PENSIONS COMMITTEE

Tuesday, 26 March 2024 at 6.30 pm

Live stream link: https://youtube.com/live/RiXJy0sVfhg

Back up link: https://youtube.com/live/CLcEZIkqA-w

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 - Optees:
Jonathan Malins-Smith
Henry Colthurst

Dawn Carter-McDonald
Interim Chief Executive
Published on: Monday, 18 March 2024
www.hackney.gov.uk

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Governance Officer
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Pensions Committee

Tuesday, 26 March 2024

Order of Business

1 Apologies For Absence

2 Declarations of Interest - Members to declare as appropriate

3 Any Other Unrestricted Business Which in The Opinion Of The Chair Is Urgent

4 Notice of Intention to Conduct Business in Private and Representation

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 16 as set out following the Exclusion of Press and Public.

No representations with regard to these have been received.

This is the formal 5 clear day notice under the Regulations to confirm that this Cabinet Procurement and Insourcing 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 Questions to the Committee

Members of the public who wish to speak at a meeting must notify the Governance Officer named on the agenda in writing of their request. Members of the public may only speak on items that are on the published agenda.

A Councillor may ask a question of the Committee relating to an item on the agenda.

The total amount of time for questions with notice at the Committee will be no more than 15 minutes.

If the Chair agrees, a member of the public can ask a question at the Committee without having given notice. If a question without notice is asked, the Chair will explain that it might not be possible to give a full answer at the meeting and that a written response will be provided.

At the time of the agenda publication no questions were received.

6 Deputations/ Petitions

At the time of the agenda publication no new deputations or petitions were received.

7 Consideration of the Unrestricted Minutes of the Previous Meeting – 7 February 2024 (Pages 13 - 20)

8 High Level Monitoring Report (Pages 21 - 46)

9 Quarterly Update Report (Pages 47 - 122)

10 Responsible Investment Working Group (RIWG) Update (Pages 123 - 148)

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 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 LCIV - Ongoing Development and Fund Manager Performance and Monitoring - TO FOLLOW

13 Pension Administration Function - Market Information – TO FOLLOW

14 Fixed Income Review (CTI Bonds Mandate) (Pages 145 - 178)

15 Consideration of the Restricted Minutes of the Previous Meeting - 7 February 2024 (Pages 179 - 186)

16 Any Other Restricted Business Which in The Opinion Of The Chair Is Urgent

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

- Not seek to improperly influence decision-making on that matter;
- Make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent; and
- Leave the room whilst the matter is under consideration

You **must not:**

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

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

Other Registrable Interests

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

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

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

Disclosure of Other Interests

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

Where a matter arises at <u>any</u> 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 <u>and</u> a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest, you **must** declare the interest. You **may** only speak on the matter if members of the public are able to speak. Otherwise you must not take part in any discussion or voting on the matter and must not remain in the room unless you have been granted a dispensation.

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

Hackney

PUBLIC MINUTES OF A MEETING OF THE PENSIONS COMMITTEE

WEDNESDAY, 7 FEBRUARY 2024

Councillors Present:	**Councillor Kam Adams in the Chair** **Councillor Grace Adebayo,** **Councillor Robert Chapman,** **Councillor Lynne Troughton and** **Councillor Frank Baffour**
Co-optees:	**Henry Colthurst (Virtual)** **Jonathan Malins- Smith**
Apologies:	**Councillor M Can Ozsen, Councillor Ian Rathbone, Councillor Margaret Gordon and Councillor Ben Hayhurst**
Officers in Attendance:	**Rachel Cowburn (Head of Pension Fund Investmentand 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:	**Jill Davys & Sam Yeandle (Redington Investment Consultants)** **Catherine Pearce (Aon Consultants)**

The meeting convened at 6.30pm and due to public disturbances during the proceedings several warnings were issued before the meeting was adjourned at 6.35pm and re-convened at 6.45pm.

1 **Apologies For Absence**

1.1 Apologies for absence were received on behalf of Cllrs Rathbone, Gordon, Hayhurst and Ozsen.

1.2 It was noted that Cllr Ozse and Henry Colthurst 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 **Any Urgent Unrestricted Business**

3.1 Members noted that the Head of Pension Fund Investments and Actuarial would be leaving the Council at the end of February 2024 after 16 years of service and recorded their thanks and sincere appreciation for her support and work on the excellent performing pension fund and wished her well for future.

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

4.1 There were no representations to consider.

5 **Deputations/ Petition/ Questions from the Public**

5.1 There were no new deputations, petitions or questions to consider.

5.2 With regard to deferred deputation relating to the Divestment of Hackney Local Government Pension Scheme from companies complicit in human rights abuses in the occupied Palestinian Territories, it was noted that this deputation would be heard at a future meeting.

6 **Consideration of The Minutes of The Previous Meeting - 28 November 2023**

RESOLVED: That the unrestricted minutes of the previous meeting held on 28 November 2023 be agreed as a true and accurate record of proceedings subject to the inclusion of the Co- Optees Jonathan Malins- Smith and Henry Colthurst (Virtual) in the attendance list.

7 **Over and Underpayment Policy**

7.1 Rachel Cowburn, Head of Pension Fund Investments and Actuarial introduced the report setting out an updated Over and Underpayment policy for review. The policy was being reviewed as part of the 3 yearly review process.

7.2 In response to a question regarding the collection of benefit overpayments, the Head of Pension Fund Investments and Actuarial stated that it depended on the nature of overpayment and an affordability assessment would be undertaken to assess if scheme members could afford to repay the overpaid benefit.

RESOLVED:
To approve the revised Overpayment and Underpayment policy.

8 **Competition and Markets Authority's (CMA) Objectives**

8.1 Rachel Cowburn, Head of Pension Fund Investments and Actuarial introduced the report which presented an assessment of Redington Consultant's performance against the Fund's aims for 2023 and also sets out the objectives for 2024.

8.2 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 whether the objectives in amber for 2023 would not be achieved, it was clarified that there were no concerns around the Manager fees and that the amber objectives were being monitored. In 2024 greater focus would be placed on objectives such as LCIV and further work tracking governance.
- In response to a question regarding the circumstances when it would be necessary to make changes to the strategic objectives within the strategy, it was stated that changes had been made to aspects of strategy such as inflation and cashflow negativity but that there had been no circumstances previously necessitating changes to the strategic objectives. A high level review would be undertaken following the evaluation and if there were any significant changes or additions made to the strategic objectives then the Committee would need to look at whether the current strategy was appropriate for the Pension Fund.
- In response to a question relating to performance against objectives and expectations, it was emphasised that generally performance against objectives were good, however a few areas had been flagged as amber which were being monitored but there also more topics not covered in strategy such as governance arrangements.

RESOLVED:

1. **To agree the objectives, as set out in Appendix 1, for the Fund's investment consultant during 2024.**
2. **To note the assessment of the performance against objectives for 2023 as set out in Appendix 2.**

9 **High Level Monitoring Report**

9.1 Rachel Cowburn, Head of Pension Fund Investments and Actuarial introduced the report providing a high level update on key strategic Pension Fund matters including progress against the Business Plan, Strategic Objectives Scorecard, Risk Register, breaches Register, and the latest information on the position of the Fund. It was highlighted that the budget reporting had not been included due to the transition of the custodian from HSBC to Northern Trust and delays to reconciling custodian records. There were plans to schedule a meeting of the Pensions Board before the end of March 2024 to report the breaches.

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

- In response to a query about Responsible Investment and Stewardship Code, it was stated that a report was being prepared on the Stewardship Code for October 2024. The project on this investment and code had been significantly delayed and the Working Group had yet to set a meeting date.
- In response to a question about the Pensions Board not holding a meeting since 2022, it was clarified that there had been a challenge recruiting new

members since 2022 as these were voluntary roles and in particular scheme representatives from smaller employers. Following a recent recruitment exercise, the panel was able to employ a full complement of Board members and a meeting would be scheduled before the end of the financial year.

- In response to a question on how items were selected for the Business Plan's actions and task table, it explained that this year officers in conjunction with Governance Advisers had discussed and determined the key actions and tasks. All the selected actions/tasks related to ongoing activities and progress was being reviewed. Officers would consider inviting the chair to these meetings in the future.
- In response to a query regarding the Chair of the Pension board, it was clarified that the arrangement had been to have an interim chair and for the new members to decide if the Board needed an independent chair or to select a chair amongst membership.
- An update on the cyber induction training would be provided at the meeting in March 2024.
- In response to a question about the requirements of the new single code of practice, it was stated that The Pension Regulator's (TPR) General Code of Practice was expected to come into force on 27 March 2024, and would combine 15 previous TPR Codes into one single Code. All the new Codes were not relevant to the public sector and the Scheme Advisory Board would support funds in understanding any new requirements in the Code and where needed, produce new or update existing guidance to assist funds with their responsibilities and compliance.
- In response to a query about the penalty for non-compliance of the requirements, it was explained that enforcement action would depend on the nature of breach and how the Fund responded to the breach, for example the TPR had engaged with the Fund and took no enforcement action in relation to the breaches of issuing Annual Benefit Statements by the deadline.
- In response to a question about when the consultation was being undertaken on the small employer admission policy, it was stated that it was necessary to consult with schools before the consultation exercise could start in March or the latest June 2024.

RESOLVED:

1. **To agree the progress against the Business Plan tasks and actions, and agreed Budget.**
2. **To agree the current measures on the Strategic Objectives Scorecard.**
3. **To agree the Risk Register and the risks identified.**
4. **To agree the Breaches Register.**

10 **Quarterly Update Report**

10.1 Rachel Cowburn, Head of Pension Fund Investments and Actuarial introduced the report providing the most recent information on the position of the Fund and 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 was highlighted that there had been ongoing underperformance issues with some of the funds including the Growth Fund and an invitation would be sent to LCIV to provide an update at the next meeting in March.

10.2 Sam Yeandle, Redington Investment Consultant delivered a presentation on the LGPS Market Update summarised below:

Rates & inflation
- Inflation fell across the board
- Interest rates remained steady over Q4
- Interest rates cuts now generally priced in

Equity Markets
- Strong performance over Q4 driven by US
- S& P 500 increasingly dominated by magnificent Seven
- Magnificent Seven vs UK, Canada and Japanese market
- Appear relatively expensive

Fixed Income
- Strong performance through Q4
- Whilst spreads have tightened
- Gilt yields down from previous highs

Looking to 2024
- Is the outlook as rosy as it looks?
- Off to a mixed start
- Is the current rise in yields just a correction
- Bonds still look attractive at currency yields
- What worked last decade won't work this decade

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

- It was stated that the indexation at 40% of the global market would have an impact on other markets and there could be substantial sell offs which would impact on growth.
- In response to a question about de-risking, it was stated that although the funding level was 137% however taking strategic decisions such as de-risking would be a challenge considering the volatility in the markets and changes in the funding level which was not a reflection of the Fund's long term position. The funding level was high and needed to fall before de-risking should be considered.
- In response to a concern that various index investments were underperforming, it was clarified that there was a variance against the index for some investments and referred to the underperformance of Black Rock's passive fund over the previous three years which had implemented changes and performed slightly better than the index.
- In response to a question concerning the implications of an affected scheme member not receiving the leaflet on the McCloud Disclosure Communication, it was confirmed that in addition to the leaflet a spot check of the affected members' records would be undertaken. There was currently no dedicated area to the McCloud Judgment on the Council's website but this was under review.
- In response to concerns about the underperformance of the holdings with LCIV, it was explained that there had been a few issues with performance until the end of Sept however the figures for December 2023 had yet to be published. 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 had all underperformed and delivered

negative returns over the quarter. LCIV were holding regular reviews with the fund managers, and the LCIV Sustainable Equity Fund, LCIV Diversified Growth Fund had more recently been put on enhanced monitoring. The newly appointed Chief Executive and Chief Investment Officer at LCIV would be reviewing their underperformance.

- In response to a question regarding the strategic allocation, it was stated that the equity risks within the portfolio were being reviewed and consideration was being given to diversify the portfolio and management framework.
- In response to a query whether to consider investing in other better performing pension pools, it was stated that other pools could be considered if feasible but the outcome of the Government's paper on pooling and responses should be considered.
- In response to a question about potentially transferring LCIV funds into managed or tracker funds in the future, it was stated that there was much debate regarding active and passive funds. The active managers have added value to the Pensions Fund but the impact of technology stocks on funds has been an issue.

RESOLVED:
To note the report

11 **Exclusion of The Press And Public**

RESOLVED:
THAT the press and public be excluded from the proceedings of the Pensions Committee meeting during consideration of Exempt items 12 to 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**

12.1 The discussion and decision relating to this item is contained within the restricted minutes.

RESOLVED:
To note the report

13 Fixed Income Overview

13.1 The discussion and decision relating to this item is contained within the restricted minutes.

14 Consideration of the Exempt Minutes of the Previous Meeting - 28 November 2023

14.1 **RESOLVED: That the restricted minutes of the previous meeting held on 28 November 2023 be agreed as a true and accurate record of proceedings subject to the inclusion of the Co- Optees Jonathan Malins- Smith and Henry Colthurst (Virtual) in the attendance list.**

15 Any Urgent Exempt Business

15.1 There was no restricted urgent business.

Duration of the meeting: 6.30- 8.45pm

Cllr Kam Adams
Chair of the Pensions Committee

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Hackney

Title of Report	High Level Monitoring Report
For Consideration By	Pensions Committee
Meeting Date	26 March 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 as at end December 2023. An overview of each area is given in the main body of the report and further detail can be found in the appendices. It should be noted that some of the information in this report has already been considered by the Committee as this report is being used to align reporting periods across the monitoring reports.

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 7 February 2024 – 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. **Comments of the Acting Director of Legal, Democratic and Electoral Services**

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. **Business Plan Progress Update**

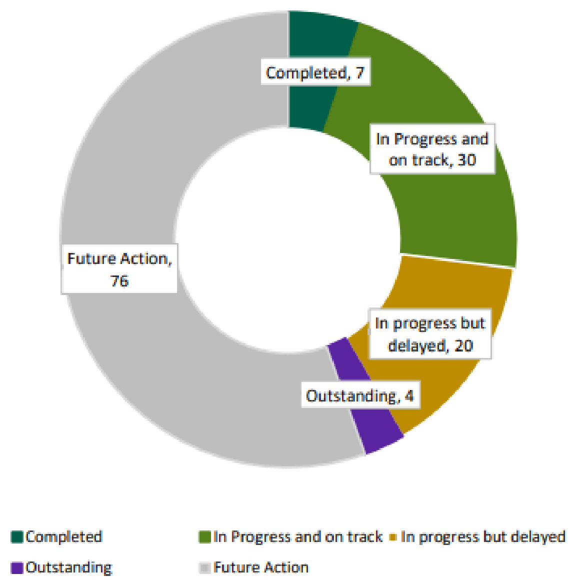
6.1. Key actions and tasks

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

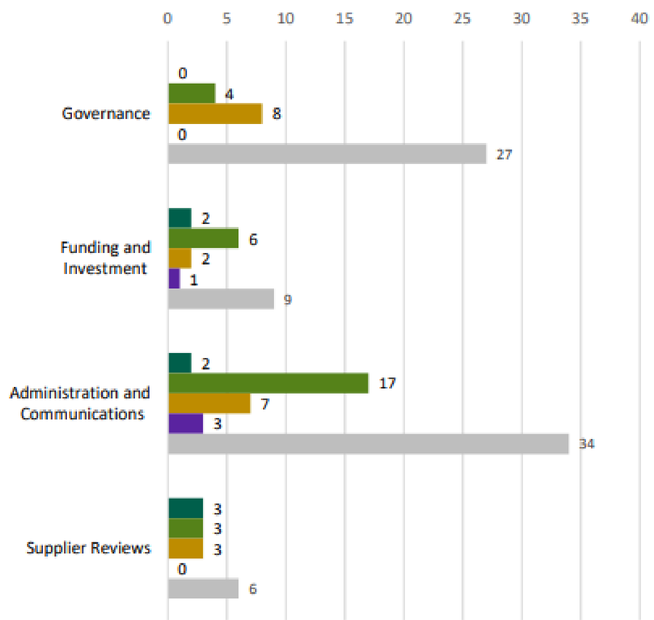
Appendix 1 to this report the “Business Plan Progress Update” provides details of each key action/task.

Total 2023/24 Business Plan Actions

Q3 Update as at 15 March 2024



Split by Area



All Actions

Current Progress: Behind Target

Rating:

Total Number of Actions: 51

Progress overall is generally positive with only two areas that have not commenced as planned.

Governance

Current Progress: On Track

Rating:

Total Number of Actions: 14

Progress is a bit slower than hoped in the internal initiated tasks, but these are in progress. Monitoring against the TPR Single Code can commence shortly as the Code will be in force from end March 2024.

Funding and Investment

Current Progress: Behind Target

Rating:

Total Number of Actions: 7

Good progress made on investment strategy workstream and small employers. Stewardship Code workstream is now in progress with some delays.

Administration and Communications

Current Progress: Behind Target

Rating:

Total Number of Actions: 22

The Administration and Communications actions are generally on track although some of the work is still in progress given the complex nature of it, coupled with resourcing constraints caused by annual events and a large redundancy exercise for school closures

Supplier reviews

Current Progress: On Track

Rating:

Total Number of Actions: 8

Both recent tenders now complete

6.2. Budget

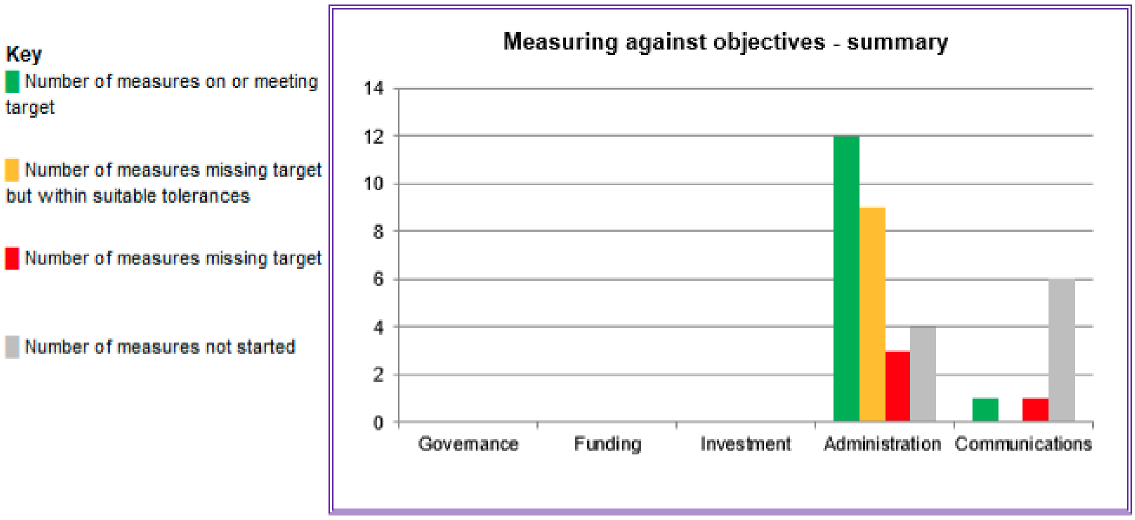
6.3. An updated Budget Forecast along with outturn will be included in the June Committee meeting. Work is ongoing regarding the reconciliation of data related to the Fund's transition to a new Custodian. Discussions continue with the new custodian regarding the reporting requirements.

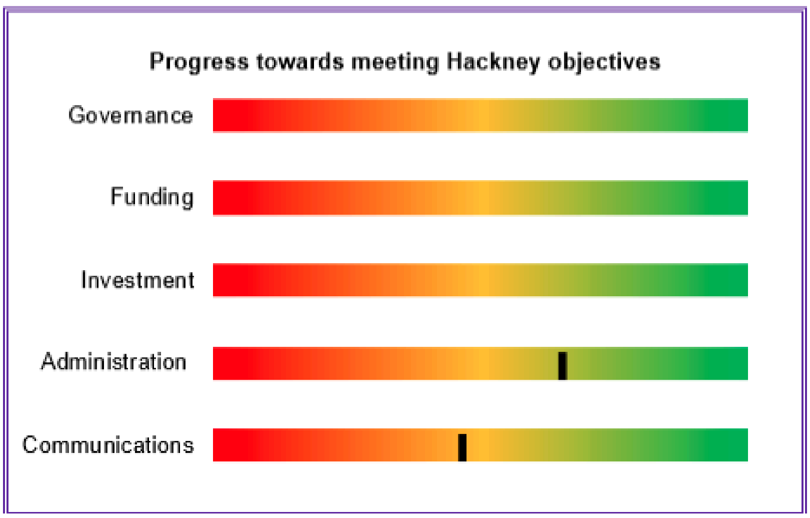
7. Strategic Objectives Scorecard

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

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:

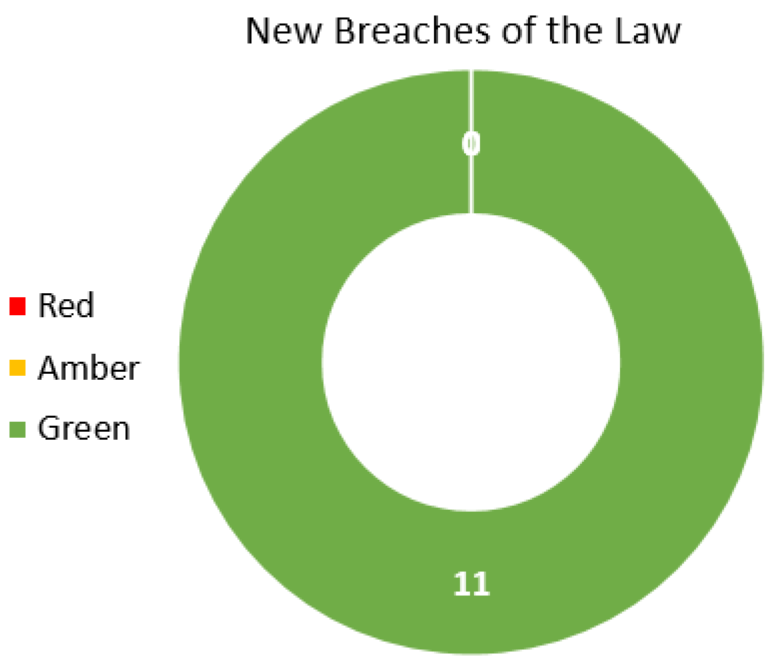
- Potential financial/data loss or systems downtime due to cybercrime (governance risk 10) - this is high risk due to increased threat, mitigations being put in place include development of an incidence response plan and supplier resilience checks.
- The increase in inflation which can erode asset values 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.

There has been no changes to the risk statuses since they were last reported in February 2024.

9. BREACHES OF THE LAW

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 the 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 and February Committees, 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 and February meetings (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 Registers
Appendix 4 - Breaches Register

Background documents

None

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Business Plan Progress Update

2023/24 as at 15 March 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 March 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, New contract in place from 01/01/24
S3	Benefits and governance consultant tender	✓	✓	✓				**Completed** Completed with final decision made Nov 2023, New contract in place from 01/01/24
S4	Investment consultant tender						✓	**No Action**
S5	AVC fund review					✓		**No Action**
S6	Third party administrator review and/or tender			✓	✓		✓	**In Progress and on track** Training provided to Committee members re outsourcing vs insourcing options
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	
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.

15 March 2024

Risk Register - Governance Risks

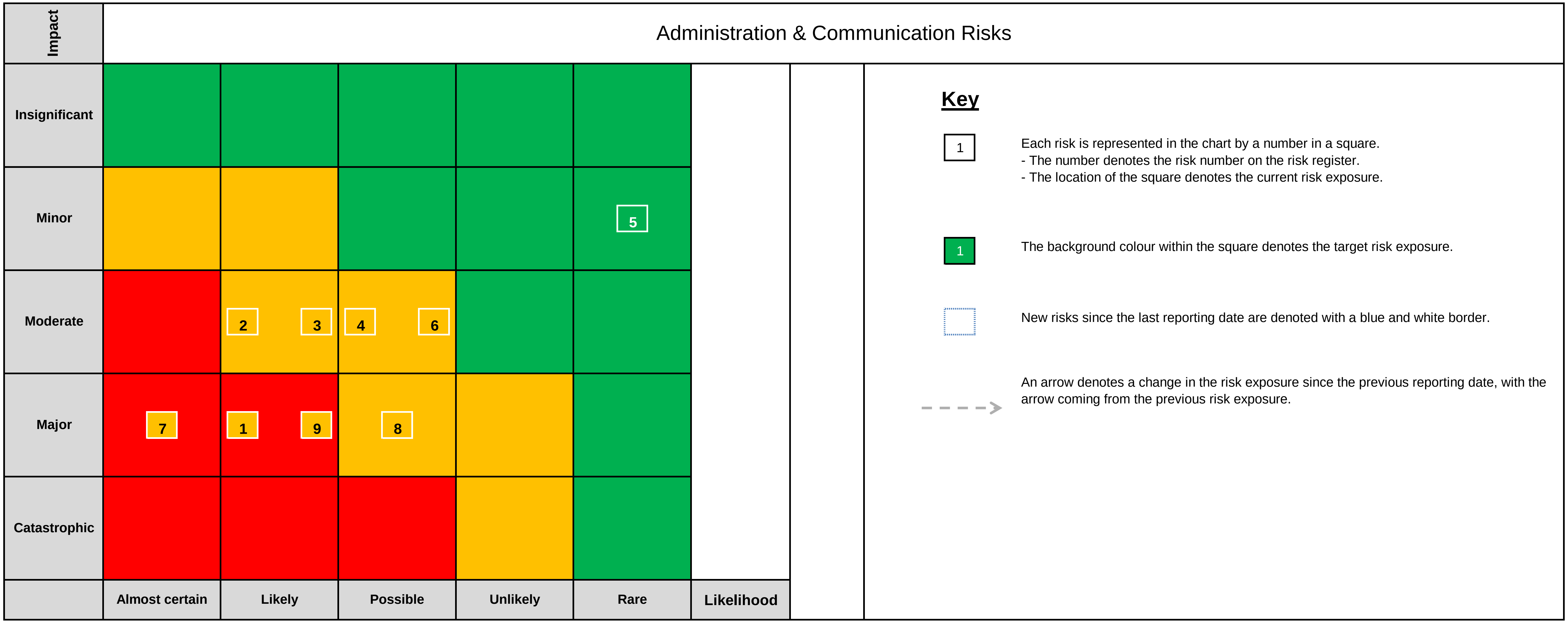
Objectives extracted from Business Plan 2023-26

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/MH/LP) 2 - Further development of training programme - increase focus on mid level staff (MH/LP) 3 - ensure all vacancies are filled as soon as possible (MH/LP)	Lucy Patchell / Michael Honeysett	01/06/2024	14/03/2024
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/MH) 2 - Ensure timely induction training elections for new Committee members (MH) 3 - Training needs analysis to be carried out in 2023 (MH)	Michael Honeysett	01/06/2024	04/03/2024
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 (MH) 2 - Broaden register of conflicts (MH) 3 - Consider management of advisor conflicts (MH)	Michael Honeysett	01/06/2024	14/03/2024
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						Michael Honeysett	01/06/2024	14/03/2024
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 (MH) 2 - Roll out employer portal to ensure more user friendly secure data transmission (LP) 3 - Obtain regular third party reassurance on GDPR measures (MH/LP) 4 - Ensure other cyber strategy elements are delivered (MH)	Lucy Patchell / Michael Honeysett	01/06/2024	14/03/2024
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 (MH) 2 - Receive written assurances from all suppliers re: management of cybercrime (MH/LP) 3 - Implement pension fund cybercrime strategy requirements (MH)	Lucy Patchell / Michael Honeysett	01/06/2024	14/03/2024
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	Michael Honeysett	01/06/2024	14/03/2024
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 (MH/LP)	Michael Honeysett / Lucy Patchell	01/06/2024	14/03/2024
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						Michael Honeysett	01/06/2024	14/03/2024
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 (MH)	Michael Honeysett	01/06/2024	14/03/2024
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						Michael Honeysett	01/06/2024	14/03/2024

Risk Register

Administration and Communication Risks Heat Map and Summary



15 March 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	01/06/2024	14/03/2024
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 6 - Regular monitoring of payroll interface to assist with data accuracy	Moderate	Possible		Current likelihood 1 too high	01/12/2018	Mar 2024	1 - Roll out employer portal to all employers - on hold awaiting software system developments (LP) 2 - Develop and roll out data improvement plan (LP/MH) 3 - Speak to Equiniti to understand monitoring carried out (see internal controls) (MH)	Lucy Patchell / Michael Honeysett	01/06/2024	14/03/2024
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 - on hold awaiting software system developments(LP) 2 - Carry out employer satisfaction surveys (LP) 3 - Continue with roll out of employer section of website (LP)	Lucy Patchell	01/06/2024	14/03/2024
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	01/06/2024	14/03/2024
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	01/06/2024	14/03/2024
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	01/06/2024	14/03/2024
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	01/06/2024	14/03/2024
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	01/06/2024	14/03/2024
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/MH)	Lucy Patchell / Michael Honeysett	01/06/2024	14/03/2024

Risk Register

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

Funding & Investment Risks (includes accounting and audit)

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.

15 March 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 (MH)	Michael Honeysett	01/06/2024	14/03/2024
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 (MH)	Michael Honeysett	01/06/2024	14/03/2024
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 (MH) 2 - Management of relationship with Northern Trust as transition phase moves to Business As Usual (MH) 3 - Maintain relationships with senior LCIV staff (JM/MH) 4 - Ensure LCIV aware of Hackney investment priorities and objectives to understand timing requirements (JM/MH)	Michael Honeysett	01/06/2024	14/03/2024
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	Michael Honeysett	01/06/2024	14/03/2024
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	Michael Honeysett	01/06/2024	14/03/2024
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 (MH)	Michael Honeysett	01/06/2024	14/03/2024
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 (MH) 2. Reduce equity overweight in favour of income producing assets (MH)	Michael Honeysett	01/06/2024	14/03/2024

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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Title of Report	Quarterly Update Report
For Consideration By	Pensions Committee
Meeting Date	26 March 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 information on the position of the Fund between September and December 2023. It should be noted that, on this occasion, some of the contents of this report would have been considered already at the previous meeting as this report is being used to harmonise reporting periods, across the areas covered.

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

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. **Governance Update**

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:

There have been no changes to report since the last report in February 2024

The date of the next Pensions Board meeting is currently being arranged and is expected to be in early April 2024. This will be the first meeting of the new Board and will focus on training regarding the role of the Board and its new members.

Changes in staffing/resourcing - There have been no further changes in the key pension team staff or suppliers since the last report to Committee in February 2024.

6.3. *Knowledge and Skills Policy implementation*

The following training has taken place since the last report.

One co-opted member of the Pensions Committee and one Pension Fund officer attended the LGC Investment Conference at Carden Park on Thursday 14 - Friday 15 March

Any committee members wishing to attend these future training/conferences should contact Michael Honeysett, Interim Head of Pensions to confirm arrangements.

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 final laid 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 will be delivered 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. These were due to commence during quarter 4 but have been delayed and will now commence shortly.

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 11 March 2024. At the time of writing the summary note of the meeting had not been published; in due course it will be found here: https://www.lgpsboard.org/index.php/about-the-board/board-updates. Some of the agenda items have been published and can be found here – https://www.lgpsboard.org/index.php/about-the-board/prev-meetings.The main areas covered in the meeting were:

- The Pensions Regulator General Code
- Cost Management Results
- McCloud Update
- Code of transparency Project Update
- General Pensions GAP update

6.6. *SAB Board Chair and Secretary meet with Minister Simon Hoare MP*

On Tuesday 16 January 2024, the Chair of the Board, Cllr Roger Phillips, and the Board Secretary, Jo Donnelly, met the minister for local government, Simon Hoare MP, in person. They discussed McCloud, the Government's response to the next steps on investments consultation, and Government progress on the Good Governance recommendations and the climate risk reporting consultation response.

6.7. The Board has issued a short response to the DLUHC consultation on "*Addressing the local audit backlog in England*"*.* The consultation was discussed at the Compliance and Reporting Committee when it met on 12th February. The Committee agreed that the Board should express concern that if there were wide-spread disclaiming of LGPS administering authority accounts in order to meet the new deadlines, then there would be knock-on consequences for the 18,000 scheme employers that rely on information from the pension fund audit in order to complete their own audits. Essentially, the scheme employer auditor will need to do further work to gain assurance on the information provided to it by the LGPS actuary on its assets and liabilities under the scheme, which may well be material, depending on a range of factors. The Board's response also takes this opportunity to re-emphasise the representations it made in an earlier letter asking that pension fund audit should be separated out from the host authority audit. This would also resolve some of the consequential problems with backlogs as it is not the audit of the pension fund account which is usually holding up completion of the host authority's audit report.

6.8. The auditor's are very close to signing off Hackney's Statements of Accounts, including the Pension Fund accounts, for both 2021/22 and 2022/23. The Pension Fund accounts are unlikely to be amended further as part of this process.

7. Funding Update

7.1 Funding strategy and policy reviews

The Small Employers Admission Policy approved by the Committee in November 2023 is currently with Employers in the Fund for consultation. Pending any comments that require further amendment, it is intended that the new policy will become effective from 1 April 2024.

7.2 Other Hackney Pension Fund funding matters

Appendix 1 to this report provides the funding update to 31 December 2023 from the Fund's Actuary, Hymans Robertson. The key statistics are as follows:

	31/3/2022 (last valuation date)	30/09/2023 (last quarter)	31/12/20223 (most recent quarter)
Assets	£1.96bn	£1.86bn	£1.99bn
Liabilities	£1.86bn	£1.36bn	£1.53bn
Surplus/(deficit)	£100m	£500m	£460m
Funding level (assets / liabilities)	106%	137%	130%

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 increased only marginally since the valuation date, this has been accompanied with a significant drop in liability values as a result of rising gilt yields, resulting in an increase in the estimated funding level.

7.6. There have been no changes to participating employers in the Fund during the quarter.

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. There is a separate paper on this agenda regarding the review of the Fund's Bonds mandate following introduction at the last meeting. It is intended that the Committee will give further consideration to implementation of the impact property allocation previously agreed at a future meeting.

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 31 December 2023. The report includes an analysis of quarterly, 1 year and 3 year and since inception performance against benchmark, and a brief commentary on the performance of each mandate. as well as Redington's current ratings for each manager.

Quarter 4 of 2023 was defined by the US CPI release in mid-November which was below expectations, strengthening market conviction that the Federal Reserve would pull off a soft landing - stocks and bonds in general rallied strongly in response.

All of the Funds in which the Hackney Pension Fund is invested returned positive returns over the quarter except for the two Columbia Threadneedle Property Funds with TPEN delivering -1.3% and the Low Carbon Property Funds -7.6%. The Low Carbon Property Fund is now in wind-down, with the underlying properties being sold.

The Blackrock World Equity Fund was the best performer in absolute terms, returning +9.6%, whilst the LCIV Diversified Growth Fund delivered the strongest excess return above benchmark, at +4.8% (+6.9% total return).

3 funds delivered returns below the benchmark - LCIV Emerging Market Equity Fund (+2.1%, -1.2% relative to benchmark), and the Colombia Threadneedle TPEN Fund (-1.3%, -0.1% relative to benchmark), .

In monitoring performance, particular attention is paid to funds or mandates that have seen sustained below benchmark performance. London CIV are attending the March Pensions Committee to discuss the performance of their funds which have each seen lengthy periods of underperformance, despite some improvement over the last quarter in 2 of them.

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 (RIWG) took place to support this work on 6th March. An update on the work of the RIWG is included elsewhere on this meeting agenda.
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**

Chancellor's Spring Budget

The Chancellor announced that requirements will be introduced for Local Government Pension Scheme funds to publicly disclose the breakdown of their asset allocations, including UK equities, on an annual basis. These requirements are expected by the end of the month as part of the new Annual Report guidance. The Chancellor also stated that the government will review what further action is needed if this reporting does not demonstrate that UK equity allocations are increasing.

Further analysis and clarifications regarding these announcements are expected in due course.

9. <u>Pensions Administration and Communications Update</u>

9.1 **Administration and communications and strategy policy reviews**

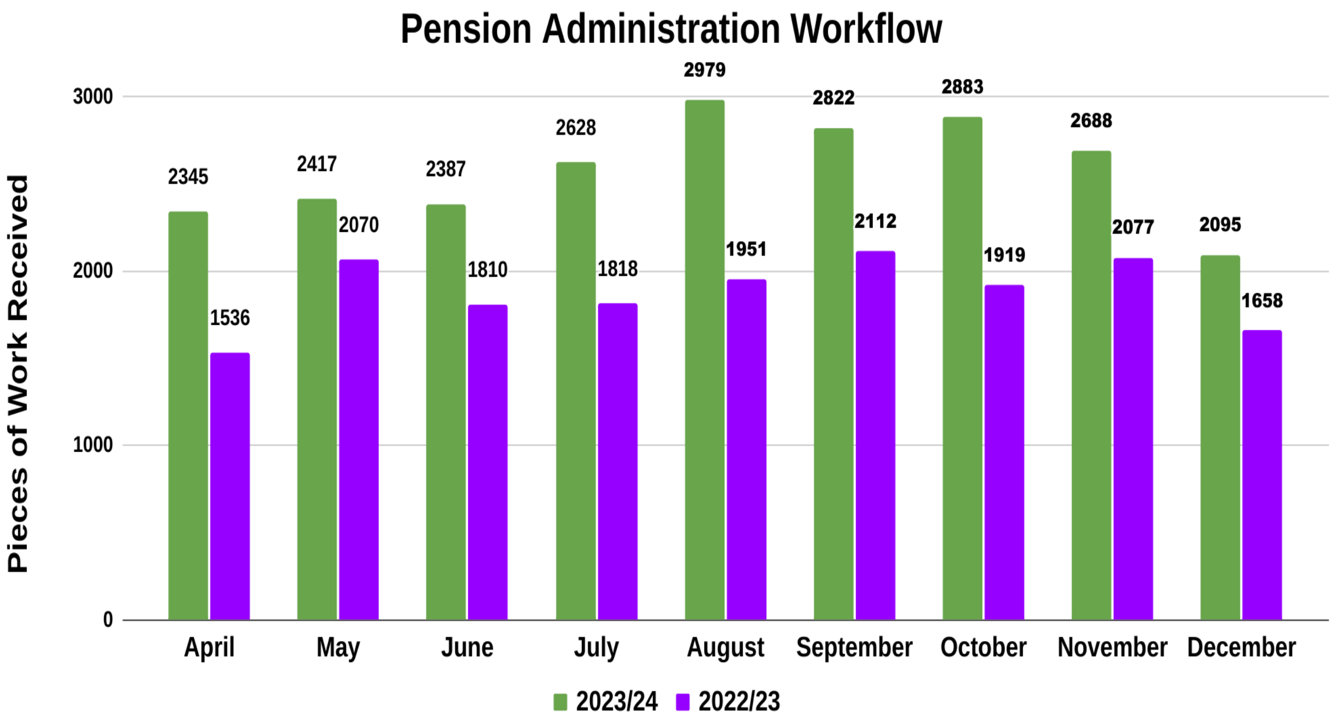
The Pension Tax Communication Strategy was due to be reviewed but has been delayed by the McCloud remedy and guidance around tax implications. This has been further delayed due to the changes in the Lifetime Allowance (LTA) tax regime, with the LTA being abolished from April 2024. However, there will still be a limit on the amount of tax-free lump sum a member can take.

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.



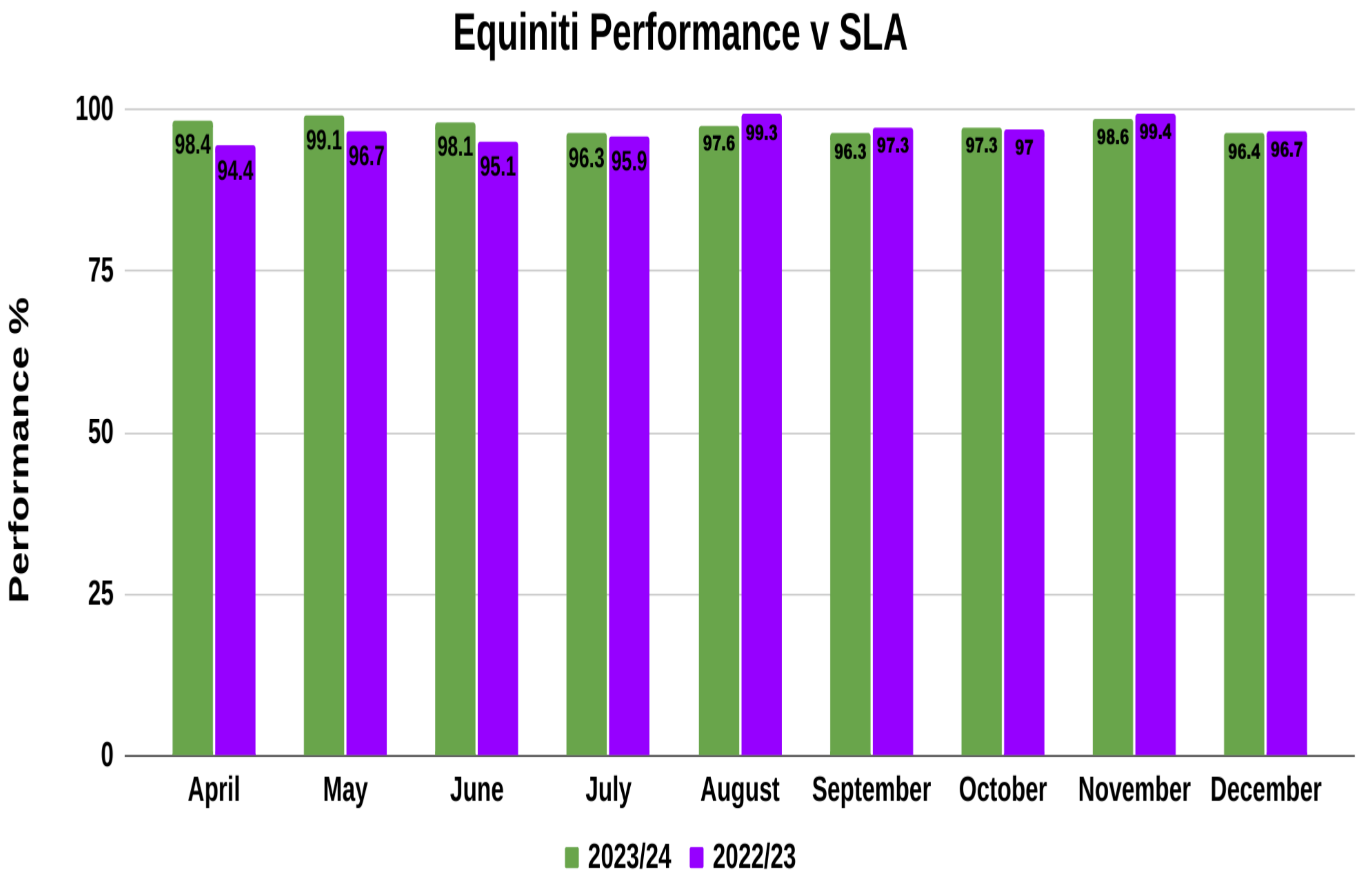
Case levels

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.

<u>Pension Saving Statements for tax year 2022-23</u>

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.

9.5 *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 *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 member McCloud area on their website.

- 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.

A consultation on DLUHC guidance is now underway with a selected group of LGPS stakeholders and due to close on 12 April. This guidance covers identifying members in-scope, prioritisation of cases and some other technical issues.

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 continued to change.

Significant risks on the programme are the delay in issuing further central guidance and worked examples due to the lateness in the publishing of final regulations, which have made timescales for various activities tight.

However, following the publication of the regulations many actions that were previously 'on hold' are now being progressed. A further update will be provided at the next Committee meeting.

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

HMT Confirmation of annual revaluation, earnings and pensions increase

HM Treasury (HMT) published a written ministerial statement confirming the rates of annual revaluation, earnings and pensions increase due to apply from April 2024.

The statement confirms:
- public service pensions will increase on 8 April 2024 by 6.7%, in line with the Consumer Prices Index for the year up to September 2023
- revaluation of 6.7% plus any local addition will be used in April 2024 to revalue CARE accounts in public service pension schemes that use prices as the measure of revaluation
- revaluation of 7.7% will be used in April 2024 to revalue the CARE accounts in public service pension schemes that use earnings as the measure of revaluation.

The Government will legislate for these changes in due course.

Pensions Increase multiplier tables HMT published the 2024 Pensions Increase multiplier tables and a covering letter. You can find these on the "Related legislation" (England and Wales) page of www.lgpsregs.org

TPO Interim chair of the Pensions Ombudsman (TPO) appointed

DWP has appointed Anthony Arter as the Interim Chair of TPO. Anthony served as the Pensions Ombudsman for eight years until January 2023, followed by a period as the Deputy Pensions Ombudsman. He will serve as the Interim Chair until a permanent Chair is appointed.

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 31 December 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 31 December 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 31 December 2023.

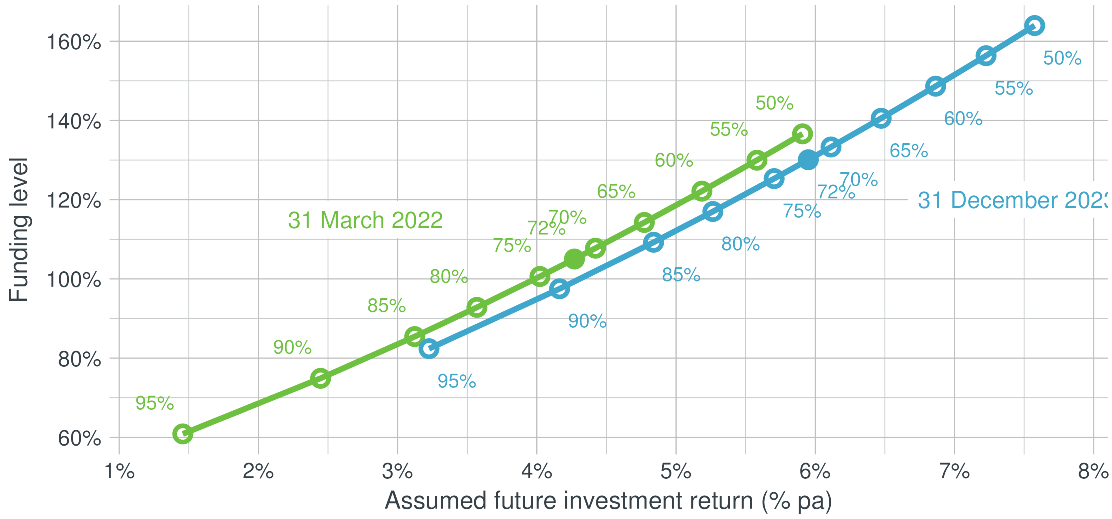
Please note that the asset value at 31 December 2023 shown in this report may differ to the actual asset value at that date because it is an estimate based on estimated cashflows (see section 3.2) and estimated investment returns (see section 3.3). However, the estimated value is consistent with the 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	31 December 2023
Assets	1.96	1.99
Liabilities		
– Active members	0.53	0.44
– Deferred pensioners	0.47	0.35
– Pensioners	0.86	0.73
Total liabilities	1.86	1.53
Surplus/(deficit)	0.10	0.46
Funding level	106%	130%
Required return assumption (% pa) for funding level to be 100%	4.0%	4.3%
Likelihood of assets achieving this return	75%	89%

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 31 December 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 31 December 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 31 December 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	

Average ages are weighted by liability.

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 31 December 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 31 December 2023
Employer contributions	55,186
Employee contributions	26,739
Benefits paid	128,164
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	31 December 2023	6.88%

The total investment return for the whole period is 3.71%.

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	31 December 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%	5.9%
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%	2.2%

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.

Life expectancy from age 65 (years)	Ongoing basis	
	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 31 December 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 31 December 2023 include a total adjustment of 11.4% to reflect the difference between actual September CPI inflation values (up to 30 September 2023) 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 31 December 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 31 December 2023 was 1.0% pa lower then the liabilities on the Ongoing basis at that date would increase by 18.1%.

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 12 March 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 12 March 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

Q4 2023

Private and Confidential

Certified B Corporation

bsi. ISO/IEC 27001 Information Security Management

QAS Institute and Faculty of Actuaries
Quality Assurance Scheme

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CURRENT PORTFOLIO POSITION

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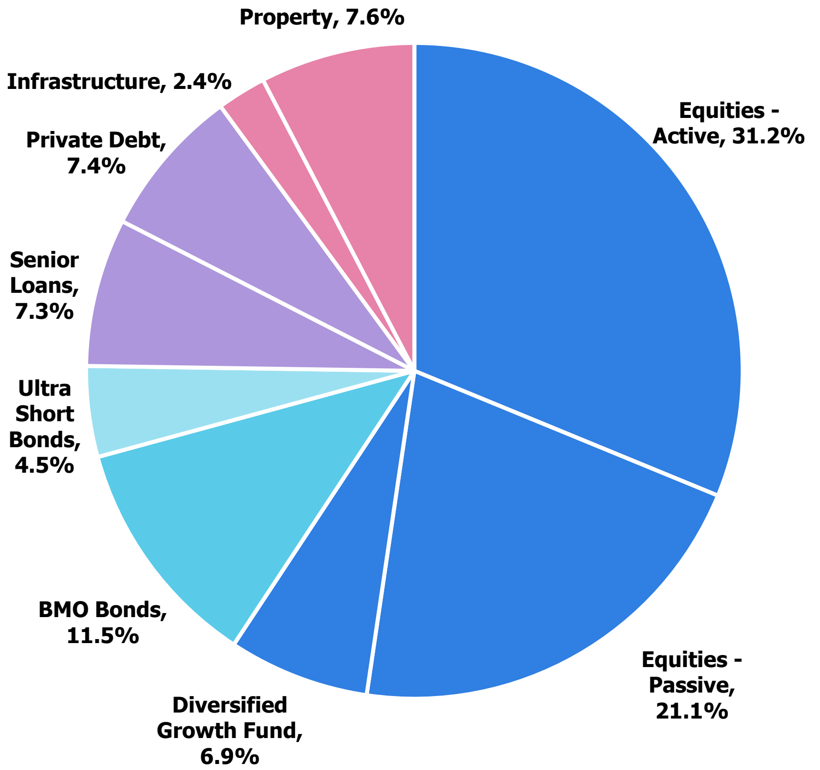
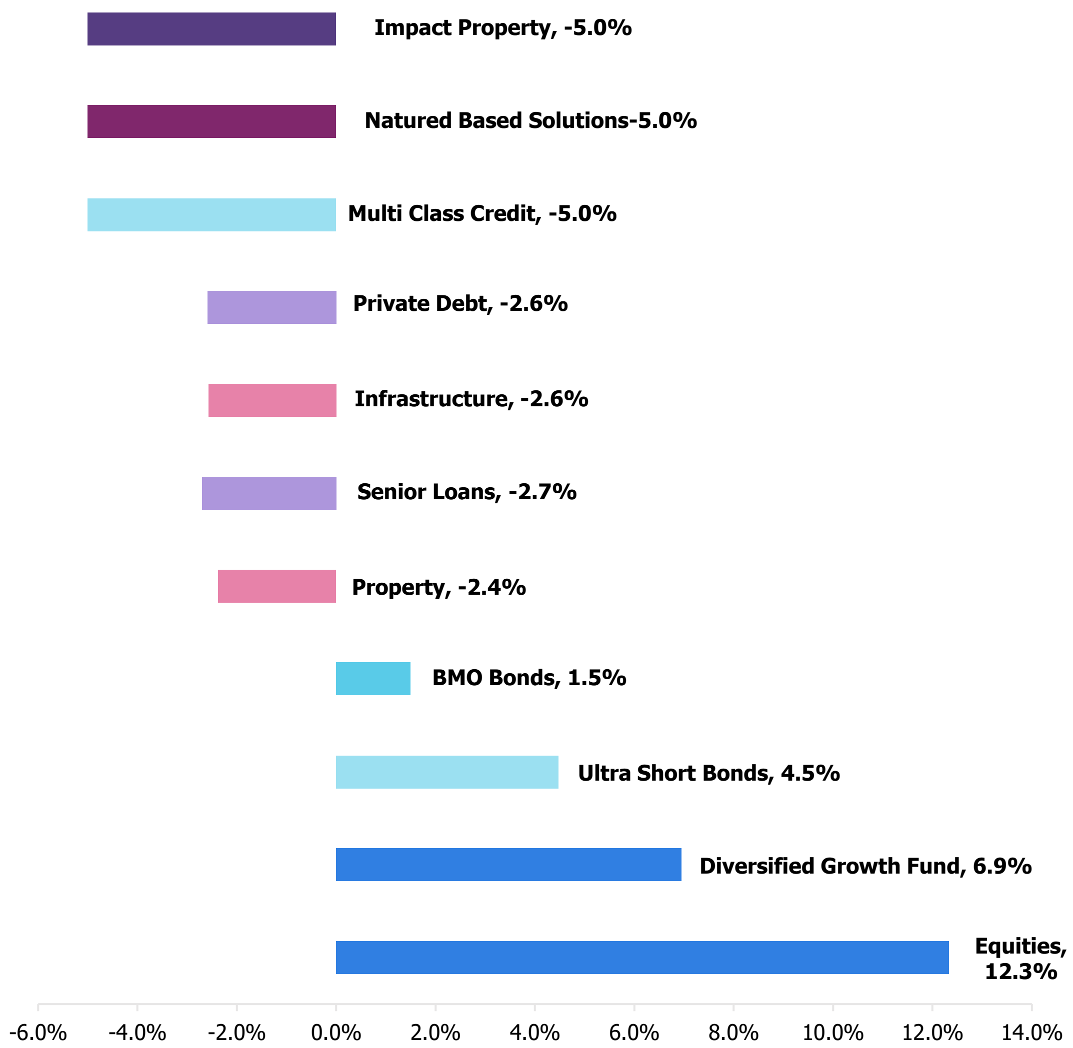
Asset Allocation (31 Dec 23)



Asset class holdings relative to SAA (31 Dec 23)



WHAT HAS HAPPENED IN THE MARKETS?

Pete Drewienkiewicz (CIO, Global Assets)

Market Summary

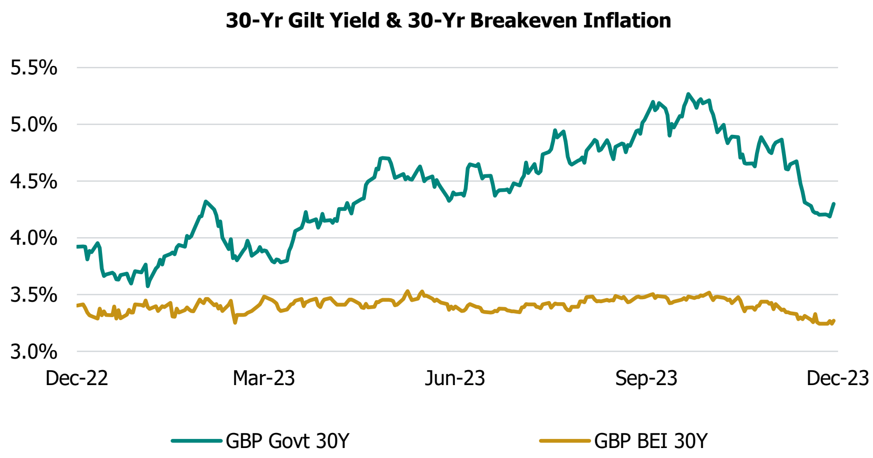
Q4 2023 was defined by a single data point – the US CPI release in mid-November. This came in below expectations, further strengthening market conviction in the Federal Reserve pulling off a "soft landing". Both stocks and bonds rallied strongly in response, although the asset classes remain highly correlated, emphasising the importance of forthcoming inflation data. All major central banks put further rate hikes on pause throughout the quarter, and markets are now pricing numerous rate cuts for 2024, beginning as early as March.

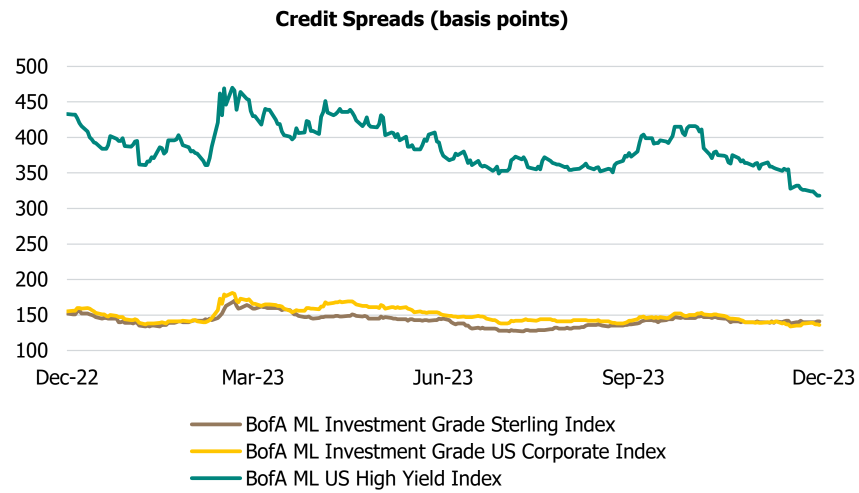
Sustainable Investment Update

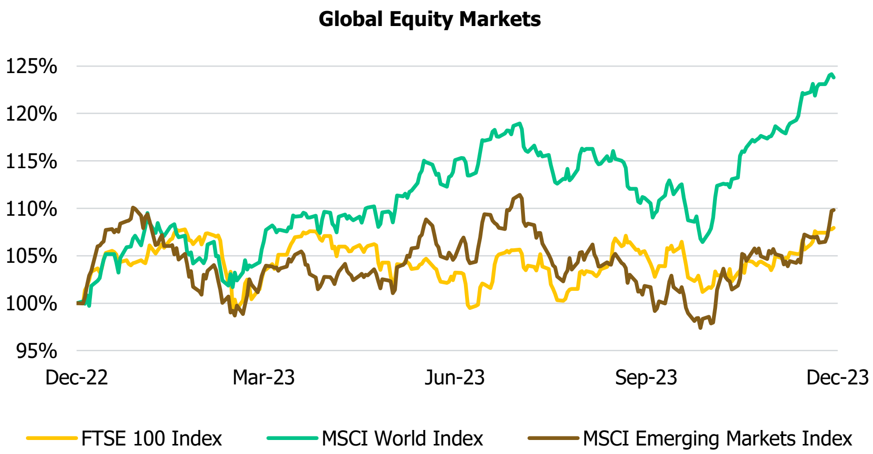
The final text from COP28 encouragingly mentions the projection of peak global emissions between 2020-2025 and calls on parties to "transition away from fossil fuels in energy systems". This is the strongest global agreement on a peak in fossil fuel use yet. However, the "how" remains uncertain. The outcome reinforced themes for investors such as renewables, nature-based solutions, sustainable food systems and more.

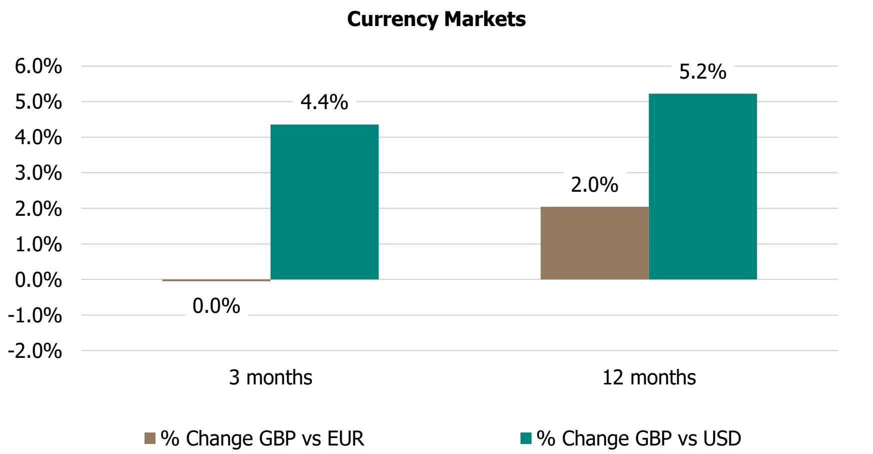
UK Sustainability Disclosure Requirements ("SDR") were published to combat greenwashing by introducing stricter requirements as to what constitutes a "sustainable" investment product.

WHAT HAS HAPPENED IN THE MARKETS?









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VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Kate Mijakowska** **UK Gilts and Inflation**	In Q4 2023, UK 30-year nominal gilt yields fell by 74bps. Breakeven inflation at the same tenor fell by 18bps, which brings UK 30-year real yields 56bps lower. This followed meaningful yield decreases in the US. This move was driven by the market significantly revising its expectations about the speed and number of rate cuts in 2024, based partly on data and partly on the Fed's communication. In the UK, both the November and December Consumer Price Index ("CPI") prints came in below expectations, at 3.9% and 4.0% respectively. At the end of December 2023, the market was pricing in over 150bps of cumulative rate cuts in the UK over the course of 2024. Nominal z-spreads (a measure reflecting the relative attractiveness of gilts versus swaps) remain high, at 78ps at the 30-year tenor. Meanwhile, repo spreads have increased slightly, albeit from very low levels, and now sit in the high teens.
 **Oliver Wayne** **Liquid Markets (Equities)**	Developed markets ("DM") posted strong returns over Q4, spurred by growing excitement that the US Federal Reserve could cut interest rates sooner than expected. US shares fared best, with the S&P 500 ending the quarter near its all-time high, while UK and European equities were also buoyed by optimism over possible rate cuts. Top-performing sectors included those most sensitive to interest rates, including technology and real estate, while industrials also outperformed. The energy sector lagged amid lower oil prices, and healthcare was also behind. Emerging markets ("EM") lagged DM, though still delivered strong gains. Rising geopolitical tensions in the Middle East and ongoing concerns about China's real estate sector weighed on sentiment, partly offset by strong performance from Latin America, which was boosted by hopes of a soft landing for the global economy. From a style factor perspective, quality managers did best, though most ships were lifted by the rising tide. From a size perspective, smaller companies outperformed in both DM and EM.
 **Alex Robinson** **Liquid Markets (Multi-Asset)**	It was a strong quarter for risk assets over Q4 as investors became increasingly optimistic following dovish tones from central banks that brought forward expectations of rate cuts in early 2024. Bond yields were significantly lower through the quarter and equity and fixed income markets rallied. These moves benefited long-only multi-asset managers, particularly those who had stuck with significant duration exposure throughout the year. Commodities had a weak quarter, driven primarily by energy as gas and oil prices moved sharply lower. For risk parity strategies, the positive performance in equities and fixed income helped offset some underperformance in commodities. Broadly, trend-following strategies had a disappointing Q4, with the majority of poor performance coming in November from short fixed income and long US Dollar positions. Event-driven strategies broadly had a more positive end to the year, following a tough 2023 when headwinds from an onerous regulatory environment, prominent deal breaks, an opaque interest rate outlook and stunted levels of M&A activity presented a challenging environment for the strategy.

VIEWS FROM THE ASSET CLASS SPECIALISTS

 **Chris Bikos** **Liquid & Semi-Liquid Credit**	Q4 2023 can be best described as an "everything rally" environment. This market rally coincided with a sharp decline in government bond yields and credit spreads moving tighter across the board. All major central banks kept rates unchanged and inflation rates came in lower than market expectations. Throughout 2023, these have been the two main drivers of yields and asset prices. High yield outperformed investment grade on a spread basis. More specifically, the US high yield market outperformed its European counterpart by c.1% on an excess return basis. In investment grade, long-duration outperformed other maturities from a total return perspective, driven by falling rates. Leveraged loans had another strong quarter and 2023 was the second strongest year from a return perspective on record. Emerging market debt ("EMD") produced positive performance across all segments, with currencies strengthening versus the U.S. dollar, interest rates falling in most economies worldwide, and credit spreads tightening. The Local Currency EMD index was top performing, followed by EM Corporates and Hard Currency Sovereigns.
 **Tricia Ward** **Illiquid Credit**	Performance remains broadly resilient, with Q3 senior-secured private credit yields reaching a high of 11.8% (source: Lincoln) and default rates at 1.41%, a continued decline from the Q1 level of 2.15% (source: Proskauer). By the end of Q3, private credit provided 86% of the loans for the leveraged buy-out market. Deal spreads in the upper-mid markets peaked 12 months ago, 75bps wider than the 575bps level typically executed in Q4 for equivalent credits. Q4 EBITDA (a measure of corporate profitability) growth year-over-year across US middle-market companies was the strongest for 8 years, excluding the post-COVID rebound in Q2 2021. Having focused on cost-cutting measures in Q2 to offset rising rates and inflation, strong borrowers have exerted pricing power, thereby contributing to improved EBITDA. Again, not all private credit is equal. We are aware of challenges in the US consumer and healthcare sectors. Experience in asset-based finance – where financing is secured against companies' cashflows or hard assets – is still relatively limited, and it remains to be seen how borrowers manage the continued pressure of the higher-for-longer rate environment and how that changes the opportunity set for junior and "payment-in-kind" debt issuance (where borrowers can make interest payments in forms other than cash).
 **Sarah Miller** **Illiquid Markets**	Across real assets, fundraising over 2023 reflected a c.40% drop vs 2022, according to Preqin, with a c.73% decline in infrastructure raising driving a 10-year low. Notably, two large infrastructure funds closed in Q4, helping the fundraising to rebound from what had been a 90% decline. In infrastructure, investors remained cautious, with deal volumes falling 40% year-on-year vs 2022 due to wide bid-ask spreads on underlying deals, despite $300bn of dry powder (cash-like reserves that are available for deployment when investment opportunities arise) available across the industry. High costs of debt have challenged the financial viability of new development projects, thereby also slowing deployment. The EDHEC Infra300 index (equally weighted, local currency) returned 10.5% year to date through November 2023. The falling equity risk premium has increased net asset values of unlisted infrastructure companies over the past year, partially offsetting the impacts of elevated interest rates. The real estate market continues to see capital declines across sectors, with offices seeing the most significant reduction as the sector falls out of favour with investors due to a divergence in stock quality and its impact on valuations.

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									
LCIV Global Alpha Growth Paris Aligned Fund	MSCI All Country World Gross Index (GBP)	September 2021	213.8	-6.2%	5.6%	-11.8%	-	-	-
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	73.7	-6.3%	-3.9%	-2.4%	-	-	-
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	305.1	7.8%	10.0%	-2.2%	1.7%	9.8%	-8.1%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	131.9	-3.6%	6.4%	-10.0%	-	-	-
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	137.2	9.8%	9.5%	0.3%	8.5%	8.0%	0.5%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	263.6	10.2%	9.8%	0.5%	9.5%	9.0%	0.5%
Liquid and Semi-Liquid Credit									
BMO Bonds	Bond Composite	September 2003	218.2	4.4%	4.0%	0.5%	-7.9%	-8.5%	0.5%
BlackRock Short Bond	3-month SONIA	February 2019	94.8	1.8%	1.7%	0.0%	1.9%	2.0%	-0.1%
Illiquid Credit									
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	53.7	6.4%	6.5%	-0.1%	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	84.9	8.1%	7.0%	1.1%	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	140.6	-	-	-	-	-	-
Illiquid Markets									
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	46.1	-	-	-	-	-	-
Columbia Threadneedle Pension Property (TPEN)	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	142.6	7.5%	6.5%	0.9%	2.9%	2.1%	0.8%
Columbia Threadneedle Low Carbon Property	-	May 2016	2.2	-4.3%	-	-	-15.6%	-	-

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										
LCIV Global Alpha Growth Paris Aligned Fund	MSCI All Country World Gross Index (GBP)	September 2021	213.8	197.9	11.6%	16.4%	-4.8%	8.1%	6.3%	1.8%
LCIV Emerging Market Equity Fund	MSCI Emerging Market Index (TR Net)	September 2021	73.7	72.2	0.4%	3.6%	-3.2%	2.1%	3.3%	-1.2%
LCIV Sustainable Equity Fund	MSCI World (GBP)(TR Net)	June 2018	305.1	289.2	4.6%	16.8%	-12.3%	5.5%	6.7%	-1.1%
LCIV Diversified Growth Fund	SONIA + 3.5%	October 2021	131.9	123.4	4.6%	8.3%	-3.7%	6.9%	2.1%	4.8%
BlackRock World Equity	MSCI World Net Total Return 95% hedged to GBP	June 2018	137.2	125.2	22.9%	22.2%	0.7%	9.6%	9.5%	0.1%
BlackRock Low Carbon	MSCI World Low Carbon Target Reduced Fossil Fuel Select Index	June 2018	263.6	244.7	17.4%	16.8%	0.5%	7.7%	7.6%	0.2%
Liquid and Semi-Liquid Credit										
BMO Bonds	Bond Composite	September 2003	218.2	199.9	4.7%	4.8%	-0.1%	9.2%	8.5%	0.7%
BlackRock Short Bond	3-month SONIA	February 2019	84.9	93.5	4.5%	4.7%	-0.2%	1.4%	1.3%	0.1%
Illiquid Credit										
Churchill Senior Loans	IRR (net of fees) of 6-7%	December 2018	53.7	61.2	-	-	-	-	-	-
Permira Senior Loans	IRR (net of fees) of 6-8%	December 2019	84.9	82.6	-	-	-	-	-	-
LCIV Private Debt Fund	IRR (net of fees) of 6-8%	March 2021	140.6	132.3	-	-	-	-	-	-
Illiquid Markets										
LCIV Renewable Infrastructure Fund	IRR (net of fees) of 7-10%	March 2021	46.1	45.0	-	-	-	-	-	-
Columbia Threadneedle Pension Property (TPEN)	MSCI/AREF UK 'All Balanced Open-Ended' Property Fund Index	March 2004	142.6	144.1	0.2%	-1.4%	1.7%	-1.3%	-1.2%	-0.1%
Columbia Threadneedle Low Carbon Property	-	May 2016	2.2	14.7	-29.7%	-	-	-7.6%	-	-
Fund-level metrics			**1,908.4**	**1,825.8**	**6.8%**	**8.3%**	**-1.6%**	**5.1%**	**4.6%**	**0.5%**

YOUR FUND DETAILS AND COMMENTS

Fund	Inception Date	Commentary on the Quarter
Liquid Markets		
LCIV Global Alpha Growth Paris Aligned Fund	September 2021	The fund delivered a return of 8.1% over Q4 2023, outperforming the benchmark by 1.8%. The outperformance shown demonstrates the volatility of the market and the need for caution, with the fund underperforming the benchmark by 5.1% over Q3 2023. The improved performance has been strengthened by the more favourable market for growth stocks paired with better stock execution. The core area of weakness remains the fund's exposure and stock selection within China, where 3 out of the 5 top detractors for the fund in Q4 had direct exposure to China or indirect exposure to the Chinese consumer.
LCIV Emerging Market Equity Fund	September 2021	The fund delivered a return of 2.1% over Q4 2023, underperforming the benchmark by 1.2%. Over both Q4 and 2023, outperformance of value stocks compared to growth equities, the strong performance of Indian small cap stocks contributed positively to the fund's performance. Information Technology was a positive contribution in Q4, accelerating due to its positive inflection point on the hardware demand cycle and demands in AI. The fund's key detractor was China, where the fund's top five detractors at stock level were Chinese holdings.
LCIV Sustainable Equity Fund	June 2018	The fund delivered a return of 5.5% over Q4 2023, underperforming the benchmark by 1.1%. Despite market conditions being ripe for value strategies, the fund demonstrated underperformance due to the stock selection. In particular, it was the holding in First Quantum Minerals which detracted c.1%.
LCIV Diversified Growth Fund	October 2021	The fund delivered a return of 6.9% over Q4 2023, outperforming the benchmark by 4.8%. The positive returns in this quarter resulted from strong investments in developed and emerging market government debt, recovery of other interest-rate sensitive assets and investments in property REITS. Despite the strong quarter, the fund will still be put on 'Enhanced' monitoring, with another in depth review scheduled to take place no later than June 2024.
BlackRock World Equity	June 2018	The fund delivered a return of 9.6% over Q4 2023, performing broadly in line with the benchmark, as expected for a passive fund.
BlackRock Low Carbon	June 2018	The fund delivered a return of 7.7% over Q4 2023, performing broadly 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 9.2% over Q4 2023, outperforming the benchmark by 0.7%. Sterling credit assets outperformed government bonds. The fund was overweight in duration and credit risk, which proved favourable in a market where yields fell and credit spreads tightened.
BlackRock Short Bond	February 2019	The fund delivered a return of 1.4% over Q4 2023, outperforming the benchmark by 0.1%. The fund holdings remain highly liquid, with overnight liquidity at c. 20-25%, and weekly liquidity at c. 30%. The fund has increased exposure to A2/P2 issuers at the very front end of the curve, offering a favourable spread against A1/P1 issuers.

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 -4.3% over Q4 2023, with the fund having drawn c.96% of its commitments as at 31 December 2023.
Permira Senior Loans	December 2019	The net internal rate of return of the fund was 8.1% over Q4 2023, with the fund having drawn c.87% of its commitments as at 31 December 2023.
LCIV Private Debt Fund	March 2021	As at 30 September 2023, the fund had drawn 96% of its commitments. In accordance with the trust deed, the performance of the fund is not formally assessed against its objectives until after the fourth year of the investment period.
Illiquid Markets		
LCIV Renewable Infrastructure Fund	March 2021	As at 30 September, the fund had drawn 78% of its commitments. In accordance with the trust deed, the performance of the fund is not formally assessed against its objectives until after the fourth year of the investment period.
Columbia Threadneedle Pension Property (TPEN)	March 2004	The fund delivered a return of -1.3% over Q4 2024, underperforming the benchmark by 0.1%.
Columbia Threadneedle Low Carbon Property	May 2016	The fund delivered a return of -7.6% over Q4 2024. The fund is in wind down, with the valuations reflecting the sales prices that will be realised. Over the quarter, one property was sold, Grove House, at a realised loss of 31.5% on book cost.

APPENDICES

ASSET CLASS GROUPINGS

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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2023 LAPF INVESTMENTS AWARDS **INVESTMENT ADVISORY SERVICE OF THE YEAR**

2023 INVESTMENT MARKETING & INNOVATION AWARDS **CONTENT MARKETING CAMPAIGN OF THE YEAR**

2023 EUROPEAN PENSIONS **EUROPEAN PENSIONS CONSULTANCY OF THE YEAR**

2022 FINANCIAL NEWS **INVESTMENT CONSULTANT OF THE YEAR 2022**

2022 FINANCIAL TIMES **TRAILBLAZING COMPANY OF THE YEAR - DIVERSITY IN FINANCE**

2021 FINANCIAL NEWS **INVESTMENT CONSULTANT OF THE YEAR**

2021 PIPA AWARDS **INVESTMENT CONSULTANT OF THE YEAR**

2021 PENSIONS FOR PURPOSE **BEST BLOG CONTENT**

2021 CORPORATE ADVISER **BEST DC INVESTMENT ADVISER**

2020 PROFESSIONAL PENSIONS UK PENSIONS AWARDS **DC INNOVATION OF THE YEAR**

2017 PENSION INSIGHT DC AWARDS **BEST INNOVATION IN DC**

2017 EUROPEAN PENSIONS AWARDS **RISK MANAGEMENT FIRM OF THE YEAR**

2017 FINANCIAL NEWS AWARDS FOR EXCELLENCE **INVESTMENT CONSULTANT OF THE YEAR**

2016 LONDON STOCK EXCHANGE **1000 COMPANIES TO INSPIRE BRITAIN**

2016 EUROPEAN PENSIONS AWARDS **CONSULTANCY OF THE YEAR**

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REDINGTON

LGPS MARKET UPDATE

January 2024

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RATES & INFLATION

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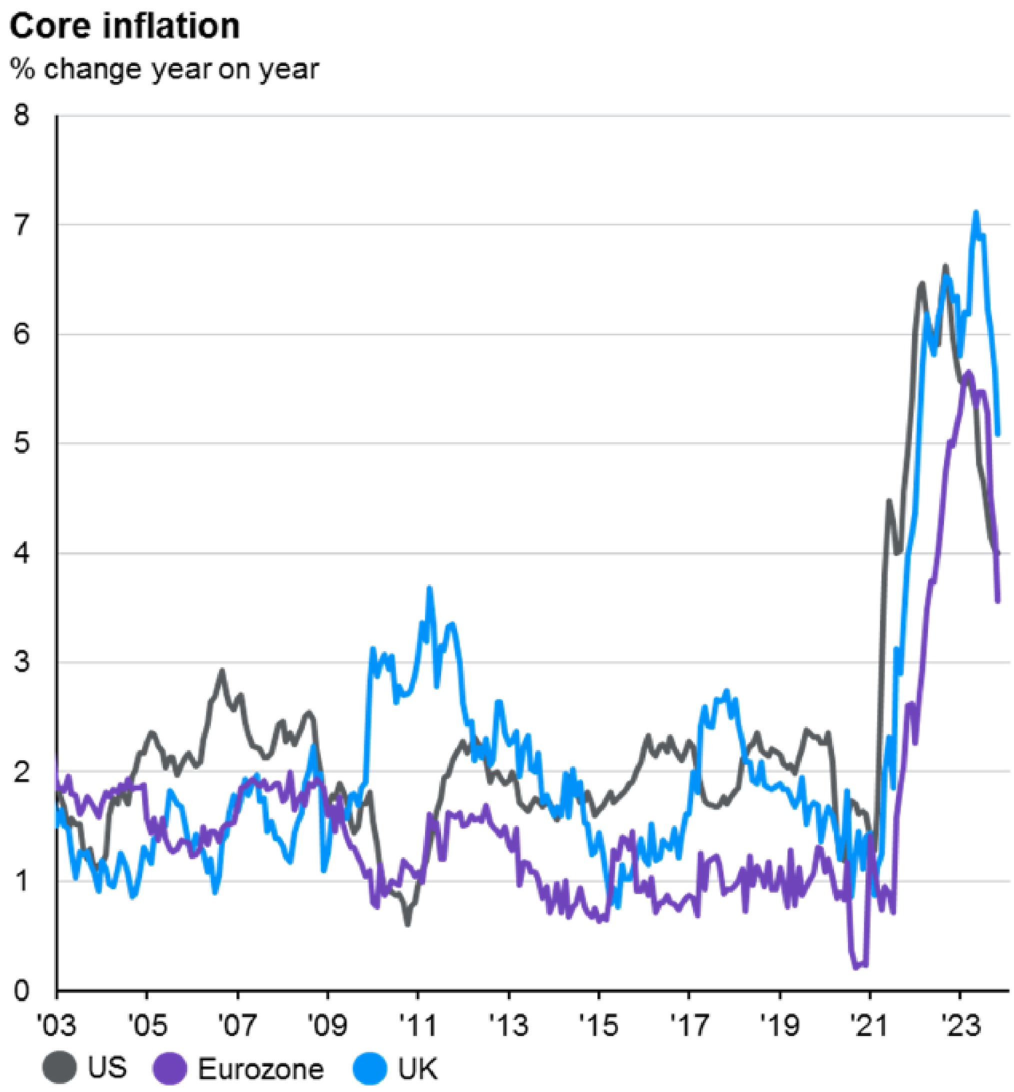
INFLATION
FELL ACROSS THE BOARD

	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

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.

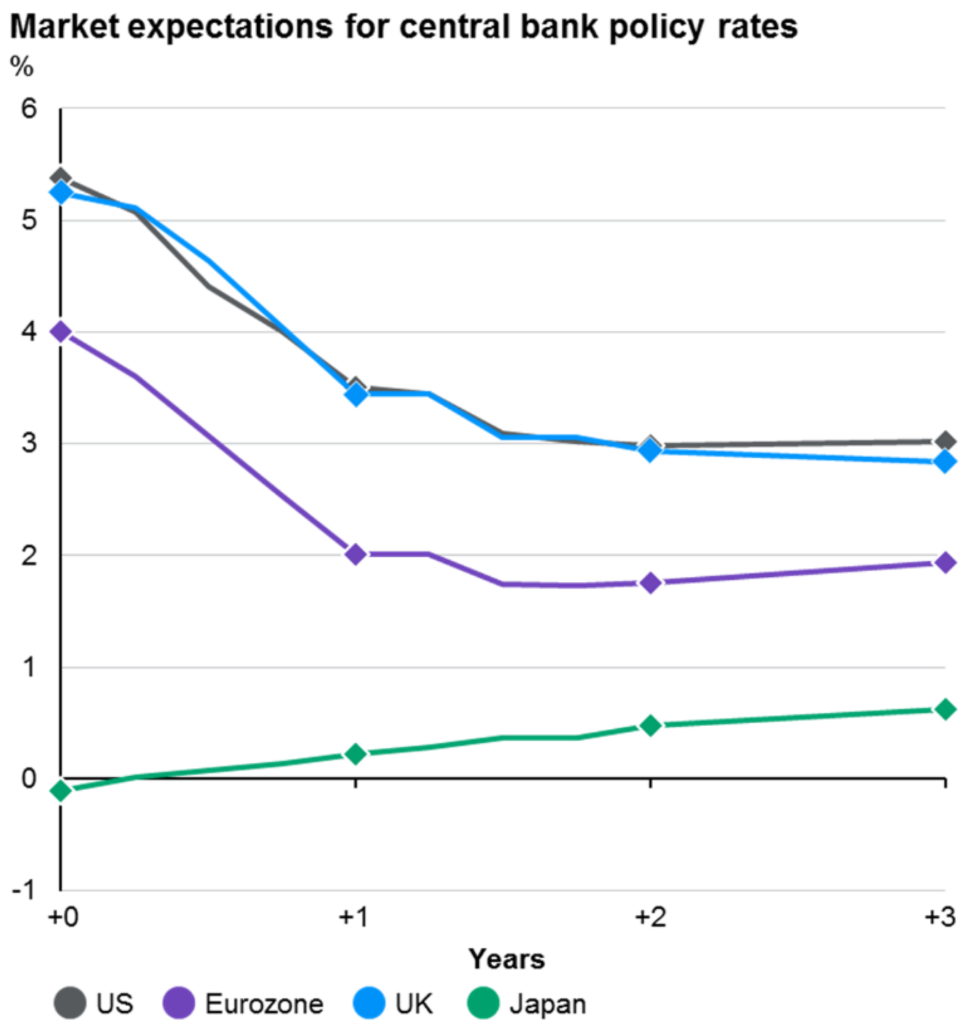


Source: JP Morgan Guide to the Markets. Data as at 31/12/2023.

INTEREST RATES
REMAINED STEADY OVER Q4

Source: Bloomberg

INTEREST RATES
CUTS NOW GENERALLY PRICED IN



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

EQUITY MARKETS

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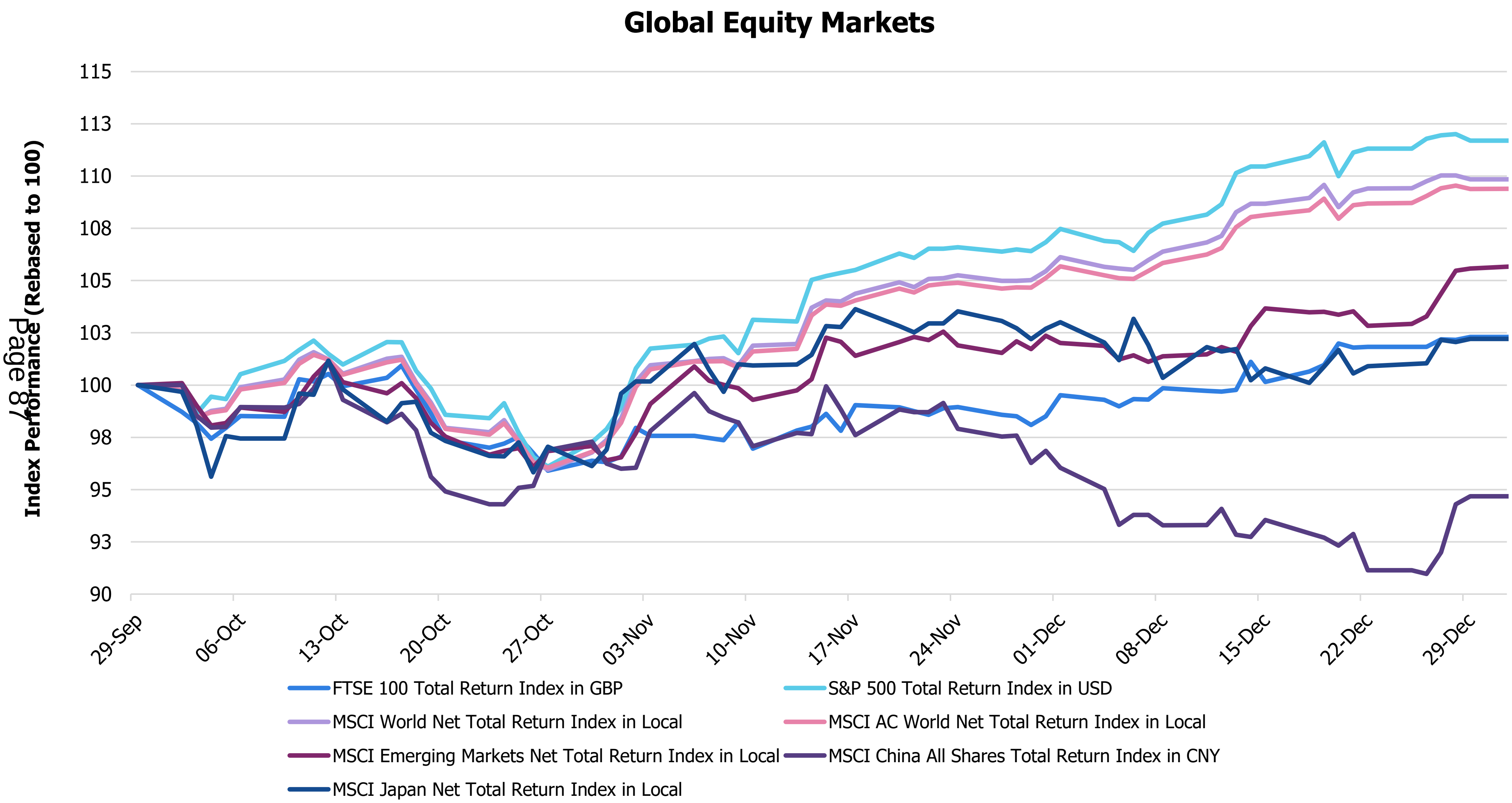
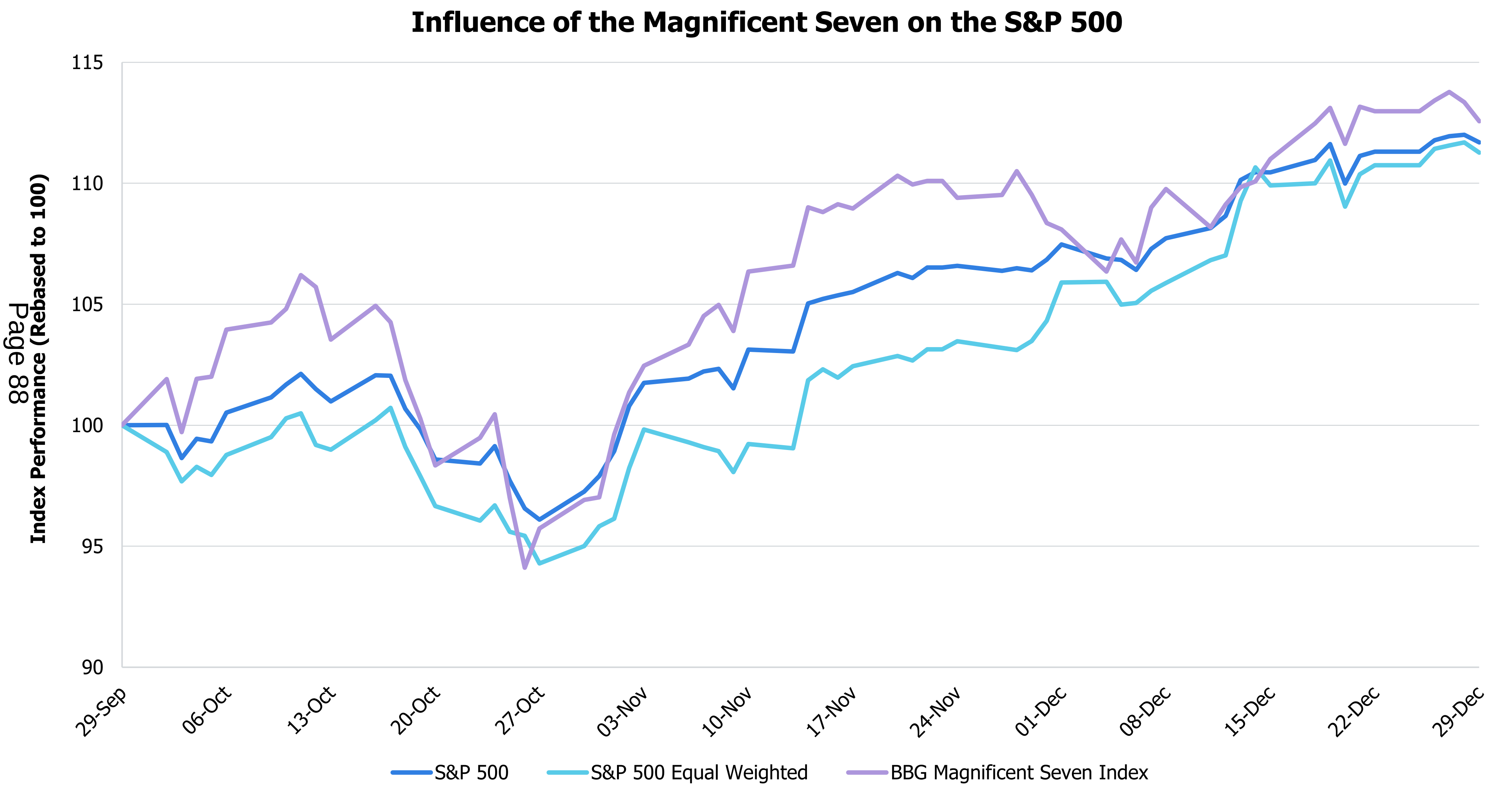
EQUITY MARKETS
STRONG PERFORMANCE OVER Q4 DRIVEN BY THE US



Source: Bloomberg

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



Source: Bloomberg

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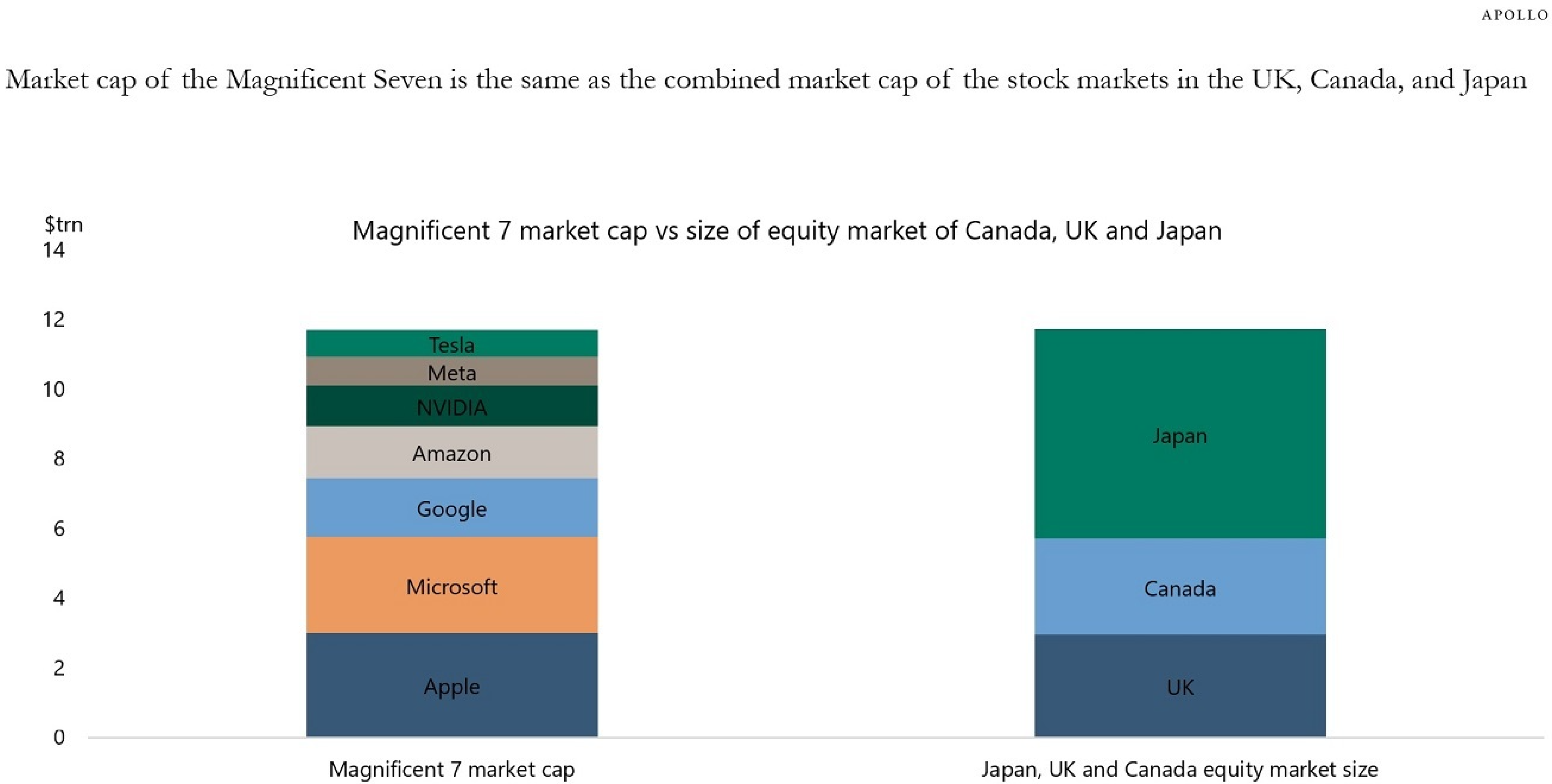
EQUITY MARKETS
MAGNIFICENT SEVEN VS UK, CANADA AND JAPANESE MARKETS



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Source: Bloomberg, Apollo Chief Economist

EQUITY MARKETS
APPEAR RELATIVELY EXPENSIVE

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

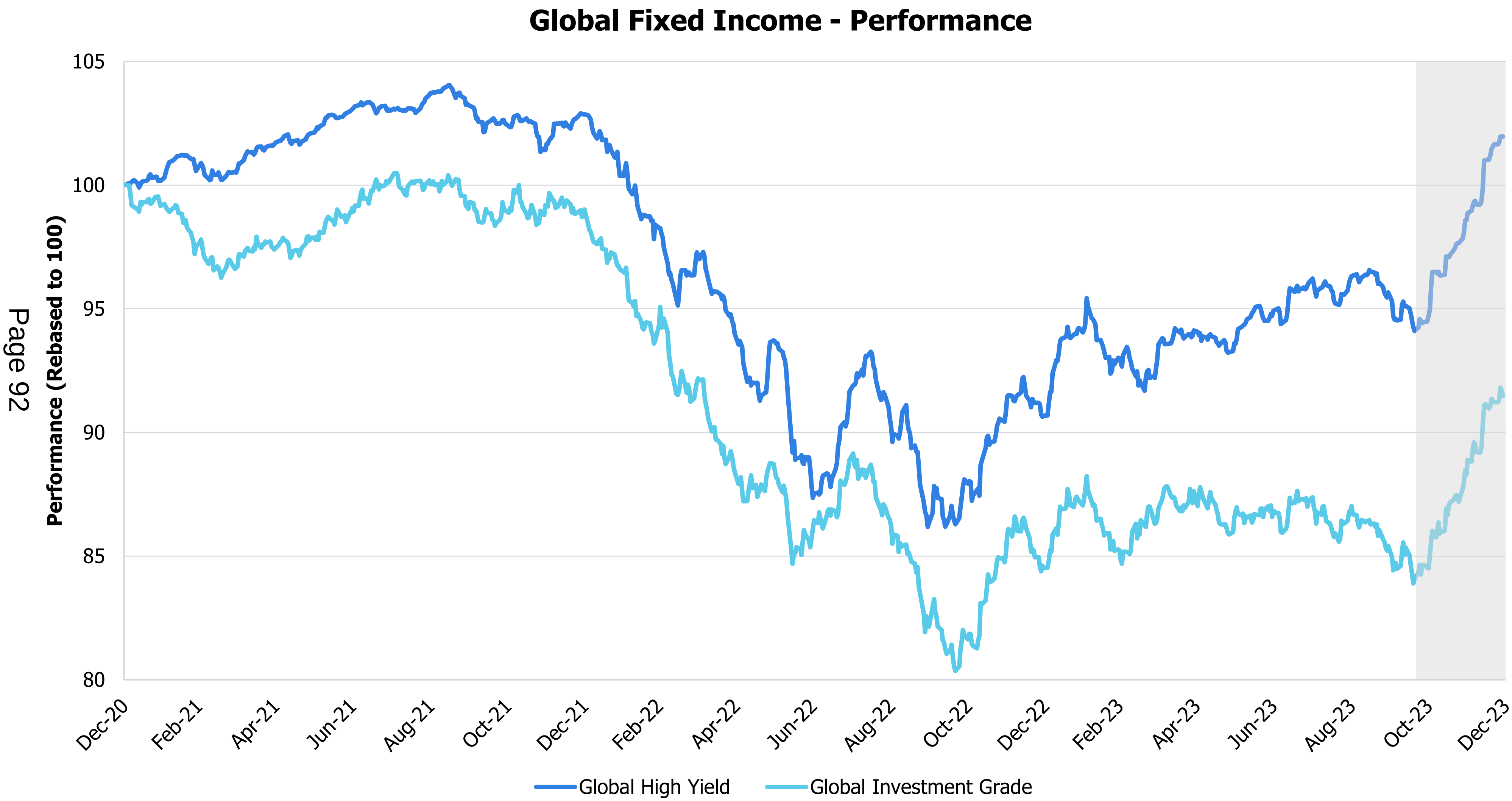
Equity market	CAPE	Forward P/E	Trailing P/E	P/B
US	31 (27%)	20 (20%)	25 (21%)	4.5 (57%)
UK	14 (7%)	11 (-12%)	12 (-18%)	1.8 (0%)
Europe ex. UK	19 (17%)	14 (-2%)	15 (-10%)	2.0 (15%)
Japan	19 (-8%)	14 (1%)	16 (-2%)	1.4 (7%)
EM	12 (-15%)	12 (2%)	15 (7%)	1.6 (0%)

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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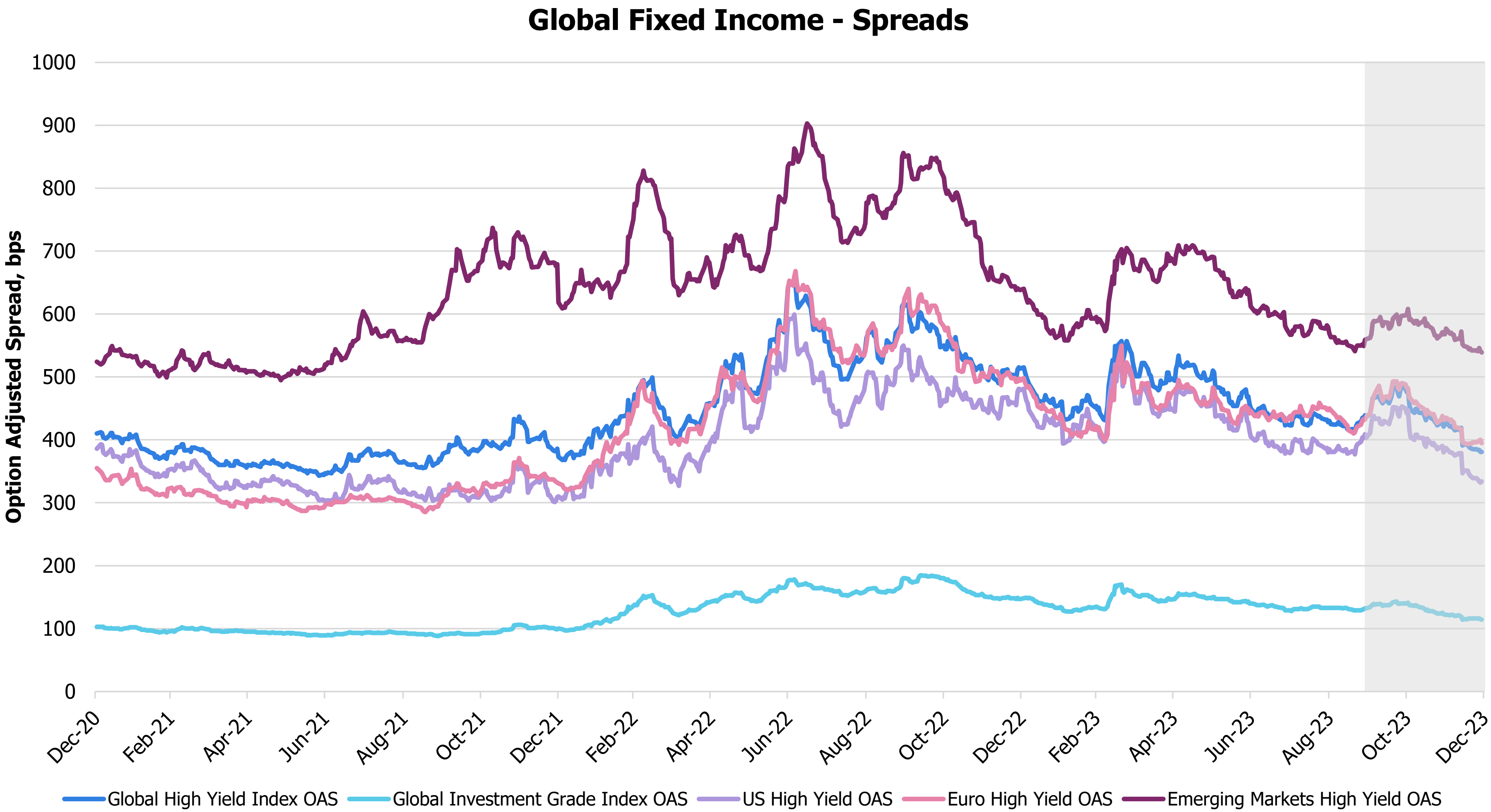
FIXED INCOME
WHILST SPREADS HAVE TIGHTENED



Source: Bloomberg

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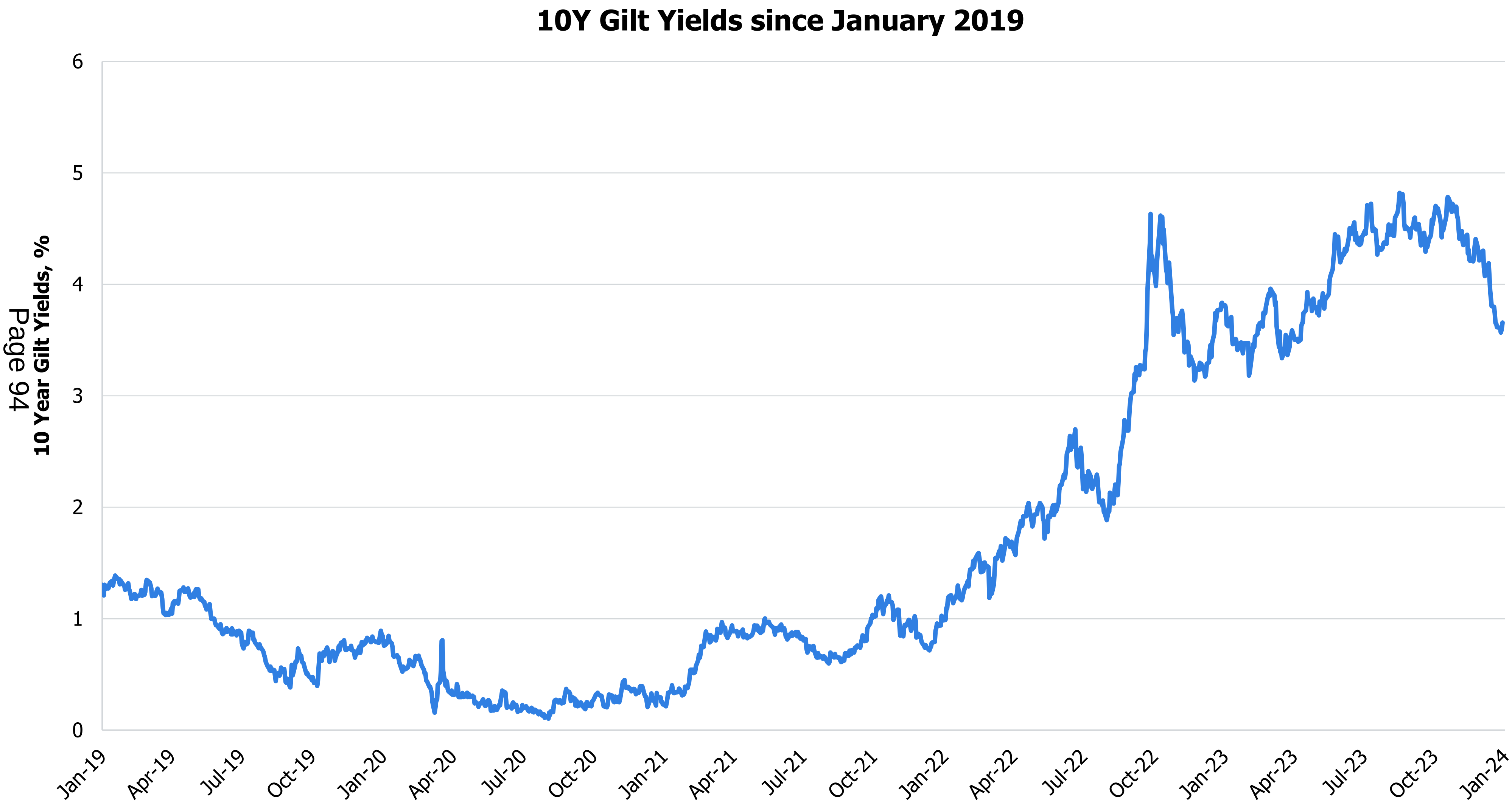
FIXED INCOME
GILT YIELDS DOWN FROM PREVIOUS HIGHS



Source: Bloomberg

LOOKING TO 2024

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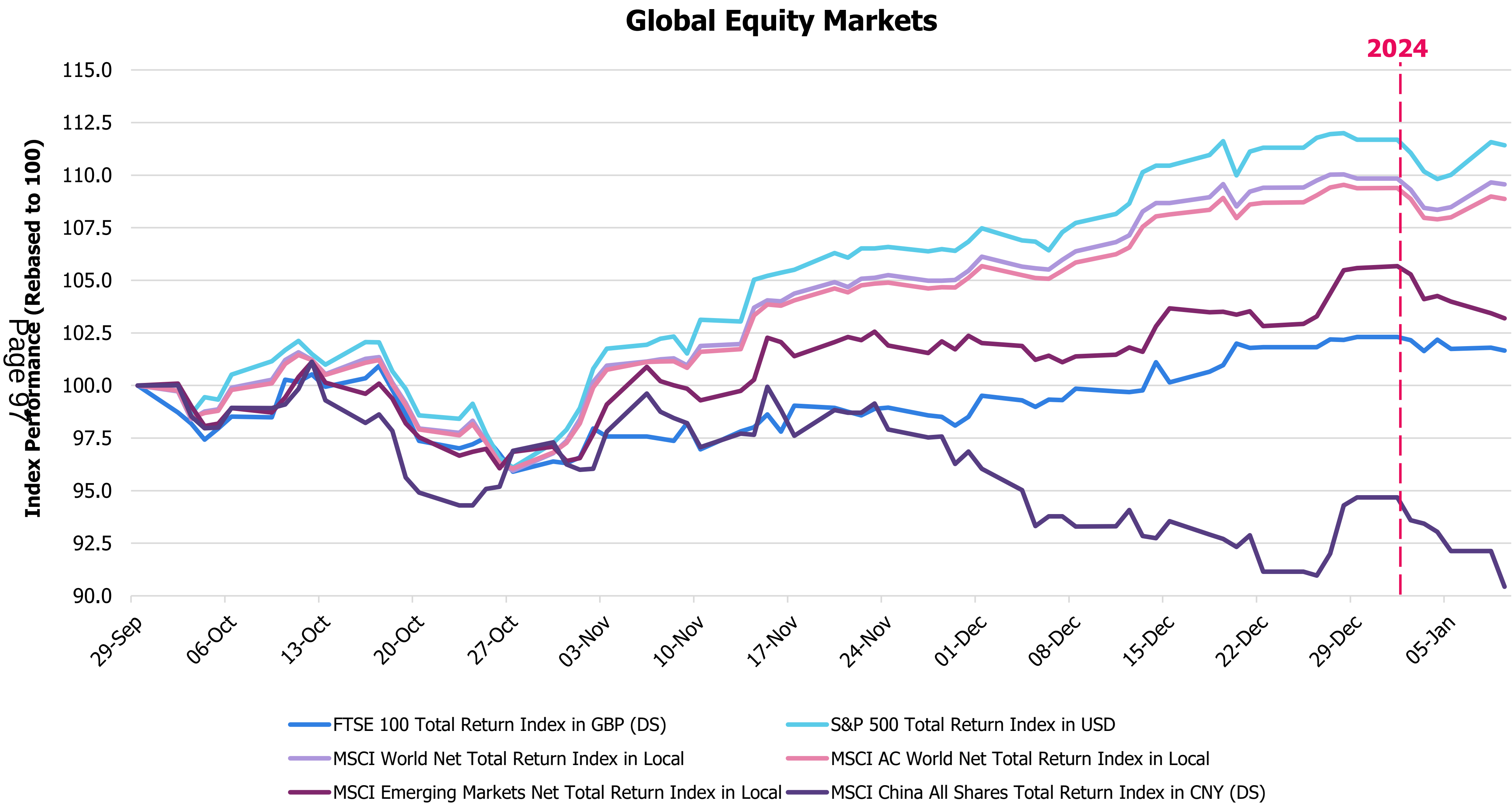
LOOKING TO 2024
IS THE OUTLOOK AS ROSY AS IT LOOKS?

Source: Hedgeye

EQUITY MARKETS
OFF TO A MIXED START



Source: Bloomberg

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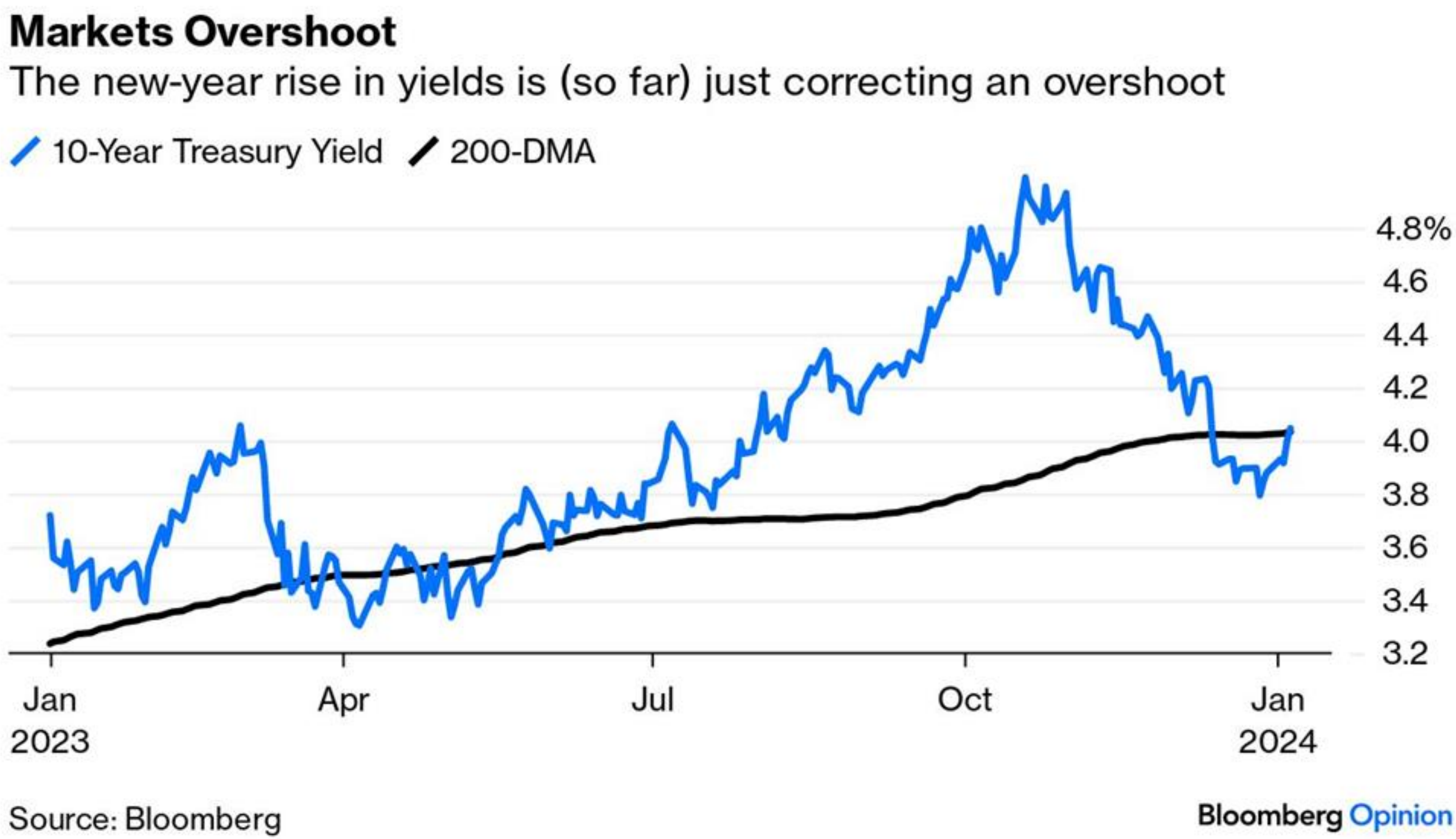
FIXED INCOME
IS THE CURRENT RISE IN YIELDS JUST A CORRECTION?



Source: Bloomberg

FIXED INCOME
BONDS STILL LOOK ATTRACTIVE AT CURRENT YIELDS

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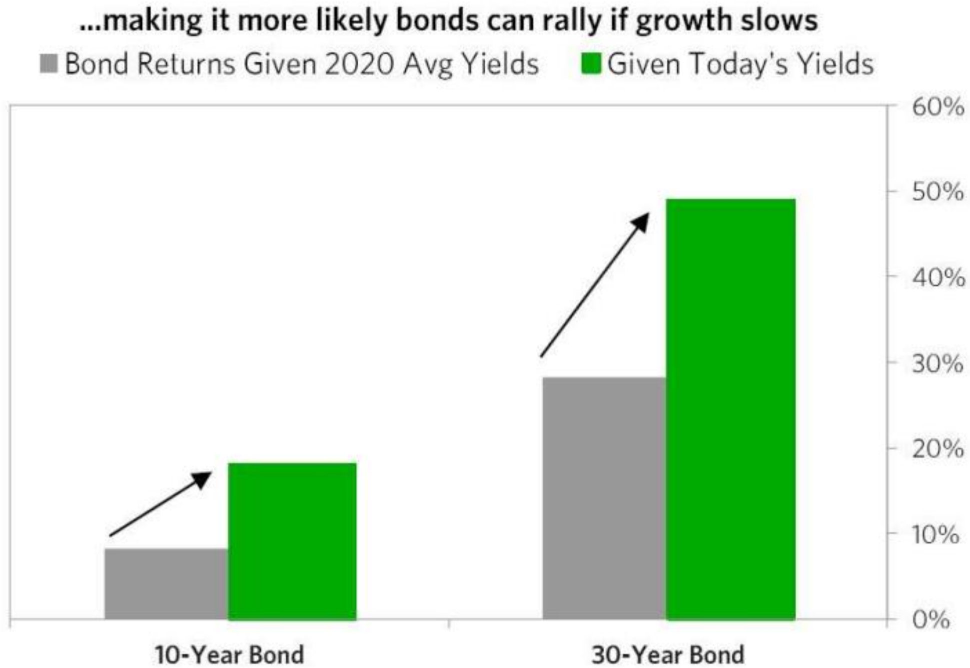

Returns for a bond at par at the relevant yields. Assumes a 2% fall in yields, but 10-year bond yields do not fall below 0% and 30-year yields do not fall below 0.5%.

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

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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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2021 FINANCIAL NEWS **INVESTMENT CONSULTANT OF THE YEAR**

2021 PIPA AWARDS **INVESTMENT CONSULTANT OF THE YEAR**

2020 PROFESSIONAL PENSIONS UK PENSIONS AWARDS **DC INNOVATION OF THE YEAR**

2018 CEO MONTHLY MAGAZINE **CEO OF THE YEAR: LONDON**

2017 PENSION INSIGHT DC AWARDS **BEST INNOVATION IN DC**

2017 EUROPEAN PENSIONS AWARDS **RISK MANAGEMENT FIRM OF THE YEAR**

2017 FINANCIAL NEWS AWARDS FOR EXCELLENCE **INVESTMENT CONSULTANT OF THE YEAR**

2017 INVESTMENT WEEK WOMEN IN INVESTMENT AWARDS **YOUNG INVESTMENT WOMAN OF THE YEAR**

2016 LONDON STOCK EXCHANGE **1000 COMPANIES TO INSPIRE BRITAIN**

2016 EUROPEAN PENSIONS AWARDS **CONSULTANCY OF THE YEAR**

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Quarterly Engagement Report

October-December 2023

Local Authority Pension Fund Forum

Say on Climate, National Grid, BP, UN Forum on Business and Human Rights, Rio Tinto

UPDATES

LAPFF Conference

LAPFF held its 2023 annual conference in Bournemouth, covering a range of topics with a particular focus on climate-related issues. On the first afternoon, delegates heard from Richard Eadie and Simon Davy on how water companies can better deliver environmental value. This was followed by a discussion panel on how LGPS funds are managing climate-related financial risks. The first day closed with a review of the 2023 shareholder resolutions and a glimpse of the ones to come in 2024.

The second day kicked off with a discussion panel on the significance of proxy voting choices for investors in passive funds and the breakthrough introduction of passthrough voting. This allows asset owners to adopt their own voting policies in pooled funds. Delegates then heard from asset managers on how they respond to the recent headline phenomenon of an ESG backlash. This was followed by a deep dive from Sir Philip Augar on whether investors should be concerned about the listing rules review.

The afternoon had a strong climate-related focus, opening with a discussion on how clean and equitable EV supply chains can be ensured, an emerging area of importance in the endeavor to decarbonise. This was accompanied by a session on how nature-related risks and the biodiversity crisis are managed and tackled. Another session outlined the role of alternatives in the race to achieving net zero by 2050. Also in the afternoon, delegates engaged in a poignant discussion on investors' role in ending modern-day slavery, highlighting the pressing need and methods to take action and make change.

The final morning of the conference opened with a session with economic commentator, Will Hutton, on the great pay divide between executives and employees, followed by a discussion on the Living Wage with a representative from the Living Wage Foundation. This was followed by a presentation from LGA adviser, Barry Quirk, on levelling up. The conference closed with an inspirational story by Dave Fishwick about his journey to creating the Bank of Dave to help local businesses and communities in the wake of the 2008 financial crisis.

COMPANY ENGAGEMENTS

CLIMATE ENGAGEMENTS

LAPFF engages on climate change through both policy and company engagement channels. This dual approach is necessary to ensure that companies have an enabling environment to promote their climate change mitigation and adaptation work.

Say on Climate

Objective: Despite the significant investment risks of climate change, investors are not provided with a specific vote by investee companies on how they are seeking to decarbonise their business models. Against the backdrop of growing climate risks, rising expectations from investors for companies to outline their climate strategy, continued ratcheting up of climate regulations and emerging recommendations from the Transition Plan Taskforce, LAPFF has been engaging companies for the past few years on putting their transition plans to a shareholder vote. Last quarter, LAPFF coordinated an investor letter to 35 FTSE companies in high emitting sectors requesting such a vote. The letter was signed by 18 other investors with around £1.8tn AUM.

Achieved: LAPFF has received substantive responses to the letter, with some companies outlining their approach to climate and stating that they are considering such a vote for their AGM next year. Some companies outlined previous votes and their intention to continue to hold similar votes in the future. However, others stated either that they did not plan to hold such a vote and engaged shareholders through other means or that while having a vote in the past, they did not have immediate plans to do so again.

In progress: Despite additional companies having transition plan votes, they are not standard practice and often absent at AGMs where climate risks are most acute. LAPFF will continue to work with other investors engaging companies on having transition plan votes to enable investors to have a specific say on the climate strategies of investee companies.

LAPFF's main company engagements on climate this quarter were with National Grid and BP.

National Grid

Objective: LAPFF, along with two other investors of CA100+ Working Group, Church of England and Northern Trust, has been seeking to improve National Grid's disclosure and accountability on direct and indirect lobbying. The CA100+ benchmark on National Grid places it below its peer companies under indicator 7 on lobbying. In June 2023, National Grid pledged to publish its trade association memberships and updated climate policy ahead of the next AGM. LAPFF therefore is seeking to ensure the company's disclosure is timely and of a high standard.

LAPFF has also been seeking to ensure the company is more transparent about its plans to support the energy transition and reducing grid connection. The objective was to encourage disclosure and to offer the opportunity to provide feedback on the company's approach in both respects. LAPFF also sought a separate climate meeting with the company and to write a lobbying letter to National Grid seeking disclosure of industry associations and an updated climate policy.

Achieved: In November, LAPFF together with the Church of England wrote to the company, stating expectations for its upcoming lobbying report.

At the end of November, LAPFF met the Chief Sustainability Officer of National Grid. In this meeting LAPFF asked for an update on the backlog of grid connections and an update on the transition plan. The recent change in regulations has enabled the backlog to start to be cleared. This has been a main concern as the average time between requesting a connection and being offered one has increased from 18 months in 2019-20 to 5 years in 2023, as reported by the company. The easing of regulations will allow the company to terminate projects not progressing and push projects which are ready to the front of the queue.

Given that the expected power to be generated from these held-up contracts is as much as 400 Gigawatts with connection dates of 2030 or later, this change will help towards decarbonising the power systems by 2030. However, there is still a challenge in speeding up building necessary infrastructure to physically enable the grid connections. LAPFF will monitor the effect of lifting these regulations and how quickly the company clears the backlog and is also looking for clarity in its infrastructure development plans.

The meeting also discussed the new transition plan to be published next year. LAPFF welcomed the fact that this is likely to be updated next year and will be put to a shareholder vote. LAPFF also encouraged the company to ensure the report is not only about reducing emissions but how the company can facilitate new infrastructure to be built, and its wider role in the energy transition. The company also recognised a challenge in reaching long-term targets of net zero by 2040 in absence of a pathway for gas distribution in the US.

In Progress: The release of the lobbying disclosure report next year in good time before the AGM is expected and will enable the Forum to assess the progress made in the company on this area. So far National Grid appears to be responding well.

LAPFF also expects the new transition report to be released and to address the points have raised here. A key outstanding issue is gas distribution in the US, where the company asserts the ongoing importance of gas networks to the business due to its existing infrastructure and cost efficiency and envisage both hybrid solutions and clean gas. To address this LAPFF will seek to understand the US energy market in more detail. On engagement specifics, LAPFF is organising a wider CA100+ meeting in January and will arrange some direct follow up meetings through 2024.

BP

Objective: With the surprise departure of Chief Executive Bernard Looney, LAPFF requested a meeting with the Chair, Helge Lund, to help ascertain whether that departure affected BPs climate commitments.

Achieved: LAPFF attended a meeting with Lund in November, where we were told that the departure of the CEO had

COMPANY ENGAGEMENTS

not changed BPs climate commitments.

In Progress: Since that meeting COP28 has strengthened the emphasis for solutions to the transition away from fossil fuels, which emerged as a last-minute compromise instead of the original goal to "phase out fossil fuels." Prior commitments were in the form of far more malleable goals of "net zero by 2050" and complicating matters with Scope 1, Scope 2 and Scope 3 emissions. LAPFF's policy for several years has been that fossil fuel components of businesses need to be put into managed decline.

With a closer match between COP and LAPFF policy, the emphasis on phase out will be the focus of BP and other oil and gas companies. Scope 3 emissions, originating from the products sold by fossil fuel companies, have been obfuscated by a focus on the comparatively minor Scope 1 and Scope 2 emissions, missing the obvious point that less Scope 3 extraction naturally leads to less Scope 1 and Scope 2.

Housebuilding also has a large impact on climate change. As part of an ongoing engagement with the sector, LAPFF met with **Persimmon** this quarter.

Persimmon

Objective: Minimising the investment risks associated with climate change involves decarbonising housing stock. Housebuilders therefore play an important role in reducing emissions as well as facing regulatory risks if they fail to prepare for higher energy efficiency and emissions standards. As part of LAPFF's engagements with UK housebuilders, LAPFF seeks to ensure that adequate transition plans are in place. With the vast majority of emissions not coming from their own activities, the engagements focus on plans for decarbonising supply chains and decarbonising homes in use.

Achieved: LAPFF met with representatives from the FTSE100 housebuilder Persimmon. In the meeting LAPFF had an open discussion about target setting which covered issues around embodied carbon. The meeting covered transition planning and plans. The discussion touched on so-called hard to abate sectors within the supply chain, such as cement and offsetting,

Persimmon housing estate Suffolk, UK

trial schemes for net zero homes, and engagement with smaller suppliers on the transition.

In progress: LAPFF will be following the development of housebuilders' transition plans and delivering on the targets that they have set.

CLIMATE & INSURANCE

LAPFF has also re-started its 2020 engagement with insurance companies on their climate strategies and practices. After meeting with Munich Re last quarter to discuss the company's progress on assessing its impact on climate change and integrating climate considerations into corporate strategy and operations, LAPFF met with **AIA, AXA, Legal & General, Lloyds Banking Group**, and **Ping An** to discuss the same issues. Given the interest of LAPFF members in natural resources – and specifically biodiversity – LAPFF also asked these insurers how they are addressing natural resources within their climate strategies.

While there has been some progress in insurers' understanding of the need to assess their impacts on climate change in order to understand their climate-related business risks (otherwise known as double materiality), in LAPFF's view there has not been enough progress on this front. In particular, insurers are focusing almost exclusively on their investment businesses in relation to climate mitigation. This approach makes sense at face value, but LAPFF would like to see greater consideration given to the role the insurance products can play in mitigating climate change through setting societal expectations of risk.

All companies engaged are at the beginning of understanding the relationship between climate and natural resources and how to bring natural resources into business decision-making. Therefore, LAPFF will aim to engage with the remaining large insurance holdings before moving on its largest bank holdings under this engagement.

Because there is an increasing recognition of the impact that climate change has on natural resources, LAPFF has engaged a range of companies on their impacts on nature.

TJX Companies – Deforestation

Objective: As a retailer specialising in brand-name clothing, home goods, and outdoor products, TJX Companies is exposed to various commodities that potentially link to deforestation in its supply chain. However, it currently lacks a public deforestation policy and does not address this issue in its vendor code of conduct.

Achieved: LAPFF initiated a dialogue with TJX Companies and met with representatives for the first time to discuss the development of such a policy. The conversation began with an overview of the company's sustainability priorities,

COMPANY ENGAGEMENTS

focusing on climate and energy, before shifting to the topic of deforestation.

In Progress: This marks the commencement of ongoing discussions with TJX, a company substantially held by LAPFF. The Forum aims to continue engaging with TJX to advocate for the benefits of imposing deforestation requirements on its vendors.

Nestlé – Regenerative Agriculture and Climate Change

Objective: In the context of the agri-food sector's shift towards more sustainable practices, LAPFF sought a meeting with Nestlé to assess and understand the integration of regenerative agriculture into its strategy. This includes understanding the company's specific goals, initiatives, and progress in implementing regenerative practices, as well as its contributions to climate change mitigation and biodiversity conservation.

Achieved: During LAPFF's meeting with Nestlé, the Forum gained insights into the strategies and initiatives involved in implementing regenerative agriculture. Discussions looked at how this would be incorporated into their broader climate strategy and covered biodiversity more widely. While the long-term efficacy of these actions is yet to be measured, the conversations indicated a strong commitment from Nestlé, although further evaluation will be required in the future to gauge the impacts of strategies.

In Progress: LAPFF will continue to engage with Nestlé, focusing on monitoring the implementation of their regenerative agriculture practices. LAPFF will also look more widely across the agri-food sector as others are incorporating this into their business strategies as new methods and technologies become available.

Chipotle – Water Stewardship

Objective: LAPFF has been engaged with Chipotle on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an ingredient level water risk assessment to identify areas of water stress within the supply chain. The risk assessment found that a significant proportion of the company's suppliers operate in areas of water stress. LAPFF now considers it imperative that the company utilise the results of this risk assessment to set measurable and time-bound targets in order to reduce negative impacts on freshwater.

Chipotle Mexican Grill at Pineapple Commons, Stuart, Florida

Achieved: In October 2023, CERES published a corporate benchmark assessing the water stewardship practices of 72 companies against the six Corporate Expectations for Valuing Water, including Chipotle. Chipotle underperformed relative to the quick service restaurant (QSR) peer group. LAPFF Executive member John Anzani met with the company in December to discuss progress in adopting a more ambitious approach to its water stewardship practices.

In Progress: LAPFF is the lead investor for Chipotle as part of the Valuing Water Finance Initiative (VWFI) and will continue to engage with Chipotle on this basis during 2024. It is LAPFF's expectation that Chipotle leverages the work it has undertaken in mapping exposure to water stress in order to set ambitious targets, particularly given that during Q4 2023 the science-based targets network has released guidance for companies to set the relevant freshwater targets.

HUMAN RIGHTS ENGAGEMENTS

Similar to the climate space, human rights policy and practice must align for companies to be able to implement their human rights responsibilities. Legislation requiring mandatory human rights and environmental due diligence, including the imminent Corporate Sustainability Due Diligence Directive (also know as the 'CS triple D'), makes the need for this alignment pressing. LAPFF has taken a number of measures this quarter to work toward this alignment.

LAPFF's view is that investors are still struggling to understand the link between human rights and financial materiality. LAPFF sees this link more and more clearly, particularly through its work with mining companies. LAPFF regularly undertakes various avenues of engagement on human rights, andwill continue to seek in its engagements with both companies and investors to clarify this link. The goal is that human rights become an investor imperative to the extent that climate change is, not least because of the need for a just transition.

UN Forum and Working Group on Business and Human Rights

On the policy front, LAPFF was again

COMPANY ENGAGEMENTS

invited to present its work at the UN Forum on Business and Human Rights in Geneva on 27 November. LAPFF's video about its visit to Brazil to see communities affected by tailings dams was selected for screening out of, reportedly, a huge number of potential options. The video was well-received, with attendees stating that they would share it with colleagues, clients, and law students to drive home the on-the-ground impact that mining companies can have on people in host communities.

LAPFF also submitted a response to a UN Working Group on Business and Human Rights consultation on investors, ESG, and human rights. The goal of this consultation is exactly to push alignment between law and practice on human rights. One of the main points LAPFF made is that corporate and commercial legal frameworks must align with international human rights law principles, for example of joint ventures, to facilitate good corporate practice.

COMPANY ENGAGEMENTS MEETINGS

In terms of company engagements, **Glencore** and **Grupo Mexico** were companies of focus this quarter. LAPFF generally has at least an annual meeting with the Glencore Chair. This meeting was its second with Chair Kalidas Madhavpeddi. Although LAPFF had requested a meeting with CEO Gary Nagle to discuss both climate and human rights performance at Glencore, Mr. Madhavpeddi was accommodating and helpful. LAPFF asked about the company's engagement with affected communities, but Mr. Madhavpeddi did not share much on this front.

LAPFF subsequently held a seminar for investors with communities from Colombia and Peru who are affected by Glencore's Cerrejon and Antapaccay projects, respectively. It has also been in touch with IndustriALL representatives who worked with investors last year to bring a climate-related resolution to Glencore's AGM. LAPFF's view from speaking to these stakeholders is that in the coming year, Glencore is likely to be the target of a concerted union and community campaign because of its human rights and environmental practices. Therefore, LAPFF has reached out to the company for a follow up meeting to discuss these stakeholder concerns and to push the company to build and disclose stronger stakeholder engagement mechanisms and climate practices.

TECHNOLOGY COMPANIES AND HUMAN RIGHTS

Objective: Governance of new technology is well recognised as an investment risk. However, such risks have come to the fore again with significant advances in AI technologies. Alongside the significant potential benefits of AI, it has the potential to adversely impact people's employment and creates human rights risks, not least around discrimination. These risks are often greatest at companies developing and selling AI services and products. As with other human rights risks, LAPFF expects technology companies to have due diligence policies in place to prevent negative impacts.

Achieved: LAPFF executive member Heather Johnson met with the German tech company SAP. The company faces specific risks related to AI, including products which support HR functions. The meeting covered how the company was managing the risks of adverse human rights impacts, including discrimination. The discussion covered identification of risks and the company set out the framework and processes it has in place for preventing negative impacts. The meeting also covered how the company had responded to the German Supply Chain Due Diligence Act.

In progress: AI is an emerging technology with risks likely to become greater and more complicated. LAPFF will continue to engage technology companies in how these risks are being managed to ensure appropriate frameworks and safeguards are in place.

RESPONSIBLE MINERALS – ELECTRIC VEHICLE MANUFACTURERS (FORD, RENAULT AND MERCEDES)

Objective: As highlighted, there is an increasing trend in international regulations to impose the responsibility for human rights due diligence on companies. These regulations highlight the electric vehicle industry's obligation to ensure ethical and sustainable practices, particularly in supply chains. This development is part of a broader global movement towards enhanced corporate accountability and transparency. Over recent years, LAPFF has consistently engaged with various electric vehicle manufacturers on this matter, advocating for improved due diligence and transparency as these regulations have evolved.

Achieved: LAPFF has maintained ongoing dialogues with Ford, Renault, and Mercedes, meeting with Ford and Renault for the second time, and with Mercedes for the third time on this

Sonora, Mexico: 40,000 cubic meters of copper sulfate were spilled into a damm, property of Grupo Mexico

COMPANY ENGAGEMENTS

issue. All three companies have shown notable progress in their human rights management processes and efforts to comply with regulations, especially in the depth of their public reporting. Despite some areas still requiring improvement, it would appear they are more actively engaging with suppliers and pursuing ethical sourcing to meet international human rights standards.

In Progress: LAPFF will continue to monitor and seek engagement with those companies exposed to the various human rights risks associated with electric vehicles, which become ever more evident as production is scaled up.

COLLABORATIVE ENGAGEMENTS

PRI ADVANCE

LAPFF continued its engagement with **Vale** and **Anglo American** through the PRI Advance human rights initiative, including through bringing investors in other PRI Advance groups into stakeholder engagement meetings on Glencore, BHP, and **Rio Tinto**. These initiatives are moving quite slowly, in part in LAPFF's view, because investors are generally less aware of and less attuned to human rights considerations than they are corporate governance and environmental issues. Therefore, they are still considering how best to engage companies on human rights, which tend to deal with 'soft' issues such as illegal discrimination and freedom of association rather than 'hard' issues like clear financial costs.

LONDON MINING NETWORK AND COMMUNITIES AFFECTED BY MINING

LAPFF continues to find great value in engaging with community groups affected by mining company operations. The meeting with communities affected by Glencore operations in Colombia and Peru was the first in-person meeting of this kind that LAPFF had held since the Covid pandemic. Most community meetings are online because affected community members tend to be in developing countries, and everyone has limited travel budgets (not least for climate reasons). However, LAPFF

workers stock the shelves at a Home Depot store

coordinated with London Mining Network to hold an in-person seminar which six investors attended. The Colombian and Peruvian community members shared the severe environmental impacts Cerrejon was having on its rivers and soil, which is leading to significant health concerns in both countries. A LAPFF representative also met with communities with continued concern about BHP's practices in Brazil.

LAPFF held online meetings with communities from Brazil and Mexico. LAPFF continues to engage with the community members with whom it visited in Brazil, particularly in relation to the reparations at Samarco-affected communities. Although over 100 houses have reportedly been built in one of the resettlements – Bento Rodrigues - these community members continue to be concerned that the quality of the houses is poor, and they report that they don't know who to contact at Vale or BHP to complain. Part of the problem is that the Renova Foundation CEO with whom LAPFF met in Brazil has been sacked but not replaced successfully. His immediate successor lasted two months, according to the community members. LAPFF is waiting to hear whether a permanent, successful CEO has now been appointed or whether the search continues.

In relation to Mexico, LAPFF was assured earlier in the year that **Grupo Mexico** had met its reparations obligations in relation to its 2014 tailings pond leak in Sonora, Mexico. However, LAPFF was alerted by a community representative and a news article about a Mexican government lawsuit to reinstate the reparation fund due to inadequate reparations payments. LAPFF has tried three times this quarter to obtain a meeting with the company but has been met with silence. Meanwhile, LAPFF met with the community representative at the UN Forum on Business and Human Rights at the end of November to receive a further update on the case. It appears that LAPFF will now need to investigate options to escalate its engagement with Grupo Mexico, but it will need to do so in consideration of safety concerns for the affected communities.

In Progress: LAPFF's view is that investors are still struggling to understand the link between human rights and financial materiality. LAPFF sees this link more and more clearly, particularly through its work with mining companies. Therefore, LAPFF will continue to seek in its engagements with both companies and investors to clarify this link so that human rights become an investor imperative to the extent that climate change is, not least because of the need for a just transition.

INVESTOR ALLIANCE FOR HUMAN RIGHTS

LAPFF continued to work closely with the

COLLABORATIVE ENGAGEMENTS

Investor Alliance for Human Rights, both in relation to the Uyghur Group and in relation to conflict-affected and high-risk areas (CAHRA).

Investor Alliance for Human Rights – The Home Depot Inc

Objective: As a part of the Investor Alliance for Human Rights' Uyghur Working Group, LAPFF led on an engagement with The Home Depot, which was implicated in allegations of Uyghur forced labour in its luxury vinyl tile (LVT) flooring supply chains, with PVC derived from Xinjiang. LAPFF sought to understand how Home Depot responded to these allegations, and how the company has undertaken work to eliminate forced labour risks and comply with human rights standards.

Achieved: LAPFF, alongside other investors, met with Home Depot for a second time following reports in August that shipments of LVT from Asia were being blocked by US Customs, including those destined for Home Depot. During the call, LAPFF sought answers on what the company was doing to ensure that its company supply chain was free of forced labour, potential implications of bifurcation of supply chains, and what new methods Home Depot was implementing to have sufficient audit procedures in place.

In Progress: LAPFF will continue to monitor the company's approach to global human rights due diligence and seek further engagement in due course for updates on the issue, with a focus on the company's implementation of enhanced audit procedures.

CAHRA PILOT PROJECT

LAPFF was invited to join IAHR's CAHRA pilot project. The project has been initiated in part because of the escalation of conflicts globally, including in Ukraine, Nagorno Karabakh, and Israel and Gaza, which reignited this quarter. LAPFF had already been attending a number of IAHR webinars on this topic to understand better how to engage companies on CAHRA issues, so the opportunity to participate in this pilot is welcome, especially given LAPFF's engagements with companies operating in Russia, Myanmar, and the Occupied Palestinian Territories.

VOTING ALERTS

LAPFF also issued a voting alert for BHP expressing concern that the company's rhetoric and practices on climate are not aligned and expressing concerns about the corporate culture in respect of human rights. BHP is currently the subject of potentially costly litigation in Brazil, the UK, and Australia in relation to its failings related to the Samarco tailings dam collapse alone. LAPFF continues to have serious concerns that the company is not taking appropriate accountability and responsibility for its human rights and environmental practices, and that this omission could lead to large financial losses for both the company and investors.

JUST TRANSITION ENGAGEMENTS

LAPFF's aim is to move away from siloed ESG engagements in recognition of the overlap between these three areas in pursuing a just transition. There are currently two dedicated work streams covering a just transition specifically, although the climate and human rights work by definition addresses just transition to a degree.

RIO TINTO SHAREHOLDER RESOLUTION

Within the quarter LAPFF explored the option of filing a just transition shareholder resolution at Rio Tinto's 2024 AGM requesting the company undertake independent water impact assessments at its mine sites. The proposed resolution sought to ensure that the company adequately assesses its impacts on water resources so that it can properly identify operational, reputational, legal, and consequently financial risks to the business and investors.

In the end, LAPFF did not file the resolution. LAPFF is currently in dialogue with Rio Tinto, and Rio Tinto has issued a water impact assessment in relation to its QMM operation in Madagascar. Although the company is not fully meeting the resolution's request, LAPFF is encouraged that the company is willing to discuss how to move forward on the request and continues to be hopeful that the company will meet it. LAPFF is pursuing further dialogue with the company on this issue and will take a view after the 2024 AGM whether the resolution filing process needs to be resumed.

EQUINOR

As part of its involvement with World Benchmarking Alliance just transition initiative, LAPFF participated in a collaborative call with Norwegian energy company, Equinor. Equinor has a policy commitment to a just transition and the engagement provided a useful opportunity to discuss how the policy was being implemented. The meeting covered the company's approach to assessing and mitigating negative social impacts of the energy transition, governance of just transition issues, just transition planning and metrics and targets.

In Progress: As part of LAPFF's involvement in the WBA initiative, it will continue oil and gas companies on just transition plans. LAPFF will continue to engage mining companies on undertaking independent water impact assessments.

BOARD DIVERSITY ENGAGEMENTS

Objective: It is well-documented at this point, both in academic literature and in the corporate governance world, that board diversity improves corporate performance. Diversity covers a range of areas, including gender, cultural, and economic (for example workers on boards). Consequently, LAPFF engages companies on board diversity and composition as a matter of course to work toward improved financial returns across member portfolios.

Achieved: LAPFF is a long-standing member of the 30% Club Investor Group, which began with a focus on gender diversity and has now expanded its work to include racial diversity on boards. Over time, this group has also expanded from focusing on UK companies to engaging

COLLABORATIVE ENGAGEMENTS

companies in other countries. The latest round of engagements has been with a range of Asian companies, including KKR & Co and Shinhan Financial Group.

LAPFF also questioned Glencore on its board composition this quarter. The company has a small board compared to its peers in the mining sector, and LAPFF wondered if its small size allowed for enough diversity of views. Although three of the eight board members are female, LAPFF is also looking, for example, for board members with backgrounds in climate change and human rights who are sufficiently independent to challenge the board on its climate, human rights, and internal controls systems, especially given the corruption challenges the company is continuing to face.

In Progress: Board diversity is a continuing workstream for LAPFF, as it pushes companies to move from merely appointing certain numbers of diverse board members to truly considering and integrating their views into company strategy and practice. This objective relies on cultural change which takes a long time to achieve so is something at which LAPFF chips away each quarter on different fronts. LAPFF has also secured a meeting with KKR & Co for Q1 or 2024 to discuss diversity targets.

GOVERNANCE ENGAGEMENT

Barclays

Objective: In October, former Barclays executive Jes Staley was banned by the FCA from holding senior positions in financial services and charged with a £1.8m fine for allegedly misleading the watchdog about his past relationship with convicted sex offender Jeffrey Epstein. In turn, LAPFF felt it imperative to engage with Barclays to discuss learnings from this tumultuous episode and sought to see actions the bank had taken to strengthen corporate governance at both board and management level.
Achieved: LAPFF met with the Chair of Barclays, Nigel Higgins, at the end of October. The Chair openly discussed the event and actions the bank had taken, including freezing deferred bonuses to Stanley at the time of investigation. The company stated it has strengthened their board recruitment practices and remained vigilant. However, LAPFF will be monitoring the governance going forward. More widely, LAPFF requested an update of Barclays's climate policy and have arranged to have a specific meeting on this topic separately.

In Progress: Following the recent board changes earlier this year at Barclays, including the appointment of new executives, LAPFF will continue to watch the corporate governance nominations and succession plans of the company board. LAPFF maintains a cordial dialogue with the chair and aims to continue engaging on this topic.

PUBLIC HEALTH ENGAGEMENT

FAIRR Initiative's Restaurant Antibiotics Engagement – Restaurant Brands International (RBI)

Objective: FAIRR's Restaurant Antibiotics engagement focuses on reducing the use of antibiotics in protein supply chains. This initiative involves companies within the fast-food and casual dining sector, with the aim of mitigating the risks associated with antibiotic resistance due to the overuse of antibiotics in livestock. The objective is to safeguard public health.

Achieved: LAPFF joined a call with FAIRR and other investors with Restaurant Brands International (RBI). As a first call with the company, investors shared key asks of the engagement and pushed for enhanced transparency on the company's efforts to reduce antibiotics in its supply chain.

In Progress: LAPFF signed onto a series of letters sent by FAIRR and will seek to join meetings as appropriate when they become available. LAPFF is also hoping to continue supporting engagement with RBI as the dialogue develops.

Taskforce on Social Factors

LAPFF's chair is a member of the Taskforce on Social Factors, which was established by the DWP with cross-departmental and multi-regulator involvement. The taskforce was established to outline how trustees could and should address social risks and opportunities. Specifically, the group has looked at the materiality of such issues, data on social factors, and the actions pensions funds can take. During the quarter, the group's initial findings were published for consultation. Within the report a series of recommendations were set out to pension trustees, the investment industry, regulators, government, civil society and businesses.

MEDIA COVERAGE

ESG Investor: ESG Overload – ESG Investor
Room 151: LAPFF alongside other investors call for climate vote at high-emitting companies - Room 151
IPE: Investors coalition creates platform to strengthen human rights stewardship | News | IPE
The Point: Global perspective: is ESG paying lip service to human rights? | The Point ESG News
Environmental Finance: CCLA, LAPFF call for climate votes at 'high-emitting' sectors
Pensions & Investments: U.K. investors turn up the heat on boards for climate transition plans
Sustainable Times: Investors Managing £1.8 Trillion Rally for Climate Strategy Votes at Upcoming FTSE 350 AGMs
IPE: Investor group calls for climate vote at high-emitting companies
Net zero investor: £1.8trn investors call for climate vote at high-emitting companies
Funds- Europe.com: Investors seek climate votes at high-risk firms
Pensions Age Magazine: Investor group calls for climate vote at high carbon emitting FTSE 350 firms
TheMJ.co.uk: Council pension funds call for climate vote
LocalGov.co.uk: Council pension funds call for climate vote
Investment Week: Investors overseeing £1.8tn in assets call for AGM votes on climate transition plans

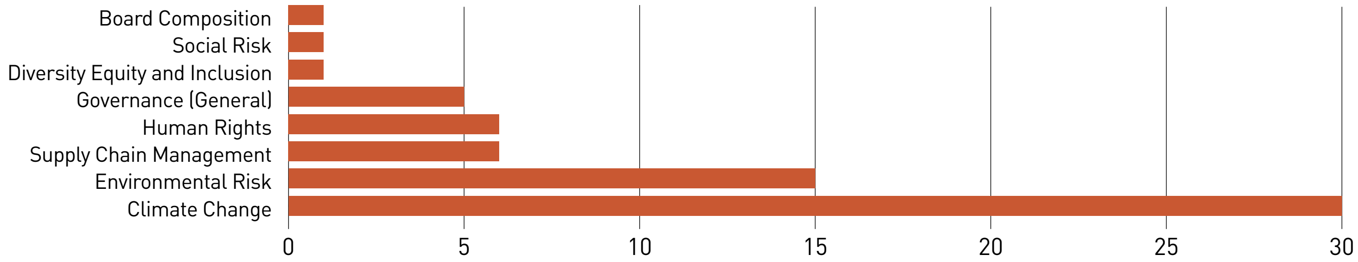
COMPANY PROGRESS REPORT

44 companies were engaged over the quarter.

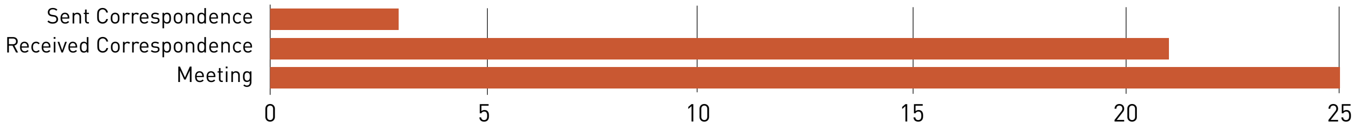
Company/Index	Activity	Topic	Outcome
Company/Index	Activity	Topic	Outcome
AIA GROUP LTD	Meeting	Environmental Risk	Dialogue
ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
AVIVA PLC	Meeting	Climate Change	Dialogue
AXA	Meeting	Climate Change	Moderate Improvement
BAE SYSTEMS PLC	Received Correspondence	Climate Change	Dialogue
BAKKAVOR GROUP PLC	Received Correspondence	Climate Change	Dialogue
BARCLAYS BANK PLC	Meeting	Governance (General)	Dialogue
BARCLAYS PLC	Received Correspondence	Climate Change	Dialogue
BP PLC	Meeting	Governance (General)	Dialogue
CENTAMIN PLC	Received Correspondence	Climate Change	Dialogue
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Change in Process
CRH PLC	Received Correspondence	Climate Change	Dialogue
EASYJET PLC	Received Correspondence	Climate Change	Dialogue
ENERGEAN PLC	Received Correspondence	Climate Change	Dialogue
EXXON MOBIL CORPORATION	Sent Correspondence	Social Risk	Awaiting Response
FORD MOTOR COMPANY	Meeting	Supply Chain Management	Dialogue
FRESNILLO PLC	Received Correspondence	Climate Change	Dialogue
GLENCORE PLC	Meeting	Board Composition	Dialogue
HARBOUR ENERGY PLC	Received Correspondence	Climate Change	Dialogue
HSBC HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
INTERNATIONAL DISTRIBUTIONS SERVICES PLC	Sent Correspondence	Governance (General)	Awaiting Response
JOHN WOOD GROUP PLC	Received Correspondence	Climate Change	Dialogue
KKR & CO INC	Received Correspondence	Diversity Equity and Inclusion	Small Improvement
LEGAL & GENERAL GROUP PLC	Meeting	Environmental Risk	Dialogue
LLOYDS BANKING GROUP PLC	Meeting	Environmental Risk	Small Improvement
MERCEDES-BENZ GROUP AG	Meeting	Human Rights	Small Improvement
NATIONAL GRID GAS PLC	Meeting	Climate Change	Dialogue
NATWEST GROUP PLC	Received Correspondence	Climate Change	Dialogue
NESTLE SA	Meeting	Environmental Risk	Change in Process
PERSIMMON PLC	Meeting	Climate Change	Dialogue
PING AN INSURANCE GROUP	Meeting	Climate Change	Change in Process
PRUDENTIAL PLC	Meeting	Climate Change	Change in Process
RENAULT SA	Meeting	Supply Chain Management	Moderate Improvement
RESTAURANT BRANDS INTERNATIONAL INC	Meeting	Supply Chain Management	Dialogue
RIO TINTO PLC	Meeting	Environmental Risk	No Improvement
ROLLS-ROYCE HOLDINGS PLC	Received Correspondence	Climate Change	Dialogue
SANOFI	Received Correspondence	Environmental Risk	Substantial Improvement
SAP SE	Meeting	Human Rights	Dialogue
SHELL PLC	Received Correspondence	Climate Change	Dialogue
STANDARD CHARTERED PLC	Received Correspondence	Climate Change	Dialogue
THE HOME DEPOT INC	Meeting	Supply Chain Management	Moderate Improvement
THE TJX COMPANIES INC.	Meeting	Environmental Risk	Small Improvement
TI FLUID SYSTEMS PLC	Received Correspondence	Climate Change	Dialogue
VALE SA	Meeting	Human Rights	Dialogue

ENGAGEMENT DATA

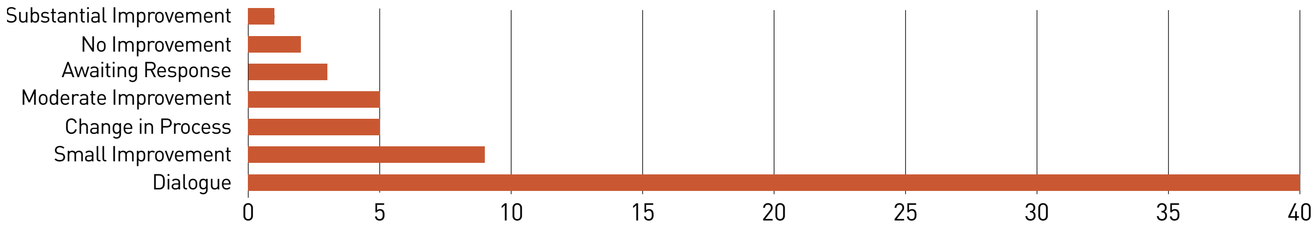
ENGAGEMENT TOPICS



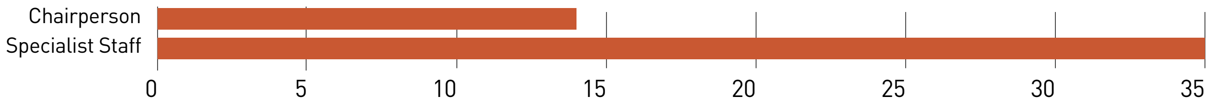
ACTIVITY



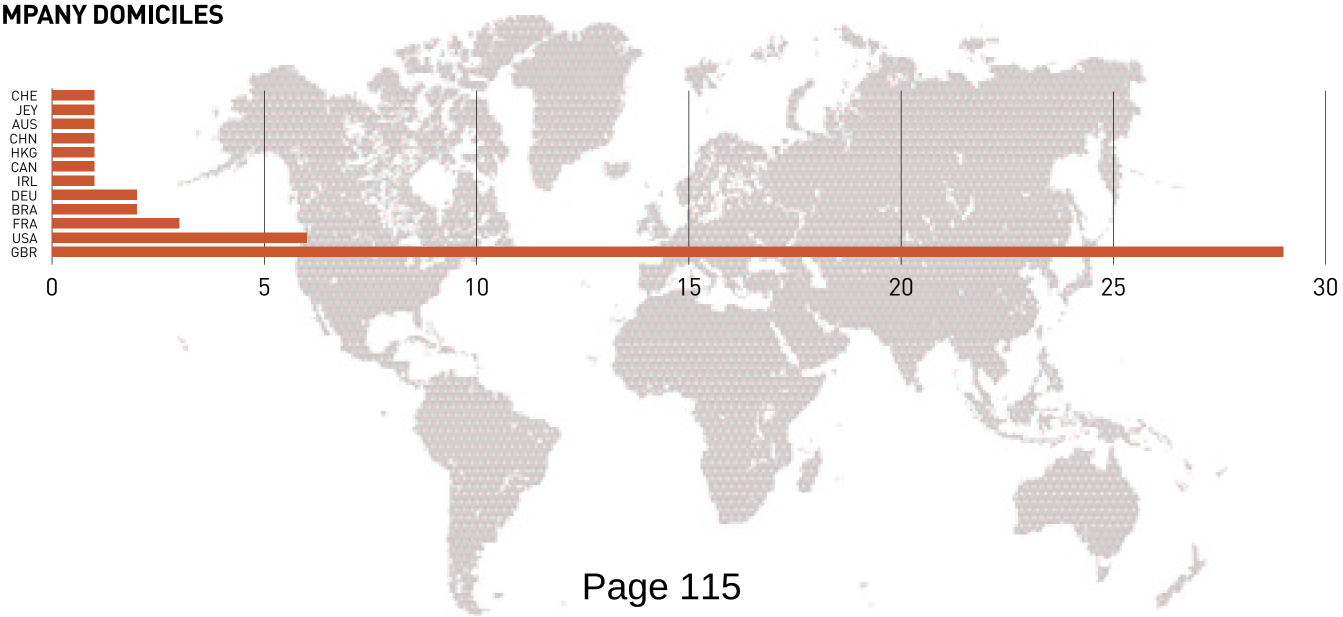
MEETING ENGAGEMENT OUTCOMES



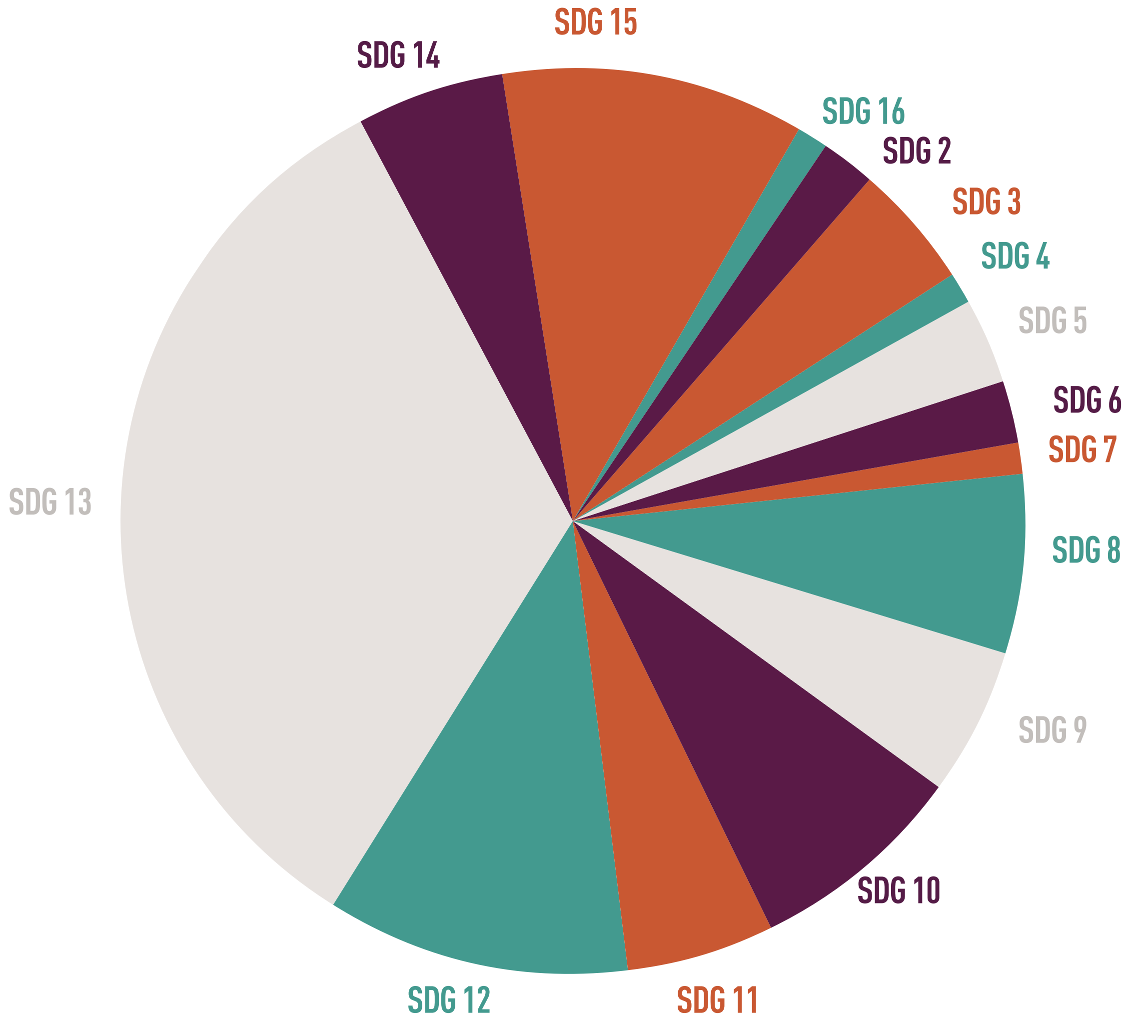
POSITION ENGAGED



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	3
SDG 6: Clean Water and Sanitation	2
SDG 7: Affordable and Clean Energy	1
SDG 8: Decent Work and Economic Growth	6
SDG 9: Industry, Innovation, and Infrastructure	5
SDG 10: Reduced Inequalities	7
SDG 11: Sustainable Cities and Communities	5
SDG12: Responsible Production and Consumption	10
SDG 13: Climate Action	31
SDG 14: Life Below Water	5
SDG 15: Life on Land	10
SDG 16: Peace, Justice, and Strong Institutions	1
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Islington 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
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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Hackney

Title of Report	Responsible Investment Working Group (RIWG) Update
For Consideration By	Pensions Committee
Meeting Date	26 March 2024
Classification	Public
Ward(s) Affected	All
Group Director	Jackie Moylan, Interim Group Director of Finance

1. Introduction

1.1. This report presents the Pensions Committee with an update from the first meeting of the Responsible Investment Working Group (RIWG) held on 6th March 2024.

2. Recommendations

2.1. The Pensions Committee is recommended to:

- Note the report

3. Related Decisions

3.1. Pensions Committee 20 September 2023 - RIWG Approval

4. Comments of the Interim Group Director of Finance

4.1. This paper provides an update to the Committee of the work of the RIWG following its first meeting on 6 March 2024 and sets out its proposed work programme for the remainder of the year.

4.2. The working group has been set a number of tasks within its terms of reference set by the Pensions Committee, including overseeing the development of the Fund's ESG strategy, reviewing its responsible investment policy, monitoring progress on climate charges and initiatives, consider reporting on Task Force on Climate-related Financial Disclosures (TCFD), support the Fund's stewardship and engagement activities and to monitor regulatory and other ESG developments.

4.3. The work of the group is important as it will allow more devoted time for discussion of topics and tasks related to responsible investment. This will allow the group to take forward key tasks that the Committee have already agreed to take forward, such as the work required to become signatory to the UK's Stewardship Code.

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

5.1. The Pensions Committee has responsibility for the prudent and effective stewardship of the Pension Fund and a clear fiduciary duty in the performance of its functions. The work of the RIWG will help to ensure that responsible investment decisions are made in line with the Committee's fiduciary duty.

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

6. Background to the Report

6.1. This report presents the Pensions Committee with an update on the work of the Responsible Investment Working Group following its first meeting held on 6 March 2024.

6.2. The sub-group of the Committee is made up of 6 Committee members supported by Fund officers and advisers. The first meeting was well attended by members of the Committee and all relevant officers. It was supported by presentations from Redington, the Fund's investment advisers, that generated useful discussion and debate around the subject matters.

6.3. Appendix 1 provides examples of the presentations considered at the first meeting as set out below.

6.4. At the first meeting of the group, the following topics were considered:

- The Financial Markets Law Committee paper - Trustees and Fiduciary Duties
- Economic Activity of Public Bodies (Overseas Matters) Bill
- Stewardship Code Requirements and the benefits of being a signatory
- The broader RI work programme
- Stewardship gap analysis
- The engagement framework and an action plan for becoming an engagement leader
- The components of effective stewardship and what good stewardship looks like
- Different operating models for engagement
- Levers for action within the engagement framework
- Stewardship themes
- RI and initial considerations regarding the defence industry, including the main parameters in which this could be considered.

6.5. Future meetings of the RIWG are to be held in May, September and November 2024, largely to fit in with key dates in respect of the work required in order to meet the required deadlines for a Stewardship submission in the Autumn of 2024, as agreed by the Committee.

6.6. The broader RI Work Programme is set out in the table below

Activity	Timing
Gap analysis of Stewardship Code requirements, regular Stewardship reporting to Committee,consideration of enhancements to current approach	March - May 2024
March Pensions Committee - RIWG update	26 March 2024
Capturing current stewardship work, drafting Stewardship Code submission	June 2024
Draft outline Stewardship Code for consideration by Pensions Committee	June 2024
Finalisation of Stewardship Code and approval by Pensions Committee	September 2024
Stewardship code reporting and application	October 2024
FRC notification of acceptance of submission or rationale for rejection	January 2025
Ongoing stewardship activities reported to Pensions Committee quarterly	2025/2026
Annual review and approval of Stewardship Code submission by Pensions Committee to maintain signatory status	September 2025 and annually thereafter

Appendices

Appendix 1 - Responsible Investment Working Group Update - Redington

Background documents

None

Report Author	Name: Michael Honeysett Title: Interim Head of Pensions Email: michael.honeysett@hackney.gov.uk Tel: 020 8356 3332
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: Acting Assistant Director of Legal and Governance Email : georgia.lazari@hackney.gov.uk Tel: 0208 356 1369

REDINGTON

Hackney

RESPONSIBLE INVESTMENT WORKING GROUP UPDATE

26 March 2024

Private and Confidential

Certified B Corporation

bsi. ISO/IEC 27001 Information Security Management

QAS Institute and Faculty of Actuaries Quality Assurance Scheme

RESPONSIBLE INVESTMENT WORKING GROUP (RIWG) – OVERVIEW

RIWG approval date	20 September 2023
1st RIWG meeting date	6 March 2024
Future RIWG meeting dates	• May 2024 • September 2024 • November 2024
Members	6 Committee members supported by Fund officer and advisers
Role	To increase its capacity for the consideration of responsible investment issues, the London Borough of Hackney has created a responsible investment working group. The Group will consider responsible investment issues and take forward development work in relation to the Fund's RI policy, climate change and stewardship activities and will make recommendations to the Committee.
Terms of reference	I. Oversee the development of the Fund's ESG strategy; II. To review and consider changes to the Fund's RI policy; III. To monitor progress on climate targets and initiatives; IV. To consider and develop reporting in respect of TCFD; V. To support the Fund's stewardship and engagement activities (UK's Stewardship Code 2020); VI. To monitor regulatory and wider ESG developments and the implications for the Fund.

FINANCIAL MARKETS LAW COMMITTEE PAPER: PENSION FUND TRUSTEES AND FIDUCIARY DUTIES

Background

- The Financial Markets Law Committee ("FMLC"); a grouping of senior individuals from the legal industry, aims to eliminate uncertainties in the law related to financial markets.
- In February 2024, the FMLC published a paper on pension fund trustees and fiduciary duties, developed by a working group chaired by High Court judge Sir Robin Knowles. This was in response to a Government request.
- The paper aims to remove legal uncertainty associated with trustees' fiduciary obligations. By doing so, it clarifies how trustees may appropriately incorporate climate change and broader sustainability considerations into their investment decision-making.
- While not strictly applicable in the LGPS space, it provides helpful indications as to expectations of LGPS decision-makers. It provides a new frame for understanding what are reasonable decisions to take.

What is the key message?

Page 125

- Importantly, the paper moves away from the Law Commission's distinction between "financial" and "non-financial" factors, which has previously hindered some pension funds from incorporating ESG risks into their investment approaches.
- The guidance clarifies that decision-makers can, and should, incorporate climate change and broader sustainability issues into investment decisions. By viewing sustainability matters through a financial lens – essentially in terms of investment risks and returns – pension funds can (and perhaps should) incorporate them into investment decision-making.
- The paper notes that the uncertainties surrounding the future impacts of climate change (and other sustainability issues) mean that it may not be possible to reduce its impact on risk and return to numerical values. That doesn't mean they can be ignored: instead, pension funds should be open to applying, and responding to, a narrative understanding of risk.
- This shift in understanding should empower more pension funds to include climate change and broader sustainability issues in their investment decision-making.

Key takeaways

- The FMLC has released guidance clarifying pension scheme trustees' fiduciary duties with respect to climate change and sustainability in investment decision-making. While not strictly applicable, the guidance provides a useful indication of appropriate approaches in the LGPS space as well.
- The guidance clarifies that pension funds can, and perhaps should, incorporate climate change and broader sustainability issues into their investment decision-making as part of fulfilling their fiduciary duties – but should do so through the frame of investment risk and return.

ECONOMIC ACTIVITY OF PUBLIC BODIES (OVERSEAS MATTERS) BILL (OTHERWISE KNOWN AS THE BOYCOTTS, DIVESTMENTS & SANCTIONS BILL)

Background

In 2016, the Department for Communities and Local Government introduced guidance (part of the wider LGPS Investment guidance which also covered investment pooling) for the local government pension scheme to state it should not use pension policies “to pursue boycotts, divestment and sanctions against foreign nations”, other than where formal UK government measures such as sanctions are in place.

However, following a legal challenge the boycotts, divestment and sanctions clauses were removed in 2017 and despite high profile court cases to try to allow for the reinstatement of these elements of guidance the Supreme Court found the government had acted unlawfully on the basis that the Secretary of State exceeded his powers.

What does the Bill aim to do?

The Bill currently making its way through the House of Lords is expected to become law. As introduced, the Bill intends to prevent “public bodies when making decisions about procurement and investment from considering a country or territory of origin or other territorial considerations in a way that indicates political or moral disapproval of a foreign state”. Such boycotts or divestments and any such actions could result in investigations or fines.

The government states the Bill aims to stop councils and other publicly funded bodies from “pursuing their own foreign policy agendas.” In particular, it cites concerns that campaigns in universities and local authorities on investment decisions relating to certain countries “lead to community tensions, and, in the case of Israel, a rise in antisemitism”. Much of the debate on this issue has focused on suggested boycotts of Israel and Israeli settlements in the occupied Palestinian territories.

The Bill does not prevent public bodies from complying with formal UK sanctions, embargoes, and restrictions. The Bill also gives the government the power to make regulations to exempt certain countries or territories from the restrictions and both Russia and Belarus would be exempt immediately.

Key takeaways

- The intention is to ban LGPS administering authorities from making investment decisions influenced by political or moral decisions with regard to a foreign state unless part of formal government policy.

STEWARDSHIP CODE REQUIREMENTS

UK STEWARDSHIP CODE 2020: OVERVIEW

What is the UK Stewardship Code 2020?

The Code sets out the expectations of responsibilities for investors and asset owners described in 12 principles which need to be evidenced on an 'apply and explain' basis.

Signing up to the code is *voluntary* and meeting its expectations is one indicator of effective stewardship.

What is the aim of the code?

The UK Stewardship Code 2020 seeks to set high stewardship standards for asset managers, asset owners (including pension schemes), and for the service providers that support them.

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries

How to become a signatory of the code

Organisations must submit a Stewardship Report to the Financial Reporting Council demonstrating how they have applied the Code's Principles in the last 12 months

The FRC will assess the report and if it meets the reporting expectations, **the organisation will be listed as a signatory to the Code**

Once listed, organisations **must annually report** to remain signatories

Report details

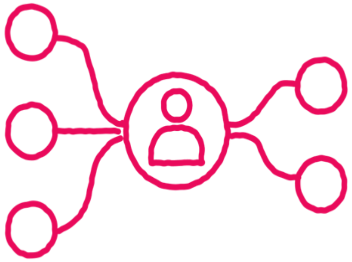
The report should be comprehensive; however, it must be fair, balanced and understandable with clear examples of success, as well as reflections on any failures and the corresponding lessons learned.

Reports must be reviewed and approved by the applicant's governing body, and signed by the chair, chief executive or chief investment officer.

WHAT ARE THE BENEFITS FROM BEING SIGNATORIES?

The Code has a focus on activities and outcomes of stewardship, rather than the existence of policies. Becoming a signatory is a resource-heavy commitment, and **it may be likely to drive meaningful change.**

Would clearly evidence alignment with **industry best practice** in stewardship and engagement across asset classes.



The Code’s emphasis on outcomes-focused reporting should materially **increase impactful disclosures across the industry**.

BROADER RI WORK PROGRAMME

Activity	Suggested Timing
Net Zero Climate Interim Target setting agree for 2030	March 2023
Focused Responsible Investment Survey to identify and capture Fund's responsible investment beliefs and develop key engagement themes	August 2023
Feedback from survey; consideration of Stewardship Code requirements; Establishment of RIWG Terms of Reference agreed – September Pensions Committee	20 September 2023
Stewardship Training	15 January 2024
RIWG: RIWG work programme; Stewardship Code introduction to gap analysis; engagement framework and divestment approach	6 March 2024
Gap analysis of Stewardship Code requirements; and regular stewardship reporting to Pensions Committee; consideration of enhancements to current approach	March – May 2024
March Pensions Committee – RIWG update	26 March 2024
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STEWARDSHIP GAP ANALYSIS - OVERVIEW

STEWARDSHIP CODE – PRINCIPLES

The principles provide a helpful guide for adopting effective stewardship practices. We split the twelve principles into three groups below:

1. **Policy foundations** – ensuring the right policies and governance processes are in place to facilitate good stewardship – **'WHO?'**;
2. **Integration** – integrating stewardship policies into the investment process, including regular assessment of asset managers/service providers – **'HOW?'**;
3. **Engagement delivery**– how engagement is put into practice, and the resultant change that has been achieved – **'WHAT?'**.

		Substantive Requirements	Hackney's progress
1	**Purpose, beliefs, strategy and culture enable stewardship**	More depth of cultural expectation, requires detail of investment beliefs	
2	**Governance, resources and incentives support stewardship**	Senior management buy-in, link of governance and process with effective stewardship, details of resourcing and structure	
3	**Conflicts: policy and application to stewardship**	Disclosure of instances of stewardship-specific actual or potential conflict	
5	**Regularly review policies and assess effectiveness**	Extends need for self-review and assessment; reporting to be fair, balanced and understandable	
6	**Take account of client/beneficiary needs, communicate activities and outcomes**	Required to specific time-horizon for investment approach; greater focus on outcomes	
7	**Stewardship integrated into investment decisions**	Details of integration approach and resources; refer to climate change; disclose differences between funds, asset classes and geographies	
8	**Monitor service providers**	How quality of service providers is regularly assessed; better delivery sought over time	
9	**Engagement**	Disclose how engagements are prioritised, outline precise objectives of engagement and outcomes	
10	**Collaborative engagement**	Disclose method(s) of collaboration, examples of collective engagement and outcomes	
11	**Escalation**	Disclose how engagements are prioritised, outline precise objectives of engagement and outcomes	
12	**Exercise rights (voting)**	Voting and use of proxy advisers, including monitoring and oversight	
4	**Respond to market-wide and systemic risk, promote positive system**	Identify and respond to market and systemic risk; how to work with other investors or industry initiatives to address	

PRINCIPLE 1: PURPOSE, STRATEGY AND CULTURE

PRINCIPLE ONE: PURPOSE, STRATEGY AND CULTURE

1	Purpose, beliefs, strategy and culture enable stewardship	More depth of cultural expectation, requires detail of investment beliefs	

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society

Purpose	Reporting Expectations	Details	RAG
Context	Provide the purpose of the organisation and outline of culture, values, business model and strategy	A clear purpose, investment beliefs, culture, values and strategy to provide context for disclosures throughout the report	
Activity	Explain the investment belief i.e. what factors matter for desired investment outcome and why	What factors matter for desired investment outcome and why. (If investment beliefs are set out elsewhere, summarise them before providing a link or reference)	
Outcome	How purpose and investment beliefs have guided stewardship, investment strategy and decision making	Identify examples of activity or decisions taken, with reference to the purpose and investment beliefs	
Outcome	Assess how effective the Fund has been in serving the best interests of clients and beneficiaries	Expectation of a discussion on impacts on the economy, environment and society	

ENGAGEMENT FRAMEWORK

ACTION PLAN FOR BECOMING AN ENGAGEMENT LEADER

Getting started

Review existing fund managers' engagement coverage and quality

Update engagement policy covering governance, resourcing, priorities, and escalation (including exclusions)

Begin implementing

Monitor and assess fund manager delivery of outcomes-focused engagements based on key themes and priorities

Join industry groups and collaborations

Show best practice

Engage with fund managers on their delivery of engagement and voting

Set own voting policy and expectations

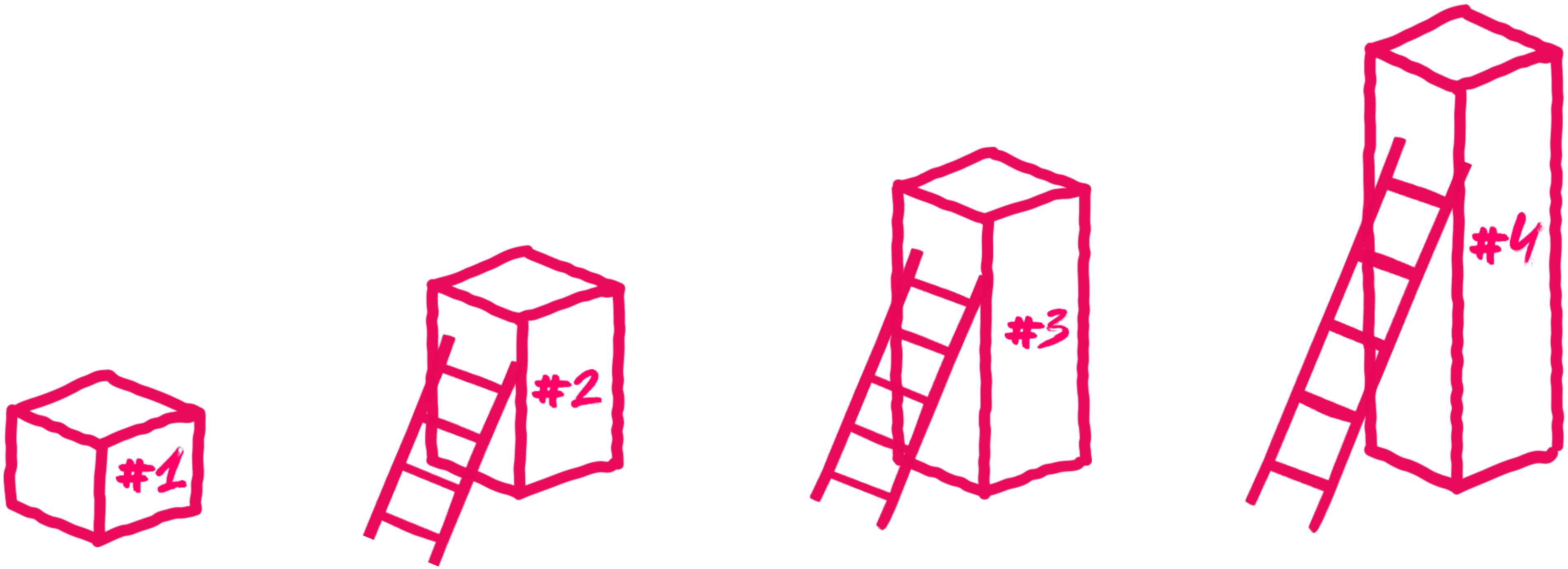
Partake in collaborative initiatives

Engagement Leader

Create a public engagement plan and escalation approach

Lead collaborative engagements

LB Hackney survey indicated the Fund is keen to be at the forefront of best practice



COMPONENTS OF EFFECTIVE STEWARDSHIP

Stewardship delivery: components

Public Policy

principle 4 Stewardship Code

Individual Engagement

principle 9 Stewardship Code

Escalated Engagement

principle 10 Stewardship Code

Collective Engagement

principle 11 Stewardship Code

Considered Voting

principle 12 Stewardship Code

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Individual engagement examples include:

- Letter writing
- Private/public engagement
- Housekeeping engagement

Common escalation tools include:

- Shareholder resolution
- Public statement
- Collective action

Collective engagement examples include:

- Collaborating campaigns
- Group meetings
- Concert party

WHAT DOES GOOD STEWARDSHIP LOOK LIKE?

- Whilst most commonly associated with listed equity, stewardship should be practised across all asset classes:

Physical Listed Equity	Fixed Income	Private Markets
• Investors can use position to influence what activities companies engage in and how they behave and operate. • Investors can – and increasingly are expected to – exercise their ownership (e.g. voting) rights to communicate their views to a company and input into key decisions.	• Investors are important stakeholders with influence over issuers and clearly defined legal rights. • For corporate fixed income investors, contact with the issuer is often with the company CFO or treasurer. • For sovereign debt investors, the engagement process might involve meeting with several agencies outside of government officials. • Escalation strategies may involve choosing to avoid new debt issues, underweighting or divesting.	• Private markets investors are in a unique position when it comes to stewardship. • These investors can use this direct form of influence to meet their stewardship obligations. • Private equity investors might help portfolio companies improve their environmental management systems and processes • Real estate investors could seek best practice in building efficiency and safety standards.

WHAT ARE THE DIFFERENT OPERATING MODELS?

Hold managers to account more fully

Assessing managers on their stewardship activity on the fund's behalf, and challenging them to do better.

Advantages

- Fully tailored to fund portfolio.
- Keeps stewardship tied to investment function.

Disadvantages

- Needs resourcing (Redington could assist).

LGPS funds/pools applying approach:

BRUNEL Pension Partnership

LOTHIAN PENSION FUND

Hire outsourced engagement service

Appointing a stewardship overlay provider to deliver stewardship (engagement, and perhaps also voting) across all assets.

Advantages

- Readily available off-the-shelf service.
- Gives engagement scale and skill.

Disadvantages

- Separates stewardship from the investment function.
- Not fully tailored to fund portfolio.

LGPS funds/pools applying approach:

London CIV

BORDER TO COAST PENSIONS PARTNERSHIP

Build in-house engagement team

Developing an internal resource which itself engages directly with companies (and other assets) in which the fund invests.

Advantages

- Gives fund full control of activity.
- Delivers actions tailored to fund portfolio.

Disadvantages

- Does not match with fund model of limited executive resource.
- Misses benefits of scale offered by both alternatives.

LGPS funds/pools applying approach:

West Yorkshire Pension Fund

Strathclyde Pension Fund

ENGAGEMENT FRAMEWORK
RESPONSIBLE INVESTMENT: LEVERS FOR ACTION

There are three main levers to reflect an asset owner's Responsible Investment aims: Invest, Engage, Exclude. These are set out in this diagram, together with some examples of relevant actions in each category:

Pulling the "Engagement" lever:

- Committee members are generally in agreement that the Fund should focus on engagement, as well as working with other investors to influence investments.
- Exclusion should be considered, but only after a timeframe of at least two years.
- Given this preference, work is underway with RIWP to outline the range mechanisms for engagement that the Fund might deploy, and considerations that might apply when deciding either to enter an engagement, or whether an existing engagement has run its full course and should not be pursued further.
- That decision might be followed simply by a decision to step back from engagement, or by a decision to divest from the company in question.

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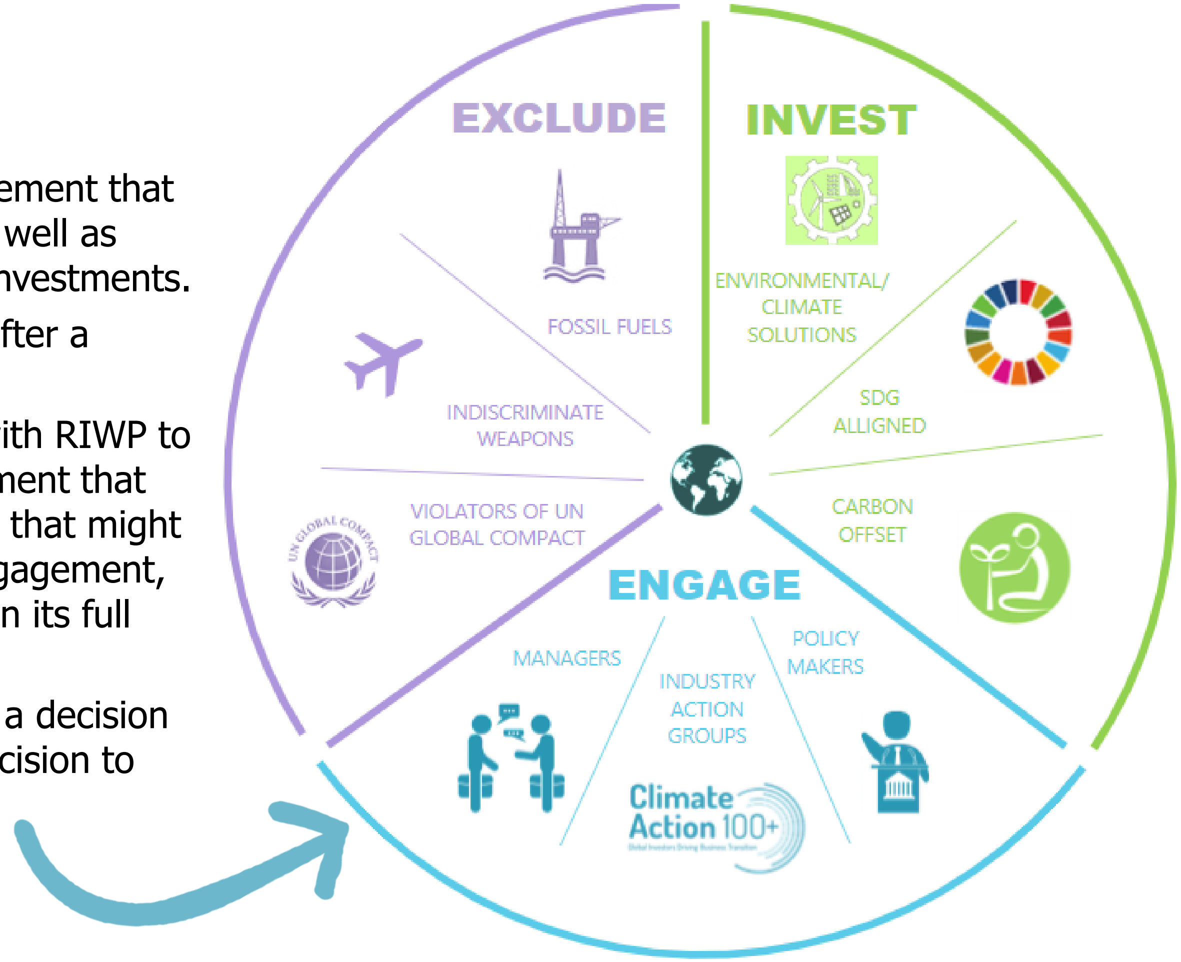
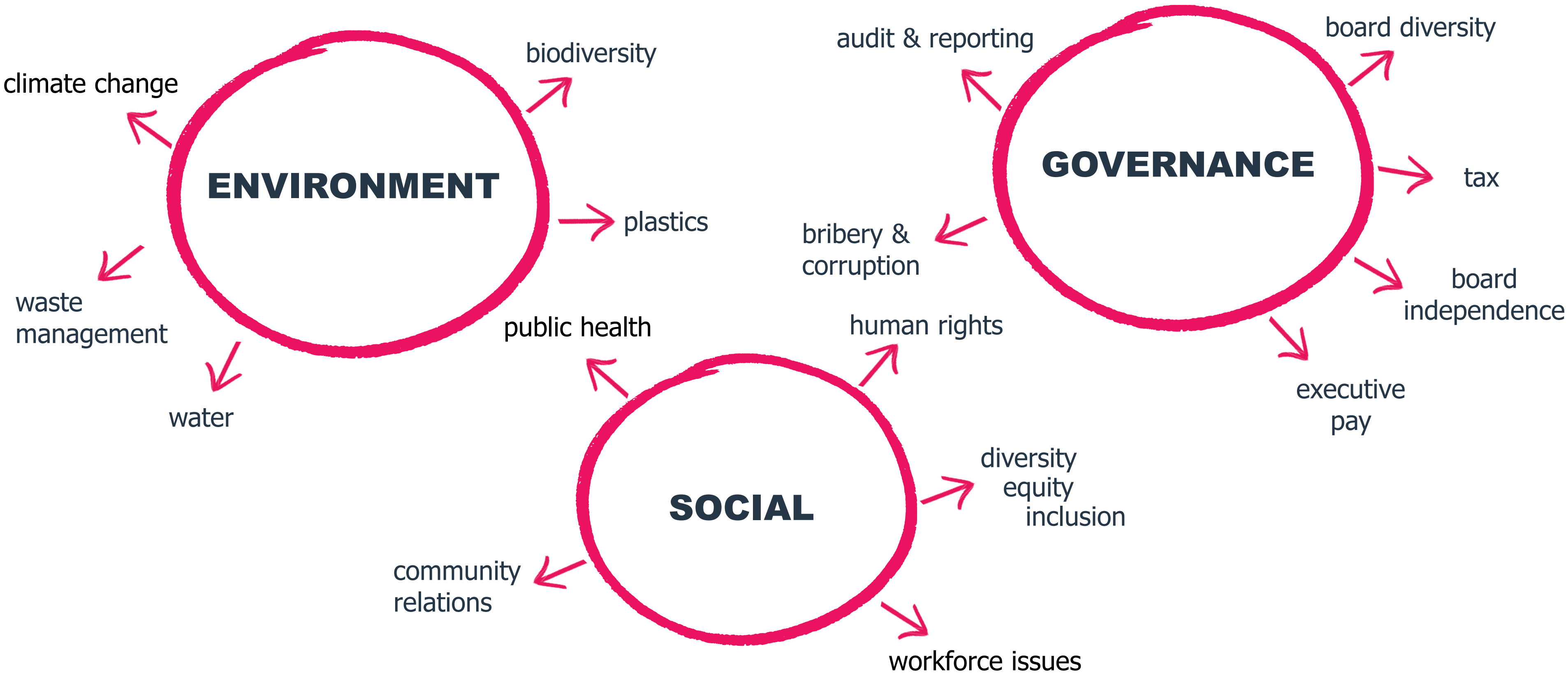


A SPECTRUM OF IMPLEMENTABLE STEWARDSHIP THEMES

- Stewardship themes can be a powerful tool for giving focus to the Fund's stewardship efforts. In guidance for private sector schemes, the DWP suggests trustees choose themes based on a range of factors including trustees' investment beliefs, an assessment of risks to which the fund is exposed, and members' and beneficiaries' best interests.
- Stewardship themes can be used:
  - (1) as a frame for reporting of activity; and
  - (2) to focus on issues that matter to the scheme and on which manager delivery can be assessed, and so as a basis to hold managers to account where expectations are not met.



RESPONSIBLE INVESTMENT AND THE DEFENCE INDUSTRY: INITIAL CONSIDERATIONS

How can it be responsible to invest in tools of death

It's called the defence industry for a reason: look at Ukraine

There is mass destruction of civilian areas

All weapons exports are approved by the government

Main parameters for considering defence industry

Products

- Perspectives vary depending on the nature of the weaponry, with particular attention to forms of indiscriminate weaponry such as:
  - Cluster munitions, anti-personnel landmines
  - Biological, chemical, white phosphorous
  - Depleted uranium, nuclear
- Some perceive all products from the whole defence sector as problematic.

Zone of operation

- Perspectives vary depending on the geography within which weapons are deployed:
  - Invasion of sovereign nation (e.g. Ukraine/Russia)
  - Deployment in occupied territories (e.g. Israel/Gaza, Morocco/ Western Sahara)
  - Civil war (e.g. Sudan, Ethiopia, Myanmar)
- Some are troubled by proactive defence/deterrent.

Key takeaways

- Using the lens of investment risk and return allows the exercise of judgement as to whether to exclude some companies, and where to draw the line.
- Taking a view at different levels (of both product and zone of operation) will have very different consequences for investment risk and return.
- Hackney already has some exclusions in place, in relation to the most indiscriminate weaponry, where there are global treaties to which UK is a party.

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