London Borough of Hackney Pension Fund

Report and Accounts 2017-18

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Chair's Foreword - Cllr Robert Chapman

It is my pleasure, as Chair of the Pensions Committee, to introduce the London Borough of Hackney Pension Fund Annual Report and Accounts for 2017/18. The Pensions Committee is responsible for the management of all aspects of the Pension Fund, including investment, administration and governance of the Fund.

2017/18 has been another eventful year for the wider Local Government Pension Scheme (LGPS), particularly with regards to asset pooling. Like other London funds, Hackney chose to use the London CIV as its asset pool of choice; the CIV was already under development as a voluntary pooling platform. Over the period, the Pensions Committee has been broadly supportive of the CIV as a collaborative venture, and recognises the potential of pooling to increase the impact of the LGPS as a significant investor. Whilst the move to mandatory asset pooling exposed problems with the governance of the CIV during the year, the Fund has engaged constructively with the pool to try to develop solutions and commenced the process of transferring assets during Q1 of 2018/19 as set out below.

In March 2017, the Committee agreed a new investment strategy for the Fund, with the aim of reducing the Fund's overall equity allocation and facilitating the pooling of assets. The Fund during 2017/18 set out to identify suitable strategies and providers and completed an equity transition exercise in Q1 of 2018/19. The transition reduced the Fund's exposure to UK equities with a move to BlackRock's MSCI Low Carbon Target index fund, and also established the Fund's first holding with the London CIV via the RBC Global Sustainable Equity Strategy. The changes were accompanied by other shifts in the fund's current active and passive equity portfolios to facilitate asset pooling, with a £145m UK passive allocation (FTSE Allshare) to be invested with BlackRock. The Fund has also made a £325m allocation to BlackRock's passive global equity fund (MSCI World).

Responsible Investment remained a key priority for the Committee during 2017/18, with a particular focus on understanding and managing the risks posed to the Fund by climate change. In January 2017, the Committee approved a target for the Fund to reduce its exposure to future fossil fuel emissions by 50% over 6 years, in line with the 2^{o}C commitment in the Paris agreement, and considered a number of proposals to help deliver this. Those initial proposals have now been implemented; decisions to invest in the London CIV's global sustainable equity strategy and BlackRock's MSCI Low Carbon target index were made during 2017/18, with assets moving in Q1 2018/19. The Fund is now considering options to further reduce its exposure to fossil fuel reserves and make a positive contribution to the transition to a low carbon economy.

Looking to investment more generally, 2017/18 has resulted in modest gains for the Fund, which outperformed its customised benchmark with a return of 4.4%, relative to the benchmark return of 3.8%. The period 1 April 2017 to 31 December 2017 saw strong performance against a backdrop of geopolitical tension, which then strongly affected markets during Q4. Despite this, the Fund has seen modest positive returns in absolute terms, whilst most asset classes outperformed their benchmark. The Fund's two strongest performers in absolute terms, EM equities and Property, were the only two mandates to underperform relative to their benchmark. The Fund did not introduce any new investment mandates during the year, but did make significant changes to its equity portfolio in Q1 2018/19.

Following on from the approval of the 2016 valuation in March 2017, the Fund has seen a further increase in its funding from 77% at the valuation date to 80.5% at 31 March 2018. The funding level has fluctuated over the period, reaching a high of 83.2% at 31 December 2017. Despite these fluctuations, it is pleasing to note the funding level continued to improve, particularly given the planned incremental reductions in the Council's contribution rate. The Council's contribution rate reduced from 36.9% in 2016/17 to 34.9% in 2017/18, with further reductions to 33% planned over the next two years.

The Fund has continued its collaborative work through the National LGPS Frameworks project, which continues to deliver efficiency savings for both the Hackney Pension Fund and the wider LGPS. Having been a founder member of the Third Party Administration services framework, the Fund commenced a mini-competition towards the end of 2016/17, re-appointing Equiniti as its administrator in Q1 2017/18. During the year, the Fund's in house administration team have worked with Equiniti to make considerable improvements to the Fund's administration service and in particular to its online web service to members and employers. The terms of the new contract are due to take effect in Q2 2018/19.

The in house administration team have also embarked on a significant program of work with the Council's payroll and ICT teams to help improve the quality of data submitted to the Fund. The team have assisted in the development of a new interface for the Council to submit data, as well as helping to resolve pension data issues following the Council's transition to a new payroll system. The Fund has experienced significant issues with data quality in recent years and, whilst there is still significant work to be done, it is hoped that the current work program will significantly improve the quality of member records.

I would like to take this opportunity of expressing my personal appreciation for the hard work and commitment to the Pension Fund that the rest of my Committee Members have put in, given the considerable challenges that we face in managing a £1.48 billion Pension Fund during a period of considerable upheaval for both the LGPS and the wider economy. I would also like to thank the hard work put in by our specialist advisors, the Group Director of Finance and Corporate Resources and his staff over the past year.

Councillor Robert Chapman

Pensions Committee

The London Borough of Hackney Pension Fund is part of the Local Government Pension Scheme (LGPS). The LGPS is governed by statute with the LGPS falling under the remit of the Ministry of Housing, Communities and Local Government (MHCLG).

The London Borough of Hackney is the Administering Authority for the London Borough of Hackney Pension Fund. The Pensions Committee has delegated responsibility for the management of the Fund and oversees the general framework within which the Fund is managed and agrees the policies under which the Fund will operate. The Group Director of Finance and Corporate Resources has delegated authority for the day to day running of the Fund.

The Pensions Committee during 2017/18 was made up of 6 Councillor Members and a Scheme Member Representative.

Pension Committee Members

Councillor Robert Chapman
Chair

Councillor Michael Desmond
Vice Chair

Councillor Geoff Taylor

Councillor Feryal Demirci

Councillor Kam Adams

Councillor Patrick Moule

Jonathan Malins-Smith

Scheme Member Representative

<u>Contact details for the Pensions Committee:</u>-
Pensions Committee
Hackney Town Hall, Mare Street,
London, E8 1EA

Pension Board

The Pension Board was established from 1st April 2015 under the provisions of the Local Government Pension Scheme Regulations (2013).

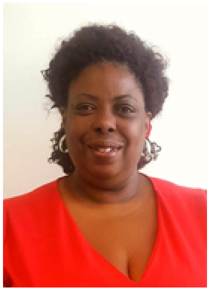
The Pension Board during 2017/18 was made up of 4 members – 2 scheme member representatives and 2 employer representatives.

Pension Board Members

Samantha Lloyd

Scheme member representative

(Chair of the Board)

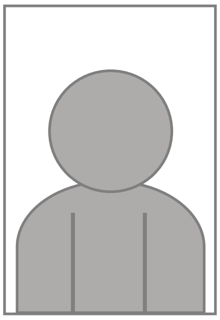


Kay Brown

Employer Member Representative

Michael Hartney

Scheme Member Representative



Henry Colthurst

Employer Member Representative

<u>Contact details for the Pension Board:</u>-
Pension Board
Financial Services
4th Floor, Hackney Service Centre
1 Hillman Street
London
E8 1DY

Staff, Advisers & Investment Managers

The management and administration of the Pension Fund as at 31st March 2018 was delegated to the Group Director of Finance and Corporate Resources with the Financial Services Section within the Finance and Resources Directorate, having responsibility for the day-to-day management of the Fund.

London Borough of Hackney Responsible Officers

***Ian Williams* - Group Director of Finance and Corporate Resources**

Finance & Resources
Hackney Town Hall, Mare Street
London, E8 1EA

***Michael Honeysett* – Director, Financial Management**

Financial Management
Finance & Resources
Hackney Service Centre, 1 Hillman Street
London, E8 1DY

***Rachel Cowburn* – Head of Pension Fund Investments, Financial Services**

Financial Services Section
Finance & Resources
Hackney Service Centre, 1 Hillman Street
London, E8 1DY

***Julie Stacey* – Head of Pensions Administration, Financial Services**

Financial Services Section
Finance & Resources
Hackney Service Centre, 1 Hillman Street
London, E8 1DY

***Sam Masters* – Group Accountant, Financial Services**

Financial Services Section
Finance & Resources
Hackney Service Centre, 1 Hillman Street
London, E8 1DY

Auditors - KPMG

KPMG
15 Canada Square
London
E14 5GL

Consulting Actuary – Hymans Robertson

Geoff Nathan
Actuarial Consultant
Hymans Robertson LLP
20 Waterloo Street, Glasgow G2 6DB

AVC Provider – Prudential

Prudential AVC Customer Services
Lancing
BN15 8GB

Investment Consultant to the Fund – Hymans Robertson

Andrew Johnston
Senior Investment Consultant
Hymans Robertson LLP
20 Waterloo Street, Glasgow

Benefits & Governance Consultant to the Fund – AON

Karen McWilliam
Head of Public Sector Benefits Consultancy
Aon Hewitt
The Aon Centre, 122 Leadenhall Street
EC3V 4AN

Legal Advisers

Legal Services
London Borough of Hackney
2 Hillman Street
Hackney
E8 1FB

Pension Administration Services - Equiniti

London Borough of Hackney Pension Fund
Equiniti
Russell Way
Crawley
West Sussex
RH10 1UH

Lloyds Bank

Lloyds Bank PLC
25 Gresham Street
London
EC2V 7HN

Custodial Services – HSBC

HSBC Bank Plc
8 Canada Square
London E14 5HQ

Investment Managers

Global Equities
Lazard Asset Management Ltd
50 Stratton Street
London
W1J 8LL

Global Equities
Wellington Management International Ltd
Cardinal Place
80 Victoria Street
London
SW1 5JL

UK Equities
UBS Global Asset Management (UK) Ltd
5 Broadgate
London
EC2M 2QS

Fixed Interest
BMO Global Asset Management
8th Floor, Exchange House
Primrose Street
London
EC2A 2NY

Property
Threadneedle Investments Ltd
Cannon Place
78 Cannon Street
London
EC4N 6AG

Real Return
GMO UK Ltd
1 London Bridge
London
SE1 9BG

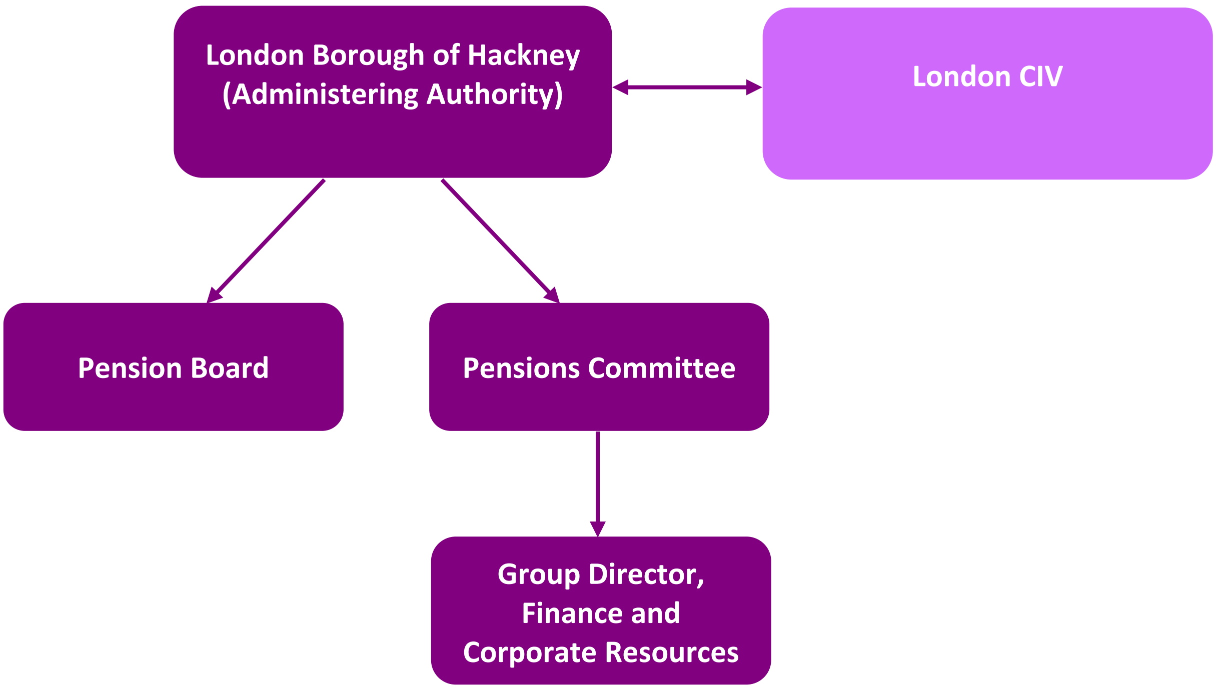
Emerging Markets
RBC Global Asset Management
Riverbank House
2 Swan Lane
London
EC4R 3BF

Multi Asset
Invesco Perpetual
Perpetual Park Drive
Henley-on-Thames
Oxfordshire
RG9 1HH

Governance and Oversight Review

Governance of the Pension Fund

The London Borough of Hackney, as the Administering Authority of the Pension Fund, has delegated responsibility for the management of the Pension Fund to the Pensions Committee. In line with the Local Government Pension Scheme (LGPS) Regulations 2013, the Pension Board assists the Authority in ensuring compliance with the regulations and helps oversee the work of the Pensions Committee and how the Fund is administered. The Fund's governance structure for the 2017/18 financial year is depicted in the chart below.

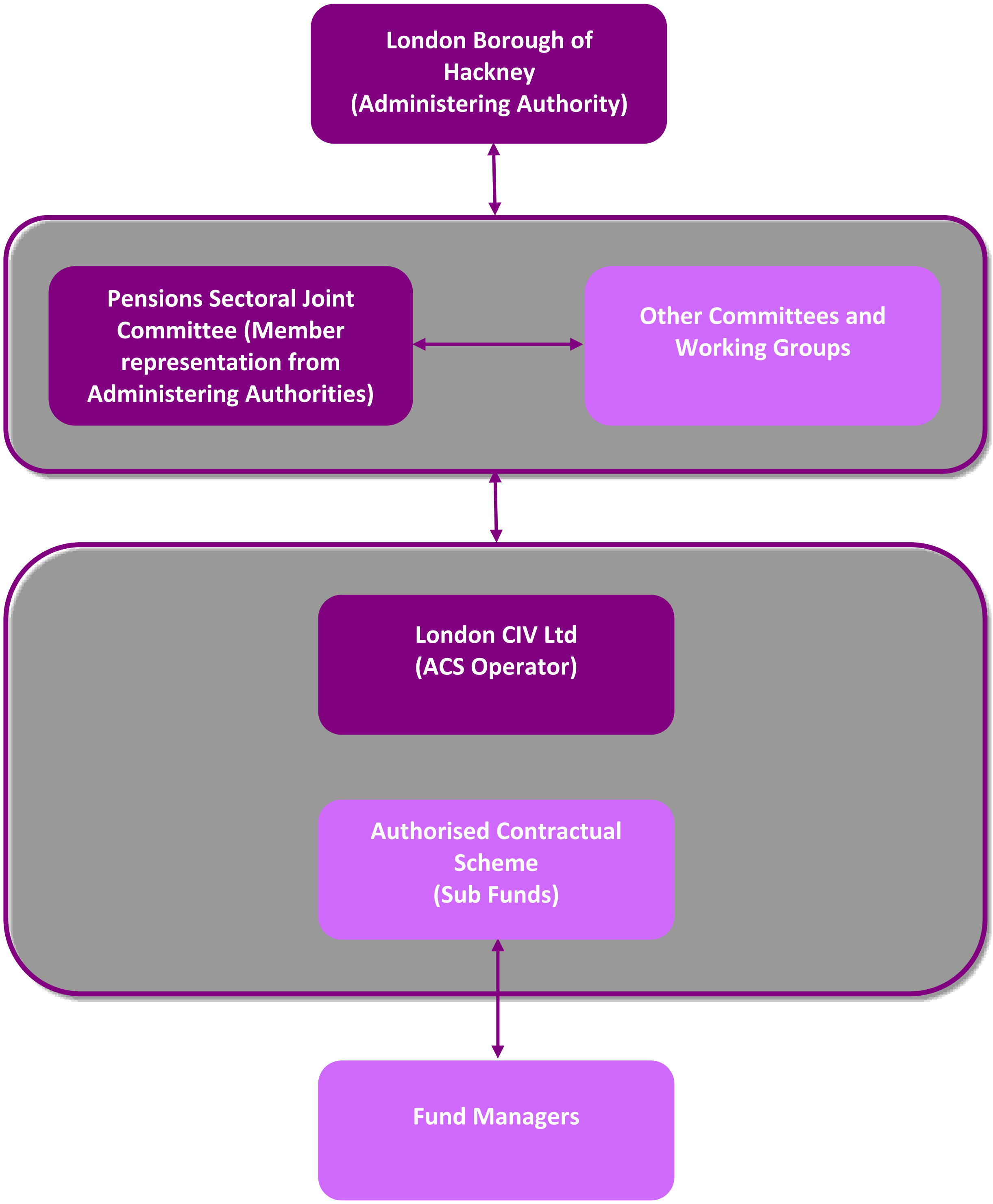


The Fund is a participating scheme in the London Collective Investment Vehicle (London CIV). The London CIV has been operational for some time and has opened a range of equity and multi-asset sub funds, with other asset classes to follow. Whilst the Fund did not invest any assets via the platform at the reporting date, the CIV will, over the medium term, take on elements of the investment management process currently managed by the Fund.

The governance structure of the CIV was designed to provide both formal and informal routes to engage with all the Authorities as both shareholders and investors. During 2017/18, the structure used was a combination of the London Councils' Sectoral Joint Committee ("LCSJC"), comprising nominated Member representatives from the London Local Authorities (in most cases the Pensions Committee Chair), and the Investment Advisory Committee ("IAC") formed from nominated borough officers including both London Local Authority Treasurers and Pension Officers from a number of Authorities. The Fund was represented within the governance structure of the CIV by its Chair of Committee on the LCSJC and by the Authority's Treasurer and a Pension Officer on the IAC.

At the company level for the London CIV, it is the Board of Directors that is responsible for decision making within the company, which will include the decisions to appoint and remove investment managers.

The Fund's relationship with the London CIV and its governance structure is set out in the diagram below:



Pensions Committee

Attendance

The Pensions Committee holds 4 regular business meetings per year and up to 2 additional strategy meetings. The table below sets out the schedule of Pensions Committee meetings during the last financial year and attendance at those meetings by members of the Committee.

Committee Members Attendance 2017/18	25th April	27th June		11th September		4th December		29th March	
	Meeting	Meeting	Training	Meeting	Training	Meeting	Training	Meeting	Training
Cllr Robert Chapman (Chair)	P	P	P	P	P	P	P	P	P
Cllr Michael Desmond (Vice Chair)	P	P	P	P	P	P	P	P	P
Cllr Kam Adams	P	P	P	A	A	P	P	P	P
Cllr Feryal Demirci	P	P	P	P	P	P	P	A	A
Cllr Patrick Moule	P	P	P	P	P	A	A	P	P
Cllr Geoff Taylor	P	A	A	A	A	A	A	A	A
Co-Opted Members									
Jonathan Malins-Smith	P	P	P	P	P	P	P	P	P

P = Present
A = Absent

Training

Training was provided to the Committee with a dedicated time slot at the Committee meetings. The topics covered in the training programme for the Committee in 2017/18 were provided in line with the CIPFA Knowledge and Skills Framework to help ensure that the Committee are able to achieve high levels of the specialist knowledge required of them. Topics covered during the financial year were:

- Longevity and Funding Risk (KSF 6)
- Accounting and Audit (KSF2)
- Transition and Risk Management (KSF4, KSF5)
- Investment Strategy – De-risking (KSF4, KSF5, KSF6)

Members are also encouraged to attend relevant external training opportunities as set out in the Fund's training policy. Events attended during 2017/18 included:

- the Local Authority Pension Fund Forum (LAPFF) Conference
- Pensions and Lifetime Savings Association (PLSA) Conference

Pension Board

Attendance

The Pension Board holds 2 regular business meetings per year. The table below sets out the schedule of Pension Board meetings during the last financial year and attendance at those meetings by members of the Board.

Pension Board Members Attendance 2017/18 at PB				
	25th October		21st March	
	Meeting	Training	Meeting	Training
Samantha Lloyd (Chair)	P	P	P	P
Kay Brown	P	P	P	P
Henry Colthurst	P	P	P	P
Michael Hartney	P	P	P	P
P = Present				
A = Absent				

Training

Pension Board members are invited to attend Committee as observers and to participate in the training. However, to ensure that suitable training is fully accessible to all Board members, Board meetings also include a regular training session at the start of each meeting. The topics covered in the training programme for the Board in 2017/18 were provided in line with the CIPFA Knowledge and Skills Framework to help ensure that the Board are able to achieve high levels of the specialist knowledge required of them. Topics covered during the financial year were:

- GDPR & Cyber Security
- Fund Governance and The Pensions Regulator

Governance Issues – Management of Conflict of Interest

Prior to the commencement of meetings, Committee and Board members are required to make declarations of interest both in relation to membership of the Local Government Pension Scheme and relationship to any employer bodies within the Pension Fund. Further declarations are required as and when agenda items arise where a member may have a conflict of interest. The Head of Pension Fund Investments maintains a record of the Conflicts of Interest which covers both Pensions Committee and Pension Board Members as well as officers closely connected with the Fund.

A legal officer is present at the Committee meetings to provide guidance on legal matters and is also required to comment on other items where there could be conflicts of interest.

London Borough of Hackney Pension Board Annual Report 2017/18

Introduction

This is the annual report of the London Borough of Hackney Pension Fund's Pension Board (HPB) based on the financial year from 1 April 2017 to 31 March 2018.

Establishment and Membership of the Hackney Pension Fund's Pension Board

The Public Service Pensions Act (PSPA) 2013 introduced a number of changes to public service pension schemes, including a number of key changes impacting on the governance of public service pension schemes. One of the key changes was the requirement for each Administering Authority in the LGPS to create a local Pension Board.

The Act states that the role of the Pension Board is to assist the Administering Authority with securing compliance with regulations and with requirements imposed by the Pensions Regulator, as well as assisting in ensuring effective and efficient governance and administration of the Scheme. This has generally been interpreted as the Pension Board having an oversight role but not a decision making role.

Each LGPS Administering Authority was required to establish their local Pension Board no later than 1 April 2015, and the HPB was established by the London Borough of Hackney on 25 February 2015. Since its establishment, the Board has met twice in each calendar year, as set out in its Terms of Reference.

The current membership of the HPB is as follows:

- 2 Scheme Member Representatives (Samantha Lloyd (Chair of the Board) and Michael Hartney)
- 2 Employer Representatives (Kay Brown (LB Hackney) and Henry Colthurst (Mossbourne Academy Trust))

Meetings, training and attendance

The HPB has met twice during 2017/18, with meetings held in October 2017 and March 2018. Both meetings were attended by all 4 representatives and were supported by the Council's Governance Services team and also attended by Pension Fund officers.

The members of the HPB have committed to following the requirements of the Hackney Pension Fund's Training Policy. In addition, we are invited to attend Pensions Committee meetings (the decision making committee for the Pension Fund) and their training events, in order to further our understanding of the Hackney Pension Fund and its operation.

To ensure training is easily accessible to all Board members, a training session is held at the start of each Board meeting. The following summarises the training events HPB members have completed during the year:

- GDPR & Cyber Security
- Fund Governance and The Pensions Regulator

What have we done during 2017/18?

During 2017/18, the Board focused heavily on the administration of the Fund and on the quality of membership data provided by employers. The Fund has acknowledged a significant issue with the quality of data held, and the Board has focused its work program this year on understanding the underlying causes of the problem and making recommendations for improvements. The Board considered the results of an audit of employer data carried out by Aon in October, and followed up with an update on progress made at the March 2018 meeting.

During the year, the Board has also:

- Reviewed the Hackney Pension Fund's compliance with the Pension Regulator's Code of Practice (this is one of the specific areas of responsibility for Pension Boards). Overall the Fund was generally compliant with the Code, with a notable exception related to the provision of annual benefit statements, which was considered in some detail at both meetings.

- Reviewed the Pension Fund risk register, considering the various risks to which the Fund is exposed. The Board recommended to officers some changes to the register to make it easier to use and update, allowing more time to be spent on actively monitoring key risks and considering how best to manage them.

- Received training sessions on the introduction of the General Data Protection Regulation (GDPR) and cyber security, and on the role of the Pensions Regulator and his expectations with regards to the Fund. Regular training sessions at the start of meetings help ensure that Board members have a good understanding of the issues affecting the Fund and are able to meet the legal requirements around appropriate knowledge and skills. During the hear, the Board also reviewed and committed to follow the Fund's Training Policy, which sets out the type of training to be provided and the

- Received an update on the GMP reconciliation project being carried out by Equiniti. This project is part of the review of State Pensions, whereby the Government is ceasing to hold GMP information for scheme members on their systems. Accordingly all pension scheme providers who have been contracted out of the state scheme need to ensure their GMP records are accurate by reconciling them with those held by HMRC by 2018. The Board considered progress on the reconciliation exercise to date, and discussed issues to be taken into consideration by the Fund as it embarks on Phase 3 of the exercise. The Board also considered the impact of increasing the scope of Phase 2, which has the potential to significantly increased costs and highlighted the need to balance cost against the likely impact if liabilities are not reconciled.

- Reviewed updated corporate documents relating to the administration and governance of the Fund, including the Communications Policy and Pension Administration strategy.

- Reviewed the outcome of the Fund’s recent Third Party Administration Services procurement. The Board reviewed the procurement process and assessment methodology used, as these formed the basis of the Pensions Committee’s decision to reappoint Equiniti as the Fund’s administrator for a 5 minimum term. Provision of a good quality administration is vital in ensuring that the Fund provides a good service to its members, but also in maintaining the Fund’s financial health, given the impact of membership data on the triennial valuation process.

What will we do in the future (in particular in 2018/19)?

During 2018/19, the Fund will be undergoing a period of considerable change across both its investment and administration functions, with key changes being to the governance structure and investment offer of the London CIV. The Board therefore wishes to ensure that it is able to effectively review the impact of these changes on the Fund, and to highlight areas for improvement. At its next meeting in October 2018, the HPB will be setting its work plan for 2018/19, which is likely to include areas such as the following:

- The relationship between the Fund and the London CIV, and how the recent changes to the CIV’s governance structure affect the Fund
- The proposed changes to the London CIV’s investment offer and how these might impact the delivery of the Fund’s Investment Strategy
- How the Fund should make decisions on investment issues (e.g. Responsible Investment) in a pooled investment environment
- Consideration of the Fund’s approach to the 2019 actuarial valuation, considering assumptions used and how the Fund can prepare for the valuation
- The ongoing work of the Pensions Committee.
- A review of the changes made as part of the Fund’s new administration contract and the impact of these on member/employer experience
- Ongoing consideration of the Fund's adherence to The Pension Regulator's Code of Practice
- Ongoing consideration of the quality of the Fund’s membership data, including both the quality of data provided by employers, in particular the Council, and the quality of processing by Equiniti
- Progress on the Fund’s GMP reconciliation exercise

Other observations and general comments

Generally speaking, we are pleased with the work completed during 2017/18. The Board has enjoyed stable membership during the period has been able to begin looking at areas of interest in more depth, and consider widening our focus for 2018/19. We have maintained a good working relationship with the Pensions Committee and the Fund’s officers, and look forward to continuing to work together.

In 2018/19, we hope to extend our focus to investment governance, and examine how the London CIV’s governance arrangements impact the Committee’s investment decision making, and how the Fund can best ensure that its interests with regard to investment strategy are well served within in a pooled investment environment. Further in depth training is also planned for both the Board and the Pensions Committee for 2018/19, and we hope to be able to demonstrate an increasing depth of breadth of relevant knowledge and understanding.

Overall our impression is that the Hackney Pension Fund is a well-managed Fund, and demonstrates good governance in a number of areas. We recognise that there are areas for the Pensions Committee and Fund officers (and the Board) to work on, most notably significant improvements in membership data quality. Membership data has been a recognised issue since the 2016 valuation, and it vital that the Fund is able to deliver on key improvement plans in time for the 2019 valuation. It should also be noted that the wider LGPS environment in which the Fund operates continues to change rapidly, presenting both challenges and opportunities. We are confident that the governance structure of the Fund is such that these changes can be effectively monitored and managed, but recognise the need to also assess the ability of the Fund to make necessary decisions within a pooled investment structure.

Samantha Lloyd, Board Chair

Knowledge and Skills Policy Statement

CIPFA Code of Practice on Public Sector Pensions – Finance Knowledge and Skills

This organisation adopts the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

This organisation recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills.

Accordingly this organisation will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.

These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

This organisation will report on an annual basis how these policies have been put into practice throughout the financial year.

This organisation has delegated responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Group Director, Finance and Corporate Resources, who will act in accordance with the organisation's policy statement, and where they are a CIPFA member with CIPFA Standards of Professional Practice.

This organisation recognises the importance of ensuring that it has the necessary resources to discharge its pension administration responsibilities and that all staff and members charged with the financial administration, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

It therefore seeks to utilise individuals who are both capable and experienced and it will provide and/or arrange training for staff and members of the pensions decision making and governance bodies, to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

2017/18 Reporting on Knowledge and Skills Framework

How the Frameworks have been applied

The Pensions Committee has delegated responsibility for managing all aspects of the London Borough of Hackney Pension Fund. The Pensions Committee reviews and agrees a training plan on an annual basis at the first meeting of the Municipal Year. The training plan is developed taking into consideration the needs of the Committee to both enhance existing knowledge and skills and to develop new areas of understanding. Pensions, and in particular investments, are constantly evolving and therefore in order for the Committee to be effective, they need to ensure that their knowledge is current. The Committee has had a long standing commitment to engage in a training programme and to ensure that training is accessible to all members of the Committee including co-opted members and members of the Pension Board. Training is therefore provided as a matter of course at all regular quarterly Committee meetings and is carried out prior to the main business agenda items. This ensures that training is accessible to all Committee members and key officers involved in the Pension Fund.

Pension Board members are also invited to attend Committee as observers and to participate in the training. However, to ensure that suitable training is fully accessible to all Board members, Board meetings also include a regular training session at the start of each meeting.

Attendance at other training courses and conferences occurs on an ad-hoc basis to meet additional training needs.

Assessment of Training Needs

The issue of the Knowledge and Skills Framework in 2010 set out a matrix of six relevant areas of knowledge for members of decision making bodies, namely:

1. Pensions Legislative and Governance Context.
2. Pensions Accounting and Auditing Standards.
3. Financial Services Procurement and Relationship Management.
4. Investment Performance and Risk Management.
5. Financial Markets and Products Knowledge.
6. Actuarial Methods, Standards and Practices.

The Local Pension Boards Knowledge and Skills Framework, published in 2015, follows broadly similar principles. ‘Pensions Legislative and Governance Context’ is included as two categories; ‘Pensions Legislation’ and ‘Public Sector Pensions Governance’, whilst the guidance also adds ‘Pensions Administration’ as an additional topic.

In October 2016, CIPFA published guidance entitled 'Investment Pooling Governance Principles for LGPS Administering Authorities'. This guidance builds on the existing Knowledge and Skills framework, adding additional competencies relating to asset pooling to each of the categories.

The Fund's training programme is designed around the guidance set out above, and around feedback from the 'Self-assessment and assessment of advisors survey' sent to the Committee at the start of each financial year.

The Committee programme for 2017/18 concentrated on the decisions for the Committee over the year, with a particular focus on investment strategy and risk, including transition risk. The first training session of the financial year covered longevity and funding risk, to ensure the Committee had a sound understanding of the Fund's liability profile. Specific training on accounting and audit was delivered at the September 2017 meeting to align with the Committee's review of the 2016/17 Annual Report and Accounts.

The third training session focused on transition management; as the Fund is entering a period of change as a result of asset pooling. The Fund entered into a large scale transition exercise in Q1 2018/19, so the training was planned in advance of that exercise to help develop the Committee's understanding of the risks around transition and how to manage them. The March 2018 training session considered investment strategy and de-risking. The Fund has recently seen considerable growth in its funding level, and has started to look at making changes to its investment strategy. The final training session therefore focused on how to develop an appropriate de-risking strategy.

The Pension Board programme for 2017/18 focused on Fund Governance and the Pension Regulator's role. Understanding the governance arrangements of the Fund and the different parties involved is key for the Board to ensure they can carry out their overview role effectively. Additionally, a session was held on General Data Protection Regulation (GDPR) and cyber-security ahead of the new regulations coming in.

The dedicated training programmes for 2017/18 were supplemented by additional information contained within the main agenda items.

Training Delivered against identified training needs

An outline of both the specific and supplemental training undertaken by the Committee and Board during the year is shown in the table below:

Dedicated Training - Committee	Date
Longevity and Funding Risk (KSF 6)	27/06/2017
Accounting and Audit (KSF2)	11/09/2017
Transition and Risk Management (KSF4, KSF5)	04/12/2017
Investment Strategy – De-risking (KSF4, KSF5, KSF6)	21/03/2018

Supplemental Training - Committee	Date
Third Party Administration Procurement (KSF3)	29/04/2017
Passive Equity – Transition (KSF4, KSF5)	27/06/2017
Club Vita – Fund specific longevity (KSF6)	27/06/2017
TPR Code Compliance (KSF1)	11/09/2017
Pension Fund Report and Accounts (KSF2)	11/09/2017
MiFID II (KSF1, KSF5)	11/09/2017
London CIV Update (KSF1, KSF5)	04/12/2017
Pension Fund Risk Register (KSF1, KSF4, KSF6)	04/12/2017
Active and Passive equity – Transition update (KSF5, KSF6)	21/03/2018
Investment Strategy – De-risking framework (KSF4, KSF5, KSF6	21/03/2018

Dedicated Training - Board	Date
GDPR and Cyber Security (Pensions Legislation, Pensions Administration)	25/10/2017
The Pensions Regulator & Fund Governance (Public Sector Pensions Governance)	21/03/2018

Supplemental Training - Board	Date
TPR Code Compliance (Public Sector Pensions Governance, Pensions Legislation)	25/10/2017
Third Party Administration Procurement (KSF3)	25/10/2017
Employer data audit (Pensions Administration)	25/10/2017
Pension Fund Risk Register (Public Sector Pensions Governance, Pensions Legislation, Pensions Administration, KSF4, KSF6)	21/03/2018
GMP reconciliation (Pensions Administration)	21/03/2018

Attendance at Committee and Board meetings and training sessions is monitored by officers and a record of attendance is included within the earlier Governance & Oversight Review for 2017/18.

A full training programme has been scheduled for 2018/19 and includes a wide range of topics, focussing particularly on areas where the Committee is required to make longer term strategic decisions in the best interests of the Fund. Given a significant change in the Committee's membership following the May 2018 elections, induction training sessions have been arranged, and the decision has been made to delay the self-assessment and advisors survey until December 2018.

Training Policy

The Pensions Committee formally approved an updated Training Policy at its Committee meeting in September 2017 which sets out its commitment to ensuring that Members of the Pensions Committee, Pension Board and senior officers with responsibility for managing the Pension Fund should undergo a rigorous training programme. The Training Policy has been created to provide a formal framework and greater transparency on the training regime in accordance with the national requirements. It is intended to aid existing and future Pensions

Committee members, Pension Board members and senior officers in their personal development and performance in their individual roles, providing a structure which will ensure that the Pension Fund is managed by individuals with the appropriate level of knowledge and skills.

Scheme Details

Overview of the Scheme

The London Borough of Hackney Pension Fund is part of the Local Government Pension Scheme (LGPS) and is governed by Statute. The main regulations governing the operation of the scheme are the Superannuation Act 1972 and the Local Government Pension Scheme Regulations 2013. The fund's approach to investment is regulated through the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The London Borough of Hackney is the Administering Authority for the Pension Fund and pensions and entitlement to benefits are fully protected in law. Membership of the Scheme is open to all employees of the Council and academy schools, with the exception of teachers (who have their own pension scheme). Other employers may also be admitted to the Fund under certain circumstances.

Employee contributions are determined by central government and are between 5.5% and 12.5% of pensionable pay. Employer rates are set by the Fund actuary every 3 years following a valuation of the assets and liabilities of the Fund, with the next valuation due to take place covering year end as at 31 March 2019.

The conditions of the Local Government Pension Scheme (LGPS) Regulations set out in clear terms the benefits that are payable to Scheme members. As such, member benefits are underwritten by statute and members are therefore not reliant on investment performance for their pension benefits. The contributions payable by Scheme members are also defined in the Regulations. Employing Authorities are required to pay contributions into the Scheme in order to meet the cost of funding employee benefits and as such, are required to meet any shortfall in funding the pension liabilities of Scheme members.

The Pension Scheme applying during the financial year 2017/18 was a defined benefit career average revalued earnings scheme which aligns LGPS retirement age with an individual's state pension age. The key benefits of the scheme are outlined below:

- Pension benefits based on a 1/49th accrual basis for each year of pensionable service with benefits calculated on the career average pay revalued annually in line with inflation.
- Pre-2014 benefits guaranteed with a final salary link for any benefits earnt prior to 1 April 2014.
- Option to pay 50% of the contribution rate to accrue 50% of the benefits.
- Option to convert some pension to lump sum on retirement on a 1:12 ratio.
- Life assurance cover 3x member final pay applicable from the day of joining scheme.

- Pensions for dependents: - spouses, civil partners and eligible co-habiting partners and eligible children.
- An entitlement to have pension paid early on medical grounds.
- Pensions increase annually in line with the cost of living.

The above is not an exhaustive list and certain conditions must be met for an individual to be entitled to the benefits outlined.

The above benefit structure came into effect on 1 April 2014. The previous LGPS introduced in 2008 was a defined benefit final salary scheme and was in operation until 31 March 2014; a large number of scheme members have benefits accrued under both schemes and some under the pre-2008 scheme. The key benefits under the 2008 scheme are outlined below:

- A guaranteed pension based on final pay and length of time in the scheme and an accrual rate of $1/60^{th}$ per annum.
- Tax free lump sum on benefit accumulated prior to 1 April 2008 and option to convert some of the pension into tax free lump sum on post 1 April 2008 service.
- Life assurance cover 3x member final pay applicable from the day of joining scheme.
- Pensions for spouses/civil partners and co-habiting partners and children.
- An entitlement to have pension paid early on medical grounds.
- Pensions increase annually in line with the CPI.

Employers in the Pension Fund

There were 35 employers with active scheme members in the Pension Fund during the financial year 2017/18, including the London Borough of Hackney itself. During the year 2 new employers were admitted, whilst 3 previous employers ceased. Employers in the Fund fall into either 'Scheduled body' or 'Admitted body' status.

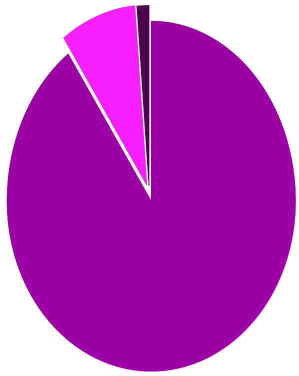
The following Table outlines the membership profile for all of the employers' in the Fund.

Membership Profile as at 31st March 2018

Employer Name	Active	Deferred Benefit	Pensioner	Total
LONDON BOROUGH OF HACKNEY	6,288	7,723	6106	20,117
MOSSBOURNE COMMUNITY ACADEMY	78	91	5	174
PETCHEY ACADEMY	77	151	4	232
CITY ACADEMY	69	40	2	111
BRIDGE ACADEMY	67	65	3	135
SKINNERS	50	39	1	90
BROOKE HOUSE 6TH FORM COLLEGE	44	73	12	129
CLAPTON GIRLS ACADEMY	42	33	2	77
MOSSBOURNE PARKSIDE ACADEMY	33	7	0	40
NORTHWOLD ACADEMY	30	4	4	38
MOSSBOURNE VICTORIA PARK ACADEMY	29	9	0	38
HACKNEY NEW SCHOOL	27	7	0	34
BOXING ACADEMY	8	2	0	10
MOSSBOURNE RIVERSIDE ACADEMY	7	1	0	8
MOUCHEL BABCOCK EDUCATION	17	6	5	28
GREENWICH LEISURE	13	11	2	26
CATERLINK	7	1	1	9
MULALLEY	7	0	1	8
RENAISI	5	39	11	55
PJ NAYLOR DAUBENEY	5	0	2	7
BIRKIN CLEANING SERVICES - RC	5	0	0	5
CITY OF LONDON ACADEMY SHOREDITCH PARK	4	1	0	5
G4S	4	0	0	4
FAMILY MOSAIC	3	4	0	7
FIT FOR SPORT - GAYHURST	3	0	0	3
RM EDUCATION PLC	2	4	0	6
TURNERS CLEANING CO	2	0	0	2
SND OUR LADY & ST JOSEPHS	2	0	0	2
PJ NAYLOR BADEN POWELL	2	0	0	2
MANOR HOUSE DEVELOPMENT TRUST	1	1	0	2
BIRKIN CLEANING SERVICES - J&G	1	1	0	2
SND CLEANING SERVICES	1	0	0	1
FIT FOR SPORT	1	0	0	1
SND WHITMORE	1	0	0	1
PRIDE CATERING PARTNERSHIP	1	0	0	1
CEASED EMPLOYERS	0	1,031	472	1,503
TOTAL	**6,936**	**9,344**	**6,633**	**22,913**

Active Membership in the Fund

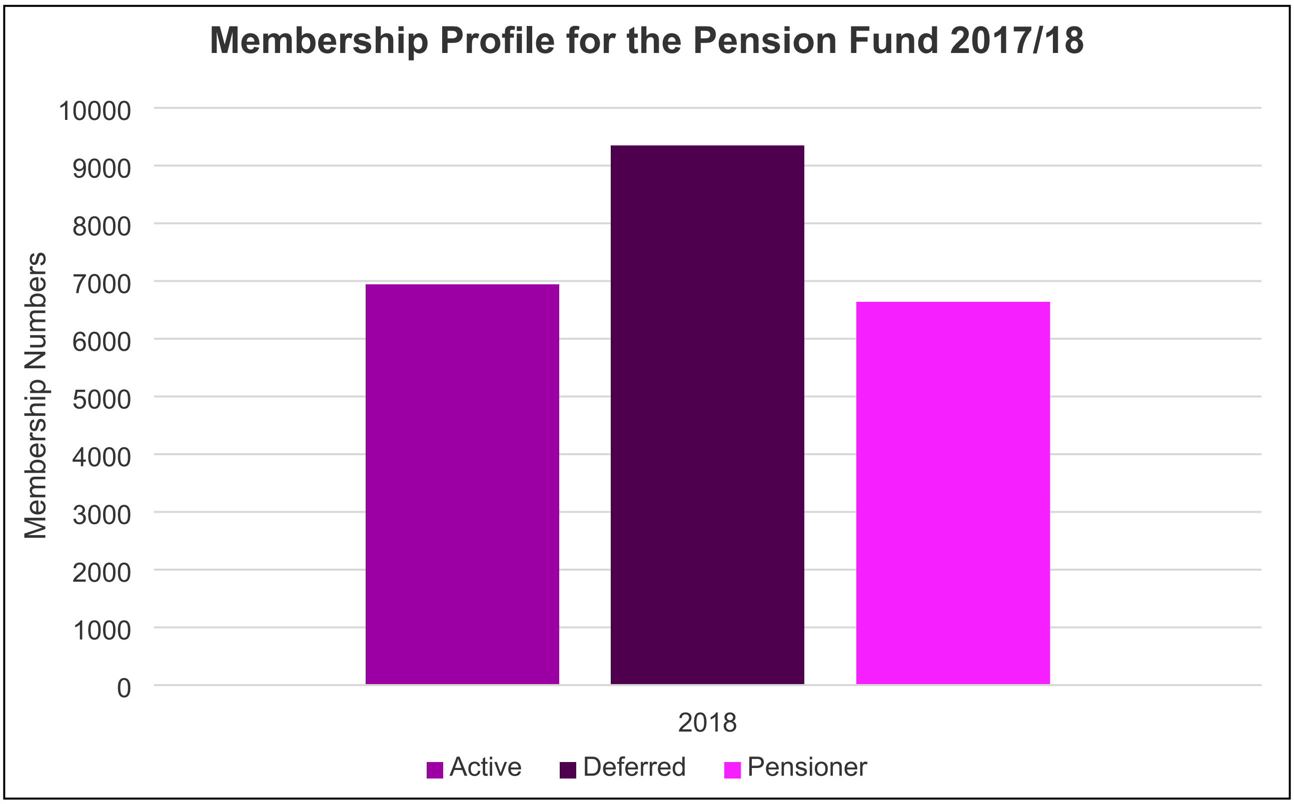
The breakdown of the active membership (i.e. those contributing to the Pension Scheme) of the Pension Fund by type of employer as at 31 March 2018 is shown alongside, with the Council being the largest employer in the Fund by a considerable margin.



General Scheme Membership

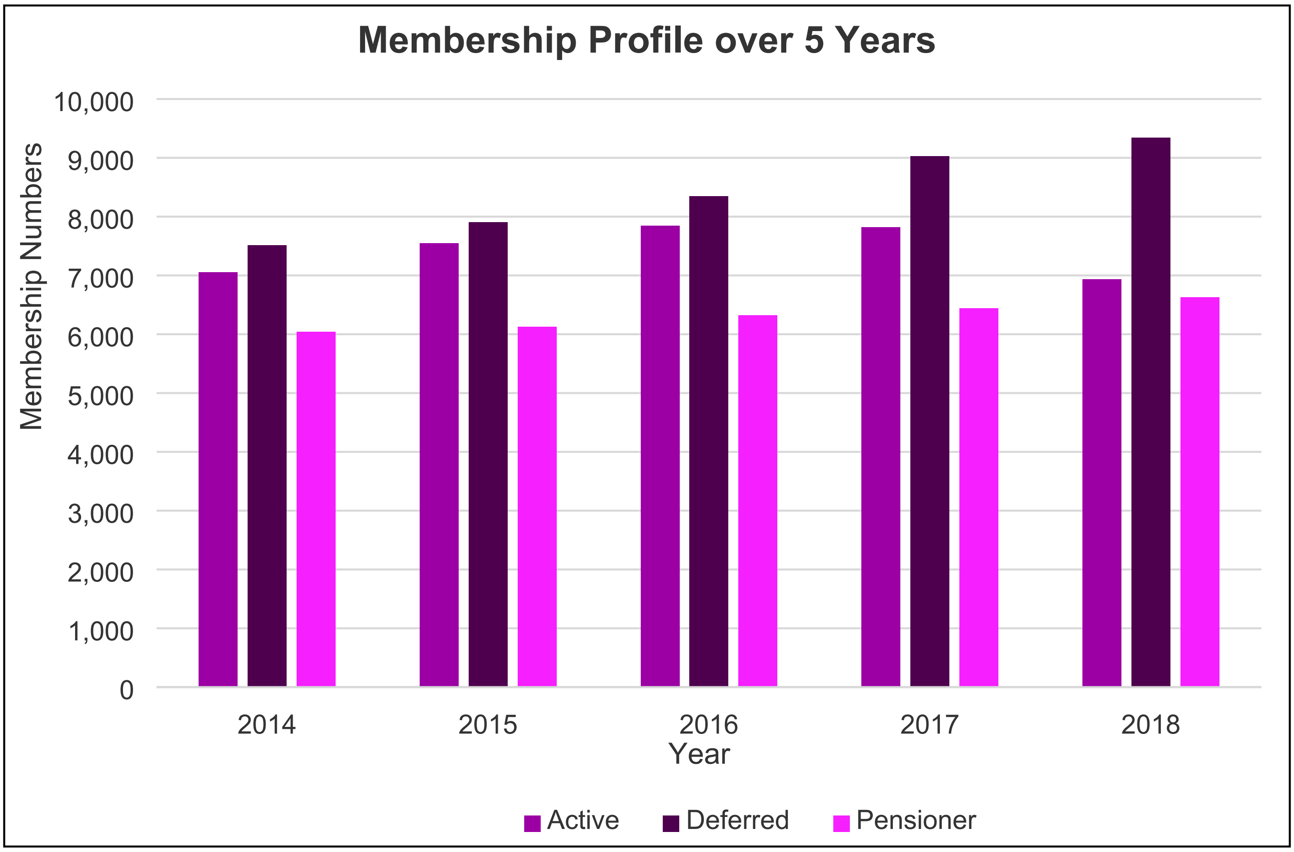
Membership of the Scheme is split between the active members (still employed and contributing to the Scheme), deferred members (no longer active but with accrued benefits to be held until either retirement, or transfer to a new employer's scheme) and pensioner members, comprising both former employees who are now drawing their pension benefits and the dependents of former employees.

The membership of the Scheme analysed over the relevant membership profile is shown below.



As can be seen from the following chart, active membership has declined by 11.34% over the last financial year. Some of this change has resulted from an ongoing data cleansing exercise being carried out by the Fund. Deferred memberships have increased by 3.47% and pensioners by 2.98%. Overall, membership has fallen by 1.64%, from 23,295 to 22,913 members.

The membership of the Scheme analysed over the last five years is shown below.

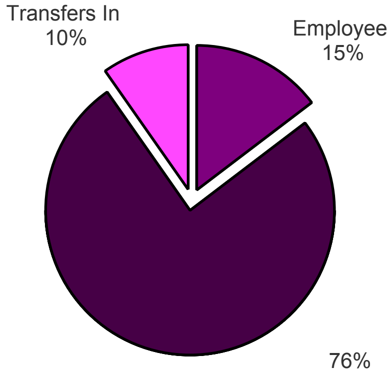


Membership of the scheme increased consistently between 2014 and 2017, with 2018 showing a decrease in both active and overall membership. Some of this decrease is the result of a data cleansing exercise being carried out by the Fund, which has seen work carried out to ensure that 'no liability' records are properly classified.

Contributions and Benefits

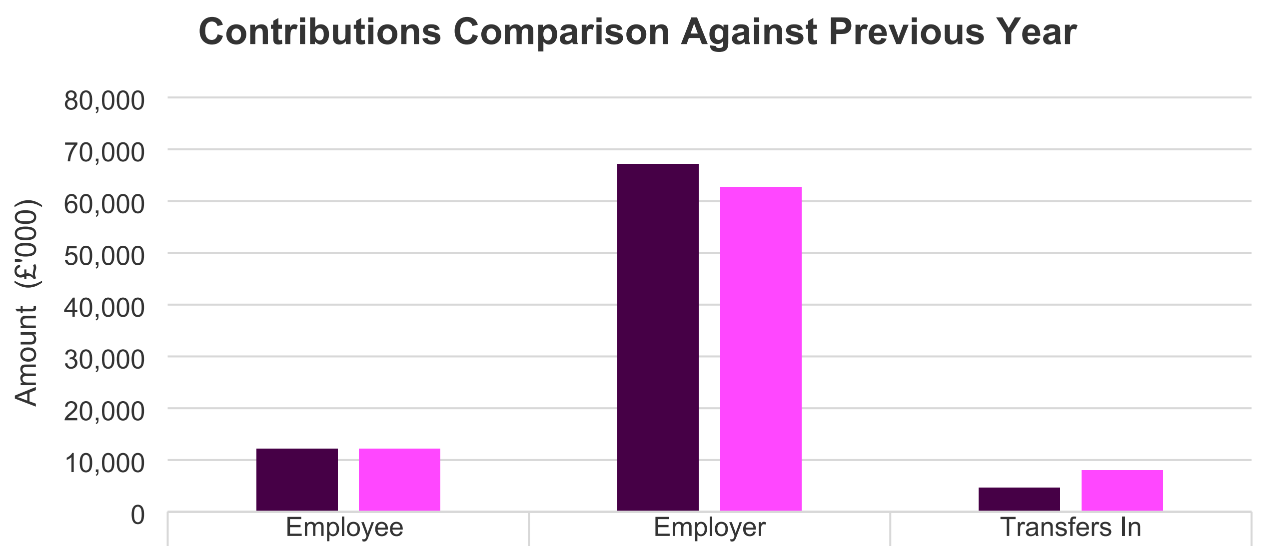
Contributions

Total contributions (including transfers) into the Fund during 2017/18 amounted to £83.0 million compared to £84.0 million for 2016/17. Contributions paid by employees are set by statute and during 2017/18 were in a range of 5.5% up to 12.5% dependent on pensionable pay. Employer contribution rates are set by the Fund actuary and for the year 2017/18, the rates that applied were set from the 2016 valuation.



As can be seen from the chart the largest source of contributions remains employers (on behalf of employees and former employees). Employer contributions amounted to 75.6% of contribution income during the financial year.

The chart below shows the actual sums being contributed by employees and employers and the value of transfers-in during the 2017/18 financial year along with comparators for the previous financial year.



	Employee	Employer	Transfers In
2017	12,155	67,162	4,719
2018	12,164	62,737	8,079

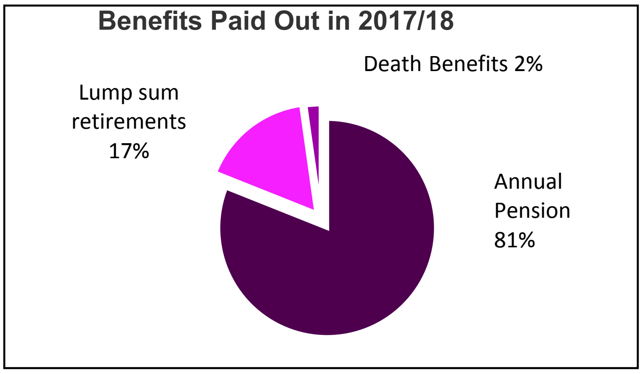
The table below outlines the contributions for all of the employers as well as their status within the Fund:

Contributions by Employer for the year to 31 March 2018

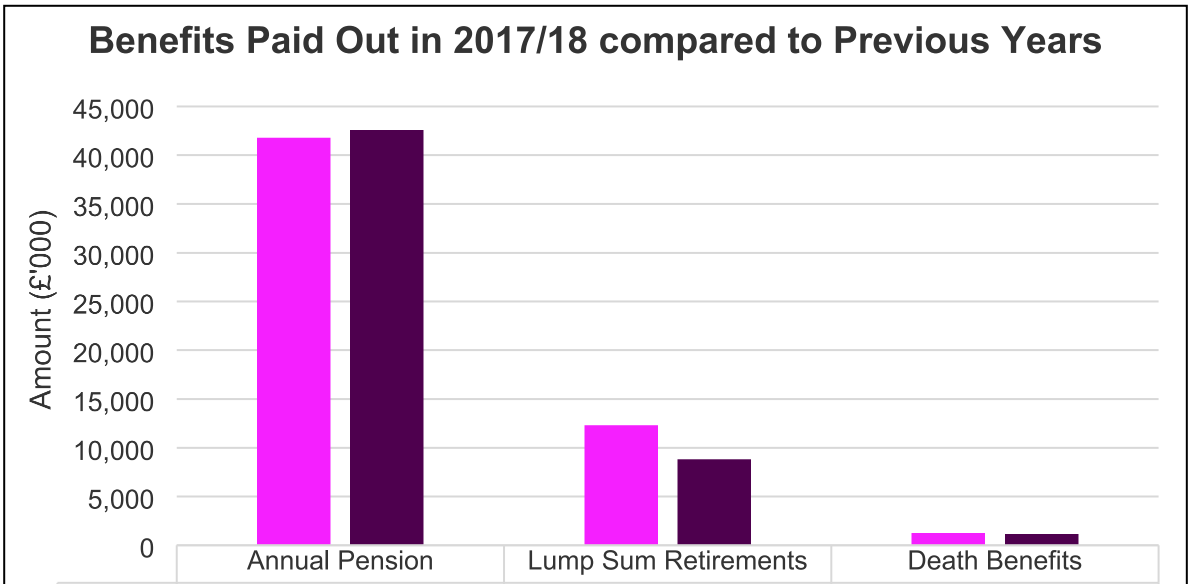
Employer	Status	Members £'000	Employers £'000	Total £'000
London Borough of Hackney	Scheduled	(11,292)	(57,156)	(68,448)
Hackney Homes	Scheduled	0	(2,827)	(2,827)
Mossbourne Federation (Academy Trust):				
Mossbourne Community Academy	Scheduled	(97)	(255)	(352)
Mossbourne Parkside Academy	Scheduled	(28)	(133)	(161)
Mossbourne Victoria Park Academy	Scheduled	(25)	(82)	(107)
Mossbourne Riverside Academy	Scheduled	(6)	(27)	(33)
Petchey Academy	Scheduled	(109)	(269)	(378)
Bridge Academy	Scheduled	(102)	(253)	(355)
Skinners	Scheduled	(81)	(222)	(303)
Clapton Girls Academy	Scheduled	(75)	(331)	(406)
Brooke House 6th Form College	Scheduled	(70)	(244)	(314)
City Academy	Scheduled	(68)	(135)	(203)
Kier Ltd / Mouchel Babcok Education	Admitted	(44)	(174)	(218)
Northwold Academy	Admitted	(26)	(138)	(164)
Hackney New School	Admitted	(34)	(104)	(138)
Mulalley	Admitted	(19)	(55)	(74)
G4S	Admitted	(7)	(27)	(34)
Greenwich Leisure Ltd	Admitted	(18)	(77)	(95)
Manor House Development	Admitted	(7)	(17)	(24)
RM Education	Admitted	(6)	(22)	(28)
Renaisi	Admitted	(14)	(67)	(81)
Family Mosaic	Admitted	(5)	0	(5)
Boxing Academy	Admitted	(10)	(44)	(54)
City of London Academy Shoreditch Park	Admitted	(4)	(11)	(15)
Caterlink	Admitted	(3)	(14)	(17)
Birkin Cleaning Services - Randal Cremer	Admitted	(2)	(13)	(15)
Birkin Cleaning Services - Jubilee & Gayhurst	Admitted	(1)	(5)	(6)
Family Solutions	Admitted	(1)	(5)	(6)
Fit For Sport - Gayhurst School	Admitted	(1)	(6)	(7)
Outward	Admitted	(1)	(6)	(7)
PJ Naylor - Daubeney	Admitted	(1)	0	(1)
PJ Naylor - Baden Powell	Admitted	(1)	(3)	(4)
PJ Naylor - Gainsborough	Admitted	(1)	(5)	(6)
SND Cleaning - Holmleigh	Admitted	(1)	(2)	(3)
SND Cleaning - Whitmore	Admitted	(1)	(3)	(4)
SND Cleaning - Our Lady at St Josephs	Admitted	(1)	0	(1)
Turners Cleaning Co	Admitted	(1)	(3)	(4)
Pride Catering	Admitted	(1)	(2)	(3)
Total Contributions		**(12,164)**	**(62,737)**	**(74,901)**

Benefits

The benefits paid out from the Fund comprise annual pensions, lump sum payments on retiring and, where applicable, death in service payments, whereby lump sums equivalent to 3x final salary are paid out to nominated beneficiaries. Total benefits paid out during 2017/18 amounted to £52.5 million compared to £55.4 million for the year 2016/17.

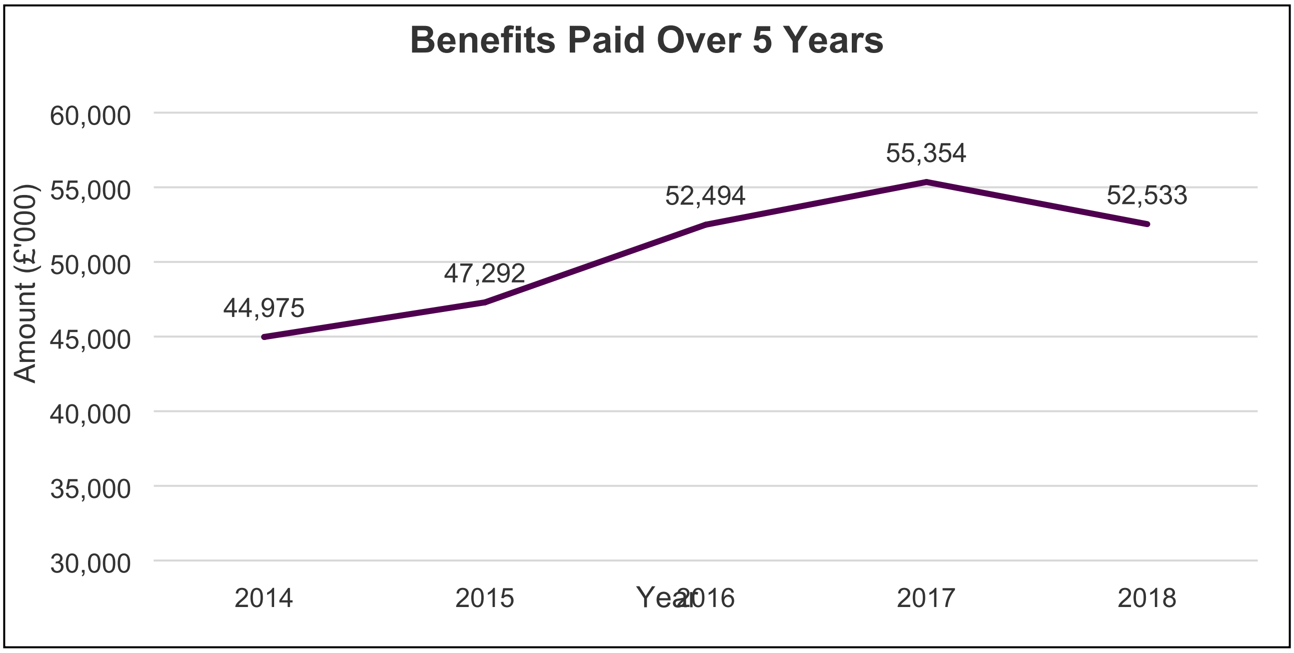


Looking at the year-on-year changes, annual pension payments increased by 1.81%, reflecting a slight increase in the number of pensioners. Lump sum payments decreased by 28.35% over the year whilst Lump sum death benefits decreased by 7.79%.



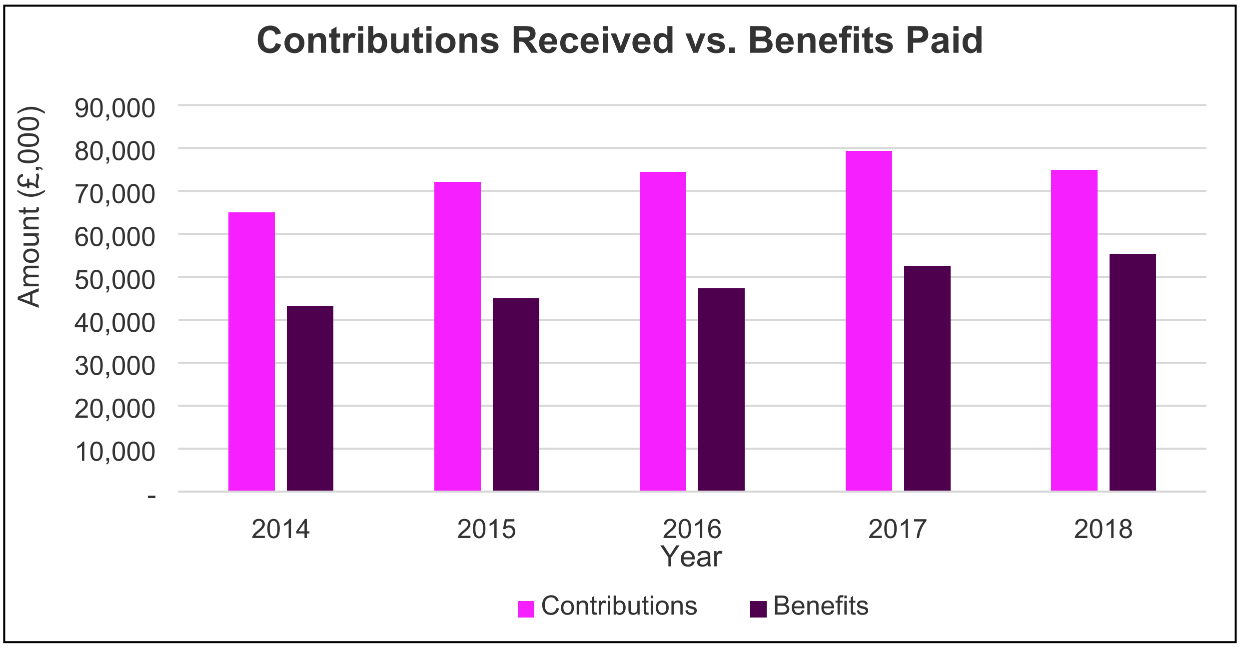
	Annual Pension	Lump Sum Retirements	Death Benefits
2017	41,807	12,276	1,271
2018	42,565	8,796	1,172

Pension benefits being paid out of the Fund increased steadily between 2014 and 2017, before falling slightly in 2018 from £55.4m to £52.5m. Much of the steady increase in previous years was driven by inflationary increases rather than a large increase in the number of pensioners. The reduction in 2018 has been driven by reduced lump sum retirement payments. The chart below highlights how benefit payments have been increasing for the Fund over the five year period.



The Fund has also paid refunds to members who have opted out of the Scheme and made individual transfers to other schemes. For 2017/18 the total value of payments to and on account of leavers was £5.75 million, compared to £5.83 million (2016/17).

Contributions (excluding transfers) paid into the Fund continue to exceed the sums paid out in benefits each year, making the Fund strongly cash flow positive. The chart below provides readers with the comparison of contributions paid in to the Fund over the last 5 years compared to the levels of benefits paid out. As the Scheme matures, there is likely to be a narrowing of the gap over time. The Pensions Committee continues to monitor the cash flow position on a regular basis.



Administration Review

Scheme Administration

The contract for pension administration and pension payroll was managed externally during the year by the Fund' s pension administrators, Equiniti Pension Solutions, with the contract being overseen by the Financial Services Section based at London Borough of Hackney. The contract commenced on 1 April 2009 and was extended for a further 3 years on 1 April 2014 until 31 March 2017. The contract was put out to tender during Q4 2016/17, with Equiniti reappointed as the Fund's administration provider during Q1 2017/18. The terms and conditions of the new contract will take effect in early 2018/19, with a short term contract in place whilst improvements are made to both Equiniti's systems and the Council's new payroll system to ensure the new contract can be successfully delivered.

The cost in 2017/18 was £826k, compared to £539k in 2016/17. This increase was the result of significant increases to the cost of the Fund's administration contract in year and the additional cost of carrying out a GMP reconciliation exercise. The implementation of the new Third Party Administration contract during 2018/19 should see this overall cost reduce.

The administrators have a website available for members, employers and non-members to find information pertaining to the LGPS including a members self service area, the address of which is http://hackney.xpmemberservices.com . The members' area has an electronic version of the scheme guide providing details of the benefits of the scheme, pension membership forms, a series of FAQs, a glossary of terms and relevant news items. The employers' area provides all of the above, and also copies of the Pension Fund Report & Accounts, Investment Strategy Statement (ISS), Funding Strategy Statement (FSS), Communications Policy and the Pension Administration Policy (PAS) as well as a link to the Committee' s reports.

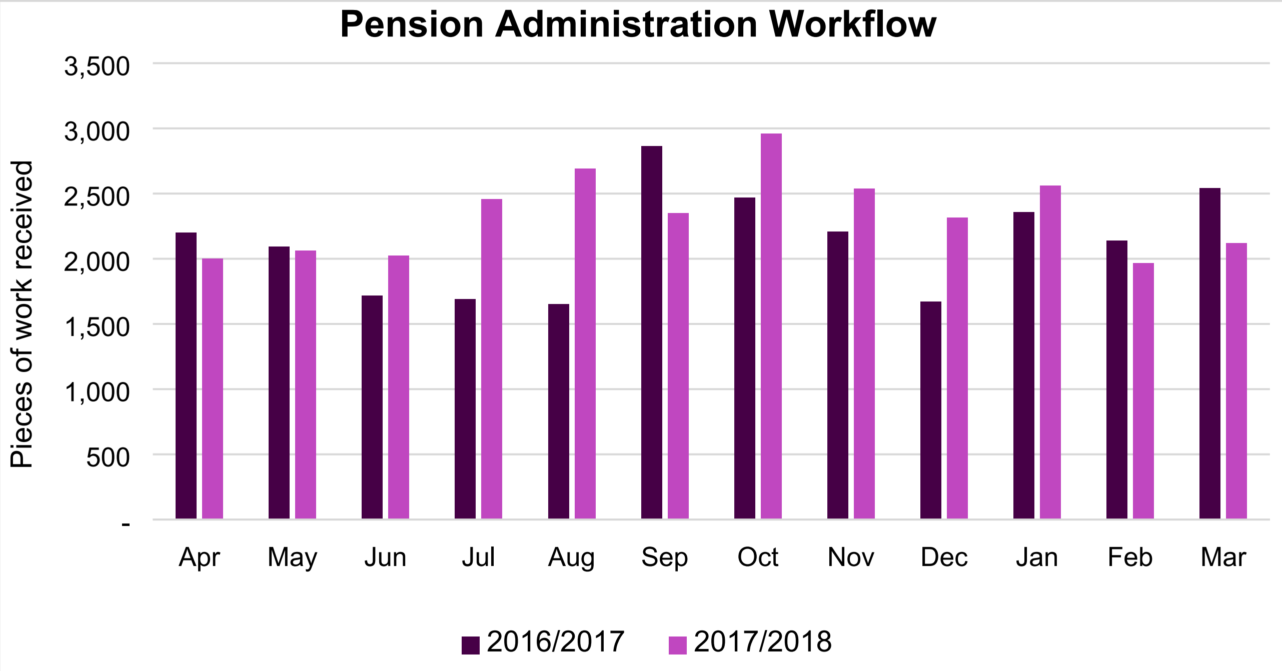
The Fund has a procedure for dealing with disputes from members both active and deferred called the Internal Disputes Resolution Procedure (IDRP). These are mainly in regard to either their scheme membership or the non-release of ill-health benefits. The process for members is at Stage 1, to first appeal to the Specified Person appointed by the Fund who will assess the case to ensure due process has been followed. Should the member still be dissatisfied after this, they can then appeal to the Administering Authority (Stage 2), who will appoint a Specified Person who will again assess the case and make a determination. If the member remains dissatisfied, they can then appeal to the Pension Ombudsman (Stage 3), who will then make the final determination on the case. The findings of the Ombudsman are legal and binding and no further action can be taken by the individual.

The number of completed IDRP cases in the year was 2. The analysis is as follows:-

Case Type	Resolution
Non release of benefits under ill health	Not Upheld
Non release of benefits under ill health	Not Upheld

Administration Management Performance

Over the last year the total cases received by the administrators has increased significantly from 25,689 cases in 2016/17 to 28,142 in 2017/18. The number of cases for 2017/18 in comparison to 2016/17 is shown in the chart below:-



There were a total of 5 complaints in the reporting year, which equates to 0.018% of the total workload.

Below is the number and trend of the top case types the administrators have dealt with in the year 2017/18:-

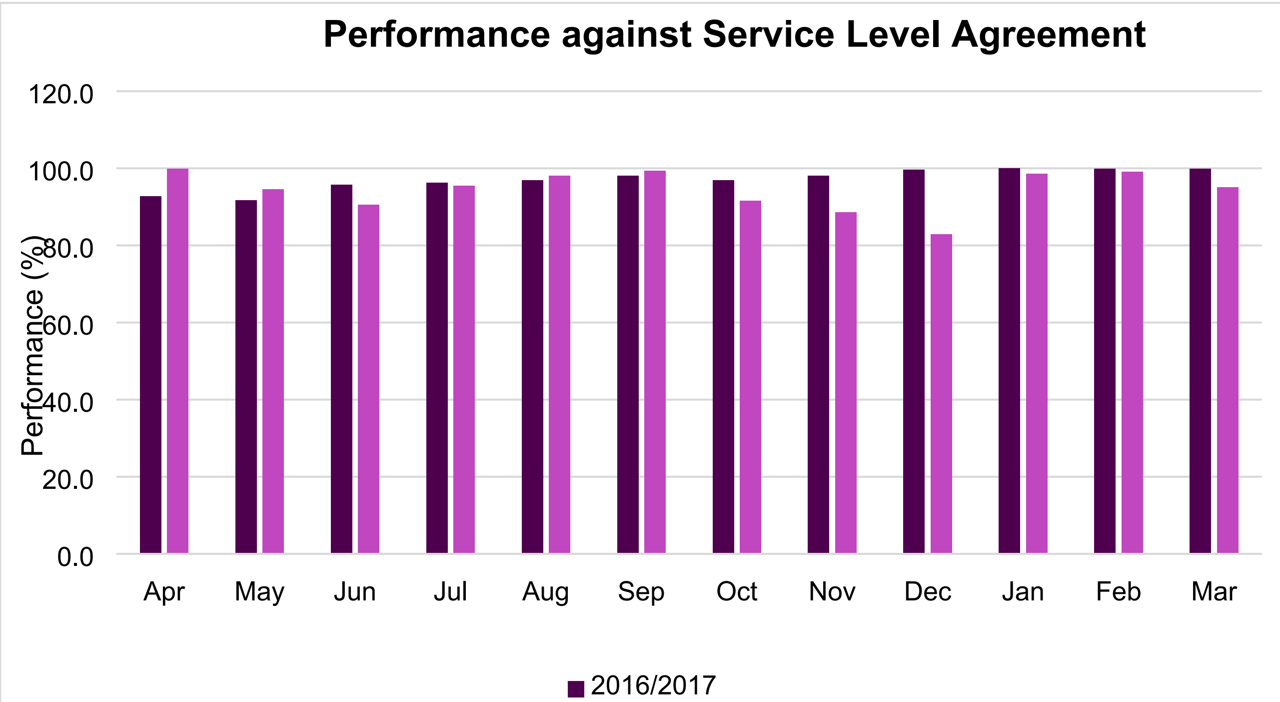
Case Type	Number in Year
Death Notifications	300
Leavers including opt outs	3,968
New Entrants	1,526
Transfer In	310
Transfer Out	238
Retirement Quote	674
Retirement Finalisations	354
GMP	490
Divorce	12

The increase has been due to the continued lack of a monthly payroll interface from the Council, the largest employer, which means all starters, opt-outs, leavers and change notifications are being processed manually. Following the issue of approx 4,300 active statements in early September, the caseload increased from then through to November 2017 due to additional data cleansing and verification being done manually on member records, in order to issue further batches of active benefit statements by end of December.

The lack of quality data received from the Council, and the payroll provider, continues to have a significant impact on workloads, with data cleansing and validation being a priority for the annual benefit statements. Considerable problems still remain with the Council's payroll system and as a year-end file was not provided, extrapolated data from monthly returns was used to update member records sufficiently to produce some of the annual benefit statements within the regulatory timeframe.

As the year-end file was not provided, the Fund was not able to comply with its regulatory duty of providing annual benefit statements to all of its members by the end of August 2017, and the Council was obliged, again, to report itself to tPR, setting out what had happened and the steps it had taken to correct the issue. No further action was taken by tPR

Performance under the pension administration contract when compared to the service level agreement (SLA), was 94.4% for 2017/18 as a whole, which is a slight decrease on 97.1% in 2016/17. This in its self is an achievement considering the difficulties the administrators had to overcome again this year. The performance v SLA over 2017/18 in comparison to 2016/17 is shown in the chart below.



In addition to dealing with the day-to-day administration cases, Equiniti have also undertaken the following work on behalf of the Fund:

- The year end pension payroll process has been completed for both the monthly and annual payrolls including the application of the pension increase (PI), reconciliation of the payrolls, production of P60s and reporting to HMRC

- System year end update of pension increase; Lifetime Allowance and Annual Allowance earnings and contribution histories was completed

- Certificates of Continued Entitlement (life certificates) were issued to all overseas pensioners and pensioners over the age of 80. This revealed 3 deaths that had not been previously notified to the administrators and 4 people who require power of attorney as they could no longer manage their own affairs.

- Data submissions:
    - FRS102 data submitted to the Actuary for 14 employers
    - Data submission for Club Vita longevity studies
    - 3 cessation valuation calculations for ceased employers
- Monthly HEAT data capture report to the Actuary

Pension Administration Strategy (PAS)

The Local Government Pension Scheme (Administration) Regulations 2008 gave Administering Authorities the discretion to issue a Pension Administration Strategy document. The provisions in respect of the Pension Administration Strategy were carried forward into the 2013 Regulations.

The Pension Administration Strategy (PAS) is reviewed and updated on an annual basis, or as and when regulations change. The updated PAS 2017/18 was applied during the last financial year.

In addition, a number of training sessions have been run for employers and individual schools on how to complete paperwork and the background to the LGPS regulations to enhance overall understanding and administration flows.

Through a rolling programme of training, site visits and seminars, the Liaison Officer-Pensions, has continued to enhance the relationship between employers, payrolls and the administrators which has helped to promote a better understanding amongst employers of what their responsibilities are towards the Fund and their own employees. Particular attention has been paid to ensuring that schools are aware of their responsibilities towards employees during the year.

Dedicated one-to-one sessions for scheme members continue to be popular and help to clarify any issues concerning their personal situation in regard to their pension benefits. The in-house Pensions team have worked hard to explain the provisions of Scheme to both employers and scheme members. The team have presented at weekly induction sessions for 395 new employees, ensuring they are provided with information on the benefits of the Pension Scheme. Feedback from these sessions continues to be extremely positive, with 323 of those who attended felt the sessions were either ‘excellent’ or ‘very good’ and leave the sessions having a better understanding of the scheme and its benefits

Ill-Health Retirements

During the last financial year, there were a number of ill-health retirements agreed by employers for both active members and deferred members as set out in the table below:

Ill Health Retirements April 2017 to March 2018			
Deferred to Ill Health	Active to Tier 1	Active to Tier 2	Active to Tier 3
5	4	0	2

Monitoring of Employers

Employee and Employer contributions must be received by the 19th of the month following deduction from payroll. These are then reconciled against pensionable remuneration and contribution rates that apply to individual employers.

During 2017/18, the Fund sought to recoup additional administration costs from several employers and schools not complying with the Pensions Administration Strategy. Where there are instances of non-compliance, additional administration costs are recouped directly from those employers and schools concerned in regard to data irregularities, late payment of contributions or late submissions of data during the year. Contribution collections are subject to rigorous monitoring and the pursuit of correct payments and supporting documentation remains of paramount importance to the administrators.

A continuous programme of improving the relationships between employers, payroll providers and Equiniti, the scheme administrators, has assisted in ensuring employers' are aware of the importance of correct reporting and the timely submission of data.

Changes introduced by the Public Service Pensions Act 2013, have meant that from the 1 April 2015, the Pensions Regulator assumed responsibility for setting standards of governance and administration in public service pension schemes, together with increased regulatory oversight.

The Pensions Regulator maintains a Public Service Code of Practice to help maintain and improve the governance and administration of public service pension schemes. The Code is directed at Scheme Managers (Funds) and the local Pension Boards. The role of each local Pension Board is to help ensure their scheme complies with governance and administration requirements as defined by the Code.

The Pensions Regulator now assesses the standards of schemes on an annual basis and has close scrutiny of the accuracy of the data held. The emphasis for the Fund will therefore remain on building relationships with employers and ensuring that the data supplied in respect of employees is accurate.

As previously reported, the March 2017 annual benefit statements could not be issued to all members within the regulatory timescales due to poor quality and the non-receipt of data from employers in the Fund. This resulted in the Council having to report itself to the tPR for non-compliance for the 3rd year:

- **June 2017** - failing to issue all active benefit statements by 31 August 2017. However, all statements for deferred members were issued by the deadline, along with approximately 4,300 statements for active members. An action plan agreed with Equiniti, and the remaining 2,400 statements to be issued by mid-October, and we will continue dialogue with tPR on progress.
    - tPR did not impose a fine providing statements issued by agreed extended deadline.

- **November 2017** - failing to issue remaining active benefit statements by mid-October, after extended deadline had been agreed with the Regulator.

A batch of 783 were sent early October, the remaining 1,600 records had insufficient data to produce a statement. Action plan was agreed to clear the data queries and a commitment to issue the outstanding statements by 31 December 2017.

- tPR did not impose a fine providing statements issued by agreed deadline.

At the time of writing (July 2018), work continues on the remaining 1,600 data queries which relate to LB Hackney employees, and good progress has been made with approx 1,200 records being resolved by the in-house pension team. The remaining 400 data queries, are unconfirmed leavers and/or opt-outs and once the correct information has been received from payroll, the record will be corrected and a deferred benefit statement issued.

Risk Management Review

Risk Register

Risk management forms a key part of Pension Fund Governance and is part of the ongoing decision making process for the Committee. The benefits of successful risk management are clear for the Fund; improved financial performance, better delivery of services, and improved Fund governance and compliance.

There are four general approaches to treating risk: avoid, reduce, transfer or accept.

- Avoidance of risk – not undertaking the activity that is likely to trigger the risk.
- Reducing the risk – controlling the likelihood of the risk occurring, or controlling the impact of the consequences if the risk does occur.
- Transferring the risk – handing the risk on elsewhere, either totally or in part – e.g. through insurance.
- Accepting the risk – acknowledging that the ability to take effective action against some risks may be limited or that the cost of taking action may be disproportionate to the potential benefits gained.

The types of risk that the Fund is exposed to fall into the following broad categories:

- Financial – these relate to investment related risks including market, currency, credit and interest rate risks, these are outlined in detail in the Statement of Accounts.
- Strategic – failure to meet strategic objectives such as performance targets, Funding Strategy Statement objectives, etc.
- Regulatory – regulatory changes impacting on the Fund, or failure to comply with legislation or meet statutory deadlines.
- Reputational – poor service damaging the reputation of the Fund.
- Operational – data maintenance, service delivery targets.
- Contractual – 3rd party providers, failure to deliver, effective management of contracts.
- Communication – failure to keep all stakeholders notified of things that affect them, be they employers, scheme members or contractors.
-

The Risk Register for the Pension Fund sets out the nature of the individual risks for the Fund with an assessment of level of risk. Risks fall into the following categories:

- High risk (red) – need for early action intervention where possible.
- Medium risk (amber) – action is required in the near future.
- Low risk (green) – willing to accept this level of risk or requires action to improve over the longer term.

The Pensions Committee reviews the Pension Fund Risk Register and the controls that it has in place to determine if there is any need to re-categorise existing risks or to add new, previously unidentified risks. The most recent formal review of the Risk Register took place at the Committee meeting held in December 2017.

The key risks identified following the latest review are:

- asset risks;
- poor membership data;
- regulatory risks;
- failure to manage costs;
- funding risks
- investment pooling;
- data protection;

The Committee recognises that whilst the above high risks relate primarily to external risk, measures are in place to monitor and manage these risks. These include:

- Monitoring longevity and ongoing discussions with the Fund actuary on how best to manage the impact on the Fund from people living longer. Changes brought in with the 2014 CARE Scheme also mean that retirement ages will increase in line with the state pension age going forward.
- Close monitoring of regulatory changes and release of Government guidance
- Quarterly monitoring of investment performance, funding and budget monitoring and regular reviews of asset allocation to ensure that it remains appropriate for the Fund taking into account the appropriate investment advice from the Pension Fund's investment consultant.
- Contract monitoring and performance reviews.
- Working closely with employers to resolve issues with membership data and develop employer links with Equiniti, the Fund's administrators.
- Transition planning to ensure that assets are transition effectively to pooled arrangements within appropriate timeframes
- Regulator monitoring of the Fund's cash flow, working in conjunction with the fund actuary and investment consultant to develop up to date cashflow projections.

Within the Statement of Accounts, there is a detailed analysis of the extent of risks arising from financial instruments, quantifying the impact of a range of investment risks, including market risk, interest rate risk, currency risk, credit risk and liquidity risk. This provides readers of the accounts with an overview of the impact of market movements in terms of both increases and decreases under the scenarios where standard deviations apply.

It is recognised that whilst the Fund's Risk Register is reviewed annually, day-to-day risk management that remains key to understanding and controlling risks for the Pension Fund.

Investment Review

Market Review

2017/18 was a year of contrasts in financial markets. 2017 saw strong growth and surprising stability against a backdrop of significant geo-political tensions. Monetary tightening, or the expectation thereof, had a significant impact on asset prices. The start of 2018, however, saw a significant increase in volatility as geopolitical factors came to the fore, resulting in sharp sell-offs in equity markets.

Q1 saw surprisingly low market volatility, as strong economic data from the US and a positive assessment of economic conditions by the Federal Reserve saw investors shrug off geopolitical tensions. Corporate bonds and equities also performed strongly in Europe with the release of broadly positive economic data and speculation that the European Central Bank (ECB) might begin the unwinding of its quantitative easing program. In the UK, the unexpected result of a hung parliament in the general election negatively impacted sterling, although market volatility was tempered overall by speculation that such a result might lead to a softer Brexit, with a reduced economic impact.

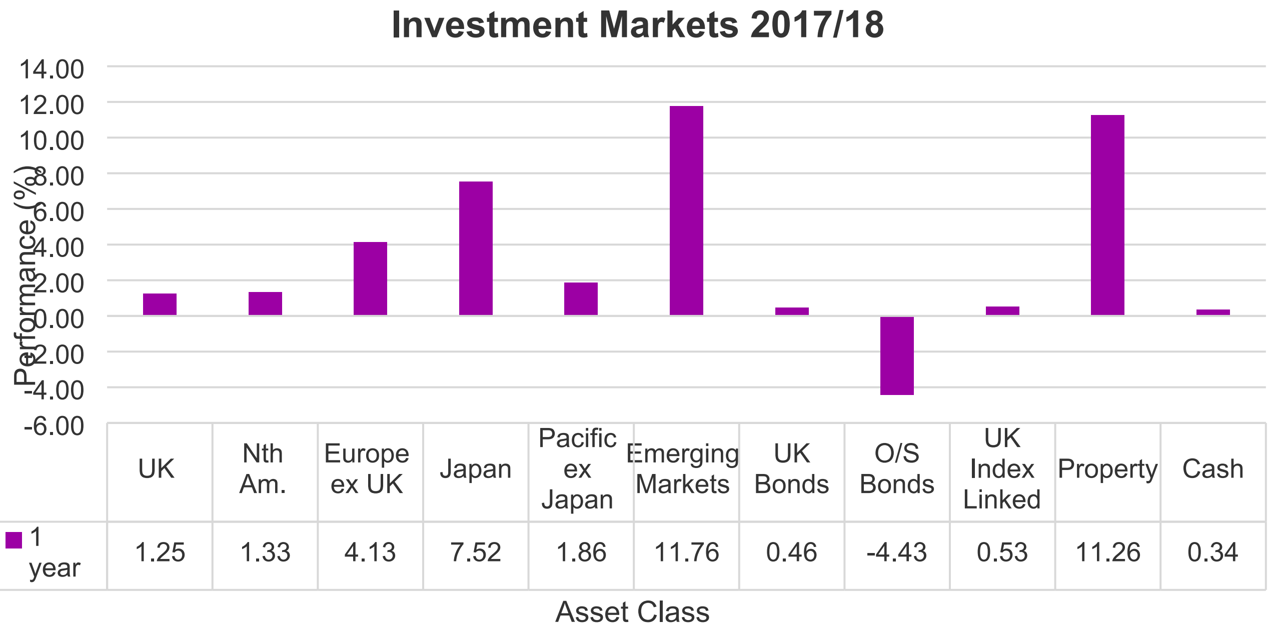
In Q2, global equity indices continued to climb, particularly in the US where the President's tax reforms were well received by markets. In Europe and the UK, government bond yields rose as both the ECB and the Bank of England started to indicate a future tightening of monetary policy, which also helped to boost Sterling against the Euro. Commodities, most particularly oil, did well, whilst the relatively weak US dollar helped emerging market equities to perform strongly. Despite the generally optimistic market outlook, geopolitical concerns were never far away, with a contretemps between the US and North Korea, a surge of support for the far right AfD in Germany, and continuing uncertainty over Brexit negotiations in the UK.

2017 ended very strongly for global equity markets, with positive economic data coming through from the US and increasing economic momentum in Europe. As expected, the Federal Reserve raised interest rates at the end of the quarter. A rise in Sterling following the UK's first rate rise in a decade hurt the main UK indices, as did a poor growth outlook compared to other developed economies. However, this was offset by continuing strong commodities performance, helping UK equity markets to end the year in a strong position.

The good news initially continued into 2018 as strong earnings and continued optimism over Donald Trump's tax cuts continued to drive up US and global equity markets. However, concerns over US employment data soon sparked a sharp equity market sell off, bringing a long period of surprisingly low volatility to a sudden close. Towards the end of the quarter, the situation was exacerbated by fears over trade protectionism, as President Trump announced his plans to impose trade tariffs. In the UK the rise in Sterling continued to negatively impact the FTSE100, with its strong dependence on exports and dollar revenues. Government bonds benefitted from the widespread increase in equity market volatility, as investors sought perceived safe havens.

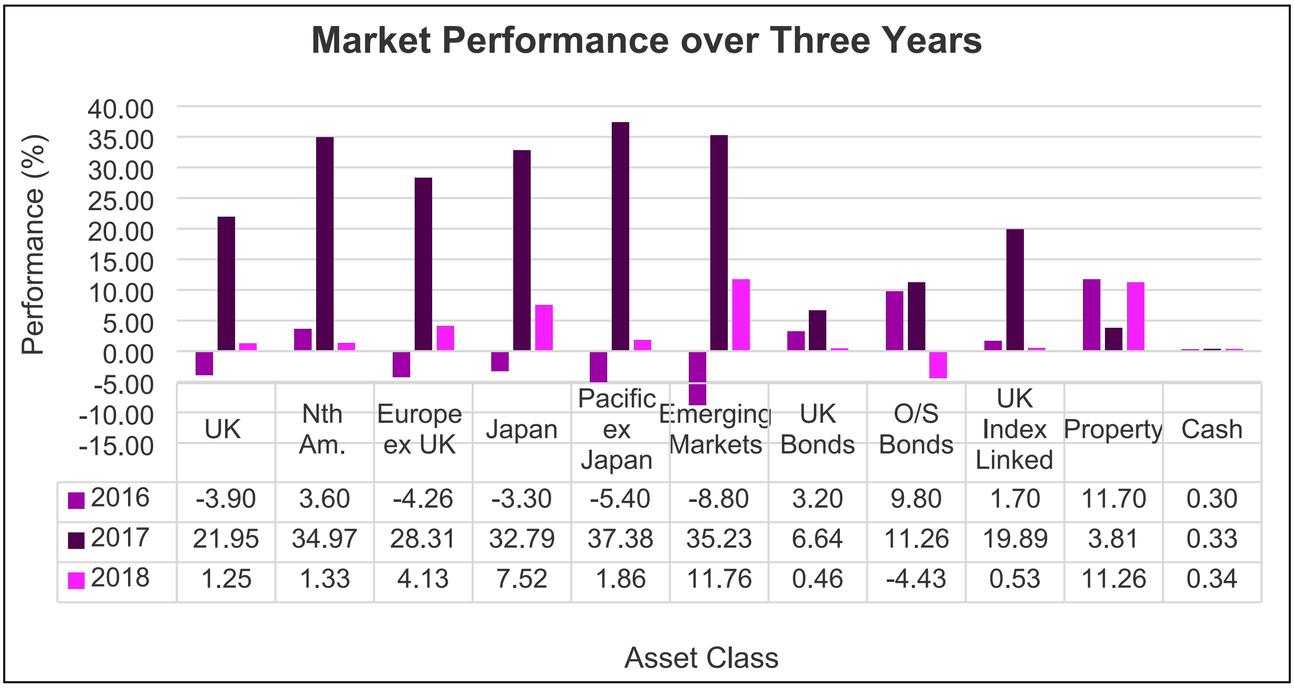
Market Performance

The following table shows the returns on various markets over the last financial year:



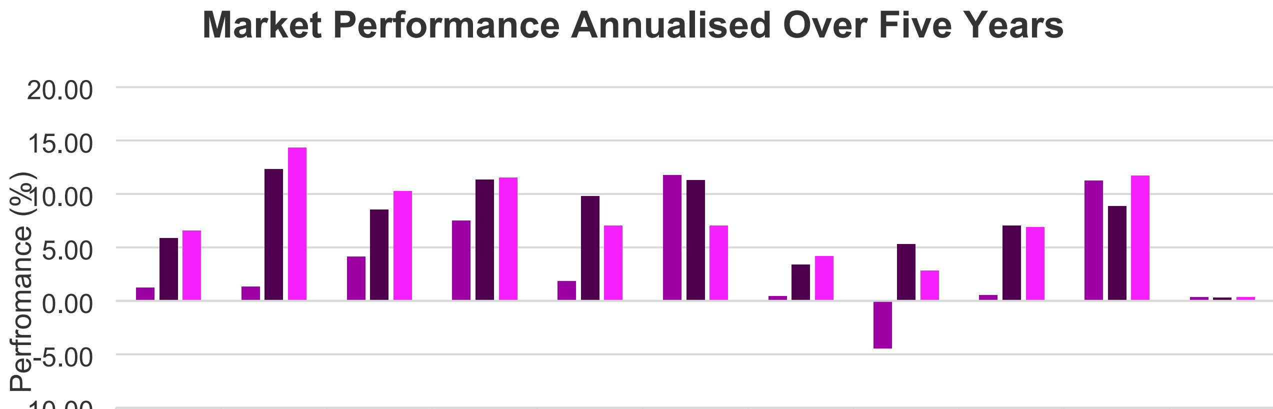
	UK	Nth Am.	Europe ex UK	Japan	Pacific ex Japan	Emerging Markets	UK Bonds	O/S Bonds	UK Index Linked	Property	Cash
1 year	1.25	1.33	4.13	7.52	1.86	11.76	0.46	-4.43	0.53	11.26	0.34

The chart below shows the market performance over the last 3 years, showing modest returns across equity markets over the year, in contrast to the strong returns seen during 2016/17. Bonds delivered modest returns, with the performance of UK linkers falling from the highs of 2016/17 as the effects of the post-Brexit drop in Sterling started to dissipate. Property picked up following poor returns during 2016/17, whilst the low returns on cash reflect the ongoing low interest rate environment.



	UK	Nth Am.	Europe ex UK	Japan	Pacific ex Japan	Emerging Markets	UK Bonds	O/S Bonds	UK Index Linked	Property	Cash
2016	-3.90	3.60	-4.26	-3.30	-5.40	-8.80	3.20	9.80	1.70	11.70	0.30
2017	21.95	34.97	28.31	32.79	37.38	35.23	6.64	11.26	19.89	3.81	0.33
2018	1.25	1.33	4.13	7.52	1.86	11.76	0.46	-4.43	0.53	11.26	0.34

Looking at the annualised market returns overs 1, 3 and 5 years highlights sluggish growth for developed market equities over the past year, with 3 and 5 years returns boosted by an extremely strong performance in 2016/17. Emerging market equities continued to perform well during 2017/18 despite escalation tensions around trade protectionism. Bonds have struggled relative to previous years, whilst property recovered somewhat following the post-Brexit slump. Annualised returns on cash have remained low thanks to 'lower for longer' interest rates.

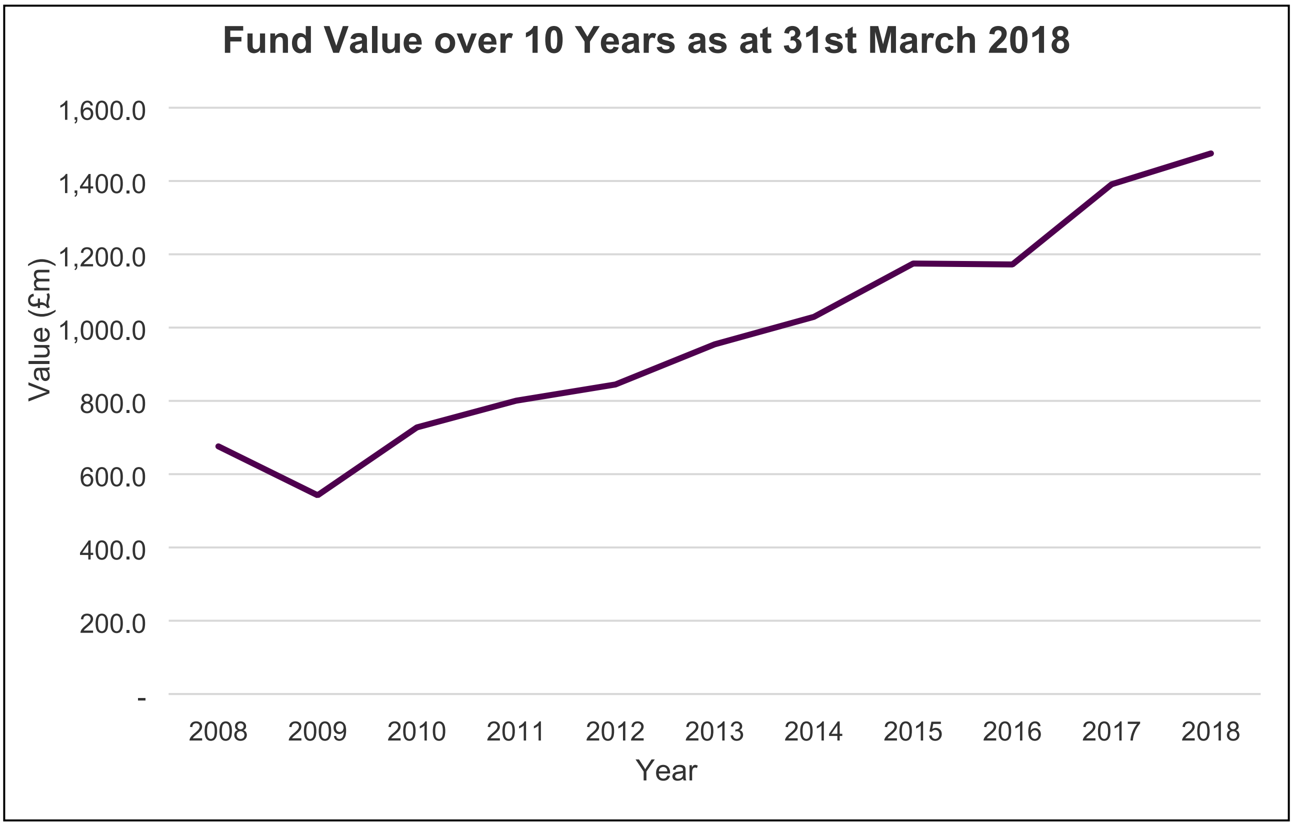


	UK	Nth Am.	Europe ex UK	Japan	Pacific ex Japan	Emerging Markets	UK Bonds	O/S Bonds	UK Index Linked	Property	Cash
1 year	1.25	1.33	4.13	7.52	1.86	11.76	0.46	-4.43	0.53	11.26	0.34
3 years	5.87	12.32	8.55	11.35	9.80	11.29	3.40	5.30	7.02	8.86	0.32
5 years	6.60	14.35	10.26	11.54	7.04	7.05	4.17	2.83	6.92	11.71	0.33

Asset Class

Fund Value

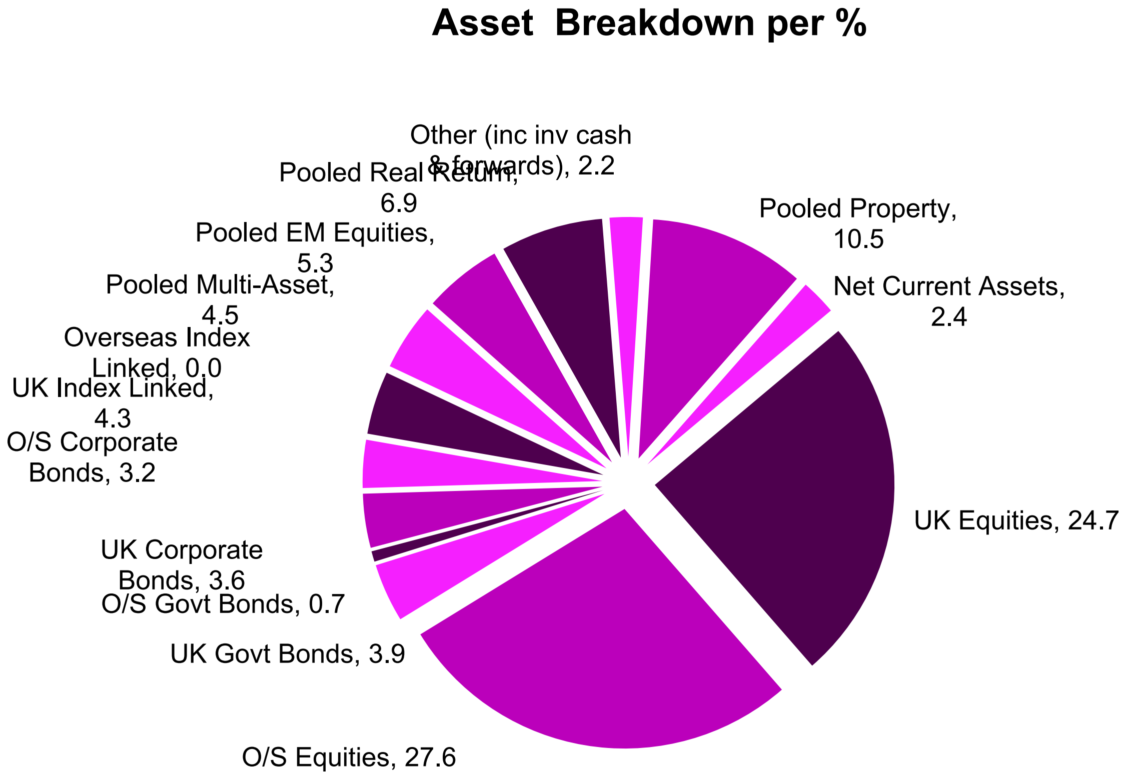
Following a generally positive, if at times turbulent, year in investment markets, the value of the Fund increased from £1,391.0 million at 31 March 2017 to £1,475.3 million at 31 March 2018. This represents an increase over the year of 6.06%. The graph below shows the progress of the Fund's assets over the last ten years as at the 31st March in each year.



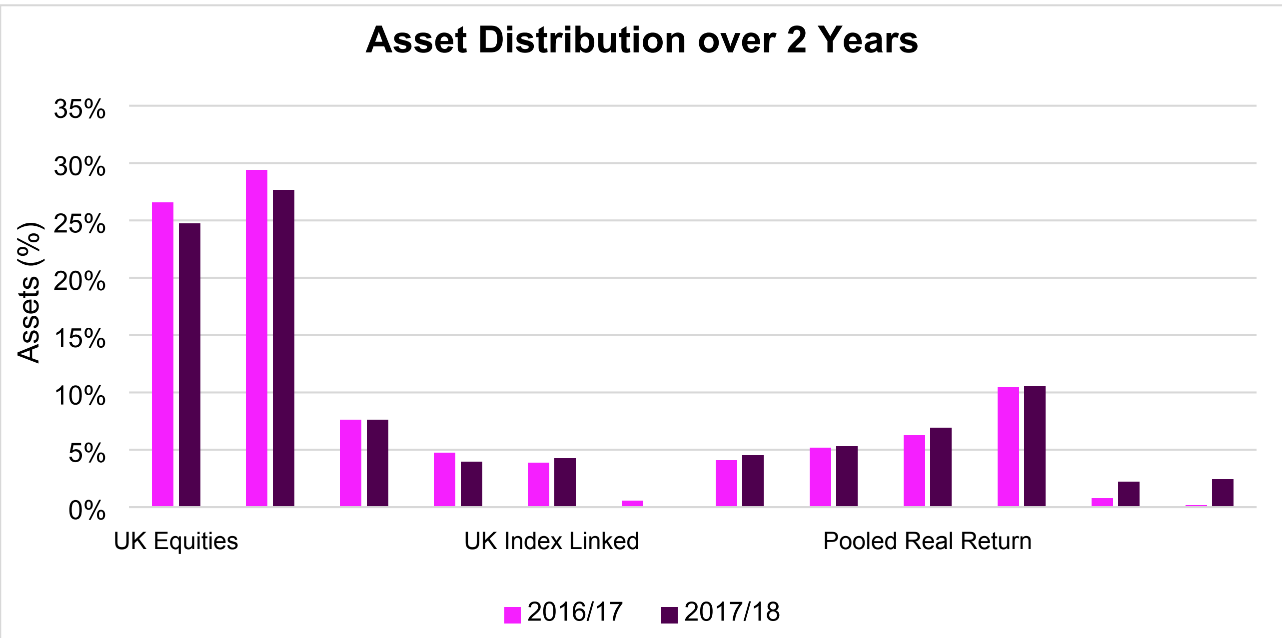
The management of the Fund's assets is determined by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Regulations require pension fund administering authorities to formulate an Investment Strategy Statement, in accordance with guidance issued by the Secretary of State.

The Statement must include:
(a) a requirement to invest fund money in a wide variety of investments;
(b) the authority's assessment of the suitability of particular investments and types of investments;
(c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;
(d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

The allocation to the various asset classes broken down by percentage as at the end of 2017/18 is as outlined below:

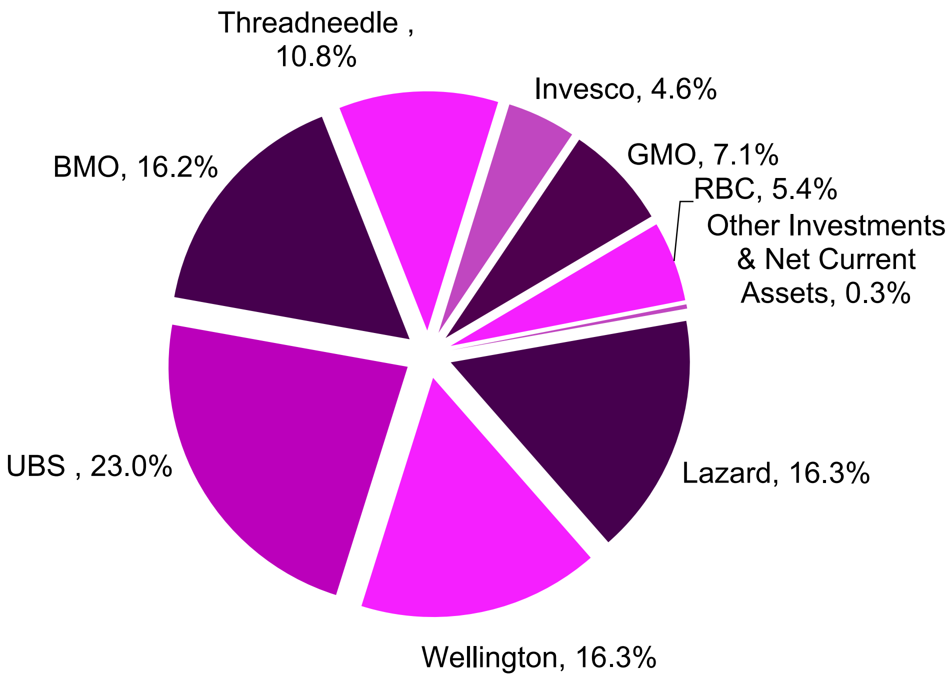


The following chart sets out how the distribution across the various asset classes has changed between the end of March 2017 and the end of March 2018.



The Fund had eight external managers during the year and the breakdown between managers is set out in the chart below:

Fund Manager Breakdown



The Fund has four equity managers split between: one passive UK fund manager (UBS with 23% of the Fund under management), two active global equity managers (Lazard Asset Management with 16.3% and Wellington Investment Management with 16.3% of the Fund as at 31 March 2018) and an active emerging markets equity manager (RBC, with 5.4% of the Fund) Fixed interest investments were managed by BMO with 16.2% of the Fund and property via a Unit Trust with Threadneedle amounting to 10.8% of the Fund. Multi asset strategies were managed by GMO and Invesco with 7.1% and 4.6% of the Fund respectively. Other investments and net current assets accounted for the remaining 0.3% of the Fund's investments.

The list of Fund Managers and the proportions of assets under management are shown below with comparisons against the prior year:

Fund Manager	Value £'000 2016/17	% of total fund 2016/17	Value £'000 2017/18	% of total fund 2017/18
Lazard (Global Equities)	218,273	16.1%	235,053	16.3%
Wellington (Global Equities)	224,195	16.5%	234,649	16.3%
UBS (UK Equity Index)	324,760	23.9%	330,881	23.0%
BMO (Fixed Interest)	228,767	16.8%	233,195	16.2%
Threadneedle (Property)	141,118	10.4%	155,106	10.8%
Invesco (Multi- Asset)	56,655	4.2%	66,883	4.6%
GMO (Global Real Return)	86,762	6.4%	101,857	7.1%
RBC (Emerging Markets)	72,133	5.3%	78,130	5.4%
Net Current Assets & Other Investments	5,928	0.4%	4,110	0.3%
Total	**1,358,592**	**100.00%**	**1,439,864**	**100.00%**

The top individual holdings by market value are shown in the table below:

Holdings	£'000
ICF ICE Long Gilt Future June 2018	13,019
UK Treasury 4.25% 07/12/2046	12,225
UK Treasury 1.25% IL Gilt 22/11/2027	12,085
UK Treasury 1.50% 22/07/2047	8,034
UK Treasury Gilt 0.125% IL 22/11/2065	7,758
UK Treasury 4.25% 07/12/2027	7,707
EUX Euro Bund Future June 2018	6,989
UK Treasury Gilt 1.75% 07/09/2037	5,977
UK Treasury 1.125% IL 22/11/2037	5,905
UK Gilt 0.75% 22/07/2023	5,670
Total	**85,369**

The above table excludes pooled investments, the top five of which are shown in the table below:

Holdings	£'000
UBS Life UK Equity Tracker A	330,909
TPN PROPERTY A	129,505
GMO Funds PLC Global Real Return UCITS Fund A GBP	101,857
Invesco Perp Gbl Targeted Returns Pension Class 7	66,883
RBC (Lux) Emerg Markets Equity Fd Class O GBP Acc	39,074
Total	**668,228**

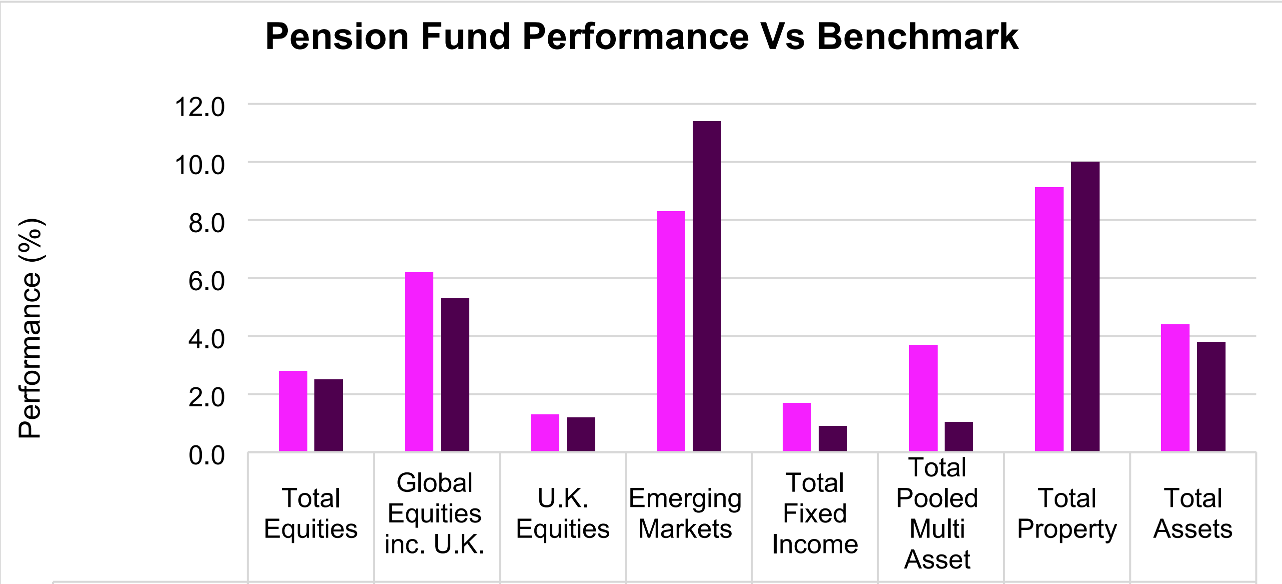
Performance of Fund

The investment strategy and performance of the Fund is reported on a quarterly basis to the Pensions Committee. Fund managers present to the Committee when requested by the Chair, whilst officers of the Fund meet with individual managers on a more regular basis. The investment performance of the Fund is measured by Hymans Robertson against a customised benchmark.

Over the year to 31st March 2018, the Fund outperformed its customised benchmark by 0.6%. Performance against benchmark was positive for the Fund's equity portfolio, which returned 2.8%, compared to 2.5% for the benchmark. Other contributors to the overall outperformance included the Fund's pooled multi asset holdings, which continued to perform well following a strong 2016/17, and the fixed income portfolio, which benefitted from greater freedom around the use of derivatives.

Detractors from performance included the Fund's emerging markets allocation and pooled property holding. Whilst the Fund's pooled property holding was its strongest performer in absolute terms, returning 9.1% over the year, the Fund marginally underperformed its property benchmark, which returned 10.0%. The Fund's allocation to emerging market equities also performed well in absolute terms, returning 8.3%, but under-performed its benchmark by 3.1%. Performance relative to the index fluctuated over the year, with underperformance initially driven by stock selection within the Fund's value allocation, whilst stock selection within the quality/growth section was the more significant detractor towards the end of the year.

The Fund's performance against the different asset classes is shown in the table below:



	Total Equities	Global Equities inc. U.K.	U.K. Equities	Emerging Markets	Total Fixed Income	Total Pooled Multi Asset	Total Property	Total Assets
LBH	2.8	6.2	1.3	8.3	1.7	3.7	9.1	4.4
Benchmark	2.5	5.3	1.2	11.4	0.9	1.0	10.0	3.8

Investment Management Expenses

Investment management expenses for the year to 31 March 2017 were £7.25 million, which represents an increase of £2.66m on 2016/17. The majority of this increase has been driven by changes to the disclosure of transaction costs and other non-invoiced management fees following the introduction of the LGPS Advisory Board Code of Transparency Template. Investment management expenses cover the fees charged by the Fund's individual investment managers and the Fund's custodian.

Actuarial Review

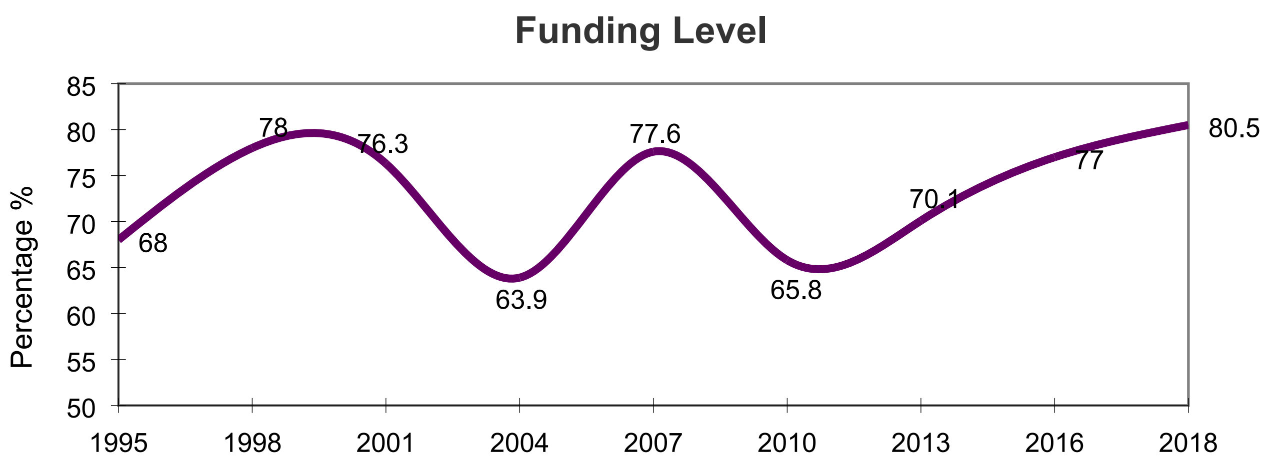
Background

The primary objective of the Pension Fund is to provide for members' pensions and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined benefit basis. The Fund has to ensure that any surplus contributions and investment income are invested to provide returns to help meet future liabilities. An actuarial valuation of the Fund is carried out every three years taking into account the current and future pension liabilities of the Fund, the expected contributions into the Fund, and the expected investment returns on assets held. Other factors taken into account include pay inflation, pension increases and mortality rates.

Actuarial Valuation

The Fund actuary, Hymans Robertson, undertook a valuation of the Pension Fund as at the 31 March 2016, which showed an improvement in the funding position, from 70.1% to 77.0%, since the last valuation in 2013. The most significant drivers behind this improvement were contributions greater than the cost of accrual and actual membership experience (e.g. with regards to salary and benefit increases) compared to expectations. The monetary deficit value increased over the period from £349m to £362m.

Over the longer term the Fund is targeting a funding level of 100% and has set out its strategy for achieving this in the Funding Strategy Statement included within this Report and Accounts. The Funding Strategy Statement (pages 113 to 153) was approved by the Pensions Committee in March 2017. The Fund's historic long-term funding picture is shown in the graph below and includes an estimated position as at 31 March 2018:



The triennial valuation also determines contribution rates for the Fund. The most recent valuation was carried out as at 31 March 2016, which set contribution rates for 2017/18, 2018/19 and 2019/20.

The 2016 valuation, which applied during the year, assessed the whole fund primary contribution rate as being 15.8%, with a minimum secondary rate monetary contribution of £36.295m. These figures are for the Fund as a whole and individual employer rates can vary significantly from the overall Fund level. Individual contribution rates payable by employers are set out in the Rates and Adjustment Certificate. It should be noted that a different regulatory regime came into force for the 2016 valuation and that the primary and secondary rates are therefore not comparable to rates calculated for previous years. .

The employer contribution rate for the Council, the largest employer in the Fund was 34.9% for the year ending 31 March 2018.

The next actuarial valuation will be based as at 31 March 2019

A summary of the assumptions used in the actuarial valuation is included in the actuary's report in the following pages and a full copy of the valuation can be found on the Pension Fund website; http://hackney.xpmemberservices.com . Alternatively a copy can be obtained from the Financial Services Section, 4th Floor, Hackney Service Centre, 1 Hillman Street, London, E8 1DY

Report of the Fund Actuary

London Borough of Hackney Pension Fund ("the Fund")

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2017/18 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Hackney Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present Value of Promised Retirement Benefits

Year ended	31 Mar 2018 £m	31 Mar 2017 £m
Active members	852	795
Deferred members	611	622
Pensioners	716	745
Present value of Promised Retirement Benefits	2,179	2,162

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £46m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended	31 Mar 2018 % p.a.	31 Mar 2017 % p.a.
Inflation/Pensions Increase Rate	2.4%	2.4%
Salary Increase Rate	3.5%	3.6%
Discount Rate	2.7%	2.6%

Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.2 years	24.2 years
Future Pensioners (assumed to be aged 45 at the latest formal valuation)	23.6 years	25.7 years

Please note that the longevity assumptions have not changed since the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions for the year ended 31st March 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	187
0.5% p.a. increase in the Salary Increase Rate	1%	28
0.5% p.a. decrease in the Real Discount Rate	10%	219

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled ‘Actuarial Valuation as at 31 March 2018 for accounting purposes’. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Geoff Nathan FFA
26th April 2018
For and on behalf of Hymans Robertson LLP

Audit Opinion

Independent auditor's report to the members of the London Borough of Hackney on the pension fund financial statements published with the Pension Fund Annual Report

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2018 which comprise the Fund Account, Net Asset Statement and the related notes, including the accounting policies in note [3].

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statement of accounts of the London Borough of Hackney for the year ended 31 March 2018 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Respective responsibilities of the Group Director, Finance and Corporate Resources and the auditor

As explained more fully in the Statement of Responsibilities the Group Director, Finance and Corporate Resources is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of the London Borough of Hackney, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements, the purpose of our audit work and to whom we owe our responsibilities.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if we have exercised our responsibilities in respect of the pension fund in the following areas:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

***[Signature*]**

[Name]

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

[*Address*]

[*Date*]

Statement of Responsibilities

The Authority's responsibilities
The London Borough of Hackney as Administering Authority of the London Borough of Hackney Pension Fund is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers (the Chief Financial Officer) has responsibility for the administration of those affairs.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Chief Financial Officer's responsibilities
The Chief Financial Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's [and the Group's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority [and the Group] will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2018 and of its income and expenditure for the year then ended

Ian Williams, CPFA
Chief Financial Officer
XX July 2018