

LONDON BOROUGH OF HACKNEY
PENSION FUND
BUSINESS PLAN
2021 TO 2024



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2021
Version 1

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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 2021-2024 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 has been set for expected payments to and from the Hackney Pension Fund during 2021/22 including the resources required to manage the Fund and deliver this business plan.

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 £1.7bn¹ 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 participating employers which provide similar services in the Hackney area.

Total Fund membership is 24,840 with 7,210 active contributors from 45 contributing employers and 10,152 deferred members and 7,478 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.

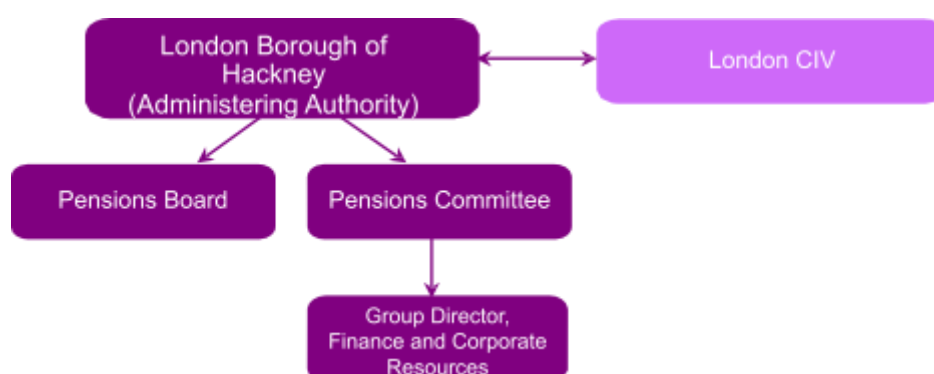
The day to day running of the Fund has been delegated to the Group Director, Finance and Corporate Resources; the Director, Financial Management; and the Financial Services section of the Council. The Financial Services section has responsibility for all aspects of the day to day running of the Fund 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.



¹ Information correct as at 31 December 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, Pensions Committee and Pension Board Members charged with financial administration, decision-making or oversight with regards 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 with, and readily provides information to, interested parties.
- All relevant legislation is understood and complied with.
- The Fund aims to be at the forefront of best practice for LGPS funds.
- The Fund manages Conflicts of Interest appropriately.

Funding Objectives

- To ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- To ensure that employer contribution rates are reasonably stable where appropriate.
- To minimize the long-term cash contributions which employers need to pay to the Fund, by recognizing the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers).
- To reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years.
- 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.

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.
- Ensure that the Fund continues to invest responsibly taking account of environmental, social and governance issues, whilst adhering to its overarching fiduciary duties. Specifically to ensure that the following investment beliefs agreed by the Committee in 2020 are incorporated into any decisions going forward:
 - Environmental, social and corporate governance issues can have a material impact on the long-term performance of investments;
 - The UN Sustainable Development Goals highlight investment risks and potential opportunities as well as areas in which asset owners can have a positive impact;
 - Engagement with managers, and through them with investee companies, can have a material impact on progress towards the chosen goals as well as on investment performance; and
 - Responsible investment is relevant to the performance of the entire Fund across asset classes

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.

These and other areas of recent focus put 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 to member benefits and contributions
- 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
- Understanding and complying with The Pension Regulator's new Single Modular Code
- Implementing any governance changes as a result of the Scheme Advisory Board Good Governance review
- Understanding any risks 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 and complying with any new requirements on TCFD
- Implementing the Fund's 2020 investment strategy including ongoing transition of assets to London CIV
- Implementing any changes in relation to early retirement strain costs/payments.

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 2021/22

Pension Fund Budget & Forecast 2020/21			
	2019/20	2020/21	2021/22
	FY Outturn	FY Forecast	FY Forecast
	£	£	£
<u>Members Income</u>			
Employers Contributions	(65,163)	(64,102)	(64,750)
Employees Contributions	(13,614)	(13,880)	(13,880)
Transfers In	(5,301)	(7,407)	(6,350)
	(84,078)	(85,390)	(84,980)
<u>Members Expenditure</u>			
Pensions	49,109	49,944	50,190
Lump Sum Commutations & Death Grants	16,320	16,597	16,459
Transfers Out	7,854	5,886	6,875
Refund of Contributions	181	183	182
	73,464	72,610	73,706
Net (additions)/withdrawals from dealings with members	(10,614)	(12,779)	(11,274)
<u>Management Expenses</u>			
Administrative Costs	842	829	950
Investment Management Expenses	8,037	8,037	8,037
Oversight & Governance Costs	991	903	947
	9,870	9,770	9,934
Net (surplus)/deficit from operations	(744)	(3,010)	(1,340)
<u>Investment Income</u>			
Investment Income	(11,765)	(11,765)	(11,765)
Net Investment Income/Expenditure	(11,765)	(11,765)	(11,765)
Cash flow before Investment Performance	(12,509)	(14,775)	(13,105)

Delivering the Business Plan

Monitoring and Reporting

In order to identify whether we are meeting our 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 known 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 2021/22 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. Again this could be exacerbated by the likely increase in work due to the McCloud remedy.
- Inability by Hackney Council to access their earlier years' payroll data, impacting on the McCloud and other projects.
- Lack of employer engagement which could impact on plans to improve data and the implementation of the Employer Self Service on-line functionality.
- Employers unable to afford employer contributions including due to reduction in strength of employer covenant.
- Failure to meet investment objectives due to market volatility.
- Failure to achieve desired returns in relation to investments made under the umbrella of the Fund's Responsible Investment Policy.
- 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:

- Responsible Investment and any new TCFD requirements
- The Pension Regulator's new Single Modular Code
- The Scheme Advisory Board's work on Good Governance
- Relevant topics relating to the implementation of the Fund's new Investment Strategy
- Funding and actuarial valuations matters including the relating to the new employer flexibility provisions.

5. Business plan key priorities

The following are the expected key priorities for the Hackney Pension Fund for the period 2021 to 2024 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 and are shown with an asterisk (*).

Key Action/Task	2021/22 Period				2022/ 23	2023/ 24	Expected Committee Agenda
	Q1	Q2	Q3	Q4			
Governance							
G1. Review appointments of Pensions Committee co-opted members and Local Pension Board members	✓	✓			✓	✓	June 2021 initially
G2. Develop and implement strategic objectives scorecard	✓	✓	✓	✓			From June 2021
G3. Review cybercrime risk to Fund	✓		✓	✓			December 2021 initially
G4. Review of other governance related policies and strategies including Constitutional changes		✓	✓	✓			Dec 2021/ March 2022
G5. Review against new TPR Single Modular Code		✓*	✓*				June or Sept 2021 initially
G6. Implement changes from Scheme Advisory Board good governance review	✓*	✓*	✓*	✓*			June 2021
G7. Review Knowledge and Skills Policy/delivery in light of updated CIPFA K&S requirements	✓*	✓*	✓*	✓*	✓*		Sep 2021
Funding and Investments							
F1. Develop improved cash flow monitoring	✓	✓					June 2021
F2. Investment Strategy implementation	✓	✓	✓	✓	✓		June, Sept Dec 2021, March 2022
F3. Develop Responsible Investment policy		✓	✓				Sept and Dec 2021
F4. Review requirements for cost transparency collation/reporting	✓	✓	✓	✓	✓		March 2022
F5. Review of employer admission agreement monitoring / tracking process	✓	✓	✓	✓			No decisions required
F6. Consider simplification of admission agreements due to outsourcing	✓	✓	✓	✓			March 2022

Key Action/Task	2021/22 Period				2022/ 23	2023/ 24	Expected Committee Agenda
	Q1	Q2	Q3	Q4			
F7. Develop Voting Policy		✓	✓				Sep and Dec 2021
F8. GAD Section 13 valuation results/engagement	✓*	✓*					June 2021
F9. Other expected national changes including responsible investment, asset pooling guidance and TCFD		✓*	✓*	✓*			To be confirmed
F10. 2021 interim valuation, 2022 actuarial valuation and review of funding strategy	✓	✓	✓	✓	✓	✓	June 2021
F11. Amend Funding Strategy Statement to reflect new employer flexibilities	✓						June 2021
Administration and Communications							
A1. Review communications strategy	✓						June 2021
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)	✓*	✓*	✓*	✓*	✓*		As required
A5. Finalise GMP reconciliation exercise	✓	✓					June and Sept 2021
A6. Implement employer self-service on-line functionality to all employers including updating employer guide	✓	✓					No decisions required
A7. Triennial review of Third Party Administrator processes and responsibilities			✓	✓	✓		March 2022
A8. Other expected legislation changes including exit payment cap (£95k) and fair deal	✓*	✓*	✓*	✓*	✓*		To be confirmed
A9. Carry out member address tracing and verification exercise	✓						June 2021
A10. Review of employers' processes and responsibilities					✓	✓	To be confirmed
A11. Update data improvement plan/procedures following improvements in employer engagement				✓	✓		June 2022
A12. Carry out interim/test actuarial valuation for data checking purposes (as at March 2021)	✓	✓					Sept 2021

Key Action/Task	2021/22 Period				2022/ 23	2023/ 24	Expected Committee Agenda
	Q1	Q2	Q3	Q4			
A13. Implement changes required for national pensions dashboard(s)					✓*	✓*	To be confirmed
A14. Implement changes to meet GMP equalisation requirements	✓*	✓*	✓*	✓*	✓*	✓*	To be confirmed
A15. Carry out trivial commutation / small pots options exercise					✓		To be confirmed
A16. Carry out frozen refund clearance exercise					✓		To be confirmed
A17. Review administration strategy			✓		✓		Dec 2021
A18. Review discretion policies	✓						June 2021
A19. Review under/overpayment policy						✓	Dec 2023
A20. Review Voluntary Scheme Pays Policy and introduce High Earner Communications Strategy	✓						June 2021
Supplier and contractor reviews and tenders							
Custodian tender				✓			March 2022
Actuarial, benefits and governance consultant 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 2021-2022

The aim of the Fund's communications strategy is to make sure that all stakeholders are engaged with and 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 2021 to 2022 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		
Annual Newsletters - Administration	Annual		Annual		
Individual Member Self-Service (on-line portal)	Implementation				
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	Quarterly		Quarterly		
Employer Forum			February-March		
Employer training workshops			As required		
Pensions Admin Strategy			October-December		
Report & Accounts	Annual Newsletter		November		October
Funding Strategy Statement			April-June		
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	May-June			As Required	As Required
McCloud communications	To be confirmed		As required		
Cost management changes	As required		As required		

7. Pensions Committee – Suggested Future Agenda

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 (*).

June 2021

1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Quarterly Update
5. Training – TBC
6. Pensions Committee Appointments
7. Investment Strategy Implementation
8. Cashflow Monitoring
9. Interim Valuation and GAD S13 Results
10. Funding Strategy Statement (including employer flexibilities)
11. Communications Strategy
12. New TPR Single Modular Code (*)
13. Good Governance review outcomes (*)
14. Knowledge & Skills Policy and New CIPFA Framework (*)
15. Address tracing and verification exercise
16. Administering Authority and Employing Authority Discretion Policies
17. Voluntary Scheme Pays Policy
18. High Earner Communications Strategy

December 2021

1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Quarterly Update
5. Training – TBC
6. Investment Strategy Implementation
7. Cybercrime Policy/Update
8. Pensions Administration Strategy
9. Investment Consultant Tender

September 2021

1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Quarterly Update
5. Training – TBC
6. Pensions Committee Appointments
7. Investment Strategy Implementation
8. Responsible Investment Policy and Guidance
9. Voting Policy
10. Pension Fund Report and Accounts
11. Actuarial, Benefits & Governance Advisors Tender

March 2022

1. Apologies for Absence
2. Declarations of Interest
3. Consideration of minutes of previous meeting
4. Training – TBC (potentially funding strategy/actuarial valuation)
5. Investment Strategy Implementation
6. Quarterly Update
7. Business Plan
8. Simplification of approach to Admission Agreements
9. Third Party Administrator audit
- 10. Custodian tender**

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

Further information relating to key priorities

It is expected that work scheduled for 2021/22 will be carried out within the existing resource/budget unless indicated otherwise. Work scheduled for 2022/23 and 2023/24 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

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
✓	✓	✓	✓	June 2021 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"> • Committee - appointment of scheme member representative in Q1/2 of 2021/22 • Board – appointment of vacant employer representative role and review of both scheme member representatives (4-year term) in Q1/2 of 2021/22 • Board – consider review of other employer representative (3-year anniversary March 2023) in Q3/4 2022/23 • Committee – consider review of scheme employer representative (4-year anniversary September 2023) – Q1/2 of 2023/24 				

G2. Develop and implement Strategic Objectives Scorecard

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
✓	✓	✓	✓	From June 2021
<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 for the Administration and Communications objectives in June 2021 and follow on with the Investment, Funding and Governance objectives from September 2021 but this will depend on the Council's stance on MS Excel access (as MS Excel not currently permitted due to use of Google functionality).</p>				

G3. Review cybercrime risk to Fund

2021/22 Period

2022/23

2023/24

Expected Committee Agenda

✓		✓	✓			December 2021 initially
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Cyber risk is considered a key risk to the Fund, as it is to most organisations today. 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.

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

2021/22 Period

2022/23

2023/24

Expected Committee Agenda

		✓	✓			December 2021 and March 2022
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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 include:

- Conflicts of Interest Policy – by December 2021
- Governance Policy and Compliance Statement – by December 2021.
- Risk Strategy – by March 2022

G5. Review against new TPR Single Modular Code

2021/22 Period

2022/23

2023/24

Expected Committee Agenda

✓*	✓*	✓*	✓*			June 2021 initially
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The Pensions Regulator (TPR) is expected to consult on a new Single Modular Code during Spring 2021. 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.

G6. Implement changes from Scheme Advisory Board good governance review

2021/22 Period

2022/23

2023/24

Expected Committee Agenda

✓*

✓*

✓*

✓*

✓*

June 2021 initially

The national Local Government Pension 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 funds and their host authorities.

The review evolved to focus on all 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 and formal recommendations have been made to the Ministry for Housing Communities and Local Government (MHCLG). SAB have recommended that MHCLG issue statutory guidance to 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.

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

2021/22 Period

2022/23

2023/24

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

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
✓	✓			June 2021
<p>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 and links in with the Treasury Management Policy.</p>				

F2. Investment Strategy implementation

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
✓	✓	✓	✓	June, September and December 2021
<p>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 is expected to make available portfolios for the Fund to invest in, in line with its Investment Strategy. This includes agreeing a new diversification/de-risking approach and the transition of portfolios to the London CIV.</p>				

F3. Develop Responsible Investment policy

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
	✓	✓		September and December 2021
<p>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. This will also include TCFD reporting and consideration of signing up to the updated Stewardship Code.</p>				

F4. Review requirements for cost transparency collation/reporting

2021/22 Period

2022/23

2023/24

Expected Committee Agenda



March 2022

A Code of Transparency covering investment management fees and costs was developed and approved by 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, 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 2021/22 with a view to final reporting in line with the new requirements being live in 2022/23.

F5. Review of employer admission agreement monitoring/ tracking process

2021/22 Period

2022/23

2023/24

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. Work in this area has been delayed by the recent cyberattack as some existing documents have been lost and need to be rebuilt.

F6. Consider simplification of admission agreements due to outsourcing

2021/22 Period

2022/23

2023/24

Expected Committee Agenda



March 2022

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 Q4 of 2021/22.

F7. Develop Voting Policy

2021/22 Period

2022/23

2023/24

Expected Committee Agenda

	✓	✓				September and December 2021
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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.

F8. GAD Section 13 valuation results/engagement

2021/22 Period

2022/23

2023/24

Expected Committee Agenda

	✓*	✓*				June 2021
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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 compliance, consistency, solvency and long-term cost efficiency and a short report will be provided to each LGPS fund and made publicly available which will highlight any concerns.

F9. Other expected national changes including responsible investment, asset pooling guidance and TCFD

2021/22 Period

2022/23

2023/24

Expected Committee Agenda

✓*

✓*

✓*

To be confirmed

Responsible investment guidance

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 had been put on hold to give SAB time to consider the implications of a Supreme Court judgment and await the proposed climate change provisions in the Pension Schemes Bill. It is now expected that the guidance will be launched in March 2021 and subsequently maintained by a newly formed Responsible Investment Advisory Group.

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.

Task Force for Climate-related Financial Disclosures (TCFD) consultation

In January 2021 DWP launched a consultation on draft regulations requiring occupational pension schemes to implement improved governance and reporting relating to climate change as recommended by TCFD. Those draft regulations will not apply to the LGPS but MHCLG intends to consult, during 2021, on the implementation of TCFD-aligned disclosures within the LGPS.

F10. 2021 interim valuation, 2022 actuarial valuation and review of funding strategy

2021/22 Period

2022/23

2023/24

Expected Committee Agenda

✓

✓

✓

✓

✓

✓

June 2021

A formal actuarial valuation of the Fund detailing the solvency position and other financial metrics must be carried out as at 31st 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. An interim valuation as at 31st March 2021 will be carried out to highlight any data issues that can then be corrected in advance of the formal 2022 valuation. See also action A12.

F11. Amend Funding Strategy Statement to reflect new employer flexibilities

2021/22 Period

2022/23

2023/24

Expected Committee Agenda



June 2021

The Government amended the Local Government Pension Scheme (LGPS) Regulations 2013 in September 2020 introducing new powers for administering authorities to review employer contributions and spread exit payments and bringing in new Deferred Debt Agreements (DDA) and deferred employer status. The Funding Strategy Statement must be updated setting out the Fund's policy on use of these new flexibilities.

Administration and Communications key priorities

A1. Review communications strategy

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
✓				June 2021
<p>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.</p>				

A2. Relaunch member self-service on line functionality

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
	✓	✓		No decisions required
<p>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 202-22. The roll-out of member self-service is also dependent on the roll-out of employer self-service (see A3 and A6).</p>				

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

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
✓	✓			No decisions required
<p>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. Following the interface going live an exercise will be undertaken to review employer processes and forms.</p>				

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

2021/22 Period

2022/23

2023/24

Expected Committee Agenda

✓*

✓*

✓*

✓*

✓*

✓*

As required

Court of Appeal judgements (McCloud and Sargeant) in 2018 highlighted that the introduction of transitional provisions in the CARE schemes for Firefighters and Judges in April 2015 gave rise to unlawful age discrimination. This impacts 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 took place in July 2020 and since then work has commenced to identify the affected members so their benefits can be amended once regulations are laid. This is a major exercise to gather updated employment information from employers dating back to 2014. This work has been allowed for in the 2021/22 budget but it is possible that additional resource and budget may be required depending on the final outcome of the consultation and the final regulations.

A5. Finalise GMP reconciliation exercise

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
✓	✓			June and September 2021
<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 and will cease to provide their services in this area. 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. The Fund has outsourced this project to Equiniti and it is due to be completed in 2021/22. This has resulted in identifying some pensioners and dependents whose pension has been overpaid or underpaid, some for several years.</p>				

A6. Implement employer self-service on-line functionality to all employers including updating employer guide

2021/22 Period		2022/23	2023/24	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 2021-22.</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 and a review will be undertaken of employer processes and forms. .</p>				

A7. Triennial review of Third Party Administrator processes and responsibilities

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
	✓	✓	✓	March 2022
<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>				

A8. Other expected legislation changes including exit payment cap (£95k) and fair deal

2021/22 Period				2022/23	2023/24	Expected Committee Agenda
✓*	✓*	✓*	✓*	✓*		To be confirmed
<p>£95k Exit Cap and Wider Reforms</p> <p>Changes took place in 2020 that put a cap on the total of exit payments for public sector employers, such as redundancy payments, for members leaving the scheme. This included pension fund strain costs within the calculation of the £95k cap. In February 2021 the regulations were revoked and we expect an amended proposal during 2021. MHCLG also consulted on wider reform provisions in 2020 that could materially impact the type and amount of benefits paid to employees on early termination; if implemented, these impact on both payments made by employers as well as benefits paid from LGPS funds.</p> <p>Goodwin</p> <p>In 2020 the Government settled a legal challenge relating to the Teachers' Pension Scheme from a male survivor of a female member, complaining that he was due to receive lower benefits than a survivor of a same-sex marriage/partnership would receive. It has been accepted that this decision will also affect other public sector schemes and we await guidance from MHCLG on the required changes to the Local Government Pension Scheme regulations. We expect this during 2021.</p> <p>Fair deal</p> <p>In May 2016 MHCLG initially proposed that the New Fair Deal be extended to the LGPS. This would mean that any staff being outsourced would remain in the LGPS and their 'new' employer would gain admission body status, without the option of being able to offer a pension scheme that is broadly comparable to LGPS.</p> <p>On 10 January 2019 a consultation document was published by MHCLG 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.</p>						

A9. Carry out member address tracing and verification exercise

2021/22 Period				2022/23	2023/24	Expected Committee Agenda
✓						June 2021
<p>The Fund has a number of members where no current address is held, mainly relating to members who have left active employment and have deferred benefits or a frozen refund held in the Fund. Not only does this create problems when notifying members of their benefits and making payment of these 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. In addition to tracing members where no current address is held, the Fund intends to carry out a verification exercise on the address data it does hold, to ensure that benefit notifications reach members and that payment can be made promptly and efficiently when due. There may be additional costs relating to carrying out this exercise that are not yet included in the Fund's budget.</p>						

A10. Review of employers' processes and responsibilities

2021/22 Period				2022/23	2023/24	Expected Committee Agenda
				✓	✓	To be confirmed

The Fund has previously carried out an independent '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 A6 above).

A11. Update data improvement plan/procedures following improvements in employer engagement

2021/22 Period				2022/23	2023/24	Expected Committee Agenda
			✓	✓		June 2022

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 administration. Following the implementation of the employer on-line self-service functionality (see action A6 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 A10 above) and the test valuation (action A12 below).

A12. Carry out interim/test actuarial valuation for data checking purposes (as at March 2021)

2021/22 Period				2022/23	2023/24	Expected Committee Agenda
✓	✓					September 2021

The triennial valuation of the Fund is due in March 2022, but the Fund plans to carry out an interim '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. See also action F10.

A13. Implement changes required for national pensions dashboard(s)

2021/22 Period				2022/23	2023/24	Expected Committee Agenda
				✓*	✓*	To be confirmed

Pension dashboards are a Government initiative first announced in the Budget 2016. The idea behind the dashboards is to allow all pension savers in the UK access to view the values of all of their pension pots, including the 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 pension dashboards as well as how the architecture, funding and governance arrangements would work. The legislative requirements for schemes (including public sector schemes) to participate in the dashboards are expected to be forthcoming and the consultation proposed that all schemes should be onboarded to the first 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 and processes.

A14. Implement changes to meet GMP equalisation requirements

2021/22 Period

2022/23

2023/24

Expected Committee Agenda



To be confirmed

A recent court case determined that it is necessary to revisit pension benefits for scheme members who accrued a GMP to ensure 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 determined that the position that had 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. A further consultation ran until December 2020 investigating options from April 2021 onwards and further guidance will be provided to LGPS Funds when a decision is made. It is likely that full indexation will be continued for a few more years, while the Government further investigates other options. Depending on the option chosen, this could result in a major project impacting on resources. In the shorter term, the Fund is likely to have to revisit transfers-out over a number of years to ensure the correct amount was paid in respect of the GMP element.

A15. Implement trivial commutation/small pots options

2021/22 Period

2022/23

2023/24

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 a 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 reduce the fund's liabilities. 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.

A16. Carry out frozen refund clearing exercise

2021/22 Period

2022/23

2023/24

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 75th birthday and will also reduce the Fund's liabilities.

A17. Review administration strategy

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
	✓			December 2021
<p>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 December 2021. This review will ensure that the PAS is updated to reflect the new requirements from the launch of the employer self-service portal.</p>				

A18. Review discretion policies

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
✓				June 2021
<p>The Local Government Pension Scheme regulations provide the administering authority and scheme employers with a number of discretions, and some of these require a policy to be published. We consider it good practice to publish a policy covering all discretions. These policies should be reviewed at least every three years and the next planned review is June 2021.</p>				

A19. Review under/overpayment policy

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
			✓	December 2023
<p>The Fund has published an under/overpayment policy setting out how it will deal with cases where members are under or overpaid their benefits. This policy should be reviewed at least every three years and the next planned review is December 2023.</p>				

A20. Review pensions tax policies

2021/22 Period		2022/23	2023/24	Expected Committee Agenda
✓			✓	June 2021
<p>The Fund has a responsibility to ensure that pension taxation matters are dealt with according to relevant regulations and that members are given appropriate guidance. The Fund has previously published a Voluntary Scheme Pays policy. This policy should be reviewed at least every three years and the next planned review is June 2021. The Fund also plans to introduce a High Earner Communications Strategy setting out the information that will be provided to members, when and how it will be provided to manage members' expectations.</p>				