

# LONDON BOROUGH OF HACKNEY

## PENSION FUND

### BUSINESS PLAN

2020 TO 2023



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## 1. Introduction

The London Borough of Hackney is the Administering Authority for the Hackney Pension Fund which is part of the Local Government Pension Scheme (LGPS).

The purpose of this document is to set out a business plan for the Hackney Pension Fund for the period 2020-2023 and to outline the Fund's goals and objectives over the longer term. The business plan is formally reviewed and agreed every year. However, throughout the year it is monitored and there may be changes to it.

The purpose of the business plan is to:

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

A budget for expected payments to and from the Hackney Pension Fund during 2020/21 including the resources required to manage the Fund and deliver this business plan has been set.

The business plan also has an impact on the Fund's Communication Plan and the Committee's agenda items. Accordingly these are also included within this document.

## Further Information

If you require further information about anything in or related to this business plan, please contact:

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## 2. Background to the Hackney Pension Fund

The Hackney Pension Fund is a £1.5bn<sup>1</sup> Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police and firefighters) in the London Borough of Hackney and employees of other qualifying bodies which provide similar services in the Hackney area.

Total Fund membership is 24,931 with 7,124 active contributors from 37 contributing employers and 10,516 deferred members and 7,291 pensioners and dependents.

### Governance and Management of the Fund

The London Borough of Hackney, as the Administering Authority of the Pension Fund, has delegated responsibility for the management of the Hackney Pension Fund to the Pensions Committee.

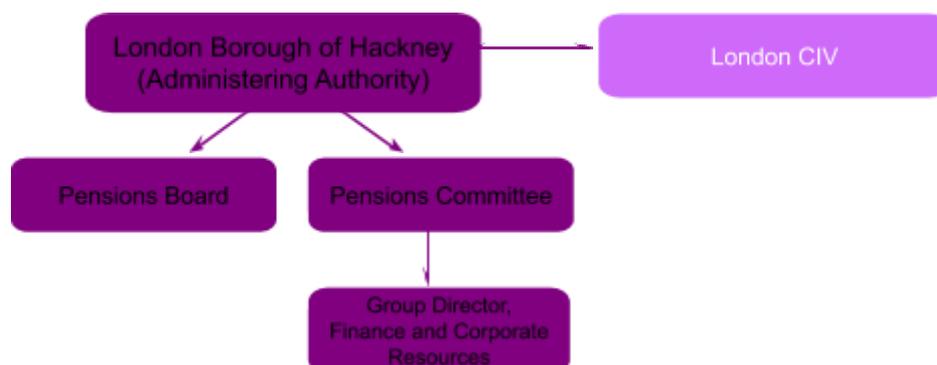
The day to day running of the Fund has been delegated to the Group Director, Finance and Corporate Resources; the Director, Financial Management; and the Financial Services section of the Council. The Financial Services section has responsibility for all aspects of the day to day running of the Fund including administration, investments and accounting. Some of this is carried out by external suppliers or providers including:

- Equiniti – many aspects of the administration and communications of the Hackney Pension Fund are carried out on the Fund's behalf by Equiniti
- London Collective Investment Vehicle (London CIV) - the Fund is a participating scheme in the London CIV which means the London CIV manages some of the Fund's assets on its behalf. The London Borough of Hackney is also a shareholder of the London CIV.

A range of consultants also provide guidance in relation to the management of the Fund.

In line with the Local Government Pension Regulations 2013, the Pensions 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 is depicted in the chart below.



<sup>1</sup> Information correct as at 31 March 2020.

### 3. **OBJECTIVES**

The primary objectives of the Fund are shown below. They have been agreed by the Pensions Committee as part of the Fund's key strategies and policies, and as such are a key driver in determining what is in the Fund's business plan. The objectives are sub-divided into specific areas of governance, funding, investments, administration and communications.

#### **Governance Objectives**

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

#### **Funding Objectives**

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

#### **Investment Objectives**

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

#### **Administration Objectives**

- Deliver an efficient, quality and value for money service to its scheme employers and scheme members.
- Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner.
- Ensure the Fund's employers are aware of and understand their role and

responsibilities under the LGPS regulations and in the delivery of the administration function.

- Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner.
- Set out clear roles and responsibilities for the Council and Equiniti and work together to provide a seamless service to Scheme employers and scheme members.
- Continuously review and improve the service provided.

## Communications Objectives

- Promote the scheme as a valuable benefit and provide sufficient and up to date information so members can make informed decisions about their benefits.
- Communicate in a plain language style.
- Ensure the Fund uses the most appropriate means of communication, taking into account the different needs of different stakeholders.
- Look for efficiencies in delivering communications including greater use of technology.
- Evaluate the effectiveness of communications and shape future communications appropriately.

## 4. The plan for the next three years

### Key Challenges and Influences

The last decade saw an unprecedented number of external factors that impacted or could impact the management of the Fund on top of major changes that have been implemented to the Fund in recent years, such as:

- The implementation of the new Local Government Pension Scheme from April 2014.
- Establishing the London CIV and investing assets in it from 2018.
- Procuring the Fund's third-party administration adviser and ensuring an increase in the range and quality of services is provided as part of the new contract. Introduction of a carbon reduction target for investments and development of the Fund's responsible investment approach.

This puts us in a strong position to meet the challenges ahead. The following are just some of the key areas of focus for the Fund over the next three years:

- Implementing the remedy for the McCloud court case, and any further "cost cap" changes
- Implementing a member on-line self-service facility
- Implementing an employer on-line system, allowing more timely submission of data and in a more automated manner
- Carrying out compliance checks against The Pension Regulator's new Single Modular Code
- Implementing any governance changes as a result of the SAB Good Governance review
- Understanding any risk and developing controls relating to cybercrime and business continuity
- Developing the Fund's Responsible Investment Policy, with a focus on both sustainable investment and stewardship of assets
- Developing and implementing the Fund's 2020 investment strategy to help balance risk and return, achieve the Fund's funding target and meet its pooling obligations.

These, and other priorities for the next three years, are articulated in more detail in the later sections of this business plan, split into three sections: governance; funding and investments; administration and communications.

### Budget

All the costs associated with the management of the Fund are a charge to the Fund and not to the Council. The following shows the expected operational budget for the Fund.

## Operating Cost Budget 2020/21

<b>Pension Fund Budget &amp; Forecast 2020/21</b>			
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>FY Outturn</b>	<b>FY Outturn</b>	<b>FY Forecast</b>
	£		
<b>Members Income</b>			
Employers Contributions	(63,154)	(65,163)	(64,102)
Employees Contributions	(12,649)	(13,614)	(13,880)
Transfers In	(8,841)	(5,301)	(7,407)
	<b>(84,644)</b>	<b>(84,078)</b>	<b>(85,390)</b>
<b>Members Expenditure</b>			
Pensions	44,774	49,109	49,944
Lump Sum Commutations & Death Grants	11,418	16,320	16,597
Transfers Out	4,224	7,854	5,886
Refund of Contributions	194	181	183
	<b>60,610</b>	<b>73,464</b>	<b>72,610</b>
<b>Net (additions)/withdrawals from dealings with members</b>	<b>(24,034)</b>	<b>(10,614)</b>	<b>(12,779)</b>
<b>Management Expenses</b>			
Administrative Costs	776	842	829
Investment Management Expenses	6,578	8,037	8,037
Oversight & Governance Costs	822	991	903
	<b>8,176</b>	<b>9,870</b>	<b>9,770</b>
<b>Net (surplus)/deficit from operations</b>	<b>(15,858)</b>	<b>(744)</b>	<b>(3,010)</b>
<b>Investment Income</b>			
Investment Income	(12,316)	(11,765)	(11,765)
<b>Net Investment Income/Expenditure</b>	<b>(12,316)</b>	<b>(11,765)</b>	<b>(11,765)</b>
<b>Cash flow before Investment Performance</b>	<b>(28,174)</b>	<b>(12,509)</b>	<b>(14,775)</b>

## Delivering the Business Plan

### Monitoring and Reporting

In order to identify whether we are meeting our agreed business plan we will:

- continue to monitor progress of the key priorities and the agreed budgets on an ongoing basis
- provide updates on progress against these key priorities on a quarterly basis to the Pensions Committee, which will be shared with the Pension Board
- as part of these quarterly updates:

- highlight any areas where we are exceeding or failing to achieve our targets and the reasons why, and identify any changes to the planned priorities as a result of this
- highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

## Significant risks that may impact delivery of the Business Plan

Overall the next few years will be challenging for those involved in the governance, management and operation of the Fund. The following are the key risks which may impact on the delivery of this business plan. A number of these risks are of greater concern than normal due to the impact of Covid-19 which is likely to continue throughout 2020/21 and perhaps longer term.

- Failure of third party administrator to deliver in accordance with contractual requirements, hence impacting on the service to the administering authority, scheme members and employers. This is exacerbated by the likely increase in work due to the McCloud remedy.
- Insufficient resource and/or lack of skills within the administering authority Pensions Team, which is a particular risk due to some long standing members of staff leaving in 2020. Again this could be exacerbated by the likely increase in work due to the McCloud remedy.
- Lack of employer engagement which could impact on plans to improve data and the implementation of the Employer Self Service on-line functionality.
- Failure to meet investment objectives due to market volatility.
- Inability to pay pension benefits due to market volatility and insufficient illiquid assets.
- Failure by London CIV to deliver services required to achieve asset pooling objectives.

## Training Plan

The Fund has a Knowledge and Skills Policy setting out the training requirements for and knowledge expected of senior officers, Pensions Committee and Pension Board members. Key areas of training identified for the Committee and Board members for the period covered by this business plan include:

- The McCloud judgment and its implications
- Pooling – how the Fund fits within the pool and its governance structure
- Responsible Investment
- The Pension Regulator's new Single Modular Code
- The Scheme Advisory Board's work on Good Governance.

## 5. Business plan key priorities

The following are the expected key priorities for the Hackney Pension Fund for the period 2020 to 2023 so that the objectives of the Fund are achieved. This excludes ongoing business as usual items that take place annually or more frequently. Further explanations of these key priorities are included in the appendix to this business plan.

Many of the timescales are estimated due to reliance on external bodies, such as Government. As a result these timescales may change. These are shown with an asterisk (\*).

Key Action/Task	2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
	Q1	Q2	Q3	Q4			
<b>Governance</b>							
G1. Review appointments of Pensions Committee co-opted members and Local Pension Board members		✓	✓		✓	✓	Dec 2020 initially
G2. Develop and implement strategic objectives scorecard		✓	✓	✓			From Dec 2020
G3. Review cybercrime risk to Fund				✓	✓		March 2021 initially
G4. Review of other governance related policies and strategies including Constitutional changes		✓	✓	✓			Dec 2020 or March 2021
G5. Review against new TPR Single Modular Code			✓*	✓*	✓*		Dec 2020 or March 2021 initially
G6. Implement changes from Scheme Advisory Board good governance review			✓*	✓*	✓*		Dec 2020
G7. Review Knowledge and Skills Policy/delivery in light of updated CIPFA K&S requirements				✓*	✓*		Dec 2020 or March 2021
<b>Funding and Investments</b>							
F1. Develop improved cash flow monitoring		✓	✓	✓			Dec 2020 or March 2021
F2. Investment Strategy review and implementation	✓	✓	✓	✓	✓		June, Sept Dec 2020, March 2021
F3. Develop Responsible Investment beliefs and policy		✓	✓	✓			Sept and Dec 2020
F4. Implementing updated cost transparency collation/reporting		✓	✓	✓	✓		March 2021
F5. Review of Treasury Management Policy		✓					Sept 2020
F6. Review of employer admission agreement monitoring / tracking process		✓	✓				No decisions required
F7. Consider simplification of admission agreements due to outsourcing		✓	✓	✓			Dec 2020

F8. Agree new de-risking/diversification approach			✓	✓	✓		March 2021
F9. Develop Voting Policy			✓	✓	✓		Dec 2020 and March 2021
F10. Transition of portfolios to London CIV			✓	✓	✓		As required
F11. Develop improved client engagement framework with London CIV			✓*	✓*			No decisions required
F12. GAD Section 13 valuation results/engagement			✓*	✓*	✓*		June 2021
F13. Other expected national changes including responsible investment and asset pooling guidance			✓*	✓*			To be confirmed
F14. 2022 actuarial valuation and review of funding strategy					✓	✓	March 2022

### Administration and Communications

A1. Review communications strategy	✓						June 2020
A2. Relaunch member self-service on-line functionality	✓	✓	✓	✓			No decisions required
A3. Work with Hackney Council/HLT to develop pensions interface/extract (for employer self-service)	✓	✓	✓	✓			No decisions required
A4. Implement McCloud/Sargeant remedy (extension of underpin test)	✓*	✓*	✓*	✓*	✓*	✓*	Sept 2020 initially
A5. Go live with Equiniti Call Centre		✓					No decisions required
A6. Finalise GMP reconciliation including under/overpayments policy		✓	✓	✓			Sept or Dec 2020
A7. Implement employer self-service on-line functionality to all employers including updating employer guide			✓	✓	✓		No decisions required
A8. Triennial review of Third Party Administrator processes and responsibilities			✓	✓			March 2021
A9. Other expected legislation changes including exit payment cap (£95k) and fair deal			✓*	✓*			To be confirmed
A10. Carry out missing member address tracing exercise				✓	✓		March 2021
A11. Work with Hackney Council/HLT to implement iTrent LGPS functionality					✓*		No decisions required
A12. Review of employers' processes and responsibilities					✓	✓	To be confirmed
A13. Update data improvement plan/procedures following improvements in employer engagement					✓		June 2021
A14. Carry out interim/test actuarial valuation for data checking purposes (as at March 2021)					✓		Sept 2021
A15. Implement national pensions dashboard					✓*	✓*	To be confirmed

A16. Implement changes to meet GMP equalisation requirements					✓*	✓*	To be confirmed
A17. Implement trivial commutation / small pots options					✓		To be confirmed
A18. Carry out frozen refund cleansing exercise					✓		To be confirmed
A19. Review administration strategy					✓		June 2021
<b>Supplier and contractor reviews and tenders</b>							
Initial monitoring of CMA objectives for investment consultants					✓	✓	March 2021
Custodian tender					✓	✓	March 2021
Actuarial, benefits and governance contractor tenders						✓	Sept 2021
Investment consultant tender						✓	Dec 2021
AVC fund review						✓	To be confirmed
Third party administrator review and/or tender						✓	June 2022
Legal services – based on requirements							As required
Banking services tender						✓	To be confirmed

## 6. Draft Communications Plan 2020-2021

### Objective of the Communications Strategy

The aim of the Fund's communications strategy is to make sure that all stakeholders are kept informed of developments within the Pension Fund. We want to ensure transparency and an effective communication process will help to maintain the efficient running of the Scheme. An outline communications plan for 2020 to 2021 is set out below.

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

## 7. Pensions Committee – Suggested Future Agendas

Many of the timescales relating to agenda items are estimated due to reliance on external bodies, such as Government. As a result these agenda items may be move to a later committee date. These are shown with an asterisk (\*).

### September 2020

1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Quarterly Update
5. Training – Investment Strategy
6. Investment Strategy Review – High level review, asset liability modelling results
7. Pensions Administration Strategy
8. Pension Fund Report and Accounts
9. GMP rectification and under/overpayments policy\*
10. Business Plan
11. Treasury Management Policy Review

### December 2020

1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Quarterly Update
5. Training – Voting and Engagement
6. Investment Strategy Review – asset allocation, cashflow planning, foreign exchange
7. Review of Governance Policy & Compliance Statement
8. Conflicts of Interest Policy
9. Knowledge and Skills Policy Review including updated CIPFA guidance\*
10. Simplification of approach to Admission Agreements
11. The Pension Regulator's Single Modular Code\*
12. McCloud rectification update

### March 2021

1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Training – TBC
5. Investment Strategy Review – Finalise strategy, RI Policy, diversification/de-risking approach, update ISS
6. Quarterly Update
7. Cost transparency collation and reporting
8. Review of Third Party Administrator's processes and procedures
9. Address Tracing Exercise
10. Monitoring of CMA objectives for investment consultants
11. Tender for Custodian contract
12. McCloud rectification update

8. **Appendix A – Explanation of business plan key tasks and actions**

**Further information relating to key priorities**

It is expected that work scheduled for 2020/21 will be carried out within the existing resource/budget unless indicated otherwise. Work scheduled for 2021/22 and 2022/23 will be included in the relevant budgets for those years.

**Governance key priorities**

**G1. Review appointment of Pensions Committee co-opted members and Local Pension Board members**

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
		✓	✓	✓	✓	December 2020 initially
<p>The employer and scheme member representatives on the Pensions Committee and Local Pension Board are regularly reviewed. There are some vacancies and some appointments that are subject to review as follows:</p> <ul style="list-style-type: none"> <li>• Committee - appointment of scheme member and employer representative in Q3/4 of 2020</li> <li>• Board – appointment of vacant employer representative roles in Q3 of 2020</li> <li>• Further reviews as terms end in 2021/22 and 2022/23.</li> </ul>						

**G2. Develop and implement Strategic Objectives Scorecard**

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
✓	✓	✓	✓			From December 2020
<p>A model is being developed which will record all the Fund's objectives and allow regular assessment against these, providing a 'dashboard' report to be provided to Committee as part of the quarterly update. This will allow much greater visibility of the success of the Fund in meeting its objectives as well as a more efficient way to quickly identify where issues exist. The aim is to implement this with the Administration and Communications objectives in December 2020 and follow on with the Investment, Funding and Governance objectives from March 2021.</p>						

**G3. Review cybercrime risk to Fund**

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
		✓	✓	✓		March 2021 initially
<p>Cyber risk is considered a key risk to the Fund, as it is to most organisations nowadays. In line with The Pensions Regulator's requirements, work will be carried out to better understand how that risk is being managed in relation to the Fund's member data, assets and other procedures. This will include asking our system providers and suppliers to provide further information in relation to how they are managing cyber risk. After this initial work has been completed, a process will be put in place to ensure that ongoing checks are carried out.</p>						

## G4. Review of other governance related policies and strategies including Constitutional changes

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
✓	✓	✓				December 2020 and March 2021
<p>The Fund has several policies focusing on the good governance of the Fund, all of which are subject to regular review, usually at least every three years. The policies due to be reviewed are:</p> <ul style="list-style-type: none"> <li>• Conflicts of Interest Policy – December 2020</li> <li>• Risk Strategy – March 2021</li> <li>• Governance Policy and Compliance Statement – December 2020.</li> </ul>						

## G5. Review against new TPR Single Modular Code

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
Q1	Q2	Q3	Q4			
		✓*	✓*	✓*		December 2020 or March 2021 initially
<p>The Pensions Regulator (TPR) is expected to consult on a new Single Modular Code towards the end of 2020. This new Code will merge the existing 15 codes the Regulator has in place. The first iteration of the new Code will include Code of Practice No.14 (the relevant Code for Public Service Pension Schemes) as part of the merger of 10 of the 15 codes that are currently in place. This could result in changes to the requirements placed on Public Service Pension Schemes, including the LGPS. Work will be undertaken to review whether the Fund complies with the requirements within the new Code. After the initial review, ongoing compliance checks will be carried out on a regular basis. It is expected that additional resource/budget will be required for the initial review against the new Code but the extent of this is unknown at present.</p>						

## G6. Implement changes from Scheme Advisory Board good governance review

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
		✓*	✓*	✓*		December 2020 or March 2021
<p>The national LGPS Scheme Advisory Board (SAB) is carrying out a project to help and assist with the successful management of potential conflict of interests arising between a pension fund and its parent local authority. It was originally investigating options for change regarding the separation of LGPS pension funds and their host authorities.</p> <p>The review has now evolved to focus on the elements of good governance, rather than the structure of the organisation. A number of recommendations have been made including ensuring appropriate conflicts of interest management, knowledge and skills and having a designated LGPS lead officer in each administering authority. Further work is being carried out by SAB to make formal recommendations to MHCLG. It is expected statutory guidance will be issued by MHCLG which will include a requirement for each administering authority to report on how they are complying with the new guidance. The final timescales are still to be confirmed.</p>						

## G7 Review Knowledge and Skills policy/delivery in light of updated CIPFA K&S requirements

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
			✓*	✓*		December 2020 or March 2021

CIPFA is reviewing its Knowledge and Skills framework and Code of Practice, which the Fund's Knowledge and Skills Policy is based on. The policy will therefore need to be reviewed once the new CIPFA framework and Code are released. The new framework and Code are expected in Q4 of 2020/21 with the review of the policy following in early 2021/22.

## Funding and Investments key priorities

### F1 Develop improved cashflow monitoring

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
✓	✓	✓	✓			December 2020 or March 2021

A review of how cashflow monitoring is carried out is being undertaken with a view to ensuring this is robust, and ongoing monitoring is integrated into day to day business.

### F2 Investment Strategy review and implementation

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
	✓	✓	✓	✓		June, September and December 2020

This relates to the triennial review of the Fund's Investment Strategy now that the Actuarial Valuation has been finalised and the Funding Strategy agreed. This will need to include considerations of the London CIV which expected to make available portfolios for the Fund to invest in, in line with its Investment Strategy.

### F3 Develop Responsible Investment beliefs and policy

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
	✓	✓	✓			December 2020 and March 2021

The Fund's Responsible Investment Policy will be developed and agreed, including articulating the Fund's approach to both sustainable investing and stewardship of assets. It will take into account the Committee's priority areas for RI, which are linked to the UN's Sustainable Development Goals.

### F4 Implementing updated cost transparency collation/reporting

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
	✓	✓	✓	✓		March 2021

A Code of Transparency covering investment management fees and costs was developed and approved by the LGPS Scheme Advisory Board (SAB) and launched in May 2017. In 2018, the Financial Conduct Authority (FCA) launched the Institutional Disclosure Working Group (IDWG) as part of the remedies

package and noted the success of the LGPS Code. The FCA wanted to see more consistent and standardised disclosure of costs and charges for institutional investors. It thought that a standardised disclosure template should provide institutional investors with a clearer understanding of the costs and charges for a given fund or mandate. This should allow investors to compare charges between providers and give them a clear expectation of the disclosure they can expect. These templates have been adopted for the LGPS Code. In order to streamline the process and make it more widely available, the SAB procured a system (through an OJEU process) from Byhiras which will take the form of an online facility intended to:

- Be capable of accepting and storing template data
- Check the timeliness of data submission and report late returns
- Ensure that template data is signed off by managers as 'fair, clear and not misleading'
- Provide a check against the MiFID II total cost amount submitted separately by managers to their LGPS clients.

Hackney Fund will be transitioning to the new system during 2020/21 with a view to final reporting in line with the new requirements being live in 2021/22.

### F5 Review of Treasury Management Policy

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
✓						September 2020

Any excess cash from the Fund's bank accounts is invested in accordance with the Pension Fund's Treasury Management Strategy, prepared in accordance with the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice. The Treasury Management Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk for the Fund's exposure. The Fund's Treasury Management Strategy will be reviewed in Q2 of 2020/21.

### F6 Review of employer admission agreement monitoring/tracking process

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
✓	✓					No decision required

Work has been undertaken to review the existing admitted bodies in the Fund, including ensuring all have appropriate admission agreements in place. Further work is needed to ensure that existing and new admitted bodies are logged and tracked so that contract expiry dates are monitored and can be taken into account in funding decisions. This will also focus on earlier engagement with bodies whose contract periods are coming to an end.

### F7 Consider simplification of admission agreements due to outsourcing

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
✓	✓	✓				December 2020

The management of establishing admission agreements with new admitted bodies is often cumbersome and complex. Options are available for simplifying the process by applying alternative funding methods to admitted bodies, including using a "pass through" arrangement for some new admitted bodies. Work will be undertaken to evaluate the pros and cons of such approaches before recommendations are brought to the Committee in Q3 of 2020/21.

## F8 Agree new diversification/de-risking approach

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
		✓	✓	✓		December 2020 or March 2021

Following the review of the Fund's investment strategy, and the considerable growth in the funding level of the last decade, it is appropriate to consider how best to build on gains by having appropriate diversification or de-risking strategies in place. This will be considered through the latter part of 2020/21 and implemented as required over the following 2 years.

## F9 Develop Voting Policy

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
		✓	✓	✓		March or June 2021

The Fund's approach to exercising its voting rights at annual general meetings, general meetings, courts and classes of companies it invests in will be reviewed with a view to articulating this within a Voting Policy. This will be linked to the London CIV's development of their voting and stewardship approach to help ensure the Fund's approach is practical, effective and offers best value.

## F10 Transition of portfolios to London CIV

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
				✓	✓	As required

The London Collective Investment Vehicle ('London CIV') was created to allow the pooling of assets across the London Borough LGPS Funds. The Hackney Pension Fund assets will continue to be transitioned to the London CIV during the period 2020-2023.

## F11 Develop improved client engagement framework with London CIV

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
		✓*	✓*			No decisions required

Work will continue with the other London Boroughs and the London CIV to enhance the collaborative client framework provided by the London CIV including discussions around future priorities.

## F12 GAD Section 13 valuation results/engagement

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
		✓*	✓*	✓*		June 2021

Section 13 of the Public Service Pensions Act requires the Government Actuary to report on compliance, consistency, solvency and long-term cost efficiency in respect of the actuarial valuation of the LGPS as a whole. This is based on the individual actuarial valuations and data provided by each LGPS fund and their actuary. The review will consider some key metrics to identify potential issues in relation to solvency

and long-term cost efficiency and a report will be provided to each LGPS fund which will highlight any concerns.

### F13 Other expected national changes including responsible investment and asset pooling guidance

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
		✓*	✓*			To be confirmed

#### Responsible investment guidance

The LGPS Scheme Advisory Board (SAB) have been developing Responsible Investment Guidance which will include, as a minimum:

- guidance to assist and help investment decision makers to identify the parameters of operation within scheme regulations, statutory guidance, fiduciary duty and the general public law and the scope for integrating ESG policies as part of investment strategy statements and
- a toolkit they can use to further integrate ESG policies as part of their investment strategy.

This has been put on hold whilst SAB consider the implications of a recent Supreme Court judgment and until more is known about the proposed climate change provisions in the Pension Schemes Bill. Therefore the actual timing is not known at this stage but is estimated within this business plan.

#### Asset pooling guidance

MHCLG undertook an informal consultation on new asset pooling guidance during early 2019. MHCLG has since confirmed its intention to carry out a formal consultation in due course. The actual timing of this consultation is estimated within this business plan.

### F14 2022 actuarial valuation and review of funding strategy

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
				✓	✓	March 2022

This is the formal actuarial valuation of the Fund detailing the solvency position and other financial metrics which must be carried out as at 31<sup>st</sup> March 2022. It is a legal requirement of the LGPS Regulations. It determines the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement. This is considered in conjunction with the strength of covenant for each employer participating in the Fund. The majority of the work will be carried out during 2022/23 but initial discussions on the proposed funding strategy are expected to commence in the latter part of 2021/22.

## Administration and Communications key priorities

### A1 Review communications strategy

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
✓						June 2020

The Fund is required to have a communications strategy setting out how it communicates with the various stakeholders of the Fund and future plans to improve those communications. The strategy must be reviewed at least every three years.

## A2 Relaunch member self-service on line functionality

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
✓	✓	✓	✓			No decisions required

The Fund has been working with Equiniti toward launching a portal which gives scheme members access to their own pension record so they can view the data held, amend some elements of personal data, and produce estimates of the benefits payable in various scenarios. The launch of this has been delayed due to COVID-19 but it is intended to be rolled out during 2020-21.

## A3 Work with Hackney Council/HLT to develop pensions interface/extract (for employer self-service)

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
✓	✓	✓	✓			No decisions required

The Fund has been working with Equiniti and Hackney Council/HLT to develop an interface extract file with appropriate information relating to LGPS members on the Council's iTrent payroll system. This extract will be regularly provided via Equiniti's on-line employer self-service facility to ensure the Council/HLT pension records are up to date and will introduce increased efficiencies as well as less reliance on the Hackney Pensions Team.

## A4 Implement McCloud/Sargeant remedy (extension of underpin test)

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
✓*	✓*	✓*	✓*	✓*	✓*	December 2020 initially

Recent Court of Appeal judgements (McCloud and Sargeant) have highlighted that the introduction of transitional provisions in the new CARE schemes for Firefighters and Judges in April 2015 gave rise to unlawful age discrimination. This will impact on other public service pension schemes including the LGPS (where the new CARE scheme from April 2014 included a statutory underpin for older members). Remedies are being worked through by Government to remove the inequality in the schemes, which will result in changes to scheme benefits some of which will be retrospective. A consultation on the Local Government Pension Scheme remedy is expected in July 2020 and from then work will be undertaken to identify the affected members so their benefits can be amended once regulations are laid. This is likely to result in a major exercise to gather updated employment information from employers dating back to at least 2014.

Additional resource and budget will likely be required for this project but the extent of this is unknown at present.

## A5 Go live with Equiniti call centre

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
	✓					No decisions required

Currently, member calls to Equiniti are answered by the administration team who carry out the day to day service for Hackney Pension Fund. Equiniti proposes to move the answering of member calls to their Liverpool call centre, in order to make the member experience more efficient. This move is intended to be completed by September 2020 although it may be slightly delayed due to COVID-19.

## A6 Finalise GMP reconciliation including under/overpayments policy

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
✓	✓	✓				September or December 2020
<p>The government removed the status of "contracted-out" from pension schemes in April 2016. Prior to then, contracted-out pension schemes had to ensure the benefits they paid met a minimum level and one element of this was a Guaranteed Minimum Pension (GMP) figure that accrued individually for each scheme member up to April 1997. Historically pension schemes would go to HMRC to get confirmation of the GMP amount on retirement. However, as a result of the demise of contracted-out status, HMRC will no longer be maintaining GMP and other contracting out member records. This means that the onus will be on individual pension schemes to ensure that the contracting out and GMP data they hold on their systems matches up to the data held by HMRC. HMRC are ceasing to provide their services. The Fund has outsourced this project to Equiniti and it is due to be completed in 2020/21. This will likely result in identifying some pensioners and dependents whose pension has been overpaid or underpaid, possibly for a number of years.</p> <p>It is good practice for a pension fund to have clearly agreed policies and procedures relating to how to deal with benefits that have been under or over calculated and, where relevant, under or over paid. This could be for several reasons, including incorrect information being provided by an employer or a scheme member, late notification of a change of circumstances (such as a death of a pensioner) or the Fund carrying out a benefit calculation incorrectly. It is timely to produce a policy which will build on decisions made because of the GMP reconciliation exercise, as well as other situations.</p>						

### A7 Implement employer self service on-line functionality to all employers including updating employer guide

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
	✓	✓	✓			No decisions required
<p>The Fund has been working with Equiniti with a view to launching new on-line functionality for all employers participating in the Fund. This will require all employers to upload pension information on a monthly basis to Equiniti's on-line employer self-service facility to ensure the Fund's pension records are up to date. As well as improving the integrity of the Fund's data, this will introduce increased efficiencies for all parties. The launch of this has been delayed due to COVID-19 but it is intended to start rolling this out during 2020-21.</p> <p>As a result of employer self service being rolled out, the existing employer guide will also be updated to reflect the new requirement to provide data via this portal.</p>						

### A8 Triennial review of Third Party Administrator processes and responsibilities

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
		✓	✓			March 2021
<p>The Fund plans to carry out a review of the procedures carried out by Equiniti, the Fund's Third Party Administrator, to check accuracy of calculations and that procedures meet legal and best practice requirements, as well as being in line with the service specification that was put in place for Equiniti's new contract. This will include a review of the communications provided by Equiniti to the Fund's scheme members and employers. It was planned to carry this out during 2020/21 but has been delayed due to COVID-19.</p>						

## A9 Other expected legislation changes including exit payment cap (£95k) and fair deal

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
		✓*	✓*			To be confirmed

### £95k Exit Cap

Changes are expected that will put a cap on the total of exit payments, such as redundancy payments, for members leaving the scheme. The consultation for this included pension fund strain costs within the calculation of the £95k cap. When this is implemented, this could result in quite a change for how early retirements are calculated and administered, requiring much closer liaison between the Fund and its employers. An announcement on this is expected in autumn 2020.

### Fair deal

In May 2016 MHCLG initially proposed that the New Fair Deal be extended to the LGPS. This would mean that for any staff being outsourced they would remain in the LGPS and their 'new' employer would gain admission body status, rather than using the previous option of being able to offer a pension scheme that is broadly comparable to LGPS.

On 10 January 2019 a consultation document was published around the topic of Fair Deal – Strengthening Pension Protection. The consultation confirmed the 2016 proposal of service providers offering LGPS membership to individuals who have been compulsorily transferred from an LGPS employer, even if the contract is outsourced a second time (and removal of the option of a broadly comparable scheme). Within the 2019 consultation, there were also proposals about automatically transferring LGPS assets and liabilities when scheme employers are involved in a merger or takeover. This consultation closed on 4 April 2019. Final regulations are still to be made.

## A10 Carry out missing member address tracing exercise

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
			✓	✓		March 2021

The Fund has a number of members where no current address is held, mainly relating to members who have left active employment and have benefits deferred or frozen in the Fund. Not only does this create problems when notifying members of their benefits but addresses are one of the common data items that The Pensions Regulator requires pension schemes to hold. The Fund has carried out tracing exercises in the past to collect missing addresses with the last exercise being carried out in 2016. There is a national Local Government Pension Scheme framework for tracing services and the Fund plans to use this framework to appoint a provider. There will be additional costs relating to carrying out this exercise that are not yet included in the Fund's budget.

## A11 Work with Hackney Council/HLT to implement iTrent LGS functionality

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
				✓*		No decisions required

The Pensions Team have been working closely with Hackney Council/HLT's payroll team to ensure pensions data is improved (see action A3 above) in the iTrent payroll system. The payroll provider plans to launch an LGPS specific module in due course which will require further work to be carried out to implement this to suit the needs of the Hackney Pension Fund. This will be carried out after the initial interface with the employer self service portal is completed (action A3 above) but the action timings will likely be driven by the provider of iTrent.

## A12 Review of employers' processes and responsibilities

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
				✓	✓	To be confirmed

The Fund has previously carried out an 'audit' of the participating employers, measuring the quality of data provided as well as the timeliness of data and other matters such as the submission of forms when required. This will be carried out again once the employer self service portal is up and running (see action A7 above).

<b>A13 Update data improvement plan/procedures following improvements in employer engagement</b>						
2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
				✓		June 2021

The Fund has a data improvement plan in place which identifies key areas where the quality of data has been causing problems or delays in the administration of Fund. Following the implementation of the employer on-line self service functionality (see action A7 above) much more analytical information will be available relating to the performance of individual employers and areas where data is missing or incorrect. As a result, a fundamental review of the data improvement plan will be carried out, which will be in tandem with the review of the employers' processes (action A12 above) and the test valuation (action A14 below).

<b>A14 Carry out interim/test actuarial valuation for data checking purposes (as at March 2021)</b>						
2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
				✓		September 2021

The triennial valuation of the Fund is due in March 2022, but the Fund plans to carry out a 'test' valuation a year ahead to review the data, which then gives the Fund a year to resolve any missing data or other data issues that are flagged by the test valuation.

<b>A15 Implement national pensions dashboard</b>						
2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
				✓*	✓*	To be confirmed

The Pensions Dashboard is a Government initiative first announced in the Budget 2016. The idea behind the Dashboard is to allow all pension savers in the UK access to view the values of all of their pension pots, including state pension, through one central platform. A consultation was undertaken by Government in early 2019 which sought views on the potential phasing of the introduction of the pensions dashboards as well as how the architecture, funding and governance arrangements would work. The legislative requirements to participate in the Pension Dashboard for schemes (including public sector schemes) are expected to be forthcoming and the consultation proposed that all schemes should be onboarded to the Pensions Dashboard over a period of three to four years. The actual timescales that will apply to public sector pension schemes are not yet known so the timescales above are estimated. This could be a fundamental project which is likely to have additional costs due to the development and testing of systems.

## A16 Implement changes to meet GMP equalisation requirements

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
				✓*	✓*	To be confirmed

A recent court case determined that it is necessary to revisit pension benefits for scheme members who have accrued GMPs to ensure the equal treatment between men and women. This was (in the main) pre-empted by the LGPS and a consultation on indexation and equalisation of GMPs has determined that the current position that has been used to deal with indexation up to 5 December 2018 has been extended to cover those members with a GMP who reach state pension age between 6 December 2018 and 5 April 2021. For all those members full indexation will be applied to their full pension value regardless of whether there is a GMP element to it. Alternative options of conversion, case by case, and continuation of full indexation will be investigated to see if it will be implemented from 6 April 2021 and further guidance will be provided to LGPS Funds when a decision is made. However, conversion seems to be the most favourable option. Depending on the option chosen, this could result in a major project impacting on resources.

## A17 Implement trivial commutation/small pots options

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
				✓		To be confirmed

Trivial commutation is where a member who is entitled to a small pension can elect to give up the entirety of that pension and instead receive their benefit as a single lump sum payment. A project will be carried out to identify any pensioners and dependants who may be eligible for trivial commutation and to offer it to them. This will reduce the administrative burden on the Fund paying a large number of very small pensions over a number of years as well as providing greater clarity from a funding perspective. The government has a limit for members to trivially commute their pension in relation to their single pension (£10,000 value – called a "small pot") and total benefits (£30,000 – called "trivial commutation"). As well as reducing the number of pensioner payments that require ongoing payment this could also have a positive impact on the funding level as it removes the liabilities for these members. It will also be welcomed by a number of pensioners who would prefer a one-off lump sum payment rather than ongoing smaller payments of little value. The project will also involve a review of existing procedures to ensure that trivial commutation is offered in appropriate cases.

## A18 Carry out frozen refund cleansing exercise

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
				✓		To be confirmed

Members who left the scheme without meeting the 'vesting period' (the minimum period to qualify for benefits – this was two years before 1 April 2004, three months between 1 April 2004 and 31 March 2014, and reverted to two years from 1 April 2014) were only entitled to a refund of their own contributions. Since 1 April 2014 the regulations have required that this must be paid within five years of the member leaving the scheme, but before that date there was no such requirement and many members did not claim their refunds in case they rejoined the Scheme in the future and could then count that service. This has meant that the Fund has built up a number of "frozen refunds" i.e. refunds that have not yet been claimed. It is planned to carry out a review of these cases and pay as many as possible. This will help the Fund meet legal requirements that all benefits must be paid before the member's 75<sup>th</sup> birthday and will also reduce the Fund's liabilities.

## A19 Review administration strategy

2020/21 Period				2021 /22	2022 /23	Expected Committee Agenda
				✓		June 2021

The Pensions Administration Strategy (PAS) sets out the relationship between the Fund, the third party administrators, and the participating employers. It sets out each party's roles and responsibilities, and what is expected of them under the Regulations. It also sets out the expected timescales in which a party must take action (for example, when an employer must notify the third party administrators that a member has left the Scheme). The PAS must be reviewed at least every three years and the next planned review is June 2021. This review will ensure that the PAS is updated to reflect the new requirements from the launch of the employer self-service portal.