

pensions@hackney

LONDON BOROUGH OF HACKNEY

PENSION FUND

BUSINESS PLAN

2017-2020



INTRODUCTION

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

The purpose of this document is to set out a business plan for the Pension Fund for the period 2017-2020 and to outline the Fund's goals and objectives over the longer term. The business plan details our priorities and areas of key focus in relation to the London Borough of Hackney Pension Fund for 2017/18, 2018/19 and 2019/20. The business plan is formally reviewed and agreed every year. However, throughout the year it is monitored and the Pensions Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

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

In addition, this business plan includes a budget for expected payments to and from the Hackney Pension Fund during 2017/18, 2018/19 and 2019/20 including the resources required to manage the Fund.

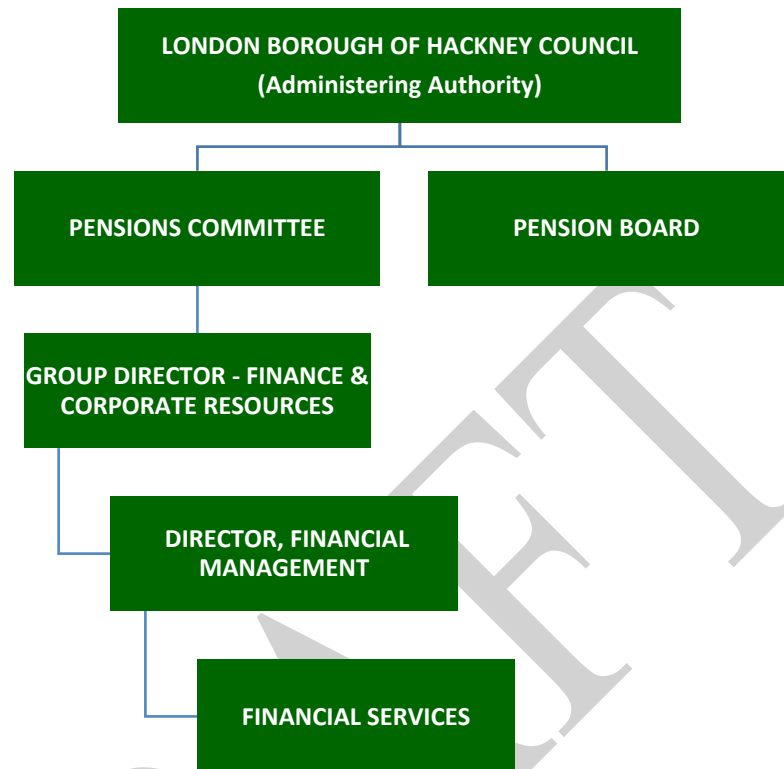
GOVERNANCE & MANAGEMENT OF THE FUND

The key decision making and management of the Fund has been delegated by the London Borough of Hackney (the Council) to a formal Pension Fund Committee (called the Pensions Committee), supported by officers of the Council and advisers to the Pension Fund. Ian Williams, the Group Director, Finance and Corporate Resources is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Pension Fund matters. In addition, a local pension board has been in place since 2015 to assist in:

- securing compliance of Fund matters including any requirements imposed in relation to the LGPS by the Pensions Regulator and

- ensuring the efficient and effective governance and administration of the Fund.

This structure is illustrated below.



OBJECTIVES

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

| Governance Objectives |
|---|
| 1. All staff and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. |
| 2. The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties |
| 3. To understand and ensure compliance with all relevant legislation |
| 4. To ensure the Fund aims to be at the forefront of best practice for LGPS funds |
| 5. Ensures the Fund manages Conflicts of Interest |

| Funding Objectives |
|---------------------------|
|---------------------------|

Funding Objectives

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

Investment Objectives

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

Administration Objective

15. To deliver an efficient, quality and value for money service to its scheme employers and scheme members.

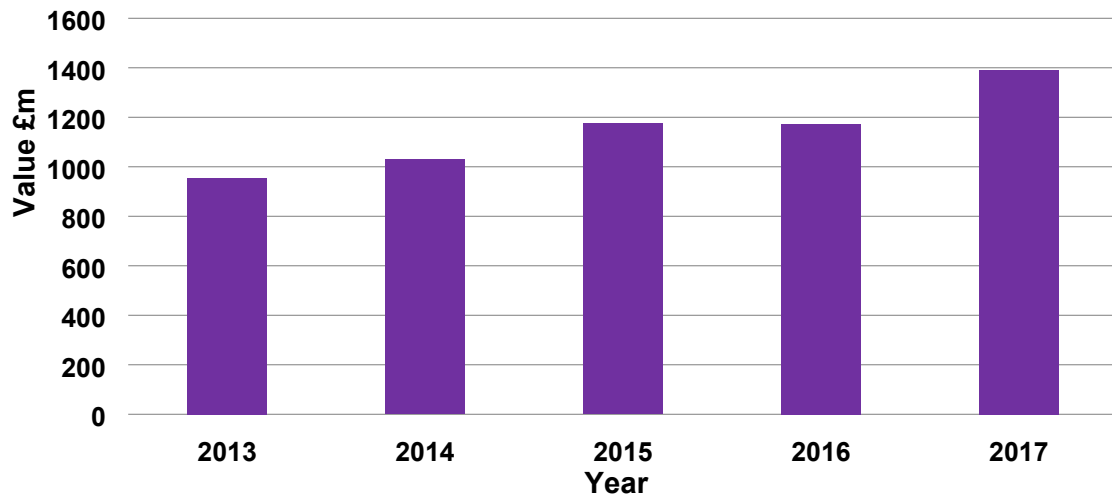
Communications Objective

16. Ensure that all stakeholders are kept informed of developments within the Pension Fund. Ensuring that all parties are aware of both their rights and obligations within the Fund.

PENSION FUND STATISTICS

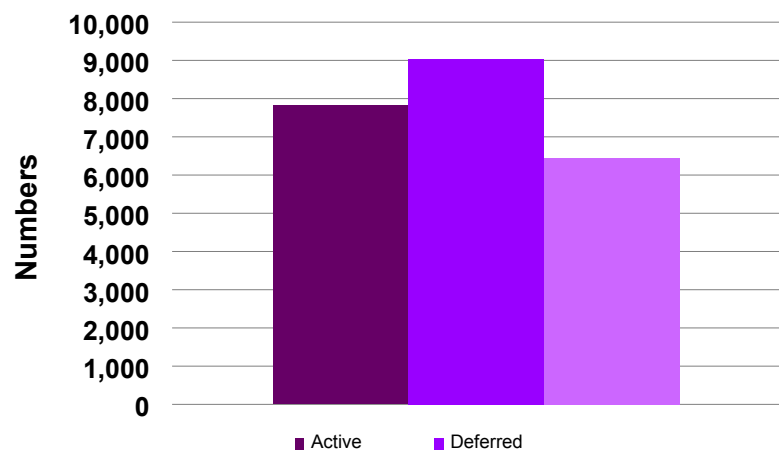
The London Borough of Hackney Pension Fund was valued at £1,391m as at the 31st March 2017 with 23,295 members.

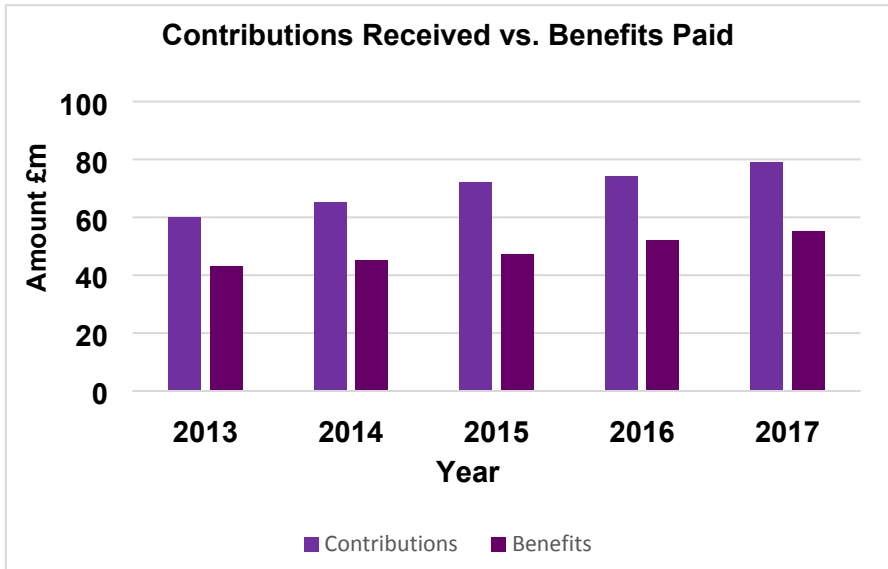
Fund Value Over 5 Years to 31st March 17



Membership Profile for the Pension Fund 2016/2017

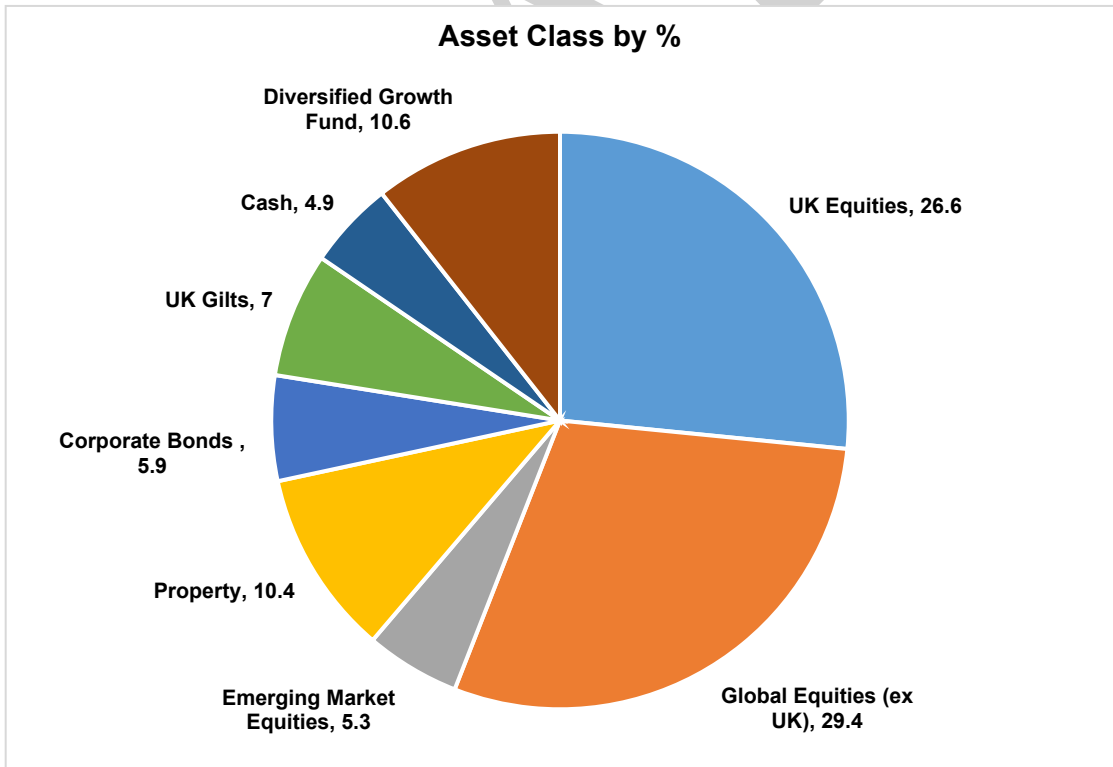
Fund membership was 23,295 made up of 7,823 active, 9031 deferred members and 6,441 pensioners and dependents





The Fund remained cash flow positive during the 2016/17 Financial Year, with both benefits paid and contributions received up on the previous financial year.

The Pension Fund invests in a wide range of asset classes and regularly reviews its asset allocation policy to ensure that it remains appropriate for the Fund.



PENSION FUND BUDGET 2017-18

The budget for the Pension Fund for 2017-2018 includes a draft budget for the following financial years as set out below and was approved by the Pensions Committee at its meeting on 29th March 2017.

| Description | 2017-18 Budget £'000 | 2018-19 Budget £'000 | 2019-20 Budget £'000 | Comments |
|--|----------------------------|----------------------------|----------------------------|---|
| Member Income | | | | |
| Employers' Contribution | 59,387 | 57,849 | 56,142 | Future forecasts based on 2016/17 forecast with an assumption that employer contributions will reduce in line with the Council's proposed reduced rates. Active membership numbers are assumed to reduce by 1% pa, with an assumed 1% pa pay rise. High variance driven by continued increase in active membership. |
| Employees' Contribution | 12,293 | 12,416 | 12,540 | |
| Transfers In | 3,560 | 3,560 | 3,560 | |
| Member Income Total | 75,239 | 73,824 | 72,242 | |
| Member Expenditure | | | | |
| Pensions | -42,904 | -44,637 | -46,440 | Future forecasts based on 2016/17 forecast. A Pensions Increase rate of 1% has been applied for 2017/18, with 2% applied for each of the following years. A year on year increase in the number of pensioners of 2% has been applied across the 3 year period |
| Lump Sum Commutations and Death Grants | -13,736 | -14,291 | -14,868 | |
| Refund of Contributions | -178 | -182 | -182 | Adjusted for CPI as per above with a 1% uplift for 2017/18, followed by 2% pa thereafter |
| Transfers Out | -6,633 | -6,633 | -6,633 | 2016/17 forecast used for following 3 years. Transfers out are challenging to estimate as they are outside the Fund's control. |
| Member Expenditure Total | -63,451 | -65,743 | 68,123 | |
| Net Member Surplus | 11,788 | 8,081 | 4,118 | |
| Management Expenses | | | | |
| Finance Recharge and Pension Admin | -802 | -842 | -884 | Forecast based on 2016/17 forecast, with a 1% uplift for 2017/18, followed by 2% pa thereafter |
| Oversight and Governance Costs | -369 | -377 | -384 | Forecast based on 2016/17 forecast, with a 1% uplift for 2017/18, followed by 2% pa thereafter |
| Pension Audit Fee and Miscellaneous Costs | -37 | -38 | -39 | |
| Net Administration Expenditure | -1,208 | -1,257 | -1,307 | |
| Surplus from Operations | 10,580 | 6,825 | 2,811 | |
| Investment Income/Expenditure | | | | |
| Investment Income | 13,105 | 13,105 | 13,105 | Investment income expected to remain constant across the period. |
| Investment Expenses and Management Fees | -3,714 | -3,751 | -3,789 | Change in inv management fees is difficult to predict - it is hoped that further downward pressure can be achieved through pooling, but as most mandates make an AUM charge, fees will increase with assets under management. Additionally, pooling may drive an increase in the complexity of strategies used, leading to an increase in fees. |
| Net Investment Income/Expenditure | 9,391 | 9,353 | 9,316 | |
| Cash Flow before Investment Performance | 19,970 | 16,178 | 12,127 | |

BUSINESS PLAN 2017-2020

In order to meet the objectives of the Pension Fund, the Pensions Committee has reviewed and agreed a business plan for the period 2017-2020. This has to be put into the context of a period of significant uncertainty for the Fund, which reflects not just ongoing volatility in investment markets, but also measures for structural reform which is currently under consultation but could have a fundamental impact on the overall management of the Fund. Set out in the table below is the 3 year business plan for the Pension Fund:

| | 2017/18 | 2018/19 | 2019/20 | Relevant Committee | Objective Reference(s) |
|---|-------------------|-------------------|-------------------|---------------------------|---|
| Governance Objectives | | | | | |
| Pension Fund Accounts | April - September | April - September | April - September | September | 1, 2, 3, 7, 13, 15, 16 |
| Employer Forum | Nov-Jan | Nov-Jan | Nov-Jan | N/A | 3, 4, 7, 8, 9, 15,16 |
| Review Risk Register | Nov-Jan | Nov-Jan | Nov-Jan | January | 1, 2, 5, 6, 7, 8, 9, 10, 11, 12, 13, |
| TPR Code of Practice | July- Sept | July- Sept | July- Sept | September | 1, 2, 3, 4, 5 |
| Governance Policy Review | April - June | April - June | April - June | June | 1, 2, 3, 4, 5 |
| Self-Assessment & Review of Advisers | April - June | April - June | April - June | June | 1, 2, 3, 4, 5 |
| Member's Training Programme to include Pensions Board | Quarterly | Quarterly | Quarterly | All | 1, 2, 4, 15 |
| Induction training for any new PC members at start municipal year | As required | As required | As required | N/A | 1, 2, 4, 15 |
| Training Policy Review | July - September | July - September | July - September | September | 1,3,4 |
| Conflicts of Interest Policy Review | January - March | | | March | 5 |
| Procedure for Reporting Breaches Review | | April - June | | June | 3 |
| Pensions Board –Annual Reporting | July - September | July - September | July - September | September | 1, 2, 3, 4, 6, 7, 8, 9,10, 11, 12, 13, 14, 15, 16 |
| Review Performance, funding, budget | Quarterly | Quarterly | Quarterly | All | 1, 2, 3, 4, 6, 7, 8, 9,10, 11, 12, 13, 14, 15, 16 |
| AVC Review | | | | Due Summer 2022 | 1, 2, 3, 4, 5 |
| Actuarial Services tender | | June - September | | September | 1, 2, 3, 4, 5 |
| Benefits and Governance Consultancy tender | | June - September | | September | 1, 2, 3, 4, 5 |
| Investment Consultancy tender | January - March | | | March | 1, 2, 3, 4, 5 |

| | 2017/18 | 2018/19 | 2019/20 | Relevant Committee | Objective Reference(s) |
|--|--------------------|--------------------|--------------------|--------------------|------------------------------------|
| Custody Services tender | | | | Due Oct 2021 | 1, 2, 3, 4, 5 |
| Third Party Administration Tender | | | | Due Jan 2023 | 1, 2, 3, 4, 5, 15, 16 |
| Funding Objectives | | | | | |
| Actuarial Valuation 2019 | | | April - March | As required/March | 5, 6, 7, 8, 9, 15, 16 |
| Funding Strategy Statement | | | November - March | January/March | 5, 6, 7, 8, 9, 15, 16 |
| Longevity Monitoring – Club Vita | April - June | April - June | April - June | June | 4, 5, 6, 7, 8, 9, 15, 16 |
| Investment Objectives | | | | | |
| Review Investment Strategy Statement (incl Climate Change policy statement) | As required | As required | As required | As required | 1, 3, 10, 11, 12, 13, 14, 15, 16 |
| Strategic Asset Allocation - Regular Review | Ongoing | Ongoing | Ongoing | As required | 1, 4, 6, 8, 9, 10, 11, 12, 13, 14, |
| Strategic Asset/Liability Review | | | October - January | January | 5, 10, 11, 12, 13, 14, 15, 16 |
| Pension Fund Treasury Management Strategy | November - January | November - January | November - January | January | 1, 9, 10, 11, 12, 13, 14, 15 |
| Individual Manager Review | Quarterly | Quarterly | | | 1, 2, 4, 10, 11, 12, 13, 14, 15 |
| Asset/Liability Monitoring | Ongoing | Ongoing | | | 5, 10, 11, 12, 13, 14, 15, 16 |
| Collaborative working – London CIV & DCLG asset pooling development | Ongoing | Ongoing | Ongoing | As required | 1, 2, 4, 10, 11, 12, 13, 14, 15 |
| Investment in Infrastructure analysis | November - January | | | January | 1, 2, 4, 10, 11, 12, 13, 14, 15 |
| Consider implications of the second Markets in Financial instrument Directive (MIFID II) | March - December | | | As required | 1, 3, 10, 11, 12, 13, 14, 15 |
| Implementation of climate change resolutions | Ongoing | Ongoing | Ongoing | As required | 1, 3, 10, 11, 12, 13, 14, 16 |
| Pension Administration | | | | | |
| Restaged auto-Enrolment | | | April - July | September | 1, 2, 3, 15, 16 |
| Pension Administration Strategy | January - March | January - March | January - March | March | 1, 2, 3, 7, 9, 15, 16 |
| Annual Pension Administration Performance Review | Apr - June | Apr - June | Apr - June | June | 1, 2, 3, 7, 9, 15, 16 |

| | 2017/18 | 2018/19 | 2019/20 | Relevant Committee | Objective Reference(s) |
|---|--------------------|--------------------|--------------------|---------------------------|-------------------------------|
| Scheme/GMP Reconciliation | Ongoing | Ongoing | | As required | 1, 2, 3, 15, 16 |
| Employer data improvements | Ongoing | Ongoing | Ongoing | As required | 1, 2, 3, 7, 9, 15, 16 |
| Agree any further administration improvements with third party provider | June - December | | | | 1, 2, 3, 7, 9, 15, 16 |
| Administering Authority Discretions Review | | January - March | | | 1, 2, 3, 4, 5, 9, 10, 15, 16 |
| Admission Bodies Policy | | September | | | 1, 2, 3, 4, 5, 9, 10, 15, 16 |
| Employing Authority Discretions Review | | January - March | | | 1, 2, 3, 4, 5, 9, 10, 15, 16 |
| | | | | | |
| Communications | | | | | |
| Annual Benefit Statements | April - August | April - August | April - August | N/A | 3, 15,16 |
| Communications Policy Review | November - January | November - January | November - January | January | 1, 2, 3, 15, 16 |
| | | | | | |

Draft Communications Plan 2017-2018

Objective of the Communications Strategy

The aim of the communication strategy is to make sure that all stakeholders are kept informed of developments within the Pension Fund. Effective communications will help to maintain the efficient running of the Scheme and ensure all parties are aware of their rights and responsibilities within the Fund.

An outline communications plan for 2017-2018 is set out below:

| Stakeholders | Scheme Member | Prospective Scheme Members | Employers | Press and FOI Requests | Central Government & the Pensions Regulator |
|--------------------------------|------------------------------------|----------------------------|----------------------------|------------------------|---|
| Type of Communication | | | | | |
| Annual Benefit Statements | July-August | | | | |
| Annual Newsletter - Accounts | August - September | | August - September | | |
| Quarterly Newsletters | Quarterly | | | | |
| Individual Member Self-Service | Available – Reminder in newsletter | | | | |
| Website | Updates posted as required | Updates posted as required | Updates posted as required | | |
| Posters/Scheme Guides | June - March | June - March | June - March | | |
| Induction Sessions | Weekly | Weekly | As required | | |
| Pre-Retirement Seminars | As required | | | | |
| Employer Forum | | | November - January | | |
| Employer training workshops | | | As required | | |
| Pensions Admin Strategy | | | January - March | | |
| Report & Accounts | Annual Newsletter | | November | | October |
| Funding strategy Statement | | | September - January | | |
| Ad-Hoc Queries | Within set timescales | Within set timescales | Within set timescales | Within set timescales | Within set timescales |
| Pension Board | April - March | April - March | April - March | | As Required |
| GMP Letters - Reconciliation | January - March | | November - January | As Required | As required |

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