decrease of 1.9 per cent
• there were 6.2 million scheme members on 31 March 2023: 2 million active members, 1.9 million pensioners and 2.3 million deferred members
• there were 87,129 retirements, a decrease of 8 per cent compared with 2021/22.

HMT confirms LTA abolition next April

HM Treasury (HMT) announced in the Autumn Statement on 22 November 2023 that it will legislate in the Finance Bill 2023 to fully abolish the lifetime allowance (LTA) from 6 April 2024. On the same day, it also published a policy paper explaining:

• how lump sums and lump sum death benefits will be taxed without the LTA
• what will happen to people with LTA protections, lump sum protections or LTA enhancement factors
• the function of benefit crystallisation events
• the tax treatment of transfers to qualifying recognised overseas pension schemes
• the transitional arrangements
• the reporting requirements.

On 29 November 2023, HMT published the draft Finance Bill 2023.

Court of Appeal rule TPO is not a competent court

The Court of Appeal has ruled in the case of The Pensions Ombudsman v CMG Pension Trustees Limited & Anor that the Pensions Ombudsman (TPO) is not a 'competent court' for the purposes of enforcing a dispute regarding a monetary obligation under section 91(6) of the Pensions Act 1995.

This could affect how overpayments are recouped and monetary obligations due to misconduct are recovered from pension benefits when there is a disagreement over the amount. A TPO decision that allows recoupment / recovery may not be enough for enforcement; an order from a county court or another competent court may be needed.

TPO has since expressed its disappointment about ruling that it is not a competent court. The Department for Work and Pensions is supporting legislative changes to formally empower TPO to bring these disputes to an end without needing a County Court Order. In the meantime, TPO has been working with stakeholders across the sector to review the management of such disputes to minimise the additional time and cost that has been added to the process. It has also published a recovery in overpayment cases factsheet to provide guidance to help schemes manage these disputes

Appendices

Appendix 1 – Funding Update - Hymans Robertson
Appendix 2 – Investment Performance Report - Redington
Appendix 3 – Markets Update - Redington
Appendix 4 – LAPFF Engagement Report

Background documents

None

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London Borough of Hackney Pension Fund

Funding update report at 30 September 2023

This report is addressed to the Administering Authority of the London Borough of Hackney Pension Fund. This document should be read in conjunction with the fund's current Funding Strategy Statement.

The purpose of this report is to provide the funding position of the London Borough of Hackney Pension Fund as at 30 September 2023 and show how it has changed since the previous valuation at 31 March 2022. This report has not been prepared for use for any other purpose and should not be so used. The report should not be disclosed to any third party except as required by law or regulatory obligation or with our prior written consent. Hymans Robertson LLP accept no liability where the report is used by or disclosed to a third party unless such liability has been expressly accepted in writing. Where permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses the advice and the basis on which it is given.

The figures presented in this report are prepared only for the purposes of providing an illustrative funding position and have no validity in other circumstances. In particular, they are not designed to meet regulatory requirements for valuations.

This report also contains the data and assumptions underlying the results and the reliances and limitations which apply to them.

1 Results

1.1 Funding position update

The table below shows the estimated funding position at 31 March 2022 and 30 September 2023.

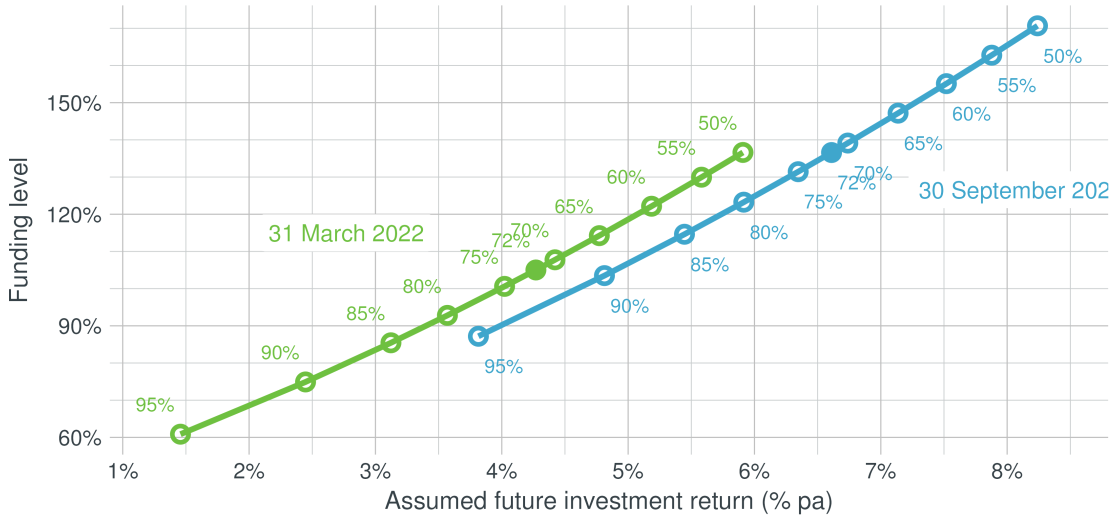
Please note that the asset value at 30 September 2023 shown in this report may differ to the actual asset value at that date because it is an estimate based on estimated cashflows (see section 3.2) and estimated investment returns (see section 3.3). However, the estimated value is consistent with the liabilities and therefore gives a more reliable estimate of the funding position than the actual asset value at the same date.

The table also shows what assumed investment return would be required at each date for the deficit to be exactly zero, along with the likelihood of the investment strategy achieving this return. An increase in this likelihood corresponds to an improvement in the funding position.

Monetary amounts in £bn	Ongoing basis	
	31 March 2022	30 September 2023
Assets	1.96	1.86
Liabilities		
– Active members	0.53	0.38
– Deferred pensioners	0.47	0.31
– Pensioners	0.86	0.68
Total liabilities	1.86	1.36
Surplus/(deficit)	0.10	0.50
Funding level	106%	137%
Required return assumption (% pa) for funding level to be 100%	4.0%	4.6%
Likelihood of assets achieving this return	75%	91%

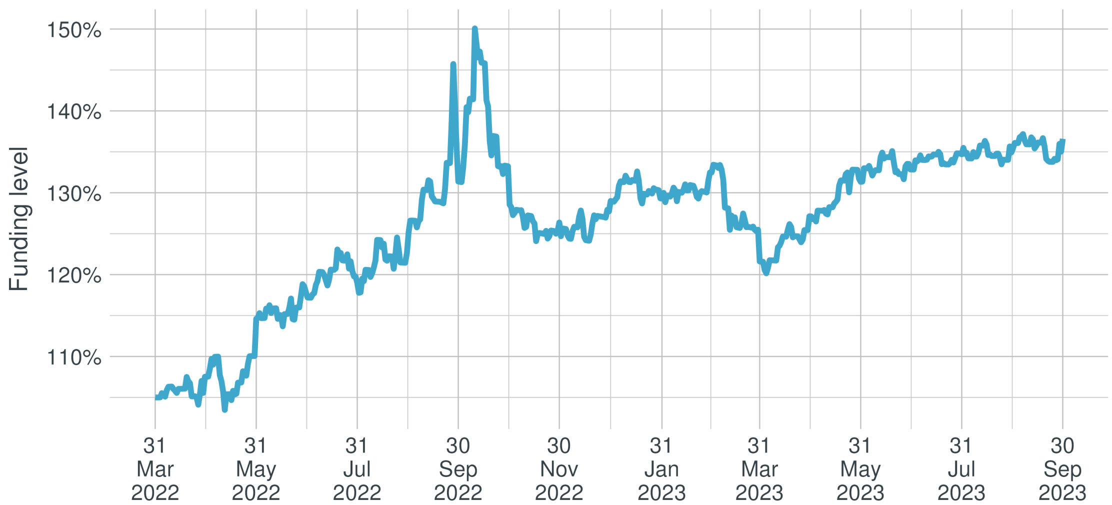
1.2 Funding level range chart

The chart below shows how the funding level varies with the assumed rate of future investment returns, comparing the position at 31 March 2022 with the updated position at 30 September 2023 . The percentages next to each point show the likelihood of the investment strategy achieving that return (for further details see section 3.4). The solid coloured point indicates the assumed future investment return and funding level on the Ongoing basis.



1.3 Funding level progression

The chart below shows the estimated funding level (ratio of assets to liabilities) over time between 31 March 2022 and 30 September 2023. It allows for changes in market conditions and other factors described in Appendix A. If the fund has moved to a different basis since 31 March 2022 this may give rise to step changes in the funding level on the date of the change.



2 Next steps

2.1 Understanding the results

The results at 30 September 2023 in this report are estimates based on rolling forward the fund's funding position from 31 March 2022. You should understand the methodology and limitations of this approach described in appendices A and B.

Decisions should not be based solely on these results and your Hymans Robertson LLP consultant should be contacted to discuss any appropriate action before any is taken. Please also bear in mind that the information is estimated and consider other factors beyond the funding level or surplus/deficit. These could include, but are not limited to, changes to investment strategy, membership profile and covenant strength (where relevant).

Please get in touch with your usual Hymans Robertson contact if you wish to discuss the results in this report further.

3 Data and assumptions

3.1 Membership data

The membership data underlying the figures in this report was supplied by the fund for the purpose of the valuation at 31 March 2022 and is summarised below:

31 March 2022	Number	Average age	Accrued benefit (£k pa)	Payroll (£k pa)
Active members	7,275	53.0	33,231	210,226
Deferred pensioners	10,921	53.6	26,185	
Pensioners and dependants	7,788	68.9	55,902	

The membership is assumed to evolve over time in line with the demographic assumptions described in the Funding Strategy Statement. Please see Appendix A for details of the rollforward methodology which includes the estimated changes in membership data which have been allowed for.

3.2 Cashflows since the valuation at 31 March 2022

We have allowed for the following cashflows in estimating the assets and liabilities at 30 September 2023. Cashflows are assumed to be paid daily. Contributions are based on the estimated payroll, certified employer contributions (including any lump sum contributions) and the average employee contribution rate at 31 March 2022. Benefits paid are projections based on the membership at 31 March 2022.

Estimated cashflows (£k)	31 March 2022 to 30 September 2023
Employer contributions	36,724
Employee contributions	22,832
Benefits paid	108,049
Transfers in/(out)	0

3.3 Investment returns since the valuation at 31 March 2022

Investment returns are based on actual returns where available and index returns otherwise.

Investment strategy	Actual/index	From	To	Return
Whole fund	Actual	1 April 2022	30 June 2023	(2.96%)
Whole fund	Index	1 July 2023	30 September 2023	0.13%

The total investment return for the whole period is (2.84%).

3.4 Financial assumptions

The financial assumptions used to calculate the liabilities are detailed below. For further details please see the Funding Strategy Statement.

Assumption	31 March 2022	30 September 2023
Funding basis	Ongoing	Ongoing
Discount rate methodology	Expected returns on the Whole Fund strategy over 20 years with a 72% likelihood	Expected returns on the Whole Fund strategy over 20 years with a 72% likelihood
Discount rate (% pa)	4.3%	6.6%
Pension increase methodology	Expected CPI inflation over 20 years with a 50% likelihood	Expected CPI inflation over 20 years with a 50% likelihood
Pension increases (% pa)	2.7%	2.3%

Salary increases are assumed to be 0.5% pa above pension increases, plus an additional promotional salary scale.

3.5 Demographic assumptions

Demographic assumptions are set out in the Funding Strategy Statement. All demographic assumptions, including longevity assumptions, are the same as at the most recent valuation at 31 March 2022.

Life expectancies from age 65, based on the fund's membership data at 31 March 2022, are as follows. Non-pensioners are assumed to be aged 45 at that date.

	Ongoing basis	
Life expectancy from age 65 (years)	**Male**	**Female**
Pensioners	21.5	24.2
Non-pensioners	22.8	25.8

Appendix A - Technical information

A.1 Funding update methodology

The last formal valuation of the fund was carried out as at 31 March 2022. The results in this report are based on projecting the results of this valuation forward to 30 September 2023 using approximate methods. The rollforward allows for

- estimated cashflows over the period as described in section 3.2;
- investment returns over the period (estimated where appropriate) as described in section 3.3;
- changes in financial assumptions as described in section 3.4;
- estimated additional benefit accrual.

The CARE, deferred and pensioner liabilities at 30 September 2023 include a total adjustment of 7.2% to reflect the difference between actual September CPI inflation values (up to 30 September 2022) and the assumption made at 31 March 2022. The adjustment for each year's actual inflation is applied from 31 October that year, cumulative with prior years' adjustments, which may lead to step changes in the funding level progression chart.

In preparing the updated funding position at 30 September 2023 no allowance has been made for the effect of changes in the membership profile since 31 March 2022. The principal reason for this is that insufficient information is available to allow me to make any such adjustment. Significant membership movements, or any material difference between estimated inputs and actual ones, may affect the reliability of the results.The fund should consider whether any such factors mean that the rollforward approach may not be appropriate.

No allowance has been made for any early retirements or bulk transfers since 31 March 2022. There is also no allowance for any changes to Local Government Pension Scheme (LGPS) benefits except where noted in the formal valuation report or Funding Strategy Statement.

A.2 Sensitivity of results to assumptions

The results are particularly sensitive to the real discount rate assumption (the discount rate net of pension increases) and the assumptions made for future longevity.

If the real discount rate used to value the accrued liabilities was lower then the value placed on those liabilities would increase. For example, if the real discount rate at 30 September 2023 was 1.0% pa lower then the liabilities on the Ongoing basis at that date would increase by 17.4%.

In addition, the results are sensitive to unexpected changes in the rate of future longevity improvements. If life expectancies improve at a faster rate than allowed for in the assumptions then, again, a higher value would be placed on the liabilities. An increase in life expectancy of 1 year would increase the accrued liabilities by around 3-5%.

Appendix B - Reliances and limitations

The last formal valuation of the fund was carried out as at 31 March 2022 and these calculations rely upon the results of that valuation. The reliances and limitations that applied to that valuation apply equally to these results. The results of the valuation have been projected forward using approximate methods. The margin of error in these approximate methods increases as time goes by. The method may not be appropriate if there have been significant data changes since the previous formal valuation (for example redundancy exercises, significant unreduced early retirements, ill health retirements and bulk transfers). The methodology assumes that actual experience since the valuation at 31 March 2022 has been in line with our expectations.

The data used in this exercise is summarised in section 3. Data provided for the purposes of the formal valuation at 31 March 2022 was checked at the time for reasonableness and consistency with other sources. Data provided since then (eg actual investment returns) has been used as-is. The data is the responsibility of the Administering Authority and the results rely on the data.

The results in this schedule are based on calculations run on 29 January 2024 using the data set out in section 3. Any other factors coming to light after this report was prepared have not been allowed for and could affect the results. If any data has materially changed since 29 January 2024 the results could be materially different if they were recalculated.

Some financial assumptions may be based on projections from our Economic Scenario Service (ESS) model which is only calibrated at each monthend. Results between monthends use the latest available calibration, adjusted in line with the movement in market conditions. This adjustment is approximate and there may be step changes at monthend dates when a new ESS calibration is factored in.

The methodology underlying these calculations mean that the results should be treated as indicative only. The nature of the fund's investments means that the surplus or deficit identified in this report can vary significantly over short periods of time. This means that the results set out should not be taken as being applicable at any date other than the date shown.

As with all modelling, the results are dependent on the model itself, the calibration of the underlying model and the various approximations and estimations used. These processes involve an element of subjectivity and may be material depending on the context. No inferences should be drawn from these results other than those confirmed separately in writing by a consultant of Hymans Robertson LLP.

Decisions should not be based solely on these results and your Hymans Robertson LLP consultant should be contacted to discuss any appropriate action before any is taken. Hymans Robertson LLP accepts no liability if any decisions are based solely on these results or if any action is taken based solely on such results.

This report complies with the relevant Technical Actuarial Standards.

REDINGTON

Hackney

MANAGER PERFORMANCE REPORT

Q3 2023

Private and Confidential

Certified B Corporation

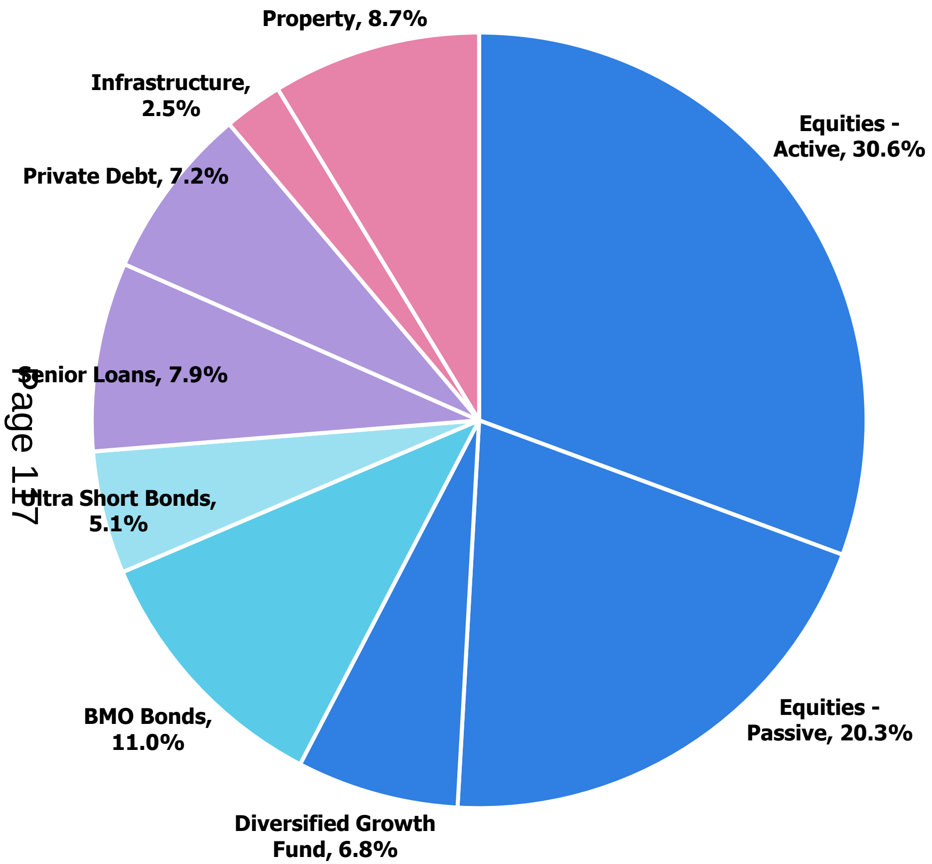
bsi. ISO/IEC 27001 Information Security Management

QAS Institute and Faculty of Actuaries ® Quality Assurance Scheme

CONTENTS

CURRENT PORTFOLIO POSITION

Asset Allocation (30 Sep 23)



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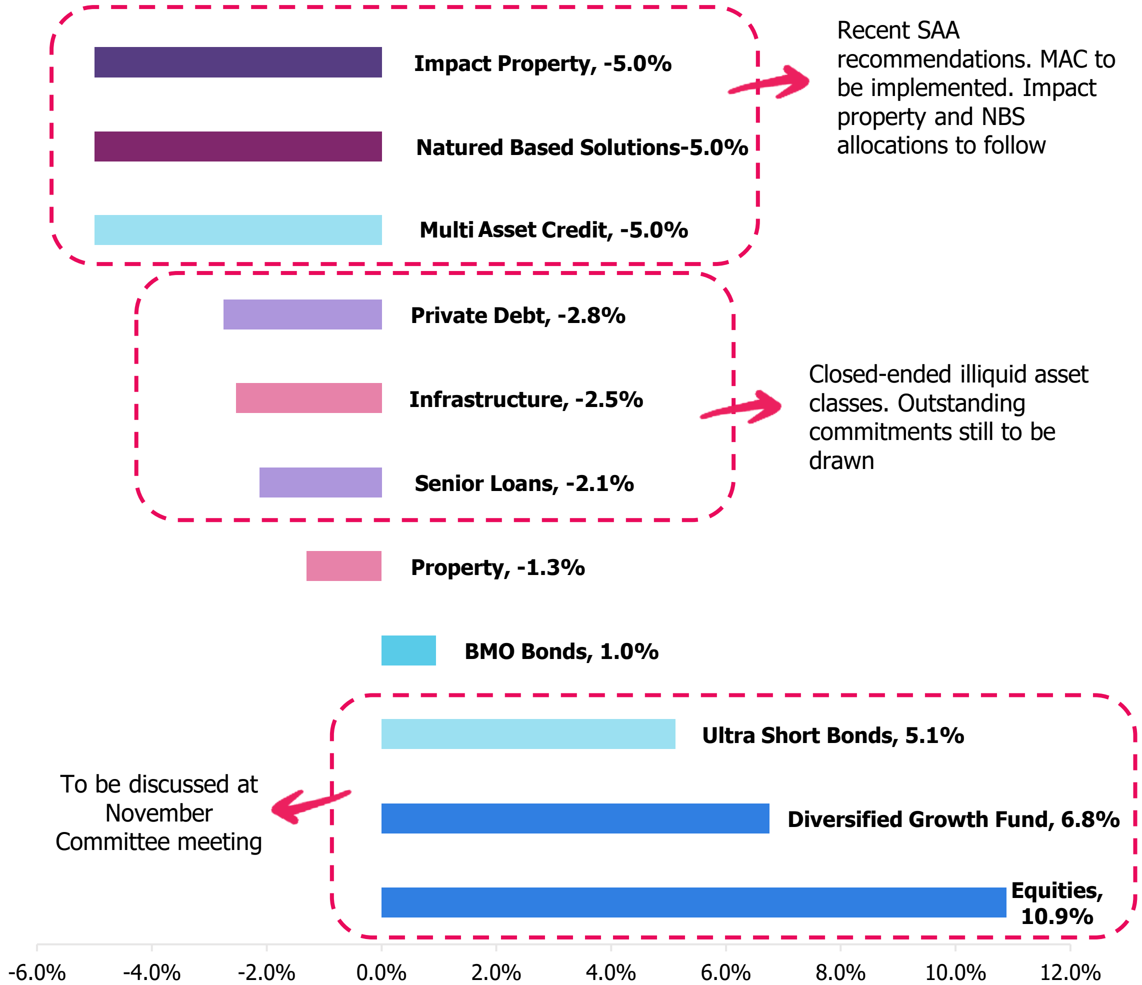
Asset class holdings relative to SAA (30 Sep 23)



WHAT HAS HAPPENED IN THE MARKETS?

Pete Drewienkiewicz (CIO, Global Assets)

Market Summary

After a strong first half of the year, risk assets saw a more challenging Q3 as markets finally digested the "higher for longer" message from global central banks. Yield curves across developed markets moved meaningfully higher over the quarter even as the pace of rate hikes slowed, helping high yield bonds to outperform higher-quality corporate debt. The Fed and Bank of England now appear to be close to the end of their respective hiking cycles, although a prolonged period of above-target inflation or even stagflation remains a risk.

Sustainable Investment Update

The UK Government announced U-turns on several key climate change targets, claiming that the policy shifts will prevent excessive costs for the British population. One of the most notable changes was the delay in banning the sale of new petrol and diesel cars to 2035. The Taskforce on Nature-related Financial Disclosures (TNFD) final framework was published in September, while Nature Action 100 (a cousin of the already established Climate Action 100+) released their target list of companies identified for engagement on nature loss. Both initiatives aim to help asset owners and managers better consider nature and biodiversity within their investment activities.

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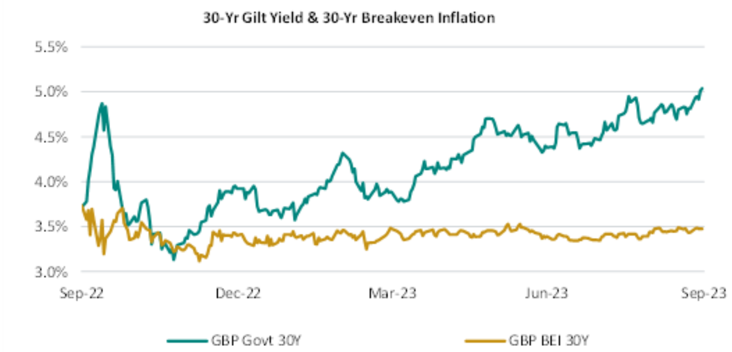

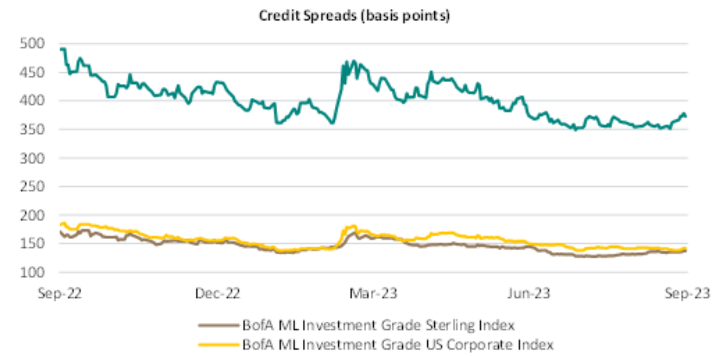

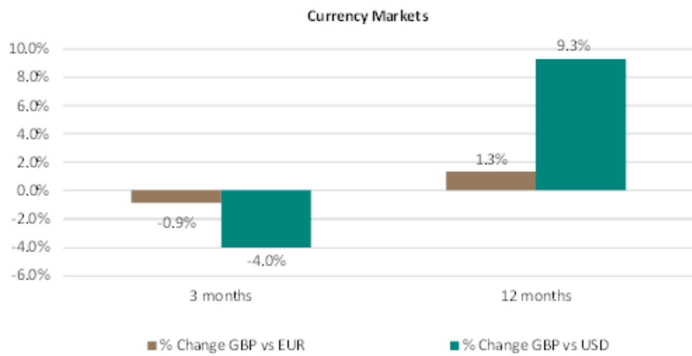

VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Kate Mijakowska** **UK Gilts and Inflation**	In Q3 2023, UK 30-year nominal gilt yields rose 48bps. Breakeven inflation at the same tenor fell 5bps, bringing UK 30-year real yields 53bps higher. Despite both the US Federal Reserve ('Fed') and Bank of England ('BoE') pausing rate hikes in September, the market repriced for "higher for longer" rates expectations. This is driven by factors including: the Fed's messaging, continued resilience of labour markets, upcoming high net government debt supply, and in the US a higher than expected CPI print for August. In Q3, yield curve slopes also exhibited significant volatility. At the end of September 2023 in the UK, the 2-year yield sat 47bps higher than the 10-year yield. This is materially steeper than at the end of June, when the difference was 88bps. In late September, the BoE's Andrew Hauser made a speech which indicated the Bank's intention to launch a lending facility directly for non-bank financial institutions, which would include pension schemes, to aid financial stability in periods of market stress.
 **Oliver Wayne** **Liquid Markets (Equities)**	Developed markets ('DM') delivered modest positive returns in GBP over Q3, primarily due to the devaluation of GBP vs USD. The information technology sector – which includes the tech companies: Apple, Microsoft, Alphabet, Amazon, Tesla, Nvidia, and Meta, collectively known as the "Magnificent Seven" – experienced a challenging quarter, with most of these companies seeing declines in their stock prices. Despite the broader market challenges, energy stocks delivered strong positive returns. This was driven by significantly higher energy prices after Russia and Saudi Arabia cut oil production. Emerging markets ('EM') moderately outperformed DM, albeit with some dispersion from a single country perspective. From a style factor basis it was generally a good market for value managers and a more challenging market for growth investors. There was no material size effect in DM, but smaller sized companies continued to materially outperform in EM.
 **Alex Robinson** **Liquid Markets (Multi-Asset)**	It was a fairly disappointing Q3 for risk assets as investors digested the scenario of a higher for longer interest rate environment following generally stronger than expected US economic data. Equity and fixed income markets sold off as interest rates continued to climb. This move hurt a number of long-only multi-asset managers, particularly those that have been increasing duration in anticipation of a central bank pivot on interest rates. Commodities had a very strong quarter, driven by significantly higher energy prices after Saudi Arabia and Russia cut oil production. For diversified risk premia strategies, the positive performance in commodities should have helped to offset some of the poorer performance in equity and fixed income. Trend-following strategies were broadly positive, and strong performance from the value factor will have benefited those with style focused market neutral equity exposure as well. In the 'event driven' space, merger arbitrage saw strong performance in Q3 as the Amgen/Horizon Therapeutics and Activision Blizzard/Microsoft lawsuits were resolved and both deals closed, providing improved sentiment to the broader M&A space.

VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Chris Bikos** **Liquid & Semi-Liquid Credit**	Credit spreads across the quality spectrum tightened over Q3, but for long-duration assets this was not enough to compensate for the losses caused by the increase in interest rates. Sterling credit outperformed its US counterparts, and the top-performing space was short-dated sterling credit (1 to 10 years corporate credit) at c.3.5%. In July, the Fed and the European Central Bank ('ECB') raised rates by 0.25%, with the ECB continuing to hike in September. The Bank of England raised the base rate to 5.25% in August but kept rates unchanged in its September meeting. Moving to emerging markets ('EM'), EM Local was the worst-performing asset class, delivering -3.3% over the period. Performance in EM corporates was negative, but dispersion in the asset class was high, with high yield posting positive returns outperforming investment grade. The performance of EM sovereigns was negative at -2.2%, as spreads moved wider. Leveraged loans had another positive quarter, delivering positive returns in both the US and Europe despite the slight uptick in defaults. The asset class continues to benefit from its floating-rate nature and high income generation.
 **Tricia Ward** **Illiquid Credit**	Private credit dry powder exceeds $0.5tn and fundraising is down 12% year on year (Preqin). This is markedly stronger than the ~30% YoY fundraising decline across private markets in aggregate, reflecting the relative opportunity and appetite for credit. The velocity of deployment and realisation has decreased. Disciplined lenders look to high-quality borrowers able to adapt to inflationary and rate pressures to minimise margin contraction. Demand for larger deals has led to spreads narrowing by 25-50 bps. Slower realisation of capital from primary funds is driving the growth in secondary market funds, with the key objective of generating liquidity. A question raised regularly is whether the asset class has been tested – private loans were originated by the likes of CIT and GE (finance companies) prior to the 2008 Financial Crisis and tested throughout. With the increased presence of institutional investors, and increased scale and breadth of offerings, the more pertinent question is whether managers have been tested. Our expectation is for dispersion in performance.
 **Sarah Miller** **Illiquid Markets**	Across private markets, fundraising has remained well below expectations (c.26% less than Q1-Q3 2022 according to Preqin) and is currently trending to be lower than it has been for 10 years. Global M&A is also down to $2 trillion, 27% down on Q1-Q3 2022. The UK energy market has been through a period of elevated power prices over the last 18 months, which has contributed positively to infrastructure asset performance. However, this has started to come back in line with historical averages, with a number of regulatory schemes implemented to bring stability back to the market. In September, the UK Offshore Wind auction received no bids as a result of market participants believing that the maximum price set by the government for Contract for Difference contracts was too low, making projects financially unfeasible in an environment of high rates and inflation (with costs expected to have increased by 40%). UK residential property funds took stock of the scrapping of proposed updates to Minimum Energy Efficiency Standards by the UK Government, with most saying they will stick to the target of EPC C for new tenancies by 2025 and 2028 for existing tenancies.

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HOW HAVE YOUR MANAGERS PERFORMED FOR YOU?

Long Term (Since Inception and 3 Year Returns)

Fund	Benchmark	Inception Date	Current Holdings £m	Since Inception Return (Annualised if >12m)			3 Year Return (Annualised)		
				Fund	Bmk	Excess	Fund	Bmk	Excess
Liquid Markets: Equities									
LCIV Global Alpha Growth Paris Aligned Fund	MSCI All Country World Gross Index (GBP)	September 2021	197.9	-10.4%	3.2%	-13.6%	-	-	-
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	72.2	-8.0%	-6.0%	-2.1%	-	-	-
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	289.2	7.1%	9.2%	-2.1%	3.7%	10.2%	-6.4%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	123.4	-7.2%	6.1%	-13.3%	-	-	-
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	125.2	8.7%	-	-	9.3%	8.8%	0.5%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	244.7	9.3%	8.9%	0.4%	9.5%	9.1%	0.4%
Liquid and Semi-Liquid Credit									
BMO Bonds	Bond Composite	September 2003	200.0	4.0%	3.6%	0.4%	-9.9%	-10.4%	0.6%
BlackRock Short Bond	3-month SONIA	February 2019	93.5	1.9%	1.7%	0.2%	1.6%	1.5%	0.1%
Illiquid Credit									
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	61.2	6.1%	6.0%	0.1%	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	82.6	7.9%	7.0%	0.9%	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	132.3	-	-	-	-	-	-
Illiquid Markets									
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	45.0	-	-	-	-	-	-
Columbia Threadneedle Pension Property (TPEN)	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	144.1	5.6%	5.0%	0.6%	3.7%	3.2%	0.5%
Columbia Threadneedle Low Carbon Property	-	May 2016	14.7	-3.5%	-	-	-13.2%	-	-

Source: Fund Managers. Please note, BlackRock Short Bonds performance is gross of fees.
The information above describes the past performance of the investment. Past performance is not a reliable indicator of the future results or performance of any investment. If the investment described above is not denominated in pounds sterling, the return generated by the investment may increase or decrease as a result of fluctuations in exchange rates between currencies.

HOW HAVE YOUR MANAGERS PERFORMED FOR YOU?

Short Term (12 Month and 3 Month Returns)

Fund	Benchmark	Inception Date	Current Holdings £m	Previous Holdings £m	12 Month Return			3 Month Return		
					Fund	Bmk	Excess	Fund	Bmk	Excess
Liquid Markets: Equities										
LCIV Global Alpha Growth Paris Aligned Fund	MSCI All Country World Gross Index (GBP)	September 2021	197.9	206.8	4.5%	10.7%	-6.2%	-4.3%	0.7%	-5.1%
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	72.2	73.5	0.6%	2.2%	-1.6%	-1.7%	1.1%	-2.9%
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	289.2	292.1	-1.4%	11.5%	-12.9%	-1.0%	0.6%	-1.5%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	123.4	126.1	-0.7%	7.7%	-8.4%	-2.2%	2.1%	-4.3%
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	125.2	128.2	19.7%	19.2%	0.5%	-2.4%	-2.5%	0.1%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	244.7	242.9	9.5%	9.1%	0.4%	0.7%	0.7%	0.0%
Liquid and Semi-Liquid Credit										
BMO Bonds	Bond Composite	September 2003	200.0	202.0	-2.4%	-2.4%	0.0%	-1.1%	-1.0%	-0.0%
BlackRock Short Bond	3-month SONIA	February 2019	93.5	92.2	4.1%	4.1%	0.1%	1.3%	1.3%	0.0%
Illiquid Credit										
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	61.2	59.9	-	-	-	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	82.6	83.4	-	-	-	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	132.3	123.9	-	-	-	-	-	-
Illiquid Markets										
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	45.0	39.8	-	-	-	-	-	-
Columbia Threadneedle Pension Property (TPEN)	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	144.1	143.6	-12.2%	-14.3%	2.5%	0.2%	-0.4%	0.6%
Columbia Threadneedle Low Carbon Property	-	May 2016	14.7	17.3	-30.7%	-	-	-14.2%	-	-
Fund-level metrics			**1,826.0**	**1,831.7**	**1.6%**	**3.8%**	**-2.2%**	**-1.1%**	**-0.3%**	**-0.8%**

YOUR FUND DETAILS AND COMMENTS

Fund	Inception Date	Commentary on the Quarter
Liquid Markets: Equities		
LCIV Global Alpha Growth Paris Aligned Fund	September 2021	The fund delivered a return of -4.3% over Q3 2023, underperforming the benchmark by 5.1%. The fund's underperformance this quarter was largely due to its tilt towards growth-oriented stocks, which see their future cashflows discounted by a greater amount when interest rates rise. At the stock level, the largest detractors were Chewy (pet food online retailer), a payments processing company Adyen, and two luxury goods companies, Pernod Ricard and Richemont.
LCIV Emerging Market Equity Fund	September 2021	The fund delivered a return of -1.7% over Q3 2023, underperforming the benchmark by 2.9%. Across sectors, both stock selection and sector allocation detracted from the fund's performance. The largest underperformance driver was weak stock selection within financials. The portfolio's exposure to China was also a key driver of underperformance both on an absolute and relative basis.
LCIV Sustainable Equity Fund	June 2018	The fund delivered a return of -1% over Q3 2023, underperforming the benchmark by 1.5%. As with the previous quarter the main driver of underperformance in Q3 was negative attribution effects from stock selection. These effects were mainly determined by broader market forces, namely uncertainty about the path of interest rates, shorter time horizons of mainstream investors and an 'ESG intangibles' headwind. At the stock level, the biggest detractors from relative performance in Q3 were holdings in Adyen, the Dutch-based payment solutions company, Estée Lauder, the cosmetics and beauty company and AIA, Asia's leading insurance company.
LCIV Diversified Growth Fund	October 2021	The fund delivered a return of -2.2% over Q3 2023. The loss in Q3 was incurred late in the quarter, reflecting the sensitivity of the fund to the big increases in yields on government bonds in September. The manager has increased exposure to bonds this year, expecting a slower pace in monetary policy tightening. Although this has not worked well to this point, the investment manager added more capital to interest rate sensitive assets during the quarter.
BlackRock World Equity	June 2018	The fund delivered a return of -2.4% over Q3 2023, performing roughly in line with the benchmark, as expected for a passive fund.
BlackRock Low Carbon	June 2018	The fund delivered a return of 0.7% over Q3 2023, performing roughly in line with the benchmark, as expected for a passive fund.
Liquid and Semi-Liquid Credit		
BMO Bonds	September 2003	The fund delivered a return of -1.1% over Q3 2023, marginally underperforming the benchmark by 0.1%. Sterling credit assets outperformed government bonds. The fund was overweight in duration, which proved unfavourable as gilt yields rose strongly. Against this, a slight overweight in overall credit risk helped performance as credit spreads tightened.
BlackRock Short Bond	February 2019	The fund delivered a return of 1.3% over Q3 2023, performing in line with the benchmark. The fund holdings remain highly liquid, with overnight liquidity standing at around 20-25% and weekly liquidity at approximately 30%.

YOUR FUND DETAILS AND COMMENTS

Fund	Inception Date	Commentary on the Quarter
Illiquid Credit		
Churchill Senior Loans	December 2018	The net internal rate of return of the fund was 6.1% over Q3 2023, with the fund having drawn c.96% of its commitments as at 30 June 2023.
Permira Senior Loans	December 2019	The net internal rate of return of the fund was 7.9% over Q3 2023, with the fund having drawn c.87% of its commitments as at 30 June 2023.
LCIV Private Debt Fund	March 2021	As of 30 June 2023, the fund had drawn c.67% of its commitments. In accordance with the trust deed, the performance of the Fund is not formally assessed against its objective until after the fourth year of the investment period.
Illiquid Markets		
LCIV Renewable Infrastructure Fund	March 2021	As of 30 June 2023, the fund had drawn c.40% of its commitments. In accordance with the trust deed, the performance of the Fund is not formally assessed against its objective until after the fourth year of the investment period.
Columbia Threadneedle Pension Property (TPEN)	March 2004	The fund delivered a return of 0.2% over Q3 2023, outperforming the benchmark by 0.6%.
Columbia Threadneedle Low Carbon Property	May 2016	The fund delivered a return of -14.2% over Q3 2023. The fund is in wind down, with the valuations reflecting the sales prices that will be realised. Over the quarter three properties were sold at a realised gain of c.0.6% on book cost.

APPENDICES

ASSET CLASS GROUPINGS

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UK Gilts and Inflation

- Manage unrewarded interest rate and inflation risk through efficient use of entire universe of hedging instruments.
- Examples: gilt portfolios, swap overlay strategies, LDI pooled funds.

Liquid Markets

- Highly marketable asset classes that generate returns through market risk premia.
- Examples: equities, commodities, liquid multi-asset strategies.

Liquid & Semi-Liquid Credit

- Steady income via regular coupon payments.
- Bulk of excess returns are compensation for credit risk.
- Examples: investment grade and high yield corporate bonds, "go-anywhere" credit.

Illiquid Credit

- Long-dated, hold-to-maturity instruments that pay an illiquidity premium.
- Potential for inflation-linked cashflows.
- Examples: infrastructure debt, secured leases, direct lending.

Illiquid Markets

- High potential returns but often difficult to access and relatively complex.
- Generally aim to take advantage of market dislocation and more exotic risk premia.
- Examples: private equity, property, infrastructure equity.

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REDINGTON

LGPS MARKET UPDATE

January 2024

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QAS Institute and Faculty of Actuaries Quality Assurance Scheme

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RATES & INFLATION

INFLATION
FELL ACROSS THE BOARD

	US	UK	EU
January	6.4	10.1	8.6
February	6	10.4	8.5
March	5	10.1	6.9
April	4.9	8.7	7
May	4	8.7	6.1
June	3	7.9	5
July	3.2	6.8	5.3
August	3.7	6.7	5.2
September	3.7	6.7	4.3
October	3.2	4.6	2.9
November	3.1	3.9	2.4
December	3.4	4.0	2.9

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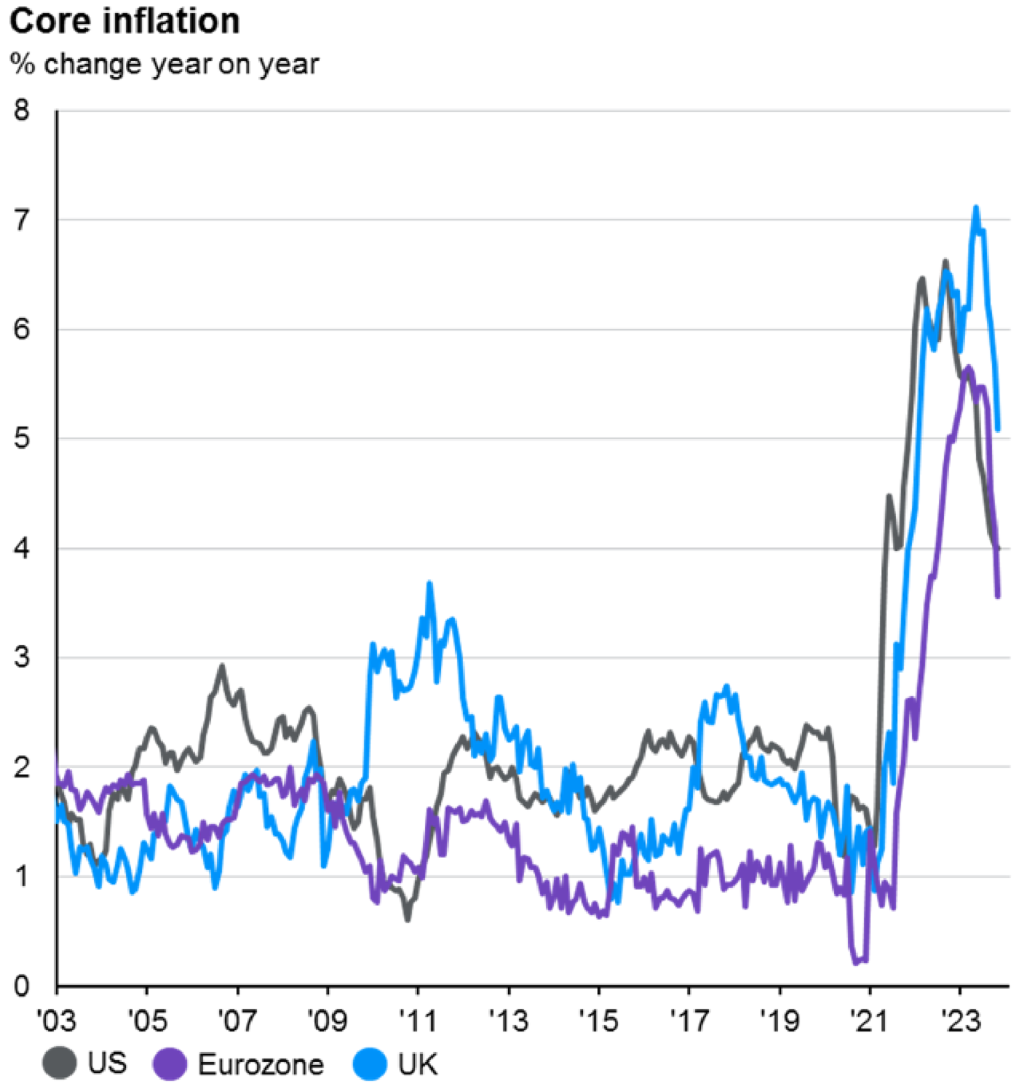
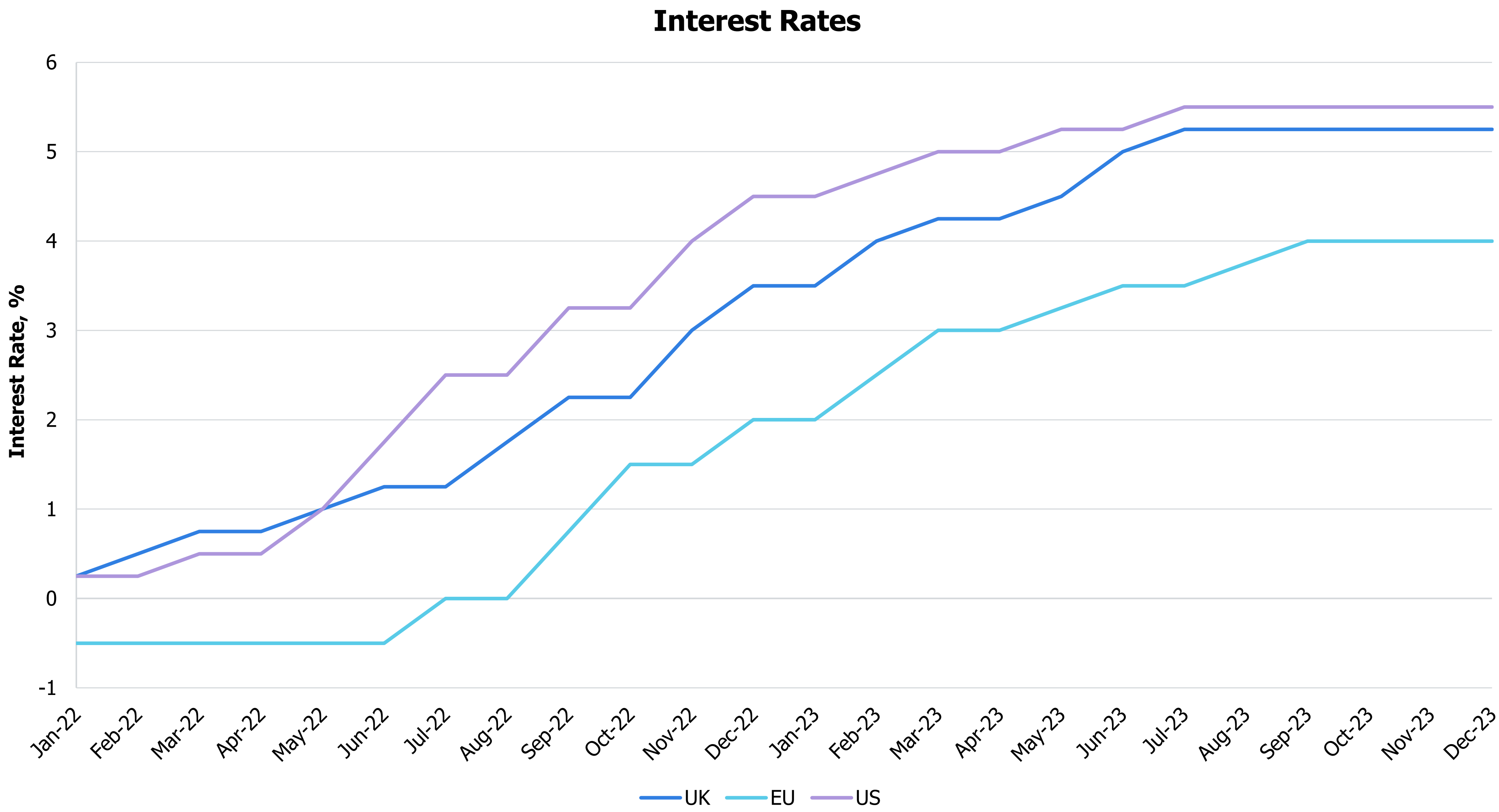
Source: JP Morgan, ECB, Federal Reserve, LSEG Datastream. Eurozone countries use HICP inflation, US and UK use CPI inflation. Data as at 31/12/2023.



Source: JP Morgan Guide to the Markets. Data as at 31/12/2023.

INTEREST RATES
REMAINED STEADY OVER Q4



Source: Bloomberg

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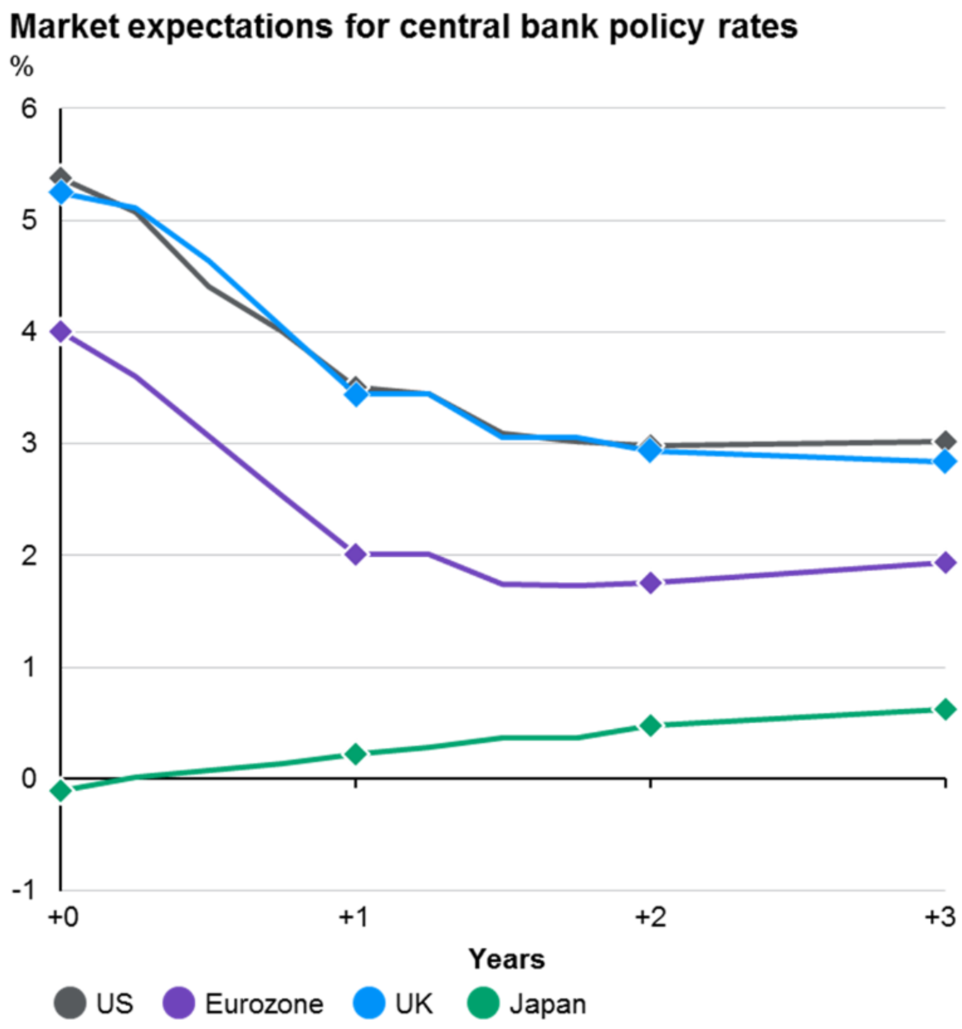
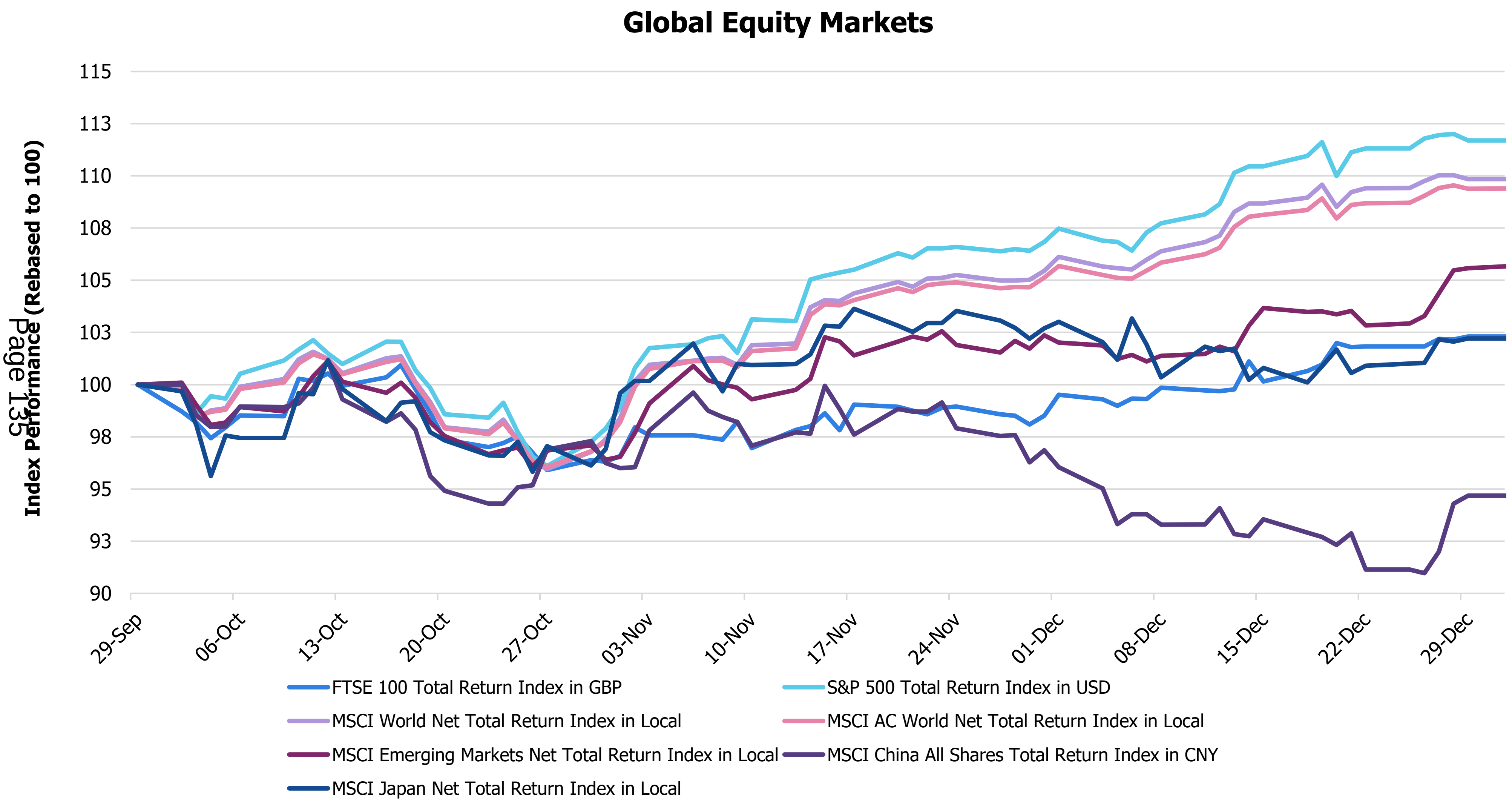
INTEREST RATES
CUTS NOW GENERALLY PRICED IN



Source: JP Morgan Guide to the Markets. Data as at 31/12/2023.

EQUITY MARKETS

EQUITY MARKETS
STRONG PERFORMANCE OVER Q4 DRIVEN BY THE US



Source: Bloomberg

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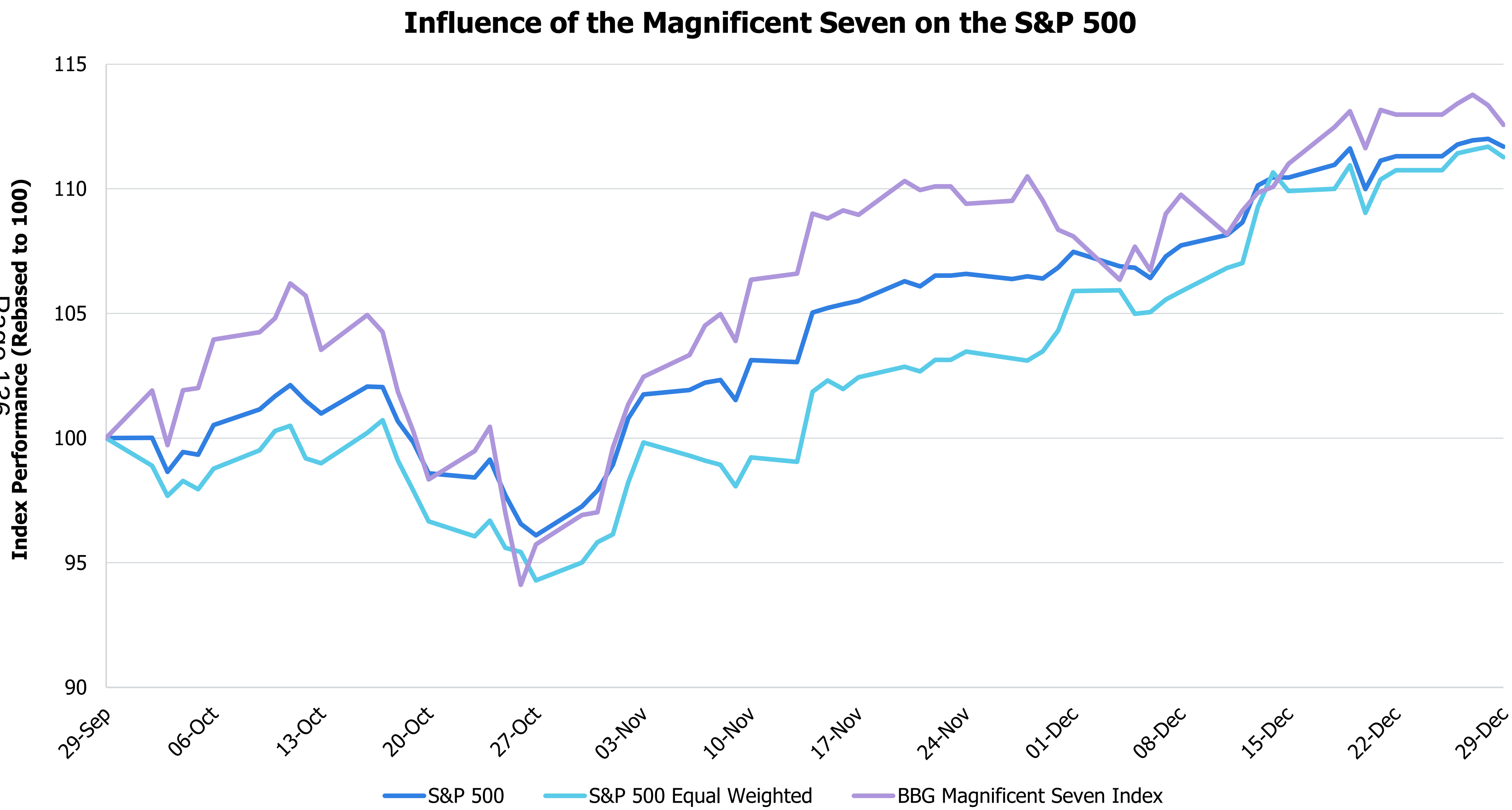
EQUITY MARKETS
S&P 500 INCREASINGLY DOMINATED BY MAGNIFICENT SEVEN...



Source: Bloomberg

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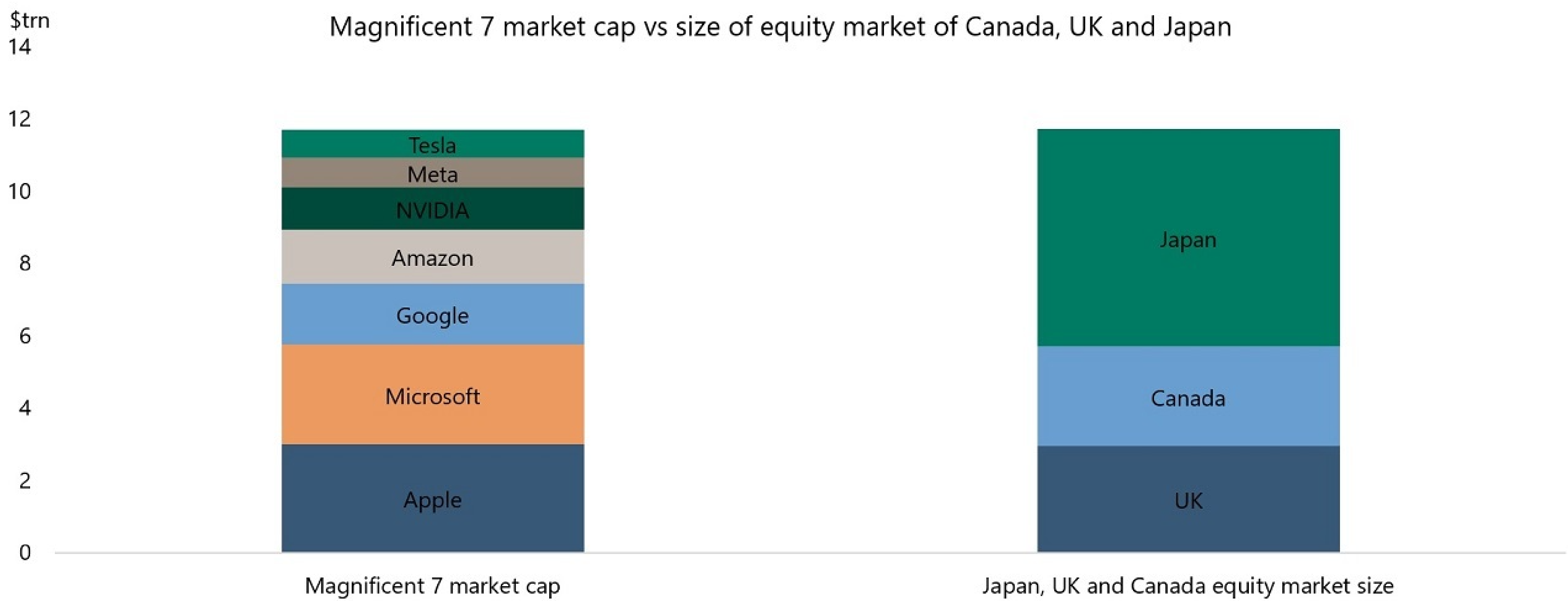
EQUITY MARKETS
MAGNIFICENT SEVEN VS UK, CANADA AND JAPANESE MARKETS

APOLLO

Market cap of the Magnificent Seven is the same as the combined market cap of the stock markets in the UK, Canada, and Japan



Source: Bloomberg, Apollo Chief Economist

EQUITY MARKETS
APPEAR RELATIVELY EXPENSIVE

Valuation vs 15-year median (% above or below)

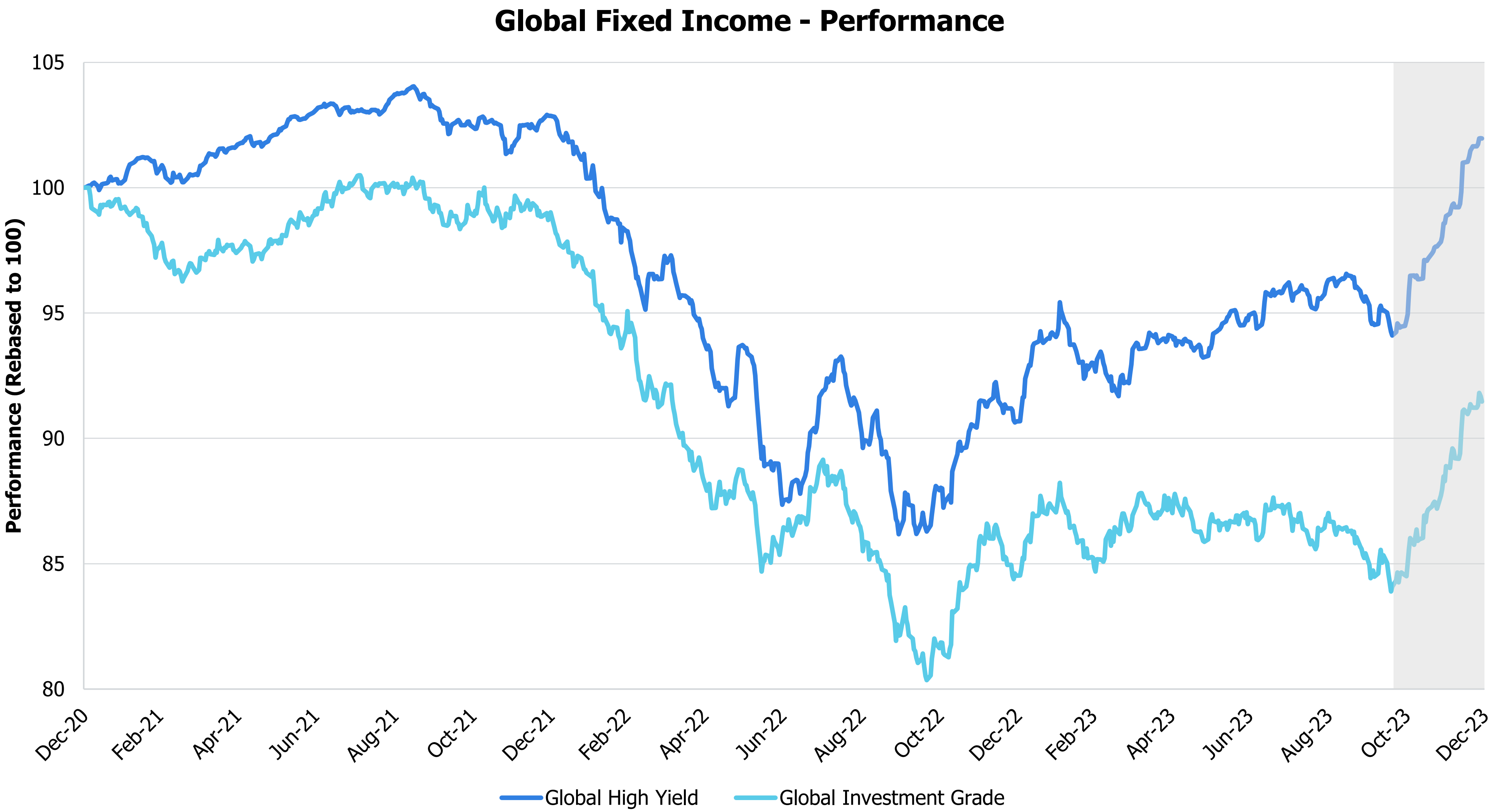
Equity market	CAPE	Forward P/E	Trailing P/E	P/B
US	31 (27%)	20 (20%)	25 (21%)	4.5 (57%)
UK	14 (7%)	11 (-12%)	12 (-18%)	1.8 (0%)
Europe ex. UK	19 (17%)	14 (-2%)	15 (-10%)	2.0 (15%)
Japan	19 (-8%)	14 (1%)	16 (-2%)	1.4 (7%)
EM	12 (-15%)	12 (2%)	15 (7%)	1.6 (0%)

Key:	<-25%	-25% to -15%	-15% to -5%	-5% to 0%	0% to 5%	5% to 15%	15% to 25%	>25%
	Cheap			Neutral		Expensive		

Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit.

FIXED INCOME

FIXED INCOME
STRONG PERFORMANCE THROUGH Q4



Source: Bloomberg

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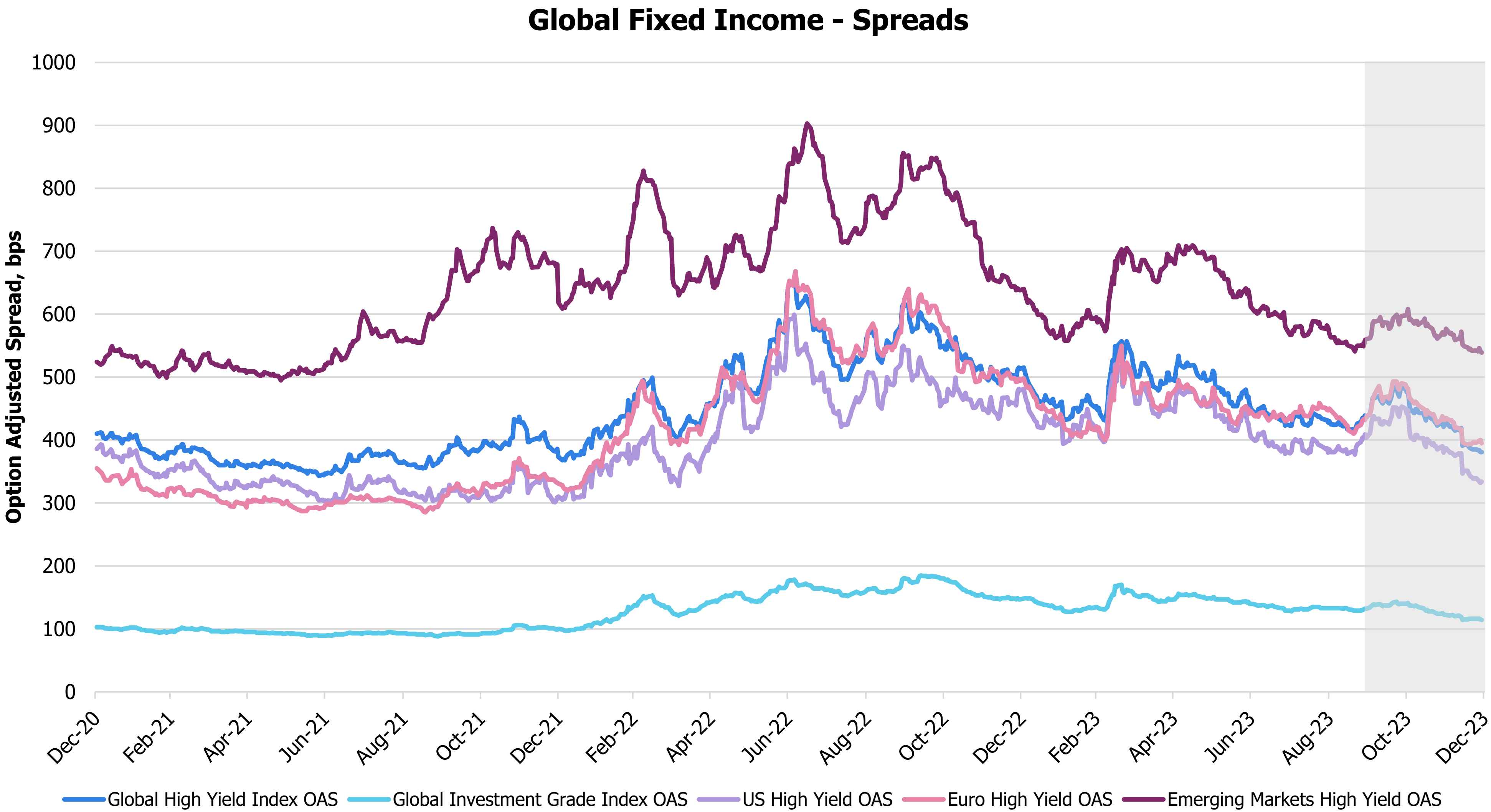
FIXED INCOME
WHILST SPREADS HAVE TIGHTENED



Source: Bloomberg

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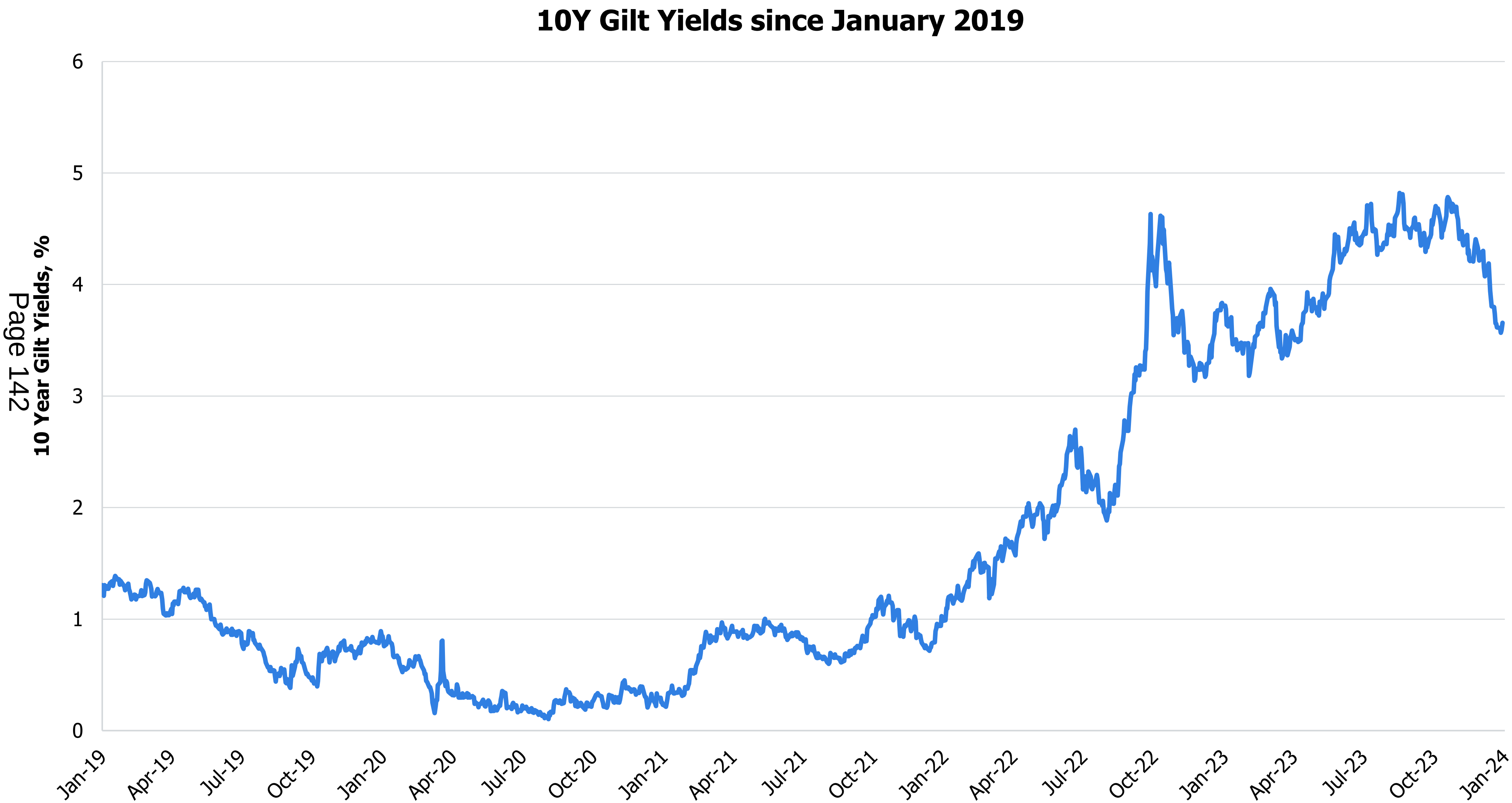
FIXED INCOME
GILT YIELDS DOWN FROM PREVIOUS HIGHS



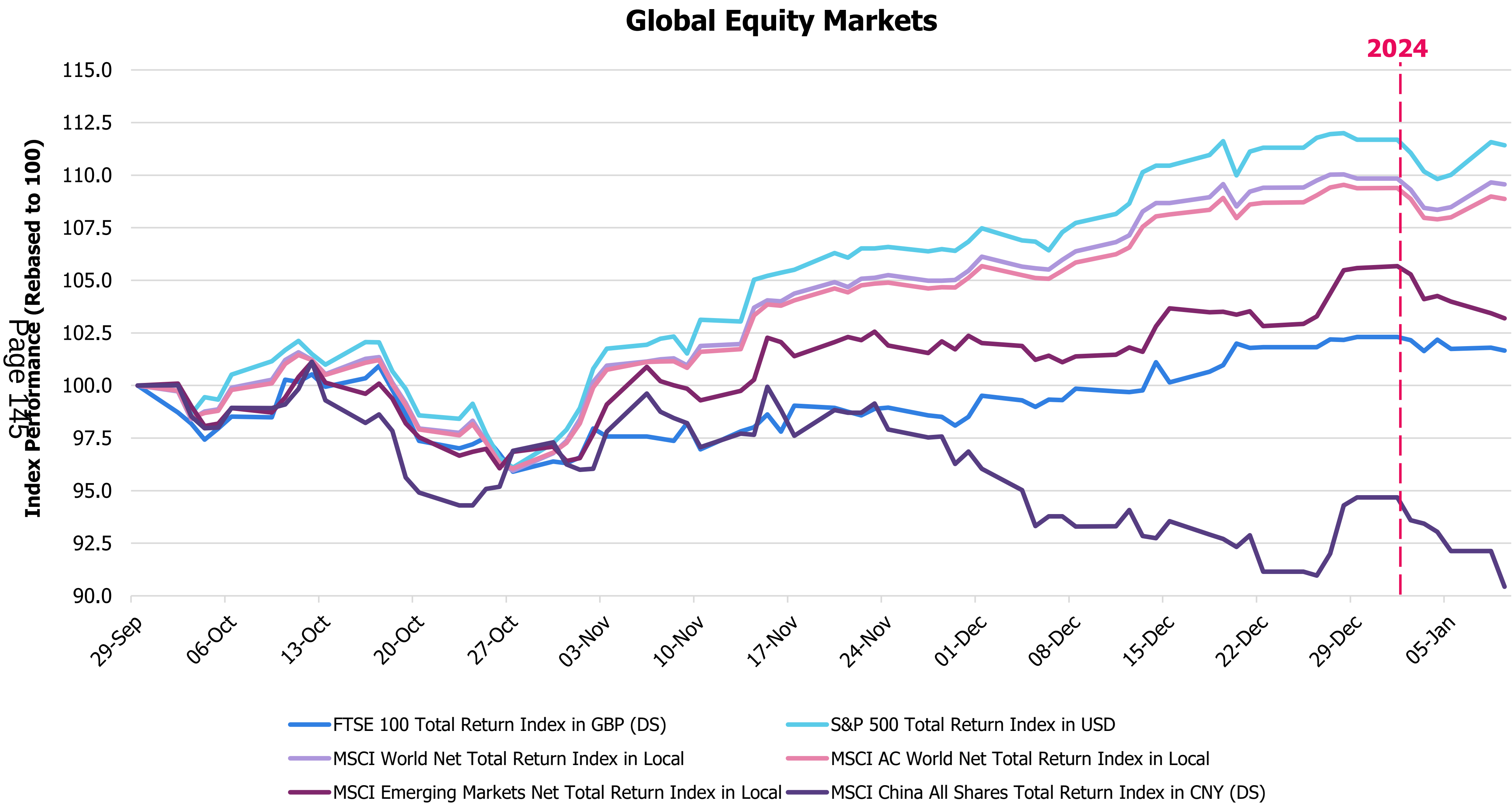
Source: Bloomberg

LOOKING TO 2024

LOOKING TO 2024
IS THE OUTLOOK AS ROSY AS IT LOOKS?

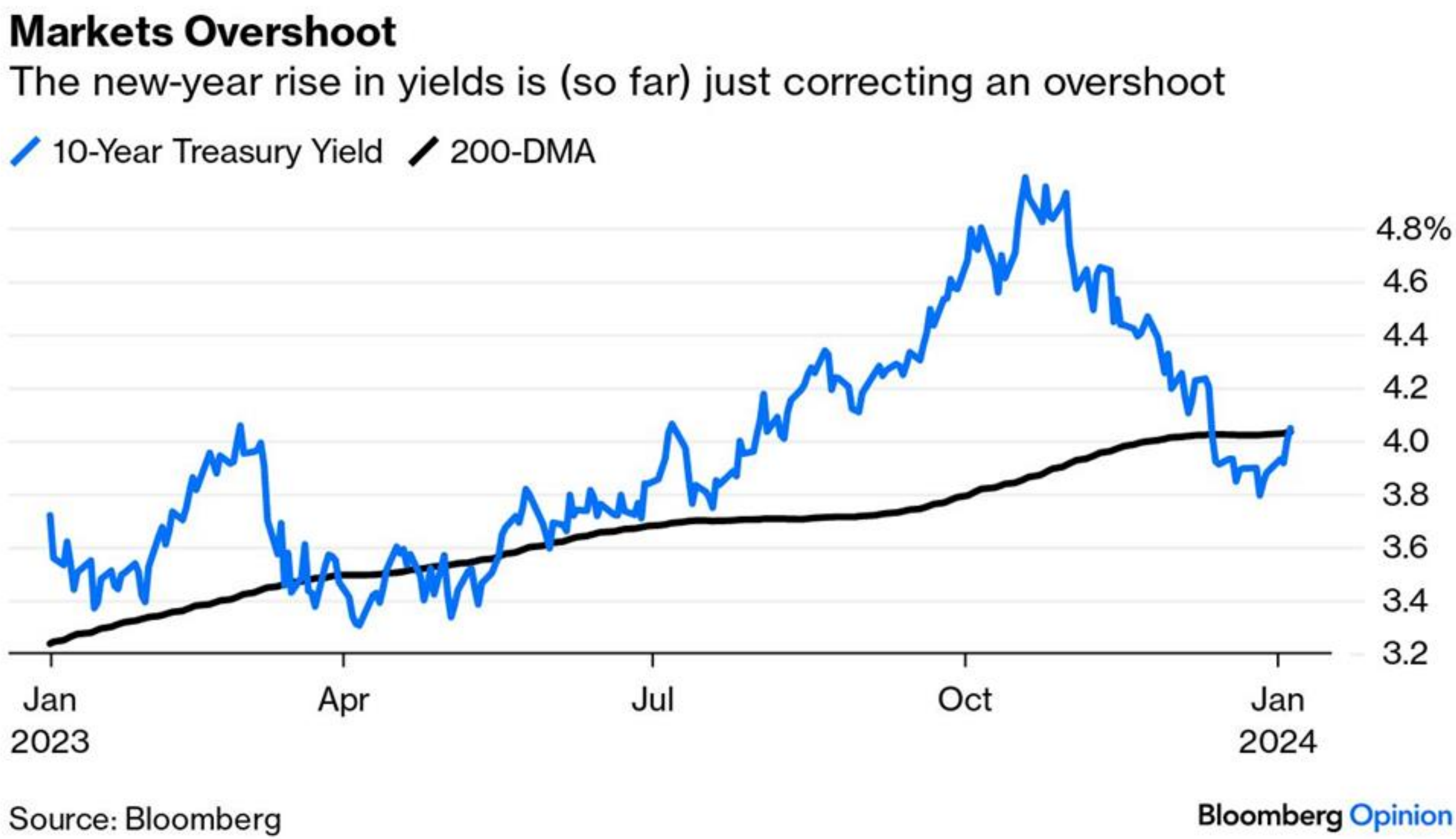
Source: Hedgeye

EQUITY MARKETS
OFF TO A MIXED START



Source: Bloomberg

FIXED INCOME
IS THE CURRENT RISE IN YIELDS JUST A CORRECTION?



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Source: Bloomberg

FIXED INCOME
BONDS STILL LOOK ATTRACTIVE AT CURRENT YIELDS

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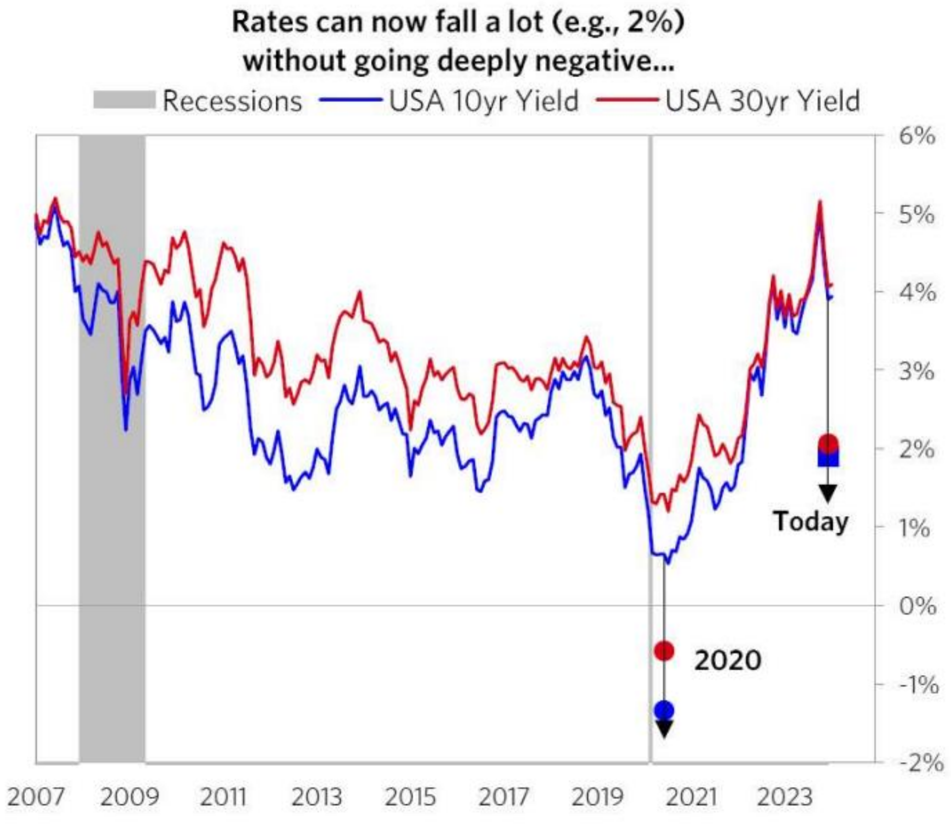

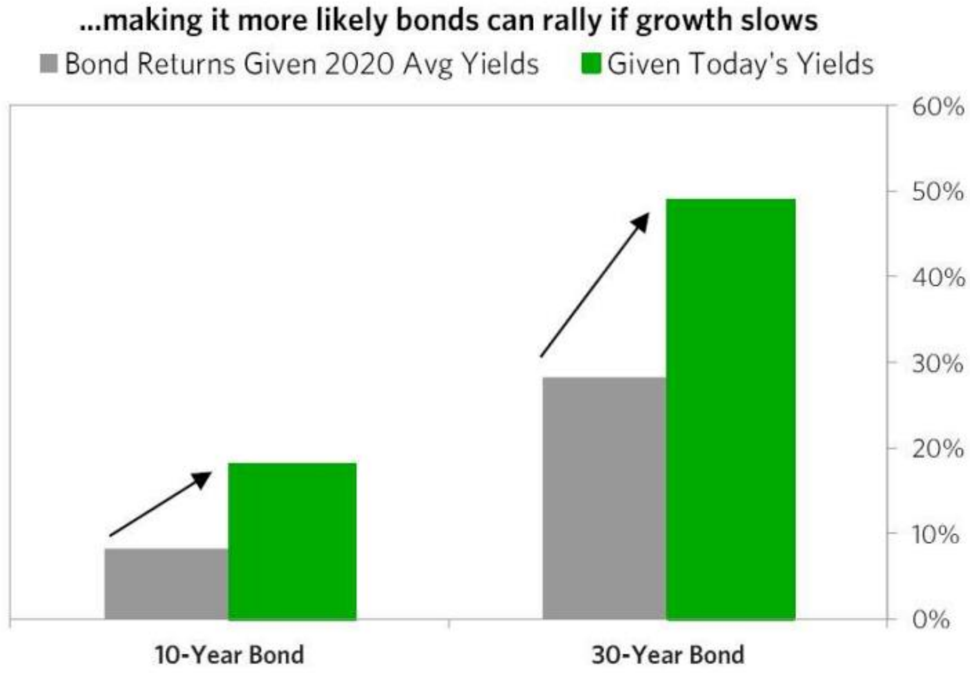

Returns for a bond at par at the relevant yields. Assumes a 2% fall in yields, but 10-year bond yields do not fall below 0% and 30-year yields do not fall below 0.5%.

Source: Bridgewater

LOOKING TO 2024
WHAT WORKED LAST DECADE WON'T WORK THIS DECADE

		1960's	1970's	1980's	1990's	2000's	2010's	2020's
Starting Valuations		Normal	Normal	Cheap	Normal	Expensive	Cheap	Expensive
Cyclical Drivers	Growth	Strong	Weak	Strong	Strong	Weak	Strong	Strong (so far)
	Inflation	Rising	High	Falling	Falling	Low	Low	High (so far)
	Fed Policy	Neutral	Tight	Easy	Neutral	Neutral	Easy	Tight
Secular Drivers	Geopolitical Risks	Elevated	Elevated	Moderate	Low	Elevated	Rising	Elevated
	Increasing Globalisation	Neutral	No	Yes	Yes	Yes	Yes	No
	Pro-Business Policy	No	No	Yes	Yes	Yes	Yes	No
	Energy Backdrop	Neutral	Oil shocks	Efficiency gains	Efficiency gains	Rising prices	Shale	Transition
	Tech Advances	Neutral	Neutral	Manufacturing	Computing	Computing	Internet	AI

Source: Redington, Bridgewater

SO, WHAT DO YOU NEED TO KNOW?

KEY TAKEAWAYS
WHAT YOU NEED TO KNOW

- Monetary policy continues to be a key driver for markets
- Positive inflation data in Q4 led to optimistic monetary policy signalling from central banks, with rate cuts as early as March now priced in for 2024
- The S&P 500 is increasingly dominated by the Magnificent Seven, with some investors arguing that these companies are now overpriced
- We are likely to see geopolitical risks continue to challenge the status quo
- Portfolio diversification likely to be more effective than it has been over the last decade

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Quarterly Engagement Report

July-September 2023

Local Authority Pension Fund Forum

Climate and Finance Engagement, Minimum Wage, Water Companies, New Member

UPDATES

Smoke from Canadian wildfires blows south over New York, June 2023

Climate and Finance

Objective: LAPFF has been engaging with financial institutions on climate for a number of years now. Most notably, it has issued voting alerts for Barclays, HSBC, and Standard Chartered in recent years. In 2020, LAPFF also sent letters to 11 insurers asking how they approached climate change from a strategic perspective. Discussions with these companies suggested that they tended to approach climate in terms of its effect on the companies rather than in terms of the companies' effects on climate.

While investors are clearly interested in the impact climate change is having on insurers, LAPFF's approach is to ask first what companies' impacts are on climate. This approach aligns with the approach set out in the UN Guiding Principles on Business and Human Rights, which call for companies to assess their impacts on human rights and rights holders before assessing the impact of human rights on their businesses. This framing is supported not least because risks to the business are missed if the human rights and impact analysis is not undertaken. In LAPFF's experience, the same logic applies in relation to climate change. LAPFF therefore began a process of following up with the eleven insurers, but also expanded the engagement to cover additional insurers of global impact in which LAPFF holds a significant number of shares. It also wrote to large global banks in which members have large holdings. Finally, in line with a growing interest of the LAPFF membership in biodiversity and environmental impacts of climate change, the engagement will explore these companies' strategies in relation to natural resources and their link to climate.

Achieved: LAPFF has now written to 13 global insurers to engage on their approaches to decarbonisation and natural resources. There have been responses from four companies so far. One company with which LAPFF will clearly not be engaging is Berkshire Hathaway. Its pro forma email stated that no one is reading messages sent to the investor relations email address, and no one is likely to respond to a letter sent to the company's physical address. LAPFF would have hoped for more from Mr. Buffett, but LAPFF found this response to be in line with that of many US companies, which tend to be less willing to engage in a meaningful way than companies in many other markets, including the UK and Australia. For a full list of companies approached so far through this engagement, please see the company engagement table at the back of this report.

In Progress: LAPFF will continue to send letters and set up meetings with these companies over the course of the year.

Cover image: ask first what companies' impacts are on climate

New Member

LAPFF would like to welcome its newest member, the ACCESS pool. LAPFF's membership now comprises 87 LGPS funds and seven pooled companies, the vast majority of the LGPS family. The more LGPS funds who become LAPFF members, the greater leverage LAPFF gains in engaging with investee companies in relation to their environmental, social, and governance practices as they impact on financial returns. With a membership that in aggregate holds over £350 billion in assets under management, LAPFF's financial clout is already equivalent to that of one of the top ten largest global pension funds. However, any additional members can only help.

Given the success of LAPFF's annual conference in Bournemouth, LAPFF decided to hold its first mid-year conference at Church House in London. This event also proved to be a success with speakers from Unseen UK, Rathbones, and DiCello Levitt. The sessions covered a summary of the 2023 AGM season, the link between climate and executive pay, modern day slavery, investor litigation in Europe, and the ESG backlash in the US.

COMPANY ENGAGEMENTS

Investors are often not provided with a specific vote on company climate plans for shareholder approval

Say on Climate

Objective: It is almost universally recognised that climate change poses significant systemic and company-level risks. Yet, despite the level of investment risks and the need for capital expenditure to deliver the transition, investors are not provided with a specific vote on their climate plans for shareholder approval.

Issuers are increasingly setting out their climate ambitions within a transition plan. It is also something regulators are looking at. For example, the UK's Transition Plan Taskforce, established by HM Treasury, is developing a 'gold standard' for climate transition plans.

Over the past two years, LAPFF has sent letters to the FTSE All-Share companies requesting a vote on climate transition plans. While LAPFF has been encouraged by the substantive responses, such resolutions during 2023 were far from standard practice, including among high-emitting companies.

Achieved: To continue to encourage companies to provide shareholders with such a vote, LAPFF organised a letter to 35 companies in high-emitting sectors considered to face heightened climate risks, whose actions are essential to the accelerated action required to meet the Paris goals and where the risks investors face are substantial.

The letter, like the previous one, was supported by CCLA Investment Management, Sarasin & Partners and the Ethos Foundation. LAPFF gained the support of a wider group of investors and in total had 18 signatories which collectively represented £1.8 trillion in assets under management. The letter stressed the climate-related risks to investors. It also urged companies to provide such votes to enable shareholders to first express their view on climate strategies through a specific AGM vote rather than immediately voting against the chair or another board member. The letter requested a response so that the signatories could make an informed assessment of the company's position.

In Progress: LAPFF will be tracking the responses to the letter and will continue to engage with companies about holding a climate transition plan vote. This could become an important area of shareholder focus if the recommendations of the Transition Plan Taskforce are introduced. LAPFF supports such votes becoming mandatory and will raise the issue where appropriate with policymakers.

Mining and Human Rights

Objective: While LAPFF is continuing to engage with **Anglo American, BHP, Glencore, Rio Tinto**, and **Vale** on their human rights practices, LAPFF has picked up a new mining company engagement with **Grupo Mexico**. LAPFF has been approached by community members affected by a 2014 leak at one of the company's tailings ponds in Sonora, Mexico.

The main objective of these engagements is to ensure that the companies understand that any failure to respect human rights and environmental impacts could have financial consequences for them and for their shareholders. One of the main milestones LAPFF is looking for is how well the companies acknowledge and engage with the workers and communities they affect. Effective stakeholder engagement is important to LAPFF both as a human rights imperative and because it can expedite less costly solutions to operational, reputational, legal, and financial concerns at companies.

LAPFF is pleased that both the Anglo American and Vale groups in the PRI Advance initiative have recognised the importance of stakeholder engagement. There are plans for both groups to engage with relevant affected stakeholders.

Achieved: LAPFF met a Grupo Mexico representative for the first time. LAPFF Chair, Cllr Doug McMurdo, spoke with an investor relations contact, who he found to be open to the engagement. It was interesting to hear that the company has been approached by a number of investors in relation to environmental, social, and governance (ESG) issues of late. This increase in attention on ESG issues might not be a coincidence as the company is one of those chosen for inclusion in PRI's Advance human rights initiative.

As with many mining companies, LAPFF's view is that Grupo Mexico has a number of processes in place, some of which appear to be sound on paper.

COMPANY ENGAGEMENTS

However, there appears to be significant work to be done in practice. Once again, the company accounts of its human rights practices and the community accounts differ drastically.

In relation to its PRI engagements, LAPFF has reached out to a couple of non-governmental organisations and community representatives on behalf of the Anglo American PRI Advance group to see if they would be willing to meet the group. There have been positive responses.

In Progress: Cllr McMurdo is now seeking to speak with the Sonora community group affected by Grupo Mexico's operations. As LAPFF has done in other such engagements, it will use the community and company perspectives to form a view of how to encourage improved human rights practices at the company.

LAPFF will now work to set up the community meetings for both the Anglo American and Vale PRI Advance groups.

Water Companies and Sewage Pollution

Objective: Water companies are currently facing considerable reputational risks and regulatory scrutiny around their environmental performance. The focus of concern centres on the use of storm overflow drains. These drains are used to stop water backing up into people's homes when there is heavy rain but result in sewage being released into the waterways. As water companies are effectively regional monopoly suppliers subject to environmental and economic regulation, there are considerable regulatory risks, not least those driven by current reputational perceptions and public concern. The sector has faced further recent public scrutiny when financial concerns about Thames Water came to light.

The main objective of the engagement activity, which started in 2022, is to ensure that these risks are being appropriately addressed and that environmental performance improves. An important focus was ensuring plans were in place and progress is being made in reducing the amount of sewage being released into waterways. In addition, LAPFF sought to ensure companies had credible climate transition plans and progress was being made against them.

Water companies are currently facing considerable reputational risks

Achieved: During the quarter, LAPFF's chair, Cllr Doug McMurdo, met with the Chair of **Severn Trent**, Christine Hodgson. The meeting was held against the backdrop of the problems facing Thames Water and covered the challenges facing the sector as a whole. This meeting was very constructive, and it was welcome news that the company was ahead of its targets on reducing overflows. The discussion covered the company's longer-term plans and targets and capital investment. The company also set out how it was addressing climate change, including through capturing emissions from the sewage treatment process.

LAPFF met with the chair of **United Utilities**, David Higgins. The meeting was positive despite the significant challenges that remain in the sector. The company outlined how it had reduced the number of overflows in the past couple of years. The meeting also covered plans to reduce overflows further and investment to address overflow issues. As with the discussion with Severn Trent, issues facing the sector were raised. The company also set out its plans regarding climate adaptation and mitigation.

LAPFF's chair also met the Head of Environment and Sustainability at **Northumbrian Water.** The company is owned by three holding companies, two of which (CK Hutchinson and CK Asset Holdings Limited) a large number of LAPFF members hold. It was a useful meeting which covered the company's plans and targets to reduce storm overflows and capital investment required to do so. The meeting also covered the company's wider environmental performance and its climate change ambitions.

In Progress: While there is progress, significant risks remain. Adverse publicity and concerns about sewage overflows show few signs of diminishing while there is continued focused from regulators. LAPFF therefore will be continuing to engage with the companies on their progress and plans.

COMPANY ENGAGEMENT ACTIVITY

Electric Vehicles and Human Rights

Objective: Continuing its engagement with electric vehicle manufacturers to better understand how they are addressing the risks associated with minerals for batteries for their vehicles, LAPFF wrote to a number of companies seeking further engagement with those it has already engaged on this issue and to meet others for the first time.

Achieved: LAPFF met with **Volkswagen** (VW) and **Volvo Group** (trucks and HGVs) this quarter, both for the first

COMPANY ENGAGEMENTS

time. LAPFF had a detailed discussion with Volkswagen, which published its third iteration of its raw materials report this year. The discussion covered the company's overall human rights programme and more focussed attention on individual minerals. LAPFF also broached questions about the scrutiny VW faced for one of its joint ventures linked to auto manufacturer supply chains allegedly associated with Uyghur forced labour in Xinjiang. VW has publicly announced that it will be undertaking a social audit of this factory, although it has faced scrutiny from various NGOs and labour groups that social audits in China are ineffective based on political pressures.

Volvo provided a high-level overview of its human rights programme, which in terms of reporting, appears to be lacking compared to some of its peers, particularly on risk management of human rights in critical mineral and material supply chains. Despite this lack of transparency in reporting, Volvo provided a promising conversation on its aspirations to improve various parts of its human rights work.

In Progress: More and more legislative instruments pertaining to corporate sustainability are being enacted around the world, such as the EU Battery Regulation which came into effect in August 2023. These new regulations impose sustainability, recycling, and safety requirements on all battery manufacturers, importers and distributors in the EU. Responsibility and due diligence requirements are also extended to supply chains for materials like cobalt, lithium and nickel. The EU's Corporate Sustainability Due Diligence Directive, whilst still in development, will require companies to conduct due diligence on, and take responsibility for, human rights abuses and environmental harm throughout their global value chains. Therefore, LAPFF will continue to monitor and engage on how companies are set to meet these requirements, including for minerals and materials being used in the production of electric vehicles, where human rights abuses continue to be a major source of concern.

A number of companies not adhering to wage floor requirements including listed companies such as M&S. Above: M &S in Truro City centre in Cornwall

Minimum Wage

Objective: LAPFF believes that good employment practices are linked to long-term corporate prosperity and hence the creation of investment value. It is therefore concerning when investee companies are found to be in breach of statutory national minimum wage standards. In June, the Department of Business and Trade announced that an investigation had found a number of companies not adhering to wage floor requirements including listed companies such as **WH Smith, Marks & Spencer, Argos** (which is owned by **Sainsbury's**) and Whitbread. LAPFF therefore sought to ensure that changes were in place to avoid future incidents.

Achieved: LAPFF wrote to the four companies requesting details around how the incidents occurred, what actions were taken to address the breach, and how they would be prevented in the future. All four companies responded and provided information about the nature of the breaches. Companies provided details of actions taken and gave assurances about seriousness with which they took the issue.

In Progress: LAPFF will continue to monitor breaches in labour law and engage companies where any issues are found to ensure that they are addressed.

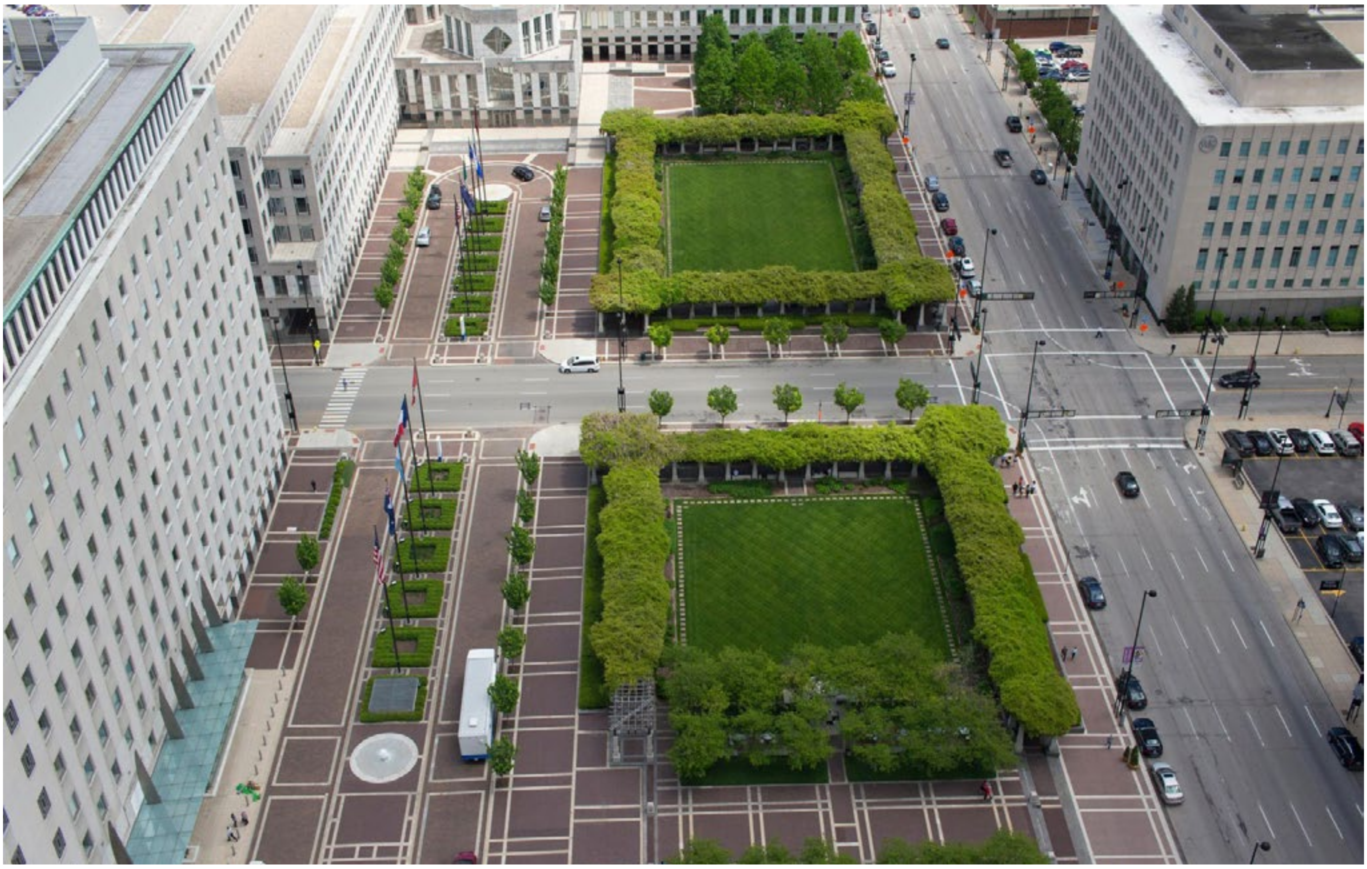
Biodiversity

Objective: Alongside writing to financial institutions regarding their role in supporting positive developments on biodiversity and climate change, LAPFF has also sought to understand approaches to biodiversity at companies in other industries. For example, Procter & Gamble was recently reported to have removed policy commitments not to buy wood pulp from degraded forests. This action comes three years after a majority of investors supported a non-binding shareholder resolution at the company's AGM requesting that Proctor & Gamble assess how it could improve efforts to eliminate deforestation and forest degradation in its supply chains. LAPFF also aimed to find out more about Nestlé's approach to regenerative agriculture.

Achieved: LAPFF has written to **Procter & Gamble** regarding this engagement. LAPFF also wrote to **Nestlé**, who hosted the Forum at its chair's roundtable in March 2023. The request seeks to discuss the company's plans for regenerative agriculture and how it contributes to the company's pathway to halve its greenhouse gas emissions by 2030 and reach net-zero by 2050.

In Progress: Deforestation is becoming an increasingly important topic for LAPFF members and wider investors,

COMPANY ENGAGEMENTS



A city park owned by the Proctor and Gamble company in Cincinnati, Ohio

particularly as the Taskforce on Nature-related Financial Disclosures (TNFD) published its final recommendations in September 2023. TNFD will have implications for a wide range of market participants. LAPFF will be monitoring how relevant companies incorporate the TNFD recommendations and will seek to engage those lagging behind on biodiversity and deforestation.

Shell

Objective: Further to Shell's rowing back from its already unsatisfactory Energy Transition Plan, the company is now a point of special focus, given both its size and importance as an investment, as well as the scale of its emissions. LAPFF continues to aim to have the company understand its role in the energy transition and take action accordingly.

Achieved: LAPFF has met with the chair of Shell with some meeting of minds on some issues. Comments from the new leadership at the Shell Annual General meeting, that Shell does not have enough visibility on some putative sources of future revenue and growth to attach numbers to, does accord with LAPFF's critique in LAPFF's voting alerts since 2020.

In Progress: Given Shell's historically poor investment performance (over 20 years barely better than a bond return), which is indicative of poor investment decision making, alongside no appreciable record or prospect of investment, further effort will be put into understanding the numbers and the business model as well as direct engagement.

Centrica

Objective: Growing energy prices following the end of Covid lockdowns and since the start of the war in Ukraine have become a major business, economic, social and political issue. Rising costs have been a driver of inflation and reduction in the household standard of living. With prescribed economic regulations this backdrop has led to mounting scrutiny of energy companies' practices, especially those related to low-income households. LAPFF sought to understand how energy companies were managing the regulatory and reputational risks around the cost-of-living crisis, including changes needed to support those on low incomes or in arrears.

Achieved: LAPFF wrote to Centrica one of the major UK energy suppliers and owner of British Gas. The company responded by setting out how it is supporting customers through the cost-of-living crisis. The company also outlined ongoing support and advice that it provides low-income customers.

In Progress: With energy prices remaining high, LAPFF will be seeking to meet the major UK energy suppliers on their approaches to supporting households and managing the ongoing risks.

COMPANY ENGAGEMENTS

One of LAPFF's main concerns is to ensure that the National Grid's transition plan allows for a sufficiently speedy transition for the users of its grid

National Grid

Objective: LAPFF has continued its engagement with National Grid through the CA100+ forum. One of LAPFF's main concerns is to ensure that the company's transition plan allows for a sufficiently speedy transition for the users of its grid.

Achieved: LAPFF's view is that the company is missing some opportunities to decarbonise more quickly, so LAPFF issued a voting alert for National Grid ahead of the company AGM in July. LAPFF cited three main concerns in the voting alert: the company's confusing approach to the use of gas, delays in connecting clean energy projects to the grid, and disclosure on the energy transition. Consequently, LAPFF recommended opposition to the company report and accounts and to the resolution on political donations.

In Progress: LAPFF will continue to engage National Grid on its transition plan, including on the specific points mentioned above.

SSE

Objective: LAPFF has a longstanding engagement with SSE and has found the company to be open and responsive to engagement. Because it is progressive on a number of issues, including a fair and just transition, LAPFF seeks to maintain this relationship and push the company to entrench its leadership role in areas such as just transition and living wage.

Achieved: LAPFF Executive member, John Anzani, attended SSE's AGM again this year and asked a two-pronged question about SSE's approach to a just transition. First, he asked whether the SSE is looking to review its just transition principles in the near future. Second, he asked about capital allocation and whether money being spent on carbon capture and storage (CCS) could be better spent elsewhere.

In Progress: LAPFF has requested a follow-up meeting to discuss SSE's responses in greater detail.

Taylor Wimpey

Objective: Housing is a major contributor to greenhouse gas emissions and a focus of environmental regulation. To reduce the climate risks associated with overall emissions and the specific consumer and regulatory risks companies face, LAPFF therefore seeks to engage housebuilders on having credible transition plans. Following concerns from consumers and policymakers around leasehold arrangements and fire safety LAPFF also seeks to ensure the issues were being managed.

Achieved: The LAPFF Chair, Cllr Doug McMurdo, met with the Chair of Taylor Wimpey to discuss the company's approach to climate change. Since LAPFF last met the company, Taylor Wimpey has produced a transition plan, which has emission targets covering scopes 1-3 emissions and with a net zero by 2045 commitment. The meeting was informative and covered the company's progress and plans for reducing operational emissions, its approach to residual emissions, emissions from its homes when sold, and supply chain emissions such as from concrete and diesel. The issue of the just transition was raised as was putting the company's transition plan to a vote. The meeting also covered issues and costs associated with the agreement with the CMA on leaseholds and works related to fire safety.

In Progress: LAPFF will continue to meet with companies in the sector to ensure they have credible plans in place.

Unilever

Objective: Unilever has received quite a lot of press regarding its decision to remain in Russia after Russia's invasion of Ukraine. LAPFF heard from Total last year about that company's difficulties in deciding whether to leave Myanmar and recognises the significant challenges companies face in taking these decisions. Therefore, LAPFF wanted to understand better Unilever's challenges in deciding whether to remain in or exit Russia.

Achieved: LAPFF's Chair, Cllr Doug

COLLABORATIVE ENGAGEMENTS

McMurdo, met with Unilever Chair, Nils Anderson, to discuss Unilever's challenges in Russia. Mr. Anderson was not only open about the obstacles the company faces in Russia but also appeared to be open to working with LAPFF and others to determine appropriate solutions.

In Progress: LAPFF is continuing to participate in investor webinars on human rights and conflict zones. It will also continue to work with Unilever on this issue and will likely seek to partner with other investors who have been investigating the role of companies in conflict zones over the last couple of years.

COLLABORATIVE ENGAGEMENTS

FAIRR

Objective: The FAIRR initiative is a collaborative investor network that raises awareness of material ESG risks and opportunities caused by intensive animal production. The initiative's engagements have a wide-reaching impact on how business models contribute to material risks for investors. LAPFF aims to increase its understanding of the material ESG risks and opportunities and to engage with relevant companies associated with this issue.

Achieved: LAPFF has re-signed onto a FAIRR engagement focusing on working conditions at food producers, mainly in North and South America. LAPFF has also signed onto two new engagement streams, one examining antimicrobial resistance in animal pharmaceutical industry and the other analysing quick-service restaurant antibiotic policies, both with a focus on the concern about increasing global antimicrobial resistance. More than 20 companies have been contacted across these three workstreams.

In Progress: LAPFF will join calls as appropriate in due course which are being coordinated by FAIRR.

Farm land in Uruguay. This is the result of intensive livestock business in South America

Asia Research and Engagement's Energy Transition Platform

Objective: LAPFF joined calls hosted through Asia Research and Engagement's Energy Transition Platform which seeks to engage both financial companies and coal-exposed power companies. During the second quarter of 2023, LAPFF joined calls with **Mizuho Financial Group, China Construction Bank** (CCB), and **Huaneng Power.**

Achieved: Engagement with Mizuho assessed the feasibility of the company discontinuing all financing of oil and gas projects, and how the company was exploring its reduction targets for upstream activities within these industries. During the engagement, LAPFF raised inquiries regarding Mizuho's transition risk rating matrix, specifically inquiring about the scoring criteria applied to its clients. Additionally, investors sought insights into Mizuho's approach to navigating national policy restrictions, allocating budgets for the development of new green technologies, and leveraging its internal expertise in sustainable finance.

The conversation with CCB revolved around inquiries into CCB's environmental, social, and governance (ESG) rating system for clients, its disclosure practices concerning credit exposure linked to high-carbon industries, and the establishment of green sector targets. Similar to the discussion with Mizuho, this dialogue also delved into considerations related to national policy boundaries and restrictions.

The call with Huaneng Power covered questions around the company's previous disclosures on reaching peak emissions by 2024, as well as continuing aspirations for the company's targets for renewable energy production by the end of China's 14th Five-Year Plan, which comes to an end in 2025.

In Progress: Whilst there are many difficulties with aligning investor expectations with company progress in various markets due to challenging and conflicting national policies, ARE's Energy Transition Platform continues to build positive and meaningful

COLLABORATIVE ENGAGEMENTS

engagement with a variety of financial institutions and coal-exposed power companies.

Nature Action 100

Objective: Nature loss is a financially material risk. As the world's GDP is highly reliant on nature and its services, biodiversity loss creates significant risks for investors. As such, LAPFF's workplan seeks to engage companies to promote positive environmental impacts and reduce the operational, reputational and regulatory risks associated with nature loss.

Achieved: Alongside our own engagement work on biodiversity, this quarter saw LAPFF sign onto a major new collaborative initiative Nature Action 100. The global investor-led engagement initiative led by Ceres and IIGCC seeks to reverse biodiversity loss and drive nature action. The initiative sent letters to 100 companies from eight key sectors systemically important in reversing nature loss. The letter supported by over 190 investors sets out the initiative's expectations.

In Progress: LAPFF will seek to be involved in engagements as part of its participation in Nature Action 100.

30% Club Investor Group

Objective: LAPFF continues to support the 30% Club Investor Group. Initially, the group focused on enhancing gender diversity within UK boards, advocating for a minimum representation of 30 percent women on FTSE 350 boards and senior management positions within FTSE 100 companies. Over recent years, its scope has expanded to cover racial equity in UK boardrooms and promote gender diversity in global boardrooms.

Achieved: LAPFF is supporting the Group's Global Workstream, which looks to markets outside of the UK, namely in the USA and Asia, where boardroom diversity is lacking compared to the EU and UK. Through this workstream, LAPFF wrote to KKR & Co Inc. and Shinhan Financial Group asking the companies to set targets for diversity at board level and seeking to discuss individual company approaches to diversity more widely.

In Progress: LAPFF hopes to secure meetings with both companies in the fourth quarter of 2023 and continues to support other meetings held by the 30% Club Investor Group on an ad hoc basis as appropriate.

Valuing Water Finance Initiative

Objective: LAPFF is co-chair of the Valuing Water Finance Initiative (VWFI), a global investor-led effort, facilitated by the NGO Ceres, to engage companies with a significant water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems.

Achieved: Along with other members of the VWFI, LAPFF met with Burberry Plc during the quarter to discuss the company's approach to water stewardship. A headline aim of the VWFI is to work with companies so as not to negatively impact water availability or water quality in areas across their value chain. Water scarcity poses a material risk throughout Burberry's cotton and leather supply chains whilst disposal of wastewater at manufacturing sites and dye houses risks polluting local watersheds. The company outlined its process for assessing risk at a commodity, regional and individual facility level. The outcome of the assessment resulted in the facilities with the highest risk being designated a hot spot. The company has subsequently set a target for zero hot spots within its supply chain by 2030. Burberry has made good progress in identifying water risk in recent years.

In Progress: The VWFI will release a detailed assessment and benchmark of all focus companies by the end of October 2023, including Burberry. LAPFF will assess the benchmark to identify potential shortcomings in the company's approach to manging water risk and follow up accordingly. The VWFI benchmark will provide a means through which performance on this issue can be tracked over time.

SIGN-ON LETTERS AND STATEMENTS

CDP - Science-Based Targets Campaign

LAPFF signed onto the CDP's science-based targets campaign for the third straight year. This campaign offers CDP investor signatories and Supply Chain members the opportunity to accelerate the adoption of science-based climate targets, by collaboratively engaging companies on this matter.

WDI – ISSB Letter

LAPFF signed onto a letter to the International Sustainability Standards Board (ISSB) requesting that the body 'prioritise researching' human capital and human rights indicators in its work plan.

Bank Track – Investor Statement on Global Human Rights Benchmark

Bank Track has finalised its investor statement on banks and human rights and is encouraging signatories to use it as a basis of engagement with banks on human rights. LAPFF is a signatory.

POLICY UPDATES

Letter to the UK Prime Minister

LAPFF signed onto a letter organised by the PRI, IIGCC and UKSIF regarding a statement by the Prime Minister on climate change.

Climate Risks

An updated briefing note for members was produced on LAPFF and climate risks. The briefing document includes an overview of LAPFF expectations of companies regarding climate change and how LAPFF supports change through engagement. The document is available to members on the member section of the website.

Water Risks

During the quarter LAPFF met with the Director of Investor Relations at Ofwat. In a highly regulated sector, Ofwat and

COLLABORATIVE ENGAGEMENTS

other regulators play an important role in shaping what individual companies can do and charge. At the meeting LAPFF discussed issues around capital expenditure, affordability, delivery of investment plans, the resilience of the sector, and the impact of climate change.

Reliable Accounts

Objective: LAPFF has continued to focus on policy making in the area of reliable accounts, given problems with accounting standards and standards of auditing. The focus also extends to climate change aspects of accounts, including decarbonisation. There are cross-cutting issues with capital markets (see later) given the impact that two Parliamentary Committees have given to the effect of pension fund accounting on pension fund asset allocations away from UK equities.

Achieved: The concept of Paris aligned accounts is now a mainstream issue. Two Parliamentary Committees, the DWP Select Committee of the Commons and the Industry and Regulators Committee put the accounting standards at the centre of their criticisms of the regulatory and advisory environment.

Freedom of Information Act requests are revealing more troublesome insights into the way Ministers have been briefed by officials at the Department of Business Energy and Industrial Strategy (BEIS), now the Department for Business and Trade (DBT). Requests first made in the summer of 2021 have elicited new information that had been held back but now released in July 2023 given interjection by the Information Commissioner. Further developments are expected and will be reported in full when the sensitivity of a live case has been settled. There are strong parallels with the circumstances of the Freedom of Information Act requests done in 2015 and 2016 which revealed that the Financial Reporting Council was not portraying the position of His Majesty's Government lawyers properly.

In Progress: The focus on the Freedom of Information Act requests continues, and Parliamentarians have been kept updated. See also capital markets working group (later).

Capital market reform and Capital Markets Working Group

Objective: LAPFF has for over a decade been concerned about the dropping of standards required of companies listing on UK capital markets, with specific problems with certain mining and extractive companies. More recently a group of City of London interests bereft of asset owner representation has made efforts to drop standards even further. There are overlapping issues with the poor quality of some companies coming to the UK for listing, as with NMC Health which joined the FTSE 100 and then collapsed, and poor-quality accounting. There are also ongoing issues given the work being done by the DWP Select Committee on pensions.

Achieved: LAPFF made strong response to the Financial Conduct Authority's consultation on relaxing the Listing Regime further. That response was met by equally strong condemnation of the FCA proposals by other large asset owners, including RailPEN. In the light of this, the LAPFF Executive has decided to set up a Capital Markets Working Group.

In Progress: With Parliament coming out of recess for the autumn session, attention will be given to this area, in association with the newly formed Capital Markets Working Group.

Party conference fringe events

Objective: LAPFF hosts fringe events at the political conferences. The meetings are a valuable way for LAPFF to engage with national politicians and stakeholders. The focus of this year's meetings was greenwashing. LAPFF has raised concerns about greenwashing, including in specific company engagements, and the fringe meetings provided the opportunity to raise such concerns with policymakers.

Achieved: Within the quarter, LAPFF held a meeting at the Lib Dem party conference. Alongside the chair of LAPFF, other speakers included Lord Robin Teverson, Lords Spokesperson Energy and Climate Change, Cllr Keith Melton, Chair of the Green Lib Dems, and Sarah George, Deputy Editor of Edie. LAPFF outlined the work it undertakes, how investors can tackle greenwashing by companies, and the role governments and policymakers could play. The discussion covered how regulations can guard against greenwashing, green taxonomies and labels, the importance of transparency and the role of reporting.

Progress: Meetings at the Conservative and Labour party conferences were planned for the following quarter. LAPFF will also continue to engage national policymakers on the issue and around the importance of reporting and corporate governance standards.

CONSULTATION RESPONSES

UN Consultation on Investors, ESG, and Human Rights

LAPFF has responded to the UN Working Group on Business and Human Rights consultation on investors, ESG, and human rights. The Working Group is tasked with identifying ways to implement the UN Guiding Principles on Business and Human Rights and has been increasingly interested in the role investors can play in this regard. LAPFF set out a range of measures it employs to supporting both ESG and human rights. You can find LAPFF's response posted here on its website.

MEDIA COVERAGE

Climate

Net Zero Investor: UK stewardship stocktake: engagement at a gridlock?

Human Rights

Corporate Secretary/IR Magazine: Trillion-dollar coalition calls for human and worker rights focus at ISSB

Investments & Pensions Europe: Investors urge ISSB to focus on human and labour rights

Edie: Investment giants press for new global disclosure standards on human rights

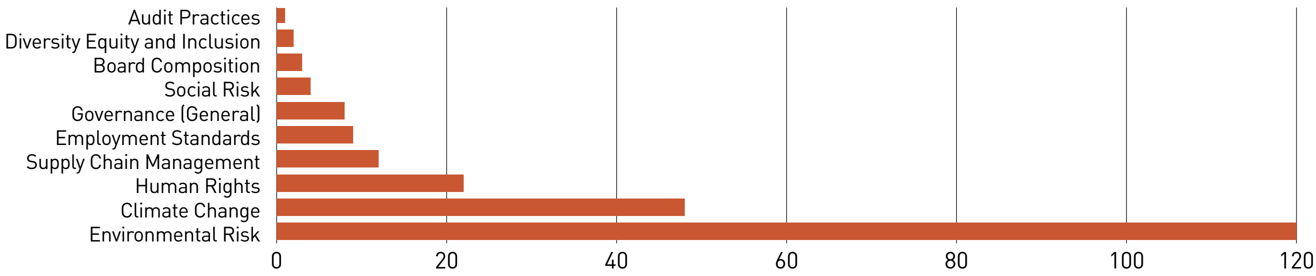
COMPANY PROGRESS REPORT

182 companies were engaged over the quarter. This number includes collaborative engagement letters sent to companies as part of the LAPFF-led Say on Climate initiative and the Nature Action 100 initiative. Excluding these engagement letters, LAPFF engaged with 54 companies.

Company/Index	Activity	Topic	Outcome
AIA GROUP LTD	Sent Correspondence	Environmental Risk	Awaiting Response
ALLIANZ SE	Sent Correspondence	Environmental Risk	Awaiting Response
ALPHABET INC	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
APPLE INC	Sent Correspondence	Diversity Equity and Inclusion	Awaiting Response
ASSOCIATED BRITISH FOODS PLC	Received Correspondence	Human Rights	No Improvement
AVIVA PLC	Sent Correspondence	Environmental Risk	Awaiting Response
AXA	Sent Correspondence	Environmental Risk	Awaiting Response
BARRATT DEVELOPMENTS PLC	Sent Correspondence	Climate Change	Awaiting Response
BAYERISCHE MOTOREN WERKE AG	Sent Correspondence	Supply Chain Management	Awaiting Response
BERKSHIRE HATHAWAY INC.	Sent Correspondence	Environmental Risk	Awaiting Response
BOOKING HOLDINGS INC.	Sent Correspondence	Human Rights	Dialogue
BURBERRY GROUP PLC	Meeting	Environmental Risk	Small Improvement
CENTRICA PLC	Received Correspondence	Social Risk	Dialogue
CHINA CONSTRUCTION BANK CORP	Meeting	Climate Change	Dialogue
CHINA LIFE INSURANCE (CHN)	Sent Correspondence	Environmental Risk	Awaiting Response
DEVON ENERGY CORPORATION	Sent Correspondence	Environmental Risk	Dialogue
FEDEX CORPORATION	Alert Issued	Climate Change	Dialogue
FORD MOTOR COMPANY	Sent Correspondence	Human Rights	Awaiting Response
GENERAL MOTORS COMPANY	Sent Correspondence	Human Rights	Awaiting Response
GRUPO MEXICO SA DE CV	Meeting	Human Rights	Dialogue
HENNES & MAURITZ AB (H&M)	Received Correspondence	Human Rights	Dialogue
J SAINSBURY PLC	Received Correspondence	Employment Standards	Satisfactory Response
KKR & CO INC	Sent Correspondence	Board Composition	Awaiting Response
LEGAL & GENERAL GROUP PLC	Meeting	Environmental Risk	Awaiting Response
LLOYDS BANKING GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
MARKS & SPENCER GROUP PLC	Received Correspondence	Employment Standards	Satisfactory Response
MERCEDES-BENZ GROUP AG	Sent Correspondence	Human Rights	Awaiting Response
META PLATFORMS INC	Sent Correspondence	Human Rights	Awaiting Response
METLIFE INC.	Sent Correspondence	Environmental Risk	Awaiting Response
MIZUHO FINANCIAL GROUP INC	Meeting	Climate Change	Small Improvement
MUENCHENER RUECK AG (MUNICH RE)	Meeting	Environmental Risk	Awaiting Response
NATIONAL GRID GAS PLC	AGM	Climate Change	Dialogue
NESTLE SA	Sent Correspondence	Climate Change	Awaiting Response
NORTHUMBRIAN WATER GROUP	Meeting	Environmental Risk	Moderate Improvement
OCCIDENTAL PETROLEUM CORPORATION	Sent Correspondence	Environmental Risk	Dialogue
PERSIMMON PLC	Sent Correspondence	Climate Change	Awaiting Response
PING AN INSURANCE GROUP	Sent Correspondence	Environmental Risk	Awaiting Response
PRUDENTIAL PLC	Sent Correspondence	Environmental Risk	Awaiting Response
RENAULT SA	Sent Correspondence	Human Rights	Awaiting Response
RIO TINTO GROUP (AUS)	Sent Correspondence	Human Rights	Dialogue
RYANAIR HOLDINGS PLC	Alert Issued	Remuneration	No Improvement
SALESFORCE INC	Sent Correspondence	Board Composition	Awaiting Response
SEVERN TRENT PLC	Meeting	Environmental Risk	Moderate Improvement
SHINHAN FINANCIAL GROUP LTD	Sent Correspondence	Board Composition	Awaiting Response
SSE PLC	AGM	Climate Change	Dialogue
SUZANO SA	Meeting	Climate Change	Small Improvement
TAYLOR WIMPEY PLC	Sent Correspondence	Climate Change	Awaiting Response
TESLA INC	Sent Correspondence	Human Rights	Awaiting Response
THE PROCTER & GAMBLE COMPANY	Sent Correspondence	Environmental Risk	Awaiting Response
TOTAL ENERGY SERVICES INC	Sent Correspondence	Human Rights	Dialogue
UNILEVER PLC	Meeting	Human Rights	Small Improvement
UNITED UTILITIES GROUP PLC	Meeting	Environmental Risk	Moderate Improvement
VALE SA	Sent Correspondence	Human Rights	Dialogue
VOLKSWAGEN AG	Meeting	Human Rights	Small Improvement
VOLVO AB	Meeting	Human Rights	Small Improvement
WH SMITH PLC	Received Correspondence	Audit Practices	Satisfactory Response
WHITBREAD PLC	Received Correspondence	Employment Standards	Satisfactory Response
ZURICH INSURANCE GROUP AG	Sent Correspondence	Environmental Risk	Awaiting Response

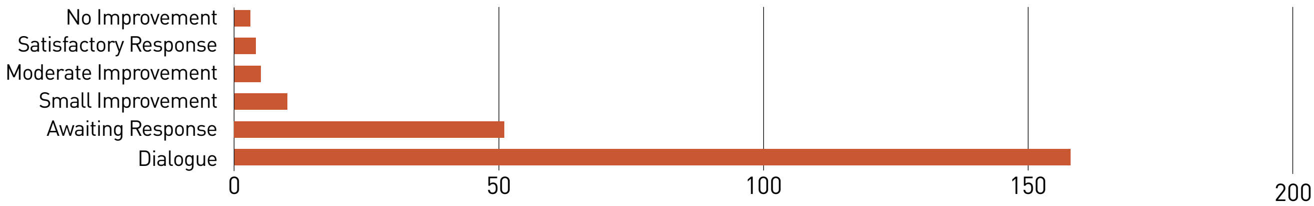
ENGAGEMENT DATA

ENGAGEMENT TOPICS



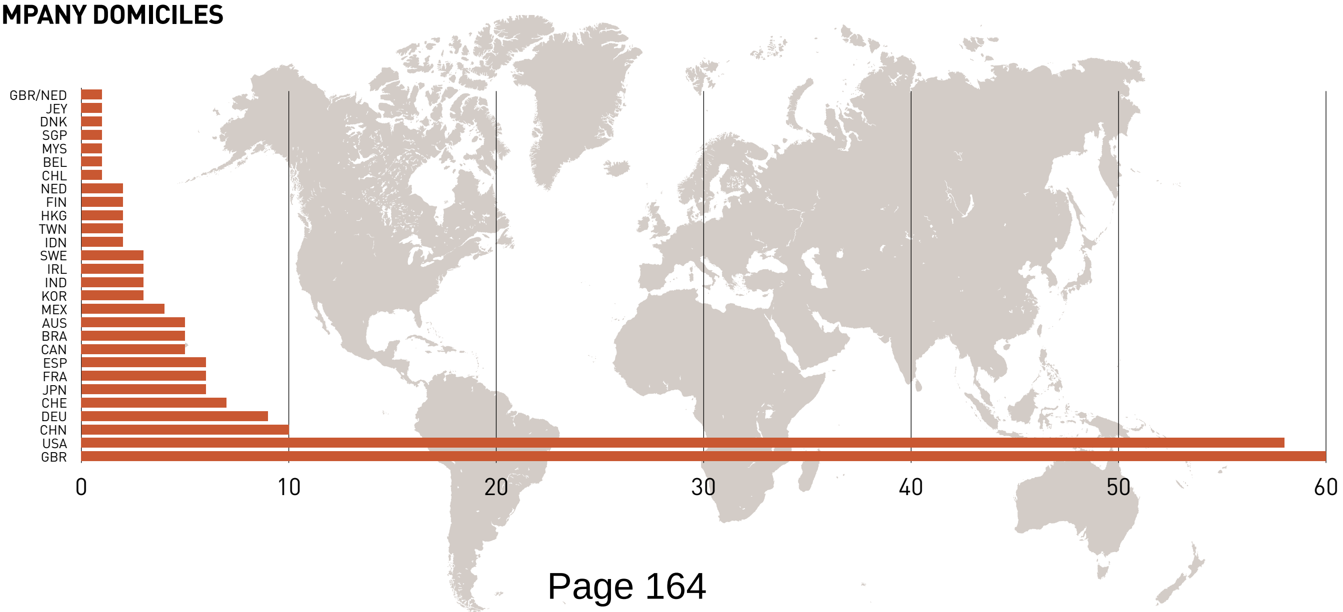
ACTIVITY

MEETING ENGAGEMENT OUTCOMES

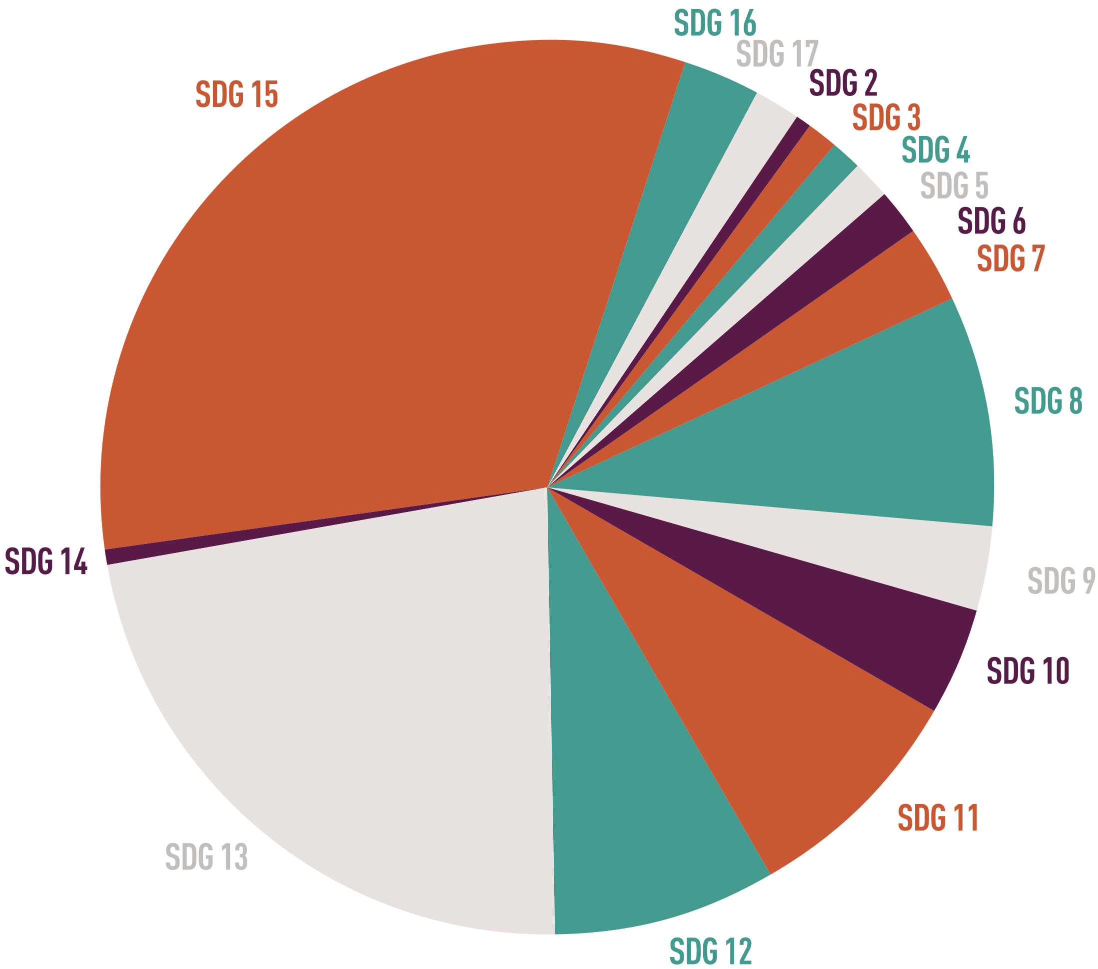


POSITION ENGAGED

COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	0
SDG 2: Zero Hunger	2
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	4
SDG 5: Gender Equality	4
SDG 6: Clean Water and Sanitation	6
SDG 7: Affordable and Clean Energy	9
SDG 8: Decent Work and Economic Growth	27
SDG 9: Industry, Innovation, and Infrastructure	10
SDG 10: Reduced Inequalities	13
SDG 11: Sustainable Cities and Communities	27
SDG12: Responsible Production and Consumption	27
SDG 13: Climate Action	73
SDG 14: Life Below Water	2
SDG 15: Life on Land	106
SDG 16: Peace, Justice, and Strong Institutions	9
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	5

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)
Brent (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
Hillingdon Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
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 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

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

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